CORRAL PETROLEUM HOLDINGS AB (PUBL)

ANNUAL REPORT AND ACCOUNTS
2018

April 25, 2019

TABLE OF CONTENTS

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;
- 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 and Biofuel Institute, the Swedish Statistical Central Bureau, Bloomberg, Wood Mackenzie, Thomson Reuters, Argus Media 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", "USD" 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;
- "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 May 15, 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 May 15, 2021, issued by CPH on May 9, 2016;
- "A&R Credit Facility" refers to the 2011 Credit Facility as amended and restated from time to time up through an amendment and restatement agreement dated October 30, 2017 entered into in connection with Preem's acquisition of YX Norge's bulk sales business in Norway, pursuant to which a $1,542 million revolving credit facility and approximately $68 million (equivalent, translated using an exchange rate of $1=8.1472 SEK) term facility had been provided to Preem. The term facility was repaid on July 15, 2016. As of the most recent amendment and restatement date, the parties to the A&R Credit Facility included, inter alios, Preem, as borrower, Skandinaviska Enskilda Banken AB (publ), Danske Bank A/S, Danmark, Sverige Filial, DNB Bank ASA, Svenska Handelsbanken 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 letter of credit fronting bank;

- “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);

- “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 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, as amended from time to time, 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 have all now been converted into equity, including as of March 31, 2018, June 30, 2018 and September 26, 2018 by converting SEK 400 million, SEK 416 million and SEK 92 million equivalent, respectively, from Subordinated Shareholder Loans to shareholder contributions. As of December 31, 2018, the Subordinated Shareholder Loans, including accrued interest expense, amounted to $171 million and €4 million respectively. In order to facilitate an appropriate equity level going forward, Corral Petroleum Holdings might consider converting also accumulated non-cash (PIK) interest amounts into equity. Such conversion would be subject to shareholder approval and would likely imply a tax effect for Corral Petroleum Holdings on any converted non-cash interest amounts.

- “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, including extension of maturity to November 30, 2021. The Ultimate Shareholder owns all outstanding Subordinated Shareholder Notes, comprising an aggregate amount of $97 million and €217 million, as of December 31, 2018;

- “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, 2018, 2017 and 2016, which is derived from our audited consolidated financial information as of and for the years ended December, 31 2018, 2017 and 2016. 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.

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, 2018 of €1.00=SEK 10.2753. The following chart shows, for the period from January 1, 2016 through December 31, 2018, 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				
2016……………………………………….	9.9826	9.1467	9.4704	9.5669
2017……………………………………….	10.012	9.4146	9.6326	9.8497
2018……………………………………….	10.6978	9.7570	10.2567	10.2753

(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, 2018, the Swedish Central Bank's exchange rate for the krona against the dollar was $1.00=SEK 8.971. The following chart shows, for the period from January 1, 2016 through December 31, 2018, 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				
2016……………………………………….	9.3856	7.9202	8.5613	9.0971
2017……………………………………….	9.151	7.9236	8.538	8.2322
2018……………………………………….	9.1860	7.8434	8.6921	8.9710

(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, 2018, the European Central Bank exchange rate for the euro against the dollar was €1.00=$1.1454. The following chart shows, for the period from January 1, 2016 through December 31, 2018, 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				
2016……………………………………….	1.1569	1.0364	1.1069	1.0541
2017……………………………………….	1.2060	1.0385	1.1297	1.1993
2018……………………………………….	1.2493	1.1261	1.1810	1.1454

(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 2018 was USD 71 per barrel, which was higher than the average price for 2017 of USD 54 per barrel. The year began with a price of USD 66 per barrel. Due to production decreases by OPEC and a number of other countries, of which Russia is the most important actor, combined with decreasing inventories, strong global economic growth and higher demand for fuel, the price rose to the top quote for the year of USD 86 per barrel at the beginning of October, 2018.

OPEC+, as the group is called, gradually loosened the production restrictions, the United States' crude oil production set new records during the year and an increasing concern for global economic growth reversed the price curve. Several geopolitical trouble spots affected the view of the world economy, including the greater tension in trade issues between China and the U.S., the development of the UK's exit from the EU and a higher risk of and actual acts of war in the Middle East. The price dropped and ended up at USD 50 per barrel at the end of the year. OPEC+ again took action in December, 2018 and decided to reduce production beginning in 2019.

The higher crude oil production in the U.S., through so-called "fracking", has meant that it has occasionally been at the same actual production level as Saudi Arabia and Russia. The crude oil from the U.S. is relatively low sulfur and light, which has changed the average global quality of crude oil. When OPEC+ limits its production, it is mainly high-sulfur and heavy crude oil that does not reach the market. This means that the global production of heavier oil products, such as high-sulfur heavy fuel oil decreases and the percentage of light products, such as gasoline, increases. The sharply decreased production from Venezuela also leads to a decrease in high-sulfur crude oil.

At the same time, there is some adjustment in the global refinery industry prior to what is called IMO 2020 (International Maritime Organization), which means that the sulfur content of marine fuel is being limited to 0.5 percent if the sulfur is not removed from exhaust gases. This will sharply reduce demand for high-sulfur heavy fuel oil.

Crude oil is normally priced against the "Dated Brent". The premiums against Dated Brent for low-sulfur crude oil were under pressure in 2018 from higher exports from the U.S. High-sulfur crude oil was strengthened by the reduced global production. The high-sulfur crude oil that Preem buys significant quantities of had a rising premium during the year and was traded with a positive premium at the end of the year even if the average for the year was -1.5 USD per barrel, which is close to the average for 2017.

Demand for biodiesel in Europe had a stable increase during the first half of the year while the margins for the producers in Central and Northern Europe were hard pressed by high feedstock prices, primarily for rape seed. The influx of inexpensive imported soy- and palm-based biodiesel from Argentina and Asia forced major cut-backs in the production of rape methyl ester (RME) in the second quarter and part of the third quarter. The EU's threat of and subsequent introduction of import duties on soy methyl ester (SME) from Argentina and palm methyl ester (PME) from Indonesia and the poor harvest of rape seed due to the drought in Europe caused a major shortage of RME which in turn resulted in record high premiums, up to around USD 800 per metric ton more than diesel in the last four-month period. A higher mandate and need for RME for the UK for the winter season was also a contributing cause of the price trend.

High demand for waste-based feedstock, such as Used Cooking Oil (UCO) in Europe was met by record high exports, mainly from China. In many European countries, UCO can be counted double in the mandate and often has high Green House Gases (GHG) savings, which is attractive to many buyers in both Southern and Northern Europe. The import of esterified UCO (UCOME) and hydrated vegetable oil (HVO) with the same feedstock origin demonstrated an increasing trend. The large influx competed with domestic production of biodiesel based on animal fat, which was reflected in a somewhat modest price increase during the year.

The HVO market in Sweden was characterized by an inventory build-up in the first half of the year prior to the introduction of required reductions at mid-year. The expected large price increase in connection with the introduction did not materialize and the price of diesel at the pump only rose moderately by SEK 0.25 per liter. The entirely tax-free B100 product (pure RME) grew in volume during the year when it became competitive with regular diesel for heavy traffic despite more frequent service intervals in connection with exemption from taxation beginning on January 1, 2018. The volume of tax-free HVO 100 in Sweden increased steadily in the first part of 2018, but turned sharply downward after the reduction requirements were introduced. The cause is difficult to interpret, but is probably due to the increased need for HVO to be mixed with diesel to meet the demands of the required reductions.

