CORRAL PETROLEUM HOLDINGS AB (PUBL)

ANNUAL REPORT AND ACCOUNTS
2016

April 27, 2017

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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 ability to generate enough cash flow from operations to satisfy our obligations, which may otherwise require us to refinance our existing debt;
- volatility in market prices for crude oil and refined products resulting in volatility in our refining margins;
- our reliance on a limited number of suppliers to provide a portion of our working capital;
- increases in competition caused by positive trends in global refining and conversion;
- the competitive nature of our industry;
- the Eurozone's slow economic recovery following the debt crisis and the geopolitical instability in the EU and Russia;
- operational hazards and our dependence on key refinery assets;
- our ability to comply with existing or newly implemented governmental laws and regulations, including environmental laws and regulations on climate change, occupational health and safety laws, competition laws, energy laws, tax laws and other laws in the various countries in which we operate;
- changes in our tax treatment and the tax deductibility of interest;
- our liability for environmental damages, known and unknown;
- the risk of currency and commodity price fluctuations and our ability to hedge against such risks;
- our need to make substantial capital expenditures with respect to our refineries;
- the potential loss of key management;
- labor disruptions involving our employees and employees of third-parties;

- exposure to economic disruptions in the various countries in which we, our suppliers and our customers operate;

- the difficulties of comparing our results of operations from period to period;

- changes in our obligations and liabilities incurred in connection with our pension plans; and

- severe weather, natural disasters, climate change, terrorist attacks, threats of war and actual conflicts.

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 the Swedish Petroleum Institute, the Swedish Statistical Central Bureau, Bloomberg, Wood Mackenzie, Reuters 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;

- "SEK," "krona" or "kronor" refers to the lawful currency of Sweden; and

Definitions

In this Annual Report, unless otherwise provided below:

- "2011 Credit Facility" refers to the $1,850 million revolving credit facilities (of which $73 million was uncommitted) and $650 million (equivalent) term loan facilities for Preem pursuant to a facilities agreement dated September 14, 2011, by and among, inter alios, Preem, as borrower, Skandinaviska Enskilda Banken AB (publ), as facility agent, and the several other banks named therein, as amended or amended and restated from time to time;

- "2017 Notes" refers to the approximately $168.5 million in original principal amount of 15% Senior Dollar Notes due 2017 issued by CPH on September 14, 2011 and the approximately €135.6 million in original principal amount of 15% Senior Euro Notes due 2017 issued by CPH on September 14, 2011 and fully redeemed as of May 9, 2016;

- "2021 Indenture" refers to the indenture that governs the 2021 Notes, entered into on May 9, 2016, by, and among, inter alios, Corral Petroleum Holdings, Deutsche Trustee Company Limited, as Trustee, Deutsche Bank AG, London Branch, as Paying Agent, Transfer Agent and Security Agent;

- "2021 Notes" refers to the (i) €570,000,000 aggregate principal amount of euro-denominated 11.750% / 13.250% senior PIK toggle notes due 15 May 2021, issued by CPH on May 9, 2016, and (ii) SEK 500,000,000 aggregate principal amount of Swedish krona-denominated 12.250% / 13.750% senior PIK toggle notes due 15 May 2021, issued by CPH on May 9, 2016;

- "A&R Credit Facility" refers to the 2011 Credit Facility as amended and restated by way of an amendment and restatement agreement dated February 3, 2016, and as further amended by amendment letters dated April 18, 2016 (which became effective on the issue date of the 2021 Notes) and May 10, 2016, and pursuant to which a $1,542 million revolving credit facility and approximately $68 million (equivalent, translated using an exchange rate of $1=8.1472) term facility was provided to Preem, by and among, inter alios, Preem, as borrower, Skandinaviska Enskilda Banken AB (publ), Danske Bank A/S, Danmark, Sverige Filial, DNB Bank ASA, Svenska Handelsbanken AB (publ), Swedbank AB (publ), Nordea Bank AB (publ) and Aktiebolaget Svensk Exportkredit, as lenders, Skandinaviska Enskilda Banken AB (publ), as facility agent, Skandinaviska Enskilda Banken AB (publ) as factoring bank and Svenska Handelsbanken AB (publ) as letter of credit fronting bank, all as further amended or amended and restated from time to time;

- "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 any interest on the 2021 Notes that is payable in cash on any given payment date;

- "Collateral" or "Share Pledge" refers to the pledge in favor of the Security Agent, for itself and for the Trustee and the holders of the 2021 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);

- "Credit Facilities" refers, as the context requires, to the 2011 Credit Facility and the A&R Credit Facility, with references to borrowings thereunder being to borrowings under the A&R Credit Facility unless such references relates to a time period prior to the effective date of the A&R Credit Facility;

- "EU" refers to the European Union;

- "Former Corral Petroleum Holdings" refers to the direct, wholly owned subsidiary of Corral Petroleum Holdings, which was merged into Preem on October 30, 2008;

- "Group" and references to "we," "us" and "our" refers to Corral Petroleum Holdings AB (publ) and all of its subsidiaries, including Preem;

- "IFRS" refers to the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB") as adopted by the EU;

- "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 as amended and/or amended and restated from time to time including by way of an amendment and restatement agreement dated February 3, 2016, which became effective on the issue date of the 2021 Notes;

- "Moroncha Holdings" refers to Moroncha Holdings Co. Limited, the parent company of Corral Petroleum Holdings;

- "Notes" refers to the 2021 Notes;

- "OPEC" refers to Organization of the Petroleum Exporting Countries, a perpetual, intergovernmental organization;

- "PIK Interest" refers to any interest payable entirely through the issuance of Additional 2021 Notes having an aggregate principal amount equal to the amount of interest then due and owing;

- "Preem" refers to Preem AB (publ), the direct, wholly owned subsidiary of Corral Petroleum Holdings;

- "Preem Gas" refers to Preen Gas AB, a subsidiary of Preem;

- "Preem group" refers to Preem and all of its subsidiaries;

- "Subordinated Shareholder Debt" refers to, collectively, the Subordinated Shareholder Notes and the Subordinated Shareholder Loans;

- "Subordinated Shareholder Loans" refers to, collectively, subordinated shareholder loans made to Corral Petroleum Holdings in connection with certain transactions refinancing the Group's debt in 2011, comprising a $600 million subordinated shareholder loan, and two additional subordinated shareholder loans of $8 million and €9 million which were applied to the payment of expenses relating to certain refinancing transactions taking place in 2011, and which were amended in connection with the Transactions, including to extend their maturity to November 30, 2021. The Subordinated Shareholder Loans bear an interest rate of 5% per annum and are paid in kind semi-annually. The outstanding principal amount of Subordinated Shareholder Loans was reduced as of August 27, 2014, January 31, 2015, February 29, 2016, June 30, 2016 and December 31, 2016 by converting SEK 1,050 million, SEK 1,000 million, SEK 500 million, SEK 600 million and SEK 500 million equivalent, respectively, from Subordinated Shareholder Loans to shareholder contributions. As of December 31, 2016, the Subordinated Shareholder Loans, including accrued interest expense, amounted to $299 million and €12 million respectively;

- "Subordinated Shareholder 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, as amended and restated from time to time, and the maturity of which were extended as part of the Transactions to November 30, 2021. The Ultimate Shareholder owns all outstanding Subordinated Shareholder Notes, comprising an aggregate amount of $79 million and €178 million, as of December 31, 2016;

- "Transactions" refers to the following, taken together, which occurred on or before May 9, 2016:

    i. the issuance by Corral Petroleum Holdings of the 2021 Notes;

    ii. the repayment by Corral Petroleum Holdings of the 2017 Notes;

    iii. the extension of the maturity of the Subordinated Shareholder Debt to no earlier than the 181st day after the maturity of the 2021 Notes by amending the Subordinated Shareholder Notes and the Subordinated Shareholder Loans; and

    iv. the entry into and becoming effective of the A&R Credit Facility, which amended and restated the 2011 Credit Facility.

- "Trustee" refers to Deutsche Trustee Company Limited as Trustee of the 2021 Notes;

- "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.

PRESENTATION OF FINANCIAL INFORMATION

This Annual Report presents selected financial data for the years ended December 31 2016, 2015 and 2014, which is derived from our audited consolidated financial information as of and for the years ended December 31 2016, 2015 and 2014. 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, adjusted cash flow available for debt service, business margin, gross refining margin, net cash business margin, total financial third party debt, total financial current third party debt, total financial long term third party debt, net debt, net third party debt and various pro forma measures 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, 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, net debt and net third party 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.

As used in this Annual Report, the following terms have the following meanings:

- "Adjusted EBITDA" means EBITDA adjusted to exclude inventory gains/losses and foreign currency gains/losses;

- "business margin" means 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 effect occurs due to the fact that we may not price crude oil evenly throughout a month, while the refining margin corresponds to average market prices;

- "EBITDA" means net profit/(loss) before interest, taxes, depreciation and amortization and adjusted for other financial expense and other financial income;

- "gross refining margin" means the difference between the sales revenue received from the sale of refined products produced by a refinery and the averaged 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 a 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;

- "net cash business margin" means 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 business margin indicates the cash-generating capability of the refinery. Our net cash business margin differs from the "net cash margin" used in comparisons of refineries across the industry generally. Our net cash business margin represents a measurement used by our management for internal purposes and includes adjustments for sales of storage depot capacity, sales of storage tickets, sales of harbor fees as well as timing and inventory effects, each of which adjustments may not be included in the term "net cash margin" used by other companies.

- "net debt" means total debt less cash and cash equivalents (which includes Subordinated Shareholder Debt);

- "net margin" means the margin less depreciation and reflects the overall profitability of the refinery;

- "net third party debt" means total financial third party debt less cash and cash equivalents;

- "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;

- "total financial current third party debt" means total financial current debt excluding Subordinated Shareholder Debt;

- "total financial long-term third party debt" means total financial long-term debt excluding Subordinated Shareholder Debt; and

- "total financial third party debt" means total debt excluding Subordinated Shareholder Debt.

The financial information included in this Annual Report is not intended to comply with the applicable accounting requirements of the Securities Act and the related rules and regulations of the SEC which would apply if the Notes were being registered with the SEC.

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, 2016 of €1.00=SEK 9.5669. The following chart shows, for the period from January 1, 2014 through December 31, 2016, 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				
2014…………………………………….	9.5263	8.7704	9.0968	9.5155
2015…………………………………….	9.6418	9.0732	9.3562	9.1350
2016…………………………………….	9.9826	9.1467	9.4704	9.5669

(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, 2016, the Swedish Central Bank's exchange rate for the krona against the dollar was $1.00=SEK 9.0971. The following chart shows, for the period from January 1, 2014 through December 31, 2016, 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				
2014…………………………………….	7.8117	6.3392	6.8577	7.8117
2015…………………………………….	8.8390	7.8239	8.4350	8.3524
2016…………………………………….	9.3856	7.9202	8.5613	9.0971

(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, 2016, the European Central Bank exchange rate for the euro against the dollar was €1.00=$1.0541. The following chart shows, for the period from January 1, 2014 through December 31, 2016, 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				
2014…………………………………….	1.3953	1.2141	1.3211	1.2141
2015…………………………………….	1.2043	1.0552	1.1053	1.0887
2016…………………………………….	1.1569	1.0364	1.1069	1.0541

(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 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 Notes, and the repayment of principal on the Notes when due, depends on our future performance. Our ability to repay principal on the Notes when due may also depend on equity contributions from Moroncha Holdings or the Ultimate Shareholder, which might not be available. We are affected by financial, business, economic and other factors, many of which we are not able to control. In addition, tax and other considerations may effectively limit or restrict our future ability to make payments in respect of the Notes.

We cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to make interest and principal payments on our debt, or to fund our other liquidity needs.

If we do not generate sufficient cash flows from operations or if we otherwise do not have enough money to service our debt, we may be required to refinance all or part of our existing debt, forego opportunities and delay capital expenditures, or sell assets or borrow more money. These alternative measures may not be successful and may not be sufficient to enable us to meet our scheduled debt obligations. In the absence of such cash flows and resources, we could face substantial liquidity problems and could be required to sell material assets to attempt to meet our debt service and other obligations. We may not be able to consummate those asset sales to raise capital or sell assets at prices and on terms that we believe are fair, and any proceeds that we receive may not be adequate to meet any debt obligations then due. If we cannot meet our debt obligations, the holders of our debt may accelerate our debt and, to the extent such debt is secured, foreclose on our assets securing such debt. In such an event, we may not have sufficient assets to repay all of our debt.

In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. For a discussion of our cash flows and liquidity, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

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. The average price of crude oil in 2016 was approximately $44 per barrel, which was lower than the average price for 2015 of approximately $52 per barrel. However, the downward trend that began in 2015 was reversed, with an upward trend taking hold in January 2016 when the price was at $25 per barrel. The key factors that drove this trend included heightened expectations that the producer countries would adjust their surplus production even though global crude oil production exceeded demand. Global demand for crude oil rose as well, which also increased the price. Several producer countries experienced major conflicts and wars, which impacted crude oil production and made the market nervous. The price of crude oil reached $50 per barrel in June 2016, in part driven by signals of crude oil production cuts in the US. Market participants were unsure of whether the major producers would be able to agree on cutting production. The price of crude oil fluctuated widely between $40 and $50 per barrel until the OPEC meeting on November 30, 2016, which was also attended by Russia. At that meeting, the majority of the OPEC countries, along with Russia, agreed to cut crude oil production. The price of crude oil had already started rising before the meeting, and the final price quoted for 2016 was $55 per barrel.

The price of Dated Brent Crude increased from $35.74 per barrel as of December 31, 2015 to $54.94 per barrel as of December 31, 2016. As a result of the fluctuations in the price for our crude oil feedstock, our inventory of crude oil and refined products has been exposed to large fluctuations in price. We expect continued price volatility. These fluctuations have had and will continue to have an impact on our results, our compliance with the financial covenants of our Credit Facilities and our ability to borrow more money under our Credit Facilities. See "Description of Certain Indebtedness—A&R Credit Facility."

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 recessions, economic downturns and 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, Russia and West Africa;
- 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 and taxes;
- changes in the mandatory product specifications of the EU Fuel Quality Directive;
- market imperfections caused by regional price differentials;

- local market conditions and the level of operations of other refineries in our markets;

- 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, natural disasters, accidents, interruptions to transportation or other events that can cause unscheduled shutdowns or otherwise adversely affect our refineries; and

- changes in technology.

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 950 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 fuel costs, principally natural gas, and other utility services, principally electricity, used by our refineries affects operating costs. Both refineries have the possibility to choose the most cost effective crude oil feedstock available at any given time based on market situation. However, in terms of electricity, the flexibility is limited. 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 limited number of suppliers and may rely on trade credit from our suppliers to provide a portion of our working capital.

Historically, our cash and short term trade credits have been sufficient to finance our purchases of crude oil and hence have been a source of liquidity for us. We depend upon a limited number of suppliers and we may continue to rely on trade credit from our suppliers to provide a portion of our working capital.

As of December 31, 2016, we benefitted from trade credit from suppliers for the purchase of crude oil for an aggregate amount of $491 million (or equivalent). The trade credit lines have been uncommitted and, therefore, there can be no assurance that we can continue to benefit from such credit lines. If our suppliers fail to provide us with sufficient trade credit in a timely manner, we may have to use 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. Any increased costs or delay in sourcing of feedstock or trade credit or at all could cause disruption to our business and could have a material adverse effect on our business, financial condition or result 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.

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 Statoil ASA, as well as with Neste Oil Corporation, who also have facilities to process larger volumes of lower-priced, high-sulfur heavy Russian crude. Our Marketing and Sales segment, which includes the retail division through which we sell gasoline and other refined products to retail customers, competes primarily with Statoil Fuel & Retail Sverige AB, OK-Q8 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 our refining margins, either of which could have a material adverse effect on our business, financial condition or results of operations.

Slow economic recovery and high market volatility have had and may continue to have a negative effect on our business, results of operations, financial condition, and future growth prospects.

Despite official remedial measures, economic recovery in Europe has been slow with reduced energy consumption, including reduced demand for, and consumption of, our refined products. The recovery in Europe has not resulted in a corresponding increase in demand for refined products as a result of the low oil intensity of the recovery and improving fuel efficiency standards driven by increasingly stringent environmental regulations.

In addition, political instability and civil unrest in Ukraine could further impact European economic recovery. Both the United States and the European Union have maintained sanctions on specific Russian and Ukrainian individuals and institutions deemed responsible for undermining the Ukrainian government and its sovereignty, as well as for Russia's annexation of the Crimea region. These events, amongst others, such as so called "Brexit" and upcoming elections in several EU countries, have dampened the pace of economic recovery and created potential for increased volatility. This could cause our revenues and margins to decline and could negatively affect our refining margins and our business, financial condition and results of operations. Should the global economy relapse into recession or should a new global and long-lasting economic recession occur, it could have a materially 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, transport accidents 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 or port facilities for 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 effect on our business, financial condition, results of operations and cash flow.

As partial 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, our business interruption insurance does not cover losses for the first 45 days of interruption and may not cover blockades, interruption due to political circumstances in foreign countries, hostilities or labor strikes. Any major loss for which we are underinsured or uninsured could have a material adverse effect on our business, financial condition or results of operations. See “Business—Insurance.”

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 and regulations on climate change, occupational health and safety laws, competition laws and energy laws in Sweden and elsewhere, which may impact our business and results of operations.

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. 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 such expenditures. Regulatory liabilities and expenses may therefore have a material adverse effect on our business, financial condition or results of operations, including, without limitation, in the regulatory categories discussed below.

Carbon credits/emissions regulations. 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 strict EU and Swedish environmental regulations concerning refined products. Sweden has among the strictest environmental specifications in the EU. The EU regulations restrict the sulfur content of both gasoline and diesel and the aromatic content of gasoline and impose a CO_2 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 allowances of free emission credits that industrial installations will receive should be allocated from 2013, which resulted in allowances being allocated to us. This decision, however, may be reversed in the next five years resulting in the loss of some free emission credits, which will require us to purchase credits instead. If we were not allocated any more free emission credits, we estimate the purchase of such carbon credits would have amounted to approximately €10,400,000 during 2016 based on the approximate market price of carbon credits in December 2016. However, this cost could increase significantly depending on how regulation evolved, and any large increases in such costs could have a material adverse effect on our business, financial condition and results of operations.

In addition, legislators, regulators and non-governmental organizations, as well as companies in many business sectors, are increasing their efforts on global climate change action. Further regulation could be forthcoming at the EU level and globally, particularly given the agreement reached at the Paris climate change conference in December 2015 to cut down on global greenhouse gas pollution. Measures to ensure that global temperatures do not rise more than 2°C from pre-industrial times (a goal governments have already agreed to meet) could lead to increased regulatory costs in utilizing resources such as oil, gas and coal reserves. This and similar legislative action and regulatory initiatives in the future could result in increased capital and operating costs, changes to operating permits, additional remedial actions, material changes in operations, and the increased costs of our goods. As companies in different business sectors seek their own alternatives to comply with the same stringent targets to cut down on emissions we could end up facing a decreased demand for our products that cannot be assessed with certainty at this time.

REACH. 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 matters affecting our operations. REACH required companies, including us, to register and perform risk assessments in relation to certain regulated substances. All of the substances we manufacture and sell into the European market were registered in 2010 pursuant to 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 could 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 including, inter alia, permits under the Swedish Environmental Code and permits for the handling of flammables and explosive goods under the Swedish Flammables and Explosives Act. 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, which could have a material adverse effect on our ability to continue operations and our financial conditions, results of operations and cash flows; or that obtaining or renewing material permits will require adopting controls or conditions that would result in additional capital expenditures or increased operating costs.

Health and safety regulations. 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, including general industry standards, record keeping requirements and monitoring and control of occupational exposure to regulated substances, could lead to criminal sanctions, civil fines or compliance costs and changes in the way we operate our facilities, which could increase the costs of operating our business and have a material adverse effect on our results of operations, financial condition and cash flows.

Competition laws. 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.

Energy laws and electricity certificates. Each of our refineries and the power consumers at Skarvik Technical and Rishomen Caverns (Gothenburg) have been classified as electricity-intensive businesses. On September 1, 2015, an application we had submitted, pursuant to energy legislation, to Energimyndigheten (the Energy Authority) in order to maintain the classification of each of our refineries as an electricity intensive business was approved. This approval will be valid for three years. As a result, we will not need to purchase electricity certificates during this time period, which we estimate would have cost approximately SEK 15 million per annum. However, we can give no assurances that we will be awarded this classification again and to the extent we are not, we may need to purchase electricity certificates in the future thereby resulting in additional expenditures.

Obligation to supply renewable fuel at petrol stations. The Swedish legislation that obligates us to provide renewable fuel at petrol stations, the Act on the Obligation to Supply Renewable Fuels, has been changed, effective from August 1, 2014. The definition of renewable fuel in that Act means that the fuel must contain a renewable portion of at least 50%. This change in legislation raised the volume limit per year and site from 1,000 to 1,500 m3, which in turn reduced the number of sites in respect of which dispensations from the legislative requirements are necessary, from 162 sites to 118 sites. All the 118 sites which require the dispensations have now been granted dispensations by the Transport Agency. The dispensations granted enable Preem to comply with the Act by providing diesel fuel with at least 50% renewable content on a mass balance basis. The dispensations will be valid until October 30, 2020. To meet the conditions of the dispensations, Preem needs to install "mass balance pumps" at the 118 stations during 2017 or provide them with fuel with at least 51% renewable content. We expect to invest SEK 6 million during 2017. Of the 118 stations, 10 are provided with diesel fuel with at least 50% renewable content. This leaves 108 stations to attend to.

Changes in environmental laws and regulations. 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. In January 2014, the Industrial Emission Directive was implemented in Sweden. The directive states that refineries (as well as other industries) must implement the Best Available Technology ("BAT") and comply with associated Accepted Emission Levels ("AEL") for each unit process in each refinery. Refineries must be compliant with the BAT conclusions within four years after publication of the BAT conclusions, which occurred on October 28, 2014. Preliminary analysis has shown that particle emissions from the Preemraff Lysekil refinery FCC regenerator do not comply with BAT-AEL. A program has been adopted to address the issue with moderate capital investments planned for 2017. We estimate that capital expenditure to comply with BAT-AEL may total SEK 81 million at Preemraff Lysekil. The improvements will be carried out during the shutdown in 2017. However, there is a risk that the suggested changes will not suffice and more capital-intensive investments will be required. At Preemraff Gothenburg we are required to invest SEK 5 million in relation to BAT-AEL compliance. It may also be that we are required to make further investments, however, we currently see it as unlikely that further investment will be required.

VAT filings. We have notified the Swedish Tax Agency of possible technical non-compliance with the Swedish VAT Act, in which Preem has been issuing receipts since 2010 that reflect VAT on both gas station receipts and monthly summary invoices, even if the receipt and the invoice represent the same transactions. The Swedish VAT Act requires VAT specified on a receipt or invoice to be paid to the Swedish Tax Agency. Therefore, even though we paid appropriate VAT on a per-transaction basis, we may need to retroactively revise VAT filings to address the fact that receipts and invoices both showed VAT amounts.

Our external tax advisors have advised that the most likely outcome is that the Swedish Tax Agency will not demand corrective actions. If they did do so, there would be no penalties payable, but interest with respect to the revised filings could amount to SEK 300 million.

We are awaiting a response from the Swedish Tax Agency to our notification. We have adjusted the forms of our receipts and invoices to avoid this issue in the future, but cannot assure you at this time that the Swedish Tax Agency will not charge interest with respect to revisions to our historical VAT filings.

Changes in the tax treatment of Corral Petroleum Holdings, the tax incentives in connection with biofuels and the tax deductibility of interest may adversely affect our financial position and our ability to service the obligations under our indebtedness.

Corral Petroleum Holdings is subject to significant taxation and levies in Sweden. These taxes and levies imposed on Corral Petroleum Holdings have changed considerably over time and we cannot assure you that the level of taxes and levies to which we are subject will not be increased. Any further increases in the levels of taxes or levies to which we are subject in Sweden, or the implementation of any new taxes or levies to which we will be subject, could have a material adverse effect on our business, financial conditions, and results of operations. Furthermore, any change in Corral Petroleum Holdings' tax status, or in taxation legislation or practice in Sweden or any jurisdiction in which we operate, or in our tax treatment may affect our ability to service our debt and/or finance our operations.

Production of HVO Diesel: Production of tall oil based hydrotreated vegetable oil diesel ("HVO Diesel") allows producers to make certain deductions from the tax that they would otherwise be required to pay. We have recently become aware that the Swedish tax authority's position is that such deductions should not include the proportion of HVO Diesel which is hydrogen. We are in communications with the Swedish tax authorities to establish whether any additional payments will need to be made by Preem in relation to historical deductions which we have made. We believe it is likely that any payment which is required to be made by Preem will be between SEK 21 million and SEK 94 million.

There is a political discussion in Sweden on limiting the deductibility of interest on corporate debt. If such limitations are introduced, this may adversely affect our financial position and our ability to service our indebtedness.

Our biofuel, which qualifies as MK1, currently attracts tax incentives from the Swedish Tax Agency of approximately €0.60 per liter. We currently produce 169,000 m3 of the biofuel qualifying for this tax incentive and loss of this incentive would be materially adverse to our business.

Changes in tax legislation: It is possible that the effect of historic changes in Swedish tax legislation will cause Preem to incur an additional tax liability. We estimate that such liability, if incurred, would not exceed approximately SEK 144 million.

Furthermore, the Swedish Tax Agency may reassess our taxation within the statutory limitation period of six years. For example, a number of Swedish companies in the oil industry, including us, have approached the Swedish Tax Agency regarding the tax treatment in relation to the common practice of these companies of, from time to time, lending fuel to and from each other's depots on a daily basis ("Loan of Goods"). The Loan of Goods had been treated as loans and returns of goods and hence did not give rise to any tax charges. We, together with the other Swedish companies involved, will now treat this instead as a sale and purchase of fuel, which can lead to gains and losses depending on the price differential of oil between the date of sale and the date of purchase. The effects of this will be particularly acute where fuel is loaned/sold in one financial year and returned/purchased in the next. We do not currently expect that this will lead to any additional income and income tax, but the Swedish Tax Agency has yet to revert to us on this question.

We may be liable for environmental damages, which could adversely affect our business or financial results and reduce Corral Petroleum Holdings' ability to pay interest and principal due on its debts.

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, asbestos 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 related to any of our current or former operations. Environmental regulators may in some cases, investigate the existence of soil and groundwater contamination at our refineries, at some of our depot sites, our retail stations and at some sites where we previously had operations, which could lead to legal proceedings being initiated against us. For example, the County Administrative Board of Västra Götalands Län found us liable for the clean-up costs related to an incident where oil contaminated a drainage ditch on the Gothenburg property in 2013. A suggested plan for how the clean-up will be executed has been sent to the County Administrative Board along with suggested improvements to reduce risk of future contamination. In 2015, the County Administrative Board confirmed that it has no objections to the measures taken in accordance with our suggested plan. We anticipate that the clean-up works will start during 2019, and, from December 31, 2015, we have made a provision of SEK 21 million for the associated costs of the clean-up works in our accounts. The suggested improvements to our facilities will be funded by an investment budget in 2017. A non-compliance issue at a diesel truck stop in Uppsala is also currently being investigated by the police, which could result in criminal liability for us or our management and/or a revocation of that permit. Whilst the relevant legislation provides for a range of criminal sanctions which could be invoked in relation to this issue, we expect the imposition of a fine if we are found guilty. We not been contacted by the police or any other authority regarding this matter since January 2015.

Should there be any successful claim against us for damages or for environmental clean-up works, 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 our debts and for financing our normal operations and planned development.

We may also 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. For example, the lease for a storage depot in Stockholm will not be renewed when it expires in

December 2019 and the users of that depot, including us, will most likely be held responsible for their various shares of the cost of remedying contaminated land, water, buildings and constructions. This depot was used for the storage of oil and other hazardous substances for approximately 50 years by several oil companies, including Preem. We estimate that Preem's portion of the remediation costs for this will amount to approximately SEK 30 million. A provision has been made for this in our accounts. We may also 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. Until its expiry in December 2014, we maintained insurance with the Group's insurance company to cover some of the expenses and costs in respect of remediating contamination at closed sites, reflected in our accounts with a specific initial provision of approximately SEK 150 million ($18 million or €16.5 million), an amount which has now been fully utilized. We will therefore need to provide for future remediation expenses at closed sites as they are identified. We have currently made provisions for stations of SEK 6 million and for depots of SEK 9 million. For operational sites, we maintain environmental liability insurance that covers sudden and gradual pollution, with inception date March 1, 2012. Any major or unexpected remediation or clean-up costs for which we are underinsured or not insured at all and/or for which we have not made sufficient provision in our costs budget, could have a material adverse effect on our business, financial condition or results of operations.

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 our debt.

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, 2016, including the Subordinated Shareholder Debt, our krona-denominated third party debt totaled SEK 1,850 million, our dollar-denominated third party debt totaled $799 million and our euro-denominated third party debt totaled €759 million.

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 750 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, as well as on our ability to comply with the financial covenants of our lending arrangements and our ability to borrow under such lending arrangements. 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, which in turn can affect our ability to comply with the financial covenants of our lending arrangements, our ability to borrow under such lending arrangements and the sufficiency of capital available for borrowing under our lending arrangements. 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 may 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."

We must make substantial capital expenditures on our refineries and other facilities to maintain their reliability and efficiency. If we are unable to complete capital projects at their expected costs and/or in a timely manner, or if the market conditions assumed in our project economics deteriorate, our financial condition, results of operations or cash flows could be adversely affected.

Delays or cost increases related to the engineering, procurement and construction of new facilities, or improvements and repairs to our existing facilities and equipment, could have a material adverse effect on our business, financial condition, results of operations or cash flows. Such delays or cost increases may arise as a result of unpredictable factors in the marketplace, many of which are beyond our control, including:

- unplanned increases in the cost of equipment, materials or labor;
- disruptions in transportation of equipment and materials;
- severe adverse weather conditions, natural disasters or other events (such as equipment malfunctions, explosions, fires or spills) affecting our facilities, or those of our vendors and suppliers;
- denial or delay in obtaining regulatory approvals and/or permits;
- prices and availability of equipment and material;
- shortages of sufficiently skilled labor, or labor disagreements resulting in unplanned work stoppages;
- market-related increases in a project's debt or equity financing costs; and
- non-performance or force majeure by, or disputes with, our vendors, suppliers, contractors or sub-contractors.

Our refineries have been in operation for many years. Equipment, even if properly maintained, may require significant capital expenditures and expenses to keep it operating at optimum efficiency. For example, we have spent SEK 514 million on the most recently completed turnaround at the Preemraff Lysekil refinery, which we completed in 2013 and we incurred SEK 304 million associated with the turnaround for the Preemraff Gothenburg refinery, which we completed in 2011. These costs do not result in increases in unit capacities, but rather are focused on trying to maintain safe and reliable operations. Furthermore, requirements imposed by authorities mean that we will need to continually invest substantial amounts for replacement, maintenance and upgrades to our refineries. The next complete turnaround for the Preemraff Gothenburg refinery is scheduled for September 2017 and for Lysekil in 2019. Further capital expenditure for a variety of projects has been decided, including a new hydrogen production unit ("HPU") in Gothenburg and a vacuum distillation unit ("VDU") in Lysekil, together an investment of around SEK 2,235 million. In addition, we are currently working to upgrade our IT systems at an estimated cost of approximately SEK 500 million, which is expected to be gradually implemented during 2017 and 2018. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Overview."

Any one or more of the occurrences noted above could have a significant impact on our business. If we were unable to make up the delays or to recover the related costs, or if market conditions change or we otherwise cannot finance our capital expenditure program, it could materially and adversely affect our business, financial position, results of operations or cash flows.

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, but also to some extent from West Africa. 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;
- imposition of more extensive international sanctions on Russia;
- increase of hostilities between Russia and Ukraine or other countries;
- 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.

