

# CORRAL PETROLEUM HOLDINGS AB

## Second Quarter 2018

September 4, 2018



# Presenters



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*CEO*



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*CFO (acting)*

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The conference call will also be available for replay for a limited time beginning on September 5, 2018 with access information to be posted via the "Press and Notices" heading of the Corral investors section of Preem's website at <https://www.preem.se/en/in-english/investors/corral/results-and-reporting2/>.

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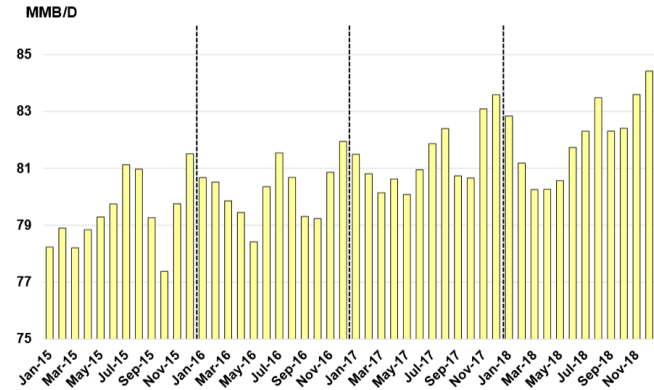
## MARKET AND MARKET OUTLOOK

# Crude



## Global crude runs 2015-2018

Source: Pira



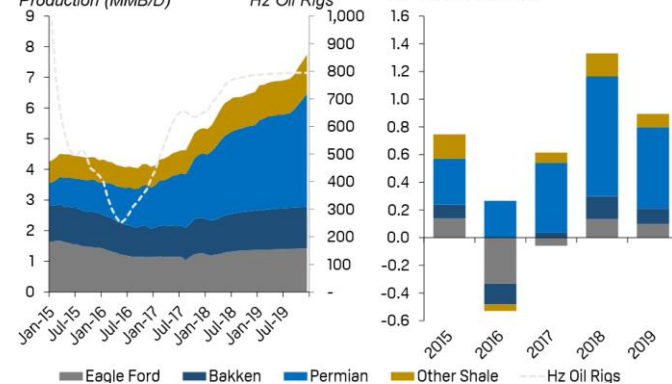
- Strong global economic growth is being confirmed for 2018 -- although with rising world trade tensions at the top of the list of risks, and political risks to supply remaining high in the Middle East and elsewhere.

## Crude and Condensate Production (MMB/D)

Hz Oil Rigs

Y/Y Growth (MMB/D)

Source: Pira

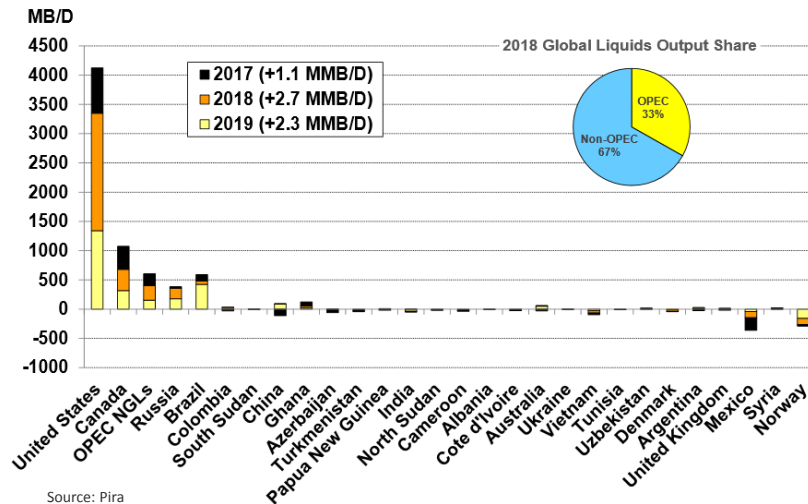


# Crude

## Oil balances continue to look tight.

- Iranian export losses from U.S. oil sanctions expected to be substantial (~1.4 MBD).
- Demand growth estimated at around 1.5-2.0 MBD for 2018 (with global GDP growth 3.7%).
- Crude price will most likely experience upward pressure, unless US shale continue to over-achieve.

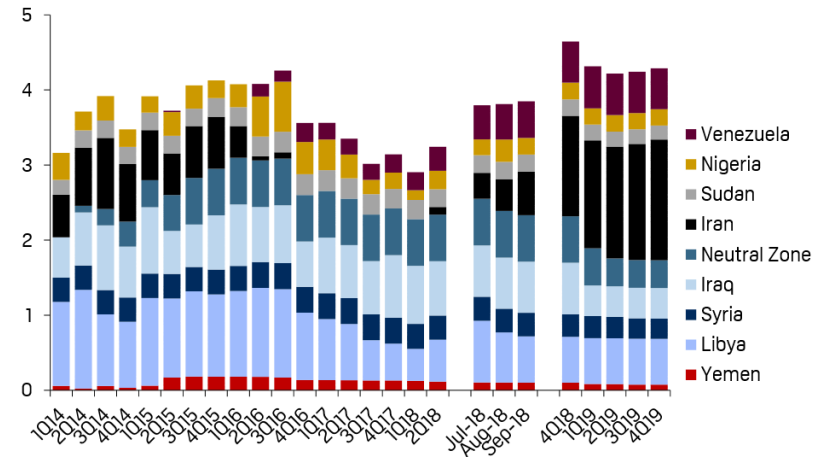
**World Non-OPEC Liquids Supply Growth  
Change Year-Over-Year**