The price of Dated Brent Crude decreased from $67 per barrel as of December 31, 2017 to $50 per barrel as of December 31, 2018. 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 A&R Credit Facility and our ability to borrow more money under our A&R Credit Facility. 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;
- other changes in required product specifications such as the International Maritime Organization's sulfur specification for bunker fuel oil scheduled to come into effect on January 1, 2020, which may affect demand for heavy fuel oil (and other products);
- 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 1,000 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 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, 2018, we benefitted from trade credit from suppliers for the purchase of crude oil for an aggregate amount of $455 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.

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 Circle K 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.

Economic instability and market volatility may have a negative effect on our business, results of operations, financial condition, and future growth prospects.

Political and economic instability could impact the European economy. Events, amongst others, such as so called "Brexit", upcoming elections and so called "Dieselgate" may affect the European economy and the market. 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. From July 1, 2018 Sweden changed its regulation to achieve less greenhouse gas (GHG) emissions from the use of gasoline and diesel, with the reduction targets increasing each year. The old system provided an incentive to use biofuels through tax incentives. Under the new system, the sellers of fuels have to pay a penalty if the fuels sold do not reach certain GHG saving levels. The penalty is large so the incentive to meet the targets will be stronger than under the previous tax driven system. Preem met the new requirements in the second half of 2018 as a result of accurately controlling the proportion of renewable feedstocks in gasoline and diesel. The EU regulations restrict the sulfur content of both gasoline and diesel and the aromatic content of gasoline and impose a CO2 emissions trading program. Manufacture of refined petroleum products has been included in the European Union list of sectors that are at risk of "carbon leakage." The issue of carbon leakage relates to the risk that companies in sectors subject to strong international competition might relocate from the European Union to third countries with less stringent constraints on greenhouse gas emissions. Without that definition there would not have been the possibility for free emission credits during the post-Kyoto period (2013-2020). On April 27, 2011, the European Commission adopted a decision on how to allocate allowances of free emission credits to industrial installations from 2013, which resulted in allowances being allocated to us. Preem as a refinery industry is still on the leakage risk list and allowed free allocation for the next trading period (2021-2030). The reduction rate of free allocation for this period is yet unknown and therefore we cannot determine our potential need to purchase European emission allowances. The European Emission trading system has been designed to reduce free allocation in order to maximise emissions prices and support investment in greener production.

If we were not allocated any more free emission credits, we estimate the purchase of such carbon credits would have amounted to approximately €35 million during 2018 based on the average market price of European Emission Allowances in 2018. 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.

Permits. 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 November 13, 2018, 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 28 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 “pumplagen” obligates all market actors with petrol stations to provide a product which consists of at least 51% renewable fuel (only at sites selling more than 1,500 m3 per annum). Preem initially held 118 sites where a dispensation was granted by the Swedish Transport Agency. The granted dispensations enable Preem to offer a fuel product based on the mass balance principal, i.e. a minimum of 50% renewable content is allocated to the customer’s purchase. The dispensations will be valid until October 30, 2020. In order to fulfil the conditions of the dispensation, Preem are required to dedicate a pump handle for such fuel product at every concerned fuel station.

In 2018, the implementation of the dispensations started - there are currently 7 sites offering the ACP Diesel 50 (an eighth site was closed) and 11 sites with low volume or E85 pumps. The process has been tested, evaluated and revised. The current proposal for 2019 is to further implement the solution in 15 new sites (not included in the original dispensation), leaving 99 relevant stations outstanding by the end of 2019. The estimated investment cost for the massbalance solution is approximately 1 million SEK. The alternative cost if Preem were to implement physical separate pumps is estimated to amount to approximately 500,000 SEK a site, with a total cost of more than 50 million SEK.

The ongoing process is to obtain acceptance for a solution via a mobile application, which would be more cost efficient and sustainable. The pumplagen legislation does not sit comfortably alongside the new quota system, i.e. pumplagen is based on the proportion of renewables whilst the quota system is based on GHG reduction. Preem actively lobby for the discontinuation of the Pumplagen legislation, on the basis that the quota system will have a more positive effect on the environment.

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 expenditure, 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 Technique ("BAT") and comply with Associated 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 showed that particle emissions from the Preemraff Lysekil refinery FCC regenerator did not comply with BAT-AEL. A program was adopted to comply with BAT-AEL at both refineries. At Preemraff Lysekil investments of SEK 40 million were made and works carried out during the shutdown in 2017. However, the measures undertaken have not yet had the expected effect and the environmental authorities have authorised an exemption for Preemraff Lysekil with regard to this BAT-AEL until June 30, 2020. Further investigations are being undertaken and it is possible that further investments will be required of SEK 50-140 million depending on the technical solution required. At Preemraff Gothenburg we are required to invest SEK 4 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.

Regarding BAT-AEL for emissions of sulfur oxides (SOx), preliminary analysis indicated that both refineries should comply, but that analysers must be installed. Analysers were installed and taken in commission before the compliance deadline in October, 2018. However, the values measured were higher than expected and showed that BAT-AEL could not be reached during normal operation. Because one of the Visbreaker furnaces was out of operation at this time, no exceedance of BAT-AEL occurred, and by applying an operation limitation, BAT-AEL is within compliance with the furnace back in operation. Work is ongoing to draw up technical measures and up until these are implemented Preem will apply for an exemption from this requirement, to increase the unit utilization.

In order to control and reduce nitrogen oxides (NOx) emissions, there is a legislated NOx emission fee in Sweden, administrated by the Swedish Environmental Protection Agency. In July, 2017 new guidance connected to this legislation was implemented, through which Preemraffs' current method for monitoring NOx emission was interpreted as inadequate by the authorities, whereas Preem considers it to be adequate and compliant. As a consequence, the Swedish Environmental Protection Agency have rejected Preemraffs declared NOx-emissions for 2017 and instead calculated the annual fee based on a template method, resulting in a fee approximately 5 MSEK higher than normal. Preem have paid the recounted fee and filed an appeal to the administrative court. Preem's legal counsel are of the opinion that the Preem interpretation is correct, but if the appeal is not upheld the annual NOx-fee for both refineries will amount to approximately 9 MSEK more than today.

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.

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.

In 2019, Sweden will introduce interest deduction limitation rules capping deduction on interest rate costs to 30% of taxable EBITDA.

The Swedish Government subsidises a niche diesel quality that emits fewer particles when combusted in a diesel engine. The tax incentive for this cleaner diesel quality is currently approximately SEK 453/m^3 (€0.45/l). Preem currently produce 2.5 million m^3 diesel with Environmental Class 1 to the Swedish market and loss of this tax incentive would be materially adverse to our business.

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 2020, and, from December 31, 2016, we have made a provision of SEK 21 million for the associated costs of the clean-up works in our accounts.