The occurrence of any one or more of these risks could have a material adverse effect on our business, financial position or result of operations.

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, for the year ended December 31, 2016, we held, 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 additional liabilities in connection with our pension plans, which could have a material adverse effect on our business.

Preem has defined benefit and defined contribution pension plans under which Preem has an obligation to provide agreed benefits to current and former employees. The closed defined benefit plans, which are non-active, are both unfunded and funded. The actuarial valuation, which is conducted annually according to International Accounting Standard 19 ("IAS 19"), showed that the current value of Preem's wholly or partially funded obligations was SEK 610 million and that fair value of plan assets was SEK 641 million meaning that our wholly or partially funded obligations had a net asset balance of SEK 31 million as of December 31, 2016. The current value of Preem's unfunded defined benefit obligations was SEK 132 million. Our total net balance of funded and unfunded defined pension plans amounts to SEK 101 million as of December 31, 2016 and is included in the balance sheet as "pension obligations". See also Notes 1 and 26 to our Consolidated Financial Statements. 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, CPH executed a guarantee for Preem's obligations under the unfunded defined benefit pension plan to the insurance company that provides credit insurance in relation to the unfunded amounts. The insurance company may require additional security in relation to its obligations under the credit insurance terms. 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. Claims in relation to Preem's pensions liabilities will rank ahead of claims you may have under the Notes.

Severe weather, natural disasters, climate change, external power supply failure, terrorist attacks, threats of war and actual conflict may negatively impact our business.

Severe weather and natural disasters such as hurricanes, earthquakes, water or other natural resource shortages, tsunamis, floods, typhoons, drought, fire, extreme weather conditions, rising sea levels and the direct and indirect effects of climate change (such as additional rising sea levels, increased storm severity, drought, flooding, wildfires, pandemics and social unrest from resource depletion and price increases), as well as any power shortages or telecommunications failures which may occur, may cause damage or disruption to our employees, facilities, customers, partners, suppliers, distributors and resellers, which could have an adverse impact on our business, results of operations and financial condition. Our insurance coverage with respect to natural disasters is limited and is subject to deductibles and coverage limits. Such coverage may not be adequate, or may not continue to be available at commercially reasonable rates and terms. Any future material and sustained interruptions in our ability to continue operations at our facilities could damage our reputation, harm our ability to retain existing customers or obtain new customers and could result in lost revenue, any of which could have a material adverse effect on our business, financial position or results of operations.

External electrical power supply failure, due to severe weather or an interruption in the external power generation or transmission system, could cause an interruption in production at each of our refineries. This could have an adverse impact on our business, results of operations and financial condition. We do not have insurance coverage for external power supply failure.

Additionally, terrorist attacks, events occurring in response to terrorist attacks, rumors, sabotage, 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 of, or a combination of, these occurrences could have a material adverse effect on our business, financial condition or results of operations. We maintain terrorism insurance which provides partial protection against property damage and business interruption in case of an attack on our refineries or terminals. Although there can be no assurance that this insurance is sufficient to protect us fully in all events, 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.

We may be subject to certain risks because we operate some of our business through joint ventures.

We have a number of joint ventures. There can be no assurance that these arrangements will be successful and/or achieve their planned objectives. The performance of all such operations in which we do not have a controlling interest will depend on the financial and strategic support of the other shareholders and partners. Such other shareholders and partners may take positions with which we may not agree, may make ill-informed or inadequate management decisions, or may fail to supply or be unwilling to supply the required operational, strategic and financial resources, which could materially adversely affect these operations. If any of our strategic partners were to encounter financial difficulties, change their business strategies or no longer be willing to participate in these strategic partnerships, joint ventures and alliances, this could have a materially adverse effect on our business, financial condition or results of operations.

Our growth strategy may involve acquisitions, and we may experience difficulties identifying acquisition targets, integrating acquired businesses and achieving anticipated synergies.

We regularly identify and evaluate potential acquisition opportunities. There can be no assurance, however, that suitable acquisition targets will, or can, be identified in the future, or that we will be able to finance such acquisitions on favorable terms. Furthermore, acquisitions we have already made or future acquisitions may not be integrated successfully into our operations and may not achieve desired financial objectives. Any acquisitions of businesses entail numerous operational and financial risks, including:

- higher than expected acquisition and integration costs;
- the possibility that we could pay more than the acquired company or its assets are worth;
- the possibility that we may not identify appropriate acquisition targets, complete future acquisitions on satisfactory terms or realize expected synergies or cost savings within expected timelines;
- unforeseen expenses, delays or conditions may be imposed upon the acquisition, including due to required regulatory approvals or consents;
- exposure to unknown liabilities (including, but not limited to, liabilities in relation to tax and environmental regulations and laws);
- difficulty and cost in combining the operations and personnel of acquired businesses with our existing operations and personnel;
- diversion of management's attention from our day-to-day business;
- impairment of relationships with key suppliers or customers of acquired businesses due to changes in management and ownership and the restructuring of logistics and information technology systems;
- the inability to retain key employees of acquired businesses;
- difficulty avoiding labor disruptions in connection with any integration, particularly in connection with any headcount reduction; and

- the incurrence of substantial debt, the cost of servicing which may affect our ability to service our short-term and long-term liabilities or otherwise negatively impact our cashflows.

The occurrence of any such event could have a material adverse effect on our business, financial condition or results of operations.

In addition, there can be no assurance that, following integration into our Group, an acquired operation will be able to maintain its customer base consistent with expectations or generate the expected margins or cash flow. Although we analyze each acquisition target, our assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. We may have difficulties in implementing our business model within an acquired company or acquired assets due to various factors, including conflicting corporate culture. There can be no assurance that our assessments of and assumptions regarding acquisition targets will prove to be correct and actual developments may differ significantly from our expectations.

In agreeing to acquire entities, we generally make certain assumptions and determinations on, among other things, future net sales and earnings, based on our investigation of the respective businesses and other information then available. We cannot assure you that our assumptions and determinations will prove to be correct or that liabilities, contingencies or other risks previously not known to us will not arise. In addition, we may be limited in our ability to acquire companies depending on the concentration of ownership in specific markets and our relative market position. Any such unanticipated risks, liabilities, contingencies, losses or issues, if realized, could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, acquisitions of companies expose us to the risk of unforeseen obligations with respect to employees, customers, suppliers and subcontractors of acquired businesses, public authorities and other parties. We cannot ensure that there will not be unexpected risks or obligations. Such obligations, were they to materialize, could have a material adverse effect on our business, financial condition or results of operations.

We may not be able to successfully manage future growth and any failure to do so could have a material adverse effect on our business.

Our ability to manage our growth and integrate operations, technologies, services and personnel depends on our administrative, financial and operational controls and our ability to create the infrastructure necessary to exploit market opportunities for our services, as well as our financial resources. In order to compete effectively and to grow our business profitably, we will need, on a timely basis, to maintain and improve our financial and management controls, reporting systems and procedures, implement new systems as necessary, attract and retain adequate management personnel, and hire, retain and train a highly qualified workforce. Furthermore, we expect that, as we continue to introduce new services and enter new markets, we will be required to manage an increasing number of relationships with various customers and other third parties.

Finally, we expect that the expansion and diversification of our business could require us to attract, train and retain increasing numbers of highly skilled technical personnel and managers. The failure or delay of our management in responding to these challenges could have a material adverse effect on our business, financial condition and result of operations.

Our operations could be disrupted if our information systems fail, causing increased expenses and loss of sales.

Our business is highly dependent on financial, accounting and other data processing systems and other communications and information systems, including our enterprise resource planning tools. We process a large number of transactions on a daily basis and rely upon the proper functioning of computer systems. If a key system was to fail or experience unscheduled downtime for any reason, even if only for a short period, our operations and financial results could be affected adversely. Our systems could be damaged or interrupted by fire, flood, power loss, telecommunications failure or similar event. Additionally, our business is highly dependent on our refinery control systems. Such systems could fail due to fires, security breaches or similar events and could result in disturbances to production, shutdowns, mechanical damage, fire or explosion. We have a formal disaster recovery plan in place, but this plan may not prevent delays or other complications that could arise from an information systems failure. Furthermore, our business interruption insurance may not compensate us adequately for losses that may occur. Any prolonged disruptions, or any significant shortfall in our business interruption insurance, may have a material adverse effect on our business, financial condition or results of operations.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers and suppliers, and personally identifiable information of our employees, in our facilities and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions and has recently been subject to such disruptions affecting key applications such as logistics, prices, accounting and invoicing. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, disrupt our operations, damage our reputation, and cause a loss of confidence, which could adversely affect our business, financial condition or results of operations.

Risks Related to our Capital Structure

Our substantial indebtedness poses certain risks and may affect our ability to operate our business.

We have a significant amount of indebtedness. As of December 31, we had 2016 SEK 11,155 million of total financial third party debt (which excludes Subordinated Shareholder Debt). We anticipate that our substantial indebtedness will continue for the foreseeable future. To the extent that Corral Petroleum Holdings pays PIK Interest on the Notes, our indebtedness will further increase, and, with compounding effects, the principal value of the Notes may grow substantially. Our substantial indebtedness may have important negative consequences for you, including:

- making it more difficult for us and our subsidiaries to satisfy our obligations with respect to our debt;
- requiring that a substantial portion of the cash flow from our subsidiaries' operations be dedicated to debt service obligations, reducing the availability of cash flow to fund internal growth through working capital and capital expenditures, and for other general corporate purposes;
- increasing our vulnerability to economic downturns in our industry;
- exposing us to interest rate increases;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Further, the A&R Credit Facility requires Preem to maintain a specified ratio of (i) consolidated EBITDA to consolidated interest costs and (ii) certain interest bearing liabilities to consolidated EBITDA and to comply with a maintenance covenant relating to minimum equity and with other covenants. However, there can be no assurances that Preem will be able to maintain such ratios or minimum equity levels or to comply with such covenants or with any other related obligations in the future, nor that it will be able to obtain waivers or amendments with respect to such obligations in a timely manner or at all. A breach of any of these covenants or other obligations would restrict Preem's ability to make new drawings under the revolving facilities of the A&R Credit Facility. Upon the occurrence of any event of default under the A&R Credit Facility, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the undrawn facilities and to elect to declare all amounts outstanding thereunder, together with accrued interest, immediately due and payable.

The 2021 Indenture, as to Corral Petroleum Holdings and its subsidiaries (comprising Preem and its subsidiaries), and the A&R Credit Facility, as to Preem and its subsidiaries, contain covenants that restrict our ability to finance future operations or capital needs or to take advantage of other business opportunities that may be in our interest. These covenants restrict our ability to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- make investments or other restricted payments;
- pay dividends or make other distributions or repurchase or redeem our capital stock;
- create liens on assets to secure indebtedness;
- transfer or sell assets;
- engage in certain transactions with affiliates;
- enter into agreements that restrict our restricted subsidiaries' ability to pay dividends; and
- merge or consolidate with or into another company.

Events beyond our control, including changes in general business and economic conditions, may affect our ability to meet these requirements. A breach of any of these covenants could result in a default under the 2021 Indenture and/or the Credit Facility, as well as under any other debt instruments or facilities that contain relevant cross-default provisions.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations. An actual or impending inability by us or our subsidiaries to pay debts as they become due and payable could result in enforcement by secured creditors, including creditors under the A&R Credit Facility, against collateral held by them, and could result in our insolvency.

Corral Petroleum Holdings is a holding company with no revenue generating operations of its own. Corral Petroleum Holdings depends on the ability of its subsidiaries, including Preem, to distribute cash to it, and any inability of any of its subsidiaries to transfer funds to it will negatively affect Corral Petroleum Holdings' ability to meet its debt service and other obligations.

Corral Petroleum Holdings is a holding company. As a holding company, to meet its debt service and other obligations, it is dependent upon dividends, permitted repayment of intercompany debt, if any, and other transfers of funds from Preem or equity contributions from its parent company, Moroncha Holdings, or the Ultimate Shareholder. As of the date of this Annual Report substantially all of Corral Petroleum Holdings' assets consist of 100% of the share capital of Preem. A portion of the net cash proceeds of the issuance of the 2021 Notes was retained by Corral Petroleum Holdings in segregated accounts for the purpose of making Cash Interest payments on the 2021 Notes. These accounts are not escrow accounts, however, and therefore such funds will not be insulated from other creditors of Corral Petroleum Holdings.

Preem may not declare any dividends or otherwise transfer any funds to Corral Petroleum Holdings unless the transfer comprises a "Permitted Payment" as defined in the A&R Credit Facility, Preem has maintained certain financial ratios and is otherwise not in default under the A&R Credit Facility. See "Description of Certain Indebtedness—A&R Credit Facility." Although Corral Petroleum Holdings currently projects that Preem will make Permitted Payments sufficient for Corral Petroleum Holdings to service the Cash Interest payments on the Notes, Preem is not under a legal obligation to pay the maximum dividend allowable under these restrictions, which could limit Corral Petroleum Holdings' ability to pursue a program of deleveraging.

There can be no assurance as to the amount of funds that Preem will be able to distribute, dividend or otherwise pay to CPH to be credited to the segregated account, if any, or the timing or availability thereof which will be subject to satisfying a number of conditions pursuant to the A&R Credit Facility(or any amendment, restatement, modification, renewal, refunding agreement or replacement or refinancing agreement, provided that any such amendment, restatement, modification, renewal, refunding agreement or replacement or refinancing agreement may not be less favorable to the holders of the Notes with respect to the restrictions that apply to the Company's ability to dividend, distribute or otherwise pay cash to CPH), including a requirement that Preem has had more than $100 million of minimum liquidity in cash, cash equivalents and/or certain drawings available under the A&R Credit Facility for a certain period before and at the time funds are dividended, distributed or paid to CPH). See “Description of Certain Indebtedness—A&R Credit Facility— Restrictions on Upstreaming of Cash".

Additional restrictions on the distribution of cash to Corral Petroleum Holdings arise from, among other things, applicable corporate and other laws and regulations and the terms of other agreements to which Preem and its subsidiaries are or may become subject. Under Swedish law, Preem or its subsidiaries may only pay a dividend to the extent that such corporate entity has positive net equity according to its adopted balance sheet in its latest annual report; provided, however, that the distribution of profits may not be made in any amount which, given due consideration to the financing needs of Preem or such subsidiary, including the liquidity or financial position of Preem and its subsidiaries, would contravene sound business principles.

As a result of the above, Corral Petroleum Holdings' ability to service Cash Interest payments or other cash needs may become considerably restricted. If Preem is unable to pay dividends or otherwise transfer funds to Corral Petroleum Holdings and if equity contributions from Corral Petroleum Holdings' parent company, Moroncha Holdings, or from the Ultimate Shareholder, are not forthcoming, then Corral Petroleum Holdings will be unable to satisfy its obligations to pay Cash Interest on the Notes and will be required to pay PIK Interest instead and/or to refinance those obligations to avoid default. We can provide no assurance that Corral Petroleum Holdings will be able to obtain the necessary funds from Preem or Moroncha Holdings or from the Ultimate Shareholder, or that it will be able to refinance its obligations.

The Notes are structurally subordinated to the Group's debt and other liabilities, which could impair your right to a payment on any sale of the Group's assets.

As of December 31, 2016, the Group had total consolidated third party debt (consisting of long term third party debt and total financial current third party debt, which, in each case, excludes Subordinated Shareholder Debt) of SEK 11,155 million (€1,166 million), of which SEK 5,202 million (€544 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 Notes. The 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, 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 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.

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 A&R 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. As a result, Corral Petroleum Holdings or any of its subsidiaries may be able to incur substantial additional debt, including secured debt. In particular Corral Petroleum Holdings may accrue PIK Interest under the Notes, which will increase the amount of Corral Petroleum Holdings' outstanding debt in the future. To the extent we incur additional indebtedness, the substantial leverage risks described above would increase.

A substantial part of our indebtedness, including borrowings under Preem's Credit Facilities, bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

Borrowings under Preem's Credit Facilities bear interest at floating rates of interest per annum equal to EURIBOR, STIBOR, LIBOR and similar benchmarks, as adjusted periodically, plus a margin. These interest rates could rise significantly in the future. Although certain interest rate hedging arrangements might be available to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow, thereby having an adverse effect on our business, financial condition or results of operations.

The Notes and the Credit Facilities contain a number of restrictive covenants, which may not allow Corral Petroleum Holdings to repay or repurchase the Notes.

Corral Petroleum Holdings' ability to comply with the restrictive covenants set forth in 2021 Indentures, and Preem's ability to comply with the restrictive covenants set forth in the Credit Facilities, may be affected by events beyond our control and we may not be able to meet our obligations under such debt agreements. A breach of any of these covenants could result in a default under the 2021 Indenture or the Credit Facilities and, potentially, an acceleration of Corral Petroleum Holdings' obligation to repay the Notes and an acceleration of Preem's obligation to repay any amounts outstanding under the Credit Facilities, and neither Corral Petroleum Holdings nor Preem may have sufficient funds to repay such amounts, including the Notes.

If Corral Petroleum Holdings experiences a Change of Control (as defined in the 2021 Indenture) each holder of the Notes may require Corral Petroleum Holdings to repurchase all or a portion of that holder's notes.

If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to Corral Petroleum Holdings to pay the purchase price of the Notes, or that the restrictions in the A&R Credit Facility, the 2021 Indenture or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in a mandatory prepayment of, an event of default under, or acceleration of, the A&R Credit Facility, the Notes and our other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under our other indebtedness, even if the change of control itself does not. The ability of Corral Petroleum Holdings to receive cash from its subsidiaries to allow them to pay cash to the holders of the Notes following the occurrence of a change of control, may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when Corral Petroleum Holdings' subsidiaries are prohibited from providing funds to Corral Petroleum Holdings for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, Corral Petroleum Holdings will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing.

Any failure by Corral Petroleum Holdings to offer to purchase the Notes would constitute a default under the 2021 Indenture, which would, in turn, constitute a default under the A&R Credit Facility and certain other indebtedness.

The change of control provision contained in the 2021 Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the 2021 Indenture. Except for in relation to a change of control, the 2021 Indenture does not contain provisions that would require Corral Petroleum Holdings to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" in the 2021 Indenture includes a disposition of all or substantially all of the assets of Corral Petroleum Holdings and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of Corral Petroleum Holdings' assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether Corral Petroleum Holdings is required to make an offer to repurchase the 2021 Notes.

The value of the Collateral may not be sufficient to satisfy Corral Petroleum Holdings' obligations under the Notes, and the value of the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Corral Petroleum Holdings' obligation to make payments on the Notes will be 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 over physical assets (including 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 receivables are pledged under the A&R Credit Facilities, if you are a holder of Notes, your ability to recover assets based on the value of the Share 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, upon an event of default under the Credit Facilities, the lenders may enforce any and all of their security interests, including their security interests in the capital stock of Preem, foreclose on Preem's refineries in Lysekil and Gothenburg and enforce other security interests. In each case, we may be unable to operate our business.

In the event of enforcement of the Collateral, the proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations under the Notes. No appraisals of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. The value of the Collateral and the amount to be received upon a sale of such Collateral will depend upon many factors, including, among others, market and economic conditions and the availability of buyers. The book value of the Collateral should not be relied upon as a measure of realizable value for such assets. The potentially illiquid nature of the Collateral may negatively impact its market value and may delay the ability to realize proceeds through enforcement. Consequently, liquidating the Collateral securing the Notes may not produce proceeds in an amount sufficient to pay any amounts due on the Notes.

In order to create a valid security interest under Swedish law, the property subject to such security interest must fulfil the following criteria: (a) there must be an underlying debtor-creditor relationship in respect of the obligations which the security purports to secure; (b) the pledgor must grant the security interest, typically in the form of a pledge agreement; and (c) an act perfecting the security interest must take place. The method for perfection varies depending on the asset type. In the case of shares, the perfection of the pledge is achieved by transferring the share certificates to the possession of the pledgee. The pledgee is not entitled to vote for the shares but is, absent agreement to the contrary, entitled to any bonus shares and any new shares issued in rights issues. Unless the pledgee and the pledgor agree otherwise, the pledgor is entitled to all dividends until the bankruptcy date. The right to future dividends can, however, be pledged to the pledgee or to a third party.

A Swedish share pledge which has not been properly perfected does not constitute a validly existing security interest and may therefore not be relied upon in relation to third parties.

When a Swedish court shall determine whether a security interest over movable assets and contractual claims is perfected it will apply the law of the jurisdiction in which the relevant asset is located. Hence, Swedish substantive law will be applicable only if the relevant shares are located within the borders of Sweden.

The Trustee or the Security Agent will not monitor the acquisition of future property or rights that constitute Collateral or have any responsibility or obligation for the perfection of any security interest in favor of the Notes against third parties.

The Credit Facilities are secured by a pledge of all outstanding shares of capital stock of Preem, which could impair recovery under the Notes.

Preem's obligations under the Credit Facilities are secured by a pledge of all outstanding shares of capital stock of Preem. In the event of a default under the Credit Facilities, if the lenders enforce their security over these shares, Corral Petroleum Holdings would no longer control its operating company or the Group and would lose the power to have dividends declared and paid to it. Were that to happen, we can make no assurances that we would be able to meet our obligations under the Notes.

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

Corral Petroleum Holdings' obligation to make payments on the Notes will be 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 of the physical assets and 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 receivables are pledged under the Credit Facilities, if you are a holder of Notes, your ability to recover assets based on the value of the Share 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 Security Agent acting on behalf of the holders of the Notes, will be subject to a 30-day standstill period prior to the enforcement of the Collateral for the Notes from the date of notice regarding any event of default under the 2021 Indenture. The lenders under the Credit Facilities 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—A&R Credit Facility—Intercreditor Agreement." In addition, upon an event of default under the Credit Facilities, the lenders may enforce any and all of their security interests, including to dispose of the capital stock of Preem, foreclose on Preem's refineries in Lysekil and Gothenburg and enforce other security interests. In each case, we may be unable to operate our business.

The security interests in the Collateral are not directly granted to the holders of the Notes.

The security interests in the Collateral that will secure the obligations of Corral Petroleum Holdings under the Notes are granted in favor of the Security Agent, the Trustee and each holder of the Notes (all as represented by the Security Agent). However, in accordance with the 2021 Indenture, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Security Agent, who will (subject to the provisions of the 2021 Indenture) receive instructions from the Trustee, acting on instructions of at least 25% of the holder of Notes, in respect of the Collateral.

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

All of Corral Petroleum Holdings' share capital is wholly owned by Moroncha Holdings, and all of the share capital of Moroncha Holdings is owned by the Ultimate Shareholder, Mr. Mohammed Hussein Al-Amoudi. Our board of directors consists of designees of Moroncha Holdings, whose board of directors consists of designees of the Ultimate Shareholder. Mr. Al-Amoudi is also our Chairman of the Board of Directors as well as of our operating subsidiary, Preem. As a result, the Ultimate Shareholder 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 the Ultimate Shareholder 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 compulsory 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 compulsory liquidation under Swedish company law, which would constitute an event of default under the 2021 Indenture related to the Notes.

Under Swedish law, whenever a company's board of directors has a reason to assume that the company's equity is less than half of 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 satisfying the enforced claim in full.

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 for a general meeting which shall consider whether the company shall go into compulsory liquidation (*initial general meeting for liquidation purposes*). The special balance sheet and the 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 for liquidation purposes, reconsider the issue whether the company shall go into liquidation (*second general meeting for liquidation purposes*). Prior to the second general meeting, the board of directors shall prepare a new special balance sheet and have such reviewed by the company's auditors. The new special balance sheet and the auditor's report thereon shall be presented at the second general meeting.

A court of general jurisdiction shall—upon request by certain parties (cf. below)—order that the company go into solvent liquidation where (i) a second general meeting for liquidation purposes 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 for liquidation purposes 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.

Our consolidated financial statements reflect negative equity on a consolidated basis for the years ended December 31, 2016, 2015 and 2014, but it is CPH on a stand-alone basis that would be assessed under the Swedish rules regarding compulsory liquidation. The equity of CPH was positive on December 31, 2016.

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.

We conduct some of our business on a regular basis in England and Wales. On that basis, an English court may conclude that we have 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 we enter into a compromise or arrangement with is creditors. A scheme of arrangement is governed by English company law. English company law differs from U.S. company law and applicable U.S. bankruptcy laws, and your rights as our creditor may not be as strong under English company law as they may be under U.S. laws.

It is also possible that we could be held to have our “center 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 determine that it has jurisdiction to wind up Corral Petroleum Holdings as an unregistered company provided that there is a “sufficient connection” with England, and the English court is satisfied that there is no other more appropriate jurisdiction for the winding up to take place and there is a reasonable possibility that there will be a real 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 Notes were not issued on terms that would amount to a transaction at an undervalue, that the offering was 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 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 Notes for any period from the date of commencement of liquidation proceedings could be recovered by holders of the 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 equally 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 the procedure, distribution of proceeds and ranking of claims etc. Under Swedish law, there is no consolidation in bankruptcies of the assets and liabilities of a group of companies. This means that subsidiaries are not automatically affected by a parent's bankruptcy. Moreover, even where subsidiaries would be declared in bankruptcy, each individual company would be managed separately by individual bankruptcy administrators appointed by the local district court having jurisdiction over the respective company. Consequently, our assets and those of our subsidiaries, including Preem, would first be used to satisfy the debts of us and each respective subsidiary. Only in the event of a surplus, the proceeds would benefit our parent company and the parent company's creditors. As a result, your ability to protect your interests as potential creditors 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 payments under the Notes or granted securities could be voided as recoverable transactions. The overriding requirement for recovery is that the challenged transaction is to the detriment of either the debtor or one of the creditors.

Under Swedish law, in the case of bankruptcy or company reorganization proceedings affecting us, payments under the Notes (of principal or interest or otherwise) that are made less than three months before the application for bankruptcy or company reorganization proceedings are 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 nonetheless 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 would not be entitled to set-off in the debtor's bankruptcy. Should the creditor 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 payment will be recovered unless it is shown that the grantor was not, or did not by that measure become, insolvent.

Further, 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 nonetheless 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, or did not by that measure become, insolvent.

A recoverable transaction can also be deemed to have taken place under the general provision on recovery. According thereto, a payment under the Notes could be revoked if an agreement, transaction or other act, such as the issuance of the Notes is held to favor a creditor in an undue manner to the detriment of another creditor or to conceal property from 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 Notes favored a creditor in an undue manner.

If such an agreement, transaction or other act is concluded more than five years before the application for bankruptcy or company reorganization was filed, the payment under the 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.

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 all of Corral Petroleum Holdings' directors and executive officers are not residents of the United States. Furthermore, a substantial portion of the Group's assets 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, any of its subsidiaries, including Preem or those persons, or to enforce the judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws against Corral Petroleum Holdings, any of its subsidiaries, including Preem, or those persons. 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.

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 subsidiary's business with intent to defraud its creditors within the meaning of the companies law applicable to Cyprus ("Cyprus Companies Law").

The holders of the 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 (secured creditor), and the secured creditor will be entitled to preferential satisfaction, but only out of the proceeds of the realization of the security interest. Ordinary creditors (other than secured creditors) shall have no right or priority in the proceeds emanating from the realization of the secured interest except where there is a balance after the satisfaction of the debt of the secured creditor. Non-secured creditors with preferential debts, being ordinary creditors whose debts are specified in Sections 202AF and 300 of the Cyprus Companies Law, shall have priority over other unsecured liabilities.

Under Section 202AF of the Cyprus Companies Law, the costs and expenses of an examiner of an insolvent company who is appointed by the court pursuant to Section 202A of the Cyprus Companies Law, shall be paid in priority to all other debts of that company. Also liabilities certified as being properly incurred by the insolvent company to which an examiner has been appointed shall be paid in full in priority before any other claim including winding up expenses and the remuneration of any liquidator, including a claim secured by a floating charge but after any claim secured by any other encumbrance of a fixed nature or a pledge under any compromise or scheme of arrangement or in any receivership or winding up of the company.

Under Section 300 of the Cyprus Companies Law, the following debts shall be paid in priority to all other debts of an insolvent company (other than costs and expenses of the liquidation, including the liquidator's remuneration):

- 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 is 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 the 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. Its assets consist of shareholdings in subsidiaries which are located outside the United States and its sole director is not a 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 judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws against Moroncha Holdings. 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.

CAPITALIZATION

The following table sets out the historic consolidated capitalization of Corral Petroleum Holdings as of December 31, 2016. You should read this table in conjunction with "Selected Consolidated Financial Data," "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, 2016(1)		
	Actual		
	SEK	**€(2)**	**$(2)**
	(in millions)		
Revolving Credit Facility	5,080	531	558
Overdraft facility	103	11	11
Other interest bearing liabilities(3)	19	2	2
2021 Notes	5,953	622	654
Total financial third party debt	11,155	1,166	1,226
Subordinated Shareholder Debt	5,251	549	577
Total aggregate debt	16,406	1,715	1,803
Total equity	(769)	(80)	(85)
Total indebtedness and equity	15,637	1,635	1,719

(1) All figures included in this consolidated capitalization table are excluding capitalized transaction costs.

(2) Translations to euros and dollars provided solely for convenience by translating kronor into euro at the rate of €1.00 = SEK 9.5669 and kronor into dollars at the rate of $1.00 = SEK 9.0971 (the respective exchange rates on December 31, 2016).

(3) Other interest bearing liabilities is comprised of deposits.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present 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, 2016, 2015 and 2014 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, 2016 and 2015, and, for comparative purposes, our audited consolidated financial information as of and for the year ended December 31, 2014, 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, 2016 and 2015 and the related notes, which are included elsewhere in this Annual Report.

Consolidated Balance Sheet Information:

	As of December 31, 2016		As of December 31, 2015		As of December 31, 2014	
	SEK	€ [a]	SEK	€ [a]	SEK	€ [a]
	(in millions) (audited)					
Total intangible and tangible fixed assets, net	9,273	969	8,938	934	8,912	932
Financial assets	243	25	2,059	215	3,188	333
Other short term assets	13,287	1,389	10,250	1,071	12,120	1,267
Cash and cash equivalents	1,030	108	422	44	1,123	117
Total assets	**23,833**	**2,491**	**21,669**	**2,265**	**25,343**	**2,649**
Shareholders' equity	(769)	(80)	(1,679)	(176)	(2,464)	(258)
Total financial long-term third party debt [3][4]	10,395	1,087	4,804	502	13,423	1,403
Total financial current third party debt [2][4]	103	11	7,328	766	1,561	163
Total financial third party debt [1][4]	**10,498**	**1,097**	**12,132**	**1,268**	**14,984**	**1,566**
Subordinated Shareholder Debt [4]	5,251	549	6,025	630	6,313	660
Total non-financial debt	8,853	925	5,191	543	6,510	680
Total debt [5]	24,602	2,572	23,348	2,440	27,807	2,907
Total equity and debt	23,833	2,491	21,669	2,265	25,343	2,649

Consolidated Income Statement Information:

	Year ended December 31, 2016		Year ended December 31, 2015		Year ended December 31, 2014	
	SEK	**€ [(a)]**	**SEK**	**€ [(a)]**	**SEK**	**€ [(a)]**
			(in millions) (audited)			
Net sales	66,225	6,922	75,826	7,926	94,170	9,843
Excise duties	(10,184)	(1,065)	(9,820)	(1,026)	(9,733)	(1,017)
Sales revenue	**56,041**	**5,858**	**66,006**	**6,899**	**84,438**	**8,826**
Cost of goods sold	(50,929)	(5,323)	(61,620)	(6,441)	(85,214)	(8,907)
Gross profit/(loss)	**5,112**	**534**	**4,386**	**458**	**(777)**	**(81)**
Selling expenses	(820)	(86)	(797)	(83)	(761)	(80)
Administrative expenses	(813)	(85)	(746)	(78)	(511)	(53)
Other operating income	321	34	351	37	350	37
Other operating expenses	—		—		—	
Operating profit/(loss)	**3,800**	**397**	**3,193**	**334**	**(1,699)**	**(178)**
Interest income	6	1	164	17	168	18
Other financial income [(6)]	17	2	52	5	34	4
Interest expense	(1,560)	(163)	(1,574)	(165)	(1,516)	(158)
Other financial expense [(7)]	(2,553)	(267)	(1,855)	(194)	(2,987)	(312)
(Loss) before taxes	**(290)**	**(30)**	**(20)**	**(2)**	**(5,999)**	**(627)**
Income taxes	(340)	(36)	(250)	(26)	1,207	126
(Loss)	**(631)**	**(66)**	**(270)**	**(28)**	**(4,792)**	**(501)**

Other Financial Data:

	As of and for the year Ended December 31, 2016		As of and for the year Ended December 31, 2015		As of and for the year Ended December 31, 2014	
	SEK	**€ [(a)]**	**SEK**	**€ [(a)]**	**SEK**	**€ [(a)]**
			(in millions) (unaudited)			
EBITDA [(8)]	4,800	502	4,166	435	(639)	(67)
Adjusted EBITDA [(9)]	3,399	355	5,428	567	2,109	220
Capital expenditure [(10)]	1,347	141	968	101	818	86
Cash flow from operating activities	4,287	448	3,380	353	1,487	155

(a) Unaudited translations to euros provided solely for convenience by translating kronor into euro at the rate of 9.5669 (the exchange rate on December 31, 2016).