Source: Pira

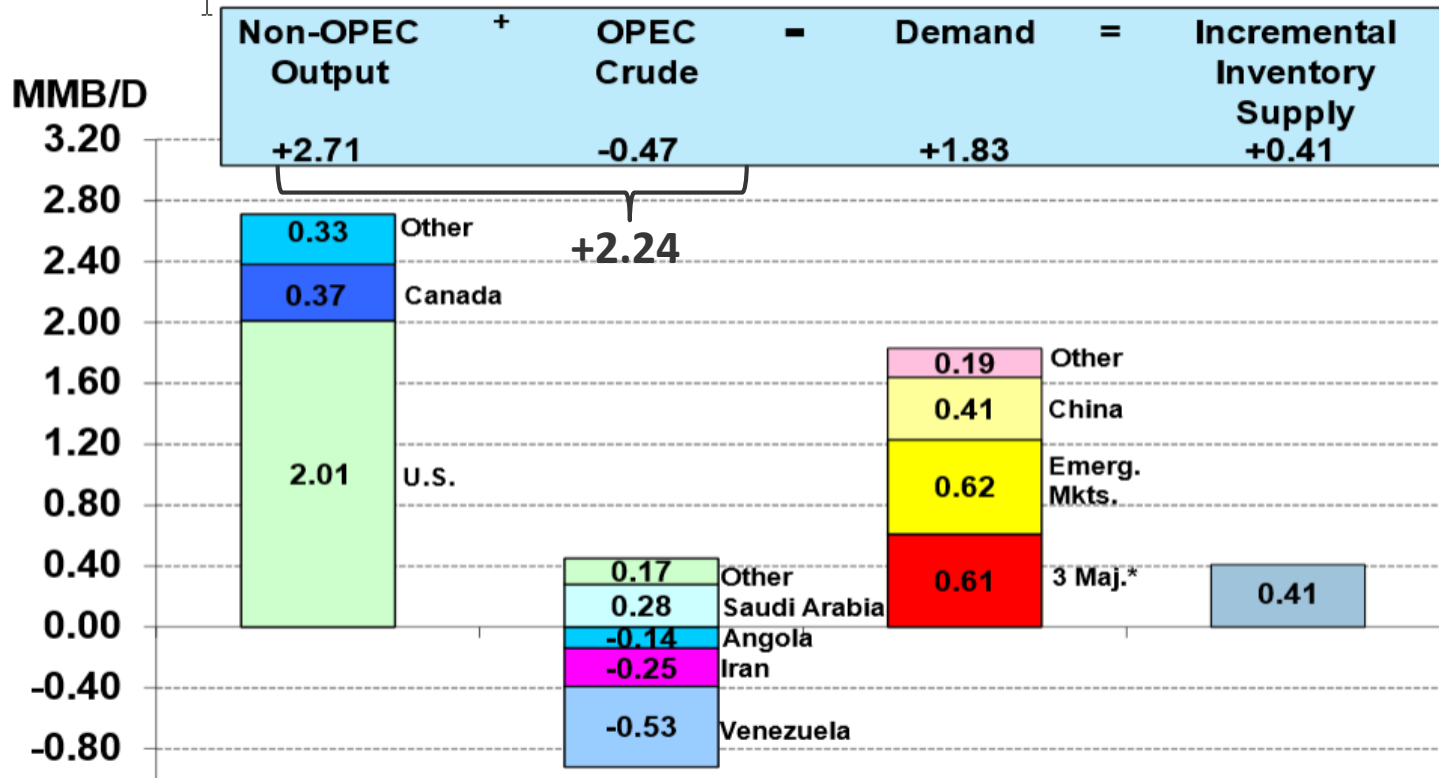
**Geopolitical Supply Disruptions Will Surge in 4Q18**

*MENA, Nigeria, and Venezuela Supply Disruptions (MMB/D)*



Source: Pira

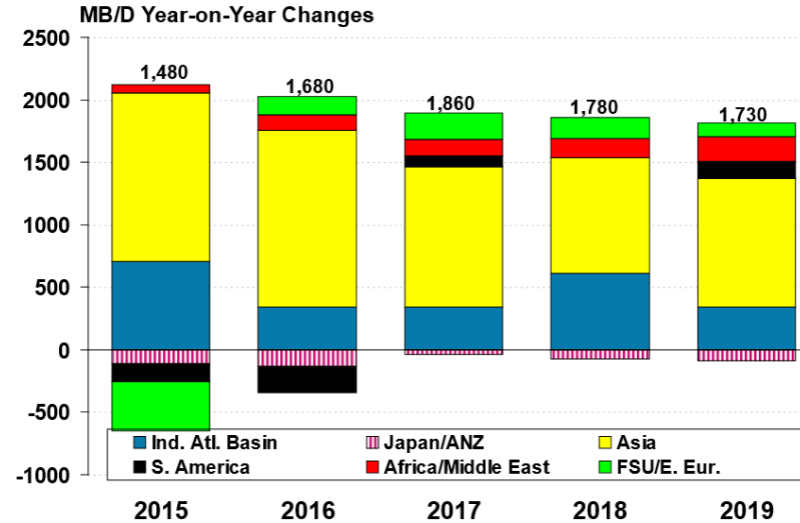
# World Oil Supply and Demand 2018 Versus 2017