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. The Stockholm depot at Loudden oil terminal was closed down during December, 2018. The remediation works are scheduled to start in April, 2019 and will be completed no later than 2021. 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 46 million. A provision of SEK 30 million has been made for this in our 2018 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. We have currently made provisions for stations of SEK 2 million and for depots of SEK 116 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, 2018, including the Subordinated Shareholder Debt, our krona-denominated third party debt totalled SEK 2,018 million, our dollar-denominated third party debt totalled $910 million and our euro-denominated third party debt totalled €790 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 950 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 418 million on the most recently completed turnaround at the Preemraff Gothenburg refinery, which we completed in 2017 and we incurred SEK 514 million associated with the turnaround for the Preemraff Lysekil refinery, which we completed in 2013. 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 Lysekil refinery is scheduled for September / October 2019 and for Gothenburg in 2021. Further capital expenditure currently underway includes a new hydrogen production unit ("**HPU**") in Gothenburg and a vacuum distillation unit ("**VDU**") in Lysekil, which together constitute an investment of around SEK 2,235 million. In addition, an upgrade to a new enterprise resource planning ("ERP") system for Preem became operational on April 1, 2019. As in any major IT implementation, there have been some unforeseen challenges and incidents occurring as a consequence of cut-over to the new ERP-system (primarily relating to some of the new logistics, inventory and tax reporting modules), which are currently being worked on and mitigated by the project team. Generally, though, the cut-over has proceeded largely according to plan. 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 and Norway, our operations extend beyond those countries. Through our Supply and Refining segment, we export refined products to certain countries in north western 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, 2018, we held, on average, approximately 15 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 654 million and that fair value of plan assets was SEK 634 million meaning that our wholly or partially funded obligations had a net debt balance of SEK 20 million as of December 31, 2018. The current value of Preem's unfunded defined benefit obligations was SEK 139 million. Our total net balance of funded and unfunded defined pension plans amounts to SEK 159 million as of December 31, 2018 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.

An upgrade to a new ERP system for Preem became operational on April 1, 2019. As in any major IT implementation, there have been some unforeseen challenges and incidents occurring as a consequence of cut-over to the new ERP-system (primarily relating to some of the new logistics, inventory and tax reporting modules), which are currently being worked on and mitigated by the project team. Generally, though, the cut-over has proceeded largely according to plan.

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, 2018 we had SEK 13,746 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 (subject to any adjustments of the non-distributable equity after the balance sheet date); provided, however, that the distribution of profits may not be made in any amount which, when considering the demands with respect to the size of shareholders' equity which are imposed by the nature, scope and risks associated with the business, and, Preem's or such subsidiary's need to strengthen its balance sheet, liquidity and financial position in general, would not be defendable.

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, 2018, 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 13,746 million (€1,338 million). 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 A&R Credit Facility, bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

Borrowings under Preem's A&R Credit Facility 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 A&R Credit Facility 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 the 2021 Indenture, and Preem's ability to comply with the restrictive covenants set forth in the A&R Credit Facility, 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 A&R Credit Facility 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 A&R Credit Facility, 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 Facility, 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 A&R Credit Facility, 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, or, if no share certificates have been issued, a notification to the board of directors of the pledged company and a registration of the pledge in the share register of the pledged company. 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 A&R Credit Facility is 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 A&R Credit Facility are secured by a pledge of all outstanding shares of capital stock of Preem. In the event of a default under the A&R Credit Facility, 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 A&R Credit Facility 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 A&R Credit Facility, 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 A&R Credit Facility will be subject to a reciprocal 30-day standstill period prior to the enforcement of the pledge over the shares in Preem by such lenders. For further details, see “Description of Certain Indebtedness—A&R Credit Facility—Intercreditor Agreement.” In addition, upon an event of default under the A&R Credit Facility, 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. 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. 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 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 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 for liquidation purposes 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, 2018, 2017 and 2016, 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, 2018.

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 its respective 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, favors a creditor in an undue manner to the detriment of another creditor or causes the debtor's assets to be unduly withheld from the creditors or the debts to be unduly increased, 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 thereof, 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 that made the agreement, transaction or any other act undue.

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, 2018. 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, 2018[1]		
	Actual		
	SEK	**€[2]**	**$[2]**
		(in millions)	
Revolving Credit Facility	6,883	670	767
Borrowing, Current	488	47	54
Other interest bearing liabilities[3]	18	2	2
2021 Notes	6,357	619	709
Total financial third party debt	**13,746**	**1,338**	**1,532**
Subordinated Shareholder Debt	4,661	454	520
Total aggregate debt	**18,407**	**1,791**	**2,052**
Total equity	2,978	290	332
Total indebtedness and equity	**21,385**	**2,081**	**2,384**

(1) All figures included in this consolidated capitalization table are excluding capitalized transaction costs Capitalized transaction costs are SEK 333 million, EUR 32 million and USD 37 million.

(2) Translations to euros and dollars provided solely for convenience by translating kronor into euro at the rate of €1.00 = SEK 10.2753 and kronor into dollars at the rate of $1.00 = SEK 8.971 (the respective exchange rates on December 31, 2018).

(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, 2018, 2017 and 2016 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, 2018 and 2017, and, for comparative purposes, our audited consolidated financial information as of and for the year ended December 31, 2016, 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, 2018 and 2017 and the related notes, which are included elsewhere in this Annual Report.

Consolidated Balance Sheet Information:

	As of December 31, 2018		**As of December 31, 2017**		**As of December 31, 2016**	
	SEK	**€ [(a)]**	**SEK**	**€ [(a)]**	**SEK**	**€ [(a)]**
			(in millions) (audited)			
Total intangible and tangible fixed assets, net	11,788	1,147	10,662	1,038	9,273	902
Financial assets	373	36	312	30	243	24
Other short term assets	16,585	1,614	16,306	1,587	13,287	1,293
Cash and cash equivalents	1,423	138	1,083	105	1,030	100
Total assets...	**30,169**	**2,936**	**28,363**	**2,760**	**23,833**	**2,319**
Shareholders' equity..................................	**2,978**	**290**	**1,995**	**194**	**(769)**	**(75)**
Total financial long-term third party debt [(3)(4)]...	12,924	1,258	10,100	983	10,395	1,012
Total financial current third party debt [(2)(4)] ..	488	47	903	88	103	10
Total financial third party debt [(1)(4)]..........	**13,412**	**1,305**	**11,003**	**1,071**	**10,498**	**1,022**
Subordinated Shareholder Debt [(4)]................	4,661	454	4,872	474	5,251	511
Total non-financial debt	9,118	887	10,493	1,021	8,853	862
Total debt [(5)]	27,191	2,646	26,368	2,566	24,602	2,394
Total equity and debt	**30,169**	**2,936**	**28,363**	**2,760**	**23,833**	**2,319**

Consolidated Income Statement Information:

	Year ended December 31, 2018		Year ended December 31, 2017		Year ended December 31, 2016	
	SEK	**€ (a)**	**SEK**	**€ (a)**	**SEK**	**€ (a)**
			(in millions) (audited)			
Net sales	103,641	10,086	78,581	7,648	66,225	6,445
Excise duties	(11,087)	(1,079)	(9,829)	(957)	(10,184)	(991)
Sales revenue	**92,553**	**9,007**	**68,752**	**6,691**	**56,041**	**5,454**
Cost of goods sold	(88,529)	(8,616)	(63,440)	(6,174)	(50,929)	(4,956)
Gross profit/(loss)	**4,024**	**392**	**5,312**	**517**	**5,112**	**498**
Selling expenses	(913)	(89)	(866)	(84)	(820)	(80)
Administrative expenses	(1,122)	(109)	(864)	(84)	(813)	(79)
Other operating income	443	43	465	45	321	31
Other operating expenses	—	—	—	—	—	—
Operating profit/(loss)	**2,432**	**237**	**4,047**	**394**	**3,800**	**370**
Interest income	8	1	6	1	6	1
Other financial income (6)	3	0	395	38	17	2
Interest expense	(1,476)	(144)	(1,400)	(136)	(1,560)	(152)
Other financial expense (7)	(960)	(93)	(122)	(12)	(2,553)	(248)
Profit/(Loss) before taxes	**8**	**1**	**2,926**	**285**	**(290)**	**(28)**
Income taxes	105	10	(659)	(64)	(340)	(33)
Net profit/(Loss) for the year	**113**	**11**	**2,267**	**221**	**(631)**	**(61)**

Consolidated statement of comprehensive income:

	Year ended December 31, 2018		Year ended December 31, 2017		Year ended December 31, 2016	
	SEK	**€ (a)**	**SEK**	**€ (a)**	**SEK**	**€ (a)**
			(in millions) (audited)			
Net profit/loss for the year	113	11	2,267	221	(631)	(61)
Other income	(37)	(4)	(3)	(0)	(59)	(6)
Comprehensive income	**76**	**7**	**2,264**	**220**	**(690)**	**(67)**

Other Financial Data:

	As of and for the year Ended December 31, 2018		As of and for the year Ended December 31, 2017		As of and for the year Ended December 31, 2016	
	SEK	€ [(a)]	SEK	€ [(a)]	SEK	€ [(a)]
			(in millions) (unaudited)			
EBITDA [(8)]	3,469	338	5,047	491	4,800	467
Adjusted EBITDA [(9)]	3,571	348	4,189	408	3,399	331
Capital expenditure [(10)]	2,084	203	2,347	228	1,347	131
Cash flow from operating activities	392	38	2,159	210	4,287	417

(a) Unaudited translations to euros provided solely for convenience by translating kronor into euro at the rate of 10.2753 (the exchange rate on December 31, 2018).

(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, 2018, 2017 and 2016, all of our total financial current third party debt consisted of drawings under the A&R Credit Facility. 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,		
	2018	**2017**	**2016**
		(in million SEK)	
Net profit/(loss) for the year	**113**	**2,267**	**(631)**
Add back:			
Income tax	(105)	659	340
Profit/Loss before taxes	**8**	**2,926**	**(291)**
Adjustments for:			
Depreciation and amortization	1,037	1,000	1,001
Other financial expense	960	122	2,553
Total interest expense	1,476	1,400	1,560
Interest income	(8)	(6)	(6)
Other financial income	(3)	(395)	(17)
EBITDA	**3,469**	**5,047**	**4,800**

(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,		
	2018	**2017**	**2016**
		(in million SEK)	
EBITDA	**3,469**	**5,047**	**4,800**
Add back:			
Inventory (gains)/ losses	356	(1,064)	(1,279)
Foreign currency (gains)/losses	(254)	206	(122)
Adjusted EBITDA	**3,571**	**4,189**	**3,399**

(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, 2016, 2017 and 2018. The discussions regarding our results of operations are based on the audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018, and for comparative purposes, our audited consolidated financial information as of and for the year ended December 31, 2016.

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 north western European markets, including Scandinavia, France, Germany and the United Kingdom, as well as the United States and, to a lesser extent, other markets. Our refineries represented approximately 80% of the refining capacity in Sweden and approximately 30% of the refining capacity in the Nordic region in 2018. We sell more refined products in Sweden than any of our competitors. In Sweden, we had the leading market share in 2018 in terms of sales volume of diesel, with approximately 35% of 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 2018, 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 76% (by value) and 24% (by value), respectively, in 2017. For the years ended December 31, 2016, 2017 and 2018, our Supply and Refining segment had sales revenue (including internal sales and exchange rate differences) of SEK 53,808 million (€5,463 million), SEK 66,237 million (€6,724 million) and SEK 89,467 million (€8,707 million) and an operating income of SEK 3,779 million (€384 million), SEK 4,403 million (€447 million) and SEK 2,646 million (€258 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 334 Preem-branded service stations (of which 99 are manned which are company owned and dealer-operated and 235 are unmanned, which are company owned and operated) along with 149 company-owned and operated unmanned Såifa-branded diesel truck stops. We also operate 3 commercial road transport truck stops in Norway. For the years ended December 31, 2016, 2017 and 2018 our Marketing and Sales segment had sales revenue (including internal sales and exchange rate differences) of SEK 14,776 million (€1,500 million), SEK 18,679 million (€1,896 million) and SEK 23,875 million (€2,324 million) and operating income of SEK 590 million (€60 million), SEK 581 million (€59 million) and SEK 499 million (€49 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, 2016, 2017 and 2018. In accordance with industry practice, the margins are expressed in dollars per barrel.

	Year Ended December 31,				
	2016	2017	% Change	2018	% Change
	(in dollars per barrel, except % change and total feedstock)				
Preemraff Lysekil					
Gross refining margin $/bbl	5.61	6.90	0.23%	5.79	(0.16)%
Variable refining costs $/bbl	(0.46)	(0.45)	(0.02%)	(0.51)	0.13%
Refining margin $/bbl	5.15	6.44	0.25%	5.28	(0.18)%
Timing effects $/bbl	0.15	0.35	1.35%	0.31	(0.11)%
Business margin $/bbl	5.30	6.80	0.28%	5.59	(0.18)%
Sales other $/bbl (1)	0.17	0.18	0.13%	0.23	0.30%
Fixed expenses excl. depr. $/bbl	(1.23)	(1.47)	0.19%	(1.38)	0.06%
Net cash business margin, $/bbl	4.23	5.53	0.31%	4.45	(0.20)%
Depreciation $/bbl	(0.83)	(0.85)	0.03%	(0.82)	0.04%
Net margin, $/bbl	3.40	4.67	0.37%	3.63	(0.22)%
Total feedstock (1,000 barrels)	76,845	77,398	0.01%	79,037	0.02%
Preemraff Gothenburg					
Gross refining margin $/bbl	3.66	4.12	0.13%	4.53	0.10%
Variable refining costs $/bbl	(0.37)	(0.41)	0.09%	(0.39)	(0.04)%
Refining margin $/bbl	3.29	3.71	0.13%	4.14	0.12%
Timing effects $/bbl	0.15	0.35	1.35%	0.31	(0.13)%
Business margin $/bbl	3.44	4.06	0.18%	4.45	0.09%
Sales other $/bbl (1)	0.07	0.08	0.24%	0.13	0.61%
Fixed expenses excl. depr $/bbl	(1.27)	(1.64)	0.29%	(1.32)	0.20%
Net cash business margin, $/bbl	2.23	2.50	0.12%	3.26	0.30%
Depreciation $/bbl	(0.91)	(0.85)	(0.07%)	(0.72)	0.15%
Net margin, $/bbl	1.32	1.66	0.26	2.54	0.53%
Total feedstock (1,000 barrels)	38,228	36,116	(0.06%)	42,991	0.19%

(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.