(1) Total financial third party debt consists of total financial current third party debt and total financial long-term third party debt (which, in each case, excludes Subordinated Shareholder Debt). Total third party debt is not an IFRS measure.

(2) Total financial current third party debt represents total current debt excluding Subordinated Shareholder Debt. Total current debt represents debt that is due within twelve months. For the periods ended December 31, 2016, 2015 and 2014, all of our total financial current third party debt consisted of drawings under the Credit Facilities. In our consolidated financial statements, total current debt is represented under current liabilities as "Borrowing." Total financial current third party debt is not an IFRS measure.

(3) Total financial long-term third party debt represents total long-term debt excluding Subordinated Shareholder Debt. Total long-term debt represents the sum of the figures represented under non-current liabilities as "Borrowing" in our consolidated financial statements and is net of transaction expenses. Total financial long-term third party debt is not an IFRS financial measure.

(4) Subordinated Shareholder Debt, in our consolidated financial statements, is represented by "Bond loans shareholder in EUR," "Bond loans shareholder in USD," "Shareholder loans subordinated in EUR" and "Shareholder loans subordinated in USD."

(5) Total debt consists of total financial third party debt and Subordinated Shareholder Debt and total non-financial debt.

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

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

(8) 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 2021 Notes. The following table presents a reconciliation of net income to EBITDA.

	Year ended December 31,		
	2016	**2015**	**2014**
		(in million SEK)	
Net (loss)	(631)	(270)	(4,792)
Add back:			
Income tax	340	250	(1,207)
Loss before taxes	**(291)**	**(20)**	**(5,999)**
Adjustments for:			
Depreciation and amortization	1,001	973	1,060
Other financial expense	2,553	1,855	2,987
Total interest expense	1,560	1,574	1,516
Interest income	(6)	(164)	(168)
Other financial income	(17)	(52)	(34)
EBITDA	**4,800**	**4,166**	**(639)**

(9) 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 A&R 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,		
	2016	**2015**	**2014**
		(in million SEK)	
EBITDA	**4,800**	**4,166**	**(639)**
Add back:			
Inventory (gains)/ losses	(1,279)	1,266	3,279
Foreign currency (gains)/losses	(122)	(4)	(531)
Adjusted EBITDA	**3,399**	**5,428**	**2,109**

(10) Capital Expenditure consists of capital expenditures of intangible assets and capital expenditures of property, plant and equipment.

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, 2014, 2015 and 2016. The discussions regarding our results of operations are based on the audited consolidated financial statements as of and for the years ended December 31, 2015 and 2016, and for comparative purposes, our audited consolidated financial information as of and for the year ended December 31, 2014.

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 and Sales 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 29% of the refining capacity in the Nordic region in 2016. We sell more refined products in Sweden than any of our competitors. In Sweden, we had the leading market share in 2016 in terms of sales volume of diesel, heating oil and fuel oil with approximately 35% of diesel sales, 54% of heating oil sales and 59% of fuel oil sales, according to the Swedish Statistical Central Bureau.

Our Supply and Refining segment purchases and refines crude oil and then sells refined products wholesale to our Marketing and Sales segment and to third parties. We also own a strategically located network of storage depots in Sweden. In 2016, our Supply and Refining segment sold approximately 77% (by value) of its products to third parties and 23% (by value) to our Marketing and Sales segment as compared to 79% (by value) and 21% (by value), respectively, in 2015. For the years ended December 31, 2014, 2015 and 2016, our Supply and Refining segment had sales revenue (including internal sales and exchange rate differences) of SEK 82,564 million (€8,630 million), SEK 64,194 (€6,710 million) and SEK 53,808 million (€5,624 million) and an operating income of SEK (2,202) million 230 million), SEK 3,437 million (€359 million) and SEK 3,779 million (€395 million), respectively.

Our Marketing and Sales segment consists of two divisions: an Energy division and a Retail division. The Marketing and Sales segment resells refined products, wholesale, primarily in Sweden. We also sell our gasoline and diesel through 341 Preem-branded service stations (of which 101 are manned which are company owned and dealer-operated and 240 are unmanned, which are company owned and operated) along with 168 company-owned and operated unmanned Såifa-branded diesel truck stops. For the years ended December 31, 2014, 2015 and 2016 our Marketing and Sales segment had sales revenue (including internal sales and exchange rate differences) of SEK 18,686 million (€1,953 million), SEK 15,612 million (€1,631 million) and SEK 14,776 million (€1,544 million), and operating income of SEK 390 million (€41 million), SEK 422 million (€44 million) and SEK 590 million (€62 million), respectively.

Key Factors Affecting Results of Operations

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

Refining margins

Oil refineries measure the financial performance of their operations by their margins. 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.

For the methodology on how we calculate our various margins, such as gross refining margin and business margin, see "Presentation of Financial Information."

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 other factors. See "Risk Factors—Risks Related to our Business—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." 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, 2014, 2015 and 2016. In accordance with industry practice, the margins are expressed in dollars per barrel.

	Year Ended December 31,				
	2014	2015	% Change	2016	% Change
	(in dollars per barrel, except % change and total feedstock)				
Preemraff Lysekil					
Gross refining margin $/bbl	5.41	7.86	45%	5.61	(40%)
Variable refining costs $/bbl	(0.68)	(0.53)	(22)%	(0.46)	(15%)
Refining margin $/bbl	4.73	7.33	55%	5.15	(42%)
Timing effects $/bbl	0.13	0.17	31%	0.15	(15%)
Business margin $/bbl	4.86	7.51	55%	5.30	(42%)
Sales other $/bbl (1)	0.29	0.21	(28)%	0.17	(26%)
Fixed expenses excl. depr. $/bbl	(1.44)	(1.24)	(14)%	(1.23)	(1%)
Net cash business margin, $/bbl	3.71	6.47	74%	4.23	(53%)
Depreciation $/bbl	(1.02)	(0.80)	(22)%	(0.83)	3%
Net margin, $/bbl	2.69	5.67	111%	3.40	(67%)
Total feedstock (1,000 barrels)	76,487	78,734	3%	76,845	(2%)
Preemraff Gothenburg					
Gross refining margin $/bbl	2.84	5.18	82%	3.66	(41%)
Variable refining costs $/bbl	(0.47)	(0.44)	(6)%	(0.37)	(17%)
Refining margin $/bbl	2.37	4.74	100%	3.29	(44%)
Timing effects $/bbl	0.13	0.17	31%	0.15	(15%)
Business margin $/bbl	2.50	4.91	96%	3.44	(43%)
Sales other $/bbl (1)	0.19	0.11	(42)%	0.07	(68%)
Fixed expenses excl. depr $/bbl	(1.45)	(1.15)	(21)%	(1.27)	10%
Net cash business margin, $/bbl	1.24	3.88	213%	2.23	(74%)
Depreciation $/bbl	(1.03)	(0.83)	(19)%	(0.91)	9%
Net margin, $/bbl	0.21	3.05	1,352%	1.32	(132%)
Total feedstock (1,000 barrels)	35,245	40,927	16%	38,228	(7%)

(1) Sales other consists of income from storage tickets sold to other oil companies, harbor dues and the sale of excess heat to the municipalities of Gothenburg and Lysekil.

World oil product demand increased by 1.6 million barrels per day in 2016 according to International Energy Agency's Oil Market Report published March 15, 2017. In 2015, world demand averaged 95.0 million barrels per day and in 2016, world demand averaged 96.6 million barrels per day, meaning there was an increase of 1.7%. The increase took place mainly in emerging markets rather than OECD countries.

In the year ended December 31, 2016, our refining margins decreased by $2.18/bbl to $5.15/bbl at Preemraff Lysekil and decreased by $1.45/bbl to $3.29/bbl at Preemraff Gothenburg as compared to the year ended December 31, 2015. The decrease was due to weakening margins on diesel and a planned maintenance shut down in Lysekil. In 2015, our refining margins increased by $2.6/bbl to $7.33/bbl at Preemraff Lysekil and increased by $2.37/bbl to $4.74/bbl at Preemraff Gothenburg as compared to 2014.

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, although the physical volume of our inventories remains relatively stable over time. To the extent that crude oil and refined product prices fall in tandem, our gross profit would generally be negatively affected because we compute the gross profit as the excess of sales revenue (determined at the time of sale) over the cost of goods sold (determined using the first-in first-out accounting principle). Conversely, a portion of the gross profit that we would record during a period of increasing prices may be attributable solely to the increase in refined product prices during the period after we buy the crude oil and prior to the time we sell the refined product. Therefore, for any given valuation date, we value our inventory at the lower of the acquisition cost using the first-in first-out accounting principle and the actual value. Subsequent movements in the price of the refined product will have a corresponding impact on our gross profit.

Refined product price changes often lag behind crude oil price changes. During periods of falling crude oil prices our gross profit margins may increase, depending on the rate and the duration of the crude oil price decrease and the degree to which crude oil prices drop more than refined product prices. For example, due to this effect, the profitability of refining operations significantly increased during the last six months of 2014. During periods of increasing crude oil prices, we believe that we experience the opposite effects.

During periods of falling crude oil prices, the cost of replenishing our crude oil inventories and, thus, our working capital requirements similarly decrease and vice versa.

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 to an extent. 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 control 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 positive effect on our revenues as reported in kronor, that is, the krona value of our dollar-denominated revenues 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 8,452 million as of December 31, 2016. 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, 2016, 44.4% of our total debt, including Subordinated Shareholder Debt, was denominated in dollars, 11% was denominated in kronor and 44.4% in Euro.

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.

Maintenance and other shutdowns

Our results of operations are generally affected by equipment shutdowns as part of our planned maintenance, installation of equipment or to repair and recover from unplanned incidents. For example, operations at Preemraff Lysekil were affected by a significant incident in March 2014 when the HPU was shut down due to a ruptured furnace sub-header (the "HPU Incident"). In turn, the HPU Incident required the shutdown of Preemraff Lysekil's hydro-cracker due to lack of hydrogen from the HPU, which resulted in reduced production of low-sulfur diesel while the HPU was offline for repair. In addition to replacing the HPU's defective furnace sub-header, we determined that the internal lining in the furnace needed to be repaired, which extended the repair time. The HPU was repaired and came back online in May 2014 and has since operated without disruption. During the repair period, the rest of the refinery continued to operate (at approximately 90% of full capacity). The HPU incident resulted in production losses worth approximately SEK 360 million in total, and repair costs of approximately SEK 20 million. As detailed in "Business—Insurance" below, approximately SEK 120 million of these costs and losses has been covered by our property damage and business interruption insurance.

At Preemraff Lysekil, a maintenance shutdown was conducted for inspection, repairs and catalyst replacements at the Hydrogen Production Units and Isocracker plants, along with some other minor maintenance activities in spring 2016. For more information about historical shutdowns, see "Business—Supply and Refining Operations—Preemraff Lysekil—Developments" and "Business—Supply and Refining Operations—Preemraff Gothenburg—Developments."

Trend Information

Exchange rates. In the year ended December 31, 2016, the average value of the dollar against the krona increased by approximately 1.5% and the average value of the dollar against the euro was almost unchanged. In 2015, the average value of the dollar against the krona increased by approximately 23% and the average value of the dollar against the euro increased by approximately 23%. In 2014, the average value of the dollar against the krona increased by approximately 5% and the average value of the dollar against the euro remained approximately the same. See "—Key Factors Affecting Results of Operations—Translation Risk" above.

Volatile crude oil prices. In 2016, Dated Brent Crude prices reached a low of $25 per barrel in January but increased during the year and ended the year at $55 per barrel, an increase of $30 per barrel. During 2015, Dated Brent Crude prices reached a high of $66.65 per barrel and ended the year at $35.74 per barrel, a decrease of $30.91 per barrel. In 2014, Dated Brent Crude prices reached a high of approximately $115 per barrel in June and ended the year at $54.98 per barrel—a decrease of 52%.

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 at 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-sulfur 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 currently accompanied by the added benefit of tax incentives. See "Business—Sustainable Business Initiatives."

Consolidation. Over the past several years, the European oil refinery and Swedish oil retail industry has experienced noticeable consolidation as a result of industry mergers and acquisitions as well as closures of competition. 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 and Sales segment. The sales revenue of our Supply and Refining segment includes inter-company sales to the Marketing and Sales segment, and the sales revenue of our Marketing and Sales 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 and Sales 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 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 and Sales segment.

Financial Expense, net. 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 at a rate of 22% in 2016, 2015 and 2014.

Non-controlling Interest. The non-controlling interest represents the minorities' interest in one of our subsidiaries, Svensk Petroleum Förvaltning AB. The non-controlling shareholder holds 34% of the outstanding shares of Svensk Petroleum Förvaltning AB.

Results of Operations

Summary

The following table shows certain items derived from our consolidated financial statements for the years ended December 31, 2014, 2015 and 2016.

	Year Ended December 31,					
	2014	**% Change**	**2015**	**% Change**	**2016**	**% Change**
	(SEK in millions, except % changes)					
Net Sales	94,170	5	75,826	(19)	66,225	(13)
Excise duties	(9,733)	(3)	(9,820)	(1)	(10,184)	(4)
Sales revenue	**84,438**	**6**	**66,006**	**(22)**	**56,041**	**(15)**
Cost of goods sold	(85,214)	8	(61,620)	(28)	(50,929)	(17)
Gross profit/(loss)	**(777)**	**N/A**	**4,386**	**N/A**	**5,112**	**17**
Selling and administrative expenses	(1,272)	6	(1,543)	(21)	(1,633)	6
Other operating income	350	(14)	351	0	321	(8)
Other operating expenses	—	—	—	—	—	—
Operating profit/(loss)	**(1,699)**	**N/A**	**3,193**	**N/A**	**3,800**	**19**
Financial expense, net (1)	(4,301)	88	(3,213)	(25)	(4,090)	27
Profit/(loss) before taxes	**(5,999)**	**N/A**	**(20)**	**N/A**	**(291)**	**N/A**
Income taxes	1,207	N/A	(250)	N/A	(340)	(36)
Net profit/(loss)	**(4,792)**	**N/A**	**(270)**	**N/A**	**(631)**	**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/(loss) for our business segments for each of the years ended December 31, 2014, 2015 and 2016.

	Year Ended December 31,		
	2014	2015	2016
	(SEK in millions)		
Sales Revenue:			
Supply and Refining [(1)]	82,564	64,194	53,808
Marketing	18,686	15,612	14,776
Exchange rate differences	249	111	95
Group eliminations	(17,062)	(13,911)	(12,638)
Total Sales Revenue [(2)]	84,438	66,006	56,041
Operating profit/(loss):			
Supply and Refining	(2,202)	3,437	3,779
Marketing	390	422	590
Other non-allocated income (expense) [(3)]	113	(666)	(570)
Total operating profit/(loss)	**(1,699)**	**3,193**	3,799

(1) Includes sales by our Supply and Refining segment to our Marketing and Sales segment, SEK 12,612 million for 2016 (€1,318 million), SEK 13,860 million for 2015 (€1,449 million) and SEK 16,984 million (€1,775 million) for 2014. 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.

(2) 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.

(3) 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, 2016 compared to the year ended December 31, 2015

Net Sales. Our net sales for the year ended December 31, 2016 were SEK 66,225 million, a decrease of SEK 9,601 million, or 13%, from SEK 75,826 million for the year ended December 31, 2015. This decrease was primarily attributable to lower crude oil prices that resulted in lower product prices.

The average Dated Brent Crude price was $44 per barrel during 2016 compared to $52 per barrel during 2015, which had a negative impact on net sales. The crude price for the year ended December 31, 2016 was partly offset by a stronger USD to SEK exchange rate (which on average was 1.5% higher during 2016, than during 2015).

Sales revenue. Sales revenue for the year ended December 31, 2016 was SEK 56,041 million, a decrease of SEK 9,965 million, or 15%, from SEK 66,006 million for the year ended December 31, 2015. This decrease was primarily a result of lower crude oil prices that resulted in lower product prices. Sales revenue for our Supply and Refining segment decreased by 16% to SEK 53,808 million for the year ended December 31, 2016 from SEK 64,194 million for the year ended December 31, 2015, primarily as a result of lower crude oil prices that resulted in lower product prices. Sales revenue for our Marketing and Sales segment decreased by 5% to SEK 14,776 million for the year ended December 31, 2016 from SEK 15,612 million for the year ended December 31, 2015. This decrease was mainly attributable to lower crude oil prices that resulted in lower product prices.

Cost of goods sold. Cost of goods sold for the year ended December 31, 2016 was SEK 50,929 million, a decrease of SEK 10,691 million, or 17%, from SEK 61,620 million for the year ended December 31, 2015. The decrease was primarily attributable to lower crude oil prices.

Gross profit. Gross profit for the year ended December 31, 2016 was SEK 5,112 million, an increase of SEK 726 million, from a gross profit of SEK 4,386 million for the year ended December 31, 2015. This increase was primarily a result of increasing crude oil prices during 2016, leading to inventory price gain. The price effect on inventories amounted to a gain of SEK 1,279 million compared to a loss of SEK 1,266 million for the year ended December 31, 2015, representing a profit increase of SEK 2,545 million.

Selling and administrative expenses. Selling expenses for the year ended December 31, 2016 were SEK 820 million, an increase of SEK 23 million, or 3%, from SEK 797 million for the year ended December 31, 2015. Administrative expenses for the year ended December 31, 2016 were SEK 813 million, an increase of SEK 67 million, or 9%, from SEK 746 million for the year ended December 31, 2015. The increase in administrative expenses was primarily attributable to higher consultancy costs.

Other operating income. Other operating income for the year ended December 31, 2016 was SEK 321 million, a decrease of SEK 30 million, from SEK 351 million for the year ended December 31, 2015.

Operating profit. Operating profit for the year ended December 31, 2016 was SEK 3,800 million, an increase of SEK 607 million, from a profit of SEK 3,193 million for the year ended December 31, 2015. The operating profit of our Supply and Refining segment was SEK 3,779 million for the year ended December 31, 2016, an increase of SEK 342 million, from an operating profit of SEK 3,437 million for the year ended December 31, 2015. This increase in operating profit was mainly due to price gains on inventory. Excluding the price effects on inventory of SEK 1,279 million, the operating profit of our Supply and Refining segment amounted to SEK 2,501 million for the year ended December 31, 2016, a decrease of SEK 2,202 million from a profit of SEK 4,703 million for the year ended December 31, 2015. The weighted refining margin decreased to USD/bbl 4.53 during the year ended December 31, 2016 from 6.45 during the year ended December 31, 2015. Our Marketing and Sales segment generated an operating profit of SEK 590 million for the year ended December 31, 2016, an increase of SEK 168 million from an operating profit of SEK 422 million for the year ended December 31, 2015. The increase in the Marketing and Sales segment's operating profit was mainly attributable to good HVO (Hydrogenated vegetable oils) profitability and strong sales volume. Volumes have increased by 3% during 2016.

Financial expense, net. Our financial expense, net, for the year ended December 31, 2016 was SEK 4,090 million, an increase of SEK 877 million from SEK 3,213 million for the year ended December 31, 2015. Financial expense, net, for the year ended December 31, 2016 was negatively affected by exchange rate losses realized and unrealized, mainly due to a stronger dollar, of SEK 854 million, compared to a loss of SEK 597 million for the year ended December 31, 2015. For the year ended December 31, 2016, interest expense amounted to SEK 1,560 million, a decrease of SEK 14 million from SEK 1,574 million for the year ended December 31, 2015. Other financial, net amounted to SEK 2,536 million for the year ended December 31, 2016, an increase of SEK 890 million from SEK 1,206 million for the year ended December 31, 2015. Included in other financial net is a provision for the value of a promissory note from Corral Morocco Gas & Oil of SEK 1,567 million (SEK 946 million for the year ended December 31, 2015).

Income taxes. Income taxes for the year ended December 31, 2016 were SEK 340 million, an increase of SEK 90 million from a tax cost of SEK 250 million for the year ended December 31, 2015. The increase was attributable to the improved operational results in the year ended December 31, 2016 as described above. The effective tax rate in 2016 was impacted by non-deductible write-down of the receivable from Corral Morocco Gas & Oil.

Net profit/(loss). Net loss for the year ended December 31, 2016 was SEK 631 million, an increase of SEK 361 million from a net loss of SEK 270 million for the year ended December 31, 2015 as a result of factors discussed above.

Year ended December 31, 2015 compared to the year ended December 31, 2014

Net Sales. Our net sales for the year ended December 31, 2015 were SEK 75,826 million, a decrease of SEK 18,344 million, or 19%, from SEK 94,170 million for the year ended December 31, 2014. This decrease was primarily attributable to falling crude oil prices leading to lower refined product prices in the global market. The average Dated Brent Crude price was $52 per barrel during 2015 compared to $99 per barrel during 2014, which had a negative impact on net sales. The lower net sales for the year ended December 31, 2015 were partly offset by a stronger USD to SEK exchange rate (which on average was 23% higher as of December 31, 2015, than as of December 31, 2014) and higher throughput (which was approximately 7% higher for the year ended December 31, 2015 compared to the year ended December 31, 2014). Net sales during the year ended December 31, 2014 were negatively affected by the HPU Incident, which we estimate to have resulted in a production loss of approximately SEK 360 million during that period, prior to insurance recoveries in respect of such losses and cost of repairs of approximately SEK 120 million (see “Business—Insurance”).

Sales revenue. Sales revenue for the year ended December 31, 2015 was SEK 66,006 million, a decrease of SEK 18,432 million, or 22%, from SEK 84,438 million for the year ended December 31, 2014. This decrease was primarily a result of falling product prices. Sales revenue for our Supply and Refining segment decreased by 22% to SEK 64,194 million for the year ended December 31, 2015 from SEK 82,564 million for the year ended December 31, 2014, primarily as a result of lower market prices for refined products. Sales revenue for our Marketing and Sales segment decreased by 16% to SEK 15,612 million for the year ended December 31, 2015 from SEK 18,686 million for the year ended December 31, 2014. This decrease was mainly attributable to lower product prices both in respect of business-to-business and retail division.

Cost of goods sold. Cost of goods sold for the year ended December 31, 2015 was SEK 61,620 million, a decrease of SEK 23,594 million, or 28%, from SEK 85,214 million for the year ended December 31, 2014. The decrease was primarily attributable to lower market prices for crude oil, which were offset to some extent by a higher average exchange rate for USD against SEK.

Gross profit/(loss). Gross profit for the year ended December 31, 2015 was SEK 4,386 million, an increase of SEK 5,163 million, from a gross loss of SEK 777 million for the year ended December 31, 2014. This increase was primarily a result of improved refining margins due to the exceptionally strong gasoline crack during the summer months and also a healthy diesel crack for most of the period to December 31, 2015. The price effect on inventories amounted to a loss of SEK 1,266 million compared to a loss of SEK 3,279 million for the year ended December 31, 2014, representing a profit increase of SEK 2,013 million.

Selling and administrative expenses. Selling expenses for the year ended December 31, 2015 were SEK 797 million, an increase of SEK 36 million, or 5%, from SEK 761 million for the year ended December 31, 2014. Administrative expenses for the year ended December 31, 2015 were SEK 746 million, an increase of SEK 235 million, or 46%, from SEK 511 million for the year ended December 31, 2014. The increase in administrative expenses was primarily attributable to organizational changes that resulted in the centralization of certain expenses that had been recorded elsewhere and an increase in profit sharing expenses reflecting improved results. The organizational changes involved parts of the refineries dealing with health and safety, environment and refinery development being moved to corporate functions. These expenses were previously treated as production expenses.

Other operating income. Other operating income for the year ended December 31, 2015 was SEK 351 million, a decrease of SEK 1 million, from SEK 350 million for the year ended December 31, 2014.

Operating profit. Operating profit for the year ended December 31, 2015 was SEK 3,193 million, an increase of SEK 4,892 million, from a loss of SEK 1,699 million for the year ended December 31, 2014. The operating profit of our Supply and Refining segment was SEK 3,437 million for the year ended December 31, 2015, an increase of SEK 5,639 million, from an operating loss of SEK 2,202 million for the year ended December 31, 2014. This increase in operating profit was mainly due to strong refining margins combined with efficient operations and no unplanned downtime at either of our refineries, as compared to downtime from the HPU Incident during the year ended December 31, 2014. Excluding the price effects on inventory of SEK (1,266) million, the operating profit of our Supply and Refining segment amounted to SEK 4,703 million for the year ended December 31, 2015, an increase of SEK 3,625 million from a profit of SEK 1,078 million for the year ended December 31, 2014. During most of April 2015 and one week of May 2015, the Preemraff Lysekil refinery performed planned maintenance on three units which had some effect on overall throughput and utilization. Our Marketing and Sales segment generated an operating profit of SEK 422 million for the year ended December 31, 2015, an increase of SEK 32 million from an operating profit of SEK 390 million for the year ended December 31, 2014. The increase in the Marketing and Sales segment's operating profit was primarily a result of increased margins of our main product diesel and lower operating expenses. The diesel margin strengthened due to a general market increases as well as due to increasing volumes sold to the consumer market.

Financial expense, net. Our financial expense, net, for the year ended December 31, 2015 was SEK 3,213 million, an increase of SEK 1,087 million from SEK 4,300 million for the year ended December 31, 2014. Financial expense, net, for the year ended December 31, 2015 was negatively affected by exchange rate losses realized and unrealized, mainly due to a stronger dollar, of SEK 597 million, compared to a loss of SEK 2,345 million for the year ended December 31, 2014. For the year ended December 31, 2015, interest expense amounted to SEK 1,574 million, an increase of SEK 58 million from SEK 1,516 million for the year ended December 31, 2014, predominantly attributable to lower interest margins affecting both the term loan facility and the working capital facility under the 2011 Credit Facility and improved operating cash flow being applied to reduce short term debts. Other financial, net amounted to SEK 1,206 million for the year ended December 31, 2015, a decrease of SEK 590 million from SEK 616 million for the year ended December 31, 2014.

Income taxes. Income taxes for the year ended December 31, 2015 were SEK (250) million, an increase of SEK 1,457 million from a tax income of SEK 1,207 million for the year ended December 31, 2014. The increase was attributable to the improved operational results in the year ended December 31, 2015 as described above. The effective tax rate in 2015 was impacted by a non-deductible write-down of the receivable from Corral Morocco Gas and Oil.

Net profit/(loss). Net loss for the year ended December 31, 2015 was SEK 270 million, an increase of SEK 4,522 million from a net loss of SEK 4,792 million for the year ended December 31, 2014 as a result of factors discussed above.

Liquidity and Capital Resources

Overview

Our primary cash requirements include purchase of feedstocks and products, 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 affected by changes in the prices for crude oil and refined products, and by a variety of 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 we expect to continue to rely on trade credit from our suppliers to provide a portion of our working capital. As of December 31, 2016, we benefitted from trade credit from suppliers for the purchase of crude oil for an aggregate amount of $491 million (or equivalent). The trade credit lines are uncommitted and therefore there can be no assurances that we can continue to benefit from such credit lines.

We believe that, based on our current level of operations, our operating cash flows and available amounts under our Credit Facilities will be sufficient to fund our anticipated purchases of inventory, capital expenditures and debt service requirements for the next five years, subject to a variety of factors, including (i) our future ability to generate cash flows from our operations, which is subject to certain general economic, financial, industry, legislative, regulatory and other factors beyond our control, (ii) the level of our outstanding indebtedness and prevailing interest, which affects our debt service requirements with respect to such indebtedness and (iii) our capital expenditure requirements.

Capital expenditures in the year ended December 31, 2016 amounted to approximately SEK 1,348 million. This includes SEK 108 million for turnaround maintenance and SEK 330 million for operational improvements. Also included in capital expenditure are maintenance investments of SEK 595 million, the cost of establishing and refurbishing stations which amounted to SEK 119 million and the cost of health and safety, regulatory and environmental upgrades of SEK 196 million. We are also investing in a strategic IT project for which we have provided for an estimated cost of SEK 500 million to be implemented gradually during 2017 and 2018. Investments in safety and environmental upgrades are also required under Swedish law or by Swedish authorities. See "Risk Factors—Risks Related to our Business—We are subject to governmental laws and regulations, including environmental laws and regulations on climate change, occupational health and safety laws, competition laws and energy laws in Sweden and elsewhere, which may impact our business and results of operations—Changes in environmental laws and regulations" for more information.

Cash flow

The table below shows a summary of our consolidated cash flow statements for the years ended December 31, 2014, 2015 and 2016.

	Year Ended December 31,		
	2014	**2015**	**2016**
	(SEK in millions)		
Profit/(Loss) before taxes	(5,999)	(20)	(291)
Adjustments for items not included in cash flow	5,817	1,996	4,075
Taxes paid	(222)	(49)	0
	(404)	1,927	3,784
Adjustments for			
Decrease/(increase) in inventories	2,672	2,140	(2,129)
Decrease/(increase) in current receivables	717	455	(426)
(Decrease)/increase in liabilities	(1,498)	(1,143)	3,058
Cash flow from/(used in) operating activities	**1,487**	**3,380**	**4,287**
Cash flow used in investment activities	(814)	(955)	(1,356)
Cash flow after investments	**673**	**2,425**	**2,931**
Cash flow from/(used in) financing activities	(2,130)	(3,125)	(2,336)
Total cash flow	**(1,457)**	**(700)**	**595**

Year ended December 31, 2016 compared to the year ended December 31, 2015

Cash flow from operating activities amounted to SEK 4,287 million in the year ended December 31, 2016 compared to cash flow from operating activities of SEK 3,380 million in the year ended December 31, 2015, an increase of SEK 907 million. Adjustments for non-cash items had a positive impact of SEK 4,075 million for the year ended December 31, 2016, an increase of SEK 2,079 million, compared to SEK 1,996 million for the same period in 2015.

Taxes paid amounted to SEK 0 million in the year ended December 31, 2016 compared to SEK 49 million in the year ended December 31, 2015.

Cash flow was positively impacted by movements in working capital of SEK 503 million in the year ended December 31, 2016 compared to SEK 1,452 million in the year ended December 31, 2015. Cash flow used in inventories amounted to SEK 2,129 million in the year ended December 31, 2016, primarily due to the increase in the price of crude oil, compared to cash flow from inventories of SEK 2,140 million in the year ended December 31, 2015. Cash flow used in operating receivables amounted to SEK 426 million in the year ended December 31, 2016, primarily due to the increase in the price of crude oil and products, compared to cash flow from operating receivables of SEK 455 million in the year ended December 31, 2015. Cash flow from operating liabilities amounted to SEK 3,058 million in the year ended December 31, 2016, primarily due to the increase in the price of crude oil, compared to cash flow used in operating liabilities amounting to SEK 1,143 million in the year ended December 31, 2015.