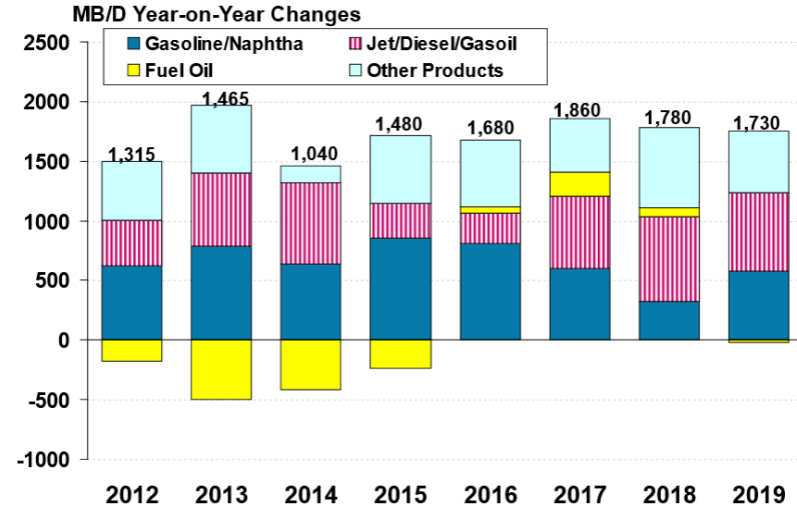
Source: Pira

# Global Product Demand

World Oil Demand Growth  
2015-2019

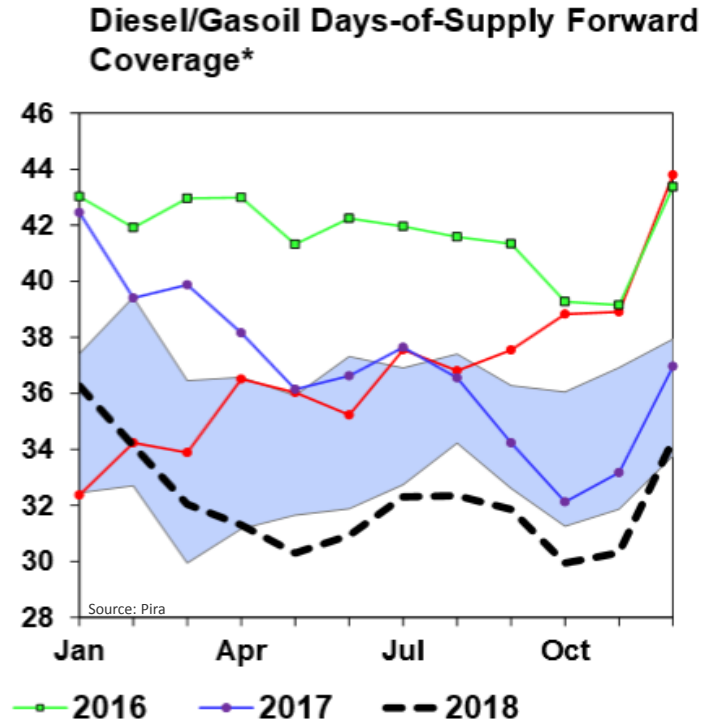
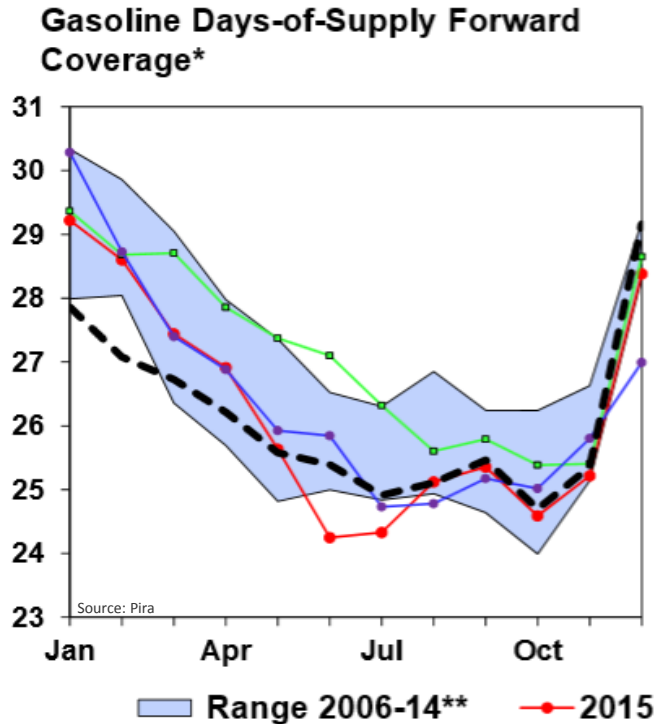