S&P Global Platts, which acquired PIRA Energy Group in September 2016, presented their Annual Guidebook 2019 in February 2019. In the Guidebook, they state that world oil product demand increased about 1.7 million barrels per day in 2018. The oil demand is reported to have averaged at 101.3 million barrels per day in 2018, meaning there was an increase of 1.7%. The increase continues to mainly take place in emerging markets rather than the OECD countries.

In the year ended December 31, 2018, our refining margins decreased by $1.16/bbl to $5.28/bbl at Preemraff Lysekil and increased by $0.43/bbl to $4.14/bbl at Preemraff Gothenburg as compared to the year ended December 31, 2017. The lower refining margin was primarily attributable to shrinking margins on gasoline and heavy fuel oil. In the year ended December 31, 2017, our refining margins increased by $1.29/bbl to $6.44/bbl at Preemraff Lysekil and decreased by $0.42/bbl to $3.71/bbl at Preemraff Gothenburg as compared to the year ended December 31, 2016.

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 10,543 million as of December 31, 2018. 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, 2018, 44% of our total debt, including Subordinated Shareholder Debt, was denominated in dollars, 11% was denominated in kronor, 1% was denominated in Norwegian Krone and 44% 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.

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, 2018, the average value of the dollar against the krona increased by approximately 2% and the average value of the dollar against the euro increased by 4.5%. In 2017, the average value of the dollar against the krona increased by approximately 1.5% and the average value of the dollar against the euro increased by 2%. In 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. See "—Key Factors Affecting Results of Operations—Translation Risk" above.

Volatile crude oil prices. The average price of crude oil in 2018 was USD 71 per barrel, which was higher than the average price for 2017 of USD 54 per barrel. The year began with a price of USD 66 per barrel. Due to production decreases by OPEC and a number of other countries of which Russia is the most important actor, combined with decreasing inventories, strong global economic growth and higher demand for fuel, the price rose to the top quote for the year of USD 86 per barrel at the beginning of October, 2018.

OPEC+, as the group is called, gradually loosened the production restrictions, the United States' crude oil production set new records during the year and an increasing concern for global economic growth reversed the price curve. Several geopolitical trouble spots affected the view of the world economy, including the greater tension in trade issues between China and the U.S., the development of the UK's exit from the EU and a higher risk of and actual acts of war in the Middle East. The price dropped and ended up at USD 50 per barrel at the end of the year. OPEC+ again took action in December, 2018 and decided to reduce production beginning in 2019.

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 2018 and 2017. We were also subject to Norwegian income tax at a rate of 24% in 2018 and 2017. From 2019, the Swedish income tax rate will be 21.4% and the Norwegian tax rate 22%.

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, 2016, 2017 and 2018.

	Year Ended December 31,					
	2016	**% Change**	**2017**	**% Change**	**2018**	**% Change**
	(SEK in millions, except % changes)					
Net Sales	66,225	(13)	78,581	19	103,641	32
Excise duties	(10,184)	(4)	(9,829)	(3)	(11,087)	13
Sales revenue	**56,041**	**(15)**	**68,752**	**23**	92,553	35
Cost of goods sold	(50,929)	(17)	(63,440)	25	(88,529)	40
Gross profit/(loss)	**5,112**	**17**	**5,312**	**4**	4,024	(24)
Selling and administrative expenses	(1,633)	6	(1,730)	6	(2,035)	18
Other operating income	321	(8)	465	45	443	(5)
Other operating expenses	—	—	—	—	—	—
Operating profit/(loss)	**3,800**	**19**	**4,047**	**7**	2,432	(40)
Financial expense, net [(1)]	(4,090)	27	(1,121)	(73)	(2,424)	116
Profit/(loss) before taxes	**(290)**	**N/A**	**2,926**	**N/A**	8	(100)
Income taxes	(340)	(36)	(659)	94	105	(116)
Net profit/(loss) for the year	**(631)**	**N/A**	**2,267**	**(459)**	113	(95)
Net comprehensive income						
Other comprehensive income	(59)	N/A	(3)	N/A	(37)	N/A
Comprehensive income	**(690)**	**N/A**	**2,264**	**N/A**	76	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, 2016, 2017 and 2018.

	Year Ended December 31,		
	2016	2017	2018
	(SEK in millions)		
Sales Revenue:			
Supply and Refining [(1)]	53,808	66,237	89,467
Marketing	14,776	18,679	23,875
Exchange rate differences	95	(137)	111
Group eliminations	(12,638)	(16,027)	(20,900)
Total Sales Revenue [(2)]	56,041	68,752	92,553
Operating profit/(loss):			
Supply and Refining	3,779	4,403	2,646
Marketing	590	581	499
Other non-allocated income (expense) [(3)]	(570)	(937)	(714)
Total operating profit/(loss)	**3,799**	**4,047**	**2,431**

(1) Includes sales by our Supply and Refining segment to our Marketing and Sales segment, SEK 20,899 million for 2018 (€2,034) million), SEK 16,019 million for 2017 (€1,559 million) and SEK 12,612 million for 2016 (€1,227 million). 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, 2018 compared to the year ended December 31, 2017

Net Sales. Our net sales for the year ended December 31, 2018 were SEK 103,641 million, an increase of SEK 25,060 million, or 32%, from SEK 78,581 million for the year ended December 31, 2017.

The average Dated Brent Crude price was $71 per barrel during 2018 compared to $54 per barrel during 2017, which had a negative impact on net sales.

Sales revenue. Sales revenue for the year ended December 31, 2018 was SEK 92,553 million, an increase of SEK 23,801 million, or 35%, from SEK 68,752 million for the year ended December 31, 2017. Sales revenue for our Supply and Refining segment increased by 35% to SEK 89,467 million for the year ended December 31, 2018 from SEK 66,237 million for the year ended December 31, 2017. Sales revenue for our Marketing and Sales segment increased by 28% to SEK 23,875 million for the year ended December 31, 2018 from SEK 18,679 million for the year ended December 31, 2017. This increase was mainly attributable to higher crude oil prices that resulted in higher product prices.

Cost of goods sold. Cost of goods sold for the year ended December 31, 2018 was SEK 88,529 million, an increase of SEK 25,089 million, or 40%, from SEK 63,440 million for the year ended December 31, 2017. This increase was primarily attributable to higher crude oil prices.

Gross profit. Gross profit for the year ended December 31, 2018 was SEK 4,024 million, a decrease of SEK 1,288 million, from a gross profit of SEK 5,312 million for the year ended December 31, 2017. The price effect on inventories amounted to a loss of SEK 356 million compared to a gain of SEK 1,064 million for the year ended December 31, 2017, representing a profit decrease of SEK 1,420 million. This year-on-year decrease in earnings is mainly due to decreasing market price for crude oil and products during the year. The Dated Brent crude price ended 2018 at $ 50 per barrel, down by $ 16 per barrel compared to December 2017. In the previous year, the Dated Brent crude price increased by $ 11 per barrel. The average refining margin decreased to 4.88 $/bbl during the year ended December 31, 2018 from 5.58 $/bbl during the year ended December 31, 2017, but this was largely offset by higher production volumes for the year ended December 2018.