Cash flow used in investment activities for the year ended December 31, 2016 amounted to SEK 1,356 million, an increase of SEK 401 million, compared to SEK 955 million for the same period in 2015. The increase in investing activities was mainly due to the investment in a vacuum distillation unit at the refinery in Lysekil, upgrade of the IT-systems and turnaround costs.

Cash flow used in financing activities amounted to SEK 2,336 million in the year ended December 31, 2016 compared to cash flow used in financing activities of SEK 3,125 million for the same period in the year ended December 31, 2015. Cash flow used in financing activities was mainly attributable to repayment of loans (net) as a consequence of the positive cash flow from operating activities. Cash flow used in financing activities also include loan expenditures of SEK 679 million, relating to the refinancing of both Preem AB and Corral Petroleum Holdings which was completed in May.

Year ended December 31, 2015 compared to the year ended December 31, 2014

Cash flow from operating activities amounted to SEK 3,380 million in the year ended December 31, 2015 compared to cash flow from operating activities of SEK 1,487 million in the year ended December 31, 2014, an increase of SEK 1,893 million. The increase was mainly attributable to a loss before taxes which amounted to SEK 20 million for the year ended December 31, 2015 compared to a loss before taxes of SEK 5,999 million in the year ended December 31, 2014, an improvement of SEK 5,979 million. Adjustments for non-cash items had a positive impact of SEK 1,996 million for the year ended December 31, 2015 compared to SEK 5,817 million for the same period in 2014, a decrease of SEK 3,821 million. Please refer to page 10 for further specification of items not included in cash flow.

Taxes paid amounted to SEK 49 million in the year ended December 31, 2015 compared to SEK 222 million in the year ended December 31, 2014.

Cash flow was favorably impacted by movements in certain current assets and liabilities by SEK 1,452 million in the year ended December 31, 2015 compared to SEK 1,891 million in the year ended December 31, 2014. The change in working capital in 2015 was primarily due to the lower price of Dated Brent Crude compared to December 2014, which decreased the cash value of inventories.

Cash flow used in investment activities for the year ended December 31, 2015 amounted to SEK 955 million, an increase of SEK 141 million, compared to SEK 814 million for the same period in 2014. The increase in investing activities was mainly due to the planned maintenance turnaround in Lysekil and investing and activities related to the construction of the Isomerization unit in Gothenburg.

Cash flow used in financing activities amounted to SEK 3,125 million in the year ended December 31, 2015 compared to cash flow used in financing activities of SEK 2,130 million for the same period in the year ended December 31, 2014. Cash flow used in financing activities was mainly attributable to repayment of loans (net) as a consequence of the positive cash flow from operating activities.

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 Notes (if paid in cash) and principal payments on the Notes. As a holding company, Corral Petroleum Holdings is dependent upon equity contributions from its parent company, Moroncha Holdings, or its Ultimate 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 Capital Structure—Corral Petroleum Holdings is a holding company with no revenue generating operations of its own. Corral Petroleum Holdings depends on the ability of its subsidiaries, including Preem, to distribute cash to it, and any inability of any of its subsidiaries to transfer funds to it will negatively affect Corral Petroleum Holdings' ability to meet its debt service and other obligations."

Corral Petroleum Holdings' principal source of liquidity on an ongoing basis is Preem's operating cash flow. Corral Petroleum Holdings' ability to generate cash depends on the Group's future operating performance, which in turn depends to some extent on general economic, financial, industry and other factors, many of which are beyond Corral Petroleum Holdings' control, as well as the other factors discussed in "Risk Factors."

Although we believe that the Group's expected cash flows from operations, together with available borrowings, will be adequate to meet the Group's anticipated liquidity and debt service needs, we cannot assure you that the Group's business will generate sufficient cash flows from operations or that future debt and equity financing will be available to Corral Petroleum Holdings in an amount sufficient to enable Corral Petroleum

Holdings to pay its debts when due, including the Notes, or to fund Corral Petroleum Holdings' other liquidity needs.

We believe that the potential risks to the Group's liquidity include:

- a reduction in cash flows from operations due to a lowering of net income from the Group's operations, which could be due to downturns in the Group's performance or the industry as a whole;
- adverse working capital developments (including changes in the price of Dated Brent Crude);
- exposure to increased interest rates in relation to the Group's borrowings which bear interest at a variable rate, including the Credit Facilities; and
- unbudgeted and mandatory capital expenditure, such as due to higher than expected expenses in connection with maintenance and upgrades at the Group's refineries, including for environmental compliance.

If the Group's future cash flows from operations and other capital resources are insufficient to pay Corral Petroleum Holdings' obligations as they mature or to fund Corral Petroleum Holdings' liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditure;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our existing debt, including the Notes and the Credit Facilities, limit our ability to pursue any of these alternatives, as may the terms of any future debt.

We anticipate that Corral Petroleum Holdings' high leverage will continue for the foreseeable future. Corral Petroleum Holdings' high level of debt may have important negative consequences for you. For more information, see the section entitled “Risk Factors—Risks Related to our Capital Structure—Our substantial indebtedness poses certain risks and may affect our ability to service our debt, including the Notes, and to operate our business.” See also “Description of Certain Indebtedness”.

Description of indebtedness

Corral Petroleum Holdings is highly leveraged and has significant debt service obligations. As at December 31, 2016 we had SEK 10,498 million of total third party debt (which excludes Subordinated Shareholder Debt), net of unamortized debt issuance costs.

Moreover, as at December 31, 2016, Preem had an additional $491 million of unsecured supplier trade credits outstanding. As of December 31, 2016, we had total financial third party debt (consisting of total financial long-term third party debt and total financial current third party debt, which, in each case, excludes Subordinated Shareholder Debt), of SEK 10,498 million. As of December 31, 2016, we had amounts available under our unutilized credit facilities of SEK 6,486 million. As of December 31, 2015, we had total financial third party debt (consisting of total financial long term third party debt and total financial current third party debt, which, in each case, excludes Subordinated Shareholder Debt), of SEK 12,133 million. As of December 31, 2015, we had amounts available under our unutilized credit facilities of SEK 1,821 million. As of December 31, 2014, we had total financial third party debt (consisting of total financial long term third party debt and total financial current third party debt, which, in each case, excludes Subordinated Shareholder Debt), of SEK 14,984 million. As of December 31, 2014, we had amounts available under our unutilized credit facilities of SEK 1,664 million.

As of December 31, 2016, our total financial third party debt, which excludes Subordinated Shareholder Debt, bore interest at a weighted average annual rate of 8.21%.

A&R Credit Facility

The A&R Credit Facility provided Preem with an approximately $68 million (equivalent, translated using an exchange rate of $1= SEK 8.1472) term loan which was repaid on July 15, 2016 (which was effectively a continuation of the term loan portion of the 2011 Credit Facility) and a $1,542 million multi-currency revolving facility. For a description of the material terms of the A&R Credit Facility, see "Description of Certain Indebtedness—A&R Credit Facility."

Notes held by third parties

On May 9, 2016, Corral Petroleum Holdings issued the 2021 Notes. The 2021 Notes are comprised of (i) €570,000,000 aggregate principal amount of euro-denominated 11.750% / 13.250% senior PIK toggle notes due 15 May 2021, and (ii) SEK 500,000,000 aggregate principal amount of Swedish krona-denominated 12.250% / 13.750% senior PIK toggle notes due 15 May 2021.

The 2021 Indenture governing the Notes contain and contains covenants significantly restricting our ability to, among other things:

- incur any public debt or incur, guarantee or layer additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of Corral Petroleum Holdings or its restricted subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- in the case of the Notes and the Credit Facilities, create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to Corral Petroleum Holdings or its restricted subsidiaries;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities;
- consolidate or merge with other entities;
- impair the security interests for the benefit of the holders of the Notes; and/or
- amend certain documents.

Each of the covenants is subject to a number of important exceptions and qualifications. These covenants could limit our ability to finance our future operations and capital needs.

Subordinated Shareholder Debt

For as long as any amounts remain outstanding under the Notes and, for at least 181 days thereafter, interest on the Subordinated Shareholder Notes is payable through the issuance of additional subordinated notes in a principal amount equal to such interest amount. The Subordinated Shareholder Notes bear a non-cash interest rate of 10% per annum.

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

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, 2016.

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 years**
	SEK	**SEK**	**SEK**	**SEK**	**SEK**
			(in millions)		
A&R Credit Facility					
Revolving Credit Facility	5,183	103	-	5,080	-
2021 Notes	5,953	-	-	5,953	-
Other financial debt	19		-	19	-
Subordinated Shareholder Debt	5,251	-	-	5,251	-
Total	**16,406**	**103**	-	**16,303**	-

Transaction expenses is not included in the above figures.

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, 2016, see note 11 to our audited consolidated financial statements as of and for the year ended December 31, 2016.

As of December 31, 2016, we had agreed operating lease obligations of SEK 130 million due within one year, SEK 557 million due within one and five years and SEK 95 million due in more than five years.

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 Ultimate Shareholder and distributed 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.

The Credit Facilities contain 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 Corral Petroleum Holdings up to a maximum amount of $500,000 in any calendar year. The A&R Credit Facility will restrict the amounts of other dividends and distributions from Preem to Corral Petroleum Holdings according to various cash flow measurements and minimum liquidity requirements, among other things, all as described in "Description of Certain Indebtedness—A&R Credit Facility—Restrictions on Upstreaming of Cash."

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.

Off-Balance Sheet Arrangements

All of our lease contracts are classified as operational leases. As of December 31, 2016, our agreed future minimum lease payments over the following six years amounted to SEK 781 million in total. These relate to property leases, car leases and rental equipment. We also benefit from lease revenues. As of December 31, 2016, contracted future minimum lease payments (to be received as revenue over the following six years) were SEK 500 million in total and related mainly to rents.

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 (or approximately twelve 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.

The price of Dated Brent Crude increased from $35.74 per barrel as of December 31, 2015 to $54.94 per barrel as of December 31, 2016. Dated Brent Crude prices dropped to $35.74 per barrel as of December 31, 2015, from $54.98 per barrel as of December 31, 2014. This was mainly the result of a continued oversupply of crude oils increasing global stocks and putting further downward pressure on the Dated Brent Crude price.

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, which includes a variance limit around the normal position (i.e., the priced inventory value resulting from the maintenance of a defined average optimal inventory level) as well as a value-at-risk limit on total exposure of $5 million. See "—Trading Activities" for more details on how we calculate the value of risk limits. 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, 2016, we had a net short position on crude oil (excluding the hedge of the normal inventory) and refined products derivative contracts of 213,000 cubic meters (approximately 1.3 million barrels). Based on our hedges in place as of December 31, 2016, a decrease of 10% in the price of crude oil as well as refined products would result in an increase in our derivatives position of $8.7 million and an increase in our put options of approximately $0.1 million. As of December 31, 2016, we owned 11.2 million barrels Brent put options corresponding to 96.3% of the normal position volume with a strike price of approximately 35 $/bbl.

As of December 31, 2015, we had a net short position on crude oil (excluding the hedge of the normal inventory described below) and refined products derivative contracts of 376,000 cubic meters (approximately 2.4 million barrels). As of December 31, 2015, we owned Brent put options corresponding to the normal position volume with a strike price of approximately 42 $/bbl.

As of December 31, 2014, we had a net short position on crude oil (excluding the hedge of the normal inventory described below) and refined products derivative contracts of 184,000 cubic meters (approximately 1.2 million barrels). As of December 31, 2014, we owned Brent put options corresponding to the normal position volume with a strike price of 68 $/bbl.

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, 2016, the unrealized profit/loss from the speculative positions 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 "—Key Factors Affecting Results of Operations—Fluctuations in foreign currency exchange rates" for a discussion of our exposure to changes in the dollar-krona and euro-krona exchange rates.

Including Subordinated Shareholder Debt, as of December 31, 2016, our krona-denominated variable rate indebtedness totaled SEK 1,350 million, our dollar-denominated variable rate indebtedness totaled $421 million and we had no euro-denominated variable rate indebtedness. Including Subordinated Shareholder Debt, as of December 31, 2016, our krona-denominated fixed rate indebtedness totalled SEK 519 million, our dollar-denominated fixed rate indebtedness totalled $378 million (including short-term and long-term indebtedness) and our euro-denominated fixed rate indebtedness totaled €759 million (including short-term and long-term indebtedness). As of December 31, 2016, we had cash and cash equivalents in foreign currencies amounting to SEK 831 million, of which the equivalent of SEK 4 million was denominated in dollars and the equivalent of SEK 827 million was denominated in euro.

The table below presents, as of December 31, 2016, a summary of our current and long-term debt (including the Subordinated Shareholder Debt).

Borrower	December 31, 2016 Current Debt	Long-Term Debt	Total Debt
	SEK	SEK	SEK
		(in millions)	
Corral Petroleum Holdings	—	11,204	11,204
Preem financial long-term third party debt	—	5,099	5,099
Preem financial short-term third party debt	—	—	—
Preem overdraft	103	—	103
Total	**103**	**16,303**	**16,406**

(1) All figures in this table are excluding capitalized transaction costs.

The table below presents, as of December 31, 2016, a summary of our long-term financial instruments, including their current positions (including Subordinated Shareholder Debt), by functional currency and expected maturity dates.

Payment Due Period

	2017	2018	2019	2020+	Total Value	Percentage of Total Long Term Debt	Weighted Average Interest Rate	Estimated Fair Value
	SEK	SEK	SEK	SEK	SEK	%	%	SEK
				(SEK amounts in millions)				
Krona-denominated indebtedness as of December 31, 2016:								
Fixed rate debt—amount due	—	—	—	500	**500**	3	12.25%	487
Variable rate debt—amount due	—	—	—	1,350	**1,350**	8	3.56%	1,350
Other financial debt				19	**19**	n/a	0.00%	19
Dollar-denominated indebtedness as of December 31, 2016:								
Fixed rate debt—amount due	—	—	—	3,440	**3,440**	21	6.18%	3,440
Variable rate debt—amount due	—	—	—	3,730	**3,730**	23	4.30%	3,730
Bank overdraft facilities	103	—	—	—	**103**	1	4.30%	103
Euro-denominated indebtedness as of December 31, 2016:								
Fixed rate debt—amount due	—	—	—	7,264	**7,264**	44	11.33%	7,128
Total debt	**103**			**16,303**	**16,406**	**100**	**7.94%**	**16,257**

(1) All figures in this table are excluding capitalized transaction costs.

Interest Rate Risk

As of December 31, 2016, SEK 5,080 million of our indebtedness required payment at variable rates.

The table below presents, as of December 31, 2016, debt by expected maturity date (including Subordinated Shareholder Debt).

	2017	2018	2019	2020+	Total Value	Percentage of Total Long Term Debt	Estimated Fair Value
	SEK	SEK	SEK	SEK	SEK	%	SEK
	(SEK amounts in millions)						
As of December 31, 2016:							
Fixed rate debt-amount due.............	—	—	—	11,204	**11,204**	68	11,055
Variable rate debt-amount due.........	—	—	—	5,080	**5,080**	31	5,080
Bank overdraft facilities..................	103	—	—	—	**103**	1	103
Other financial liabilities.................				19	**19**	n/a	19
Total Financial Debt.....................	**103**			**16,303**	**16,406**	**100**	**16,257**

(1) All figures in this table are excluding capitalized transaction costs.

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.

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.

Recent Developments

Preem's planned shut down of selected units in the Lysekil refinery for routine maintenance began in April 2017 and is currently expected to continue through May 2017. The main unit shut down is the FCC, but other units will also be shut down for catalyst regeneration, cleaning and inspection activities.

As part of our strategy to establish a sales business in Norway, we have signed a co-operation agreement with YX Norge. The co-operation agreement will give Preem's commercial diesel customers access to the YX station network and vice versa. The agreement is expected to become operational during the first half of 2017.

Preem has continued to purchase put options in accordance with its strategy to protect its balance sheet and cash flow. Current put option positions have an average strike price of 36 $/bbl with expiry in July.

On December 30, 2016, Preem upstreamed excess cash to Corral Petroleum Holdings to service the January 1, 2017 interest payment on the Notes.

On March 31, 2017 Preem satisfied one of the required tests under the Credit Facilities to upstream excess cash to Corral Petroleum Holdings in June for the July 1, 2017 scheduled interest payment on the 2021 Notes. The other test under the Credit Facilities, to determine minimum liquidity, will be performed in May.

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 and Sales 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 29% of the refining capacity in the Nordic region in 2016. We sell more refined products in Sweden than any of our competitors. In Sweden, we had the leading market share in 2016 in terms of sales volume of diesel, heating oil and fuel oil with approximately 35% of diesel sales, 54% of heating oil sales and 59% of fuel oil sales, according to the Swedish Statistical Central Bureau.

Our Supply and Refining segment purchases and refines crude oil and then sells refined products wholesale to our Marketing and Sales segment and to third parties. We also own a strategically located network of storage depots in Sweden. In 2016, our Supply and Refining segment sold approximately 77% (by value) of its products to third parties and 23% (by value) to our Marketing and Sales segment as compared to 79% (by value) and 21% (by value), respectively, in 2015. For the years ended December 31, 2014, 2015 and 2016, our Supply and Refining segment had sales revenue (including internal sales and exchange rate differences) of SEK 82,564 million (€8,630 million), SEK 64,194 (€6,710 million) and SEK 53,808 million (€5,624 million) and an operating income of SEK (2,202) million (€230 million), SEK 3,437 million (€359 million) and SEK 3,779 million (€395 million), respectively.

Our Marketing and Sales segment consists of two divisions: an Energy division and a Retail division. The Marketing and Sales segment resells refined products, wholesale, primarily in Sweden. We also sell our gasoline and diesel through 341 Preem-branded service stations (of which 101 are manned which are company owned and dealer-operated and 240 are unmanned, which are company owned and operated) along with 168 company-owned and operated unmanned Såifa-branded diesel truck stops. For the years ended December 31, 2014, 2015 and 2016 our Marketing and Sales segment had sales revenue (including internal sales and exchange rate differences) of SEK 18,686 million (€1,953 million), SEK 15,612 million (€1,632 million) and SEK 14,776 million (€1,544 million), and operating income of SEK 390 million (€41 million), SEK 422 million (€44 million) and SEK 590 million (€62 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, 2014, 2015 and 2016.

	Year ended December 31, 2014		Year ended December 31, 2015		Year ended December 31, 2016	
	SEK	€[1]	SEK	€[1]	SEK	€[1]
			(in millions)			
Sales Revenue:						
Supply and Refining[2]	82,564	8,630	64,194	6,710	53,808	5,624
Marketing	18,686	1,953	15,612	1,632	14,776	1,544
Exchange rate differences	249	26	111	12	95	10
Group eliminations	(17,062)	(1,783)	(13,911)	(1,454)	(12,638)	(1,321)
Total Sales Revenue[3]	84,438	8,826	66,006	6,899	56,041	5,858
Operating profit/(loss):						
Supply and Refining	(2,202)	(230)	3,437	359	3,779	395
Marketing	390	41	422	44	590	62
Other non-allocated income (expense)[4]	113	12	(666)	(70)	(570)	(60)
Total operating profit/(loss)	(1,699)	(178)	3,193	334	3,799	397

(1) We have translated kronor into euro at the rate of €1.00=SEK 9.5669 (the exchange rate on December 31, 2016). We have provided this translation solely for your convenience.

(2) Includes sales by our Supply and Refining segment to our Marketing and Sales segment of SEK 16,984 million (€1,775 million) for 2014, SEK 13,860 million (€1,449 million) for 2015, and SEK 12,612 million (€1,318 million) for 2016. 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 and Sales 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 112 million barrels of refined products in 2016, approximately 116.9 million barrels of refined products in 2015 and approximately 108.6 million barrels of refined products in 2014. The refining margins (reflecting the gross margin minus variable costs) at Preemraff Lysekil were $5.15 $7.33 and $4.73 per barrel for the years ended December 31, 2016, 2015 and 2014 respectively. The refining margins at Preemraff Gothenburg were $3.29, $4.74 and $2.37 per barrel for the years ended December 31, 2016, 2015 and 2014, respectively. We also own a strategically located network of storage depots in Sweden. For the years ended December 31, 2016, 2015 and 2014, our Supply and Refining segment had sales revenue of SEK 53,808 million, SEK 64,194 million and SEK 82,564 million and operating (loss)/income of SEK 3,779 million, SEK 3,437 million and SEK (2,202) million, respectively.

Preemraff Lysekil

Overview. Preemraff Lysekil is the largest oil refinery in the Nordic Region in terms of capacity, representing approximately 20% of the Nordic Region's refining capacity and approximately 50% of Swedish refining capacity in 2016. 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. Preemraff Lysekil has a Nelson Complexity Index of 10.0. 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 sulfur-free (ten parts per million) diesel. Moreover, 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 Preemraff Lysekil 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 VLCC's 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 76 million barrels, 78 million barrels and 76 million barrels for the years ended December 31, 2016, 2015 and 2014, respectively.

Feedstocks and production. 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.

Feedstock

	For the Year Ended December 31,					
	2014		2015		2016	
	Thousand bbls	% Vol	Thousand bbls	% Vol	Thousand bbls	% Vol
Sweet Crude Oil	8,897	12	8,628	11	7,181	9
Sour Crude Oil	61,787	81	63,885	81	63,005	82
Unfinished and Blend Stocks	5,802	8	6,221	8	6,659	9
Total Feedstock	**76,487**	**100**	**78,734**	**100**	**76,845**	**100**

Production

	For the Year Ended December 31,								
	2014			2015			2016		
	Thousand bbls	% Vol	% Rev	Thousand bbls	% Vol	% Rev	Thousand bbls	% Vol	% Rev
Liquefied Petroleum Gas.	2,557	3	2	3,411	4	3	3,412	5	2
Gasoline	23,454	31	30	22,707	29	31	23,089	31	31
Diesel	30,998	41	47	34,167	44	51	27,724	37	47
Heating Oil......................	1,731	2	2	588	1	1	1,834	2	2
Vacuum Gasoil................	1,273	2	5	(472)	0	0	2,997	4	4
Heavy Fuel Oil	14,936	20	13	15,809	20	14	15,886	21	12
Other	717	1	0	1,499	2	1	585	1	1
Total Production............	**75,666**	**100**	**100**	**77,709**	**100**	**100**	**75,527**	**100**	**100**

Utilization. The following table shows Preemraff Lysekil's annual utilization rate for the indicated periods:

	For the Year Ended December 31,		
	2014	2015	2016
Utilization Rate..	82%	88%	76%

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

Arrival and storage of crude oil. 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 underground crude oil storage caverns have been blasted out of solid rock and have an aggregate capacity of approximately 8.5 million barrels. The caverns contain sophisticated equipment designed to ensure cost-efficient and environmentally safe storage.

Crude oil is pumped from the caverns, which have a total storage capacity of approximately 8.5 million barrels into three above ground crude "day tanks" with a total capacity of approximately one million barrels, 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 crude oil storage caverns.

Distillation and refining. 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 VDU 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, Mild Hydrocracker and 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 fluid catalytic cracker ("FCC"), which, by means of a catalyst, converts vacuum gasoil ("VGO"), a semi-finished product, and the bottom fraction from the hydrocracker into primarily gasoline and, to a lesser extent, heating oil and fuel oil; and

- Third, in 1988, Preemraff Lysekil invested in a mild hydrocracker ("MHC"), which desulfurizes vacuum gasoil and converts it into lighter products and feedstock for the hydrocracker;

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

- *Isomerization Unit.* The naphtha fraction (after desulfurization) is processed in a reformer unit to increase octane yield. 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;

- *Desulfurization/Dearomatization Un*it. Preemraff Lysekil has a highly sophisticated diesel desulfurization/dearomatization unit that was completed in 1994. This unit enables Preemraff Lysekil to produce virtually sulfur-free (ten parts per million) diesel fuel with an aromatic content of 5%. This grade is sold at a premium as Swedish Environment Class 1 diesel ("MK1");

- *Tailgas Treatment Sulfur Recovery Unit.* Preemraff Lysekil has a sulfur 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 FCC;

- *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; and

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

Post-refining process, storage and shipment. 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 using "in-line" techniques 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.

Developments. Operations at Preemraff Lysekil were affected by a significant incident in March 2014 when the HPU was shut down due to the HPU Incident. In turn, the HPU Incident also forced the shutdown of Preemraff Lysekil's hydro-cracker due to lack of hydrogen from the HPU, which resulted in reduced production of low-sulfur diesel while the HPU was offline for repair. In addition to replacing the HPU's defective furnace tube, we determined that the internal lining in the furnace needed to be repaired, which extended the repair time. The HPU came back online in May 2014 and has since operated without disruption. During the repair period, the rest of the refinery continued to operate normally (at approximately 90% of full capacity). The HPU Incident resulted in production losses worth approximately SEK 360 million in total, and repair costs of approximately SEK 20 million. As detailed in "—Insurance" below, approximately SEK 120 million of these costs and losses have been covered by property damage and business interruption insurance.

Other minor incidents and maintenance shutdowns that took place in 2015 and 2016 are as follows:

- April 2015: The Preemraff Lysekil refinery carried out a scheduled shutdown of the visbreaker unit for decoking, the MHC for inspection and change of catalyst, and the catalytic reforming unit to inspect certain equipment;

- June 2015: The Preemraff Lysekil MHC shut down for four days to repair a leaking pipe;

- January 2016: The Preemraff Lysekil Isocracker (ICR) was shut down for a few days for a scheduled repair on a compressor. During start up a heat exchanger caught fire and the unit was shut down for another two weeks for repairs;

- May - August 2016: The Preemraff Lysekil Isocracker (ICR) and Hydrogen Production Unit (HPU) were shut down for scheduled inspection and catalyst change. A major project to replace outlet subheaders in the Steam Reformer of the HPU took place during the turnaround. The project was delayed due to complications with welding the old tubes with the new subheaders which led to all 240 tubes being replaced. This extended the turnaround by almost two months; and

- September 2016: Just a few weeks following the start up of the Preemraff Lysekil Hydrogen Production Unit (HPU) after the turnaround, the unit had to be shut down due to a leaking steamcoil. The broken tubes in the coil were replaced and the unit was online after two weeks.

Planned maintenance. Historically, every four years, Preemraff Lysekil has been completely shut down for turnaround maintenance, which includes inspection of all processing units. The total shutdown period for turnaround maintenance is typically planned to last seven to nine weeks, which includes two weeks for shutdown and start-up activities. Turnaround maintenance may take longer if complications arise or equipment is being added. The last major turnaround maintenance at Preemraff Lysekil was performed from September to November 2013. The standard inspection interval for pressure vessels is four years. On several of these pressure vessels, we have been able to extend this interval to six years by producing risk based analyses for each pressure vessel. This means that the next major turnaround for Preemraff Lysekil is planned for 2019, with some shorter shutdown periods planned before then, due to the need for catalyst regenerations and change-outs. Both operating income and refining margins have been and will be negatively impacted by each planned and unplanned maintenance shut down.

We have currently planned the following major events, shutdowns and turnarounds for Preemraff Lysekil in the coming years:

- Spring 2017: The Preemraff Lysekil fluid catalytic cracker will be shut down for inspection and some improvements, the structured packing in the vacuum distillation unit column will be changed and a decoking of the vacuum distillation unit will be performed in the same time slot.

- The next major turnaround of Preemraff Lysekil is scheduled for autumn 2019 with an anticipated duration of seven to nine weeks.

Capital and strategic investment history. Preemraff Lysekil's facilities, which began refining operations in 1975, have been upgraded several times through large capital investments. As a result of these investments, we believe that Preemraff Lysekil is and continues to be one of the most sophisticated and flexible refineries in Europe.

The following table summarizes the timeline of certain upgrades to Preemraff Lysekil:

Year	Upgrade	Function
1982	Visbreaker	Reduces the viscosity of the fuel oil and increases the yield of heating oil and gasoline
1984	Fluid Catalytic Cracker	Converts vacuum gasoil, a semi-finished product, and the bottom fraction from the hydrocracker into gasoline, heating oil and fuel oil
1988	Mild Hydrocracker	Desulfurizes and converts heavy gasoil and vacuum gasoil into lighter products and feedstock to the Fluid Catalytic Cracker
1991	Isomerization Unit	Converts light naphtha into high-octane, low-benzene gasoline components
1994	Desulfurization/Dearomatization Unit	Converts conventional heating oil or diesel into virtually sulfur-free, low-aromatic diesel
1994	Tailgas Treatment Sulfur Recovery Unit	Removes hydrogen sulphide and nitrogen oxides from refinery gases and recovers liquid sulfur
1999	Prefractionater	Reduces benzene formation in the platformer unit
2002	Propylene Recovery Unit	Removes propylene from polygasoline production and refinery fuel gas and recovers propylene
2003	Petrol Gas Recovery Unit	Recovers petrol gas in connection with the loading of products onto tankers
2006	Hydrocracker Unit	Converts vacuum gasoil to lighter, higher-value products
2014	Skangass LNG terminal integration with refinery	Enables use of natural gas as feedstock to HPU, and as make-up fuel

Capital and strategic investment plans. One strategic initiative that has been pursued for a number of years is to increase our own VGO production capability. This is driven by forecasted increasing difficulties to meet the current VGO import demand to Preemraff Lysekil, resulting from on-going upgrading projects in Russia as well as International Maritime Organization regulations for reduced sulfur emissions from marine traffic. An investment in additional VGO production capacity at Preemraff Lysekil has been identified as an effective way to mitigate this risk, as it would help to ensure supply of feedstock of acceptable quality and cost and protect the value of existing investments. To create additional VGO production capability, we plan to invest approximately SEK 1,600 million, spread over three years, in vacuum distillation equipment at Preemraff Lysekil, with a target of being operational in the fourth quarter of 2018. Our current expectation is that this upgrade could result in incremental revenues of SEK 530 million per year, implying a payback period of approximately 3.5 years.

On a more strategic horizon, we continue to evaluate options for heavy oil upgrading from a market opportunity as well as technology development perspective. We are currently in the process of evaluating different technologies in respect to upgrading heavy oils to higher margin products such as gasoline, jet fuel and diesel. This evaluation is to address the potential impact from reduction of bunker fuel sulfur specifications in the years 2020 to 2025. In this regard, we have recently entered into an arrangement with an experienced EPC provider.

Preemraff Gothenburg

Overview. We believe that Preemraff Gothenburg is one of the most competitive hydroskimming refineries in Europe and it represents approximately 10% of the Nordic Region's refining capacity and approximately 30% of Swedish refining capacity in 2016. The refinery has a Green Hydrotreater, which enables it to upgrade Fatty Acid Methyl Esters (“FAME”) from biomaterials to low-sulfur biodiesel with a renewable mix of up to 50%, providing customers with cleaner products that have lower CO2 emissions. Preemraff Gothenburg also has a highly sophisticated desulfurization/ dearomatization unit, which permits it to manufacture virtually sulfur-free (ten 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. Recent investments include the construction of a Diesel Isomerization Unit which completed in September 2015 and which has resulted in an increase in renewable diesel production capacity of approximately 80% to 85%. The refinery also benefits from two integrated waste-heat extraction systems for the utilization of waste or surplus heat. For the year ended December 31, 2016, Preemraff Gothenburg generated other income from the sale of surplus heat of SEK 44.8 million with relatively little additional operating cost. Preemraff Gothenburg's last turnaround was in 2011, with the next turnaround scheduled for the autumn of 2017. Preemraff Gothenburg has a Nelson Complexity Index of 7.1. 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. The Preemraff Gothenburg refinery has a total storage capacity of approximately twelve million barrels and a total refining capacity of approximately 125,000 barrels of crude oil per day. The aggregate production of refined products at Preemraff Gothenburg was approximately 36 million barrels, 39 million barrels and 33 million barrels for the years ended December 31, 2016, 2015 and 2014 respectively.

Feedstocks and production. The following tables show Preemraff Gothenburg's feedstocks and production for the indicated periods.