World Oil Demand Growth  
Middle Distillates Strongest

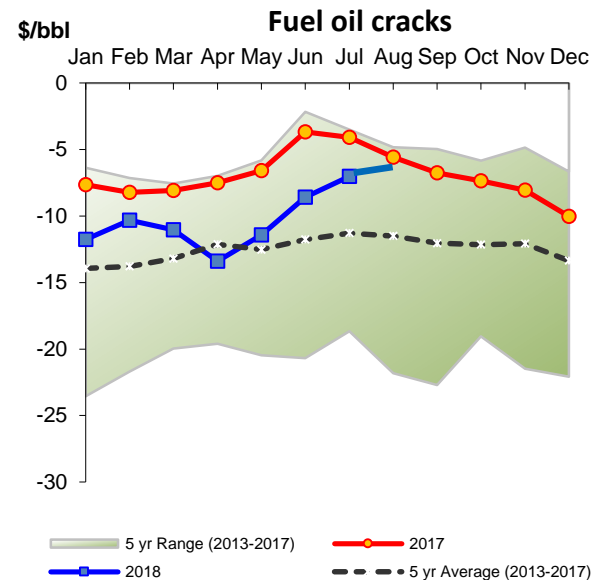
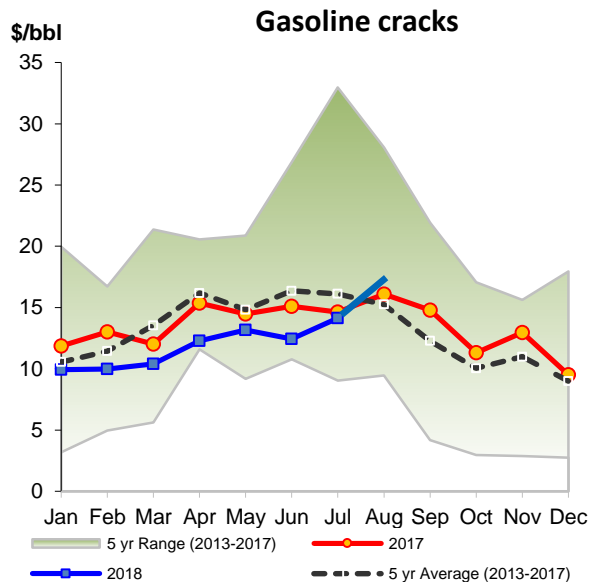
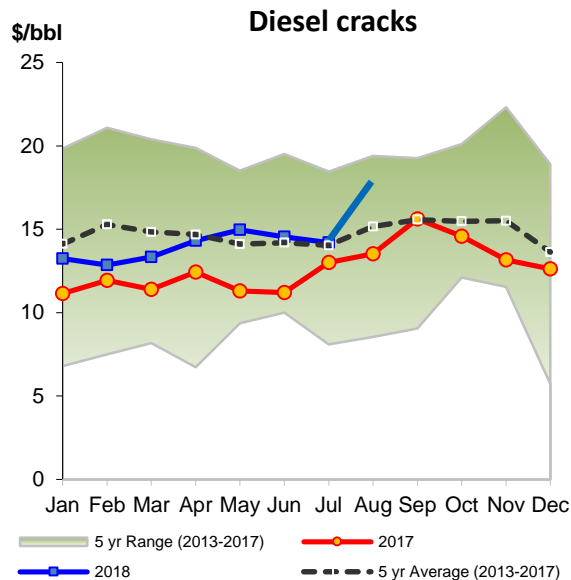




# Europe/U.S. Diesel inventory is tight (below 12 year minimum), and also firm for Gasoline



# Products



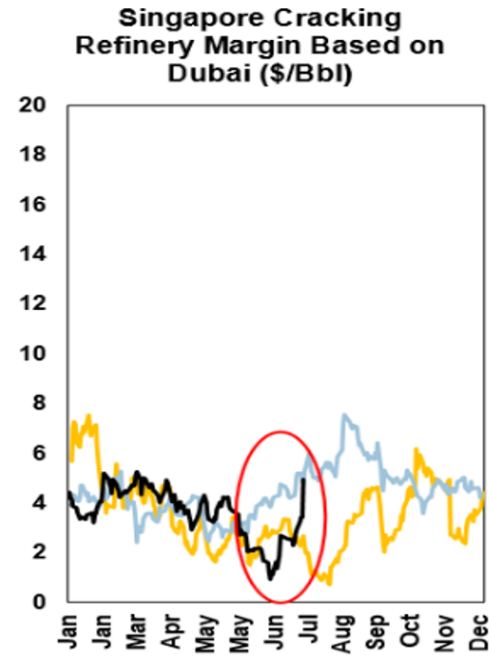
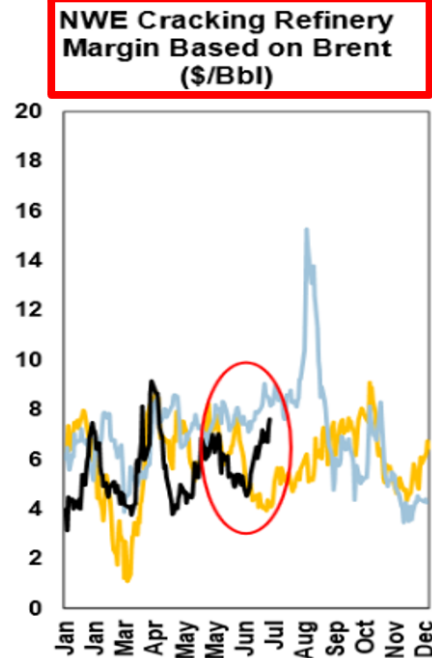
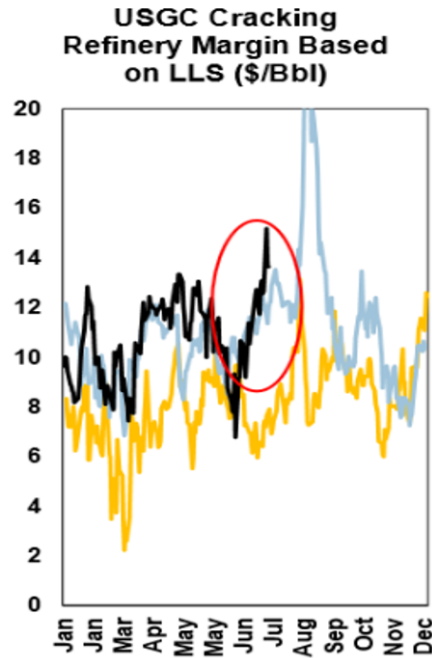
Fundamentals have supported the diesel crack during the first half of 2018 with a strong regional demand in Europe that have been able to consume a fairly large Russian export. At the same time there has been very limited exports from USA to Europe due to strong demand in South and Latin America.