Selling and administrative expenses. Selling expenses for the year ended December 31, 2018 were SEK 913 million, an increase of SEK 47 million, or 5%, from SEK 866 million for the year ended December 31, 2017. Administrative expenses for the year ended December 31, 2018 were SEK 1,122 million, an increase of SEK 258 million, or 30%, from SEK 864 million for the year ended December 31, 2017. The increase in administrative expenses was primarily attributable to higher consultancy costs.

Other operating income. Other operating income for the year ended December 31, 2018 was SEK 443 million, a decrease of SEK 22 million, from SEK 465 million for the year ended December 31, 2017.

Operating profit. Operating profit for the year ended December 31, 2018 was SEK 2,432 million, a decrease of SEK 1,615 million, from a profit of SEK 4,047 million for the year ended December 31, 2017. The operating profit of our Supply and Refining segment was SEK 2,646 million for the year ended December 31, 2018, a decrease of SEK 1,757 million, from an operating profit of SEK 4,403 million for the year ended December 31, 2017. This decrease in operating profit was mainly due to price loss on inventories. The Dated Brent crude price ended 2018 at $ 50 per barrel, down by $ 16 per barrel compared to December 2017. In the previous year the Dated Brent crude price increased by $ 11 per barrel. Our Marketing and Sales segment generated an operating profit of SEK 499 million for the year ended December 31, 2018, a decrease of SEK 82 million from an operating profit of SEK 581 million for the year ended December 31, 2017. This decrease in operating profit was mainly due to the divestment of subsidiary Preem Gas in the year ended December 31, 2017.

Financial expense, net. Our financial expense, net, for the year ended December 31, 2018 was SEK 2,424 million, an increase of SEK 1,303 million from SEK 1,121 million for the year ended December 31, 2017. Financial expense, net, for the year ended December 31, 2018 was negatively affected by exchange rate losses realized and unrealized, mainly due to a weaker SEK against USD, of SEK 836 million, compared to a gain of SEK 397 million for the year ended December 31, 2017. For the year ended December 31, 2018, interest expense amounted to SEK 1,476 million, an increase of SEK 76 million from SEK 1,400 million for the year ended December 31, 2017. Other financial expense, net amounted to a loss of SEK 120 million for the year ended December 31, 2018 compared to a loss of SEK 124 million in 2017.

Income taxes. Income tax revenue for the year ended December 31, 2018 was SEK 105 million, a change of SEK 764 million from a tax cost of SEK 659 million for the year ended December 31, 2017. The effective tax rate would therefore amount to a negative rate in 2018 compared to an effective tax rate of 23% in 2017. The income tax revenue is attributable to the decreased operational result, change in tax rates in Sweden (from 22% in 2018 to 21.4% in 2019) and non-taxable income.

Net profit/(loss). Net profit for the year ended December 31, 2018 was SEK 113 million, a decrease of SEK 2,154 million from a net profit of SEK 2,267 million for the year ended December 31, 2017 as a result of factors discussed above.

Year ended December 31, 2017 compared to the year ended December 31, 2016

Net Sales. Our net sales for the year ended December 31, 2017 were SEK 78,581 million, an increase of SEK 12,356 million, or 19%, from SEK 66,225 million for the year ended December 31, 2016.

The average Dated Brent Crude price was $54 per barrel during 2017 compared to $44 per barrel during 2016, which had a positive impact on net sales.

Sales revenue. Sales revenue for the year ended December 31, 2017 was SEK 68,752 million, an increase of SEK 12,711 million, or 23%, from SEK 56,041 million for the year ended December 31, 2016. Sales revenue for our Supply and Refining segment increased by 23% to SEK 66,237 million for the year ended December 31, 2017 from SEK 53,808 million for the year ended December 31, 2016 Sales revenue for our Marketing and Sales segment increased by 26% to SEK 18,679 million for the year ended December 31, 2017 from SEK 14,776 million for the year ended December 31, 2016. This increase was mainly attributable to higher crude oil prices that resulted in higher product prices.

Cost of goods sold. Cost of goods sold for the year ended December 31, 2017 was SEK 63,440 million, an increase of SEK 12,511 million, or 25%, from SEK 50,929 million for the year ended December 31, 2016. The increase was primarily attributable to higher crude oil prices.

Gross profit. Gross profit for the year ended December 31, 2017 was SEK 5,312 million, an increase of SEK 200 million, from a gross profit of SEK 5,112 million for the year ended December 31, 2016. The price effect on inventories amounted to a gain of SEK 1,064 million compared to a gain of SEK 1,279 million for the year ended December 31, 2016, representing a profit decrease of SEK 215 million. This year-on-year increase in earnings is mainly due to stronger refining margins, with the diesel and heavy fuel oil margins gaining ground. The average refining margin improved from $4.53 per barrel for the year ended December 31, 2016 to $5.58 per barrel for the year ended December 31, 2017.

Selling and administrative expenses. Selling expenses for the year ended December 31, 2017 were SEK 866 million, an increase of SEK 46 million, or 6%, from SEK 820 million for the year ended December 31, 2016. Administrative expenses for the year ended December 31, 2017 were SEK 864 million, an increase of SEK 51 million, or 6%, from SEK 813 million for the year ended December 31, 2016. The increase in administrative expenses was primarily attributable to higher consultancy costs.

Other operating income. Other operating income for the year ended December 31, 2017 was SEK 465 million, an increase of SEK 144 million, from SEK 321 million for the year ended December 31, 2016.

Operating profit. Operating profit for the year ended December 31, 2017 was SEK 4,047 million, an increase of SEK 247 million, from a profit of SEK 3,800 million for the year ended December 31, 2016. The operating profit of our Supply and Refining segment was SEK 4,403 million for the year ended December 31, 2017, an increase of SEK 624 million, from an operating profit of SEK 3,779 million for the year ended December 31, 2016. This increase in operating profit was mainly due to stronger refining margins. The weighted refining margin increased to $/bbl 5.58 during the year ended December 31, 2017 from $/bbl 4.53 during the year ended December 31, 2016. Our Marketing and Sales segment generated an operating profit of SEK 581 million for the year ended December 31, 2017, a decrease of SEK 9 million from an operating profit of SEK 590 million for the year ended December 31, 2016. Volumes have increased by 8% during 2017 but at lower margins which explains the decrease in the Marketing and Sales segment's operating profit.

Financial expense, net. Our financial expense, net, for the year ended December 31, 2017 was SEK 1,121 million, a decrease of SEK 2,969 million from SEK 4,090 million for the year ended December 31, 2016. Financial expense, net, for the year ended December 31, 2017 was positively affected by exchange rate gains realized and unrealized, mainly due to a weaker dollar, of SEK 397 million, compared to a loss of SEK 854 million for the year ended December 31, 2016. For the year ended December 31, 2017, interest expense amounted to SEK 1,400 million, a decrease of SEK 160 million from SEK 1,560 million for the year ended December 31, 2016. Other financial expense, net amounted to a gain of SEK 273 million for the year ended December 31, 2017, an increase of SEK 2,809 million from a loss of SEK 2,536 million for the year ended December 31, 2016. Included in other financial net 2016 is a provision for the value of a promissory note from Corral Morocco Gas & Oil of SEK 1,567 million for the year ended December 31, 2016.