Feedstock

	For the Year Ended December 31,					
	2014		2015		2016	
	Thousand bbls	% Vol	Thousand bbls	% Vol	Thousand bbls	% Vol
Sweet Crude Oil	30,931	88	37,350	91	34,749	8.71
Sour Crude Oil	—	—	—	0	148	0.39
Unfinished and Blend Stocks	4,313	12	3,578	9	3,330	90.90
Total Feedstock	**35,245**	**100**	**40,927**	**100**	38,228	100

Production

	For the Year Ended December 31,								
	2014			2015			2016		
	Thousand bbls	% Vol	% Rev	Thousand bbls	% Vol	% Rev	Thousand bbls	% Vol	% Rev
Liquefied Petroleum Gas	866	3	2	1,016	3	1	830	2	1
Gasoline	9,617	29	30	10,854	28	30	10,433	29	31
Diesel	9,701	29	35	10,817	28	38	9,325	26	35
Heating Oil	4,116	12	13	4,833	12	13	4,916	13	13
Heavy Fuel Oil	9,099	27	20	11,417	29	17	10,762	29	18
Other	254	0	—	277	0	0	245	1	1
Total Production	**33,653**	**100**	**100**	**39,215**	**100**	**100**	**36,512**	**100**	**100**

Utilization. The following table shows Preemraff Gothenburg's annual utilization rate for the indicated periods:

	For the Year Ended December 31,		
	2014	2015	2016
Utilization Rate	72%	86%	79%

Arrival and storage of crude oil. 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. Approximately between 50 and 60 crude oil carriers arrive at Torshamnen each year. At Preemraff Gothenburg, the crude oil is discharged into two underground crude oil storage caverns, which have been blasted out of solid rock, and seven above-ground storage tanks. The underground storage caverns and over-ground storage tanks have a combined storage capacity of approximately 5.6 million barrels.

Distillation and refining. Preemraff Gothenburg operates two identical crude distillation units. During distillation, the 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. After distillation, Preemraff Gothenburg further refines, upgrades and processes the fractions as follows:

- *Distillate hydrotreater*. In 1967, Preemraff Gothenburg installed two identical distillate hydrotreaters ("DHT-Units"). In the DHT-Units, kerosene and lighter products are desulphurized and then fractionated up in gases, gasoline, nafta and kerosine;

- *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 non-condenseable gases;

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

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

- *Sulfur Recovery Units*. The hydrogen sulphide formed during the various desulfurization reactions is fed to Preemraff Gothenburg's sulfur recovery units, which were installed in 1997, and converted to liquid sulfur 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;

- *Reformer Unit*. The naphtha fraction (after desulfurization) is processed in a Reformer unit installed in 1967 to increase octane yield by aromatisation. Hydrogen used in all other hydrogen-consuming units is also produced in the Reformer;

- *Isomerization Unit.* The gasoline fraction (after desulfurization) is processed in an Isom unit to increase octane yield by isomerization;

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

- *Mild Hydrocracker Unit*. 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*. In 2010, Preemraff Gothenburg completed the construction of a green hydrotreater unit, which enables Preemraff Gothenburg to produce renewable diesel from crude tall oil; and

- *Diesel Isomerization Unit*. In September 2015 the construction of a Diesel Isomerization Unit at Preemraff Gothenburg was completed and this became fully operational in October 2015.

This Diesel Isomerization Unit has resulted in an increase in renewable diesel production capacity at Preemraff Gothenburg of approximately 80% to 85%.

Post-refining process, storage and shipment. 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.

Sales of surplus heat. 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. Preemraff Gothenburg generated other income from these activities of SEK 44.8 million in 2016, SEK 38.9 million in 2015 and SEK 44.6 million in 2014, all achieved with relatively little additional operating cost.

Developments. Generally, we have seen good performance and availability rates for the Preemraff Gothenburg refinery. Maintenance shutdowns and minor incidents that took place in 2015 and 2016 are as follows:

- September 2015: A change of catalyst was carried out on the Green Hydrotreater Unit and preparations were made for the integration between the Green Hydrotreater Unit with the new Diesel Isomerization Unit. A decoking of a furnace on a crude distillation unit was performed at the same time;

- April 2016: The Preemraff Gothenburg Reformer (CRU) was shut down for a scheduled change of catalyst. All of the PE2-units were shut down during this event due to a lack of hydrogen. During the shut down the structural packing of crudeunit two (CDU 2) was replaced; and

- September 2016: The Preemraff Gothenburg refinery carried out a scheduled shutdown of the crudeunit one (CDU 1) for decoking.

Planned maintenance. Every six years, Preemraff Gothenburg is completely shut down for turnaround maintenance, which includes inspection of all processing units. The total shutdown period for turnaround maintenance is typically planned to last for seven to nine weeks. Turnaround maintenance may take longer if complications arise or equipment is being added. The most recent major turnaround maintenance for Preemraff Gothenburg was in the third quarter of 2011, and the next major turnaround maintenance is scheduled for 2017.

We have currently planned the following major events, shutdowns and turnarounds for Preemraff Gothenburg in the coming years:

- Autumn 2017: there is a major turnaround scheduled in the Preemraff Gothenburg refinery for an anticipated duration of approximately seven to nine weeks; and

- Spring 2017: the Preemraff Gothenburg will shutdown the GHT/ISOGHT to change catalyst.

Capital and strategic investment history. Preemraff Gothenburg's facilities, which began refining operations in 1967, have been upgraded several times through large capital investments. As a result of these investments, we believe that Preemraff Gothenburg is and will continue to be one of the best-performing hydroskimming refineries in Europe.

In November 2016 the Preem board approved a SEK 635 million investment in a Hydrogen Production Unit at the Gothenburg refinery. This investment, which we expect will be mechanically complete by the end of 2018, is designed to further increase the refinery's desulphurization capacity. The investment has an estimated pay-back time of less than two years.

The following chart summarizes upgrades to Preemraff Gothenburg:

Upgrade at Preemraff Gothenburg	Function	Year
Waste Heat Recovery Unit	Recovers waste heat to be provided to third parties	1980
Isomerization Unit	Produces an additional low-benzene gasoline component	1993
Desulfurization/Dearomatization Unit	Converts conventional heating oil or diesel into virtually sulfur-free, low aromatic diesel	1997
Heavy Gasoil Upgrading Unit	Upgrades heavy gasoil into heating oil for commercial use	1997 - 2003
Sulfur Recovery Units	Converts hydrogen sulphide into liquid sulfur	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-sulfur heating oil	2003 – 2010
Green Hydrotreater Unit	Production of renewable diesel from crude tall oil	2010
Diesel Isomerization Unit	Isomerization of renewable diesel with high paraffinic content	2015

Capital and strategic investment plans. In December 2015 the European Commission approved the Swedish request for exemption from the state aid rules for fuels from renewable sources. The exemption is for three years—2016, 2017 and 2018. On March 17, 2017 the Swedish Government announced their proposal to introduce a renewables quota ("CO2-reduction requirement") system for Sweden. The implementation date is set for 1 January 2018, but prior to getting to this point the proposal will go through a deliberation process and political discussions. The ambition in the proposal is that around 50% of liquid transportation fuels shall be renewable by 2030. As a means of getting started towards achieving this goal, the Government are proposing specific "reduction requirement" quotas for diesel at 19, 20 and 21% for the years 2018 to 2020. With tax incentives now secured for the coming years we have initiated a study to further increase Preemraff Gothenburg's production of renewable products, and are in particular looking at the possibilities to increase the refinery's hydrogen capacity.

Other capital investments planned for Preemraff Gothenburg include plans to increase the refinery's capabilities in relation to the crude mixing and naptha feedstock flexibility and to increase the capability of the gasoline blender. It is expected that the cost of these investments will not exceed SEK 25 million and that they will have a payback period of less than one year.

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. For the year ended December 31, 2016, sales revenue from such throughput fees was SEK 40.7 million.

Products

Our two refineries produce liquefied petroleum gas, gasoline, diesel, heating oil and fuel oil. In addition, Preemraff Gothenburg has the capacity to produce 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. For the year ended December 31, 2016 the volume of transfers between the refineries was approximately 630,000 cubic metres.

Sales

Our Supply and Refining segment exports over one half of its products each year (approximately 60% in 2014, approximately 65% in 2015 and approximately 59% in 2016). Our exports are primarily to northwestern Europe, including to other markets in Scandinavia, France, Germany and the United Kingdom. In 2016, our Supply and Refining segment sold approximately 77% (by value) of its products to third parties and 23% (by value) to our Marketing and Sales 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 twelve months. Our third-party customers are predominantly other oil companies, including Greenergy UK Limited, BP OIL International, Statoil ASA 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. As of December 31, 2016, approximately 99% of our third-party sales of heavy fuel oil were sales to oil companies, bunker distributors in the local market and traders, with the remaining 1% 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. 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 fall in tandem, our gross profit would generally be negatively affected because we compute the gross profit as the excess of sales revenue (determined at the time of sale) over the cost of goods sold (determined using the first-in first-out accounting principle). Conversely, a portion of the gross profit that we would record during a period of increasing prices may be attributable solely to the increase in refined product prices during the period after we buy the crude oil and prior to the time we sell the refined product. Therefore, for any given valuation date, we value our inventory at the lower of acquisition cost using the first-in first-out accounting principle and the actual value. Subsequent movements in the price of the refined product will have a corresponding impact on our gross profit.

Refined product price changes often lag behind crude oil price changes. During periods of falling crude oil prices our gross profit margins may increase, depending on the rate and the duration of the crude oil price decrease and the degree to which crude oil prices drop more than refined product prices. Due to this effect, for example, the profitability of refining operations remained high during 2015 as crude oil prices continued to decrease. During periods of increasing crude oil prices, we believe that we experience the opposite effects.

During periods of falling crude oil prices, the cost of replenishing our crude oil inventories and, thus, our working capital requirements similarly decrease and vice versa.

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 to an extent. 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 control the impact on our profitability of the volatility in feedstock costs and refined product prices. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk".

Inventory Management. We employ several strategies to control 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 twelve 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 30% is leased out, which generated SEK 29 million of rental income from third parties during 2016. 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 Preemraff Lysekil refinery, which could increase our storage capacity by approximately 2,600,000 cubic meters (approximately 16 million barrels). Approximately 575,000 cubic meters of this storage can be used as of December 31, 2016; utilizing the remainder of this additional storage capacity would require substantial capital investments, which we do not expect to make in the near future.

For the year ended December 31, 2016, we generated SEK 56 million (€6 million) in the sale of storage certificates. In 2015, we generated SEK 101 million (€11 million), in the sale of storage certificates, and in 2014 we generated SEK 123 million (€13 million).

Marketing Operations

The Marketing and Sales segment resells refined products in Sweden. Our Marketing and Sales segment consists of two divisions: an energy division and a retail division. The Marketing and Sales 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 341 Preem-branded service stations (of which 101 are manned which are company-owned and dealer-operated and 240 are unmanned, which are company owned and operated) along with 168 company-owned and operated unmanned Såifa-branded diesel truck stops. For the years ended December 31, 2016, 2015 and 2014, our Marketing and Sales segment had sales revenue of SEK 14,776 million, SEK 15,612 million and SEK 18,686 million and operating income of SEK 590 million, SEK 422 million and SEK 390 million, respectively.

For the year ended December 31, 2016, approximately 23% (by value) of the products made by our Supply and Refining segment was sold to our Marketing and Sales segment, and the other 77% (by value) was sold to third parties. In 2015, approximately 21% (by value) of the products made by our Supply and Refining segment was sold to our Marketing and Sales segment, and the other 79% (by value) was sold to third parties. In

2014, approximately 28% (by value) of the products made by our Supply and Refining segment was sold to our Marketing and Sales segment, and the other 72% (by value) was sold to third parties.

Energy 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 and Sales segment, we no longer sell refined products directly to small-size commercial consumers or private consumers. Instead, since 2007 we have supplied our products to a network of resellers, who in turn sell directly to these customers. The resellers 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 resellers to handle sales to smaller commercial customers and retail consumers and focusing our Marketing and Sales 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 energy division, we have also outsourced route planning and transportation of products, which has helped reduce our costs.

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

Within the energy division, total volumes for the year ended December 31, 2016 increased by approximately 4% compared to year ended December 31, 2015 as a result of increased sales of heating and fuel oil. This is due to cold weather and a major Swedish power plant having been forced to use heating and fuel oil as back up.

Retail Division

Our retail division consists of a network of service stations throughout Sweden. We have a network of 341 service stations in Sweden operating under the Preem brand name. This network of Preem-branded stations consists of both full-service stations that are Group-owned and dealer-operated, 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 168 unmanned and dealer operated 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 our manned and unmanned stations as of December 31, 2016.

Type of Station	Preem	Såifa
Manned	101	—
Unmanned	240	168
Total	341	168

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.

We have 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.

We also regularly evaluate and pursue select opportunities to expand our distribution and marketing footprint, including possible opportunities for an increased retail network and depot capacity elsewhere in the Nordic Region.

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 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.

On March 17, 2017 the Swedish Government announced their proposal to introduce a renewables quota ("CO2-reduction requirement") system for Sweden. The implementation date is set for 1 January 2018, but prior to getting to this point the proposal will go through a deliberation process and political discussions. The ambition in the proposal is that around 50% of liquid transportation fuels shall be renewable by 2030. As a means of getting started towards achieving this goal, the Government are proposing specific "reduction requirement" quotas for diesel at 19, 20 and 21% for the years 2018 to 2020.

Currently throughout our retail network, we offer our customers Bio100 diesel and fuel oil with 100% renewable rapeseed methyl ester and we have increased the availability of biogas, including bio-fuel E85 (which contains 85% renewable ethanol and 15% gasoline). Furthermore, we offer electric car owners in certain locations a free two hour charge. In addition, following the conversion of sections of the Preemraff Gothenburg refinery into a biorefinery in 2010, we started producing tall oil-based hydrotreated vegetable oil diesel ("HVO Diesel") with more than 30% renewable content. The conversion has resulted in successful market growth of our higher environmental quality low-sulfur diesel, which was the first HVO Diesel and, over the years, has become the dominant HVO Diesel in the Swedish market. In the beginning of October 2015, additional capacity was added through a new process unit—a project for which construction began in the summer of 2014 and that was completed in September 2015. This project doubles the production capacity of renewable diesel through an isomerization stage. The unit was successfully set up five days ahead of schedule and according to design.

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. We believe that our refineries emit on average less carbon dioxide-equivalents and significantly less nitrogen oxides (NOx) and less sulfur oxides (SOx) than the typical refinery located in Western Europe. In addition, we partnered with Skangass AB in 2012 for the delivery of LNG to Preemraff Lysekil. LNG replaced butane and naphtha as feedstock to the HPU. This has reduced the CO2 emissions from the refinery. The terminal was commissioned in June 2014. It is now in full operation and is supplying natural gas both as HPU feedstock and marginal refinery fuel gas. This has increased the refinery's flexibility in selecting marginal fuel. We are also exploring alternative energy sources, including through our partnership in VindIn AB with other energy-intensive companies in Sweden, which aims to identify, develop, build and run wind power stations in Scandinavia in order to deliver electricity to those involved in the partnership.

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 sulfur content of ten parts per million for gasoline and diesel, effective January 1, 2009, and an aromatic content in gasoline of 35%, effective January 1, 2005. For more discussion of relevant regulatory and environmental matters, see "Risk Factors—Risks Related to Our Business—We are subject to governmental laws and regulations, including environmental laws and regulations on climate change, occupational health and safety laws, competition laws and energy laws in Sweden and elsewhere, which may impact our business and results of operations."

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 sulfur-free (ten 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 Preemraff Gothenburg refinery in order to allow processing of bio-based feedstock for production of green diesel. In October 2015, work to upgrade the Green Hydrotreater Unit, which was commissioned in 2010, was completed. The upgrade provided additional diesel isomerization capability, which addresses difficulties encountered in producing higher environmental quality low-sulfur diesel as a result of colder temperatures. The upgrade has nearly doubled renewable diesel production capacity at Preemraff Gothenburg.

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.,” “Biohydraul,” “Synthgrease,” “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 has applied for certain trademarks –“preem evolution” word mark and “preem evolution” device mark in Sweden and Norway – relating to its higher environmental quality low sulfur fuel, were challenged by another company in the European fuels industry. The parties have reached a settlement. Preem’s trademarks are now registered in Sweden and we are waiting for them to be registered in Norway.

Preem, directly or indirectly through its subsidiaries, also holds the following domain names: “preem,” “preempetroleum,” “bjornkoll,” “björnkoll,” “renofin,” “preemgas,” “preemraff,” “wwwpreem,” “preemfinans”, “acpdiesel,” “corralfinans”, “corralpetroleum,” “depastoppsportalen”, “depåstoppsportalen”, “evolutiondiesel”, “preemevolution,” “preem-apps,” “preemapps,” “preemecorun,” “preemtest,” “tackforskjutsen”, “tackförskjutsen,” “tvättabilen” and “svenskaoljegrossister.” The above mentioned domain names are all held in the top domains “.se,” “.com,” “.eu,” “.nu,” “.org,” “.biz,” “.info” and “.net,” with the exception of: “Preem” which also is held in the top domain “.no“ and “.tel” “björnkoll” which is only held in the top domains “.se,” “.com,” “.nu,” “.org,” “.biz,” “.info” and “.net,”; “depastoppsportalen” and “depåstoppsportalen” which are only held in the top domain “.se,”; “evolutiondiesel” which is only held in the top domains “.se,” “.eu,” “.nu,” “.org,” “.biz,” “.info” and “.net,”; “preemevolution,” which is only held in the top domains “.se,” and “.com”; “preem-apps,” and “preemapps,” which are only held in the top domain “.net,”; “preemecorun,” “preemtest,” “tackforskjutsen” and “tackförskjutsen” which are only held in the top domain “.se,”; and “tvättabilen” which is only held in the top domain “.nu”.

Preem has entered into a licensing agreement regarding certain technology patented by a third party that is used in Preem's production of higher environmental quality low-sulfur fuel in Preemraff Gothenburg. The agreement was entered into in 2015 and shall remain in full force and effect for 20 years, subject to, inter alia, Preem paying the agreed license fees.

Employees

During 2016, the average number of people employed by us was 1,395. 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

CPH is the holding company of the Group and is wholly owned by Moroncha Holdings which, in turn, is wholly owned by Mr. Mohammed Hussein Al-Amoudi, the Ultimate Shareholder. 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. Preem is CPH's wholly owned operating subsidiary.

Joint Ventures

We have been, are, and are likely to be involved in joint ventures in the future. We are currently involved in the SunPine Biofuel Refinery ("SunPine") joint venture. SunPine is approximately 25% owned by Preem, with the following partners: Södra Skogsägarna ek. för. (approximately 25%), Sveaskog Förvaltnings Aktiebolag (publ) (approximately 25%), Lawter BVBA (approximately 10%) and Kiram AB (approximately 15%). The SunPine biorefinery uses renewable resources (namely pulp and lumber mill excess) to generate feedstock for the Green Hydrotreater located at Preemraff Gothenburg. The biofuel production at SunPine for the year ended December 31, 2016 was 83,530 tons of tall diesel.

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.

VAT filings. We have notified the Swedish Tax Agency of possible technical non-compliance with the Swedish VAT Act, in which Preem has been issuing receipts since 2010 that reflect VAT on both gas station receipts and monthly summary invoices, even if the receipt and the invoice represent the same transactions. The Swedish VAT Act requires VAT specified on a receipt or invoice to be paid to the Swedish Tax Agency. Therefore, even though we paid appropriate VAT on a per-transaction basis, we may need to retroactively revise VAT filings to address the fact that receipts and invoices both showed VAT amounts.

Our external tax advisors have advised that the most likely outcome is that the Swedish Tax Agency will not demand corrective actions. If they did do so, there would be no penalties payable, but interest with respect to the revised filings could amount to SEK 300 million.

We are awaiting a response from the Swedish Tax Agency to our notification. We have adjusted the forms of our receipts and invoices to avoid this issue in the future, but cannot assure you at this time that the Swedish Tax Agency will not charge interest with respect to revisions to our historical VAT filings.

Production of HVO Diesel: Production of tall oil based hydrotreated vegetable oil diesel ("HVO Diesel") allows producers to make certain deductions from the tax that they would otherwise be required to pay. We have recently become aware that the Swedish tax authority's position is that such deductions should not include the proportion of HVO Diesel which is hydrogen. We are in communications with the Swedish tax authorities to establish whether any additional payments will need to be made by Preem in relation to historical deductions which we have made. We believe it is likely that any payment which is required to be made by Preem will be between SEK 21 million and SEK 94 million.

Changes in tax legislation: It is possible that the effect of historic changes in Swedish tax legislation will cause Preem to incur an additional tax liability. We estimate that such liability, if incurred, would not exceed approximately SEK 144 million.

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 a wholly owned insurance company: Preem Försäkrings AB (the "Captive"), based in Sweden and formed in 2012.

Our insurance policies for property and business interruption, terrorism, offices and general liability are underwritten by 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. This means that there is no business interruption insurance cover in the first 45 days of a business interruption, but there is subsequently full compensation for up to 22 months and 15 days following the end of the 45 day period (or, in the case of Preemraff Gothenburg, up to 16 months and 15 days thereafter). 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. This policy is issued by the Captive, with external reinsurance for amounts exceeding an aggregate of SEK 25 million per year. We also had separate environmental insurance for soil contamination at closed sites issued by the Captive, without reinsurance. This policy expired on December 31, 2014, hence only a small number of outstanding claims reported prior to that date are still to be paid by the Captive.

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. For example, a successful liability claim for which we are underinsured or uninsured could have a material adverse effect on us (see "Risk Factors—Risks Related to our Business—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").

The largest insurance claim we have made since 2000 was in relation to the HPU Incident. The HPU Incident resulted in production losses worth approximately SEK 360 million in total and repair costs of approximately SEK 20 million. The majority of those losses occurred during the 45 day business interruption insurance waiting period. Approximately SEK 120 million was recovered through insurance. Of this amount, a self insured retention of SEK 44 million was paid by the Captive (with the remainder covered by the external reinsurance panel).

Property, Plant and Equipment

We own the Preemraff Gothenburg refinery and the 370 acres on which the refinery is located, and we have leaseholds to adjacent properties that we use and 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 Preemraff Lysekil. Preemraff Lysekil and Preemraff Gothenburg, our two refineries, and our main storage facilities, which consist of a total of approximately 37 acres, are both located in Sweden.

MANAGEMENT

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

Corral Petroleum Holdings

Name	Age	Position(s)
Sheikh Mohammed Hussein Al-Amoudi	70	Chairman of the Board
Jason T. Milazzo	54	Vice Chairman of the Board
Richard Öhman	65	Managing Director
Bassam Aburdene	68	Director

Preem

Board of Directors

Name	Age	Position(s)
Sheikh Mohammed Hussein Al-Amoudi	70	Chairman of the Board
Jason T. Milazzo	54	Vice Chairman of the Board
Petter Holland	60	President and CEO
John P. Oswald	57	Director
Richard Öhman	65	Director
Bassam Aburdene	68	Director
Per Höjgård	68	Director
Michael G:son Löw	65	Director
Sven Gunnar Lennart Sundén	64	Director
Jamal Ba-Amer	56	Director
Cristian Mattsson	48	Employee Representative
Eva Lind Grennfelt	43	Deputy Employee Representative
Erika Andersson	41	Employee Representative
Eivind H Simonsen	51	Deputy Employee Representative

Management

Name	Age	Position(s)
Ingrid Bodin	52	Executive Vice President Sustainable Operations
Anders Malm	44	Executive Vice President Supply and Trading
Peter Abrahamsson	53	Executive Vice President Refining
Gunilla Spongh	51	CFO
Magnus Holm	44	Executive Vice President Marketing and Sales
Christian Bjerdén	50	Executive Vice President HR
Petter Holland	60	President and CEO

Sheikh Mohammed Hussein Al-Amoudi was appointed Chairman of the Board of Corral Petroleum Holdings in January 2009 and director and Chairman of the Board of Preem in March 2005. Mr. Al-Amoudi is also Chairman of the Board of Svenska Petroleum Exploration AB and shareholder of Midroc Europe AB.

Jason T. Milazzo has been Vice Chairman of the Board of Corral Petroleum Holdings since November 2009 and Vice Chairman of the Board of Preem since August 2009. Mr. Milazzo was previously with Morgan Stanley & Co. 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 a Board Member and Vice Chairman of SAMIR and Svenska Petroleum Exploration AB and a Board Member of Corral Morocco Gas and Oil AB, Corral Morocco Holdings AB, Petroswede AB, Safanad Limited and Executive Jets.

Petter Holland joined Preem as Chief Executive Officer in April 2012. Prior to joining Preem, Mr. Holland was an Executive Vice President of Manufacturing at Saudi Aramco Mobil Refinery in Yanbu, Saudi Arabia. In addition, Mr. Holland served in various and extensive positions within ExxonMobil between 1984 and 2012. Mr. Holland has 31 years of experience in the oil refining industry. Mr. Holland received his Master of Science in mechanical engineering from the University of Trondheim.

John P. Oswald has been a director of the Board of Preem since 2016. He was previously a director of Preem from 1997-2010 and also a director of the Former Corral Petroleum Holdings beginning in 1999-2010. He is a director of a number of privately held companies and has formerly been a director of a number of publicly help companies. He is also a member of board of directors of a number of not for profit and charitable organizations. Since 1992, he has been the President and CEO of the Capital Trust Group, in which he is a principal shareholder. The Capital Trust Group, through its subsidiaries has provided international merchant and investment banking services to Corral and Preem.

Richard Öhman is President of the Board of Corral Petroleum Holdings, has been a director of Board of Corral Petroleum Holdings since 2007 and has been a director of Preem since 1994. In addition, 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 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. Mr. Öhman has 22 years of experience in the oil refining industry. Mr. Öhman is also a director of Corral Morocco Gas & Oil, Petroswede AB, Svenska Petroleum Exploration AB, Bahia Beach Real Estate AB, Bahia Beach Trancoso Limited and Twinpalms Management Limited.

Bassam Aburdene has been a director of the Board of Corral Petroleum Holdings since 2007 and has been a director of Preem since 2001. Mr. Aburdene has also 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 and is a director of a number of publicly and privately held companies, namely Arab Palestinian Investment Company (APIC), Capital Trust Limited, CTSA Holdings Limited, Near East Financial Corporation and Phaeton International (BVI) Limited. He is a member of the Board of Trustees of Bethlehem University. Since 1985, he has been a principal shareholder of the Capital Trust Group, which, through its subsidiaries, has provided international merchant and investment banking services to Corral Petroleum Holdings and Preem. See "Related Party Transactions".

Per Höjgård has been a director of Preem since March 2007. Mr. Höjgård was Chief Financial Officer of Preem from 1990 until his retirement on March 31, 2007. 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. Mr. Höjgård has 25 years of experience in the oil refining industry. Mr. Höjgård holds a MBA degree from Lund University.

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 and was employed by Preem until July 2013. He is also a director of Boliden AB, Concordia Maritime AB, Stena Bulk AB, Norstel AB and Västra Hamnen Energy AB. He is Vice Chairman and director of the Swedish-Russian Chamber of Commerce, Svenskt Närlingsliv (the Confederation of Swedish Enterprise) and IKEM AB (a service company and trade organization for the Swedish Industrial and Chemical Employers Association). Furthermore, he is a Member of Chalmers University advisory board and a Fellow Member of the Royal Swedish Academy of the Sciences. Before joining Preem, Mr. Löw worked for almost 27 years for the American oil company Conoco Inc. 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 Chairman of Conoco's Nordic downstream operations. Mr. Löw has 37 years of working experience in the oil industry, mainly downstream and midstream. Mr. Löw holds a MSc degree from Stockholm School of Economics.

Lars GR 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 SAMIR. See "Related Party Transactions."

Sven Gunnar Lennart Sundén has been a director of Preem since 2005. Mr. Sundén is presently the Chairman of Aura Light International AB, Troax Group AB, Aura Light Group AB, Strömma Varv AB, Strömma Kanal Fastighets AB, Sundén Holding AB and is a director of Velcora Holding AB and Skerpan AB. Mr. Sundén holds a Master of Engineering degree from the KTH Royal Institute of Technology and a Master of Business Administration degree from the Stockholm School of Economics. He was the President and Chief Executive Officer of Sanitec Corporation from 2005 to 2006 and of Swedish Match AB from 1998 to 2004 and was employed in a variety of positions with AB Electrolux from 1977 to 1998.

Jamal Ba-Amer has been a director of Preem since 1995. Mr. Ba-Amer holds and Engineering Degree from Jeddah University. Mr. Ba-Amer obtained a chemical engineering degree from King Fahd University of Petroleum and Minerals in 1984. Mr. Ba-Amer has 30 years of experience in the oil refining industry. Mr. Ba-Amer started his professional career in 1985 as Process Engineer with the Jeddah Oil Refinery and went on to work at Aramco in international operations. In 1995, he joined Corral Petroleum Holdings as a refining and marketing specialist and became a member of the Board of Directors of the Scanraff and Preem Refineries in Sweden. In 1997, he was appointed Director of Moroccan Operations of Corral Petroleum Holdings AB and made President of Corral Holding Maroc. He also joined the Boards of Directors of SAMIR, SALAM GAZ and SDBP. In 2004, Mr. Ba-Amer was appointed a General Manager of SAMIR Refinery and led the SAMIR Upgrade Project from 2005 to 2010.

Cristian Mattsson has served as an Employee Representative on the Board of Preem since 2003. Mr. Mattson has been employed as a technician at Scanraff since 1988. Prior to this Mr. Mattsson was Employee Representative on the board of Scanraff. Mr. Mattsson has 27 years of experience in the oil refining industry.

Eva Lind Grennfelt has been employed as an engineer at Preemraff Gothenburg refinery since 2003 and has served as a Deputy Employee representative on the Board of Corral Petroleum Holdings since 2008. Prior to this Mrs. Grennfelt was working as process engineer at Kvaerner Pulping AB. Mrs. Grennfelt has twelve years of experience in the oil refinery industry. Mrs. Grennfelt holds a M.Sc. of Chemical Engineering from Chalmers University of Technology.

Erika Andersson has served as an Employee Representative on the Board of Preem since April 2014. Ms. Andersson has been employed at Preem since February 2009 and works within our Marketing and Sales segment.

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

Anders Malm joined Preem in 2004 and has served as Manager of Distribution. Since May 2015 he has served as Executive Vice President of Supply & Trading. Mr. Malm has held various positions at Preem since joining in 2004, including management roles in Logistics, Depot & Distribution, Physical Management and Manager Strategic Transition Program. During these years, Mr. Malm has also been a member of the board of directors of the subsidiary companies AB Djurgårdsberg and Svensk Petroleumförvaltning AB. Mr. Malm has 25 years of experience in the oil refining industry.

Ingrid Bodin joined Preem in 1988 and has served as Manager of Production Planning and Manager of Business Development. From 2006 to 2015, she has served as Executive Vice President of Supply and Trading. Since May 2015 she has served as Executive Vice President of Sustainable Operations. Until April 2016, Ms Bodin was also a director and Chairman of Preem Gas. In addition she is a director of VindIn AB, Ikem and the European Petroleum Refiners Association. Ms. Bodin has 27 years of experience in the oil refining business and in oil trading. Ms. Bodin holds a Master of Science in Industrial Engineering and Management.

Peter Abrahamsson started working for the refinery at Preemraff Gothenburg as a production engineer in 1991 after taking his licentiate degree at Chalmers. He has served as Executive Vice President of Refining since April 2012. Mr. Abrahamsson has held various positions at Preem since joining in 1991, including Chief Executive Officer for Göteborgs Smörjmedelsfabrik and Production and Technical Manager for Preemraff in Gothenburg. Mr. Abrahamsson serves as a director of Preem Technology and was the Managing Director at Scanlube AB from 2002 to 2006.