Gasoline started 2018 around the 5 year average but fell somewhat behind due to good availability and high production levels on both sides of the Atlantic. As we got into July we started to see the effects of the summer driving season and increases in the gasoline crack.

The fuel oil crack has been at a somewhat lower level in 2018 compared to 2017, but is still strong in a historical perspective. Increased demand for fuel oil in the Middle East for power generation, combined with decreasing supply from Russia/Venezuela have boosted the crack in 2Q and so far in 3Q.

# Refining

**Healthy refinery margins -- supported by strong demand and domestic production shortfalls in Latin America and other product importing regions.**



Source: Pira

# Projects and Activities

- Investment in a Vacuum Distillation Unit in Lysekil with a total capital expenditure plan of 1 700 MSEK during the period 2016 to 2018. The project is progressing according to plan. All major mechanical items and works have been contracted. Site groundwork are in its final stages and piping work is progressing well.
- Investment in a Hydrogen Production Unit in Gothenburg with a total capital expenditure of 635 MSEK is progressing with mechanical completion expected at year-end 2018.
- Strategic upgrade of IT systems progressing generally as planned with implementation in 2019.
- We are aware that the ultimate sole shareholder of Corral Petroleum Holdings, Sheikh Mohammed Al-Amoudi, was one of a group of Saudi leading figures detained on November 5, 2017. We are unable to provide further comments other than to say that Corral Petroleum Holdings and its subsidiaries are operating on a normal basis and remain unaffected by this development. Hassan Hussain A Al-Amoudi has a general power-of-attorney.

*The 37 meter vacuum distillation tower is the heart of the new Lysekil vacuum distillation plant to be mechanically complete late 2018.*



*Installation works for the new HPU – Hydrogen Production Unit in Gothenburg is progressing well. All critical equipment have arrived on site and are in the process of being assembled. HPU plant to be mechanically complete late 2018.*