Income taxes. Income taxes for the year ended December 31, 2017 were SEK 659 million, an increase of SEK 319 million from a tax cost of SEK 340 million for the year ended December 31, 2016. The increase was attributable to the improved operational results in the year ended December 31, 2017 as described above. The effective tax rate amounted to 23% in 2017 compared to 117% in 2016. 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 profit for the year ended December 31, 2017 was SEK 2,267 million, an increase of SEK 2,898 million from a net loss of SEK 631 million for the year ended December 31, 2016 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, 2018, we benefitted from trade credit from suppliers for the purchase of crude oil for an aggregate amount of $455 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 A&R Credit Facility 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.

Preem's capital expenditures on intangible assets and property, plant and equipment for the year ended December 31, 2018 totalled SEK 2,084 million ($232 million). The expenditure attributable to the maintenance shutdown totalled SEK 84 million, and an additional SEK 662 million was expended on operational improvements on top of that. SEK 1,071 million was expended on profitability improvements, SEK 146 million on establishing and renovating stations and SEK 121 million on environmental and safety improvement measures. 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, 2016, 2017 and 2018.

	Year Ended December 31,		
	2016	**2017**	**2018**
	(SEK in millions)		
Profit/(Loss) before taxes	(291)	2,926	8
Adjustments for items not included in cash flow	4,075	1,758	2,469
Taxes paid	0	(4)	(5)
	3,784	4,680	2,472
Adjustments for			
Decrease/(increase) in inventories	(2,129)	(2,232)	(263)
Decrease/(increase) in current receivables	(426)	(885)	60
(Decrease)/increase in liabilities	3,058	596	(1,877)
Cash flow from/(used in) operating activities	**4,287**	**2,159**	**392**
Cash flow used in investment activities	(1,356)	(2,347)	(2,084)

Cash flow after investments	**2,931**	**(188)**	**(1,692)**
Cash flow from/(used in) financing activities	(2,336)	226	2,025
Total cash flow	**595**	**38**	**333**

Year ended December 31, 2018 compared to the year ended December 31, 2017

Cash flow from operating activities amounted to SEK 392 million in the year ended December 31, 2018 compared to cash flow from operating activities of SEK 2,159 million in the year ended December 31, 2017, a decrease of SEK 1,767 million. Adjustments for non cash items had a positive impact of SEK 2,469 million for the year ended December 31, 2018 compared to a positive impact of 1,758 million for the same period in 2017, an increase of SEK 711 million.

Taxes paid amounted to SEK 5 million in the year ended December 31, 2018 compared to SEK 4 million in the year ended December 31, 2017.

Cash flow was negatively impacted by movements in working capital of SEK 2,080 million in the year ended December 31, 2018 compared to a negative effect of SEK 2,521 million in the year ended December 31, 2017. Cash flow used in inventories amounted to SEK 263 million in the year ended December 31, 2018, primarily due to higher volumes of finished products in the inventory. In the year ended December 31, 2017, cash flow from inventories amounted to SEK 2,232 million. Cash flow from operating receivables amounted to SEK 60 million in the year ended December 31, 2018, primarily due to lower prices on refined products as well as lower volumes sold at year-end. In 2017 cash flow used in operating receivables amounted to SEK 885 million. Cash flow used in operating liabilities amounted to SEK 1,877 million in the year ended December 31, 2018, primarily due to the lower price of crude oil, compared to cash flow used in operating liabilities of SEK 596 million in the year ended December 31, 2017.

Cash flow used in investment activities for the year ended December 31, 2018 amounted to SEK 2,084 million, a decrease of SEK 263 million, compared to SEK 2,347 million for the same period in 2017. The decrease in investing activities was mainly due to the major maintenance turnaround performed in Gothenburg in 2017.

Cash flow from financing activities amounted to SEK 2,025 million in the year ended December 31, 2018 compared to cash flow from financing activities of SEK 226 million for the same period in the year ended December 31, 2017. Cash flow from financing activities is attributable to (net) drawings of loans under the A&R Credit Facility as a consequence of the negative cash flow from operating activities. Cash flow from operating activities includes cash coupon payments on the 2021 Notes, totaling SEK 740 million.

Year ended December 31, 2017 compared to the year ended December 31, 2016

Cash flow from operating activities amounted to SEK 2,159 million in the year ended December 31, 2017 compared to cash flow from operating activities of SEK 4,287 million in the year ended December 31, 2016, a decrease of SEK 2,128 million. Adjustments for non-cash items had a positive impact of SEK 1,758 million for the year ended December 31, 2017, a decrease of SEK 2,317 million, compared to SEK 4,075 million for the same period in 2016.

Taxes paid amounted to SEK 4 million in the year ended December 31, 2017 compared to SEK 0 million in the year ended December 31, 2016.

Cash flow was negatively impacted by movements in working capital of SEK 2,521 million in the year ended December 31, 2017 compared to a positive effect of SEK 503 million in the year ended December 31, 2016. Cash flow used in inventories amounted to SEK 2,232 million in the year ended December 31, 2017, primarily due to the increase in the price of crude oil, compared to cash flow from inventories of SEK 2,129 million in the year ended December 31, 2016. Cash flow used in operating receivables amounted to SEK 885 million in the year ended December 31, 2017, primarily due to higher prices on refined products as well as higher volumes sold at year-end. In 2016 cash flow used in operating receivables amounted to SEK 426 million. Cash flow from operating liabilities amounted to SEK 596 million in the year ended

December 31, 2017, primarily due to the increase in the price of crude oil, compared to cash flow used in operating liabilities amounting to SEK 3,058 million in the year ended December 31, 2016.

Cash flow used in investment activities for the year ended December 31, 2017 amounted to SEK 2,347 million, an increase of SEK 991 million, compared to SEK 1,356 million for the same period in 2016. 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, investment in a hydrogen production unit at the Gothenburg refinery and turnaround costs.

Cash flow from financing activities amounted to SEK 226 million in the year ended December 31, 2017 compared to cash flow used in financing activities of SEK 2,336 million for the same period in the year ended December 31, 2016. Cash flow from financing activities is attributable to (net) drawings of loans under Preem's revolving credit facility as a consequence of the negative cash flow from operating activities. Cash flow from operating activities includes cash coupon payments on Corral Petroleum Holdings´ 2021 Notes, totaling SEK 806 million.

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 A&R Credit Facility; 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 A&R Credit Facility, 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, 2018 we had SEK 13,746 million of total third party debt (which excludes Subordinated Shareholder Debt), net of unamortized debt issuance costs.

Moreover, as at December 31, 2018, Preem had an additional $455 million of unsecured supplier trade credits outstanding. As of December 31, 2018, 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 13,746 million. As of December 31, 2018, we had amounts available under our unutilized A&R Credit Facility of SEK 409 million. As of December 31, 2017, 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 11,499 million. As of December 31, 2017, we had amounts available under our unutilized A&R Credit Facility of SEK 4,912 million. 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 A&R Credit Facility of SEK 4,682 million.

As of December 31, 2018, our total financial third party debt, which excludes Subordinated Shareholder Debt, bore interest at a weighted average annual rate of 8.45%.

A&R Credit Facility

The A&R Credit Facility provides Preem with an approximately $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 May 15, 2021, and (ii) SEK 500,000,000 aggregate principal amount of Swedish krona-denominated 12.250% / 13.750% senior PIK toggle notes due May 15, 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 A&R Credit Facility, 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, 2018.