Gunilla Spongh joined Preem in 2015 and serves as Chief Financial Officer. Prior to this role, Ms. Spongh was International Business Director at Mekonomen AB (publ) from 2012 to 2015 and Chief Financial Officer at Mekonomen AB (publ) from 2007 to 2012. Before that Ms. Spongh served as Chief Financial Officer at CashGuard AB (publ) and Enea AB (publ) and has held various financial director positions within Electrolux and Fresenius-Kabi. Ms. Spongh is a member of the board of directors of Infranord AB, B&B Tools AB (publ) and AQ Group AB (publ). Ms. Spongh has recently joined the oil refining industry. Ms. Spongh holds a Master of Science in Industrial Engineering and Management degree from Linköping Institute of Technology.

Magnus Holm has served as Executive Vice President of Marketing and Sales since April 1, 2014, when he joined Preem. Prior to assuming this role, Mr. Holm was Nordic Head of Sales at Northern Europe's largest energy company, Vattenfall. Mr. Holm has also served as Vice President of Marketing and Sales within Vattenfall Nordic Heat and as a director on the boards of certain Vattenfall subsidiaries. In his earlier career he held Managing Director positions in the media, real estate and logistics industries. During April 2016, Mr. Holm becme director and chairman of Preem Gas AB.

Christian Bjerdén joined Preem in 2007 and serves as Executive Vice President of Human Resources. Prior to this role, Mr. Bjerdén held various positions within Preem, including Human Resources Business Partner and Human Resource Manager. Mr. Bjerdén also serves as a principal of the Public School and Arts School. Mr. Bjerdén is a member of the board of directors of Preem AB and was, until April 2016, a director of Preem Gas AB. Mr. Bjerdén has eight years of experience in the oil refining industry. Mr. Bjerdén holds a master's degree from Örebro University.

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 T Milazzo as Vice Chairman and Mohammed Hussein Al-Amoudi as Chairman of the Board. Under its articles of association, Corral Petroleum Holdings is required to have a minimum of three directors, not more than eight directors and a maximum of five deputy members. 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. They were elected at Corral Petroleum Holdings' 2012 annual general shareholders' meeting on March 28, 2012 and have thereafter been re-elected annually at Corral Petroleum Holdings' annual general shareholders' meetings. The 2016 annual general shareholders' meeting was held on March 15, 2017, at which time the current directors were re-elected to serve until the end of Corral Petroleum Holdings' 2017 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 twelve ordinary members and two deputy members. Under its articles of association, the board of directors must have a minimum of three directors and not more than fifteen members, with not more than eight deputy members. A majority of the directors must be present for there to be a quorum. All directors except for two employee representatives and the two deputy directors who are also 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, up to a maximum of four financial years. The current directors of Preem, except for the two employee representatives and the deputy directors, were appointed on March 15, 2017 and will serve until the end of the Preem 2017 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 "Management—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. In 2015 Richard Öhman was re-elected as member of the audit committee for three years. Per Höjgård was re-elected for one year in 2017. 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 connection with the discharge of their duties.

Executive Compensation

Corral Petroleum Holdings paid no compensation to its directors and executive officers in 2016. Corral Petroleum Holdings 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 31.3 million, including bonuses of SEK 2.4 million, in 2016, SEK 38.0 million, including bonuses of SEK 5.4 million, in 2015 and SEK 41.9 million, including bonuses of SEK 9.9 million, in 2014. 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, Holm, Malm, Holland, Ms. Bodin and Ms. Spongh, are each party to an employment agreement and an incentive plan called "Preem Long Term Incentive Plan" 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 the employment by giving six months' notice. Mr. Holland is entitled to receive his full salary and benefits during the entire notice period.

Under the terms of the agreement for Messrs. Abrahamsson, Bjerdén, Holm and Ms. Bodin, either Preem or the individual employee may terminate the employment. Upon termination by Preem there is a twelve month notice period. In addition to payment of their salary and benefits during the twelve month notice period, each of Messrs. Abrahamsson, Bjerdén, Holm and Ms. Bodin is entitled to a severance pay equal to twelve months' salary and the average of bonus payments from the last three years and the value of all other benefits, irrespective of whether they receive remuneration from new employment or other gainful activities after the termination. The severance pay is not pensionable and will be paid in twelve monthly installments following the termination of employment. Upon termination of employment by the individual employee, a six month notice period applies.

Under the terms of the agreements for Mr. Malm and Ms. Spongh, either Preem or the individual employee may terminate the employment by giving six months' notice. In addition to payment of the salary and benefits during the six month notice period, Mr. Malm and Ms. Spongh are entitled to a severance pay equal to six months' salary and the average of bonus payments from the last three years and the value of all other benefits, irrespective of whether they receive remuneration from new employment or other gainful activities after the termination. The severance pay is not pensionable and will be paid in six monthly installments following the termination of employment.

However, in case of immediate dismissal based on gross negligence or serious breach of contract on the part of the respective employee, no termination payment or severance pay will be due.

In addition, each employment agreement of Messrs. Abrahamsson Bjerdén, Holm, Malm and Ms. Bodin provides that the employees may be put on garden leave during the notice period. In such case, any other compensation they may receive from a new employment during the garden leave would reduce their respective entitlement to salary and benefits during the notice period by the amount of the compensation received. Such reduction would, however, not apply to their severance pay.

First Vice Chairman of the Board

First Vice Chairman of the Board Jason T. Milazzo is engaged under a consultancy agreement between Preem and Sparrow Winds Limited. The agreement is in force until further notice starting from January 1, 2015 and may be terminated by Preem subject to 30 months' notice.

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 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 the companies have granted any option rights to any of its respective directors, executive officers, or employees.

OWNERSHIP OF COMMON STOCK

As of the date of this Annual Report, Corral Petroleum Holdings is the holding company of the Group, which includes Preem. Corral Petroleum Holdings is wholly owned by Moroncha Holdings, which, in turn, is wholly owned by Mr. Al-Amoudi, the Ultimate Shareholder. Through such ownership, the Ultimate Shareholder indirectly has the right to make binding nominations for the appointment of members of the board of directors of Corral Petroleum Holdings and its subsidiaries, including Preem, and to determine the outcome of any action requiring shareholder approval, including election and removal of any such directors, amendments to the charters, mergers and other extraordinary corporate actions of Corral Petroleum Holdings or of Preem.

Mr. Al-Amoudi's holdings include Svenska Petroleum Exploration AB, a petroleum exploration and production company, a majority interest in SAMIR, a Moroccan oil refining 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 us in our primary markets, we cannot assure you that they will not compete with us 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. Preem also engages in commercial transactions with some of these related companies from time to time. See "Related Party Transactions" for details of such transactions. If Corral Petroleum Holdings or Preem enters into any such transactions with any of these related companies, we intend to do so on terms no less favorable than those we could have obtained from unrelated third parties. Nonetheless, such transactions could result in conflicting interests.

RELATED PARTY TRANSACTIONS

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 Project Management AB, Midroc Alucrom AB and Midroc Rodoverken AB, to Preem. For these services, Preem paid SEK 274 million as of December 31, 2016, SEK 246 million as of December 31, 2015 and SEK 216 million in 2014. 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. We believe 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.

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 a predecessor of Preem in a principal amount of SEK 3,136 million with an interest rate of 5.0% per annum. The promissory note was issued as payment in a transaction where the shares in SAMIR were sold from Preem to Corral Morocco Gas & Oil. As of December 31, 2016, the outstanding principal, including capitalized interest, was SEK 4,280 million (€447 million). The receivable from this promissory note is tested every year using a consistent cash flow model and the same cash flow model will continue to be used in the future. During 2016, a provision of SEK 1,567 million was made in relation to the promissory note, resulting in the book value of the promissory note for accounting purposes being reduced to zero.

Constellation Holdings LLC

Constellation Holdings LLC provided strategic and investment banking advisory services and acted as an advisor to Preem in consultative and advisory services on strategic issues. The contract governing these services was terminated in December 2014.

Mr. Al-Amoudi is the principal shareholder of Constellation Holdings LLC. We believe that the foregoing transactions were entered into on terms no less favorable to us or to our subsidiaries than those that could have been obtained from an unrelated third party. Purchases made during 2016 and 2015 amount to SEK 0 and during 2014 amount to SEK 16 million.

Capital Trust Group

Capital Trust Group, through its subsidiaries, provides international merchant and investment banking services. CTNV, Ltd., a member of the Capital Trust Group, acted as our advisor in connection with the issuance of the 2021 Notes, for which we paid a fee equal to 1% of the aggregate principal amount of the 2021 Notes and the A&R Credit Facility.

A new advisory agreement was entered into with Capital Trust Group in July 2016. The services to be provided by Capital Trust are continuing investment advisory services with respect to the upstream and downstream oil markets, market analysis with respect to potential debt refinancing opportunities and overseeing communication between the Group and the various investors in the 2021 Notes and the Credit Facilities. The agreement is a one year initial term contract with annual prolongation if not terminated after the initial term. The conditions of the agreement are deemed to be reasonable and comparative to financial services agreements and no less favorable than those that could be obtained from an unrelated third party.

In addition, Mr. Bassam Aburdene, a director of Preem, is also a principal shareholder of Capital Trust Group. We believe 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.

During the year ending December 31, 2016, the aggregate of all fees paid to Capital Trust Group amounted to SEK 34 million.

Our Ultimate Shareholder

In connection with certain transactions refinancing the Group's debt in 2011, Mr. Al-Amoudi made a $600 million 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 these 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. The outstanding principal amount of Subordinated Shareholder Loans were reduced as of August 27, 2014, January 31, 2015 February 29, 2016, June 30, 2016 and December 31, 2016 by converting SEK 1,050 million, SEK 1,000 million, SEK 500 million, SEK 600 million and SEK 500 million equivalent, respectively, from Subordinated Shareholder Loans to shareholders' contributions. As of December 31, 2016, the Subordinated Shareholder Loans, including accrued interest expense, amounted to $299 million and €12 million respectively. Mr. Al-Amoudi also owns all of the Subordinated Shareholder Notes in an aggregate amount outstanding of €178 million and $79 million as of December 31, 2016. As part of the Transactions, the maturity of the Subordinated Shareholder Loans and the Subordinated Shareholder Notes were extended to a date that is no earlier than the 181st day after the maturity of the 2021 Notes. See "Description of Certain Indebtedness—Subordinated Shareholder Debt."

Mr Al-Amoudi wholly owns and controls our direct parent, Moroncha Holdings, which has entered into an undertaking with the Trustee that it will not, and that it will cause Corral Petroleum Holdings and its restricted subsidiaries not to, participate (directly or indirectly) in (x) a Substantial Disposition or (y) a direct or indirect transfer, issuance or other disposition by Moroncha Holdings of the capital stock of CPH resulting (in the case of this clause (y)) from an enforcement of the Share Pledge pursuant to which the Parent, Corral Petroleum Holdings or any affiliate of the Parent or CPH is a purchaser (directly or indirectly) unless, in either case described in (x) and (y) above, the terms of such Substantial Disposition provide for the repayment in full of the Notes, or the issuance of a notice of redemption for all of the Notes in accordance with the optional redemption provisions of the 2021 Indenture, and the payment of any accrued but unpaid interest thereon and additional amounts, if any, within two Business Days following the receipt of Net Available Cash from such Substantial Disposition and the cash required to fund such redemption is delivered to the relevant Paying Agent within one Business Day after closing such Substantial Disposition.

Conflicts of Interest

Except as described above, and in the sections "Risk Factors—Risks Related to 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

We replaced the 2017 Notes with the 2021 Notes as part of the Transactions.

2021 Notes

As part of the Transactions, Coral Petroleum holding issued the 2021 Notes. The 2021 Notes comprise (i) €570,000,000 aggregate principal amount of euro-denominated 11.750% / 13.250% senior PIK toggle notes due 15 May 2021, and (ii) SEK 500,000,000 aggregate principal amount of Swedish krona-denominated 12.250% / 13.750% senior PIK toggle notes due 15 May 2021. The 2021 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.

Subordinated Shareholder Debt

Subordinated Shareholder Notes

CPH issued the Subordinated Shareholder Notes pursuant to an indenture dated May 6, 2010, as amended on September 14, 2011 and on May 6, 2016. The Subordinated Shareholder 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 2021 Notes, and are structurally subordinated to the liabilities of Corral Petroleum Holdings' subsidiaries, including under the A&R Credit Facility. On May 6, 2016 we amended the indenture pursuant to which the Subordinated Shareholder Notes have been issued in order to extend the maturity of the Subordinated Shareholder Notes to be no earlier than the 181st day after the 2021 Notes have been repaid, redeemed or defeased. The Ultimate Shareholder owns all outstanding Subordinated Shareholder Notes, comprising an aggregate amount outstanding of €178 million and $79 million, as of December 31, 2016.

Subordinated Shareholder Loans

CPH incurred the Subordinated Shareholder Loans in connection with certain transactions refinancing the Group's debt in 2011, comprising a $600 million subordinated shareholder loan, and two additional subordinated shareholder loans of $8 million and €9 million which were applied to the payment of expenses relating to certain refinancing transactions taking place in 2011. The Subordinated Shareholder Loans bear an interest rate of 5% per annum and are paid in kind semiannually. The outstanding principal amount of Subordinated Shareholder Loans were reduced as of August 27, 2014, January 31, 2015, February 29, 2016, June 30, 2016 and December 31, 2016 by converting SEK 1,050 million, SEK 1,000 million, SEK 500 million, SEK 600 million and SEK 500 million equivalent, respectively, from Subordinated Shareholder Loans to shareholders' contributions. As of December 31, 2016, the Subordinated Shareholder Loans, including accrued interest expense, amounted to $299million and €12 million respectively. The Subordinated Shareholder Loans cannot be repaid before the 181st day after the 2021 Notes have been repaid, redeemed or defeased.

Changes in connection with the Transactions

In connection with the Transactions CPH and the Ultimate Shareholder effected modifications to the Subordinated Shareholder Debt to, among other things, ensure that the Subordinated Shareholder Debt:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the 181st day after the 2021 Notes have been repaid, redeemed or defeased;

(2) does not require, prior to the 181st day after the 2021 Notes have been repaid, redeemed or defeased, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions, does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the 181st day after the 2021 Notes have been repaid, redeemed or defeased;

(4) does not provide for or require any security interest or encumbrance over any asset of CPH or any of its subsidiaries; and

(5) pursuant to its terms is fully subordinated and junior in right of payment to the 2021 Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

A&R Credit Facility

As part of the Transactions, the parties to our prior Credit Facility (originally entered into in 2011) entered into an amendment and restatement agreement to the 2011 Credit Facility on February 3, 2016 as further amended pursuant to amendment letters dated April 18, 2016 (pursuant to which certain amendments to the 2011 Credit Facility became effective on the date of issuance of the 2021 Notes) and May 10, 2016, by, among others, Preem, as borrower, Danske Bank A/S, Danmark, Sverige Filial, DNB Bank ASA, Svenska Handelsbanken AB (publ), Skandinaviska Enskilda Banken AB (publ) and Swedbank AB (publ), as lenders (collectively, the "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 A&R Credit Facility provided Preem with an approximate $68 million (equivalent) term loan and a $1,542 million multi-currency revolving facility. On July 15, 2016, Preem's full outstanding term loan under the A&R Credit Facility was prepaid through a mandatory excess cash flow prepayment pursuant to the A&R Credit Facility.

The A&R Credit Facility has a maturity date of four years and six months from the Closing Date, (save for the term loan which has been repaid). Loans and letters of credit under the revolving credit facilities may be used to refinance amounts outstanding under the A&R Credit Facility and for general corporate purposes and working capital requirements (including, without limitation, the payment of fees, costs and expenses incurred in connection with the A&R Credit Facility and the making of permitted payments) and for a specified potential acquisition (subject to certain conditions), but not for the financing of any other acquisition.

Incremental Facility

Preem may request an increase in the size of the total commitments under the revolving loan and letter of credit facilities that are subject to the borrowing base limits up to a maximum aggregate amount of (i) $1,650 million while the price of oil has been, on average, less than $100 per barrel during the five Business Days immediately prior to (and excluding) the day of such request or (ii) $1,850 million while the price of oil has been, on average, equal to or more than $100 per barrel during the five Business Days immediately prior to (and excluding) the day of such request, to be made available by way of an incremental facility (the "Incremental Facility") on the same terms as the revolving loan and letter of credit facilities that are subject to the borrowing base limits under the A&R Credit Facility. If the Incremental Facility is to be provided by any lender that is not an existing lender under the A&R Credit Facility then the provision of the Incremental Facility will be subject to the approval of such new lender by the existing majority lenders under the A&R Credit Facility (such approval not to be unreasonably withheld or delayed).

Interest

Interest on loans utilized under the A&R Credit Facility accrues at a rate equal to IBOR plus an applicable margin for each of the facilities. The revolving loan that is subject to the borrowing base limits has a margin of 3.50% per annum and the letter of credit facilities that are subject to the borrowing base limits have a fee of 1.75% per annum. The revolving loan that is not subject to the borrowing base limits has a margin of 4.00% per annum and the letter of credit facilities that are not subject to the borrowing base limits have a fee of

2% per annum. 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.

Financial Covenants

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

Interest Cover Ratio

Under the A&R Credit Facility, Preem must ensure that the ratio of consolidated EBITDA to consolidated interest costs (meaning, in relation to each trailing twelve month period, ending on a quarter date, all interest, whether paid or payable (but excluding capitalized interest), incurred by the Preem group during that period calculated on a consolidated basis), does not fall below 3.0 to 1.0.

Minimum Equity Covenant

Under the A&R Credit Facility, Preem must ensure that the value of adjusted equity does not fall below SEK 5,000 million at any time.

Equity Cure

The A&R Credit Facility contains certain equity cure rights which can be exercised in respect of each of the financial covenants by either reducing Adjusted Net Debt, increasing the value of adjusted equity or, for the purposes of calculating consolidated interest costs, be deemed to have been received and applied in reduction of financial indebtedness (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 or in any consecutive financial quarters. In certain circumstances, equity cure rights may be exercised by the holders of the 2021 Notes. These equity cure rights may take the form of cash contributions or subordinated loans to Preem from CPH.

Certain General Covenants

The A&R 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 A&R 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, 2015, SEK 894 million;

(ii) for the financial year ending December 31, 2016, SEK 1,893 million;

(iii) for the financial year ending December 31, 2017, SEK 3,027 million;

(iv) for the financial year ending December 31, 2018, SEK 1,372 million;

(v) for the financial year ending December 31, 2019, SEK 1,576 million; and

(vi) for the financial year ending December 31, 2020, SEK 1,250 million;

CPH has confirmed that for purposes of calculating the capital expenditures referred to above, it will direct Preem to include, and Preem will include, the expenditures related to the planned investment of approximately SEK 1,600 million in vacuum distillation equipment at Preemraff Lysekil within the caps set out in clauses (i) to (vi) above.

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

The A&R 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.

In addition, the A&R Credit Facility also requires Preem to continue to adhere to a hedging policy previously agreed with the Lenders with respect to the price risk in its inventory position.

Restrictions on Upstreaming of Cash

Preem may not make any distribution or declare or pay any dividend to CPH whatsoever unless permitted pursuant to the terms of the A&R Credit Facility. The A&R Credit Facility provides for the following "Permitted Payments":

(A) the group tax contribution (SW.Koncernbidrag) (the "Group Contribution") to CPH by way of dividend provided that the amount equal to the Group Contribution is simultaneously made available to Preem by way of equity contribution or a loan subordinated pursuant to the terms of the Intercreditor Agreement and provided further that this is effected by accounting entries only and no cash is actually moved between Preem and CPH;

(B) at any time following the date on which all arrangement fees under the A&R Credit Facility have been paid to the Lenders, a lawful dividend, distribution or payment from Preem to CPH made on June 30 and December 31 in each financial year for the purposes of servicing cash pay interest accrued and payable under the 2021 Notes, provided that:

(1) any such dividend, distribution or payment to be made on June 30, 2016 and December 31, 2016 may only be made from Excess Cashflow (as defined in paragraph (A) of the definition of "Excess Cashflow" included below), in respect of the financial year ending December 31, 2015, after deducting amounts of Excess Cashflow required to be applied in prepayment of the term loan under the A&R Credit Facility and may not be funded by using any portion of the revolving facilities that is not subject to borrowing base limits (and Excess Cashflow remaining after the making of such dividend, distribution or payment shall be "Surplus Excess Cashflow"); and

(2) any such dividend, distribution or payment to be made on June 30 or on December 31 in any subsequent financial year of Preem can only be made from Excess Cashflow (as defined in paragraph (B) of the definition of "Excess Cashflow" included below) (and may not be funded by using any portion of the revolving facilities that is not subject to borrowing base limits), with each June 30 payment being paid from the Excess Cashflow calculated as of March 31 in the applicable financial year and each December 31 payment being paid from the Excess Cashflow calculated as of September 30 in the applicable financial year (and, in each case, Excess Cashflow remaining after the making of such dividend, distribution or payment shall be "Surplus Excess Cashflow"),

and (in each case) further provided that such dividend, distribution or payment may only be made if:

(i) no default under the A&R Credit Facility has occurred and is continuing on the Confirmation Date (as defined in paragraph (iii) below) or would arise as a result of the dividend, distribution or payment were it to be made on the Confirmation Date (as defined in paragraph (iii) below);

(ii) all fees due in connection with the A&R Credit Facility have been paid in full on the date of such dividend, distribution or payment; and

(iii) 32 days prior to the date upon which the proposed payment, dividend or distribution is to be made (such date being the "Confirmation Date"), Preem provides to the facility agent:

(a) a written confirmation that (i) its Minimum Liquidity (defined below) during the 30 days prior to the Confirmation Date was, on average, greater than $100 million or, if Preem makes a Reduced ML Election (as defined in paragraph (c) below) in respect of the proposed payment, dividend or distribution in accordance with the provisions of paragraph (c) below, $50 million and (ii) its Minimum Liquidity on the Confirmation Date after taking account of the proposed payment, dividend or distribution (assuming it was paid on the Confirmation Date) will be, greater than $100 million (or, if Preem has made a Reduced ML Election in accordance with paragraph (c) below in respect of the proposed payment, dividend or distribution, $50 million); and

(b) in the case of a proposed payment, dividend or distribution in respect of which Preem has made a Reduced ML Election under paragraph (iii)(a) above, a cash flow forecast for the Group for a period of not less than 12 months following the Confirmation Date showing that Preem is forecast to remain in compliance with the Financial Covenants (described above) in respect of the A&R Credit Facility for such 12 month period (and assuming such payment is paid);

(c) Preem may elect to reduce the Minimum Liquidity threshold applicable to a proposed payment, dividend or distribution to be made under this paragraph (B) during any 12 month period ending on June 30, 2016 or December 31, 2016 (the "Reduced ML Election"), provided that Preem may not make more than one Reduced ML Election during the life of the Facilities and any such Reduced ML Election shall (x) only apply in respect of the proposed payment, dividend or distribution made immediately following the written confirmation in which the Reduced ML Election was made and (y) not (for the avoidance of doubt) apply in respect of any payment, distribution or dividend proposed to be made pursuant to paragraph (C) below;

(C) at any time following the date on which all arrangement fees under the A&R Credit Facility have been paid to the Lenders, a lawful dividend, distribution or payment from Preem to CPH the purposes of: (A) prepaying principal amounts outstanding under the 2021 Notes which constitute interest previously paid as PIK Interest (each a "Capitalized Amount"); and/or (B) repaying principal amounts (other than Capitalized Amounts) outstanding under the 2021 Notes (each a "Designated Principal Payment"), provided that (in each case):

(1) no such payment, distribution or dividend may be made in respect of any 12 month period ending on March 31, 2016, June 30, 2016, September 30, 2016 or December 31, 2016; and

(2) any such payment, distribution or dividend must be made at the same time as a June 30 payment or a December 31 payment of cash interest on the 2021 Notes, and from the Surplus Excess Cashflow available after the making of such June 30 cash interest payment or, as the case may be, December 31 cash interest payment after deducting any Surplus Excess Cashflow which has become Designated Excess Cashflow (as defined in paragraph (E) below) (and may not be funded using any portion of the revolving facilities that is not subject to borrowing base limits) and only if:

(i) no default under the A&R Credit Facility has occurred and is continuing on the Confirmation Date (as defined in paragraph (iii) below) or would arise as a result of the dividend, distribution or payment were it to be made on the Confirmation Date (as defined in paragraph (iii) below);

(ii) all fees due in connection with the A&R Credit Facility have been paid in full on the date of such dividend, distribution or payment;

(iii) 32 days prior to the date on which such proposed payment, dividend or distribution is due to be made (such date being the “Confirmation Date”), Preem provides the facility agent with:

(a) a written confirmation that (i) its Minimum Liquidity during the 30 days prior to the Confirmation Date was, on average, greater than $175 million and (ii) its Minimum Liquidity on the Confirmation Date after taking account of the proposed payment, dividend or distribution (assuming it was paid on the Confirmation Date) will be greater than $175 million; and

(b) in respect of any dividend, distribution or payment which either (x) is to be used wholly or in part for the purposes of a Designated Principal Payment or (y) is to be used to repay Capitalized Amounts where the aggregate amount of such proposed payment exceeds an amount equal to one year's interest then due on the Notes, an updated business plan of the Group covering a period of not less than five years following the Confirmation Date together with a cash flow forecast for the Group for a period of not less than 12 months following the Confirmation Date showing that Preem is forecast to remain in compliance with the Financial Covenants (described above) in respect of the A&R Credit Facility for such 12 month period (and assuming such payment is paid); and

(iv) Preem's auditors provide the finance parties under the A&R Credit Facility with written confirmation on the Confirmation Date that they have reviewed the calculations set out in the written confirmation delivered by Preem to the facility agent and that they are satisfied that such calculations are consistent with the relevant corresponding definitions set out in the A&R Credit Facility agreement;

(D) paying administrative costs of CPH up to a maximum amount of $500,000 in any calendar year; and

(E) at any time following the date on which the arrangement fee under the A&R Credit Facility has been paid in full to the Lenders, a lawful dividend, distribution or payment from Preem to CPH made on a Quarter Date falling on 30 June or 31 December in each financial year for the purposes of servicing cash pay interest accrued and payable under the Notes (and which has not, for the avoidance of doubt, been capitalised and added to the outstanding principal amount of the Notes) and which has not otherwise been serviced as a result of a dividend, distribution or payment made under paragraph (B) above and building up a cash pay interest reserve provided that:

(1) any such dividend, distribution or payment can only be made from Designated Excess Cashflow (as defined below) on that Quarter Date in accordance with the provisions below; and

(2) 32 days prior to the Quarter Date upon which the proposed payment, dividend or distribution is to be made (such date being the “Confirmation Date”), Preem provides

to the Facility Agent a Permitted Payment Certificate signed by the Chief Executive Officer of Preem or any other duly authorised signatory:

(i) confirming the amount of the payment proposed to be made pursuant to this paragraph (E) on the immediately following Quarter Date provided that such amount shall not exceed the maximum amount permitted to be paid pursuant to paragraph (1) below; and

(ii) certifying that no Default has occurred and is continuing on the Confirmation Date or would arise as a result of the dividend, distribution or payment were it to be made on the Confirmation Date.

For the purposes of paragraph (E) above, "Designated Excess Cashflow" means all or any part of any Surplus Excess Cashflow which is not paid to CPH on a particular Quarter Date (being the "Relevant Quarter Date") in accordance with paragraphs (B) or (C) above (but would have been permitted at that time to be paid by way of dividend, distribution or payment to CPH in accordance with the conditions set out in paragraphs (B)(1) and (B)(2) above other than by virtue of the amount being in excess of the amount required for the relevant interest payment under the Notes) which Preem has designated in the applicable Permitted Payment Certificate delivered 32 days prior to the Relevant Quarter Date as Designated Excess Cashflow provided that:

(1) the amount of any Surplus Excess Cashflow which constitutes Designated Excess Cashflow shall not exceed an amount which would result in the aggregate amount standing to the credit of the Interest Reserve Account (following receipt of such amount into the Interest Reserve Account and including any Overfunding Amount (being the excess proceeds of the offering of the 2021 Notes) (not already applied in accordance with the A&R Credit Facility)) on the Relevant Quarter Date exceeding an amount equal to the aggregate amount of interest payable by CPH in respect of the Notes (pursuant to the terms of the Notes on the Effective Date) during the 12 months falling after (and excluding) the Relevant Quarter Date;

(2) on the applicable Relevant Quarter Date, Preem shall pay the Designated Excess Cashflow into an account held by CPH with the Facility Agent or an Affiliate of the Facility Agent (the "Interest Reserve Account") and the Designated Excess Cashflow shall be held in that account at all times prior to its application in accordance with this paragraph; and

(3) Preem shall procure that (i) all Designated Excess Cashflow which is paid into the Interest Reserve Account is applied by CPH for the purposes of servicing cash pay interest accrued and payable under the Notes and not for any other purpose (notwithstanding the foregoing, any Overfunding Amount which is held in the Interest Reserve Account shall be applied by CPH in accordance with the A&R Credit Facility) and (ii) prior to CPH withdrawing any amounts from the Interest Reserve Account, CPH confirms to the Facility Agent in writing that all such withdrawn amounts shall be immediately applied for the purposes permitted under this paragraph.

Certain Definitions

The following descriptions summarize key definitions that will be used when calculating "Permitted Payments" under the A&R Credit Facility:

"Excess Cashflow" means:

(A) for any calculations made by reference to the financial year of Preem ending on December 31, 2015, Cashflow from Operating Activities (as defined below) for that financial year:

(1) less the aggregate amount of all capital expenditure spent by Preem in that financial year which is permitted to be incurred under the A&R Credit Facility agreement (as described in "—Certain General Covenants" above);

(2) less any scheduled amortisations and mandatory and voluntary prepayments made in respect of the term loans under the A&R Credit Facility; and

(3) less the aggregate amount of any dividends, distributions or payments made by Preem pursuant to paragraph (B) of the definition of "Permitted Payments" (the payment of which has been calculated by reference to the financial year ending December 31, 2015) and the amount of any Surplus Excess Cashflow which becomes Designated Excess Cashflow,

in each case, during that financial year; and

(B) for any Measurement Period (as defined below) ending on March 31 or September 30 commencing with the Measurement Period ending on March 31, 2017, Cashflow from Operating Activities (as defined below) for that Measurement Period:

(1) less an amount equal to the higher of (i) the Capex Threshold Amount for that Measurement Period and (ii) the aggregate amount of all Capital Expenditure spent by Preem in that Measurement Period which is permitted to be incurred under the A&R Credit Facility agreement (or such other amount as is otherwise agreed by the majority Lenders);

(2) less any scheduled amortisations and mandatory and voluntary prepayments made in respect of the term loans under the A&R Credit Facility; and

(3) less the aggregate amount of any dividends, distributions or payments made by Preem pursuant to paragraphs (B) or (C) of the definition of "Permitted Payments" and the amount of any Surplus Excess Cashflow which becomes Designated Excess Cashflow,

in each case, during that Measurement Period.

"Capex Threshold Amount" means:

(A) subject to paragraph (B) below, in respect of each Measurement Period ending on a Quarter Date falling on March 31 and September 30 in each financial year following the financial year ending December 31, 2015, an amount equal to 75 per cent of the amount of Maintenance Capital Expenditure budgeted to be incurred by the Preem group during that Measurement Period, as such amounts are amended from time to time with the consent of the facility agent (acting on the instructions of the majority Lenders);

(B) not more than once during the life of the A&R Credit Facility, Preem may elect that Maintenance Capital Expenditure in an amount not exceeding SEK50,000,000 (the "Re-Allocated Capex") which is budgeted to be spent in one Measurement Period (the "Decrease Measurement Period") is allocated to either the Measurement Period falling immediately prior to or immediately after that Decrease Measurement Period (such Measurement Period being the "Increase Measurement Period"). If Preem makes such an election then:

(1) the Capex Threshold Amount in respect of the Decrease Measurement Period shall be decreased by an amount equal to the amount of the Re-Allocated Capex; and

(2) the Capex Threshold Amount in respect of the Increase Measurement Period shall be increased by an amount equal to the amount of the Re-Allocated Capex.