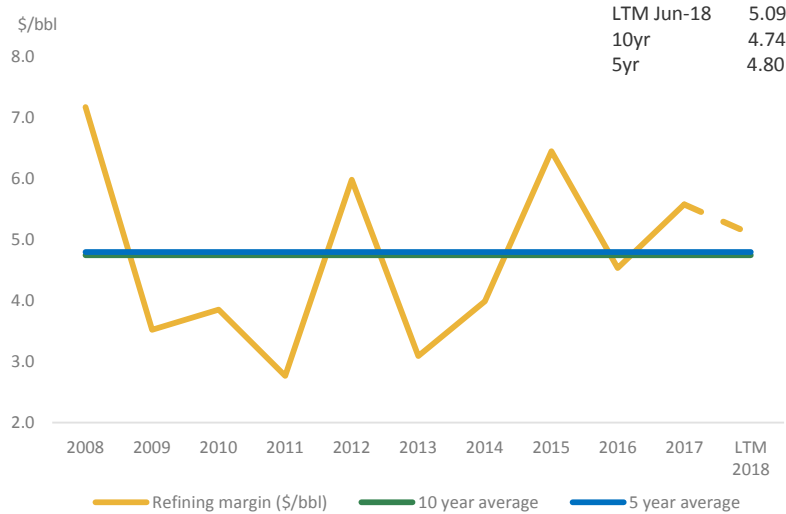


# FINANCIAL SUMMARY SECOND QUARTER 2018

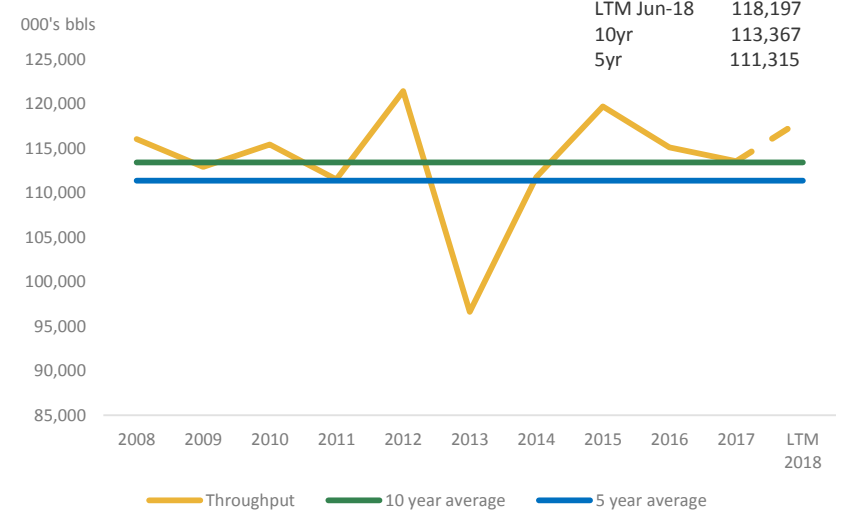


# Refining Margin and Throughput 2008-2018

## Refining margin

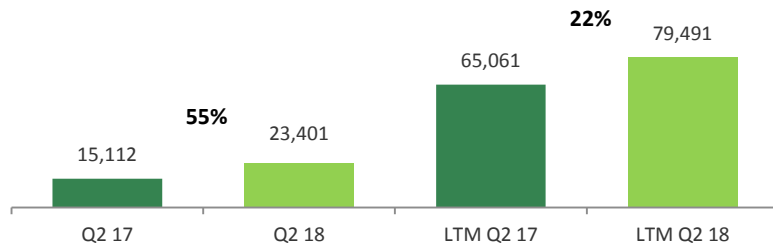


## Throughput

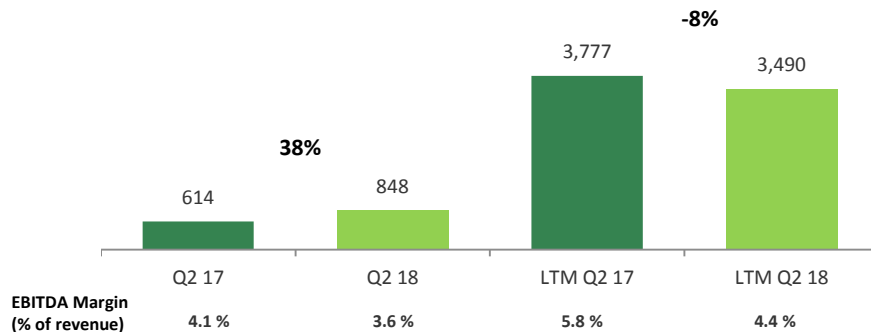


# Group Second Quarter 2018 Results

## Revenue (MSEK)



## Adjusted EBITDA



## Comments

### Revenue

Sales revenue in the second quarter of 2018 amounted to 23,401 MSEK compared to 15,112 MSEK in the second quarter of 2017, an increase of 8,289 MSEK.

The increase in sales revenue is primarily a result of higher crude and product prices, but also supported by an 11% increase in sales volumes compared to the same period for 2017.

### Adjusted EBITDA\*

Adjusted EBITDA for the second quarter of 2018 was 848 MSEK, compared to 614 MSEK in the second quarter of 2017.

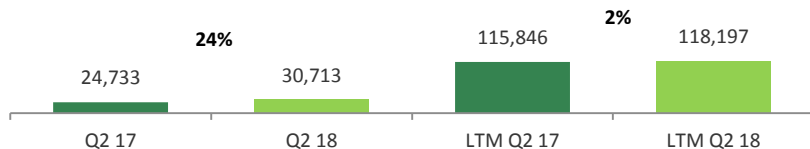
Operating profit for the second quarter of 2018 amounted to 1,413 MSEK, an increase of 1,232 MSEK, compared to a profit of 181 MSEK for the second quarter of 2017.

Higher sales volumes, inventory price gains and positive exchange rate effects all contributed to the improved result.

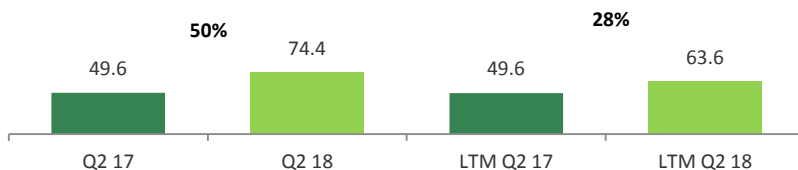
\*As defined in the Corral Petroleum Holdings AB (publ) report for the second quarter ended 30 June, 2018

# Supply & Refining Segment

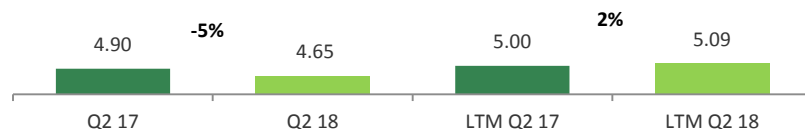
## Throughput (000 bbls)



## Average Brent Crude Price (\$/bbl)



## Weighted Refining Margin(\$/bbl)



## Comments

### Throughput

In the second quarter of 2018 throughput was 4.9 million m<sup>3</sup> compared to 3.9 million m<sup>3</sup> in the second quarter of 2017. The increase is mainly due to no major shutdown in Q2 2018 versus the planned shutdown of Lysekil in Q2 2017.

Excluding price effects, operating profit amounted to 748 MSEK in the second quarter of 2018, an increase of 447 MSEK, compared to 301 MSEK in the second quarter of 2017. Operating profit excluding price effects increased in the second quarter due to increased throughput.

### Average Brent Crude Price

The average price of Dated Brent in the second quarter of 2018 was 74 \$/bbl, compared to an average price of 67 \$/bbl in the first quarter of 2018. In the second quarter of 2017 the average price was 50 \$/bbl.

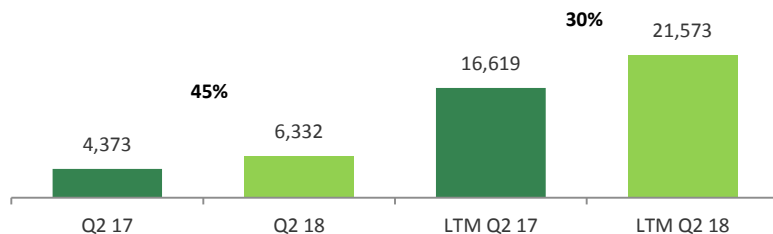
Dated Brent exceeded 80 \$/bbl for a few days in May, a price which has not been seen since 2014. Several different factors pushed the price higher: fundamental factors such as increased global demand, crude oil production cuts from the "OPEC+" group, which includes Russia, and reduced global petroleum inventory levels. Prices were also influenced by non-fundamental factors such as high geopolitical risks.