"Cashflow from Operating Activities" means in respect of any period, cash flows of the Group from operating activities for that period calculated in accordance with International Accounting Standard 7 ("IAS 7") (Statement of Cash Flows), provided that such provision is at all times interpreted and applied in accordance with Schedule 15 (Calculation of Cashflow From Operating Activities) and clause 23.2(E) (Form of financial statements) of the A&R Credit Facility.

"Maintenance Capital Expenditure" means the capital expenditure made by the Preem group (including, for the avoidance of doubt, the capital expenditure made by the Preem group in respect of turnarounds) which is necessary to ensure the existing volumes, quality and profitability of the Preem group's output are maintained in line with current levels.

"Measurement Period" means each period of 12 months ending on a Quarter Date.

"Minimum Liquidity" means at any time, the aggregate amount of consolidated cash and cash equivalents and the amount available to Preem for drawing under the revolving facilities that are subject to borrowing base limits in aggregate at that time, being the available and undrawn amounts of the revolving facilities that are subject to borrowing base limits that could be utilized without breaching any borrowing limitations or any other term of the A&R Credit Facility agreement.

"Quarter Date" means, as appropriate, March 31, June 30, September 30 and December 31.

Borrowing Base

There are two revolving loan and letter of credit facilities in the A&R Credit Facility that are subject to borrowing base limits. The first borrowing base limit is based on the value of the inventory of Preem. The second borrowing base limit is based on the value of trade receivables of Preem.

The principal amount of the first borrowing base facility is limited to the lower of (1) $1,542,000,000 and (2) an amount equal to the aggregate of:

(A) 50% of the fair market value of goods in transit outside of Sweden, being oil that is being shipped to Preem and (1) in respect of which a transit documentary letter of credit has been issued, (2) in respect of which insurance is in place and (3) in respect of any long distance transit, security interests over the relevant bills of lading have been granted to the Credit Facility Security Agent;

(B) 85% of the fair market value of inventory in refineries, being crude oil and refined oil and/or other petroleum products which are owned by Preem from time to time and which are stored at a specified port (or in a vessels anchored at a specified port for the purpose of off loading goods that will constitute eligible long distance imported goods in transit (as described in the A&R Credit Facility)) and in respect of which security interests have been granted in favour of the Credit Facility Security Agent;

(C) 85% of the fair market value of goods in transit within Sweden, being crude oil and refined oil and/or other petroleum products which are owned by Preem and which are subject to security interests in favour of the Credit Facility Security Agent;

(D) 75% of the fair market value of non-invoiced trade receivables, being outstanding receivables in respect of goods and services supplied by Preem in the ordinary course of its business which have not been invoiced but (1) would, upon being invoiced, be trade receivables eligible for the purposes of the second borrowing base facility limit, (2) in respect of which security interests have been granted in favour of the Credit Facility Security Agent, (3) are owed by customers in Sweden or in a jurisdiction in respect of which a legal opinion has been delivered to the facility agent confirming that receivables owed by a customer in that jurisdiction are subject to valid security interests and (4) are to be invoiced within 36 days from the date on which the receivable arises; and

(E) 85% of the fair market value of all crude oil and oil and/or other petroleum products which are owned by Preem from time to time and which are located in terminals located in Sweden and which are subject to security interests in favour of the Credit Facility Security Agent.

The principal amount of the second borrowing base facility is limited to the lower of (1) $1,542,000,000 and (2) an amount equal to 95% of the aggregate book value of outstanding receivables in respect of goods and services supplied by Preem in the ordinary course of its business which have been invoiced (denominated in euro, dollars and Swedish Kronor) subject to certain conditions as set out in the A&R Credit Facility.

Requirement to Prepay A&R 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 maintaining Minimum Liquidity of $200 million (after making the payment) and for so long as amounts remain outstanding under the term loan facility, Preem must prepay the remaining portion of the term loan under the A&R Credit Facility with an agreed percentage of its excess cash dependent on the amount of previous mandatory prepayments and the amount then outstanding under the term loan facility. Preem is also required to prepay credits under the A&R Credit Facility, in order to remedy any breach of certain borrowing base limitations.

Events of Default

The A&R 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 2021 Notes such that they would fail to comply with certain agreed parameters.

Security

The A&R Credit Facility is secured by the security package which secured the 2011 Credit Facility, including:

(i) a pledge granted by CPH in respect of the shares in Preem;

(ii) an English law pledge in respect of Preem's receivables arising from contracts governed by English law;

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

(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;

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

(viii) a pledge in respect of Preem's bills of lading; and

(x) such other security in respect of the Preem group as agreed between Preem and the facility agent.

Intercreditor Agreement

In connection with the A&R Credit Facility and the issue of the 2021 Notes and to establish the relative rights of the Trustee, the Security Agent, the facility agent and the security agent under the A&R Credit Facility (the "Credit Facility Security Agent") and certain hedge counterparties that entered into hedging arrangements with Preem (the "Hedge Counterparties"), an amendment and restatement of the Intercreditor Agreement became effective on the issue date of the 2021 Notes between, amongst others, CPH, Preem, the Credit Facility Security Agent, the Trustee, the Security Agent, the Lenders and the Hedge Counterparties.

The Intercreditor Agreement was originally entered into in connection with the transactions that established the 2011 Credit Facility and the 2017 Notes. It 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 2021 Notes. Except as set out below, the amended and restated 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 CPH.

Pursuant to the terms of the amended and restated Intercreditor Agreement, the Security Agent will not be permitted to enforce the pledge over the shares in CPH unless (i) the Security Agent 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 2021 Indenture and that a Notes Standstill Period has commenced in respect of that event of default and (ii) a period (the "Notes Standstill Period") of not less than 30 days has elapsed from the date that notice was delivered.

The amended and restated Intercreditor Agreement further provides that the Credit Facility Security Agent is 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 to the Trustee and the Security Agent (with a copy to be provided to Preem) that an event of default has occurred and is continuing pursuant to the terms of the A&R Credit Facility and that a A&R Credit Facility Standstill Period has commenced in respect of that event of default, and (ii) a period (the "A&R Credit Facility Standstill Period") of not less than 30 days has elapsed from the date such notice was delivered.

Enforcement of the Preem Share Pledge will also be 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 CPH and the Trustee 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 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) the sale is conducted via 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 CPH 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 CPH.

The Credit Facility Security Agent is also required to acknowledge that it has received a copy of the undertaking to be provided by Moroncha Holdings on the Closing Date for the benefit of the Trustee and the Holders of Notes, whereby Moroncha Holdings undertakes that it will not, and that it will cause CPH and its restricted subsidiaries not to, participate (directly or indirectly) in (x) a Substantial Disposition or (y) a direct or indirect transfer, issuance or other disposition by Moroncha Holdings of the Capital Stock of the Company resulting (in the case of this clause (y)) from an enforcement of the Share Pledge pursuant to which the Parent, CPH or any affiliate of the Parent or CPH is a purchaser (directly or indirectly) unless, in either case described in (x) and (y) above, the terms of such Substantial Disposition provide for the repayment in full of the Notes, or the issuance of a notice of redemption for all of the Notes in accordance with the optional redemption provisions of the Indenture, and the payment of any accrued but unpaid interest thereon and additional amounts, if any, within two Business Days following the receipt of Net Available Cash from such Substantial Disposition and the cash required to fund such redemption is delivered to the Paying Agent within one Business Day after closing such Substantial Disposition. No amendment or waiver of the standstill provisions in the Intercreditor Agreement, or the provision in relation to the accession of a new Trustee or new Security Agent, may be made without the consent of the Trustee or the Security Agent (and the Facility Agent, senior lenders, Hedge Counterparties and Credit Facility Security Agent). Notwithstanding anything to the contrary provided elsewhere herein, for any other amendment or waiver to the Intercreditor Agreement, the consent of the Trustee or the Security Agent, or the holders of the 2021 Notes, is not required.

CERTAIN INDUSTRY TERMS

AEL	Accepted Emission Levels
aromatic	Hydrocarbon compounds produced in the distillation process, the content of which in refined products is often regulated by applicable environmental laws.
BAT	Best Available Technology
benzene	An aromatic compound, the presence of which in refined products is often regulated by applicable environmental laws.
bunker fuel	Fuel oil used as transportation fuel for ships.
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.
Dated Brent Crude	A cargo of North Sea Brent blend crude oil that has been assigned a date when it will be loaded onto a tanker. In this Annual Report, references to the price of Dated Brent Crude are derived from data provided by Platts, a division of McGraw Hill Financial Inc.
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.
FAME	Fatty Acid Methyl Esters, usually obtained from vegetable/seed oils.
FCC	Fluid catalytic cracker unit: a refinery unit that uses a chemical process by means of a catalyst to create new, smaller molecules from larger molecules to make gasoline and distillate fuels.
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.
HPU	Hydrogen production unit: a refinery unit that produces hydrogen for use refinery processes.
HS	High sulfur crude oil.
HVO Diesel	Tall oil based hydrotreated vegetable oil diesel.
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/LPG	Liquefied petroleum gas (butane and propane or a mixture of both) used as a fuel for heating, cooking and lighting.

LS	Low sulfur crude oil.
MHC	Mild hydrocracker unit: a refinery unit that desulfurizes vacuum gasoil and converts it into lighter products and feedstock for the hydrocracker.
middle distillates	A refined product from the middle range of the distillation process. Middle distillates include diesel, heating oil and jet/kerosene.
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.
Nelson Complexity Index	A measure of the secondary conversion capacity of a petroleum refinery relative to the primary distillation capacity.
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.
OPEC	Refers to Organization of the Petroleum Exporting Countries, a perpetual, intergovernmental organization.
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.
SAMIR	Refers to the Société Anonyme Marocaine de l'Industrie du Raffinage.
VDU	Vacuum distillation unit: a secondary processing unit consisting of vacuum distillation columns. Vacuum distillation helps to produce products out of the heavier oils left over from atmospheric distillation.
VGO	Vacuum gasoil: an intermediate refining feedstock which is upgraded by further processing for end-user consumption.
VLCCs	Very large crude carriers.

In the petroleum refining industry, crude oil and refined product amounts are generally stated in cubic meters (“m3”) 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.

CORRAL PETROLEUM HOLDINGS AB (publ)

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015

Auditor's Report

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

Report on the consolidated accounts

Opinions

We have audited the consolidated financial statements of Corral Petroleum Holdings AB (publ) and subsidiaries for the years 2016 and 2015.

In our opinion, the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the consolidated financial position of Corral Petroleum Holdings AB (publ) and subsidiaries as of 31 December 2016 and 2015 and their consolidated financial performance and cash flow for the years then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Corral Petroleum Holdings AB (publ) and subsidiaries in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements the Board of Directors and the Managing Director are responsible for the assessment of the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the consolidated financial statements. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion about the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

Stockholm 15 March 2017

KPMG AB

Cronie Wallquist

Authorized Public Accountant

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Amounts in SEK million)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
Net sales		66,225	75,826
Excise duties*		(10,184)	(9,820)
Sales revenue	4 and 14	**56,041**	**66,006**
Cost of goods sold	8,10 and 14	(50,929)	(61,620)
Gross profit/(loss)	5	**5,112**	**4,386**
Selling expenses	10	(820)	(797)
Administrative expenses	10	(813)	(746)
Other operating income	11	321	351
Operating income/(loss)	6 - 10, 33	**3,800**	**3,193**
Financial income		23	216
Financial expenses		(4,113)	(3,429)
Net financial items	12 and 14	**(4,090)**	**(3,213)**
Loss before tax		**(291)**	**(20)**
Income tax (expense) benefit	13	(340)	(250)
Net Loss for the year		**(631)**	**(270)**
Net Loss attributable to:			
Parent Company's shareholder		(631)	(270)
Non-controlling interest		0	0
		(631)	**(270)**

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

The accompanying notes form an integral part of these Consolidated Financial Statements.

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in SEK million)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
Net Loss for the year		**(631)**	**(270)**
Other comprehensive income (loss)			
Items that will not be reclassified to the profit or loss:			
Actuarial gains/(losses) on defined benefit pension plans		(76)	70
Translation difference attributable to branch		0	—
Income tax related to items that will not be reclassified		17	(15)
Other comprehensive income (loss), net after tax		**(59)**	**55**
Total comprehensive loss		**(690)**	**(216)**
Total comprehensive loss attributable to:			
Parent Company's shareholder		(690)	(216)
Non-controlling interest		0	0
		(690)	**(216)**

The accompanying notes form an integral part of these Consolidated Financial Statements.

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2016 AND 2015

(Amounts in SEK million)

	Notes	As of December 31, 2016	2015
Assets			
Non-current assets			
Intangible assets			
Goodwill	15	308	308
Construction in progress	15	261	84
		568	392
Property, Plant and Equipment			
Land and buildings	16	1,398	1,392
Plant and machinery	16	5,464	5,580
Capitalized turnaround costs	16	387	481
Equipment, tools, fixtures and fittings	16	368	388
Constructions in progress	16	1,087	704
		8,705	8,546
Financial non-current assets			
Participating interests in associates	17	168	124
Receivables from associates		1	1
Receivables from related parties	18 and 33	—	1,567
Financial assets available for sale	19 and 32	28	29
Deferred tax asset	13	—	331
Other non-current receivables	23	47	8
		243	2,059
Total non-current assets		9,516	10,997
Current assets			
Inventories	20	8,452	5,883
Trade receivables	21 and 33	3,892	3,198
Derivatives	27 and 32	0	0
Other receivables		572	899
Prepaid expenses and accrued income		371	269
		13,287	10,250
Cash and cash equivalents	22 and 32	1,030	422
Total current assets		14,316	10,673
Total assets		**23,833**	**21,699**

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2016 AND 2015 (cont.)

(Amounts in SEK million)

	Notes	As of December 31, 2016	2015
Equity and Liabilities			
Equity			
Equity attributable to Parent Company's shareholder			
Share capital		1	1
Other paid-in capital		7,828	6,228
Retained loss includes net profit/(loss) for the year		(8,598)	(7,908)
		(769)	(1,679)
Non-controlling interest		0	0
Total equity		(769)	(1,679)
Liabilities			
Non-current liabilities			
Pension obligations	23	101	—
Provision for taxes	13	36	0
Other provisions	24	66	51
Shareholders' loans	25 and 32	2,829	3,975
Borrowing	25, 26 and 32	12,799	6,853
Other non-current liabilities	25	19	22
		15,849	10,901
Current liabilities			
Borrowing	25, 26 and 32	103	7,308
Advance payments from customers		15	4
Trade payables	32	2,695	908
Liabilities to associates		102	65
Current tax liabilities		0	—
Derivatives	27 and 32	—	—
Other liabilities	28 and 33	1,428	1,315
Accrued expenses and prepaid income	29	4,410	2,848
		8,752	12,448
Total liabilities		24,602	23,349
Total equity and liabilities		**23,833**	**21,669**
Pledged assets and contingent liabilities	30		

The accompanying notes form an integral part of these Consolidated Financial Statements.

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY GROUP FOR THE YEARS ENDING DECEMBER 31, 2016 AND 2015

(Amounts in SEK million)

	Attributable to Parent Company's shareholder					
	Share capital	Other paid-in capital	Retained loss	Total	Non-controlling interest	Total equity
Opening equity 01/01/2015	**1**	**5,228**	**(7,693)**	**(2,464)**	**0**	**(2,464)**
Net Loss for the year	—	—	(270)	(270)	0	(270)
Other comprehensive loss	—	—	55	55	—	55
Total comprehensive loss	—	—	(216)	(216)	0	(216)
Shareholders Contribution received	—	1,000	0	1,000	—	1,000
Closing equity 12/31/2015	**1**	**6,228**	**(7,908)**	**(1,679)**	**0**	**(1,679)**
Net Loss for the year	—	—	(631)	(631)	0	(631)
Other comprehensive income	—	—	(59)	(59)	—	(59)
Total comprehensive loss	—	—	(690)	(690)	—	(690)
Shareholders Contribution received	—	1,600	0	1,600	—	1,600
Translation difference attributable to branch	—	—	0	0	—	0
Closing equity 12/31/2016	**1**	**7,828**	**(8,598)**	**(769)**	**0**	**(769)**

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. Corral Petroleum Holdings AB has received conditional shareholder contribution of total SEK 3,650 million (of which SEK 1,600 2016, SEK 1,000 million in 2015 and SEK 1,050 million in 2014) which has been converted from other shareholders loan in USD.

Dividend

No dividend was paid for either 2016 or 2015. The Group's loan conditions prevent the payment of dividends to shareholder.

The accompanying notes form an integral part of these Consolidated Financial Statements.

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Amounts in SEK million)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
Operating activities			
Loss before tax		(291)	(20)
Adjustments for items not included in cash flow	31	4,075	1,996
		3,784	1,976
Tax paid/received		0	(49)
		3,784	**1,928**
Increase (−)/Decrease (+) in inventories		(2,129)	2,140
Increase (−)/Decrease (+) in operating receivables		(426)	455
Increase (+)/Decrease (−) in operating liabilities		3,058	(1,143)
Cash flow from/used in operating activities		**4,287**	**3,380**
Investing activities			
Capital expenditure of intangible assets		(176)	(16)
Capital expenditure of property, plant and equipment		(1,171)	(952)
Disposal of property, plant and equipment		—	9
Increase/Decrease in financial assets		(8)	5
Cash flow used in investing activities		**(1,356)**	**(955)**
Financing activities			
New loans		11,367	5,687
Repayment of loans		(13,024)	(8,812)
Loan expenditures		(679)	—
Cash flow used in financing activities		**(2,336)**	**(3,125)**
Cash flow for the year		**595**	**(700)**
Opening cash and cash equivalents		422	1,123
Translation difference in cash and cash equivalents		12	0
Closing cash and cash equivalents		**1,030**	**422**

The accompanying notes form an integral part of these Consolidated Financial Statements.

CORRAL PETROLEUM HOLDINGS AB (publ)

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, domiciled in Stockholm, Sweden 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 15, 2017, approved the annual report.

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 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, with the exception of IAS 33, Earnings per Share, on the grounds that Corral is not quoted on a regulated market. RFR 1 “Supplementary Accounting Rules for Groups,” issued by the Swedish Financial Reporting Board, have been applied. The consolidated financial statements have been prepared using the cost method, apart from financial assets available for sale and financial assets and liabilities measured at fair value via profit/(loss) for the year.

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

The financial statements are presented in Swedish kronor (SEK), which is the Parent Company’s functional currency. Unless otherwise stated, all figures are rounded to the nearest million. Amounts in the Group’s financial consolidation system are based on SEK thousands. Due to the rounding of figures in the tables to the nearest SEK million, the sum total is not exactly equal to the sum of all components in some cases.

Standards, amendments and interpretations that came into force in 2016

Amendments that have come into effect are not expected to have 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 will first come into force in future financial years and have not been subject to early adoption in the preparation of these financial statements. There are no plans for early adoption of new or amended standards that will come into force in the future.

Upcoming amendments that are anticipated to have an impact on the consolidated financial statements are described below.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instrument: Recognition and Measurement. The standard will take effect on January 1, 2018. The standard is not considered to have a significant impact on the Group's reporting.

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue. IFRS 15 introduces a new model for revenue recognition where transactions are divided up into various performance obligations. The standard will take effect on January 1, 2018. The Group has initiated an analysis of its revenue streams to identify potential effects of the standard. Thus far, approximately 80 percent of the Group's revenue is covered by the analysis, and on this basis, IFRS 15 is not estimated to have any material effects upon transition to the new standard in 2018. A couple of issues have arisen and further inquiry is in progress. Potential effects of these issues have not yet been evaluated. A transition method has not been chosen because the analysis has not yet been completed.

IFRS 16 Leases will replace IAS 17 Leases. For lessees, the classification of leases as operating and finance leases under IAS17 is replaced by a model where assets and liabilities for all leases are to be recognized in the balance sheet. There is an exception from balance sheet recognition for low-value leases and leases with a term no longer than 12 months. Amortization must be recognized in the income statement separately from interest expenses attribute to lease liability. IFRS 16 is effective beginning on January 1, 2019. Earlier application is permitted, provided that IFRS 15 is also applied beginning on the same date. The standard has not yet been adopted by the European Commission. Potential effects have not yet been evaluated.

Other future changes adopted by the IASB are not estimated to have any material impact on the Group.

Balance sheet classification

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 controlling influence of Corral. "Controlling influence" 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.

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 on acquisition between the cost of the shareholding and the owner company's share of the net fair value net of the associate's identifiable assets, liabilities and contingent liabilities is recorded using the same principles as used on the acquisition of subsidiaries.

The Group's share of the profit / loss in associates after the acquisition is recorded in the profit/loss for the year. Accumulated changes after the acquisition are recorded as a change in the carrying amount of the shareholding. 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 proportion 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. An operating segment result is monitored by the Group's senior executives to evaluate performance and to allocate resources to the operating segment. See Note 4 for a further description and presentation of the operating segments.

Translation of foreign 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 arising on payment of 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 and reporting currency are translated into the Group's presentation currency as follows: assets and liabilities are translated at the exchange rate on the balance sheet date, income and expenses for each of the income statements are translated at the average currency exchange rate for the period, and all net exchange differences that arise are recorded in other comprehensive income.

In connection with consolidation, net exchange differences arising from the translation of net investments in foreign operations are posted to other comprehensive income with an accumulated effect on equity. On the partial or total disposal of a foreign operation, the exchange rate differences recorded in equity are posted to 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 consisting 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, as 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 reliably. 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 over the estimated useful life, is applied 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 retirement or disposal, or when no future economic benefits are expected from the use or the retirement/disposal of the asset. Profits and losses on 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 where a significant length of time is needed to make the asset ready 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 on acquisitions of subsidiaries is recorded as intangible assets. Goodwill is tested at least on an annual basis to identify any possible impairment need and is recorded at the cost minus accumulated impairment. Impairment of goodwill is not reversed. A profit or loss on 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 which 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 its entirety to the Supply & Refining segment.

Construction in progress

Construction in progress refers to proprietary IT systems and licenses. These assets are measured at cost less amortization and impairment losses. The intangible asset is amortized on a straight-line basis over the useful life of the asset, and amortization begins when the asset is commissioned. The value is assessed at least annually and written down if such an assessment shows its value in use is less than recognized value.

The Group has no other intangible assets that can be capitalized. The cost of internally generated goodwill and brands, for example, is therefore recorded as an expense as it arises.

Impairment of non-financial assets

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 not be recoverable. Impairment is applied at the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment 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). Net realizable value is the estimated selling price from operating activities less the cost of production and sales.

With regard to crude oil, replacement cost is used as the best available measure of net realizable value. In cases where the net realizable value is less than the cost of crude oil and therefore, an impairment need, the 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, if appropriate, makes 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 is other comprehensive income or directly 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 arising between the tax base of receivables 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 initial recording of an asset or liability that is not a business combination and which, 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 receivables 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 that a reliable estimate of the amount can be made.

Provisions are measured at the present 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 presented 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.

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 constructive 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 managed funds 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 fund (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 fund (KP Foundation). These plan assets can only be used to make payments under pension agreements. 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. 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.

Revaluation effects consist of actuarial gains and losses, the difference between actual returns on plan assets and the amount included in net interest income/expense and any changes to the effects of access restrictions (excluding interest which is included in net interest income/expense). Revaluation effects are recorded in other comprehensive income. Payroll tax is part of the actuarial assumptions and is therefore reported as part of the net liability/asset.

Expenses in respect of service during earlier periods are recorded in 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 past service expenses are allocated 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 cost is recorded in the consolidated profit or loss 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 termination benefits 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 a constructive obligation based on previous practice.

Income recording

Income comprises the fair value of what has been received or will be received. Income is recognized excluding VAT, returns and discounts, and after the elimination of internal Group sales. Net sales include excise taxes deducted and recorded on a separate line before sales revenue.

The Group records an item of income when its amount including attributable expenses can be measured reliably 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. Sales of products take place to oil companies operating in Sweden and on the international market, primarily in Northwestern Europe. Sales of gasoline, diesel, heating oils and lubricating oils in the Swedish market to private customers, large and small companies take place 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 via 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 borrowing that is recorded as expenses during the year, the effect of calculating the present value of provisions, losses in the event of changes in value of financial assets measured at fair value through 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 and where a significant length of time is needed to make the asset ready for its intended use or sale, must be included in the cost of the asset.

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 has operational lease agreements only.

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 payment is recorded on a straight-line basis over the term of the lease. The Group has operational lease agreements only.

Emission rights

The allocation of emission rights within the 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.

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 via other comprehensive income. 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 through 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 in 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 measured 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 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" in contrast to the result of other financial instruments which are recorded in net financial interest/expense.

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 assets when the expiry date is after more than 12 months. The Group's non-current loan receivables consist primarily of loans to affiliates.

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 are measured at fair value with changes in value for the period recorded in order comprehensive income and accumulated changes in value in a special component of shareholders' equity, excluding changes in value due to impairments, interest on debt instruments and dividend income, as well as foreign exchange differences on monetary items which are recorded in profit/loss for the year. On disposal of the asset, accumulated profits/losses, which have been previously recorded in the statement of other comprehensive income, are recorded in profit/loss for the year.

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. Provisions of trade receivables are described in Note 21.

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-wide policies established 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 determined by the Board of Directors. The Group does not apply hedge accounting.

Market risk

Currency risk

The Group operates internationally, 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 reduce the translation risk in the Group's working capital in USD, the Group takes out or redeems loans in dollars. There is no set 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 borrowings 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, inventories are 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	2016	as a %	2015	as a %
Net exposure as of balance sheet date				
EUR	(6,926)	39%	(3,877)	25%
USD	(10,852)	61%	(11,629)	75%
Others	(17)	0%	(12)	0%
Total	(17,795)	100%	(15,519)	100%

Net exposure of USD must be set in relation to the Group's normal position for inventories, which as of December 31, 2016 totaled USD 701 million (474), which is equivalent to SEK 6,375 million (3,960) translated at the balance sheet date.

The Group has no holdings in foreign operations which have net assets 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 U.S. dollar as of the balance sheet date, while all other variables remained constant, the profit for the year after tax as of December 31, 2016 would have been SEK 349 million (598) higher/lower as a consequence of gains/losses on translating monetary assets and liabilities in accordance with the table above, taking account of 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 above, price risk management, the Group has in recent years been using oil derivatives to also secure parts of the normal position. It is a strategy that the Group is not associated to continue.

The Board of Directors has established 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

(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.

highest risk expressed in USD is USD 5 million on the total of these deviations. The exposure which first reaches the risk limit is the one on which the Company must act. This risk exposure is monitored on a daily basis.

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 impacted the Company's financial results depends on 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 therefore constitutes the Company's price risk, but accrual accounting effects do arise over time in 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
2016	+10%	732	(79)	653	617
2016	(10%)	(732)	81	(652)	(617)
2015	+10%	453	(319)	134	371
2015	(10%)	(453)	390	(63)	(371)

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 cost and net realizable value.

In the event of a price rise, the profit/loss is usually only affected when a sale is made, i.e., the gains from the sale are recorded in the profit/loss 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 not, however, exceed 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 carried out and a product expense 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 through the setting of a ceiling for a maximum gain or loss for such trading. The Group's loss must not be 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 the maximum permitted loss is USD 500,000 in one transaction and USD 2,500,000 per annum. These transactions must always be approved in advance by the head of the Trading Department. The result of the Group's exposure in speculative trading in oil derivatives on the balance sheet date for 2016 was USD +50,000 (639,000).

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 by borrowing at a fixed rate and from time to time using interest rate swaps. It is Preem's policy to have a fixed interest period which does not exceed 12 month. As of December 31, 2016 the remaining fixed-interest period totaled approximately 39 months. In 2016 the Group's borrowing on floating interest rate terms consisted of SEK and USD, and fixed interest rate borrowing consisted of USD and EUR for bond loans and loans to shareholder.

The Group's interest-bearing assets are in the form of loans to affiliates and, to a lesser extent short-term investments in cash and cash equivalents. Loans to affiliates 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 loans arranged from credit institutions totals SEK 16,406 million (18,310). The Group's loan terms, effective interest rates and the maturity structure of the loans are described in note 25.

If interest rates for borrowing expressed in SEK during the year had been 1.0% higher/lower, with all other variables constant, the result after tax for the fiscal year would have been SEK 128 million (142) 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 whom sales are made on credit. In order to limit this exposure, there are joint Group-wide credit policies, under which, for example, only banks and financial institutions which a credit rating of at least "A" by Standard and Poor's or by an equivalent independent assessor, are accepted. A risk assessment is conducted on the creditworthiness of each of the Group's customer's, in which the customer's financial position is considered, and previous history and other factors are assessed. Individual risk limits are established on the basis of internal or external credit ratings. The Group has a credit committee that handles these matters. The Group also uses a range of collateral, including Letters of Credit, bank guarantees, deposits and Parent Company sureties. 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 to financially strong oil companies. On the basis of the Group's on-going analysis of its customers, the credit quality is regarded as good. The Group has only one provisions for doubtful debts of SEK 7 million (6), compared with sales revenue of SEK 56,041 million (66,006). For further information see note 21.

The Group has a receivable issued to Corral Morocco Gas & Oil AB (CMGO), which is an associate company, 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 added to the original receivable. In 2016, a valuation of the Group's receivable to CMGO was performed based on CMGO's underlying assets and the expected return on them. At the end of 2016, the Board made a decision to make a provision of SEK 1,567 (1,103) million. On December 31, 2016, the total receivable was SEK 0 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.

Other oil companies, banks and trading companies are counterparties for trading in oil derivatives. In order to limit counterparty risks in trading in oil derivatives, the Company signs ISDA agreements.

Liquidity risk

Liquidity risk is handled by the Group having sufficient cash and cash equivalents and current investments in securities etc. with a liquid market and available financing through agreed credit facilities. Every month the Group pays approx. SEK 1,274 million (1,266) 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.

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 to the amounts in the balance sheet. The amounts that fall due within 12 months correspond with carrying amounts, since the discount effect is insignificant.

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

As of December 31, 2016	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing	103	19	16,284	—
Oil derivatives	—	—	—	—
Trade payables	2,695	—	—	—
Other current liabilities	1,982	—	—	—

As of December 31, 2015	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing	7,422	22	10,865	—
Oil derivatives	—	—	—	—
Trade payables	908	—	—	—
Other current liabilities	1,381	—	—	—

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)	2016	2015
Total borrowing	16,406	18,287
Less; cash and cash equivalents	(1,030)	(422)
Net debt	**15,376**	**17,865**
Total equity	(769)	(1,679)
Total capitalization	**14,608**	**16,186**
Net debt/equity ratio	**105%**	**110%**

Excluding capitalized transaction expenses 657 (152).

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 determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. Unlisted holdings in general are measured at cost where fair value cannot be measured reliably.

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 available to the Group for similar financial instruments.

The carrying amount, after impairment, of trade receivables and trade payables is considered to correspond to their fair values, as these items are current by nature. The fair value of financial liabilities is calculated for the purposes of disclosure 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 adjustments in recorded values of assets and liabilities for subsequent fiscal years are explained in general below.

If the estimated discount rate before tax that was applied for discounted cash flows for the cash-generating unit that comprises the Supply and Refining segment had been 2 percent higher than management judgement, the Group would not have needed to recognize any impairment losses on goodwill.

Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories are sensitive to market price fluctuations. If market prices fall relative to the cost at the end of the accounting period, the Group may need to recognize an impairment loss on the carrying amount of the inventories.

Pensions

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

The expected return on plan assets is determined taking account of the expected return on the assets covered by the appropriate 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 expiry. The expected return on shares and real estate is based on the long-term return that has occurred in the relevant market.

Provisions for environmental commitments

Provisions are made for environmental commitments for known and planned decontamination works. Any future decommissioning of operations within the Group may involve a requirement for decontamination and restoration works. This is, however, considered to be a matter for the distant future, and the potential expenditure involved cannot be calculated reliably. Potential environmental commitments of this type are not included in provisions in the balance sheet nor as contingent liabilities.