### Weighted Refining Margin

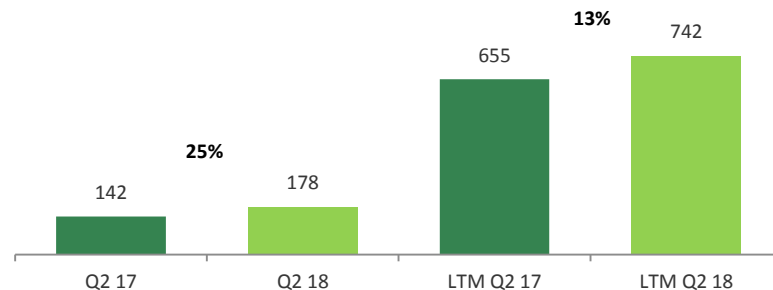
The weighted refining margin in the second quarter of 2018 decreased slightly compared to the second quarter of 2017, to 4.65 \$/bbl from 4.90 \$/bbl. On the other hand a higher market price for crude oil resulted in an increase of inventory value in the second quarter of 2018, adding profits of 992 MSEK compared to a loss of 406 MSEK in the second quarter of 2017.

# Marketing Segment

## Revenue (MSEK)



## EBITDA (MSEK)



## EBITDA Margin (% of Revenue)

Period	EBITDA Margin (%)
Q2 17	3.2%
Q2 18	2.8%
LTM Q2 17	3.9%
LTM Q2 18	3.4%

## Comments

### Revenue

Sales revenue in the second quarter of 2018 amounted to 6,332 MSEK compared to 4,373 MSEK in the second quarter of 2017, an increase of 1,959 MSEK

Our Marketing segment reported an operating profit of 143 MSEK for the second quarter of 2018 compared to 114 MSEK for the second quarter 2017, an increase of 28 MSEK. The increase in operating profit is mainly driven by 12% higher sales volumes than the prior year period. This is due to new major contracts within our business-to-business segment as well as our expansion in Norway.

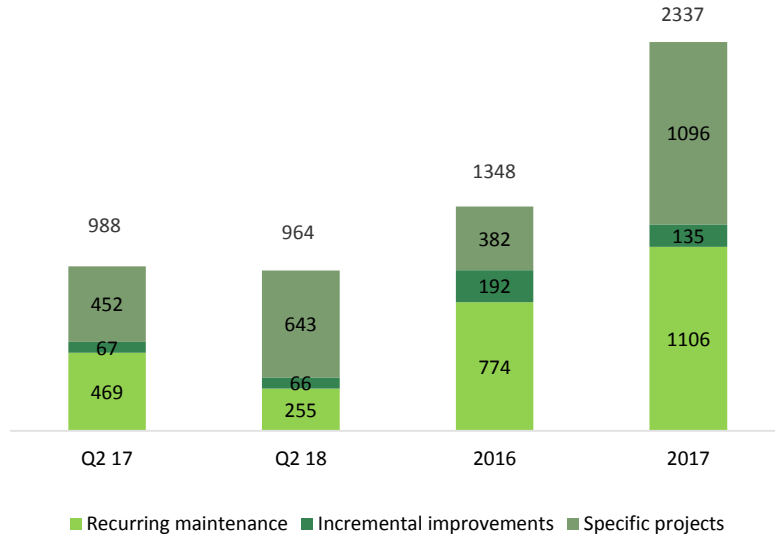
### EBITDA

Our Marketing segment reported an EBITDA of 178 MSEK for the second quarter of 2018 compared to 142 MSEK for the second quarter 2017, an increase of 36 MSEK.

Higher volume and margin contributed to an increased EBITDA

# Capital Expenditures

Capex by Purpose (MSEK)\*



## Comments

### Specific Projects

- The VDU investment in Lysekil, 356 MSEK Q2 2018
- Strategic IT project, 132 MSEK Q2 2018
- HPU investment, 155 MSEK Q2 2018

### Recurring maintenance

- Less capex in Q2 2018 vs Q2 2017 due to lower Refining maintenance
- Regulatory/Environmental and Safety/Risk maintenance

\*Shown on a gross basis.



# Cash Flow

(MSEK)	YTD Q2 18	YTD Q2 17	LTM Q2 18	LTM Q2 17
Profit before taxes	-375	973	1,578	-77
Adjustments for items not included in cash flow	2,071	782	3,048	3,702
Tax paid	-5	-2	-7	-2
<i>Decrease(+)/Increase(-) in inventories</i>	-761	671	-3,664	-1,588
<i>Decrease(+)/Increase(-) in operating receivables</i>	72	11	-824	-392
<i>Decrease(-)/Increase(+) in operating liabilities</i>	262	-1,136	1,995	1,808
Changes in working capital	-427	-455	-2,493	-172
<b>Cash flow from operating activities</b>	<b>1,264</b>	<b>1,298</b>	<b>2,126</b>	<b>3,451</b>
<b>Cash flow used in investing activities</b>	<b>-991</b>	<b>-860</b>	<b>-2,477</b>	<b>-1,588</b>
	273	437	-352	1,863
Amortization/Raising of loans	-108	-553	671	-1,558
Loan expenditure	0	0	0	-2
<b>Cash flow used in financing activities</b>	<b>-108</b>	<b>-553</b>	<b>671</b>	<b>-1,560</b>
<b>Cash flow for the period</b>	<b>165</b>	<b>-116</b>	<b>319</b>	<b>303</b>

## Comments

Cash flow was negatively impacted by movements in working capital of 427 MSEK for the first six months of 2018 compared to a negative impact of 455 MSEK for the first six months in 2017.

Cash flow from **inventories** amounted to 761 MSEK in 2018, primarily due to decreasing inventory volume in the first six months.

Cash flow from **operating receivables** amounted to 72 MSEK for the first six months of 2018, primarily due to lower volumes sold in June 2018 than in December 2017.

Cash flow from **operating liabilities** in 2018 amounted to 262 MSEK primarily due to higher crude oil market price by the end of June 2018.

Cash flow used in **investing** activities amounted to 991 MSEK in the first six months of 2018, an increase of 131 MSEK, compared to 860 MSEK for the same period 2017.

Cash flow used in **financing** activities is attributable to (net) repayment of loans under Preem's revolving credit facility as a consequence of the positive

# Simplified Capital Structure

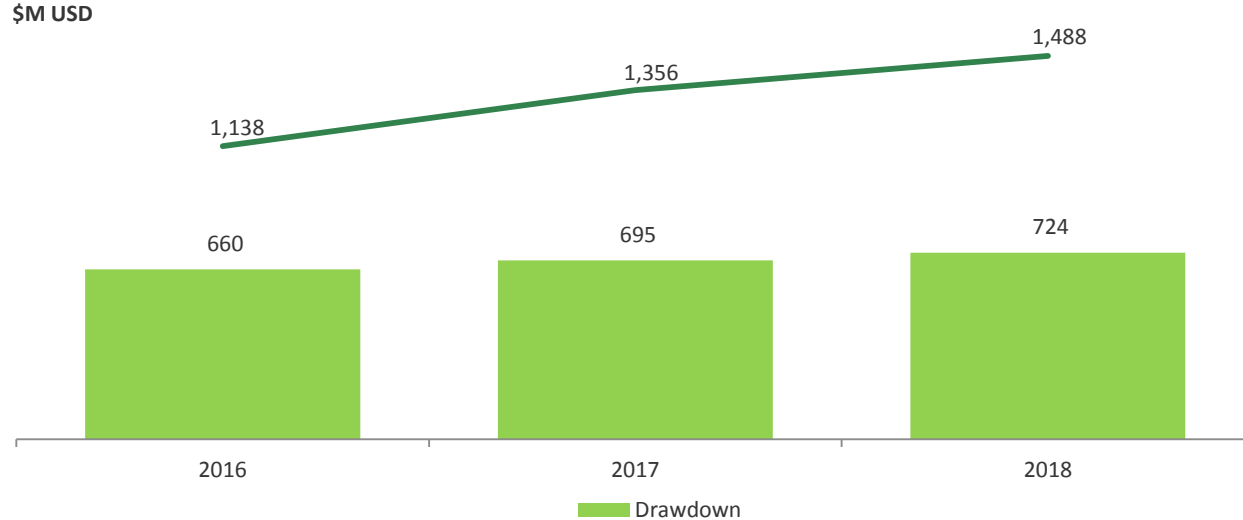
Cap Structure at the end of Q2 2018			
	MSEK	\$M USD	x Adjusted EBITDA
Cash	-393	-44	-0.1
RCF	5,304	592	1.5
Other interest bearing liabilities and transaction expenses	-222	-25	-0.1
<b>Total net debt at Preem</b>	<b>4,689</b>	<b>523</b>	<b>1.3</b>
2021 Corral Notes	6,440	719	1.8
Transaction expenses	-174	-19	0.0
Cash	-867	-97	-0.2
<b>Total 3rd party debt</b>	<b>10,088</b>	<b>1,126</b>	<b>2.9</b>
Adj EBITDA	3,490	390	
USDSEK exch.rate		8.96	

## Comments

Continued strong focus on paying cash coupons on the 2021 Notes.

\* Exchange rate as per the end of June 30 2018.

# Liquidity Reserves



Stable liquidity, healthy margins  
Availability under the RCF, increasing due to higher prices LTM



*Note: Drawdown and availability figures are not IFRS measures and are based on month end values averaged over LTM-Jun 2018. In part, these values are internal calculations based on variables that are subjectively determined and which may not be comparable in approach to similar calculations of other companies*



## Definitions

**Adjusted EBITDA** means EBITDA adjusted to exclude inventory gains/losses and foreign currency gains/losses

**Dated Brent Crude** is 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.

**Gross Refining Margin** means 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.

**HVO Diesel** is a tall oil based hydrotreated vegetable oil diesel.

**Hydrogen Production Unit (HPU)** is a refinery unit that produces hydrogen for use refinery processes.

**Marketing EBITDA** is not an IFRS measure and consists of the EBITDA of our Marketing & Sales segment which includes the operating profit and the depreciation of our Marketing & Sales segment, as described in Note 4 to our Consolidated Financial Statements

**Refining Margin** is Gross refining margin less variable refining costs, which consist of volume related costs, such as the cost of energy. See “Management's Discussion and Analysis of Financial Condition and Results of Operations” for further discussion.

**Vacuum Distillation Unit (VDU)** is 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.

**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



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