Important assessments when applying the Company's accounting policies

Functional currency

The subsidiary Preem has significant cash flows in USD. In determining the Company's functional currency, management has evaluated the criteria contained in IAS 21 on the determination of functional currency. After giving careful consideration to all indicators, management has judged 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. Approximately 59% (64%) 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 filling 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

The information that senior executives regularly follows up in the Group is presented below.

The Group 2016

	Supply & Refining	Marketing	Total
Sales per segment			
Total sales revenue	53,808	14,776	68,584
Internal sales	(12,612)	(26)	(12,638)
External sales	**41,196**	**14,750**	**55,946**
Residual, net exchange differences			95
Total external sales			**56,041**
Operating profit			
Operating profit (loss) per segment	3,779	590	4,369
Depreciation per segment	888	103	991

The Group 2015

	Supply & Refining	Marketing	Total
Sales per segment			
Total sales revenue	64,194	15,612	79,806
Internal sales	(13,860)	(51)	(13,911)
External sales	**50,334**	**15,561**	**65,894**
Residual, net exchange differences			111
Total external sales			**66,006**
Operating profit			
Operating profit per segment	3,437	422	3,859
Depreciation per segment	866	97	962

Reconciliation with the Group's total result

	2016	2015
Operating profit (loss) per segment	4,369	3,859
Net exchange differences on continuous payments	(341)	(370)
Currency effect on normal inventories	463	374
Undistributed depreciation	(10)	(11)
Other(*)	(681)	(659)
Total operating profit (loss)	**3,800**	**3,193**
Interest income	6	164
Interest expenses	(1,560)	(1,574)
Net exchange differences	(854)	(598)
Other net financial items	(1,682)	(1,206)
Loss before tax	**(291)**	**(20)**

(*) Mainly refer to Corporate Center.

The accompanying notes form an integral part of these Consolidated Financial Statements.

Other information regarding Group's sales

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

	2016	2015
Sales of oil products	55,939	65,905
Other	102	101
Total external sales revenue	**56,041**	**66,006**

Revenues of SEK 4,803 million (7,631) in 2016 originate from one single customer and the income is included in Supply & Refining segment.

Investments		**Supply & Refining**	**Marketing**	**Other(*)**	**Group**
Capital expenditure in property, plant and equipment	2016	986	162	24	1,171
Capital expenditure in property, plant and equipment	2015	756	167	29	952
Capital expenditure in intangible assets	2016	—	—	176	176
Capital expenditure in intangible assets	2015	—	—	16	16
Investments in associated companies	2016	—	—	—	—
Investments in associated companies	2015	—	—	—	—

(*) Mainly refer to Corporate Center.

Distribution by geographical regions

The information presented in respect of sales revenue relates to the geographical regions grouped according to where goods are delivered. Information about the segments' 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 "Other countries" primarily to Germany, France, Netherlands and North America.

	External sales	**Intangible Assets and Property, Plant and Equipment**
2016		
Sweden	22,775	9,263
Norway	1,639	10
Other Nordic	3,845	—
Netherlands	7,282	—
UK	10,432	—
Other countries	10,067	—
Group	**56,041**	**9,273**
2015		
Sweden	23,740	8,938
Norway	3,568	—
Other Nordic	4,460	—
Netherlands	6,963	—
UK	17,642	—
Other countries	9,633	—
Total sales revenue	**66,006**	**8,938**

NOTE 5. GROSS PROFIT

Purchases and sales of oil products in the market are essentially dollar-based. Exchange differences from sales are recorded under net sales and exchange differences from purchases are recorded under cost of goods sold. The Group's gross profit includes exchange differences from purchases and sales of oil products to a net value of SEK (341) million (-370).

NOTE 6. FEES TO AUDITORS

	2016	2015
KPMG		
Audit assignments	2	2
Audit business beyond the audit assignment	0	0
Tax consultancy	1	1
Other assignments	0	1
	4	4
SET		
Audit assignments	0	0
Audit business beyond the audit assignment	—	—
Tax consultancy	—	—
Other assignments	—	—
	0	0

NOTE 7. EMPLOYEES, EMPLOYEE BENEFIT EXPENSES AND REMUNERATION OF SENIOR EXECUTIVES

	2016		2015	
	Wages and Other Benefits	Social Costs (of which pension costs)	Wages and Other Benefits	Social Costs (of which pension costs)
Parent Company	—	—	—	—
		(—)		(—)
Group Companies	781	418	743	389
		(130)		(124)
Group Total	781	418	**743**	**389**
		(130)[1]		(124)[(1)]

(1) Of the Group's pension costs, SEK 5.8 million (5.1) relates to the Group's Board, CEO and other senior executives.

	2016		2015	
	Board, CEO and other senior executives	Other Employees	Board, CEO and other senior executives	Other Employees
Parent Company	—	—	—	—
Group Companies in Sweden	27	754	34	709
Group Companies Abroad	—	—	—	—
Group Total	27	754	**34**	**709**

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 6 (6) 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 (11 people) and other senior executives, which is also Preem's Group Management (7 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. 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 2016	Basic Salary/ Board Fee	Flexible Remuneration	Other Benefits	Pension Cost	Other Remuneration	Total
Chairman of the Board	1.0	—	—	—	—	1.0
Other Board Members (8 people)	3.4	—	—	—	—	3.4
The CEO in Preem AB	6.6	—	0.1	1.7	—	8.4
Other Senior Executives (7 people)	11.1	2.4	0.7	4.3	—	18.5
	22.1	2.4	0.8	6.0	—	31.3

In total SEK 4.4 million has been paid in board fees, included in all items except other Senior Executives, whereof one member has received SEK 1.0 million, two members have received SEK 0.5 million and six members have received SEK 0.4 million.

Remuneration and benefits in 2015	Basic Salary/ Board Fee	Flexible Remuneration	Other Benefits	Pension Cost	Other Remuneration	Total
Chairman of the Board	1.0	—	—	—	—	1.0
Other Board Members (8 people)	3.4	—	—	—	—	3.4
The CEO in Preem AB	6.0	—	0.1	1.7	—	7.8
Other Senior Executives (7 people)	16.5	5.4	0.6	3.3	—	25.8
	26.8	5.4	0.7	5.0	—	38.0

In total SEK 4.8 million has been paid in board fees, included in all items except other Senior Executives, whereof one member has received SEK 1.0 million, two members have received SEK 0.5 million and seven members have received SEK 0.4 million.

Pensions

The pension to the CEO 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. See also note 23 pension obligations.

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.

	2016	2015
Gender distribution in company management	**Proportion Female**	**Proportion Female**
Board of Directors	0%	0%
Other Senior Executives	29%	29%

	2016		2015	
Average number of employees	**No. of employees**	**Of which male percent**	**No. of employees**	**Of which male percent**
Parent Company				
Sweden	—	—	—	—
Group Companies				
Sweden	1,395	73%	1,319	75%
Group Total	1,395	73%	**1,319**	**75%**

NOTE 8. DEPRECIATION

	2016	2015
Allocation of depreciation		
Buildings and land installations	93	87
Plant and machinery	604	582
Capitalized turnaround costs	194	188
Equipment, tools, fixtures and fittings	110	116
	1,001	**973**

	2016	2015
Allocation by function		
Production expenses	889	867
Selling expenses	102	95
Administrative expenses	10	11
	1,001	**973**

NOTE 9. LEASING

	2016	2015
Leasing charges in respect of operational leasing		
Minimum lease charges	101	96
Variable charges	25	29
Total leasing expenses	**126**	**126**

	2016	2015
Agreed future minimum lease charges		
Within one year	130	129
Between one and five years	557	554
Longer than five years	95	95

	2016	2015
Leasing income in respect of operational leasing		
Minimum lease charges	81	75
Variable charges	24	20
Total leasing income	**105**	**96**

	2016	2015
Agreed future minimum lease charges		
Within one year	82	76
Between one and five years	418	389
Longer than five years	—	—

NOTE 10. EXPENSES BROKEN DOWN BY TYPE OF COST

	2016	2015
Cost of materials	47,572	58,220
Costs for employee benefits	1,252	1,182
Depreciation	1,001	973
Other expenses	2,737	2,788
	52,563	**63,163**
Reconciliation with the comprehensive income statement		
Cost of goods sold	50,929	61,620
Selling expenses	820	797
Administrative expenses	813	746
	52,563	**63,163**

NOTE 11. OTHER OPERATING INCOME

	2016	2015
Heating deliveries	49	43
Rental income	104	95
Harbor income	64	63
Storage certificates	56	101
Service compensation	26	23
Other	23	25
Total	**321**	**351**

NOTE 12. NET FINANCIAL INCOME/EXPENSES

	2016	2015
Interest income from instruments measured at accrued cost	6	164
Net exchange differences	17	52
Other	0	0
Financial income	**23**	**216**
Interest expenses from defined benefit unfunded pension obligation	(4)	(5)
Interest expenses from instruments measured at accrued cost[(1)]	(1,557)	(1,569)
Interest expenses from instruments measured at fair value	—	—
Net exchange change	(872)	(649)
Other	(1,682)	(1,206)
Financial expenses	**(4,113)**	**(3,429)**
Net financial expense	**(4,090)**	**(3,213)**

(1) Of which interest rate expenses from accrued loan expenses, SEK 253 million (177).

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 31 million (511). A provision of SEK 1,567 million (946) for Preem's receivables from Corral Morocco Gas & Oil was charged to the net financial income/expenses. The provision is a net of capitalized interest income of SEK 157 million (157) and a provision of SEK 1,724 million (1,103).

NOTE 13. INCOME TAXES

	2016	2015
Current tax (expense) benefit		
Tax expense for the period	0	(3)
Tax expense attributable to previous years	—	0
	0	(3)
Deferred tax (expense) benefit		
Deferred tax in respect of temporary differences and loss carry-forwards	103	55
Deferred tax on loss carry-forwards	(443)	(302)
Total tax (expense) benefit	**(340)**	**(250)**

	2016	2015
Reconciliation of effective tax		
Loss before tax	(291)	(20)
Income tax benefit calculated according to national tax rates for profit in each country	64	4
Other non-deductible expenses	(408)	(263)
Non taxable income	12	85
Tax attributable to previous years	—	0
Effect of different tax rates for foreign companies	(8)	(78)
Tax (expense) benefit	**(340)**	**(250)**
Tax items recognized directly in equity		
Tax reported directly in other comprehensive income statement	17	(15)

Weighted average tax rate is 117.0% (1,239.8%).

Deferred tax assets and liabilities	2016	
	Deferred tax assets	Deferred tax liabilities
Land and buildings	3	(5)
Machinery and equipment	—	(843)
Others *	841	(32)
Net assets/liabilities		**(36)**

Deferred tax assets and tax liabilities	2015	
	Deferred tax assets	Deferred tax liabilities
Land and buildings	1	(3)
Machinery and equipment	—	(880)
Other	1,327	(114)
Net assets/liabilities	331	

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	(3)	1	—	(2)
Machinery and equipment	(880)	36	—	(843)
Other	(114)	66	17	(32)
Total temporary differences	**(997)**	**103**	**17**	**(877)**
Loss carry-forwards	1,327	(443)	(43)	841
Total	**331**	**(340)**	**(26)**	**(36)**

NOTE 14. 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:

	2016	**2015**
Net sales	95	111
Cost of goods sold	(436)	(481)
Financial items	(854)	(597)
Total	(1,195)	(967)

The estimated currency effect on the Group's normal position on inventories was SEK 463 million (374).

NOTE 15. INTANGIBLE ASSETS

Goodwill

	2016	**2015**
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.

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	4.49 - 4.95
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 percent lower, rate of growth (1 percentage) and a discount rate 2 percentage higher for each segment.

Construction in progress

	2016	2015
Opening cost	84	68
Capital expenditure during the year	176	16
Carrying amount	**261**	**84**

Construction in progress relates to capitalized expenses related to a major IT project.

The capitalized interest expenses for the year are SEK 10.8 million (0) and relate primarily to the balance sheet item "Constructions in progress". The average interest rate applied is 4.4% (0%).

Emission rights

Opening balance, 2016	**2,428,869**
Number of emission rights allocated in 2016	1,986,606
Number of emission rights consumed 2015 which was cancelled in 2016	(2,241,870)
Number of emission rights purchased 2016	0
Number of emission rights sold 2016	0
Results swap of emission rights in 2016	0
Closing balance, 2016	**2,173,605**
Number of emission rights allocated in 2017	1,943,845
Results swap of emission rights in 2017	0
Number of emission rights before cancellation 2017	**4,117,450**
Prel. number of emission rights consumed in 2016 and cancelled in April 30, 2017	(1,931,626)
Prel. balance after allocation rights April 30, 2017	**2,185,824**

The Group will receive a lower allocation for the current trading period, i.e. 2013-2020, in comparison to previous trading periods and will be able to fully compensate for emissions until the final year, given that we have a deficit of approximately 500,000 emission rights according to emission rights according to emission forecasts.

The final allocation was decided at the EU level in 2013 and, as opposed to the two previous trading periods, joint EU- allocation rules have been implemented. These are based on the guideline figures from the most efficient greenhouse gas facilities in each sector of the EU. This benefits the facilities that are most efficient. In Sweden it is particularly pulp and paper industries and district heating plants that receive a much higher allocation than their historic emissions. Electricity production is not given a free allocation.

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

	2016	2015
Land and buildings		
Opening cost	2,848	2,678
Investments during the year	—	61
Sales/Disposals	(8)	(32)
Completion of constructions in progress	103	141
Closing accumulated cost	**2,943**	**2,848**
Opening depreciation	1,456	1,393
Sales/Disposals	(4)	(24)
Depreciation for the year	93	87
Closing accumulated depreciation	**1,546**	**1,456**
Carrying amount	**1,398**	**1,392**

	2016	2015
Plant and machinery[1]		
Opening cost	18,354	17,789
Investments during the year	0	1
Sales/Disposals	(48)	(58)
Completion of constructions in progress	495	619
Re-classification	5	4
Closing accumulated cost	**18,805**	**18,354**
Opening depreciation	12,774	12,240
Sales/Disposals	(42)	(49)
Depreciation for the year	604	582
Re-classification	5	1
Closing accumulated depreciation	**13,341**	**12,774**
Carrying amount	**5,464**	**5,580**

[1] Planned residual value includes platinum and palladium at SEK 143 million (143).

	2016	2015
Capitalized turnaround costs		
Opening cost	1,390	1,379
Completion of constructions in progress	99	11
Closing accumulated cost	**1,489**	**1,390**
Opening depreciation	908	720
Depreciation for the year	194	188
Closing accumulated depreciation	**1,102**	**908**
Carrying amount	**387**	**481**

	2016	2015
Equipment, tools, fixtures and fittings		
Opening cost	1,458	1,446
Investments during the year	1	0
Sales/Disposals	(35)	(54)
Completion of constructions in progress	90	67
Re-classification	(7)	(1)
Closing accumulated cost	**1,507**	**1,458**
Opening depreciation	1,070	1,001
Sales/Disposals	(34)	(50)
Depreciation for the year	110	116
Re-classification	(7)	2
Closing accumulated depreciation	**1,139**	**1,070**
Carrying amount	**368**	**388**

	2016	2015
Constructions in progress		
Opening cost	704	599
Capital expenditure during the year	1,170	942
Completion of constructions in progress	(787)	(837)
Closing accumulated cost	**1,087**	**704**

Capitalized interest expenses for the year were SEK 4.4 million (7) relating primarily to the balance sheet item "Construction in progress". The average interest rate is 4.4 (3.5) percent.

NOTE 17. 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
Göteborgs Smörjmedelsfabrik, Scanlube AB	556287-6481	Gothenburg	50,000	50	5
SunPine AB	556682-9122	Piteå	16,685	25	163
Total					**168**

	2016				
	Assets	Liabilities	Equity	Income	Net profit/(loss)
AB Djurgårdsberg	5	4	0	5	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	139	126	13	393	1
SunPine AB	752	308	444	950	70

	2015				
	Assets	Liabilities	Equity	Income	Net profit/(loss)
AB Djurgårdsberg	5	5	0	5	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	144	131	12	407	1
SunPine AB	611	239	372	914	53

The information above is 100% of the companies' assets, liabilities, equity, income and net profit/(loss).

	2016	2015
Opening balance	124	116
Dividend	(8)	(4)
Other changes in equity	34	-
Profit participation	18	13
Closing balance	**168**	**124**

NOTE 18. RECEIVABLES FROM RELATED PARTIES

	2016	2015
Opening value	1,567	2,513
Change during the year	157	157
Allowance for doubtful receivable CMGO	(1,724)	(1,103)
Closing value	**0**	**1,567**

Receivable from related parties relates to interest-bearing receivable from the related party company Corral Morocco Gas & Oil AB (CMGO). In the annual statement for 2016 a provision of SEK 1,724 million (1,103) was made for Preem's receivable to CMGO based on the assessed value of the company's assets. The total receivable are SEK 0 million (1,567) and is subject to a market-based fixed interest rate of 5% on the original receivable of SEK 3,136 million. No security has been pledged for the Group's receivable to CMGO.

NOTE 19. FINANCIAL ASSETS AVAILABLE FOR SALE

	2016	2015
Opening carrying amount	29	27
Shareholders' contribution	—	—
Profit/(Loss)	(1)	2
Carrying amount at end of period	**28**	**29**

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	27
Götene E.D.F. Elföreningen, co-operative					0
SSH Svensk Servicehandel					0
Total					**28**

NOTE 20. INVENTORIES

	2016	2015
Raw material	3,865	2,366
Finished goods	4,587	3,517
Total	**8,452**	**5,883**

The cost of inventories in the Group includes the equivalent of SEK 79 million (28) in volumes of inventories out on loan. Volumes of inventories borrowed corresponding to a total inventory value of SEK 82 million (218) are not included in the value of inventories.

NOTE 21. TRADE RECEIVABLES

	2016	2015
Trade receivables	3,899	3,205
Reserve for doubtful debts	(7)	(6)
Fair value of trade receivables	**3,892**	**3,198**

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, 2016 trade receivables totaling SEK 210 million (129) 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:

	2016	2015
Less than 10 days	159	90
Between 10 and 20 days	20	18
Between 21 and 30 days	3	4
More than 30 days	28	16
Total	**210**	**129**

The reserve for doubtful trade receivables totaled SEK 7 million (6) on December 31, 2016. 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:

	2016	2015
At the beginning of the period	6	19
This year’s reserve for doubtful receivables/reversed unutilized amounts	7	(5)
Confirmed losses during the year	(6)	(8)
At the end of the period	**7**	**6**

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 22. 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.

	2016	2015
Cash and bank balances	1,030	422
	1,030	**422**

NOTE 23. PENSION OBLIGATIONS

	2016	2015
Defined benefit obligations and the value of plan assets		
Wholly or partly funded obligations:		
Current value of defined benefit obligations	610	523
Fair value of plan assets	(641)	(622)
Net wholly or partly funded obligations	(31)	(99)
Unfunded obligations:		
Current value of unfunded defined benefit obligations	92	91
Provision, endowment insurance	40	—
Net amount in balance sheet (obligation +, asset −)	**101**	**(8)**
The net amount is recorded in the following items in the balance sheet:		
Provisions for pensions	101	(8)
The net amount is divided among the following countries:		
Sweden	101	(8)

Pension expense

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

Defined benefit plans	2016	2015
Interest expense	19	16
Expected return on plan assets	(19)	(14)
Total cost of defined benefit plans	**0**	**2**

The amount that is reported in the comprehensive statement of income is as follows:

Actuarial gain (+)/loss (−) on defined pension plans	76	(70)
Tax attributable to items relating to the comprehensive income	(17)	15
Total comprehensive income for the year, net after tax	**59**	**(55)**

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

	2016	2015
Opening gross amount in balance sheet	614	683
Payment of benefits	(29)	(29)
Interest expense	19	16
Actuarial Profit (−), Loss (+) for the year on the obligations		
Revaluation	15	(13)
Actuarial Profit/loss on change in financial assumptions	95	(41)
Experience adjustments	(12)	(2)
Closing net amount in balance sheet	**702**	**614**

The present value of obligations benefits to plan members according to as follows:

Active members: 0% (0%)
Blanche holders: 50% (61%)
Old-age pensioners: 50% (39%)

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

	2016	2015
Opening gross amount in balance sheet	(622)	(613)
Payments of benefits	20	19
Expected return	(19)	(14)
Actuarial gain (+) or loss (−) for the year on the plan assets	(20)	(13)
Closing gross amount in balance sheet	**(641)**	**(622)**

The actual return on plan assets totaled SEK 39 million (28).

	2016	2015
Actuarial assumptions		
Discount rate	2.45%	3.15%
Future salary increases	Not applicable	Not applicable
Staff turnover	Not applicable	Not applicable
Inflation	1.8%	1.5%
Expected average remaining period of service	Not applicable	Not applicable
Life adoption	DUS 14 tjm	DUS 14 tjm
The duration of benefit obligations	16	14
Plan assets consist of the following		
Interest-bearing securities	59%	31%
Shares	31%	60%
Real estate	10%	9%
Total	100%	100%

	Present value of obligations	Percentage change
Sensitive analysis		
Discount rate +0,5%	638	(9%)
Discount rate −0,5%	774	10%
Inflation/pension indexing + 0,5%	779	11%
Inflation/pension indexing −0,5%	633	(10%)
Expected lifetime + 1 year	741	6%

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.

	2016	2015	2014	2013	2012
Current value of defined benefit obligation	702	614	683	608	700
Fair value of plan assets	641	622	613	566	543
Deficit/(surplus)	**61**	**(8)**	**70**	**42**	**157**

	2016	2015	2014	2013	2012
Experience-based adjustments or defined benefit obligations	12	2	22	(1)	(10)
Experience-based adjustments of plan assets	20	13	42	19	14

Contributions for defined benefit plans are estimated at SEK 0 million in 2016, as the transition to Alecta took place on January 1, 2008. The former plan was paid-up. To the defined contribution pension plan the Group pays a fixed contribution into a separate unit (a Fund, Alecta). The Group has no legal or constructive obligations to pay additional fees if his legal entity if it hasn't insufficient assets to pay all employee benefits in the current or prior periods.

NOTE 24. OTHER PROVISIONS

	Restoration for the environment[1]	Other	Total
Opening balance 2015	11	0	11
Provisions during the year	51	—	51
Amount used	—	—	—
Unutilized amounts that have been reversed	(11)	—	(11)
Closing balance 2015	**51**	**0**	**51**
Provisions during the year	15	—	15
Amount used	—	—	—
Unutilized amounts that have been reversed	—	—	—
Closing balance 2016	**66**	**0**	**66**

(1) In 2016, Preem made a provision of SEK 15 million regarding the remediation of land in connection with station facilities. In 2015, a provision of SEK 51 million made in Preem AB regarding the remediation of land in connection with the closure of the depot Loudden and remediation of a ditch at refinery in Gothenburg. The provision has been capitalized as fixed assets (land and land development) with an amortization period corresponding cleanup time which is calculated completed in December 2019. In 2015, also has 11 million of the reserve for the non-initiated remediation dissolved in connection with the reduction of the insurance coverage in Preem Insurance Company.

NOTE 25. BORROWINGS

	2016	2015
Long-term loans		
Parent company		
Bond loans investors in EUR	—	2,267
Bond loans investors in USD	—	2,574
Bond loans investors in EUR	5,433	—
Bond loans investors in SEK	500	—
Shareholder loans, subordinated in EUR	1,701	1,456
Shareholder loans, subordinated in USD	721	594
Shareholder loans, other in EUR	110	100
Shareholder loans, other in USD	2,718	3,875
Total long-term loans, Parent Company	**11,204**	**10,865**
Transaction expenses	(265)	(37)
Net total long-term loans, Parent Company	**10,939**	**10,828**
Group companies		
Loans in SEK	1,350	—
Loans in USD	3,730	—
Other long-term liabilities	19	22
Total long-term loans, Group companies	**5,099**	**22**
Transaction expenses	(392)	—
Net total long-term loans, Group companies	**4,707**	**22**
Total long-term loans, Group	**16,303**	**10,887**
Transaction expenses	(657)	(37)
Net total long-term loans, Group	**15,646**	**10,850**

	2016	2015
Short-term loans		
Group companies		
Loans in SEK	—	3,132
Loans in USD	103	4,290
Total short-term loans, Group companies	**103**	**7,422**
Transaction expenses	—	(115)
Net total short-term loans, Group companies	**103**	**7,308**
Total borrowing, Group	**16,406**	**18,310**
Net total borrowing, Group	**15,749**	**18,158**

Repayment plan	2017	2018	2019	2020	2021	Total
Amortization schedule	103	—	—	5,099	11,204	**16,406**

During the year, bond loans to investors, EUR 2,267 million and USD 2,574 million, have been dissolved and replaced by the new bond to investors, EUR 5,453 million and SEK 500 million.

Loan conditions, effective interest rate and maturity structure:

	Nominal Value Local Currency	Effective Interest Rate	Less than 1 Year	1 - 5 Years	More than 5 Years
Long-term loans					
SEK, floating interest rate	1,350	3.56	—	1,350	—
USD, floating interest rate	421	4.30	103	3,730	—
EUR, fixed interest rate	759	11.33	—	7,264	—
USD, fixed interest rate	378	6.18	—	3,440	—
Short-term loans					
SEK, floating interest rate	500	12.25	—	500	—
SEK	19	0.00	—	19	—
Total borrowing			**103**	**16,303**	**—**
Transaction expenses			—	(657)	—
Total borrowing incl. transaction expenses			**103**	**15,646**	**—**
					15,749

The remaining average fixed-interest period as of December 31, 2016 was approx. 39 months.

Compliance with special loan conditions

Borrowing totaling SEK 5,183 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 2016 there are no defaults outstanding.

NOTE 26. BANK OVERDRAFT, ETC.

	2016	2015
Authorized credit limit bank overdraft	475	438
Utilized credit limit bank overdraft	(103)	(135)
Unutilized element	372	302
Other unutilized credit		
Authorized credit limit	4,310	1,119
Total unutilized credit	**4,682**	**1,421**

NOTE 27. DERIVATIVES

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Oil derivatives	0	—	0	—

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 outstanding for oil derivative contracts were as per December 31, 2016, long positions SEK 258 million (incl. emission right futures) and short position SEK 1,082 million.

NOTE 28. OTHER LIABILITIES

	2016	2015
Value Added Tax	438	404
Excise Duties[1]	847	781
Other Liabilities	143	130
	1,428	**1,315**

(1) Excise duties refer to energy tax, carbon dioxide tax, sulfur tax and alcohol tax.

NOTE 29. ACCRUED EXPENSES AND PREPAID INCOME

	2016	2015
Purchases of crude oil and products	3,228	2,086
Personnel	291	283
Interest	453	1
Other	437	478
	4,410	**2,848**

NOTE 30. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	2016	2015
Pledged assets		
Shares in subsidiaries	8,962	8,172
Property mortgages	4,000	4,000
Floating charges	8,000	8,000
Deposits	88	372
Trade receivables	3,863	3,176
	24,913	**23,721**
Contingent Liabilities		
Sureties in favour of associates	97	93
Guarantees FPG/PRI	2	2
	99	**95**

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.

NOTE 31. SUPPLEMENTARY INFORMATION FOR THE CASH FLOW STATEMENT

	2016	2015
Interest received/paid		
Dividend received	8	4
Interest received	6	7
Interest paid	(194)	(295)
Adjustment for items not included in cash flow, etc.		
Depreciation and impairment of non-current assets	1,001	973
Write-down of inventories	(439)	(731)
Unrealized exchange rate losses(+)/gains(−)	(16)	(159)
Unrealized losses(+)/gains(−) on financial net	605	(322)
Unrealized losses(+)/gains(−) on oil derivatives	0	(1)
Element of capitalized borrowing costs recorded as expenses	254	177
Capitalized interest cost	673	1,110
Accrued interest	452	—
Provision	17	(9)
Provision, receivables CMGO	1,567	946
Capital loss from sale or disposal of non-current assets	11	12
Share of profit of associated companies	(50)	(14)
Other	—	16
	4,075	**1,996**

NOTE 32. FINANCIAL INSTRUMENTS

Financial instrument by category

	2016				
	Loan, trade and other receivables	**Assets measured at fair value via profit/(loss) for the year**	**Available for sale**	**Carrying amount**	**Fair Value**
Assets in balance sheet					
Financial assets available for sale	—	—	28	28	28
Derivatives	—	—	—	—	—
Lending to related parties	—	—	—	—	—
Trade and other receivables	4,465	—	—	4,465	4,465
Cash and cash equivalents	1,030	—	—	1,030	1,030
Total	**5,494**	**—**	**28**	**5,522**	**5,522**

Liabilities in balance sheet	2016 Liabilities measured at fair value via profit/(loss) for the year	Other financial liabilities	Carrying amount	Fair Value
Borrowing	—	16,388	16,388	16,238
Derivatives	—	—	—	—
Other liabilities	—	4,243	4,243	4,243
Total	**—**	**20,630**	**20,630**	**20,481**

Assets in balance sheet	2015 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	—	—	29	29	29
Derivatives	—	—	—	—	—
Lending to related parties	1,567	—	—	1,567	1,567
Trade and other receivables	4,098	—	—	4,098	4,098
Cash and cash equivalents	422	—	—	422	422
Total	**6,088**	**—**	**29**	**6,117**	**6,117**

Liabilities in balance sheet	2015 Liabilities measured at fair value via profit/(loss) for the year	Other financial liabilities	Carrying amount	Fair Value
Borrowing	—	18,288	18,288	18,598
Derivatives	—	—	—	—
Other liabilities	—	2,311	2,311	2,311
Total	**—**	**20,599**	**20,599**	**20,909**

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.

	2016 Level 1	Level 2	Level 3
Assets in balance sheet			
Oil derivatives	—	0	—
Total	—	0	—
Liabilities in balance sheet			
Oil derivatives	—	—	—
Total	—	—	—

	2015		
	Level 1	Level 2	Level 3
Assets in balance sheet			
Oil derivatives	—	0	—
Total	—	0	—
Liabilities in balance sheet			
Oil derivatives	—	—	—
Total	—	—	—

NOTE 33. TRANSACTIONS WITH RELATED PARTIES

Relations with related parties which imply a controlling influence.

	2016			
	Sales	Purchase	Trade receivables	Current liabilities
Transactions with Related parties				
Ultimate shareholder	—	—	—	5,251
Associated companies	32	781	4	106
Other related companies	2	312	0	128

	2015			
	Sales	Purchase	Trade receivables	Current liabilities
Transactions with Related parties				
Ultimate shareholder	—	—	—	6,025
Associated companies	20	821	4	69
Other related companies	2	246	1,567	28

NOTE 34. EVENTS AFTER THE BALANCE SHEET DATE

No material events occurred after the end of the financial year.

KPMG

The Board of Directors and Shareholders:

RE: Corral Petroleum Holdings AB (publ)

This certificate is provided pursuant to Section 4.24(b) of the indenture for the Senior PIK Toggle Notes due 2021 (the **"Indenture"),** dated as of May 9, 2016, entered into between, among others, Corral Petroleum Holdings AB (publ) (the **"Company")** and Deutsche Trustee Company Limited, as trustee, (the **"Trustee"),** and with reference to the annual audited financial statements of the Company for the year ended December 31, 2016 delivered pursuant to Section 4.17 of the Indenture. Capitalized terms used but not defined herein have the respective meanings specified in the Indenture and all Section references herein are to the Indenture.

We confirm that in conducting our audit of the financial statements of the Company for the year ended December 31, 2016, nothing has come to our attention that would lead us to believe that the Company has violated any provisions of Articles IV, V or VI of the Indenture, it being understood that we shall not be liable directly or indirectly to any Person for failure to obtain knowledge of any such violation.

Stockholm, Sweden

2017-04-27
KPMG AB

Cronie Wallquist
Authorized Public Accountant