Contractual Obligations	Payments Due by Period 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	7,371	488	6,883	-	-
Other financial debt	18	-	-	18	-
Subordinated Shareholder Debt	4,661	-	4,661	-	-
Total	**12,050**	**488**	**11,544**	**18**	**-**

Transaction expenses are 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, 2018, see note 9 to our audited consolidated financial statements as of and for the year ended December 31, 2018.

As of December 31, 2018, we had agreed operating lease obligations of SEK 148 million due within one year, SEK 445 million due within one and five years and SEK 52 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 A&R Credit Facility contains certain restrictions on Preem's ability to make dividend payments, distributions or other payments (including by way of a subordinated loan) to Corral Petroleum Holdings. At any time, Preem is permitted to make group tax contributions (Sw: Koncernbidrag) to Corral Petroleum Holdings by way of dividend, provided that such amount is funded by way of equity contribution or a subordinated loan and that it is effected by accounting entries only and not by movement of cash. Preem is also permitted to pay administrative costs of 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, 2018, our agreed future minimum lease payments over the following six years amounted to SEK 645 million in total. These relate to property leases, car leases and rental equipment. We also benefit from lease revenues. As of December 31, 2018, contracted future minimum lease payments (to be received as revenue over the following six years) were SEK 530 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 decreased from $66.54 per barrel as of December 31, 2017 to $50.21 per barrel as of December 31, 2018. Dated Brent Crude increased from $54.94 per barrel as of December 31, 2016 to $66.54 per barrel as of December 31, 2017.

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, 2018, we had a short financial position consisting of crude oil (excluding the hedge of the normal inventory) and refined products derivative contracts of net 392 thousand cubic meters (approximately 2.46 million barrels). Based on our hedges in place as of December 31, 2018, a down movement of 10% in the price of crude oil (from $60 per barrel) as well as refined products would result in a value increase of our derivatives position of $14 million and an increase in our put option hedge value of approximately $1 million. The increase in value is directly consistent with positive cash flow as all current trades are cleared. As of December 31, 2018, we owned 11.6 million barrels of Brent put options corresponding to the normal position volume, with a strike price average of 38.2 $/bbl.

As of December 31, 2017, we had a net short position on crude oil (excluding the hedge of the normal inventory described below) and refined products derivative contracts of 506 thousand cubic meters (approximately 3.185 million barrels). As of December 31, 2017, we owned Brent put options corresponding to the normal position volume with a strike price of approximately 43 $/bbl.

As of December 31, 2016, we had a net short position on crude oil (excluding the hedge of the normal inventory described below) and refined products derivative contracts of 213,000 cubic meters (approximately 1.3 million barrels). As of December 31, 2016, we owned Brent put options corresponding to the normal position volume with a strike price of approximately 35 $/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, 2018, 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, 2018, our krona-denominated variable rate indebtedness totalled SEK 1,500 million, our dollar-denominated variable rate indebtedness totalled $600 million and we had no euro-denominated variable rate indebtedness. Including Subordinated Shareholder Debt, as of December 31, 2018, our krona-denominated fixed rate indebtedness totalled SEK 500 million, our dollar-denominated fixed rate indebtedness totalled $267 million and our euro-denominated fixed rate indebtedness totalled €790 million. As of December 31, 2018, we had cash and cash equivalents in foreign currencies amounting to SEK 1,263 million, of which the equivalent of SEK 148 million was denominated in dollars, the equivalent of SEK 10 million was denominated in United Kingdom pounds sterling, the equivalent of SEK 3 million was denominated in Norwegian krone and the equivalent of SEK 1,102 million was denominated in euro.

The table below presents, as of December 31, 2018, a summary of our current and long-term debt (including the Subordinated Shareholder Debt).

Borrower	December 31, 2018 Current Debt	Long-Term Debt	Total Debt
	SEK	SEK	SEK
		(in millions)	
Corral Petroleum Holdings	-	11,018	11,018
Preem financial long-term third party debt	-	6,883	6,883
Deposits	-	18	18
Preem financial short-term third party debt	-	-	-
Preem overdraft	488	-	488
Total	**488**	**17,918**	**18,406**

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

The table below presents, as of December 31, 2018, 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

	2019	2020	2021	2022+	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, 2018:								
Fixed rate debt—amount due	-	-	500	-	500	3%	12.25%	520
Variable rate debt—amount due	-	1,500	-	-	1,500	8%	3.53%	1,500
Other financial debt	-	-	-	18	18	0%	0%	18
Dollar-denominated indebtedness as of December 31, 2018:								
Fixed rate debt—amount due	-	-	2,397	-	2,397	13%	6.98%	2,397
Variable rate debt—amount due	-	5,383	-	-	5,383	29%	6.08%	5,383
Bank overdraft facilities	383	-	-	-	383	2%	6.36%	383
Euro-denominated indebtedness as of December 31, 2018:								
Fixed rate debt—amount due	-	-	8,121	-	8,121	44%	11.34%	8,355
Variable rate debt—amount due	-	-	-	-	-	-	-	-
NOK-denominated indebtedness as of December 31, 2018:								
Variable rate debt—amount due	105	-	-	-	105	1%	0%	105
Total debt	**488**	**6,883**	**11,018**	**18**	**18,406**	**100%**	**8.24%**	**18,661**

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

Interest Rate Risk

As of December 31, 2018, SEK 6,883 million of our indebtedness required payment at variable rates.

The table below presents, as of December 31, 2018, debt by expected maturity date (including Subordinated Shareholder Debt).

	2019	2020	2021	2022+	Total Value	Percentage of Total Long Term Debt	Estimated Fair Value
	SEK	**SEK**	**SEK**		**SEK**	**%**	**SEK**
				(SEK amounts in millions)			
As of December 31, 2018:							
Fixed rate debt-amount due.............	-	-	11,018	-	11,018	60%	11,272
Variable rate debt-amount due.........	-	6,883	-	-	6,883	37%	6,883
Bank overdraft facilities..................	488	-	-	-	488	3%	488
Other financial liabilities.................	-	-	-	18	18	0%	18
Total Financial Debt.....................	**488**	**6,883**	**11,017**	**18**	**18,406**	**100%**	**18,661**

(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 has entered into customary best efforts mandate letter agreements with three lead banks regarding the potential refinancing of the existing debt of the CPH group. As part of the mandate letter agreements, the lead banks will assist the group in its planning and structuring of its overall debt financing. Preem further expects that the mandated lead banks will coordinate the intended refinancing process, including to contact potential debt providers. While details of the refinancing arrangements and timeline remain to be determined in full, both Preem's current syndicated loan facility and the 2021 Notes are expected to be included in the scope of the potential refinancing. Any new financing arrangements will be subject to, among other things, market conditions, negotiation of documents satisfactory to Preem, satisfaction of customary closing conditions and other factors, any or all of which could delay, prevent or alter such financing arrangements. This information does not constitute a notice of redemption of the 2021 Notes, nor is it an offer to sell or a solicitation of offers to purchase any securities.

Preem and Diamond Green Diesel have signed a non-binding Memorandum of Understanding to evaluate the formation of a joint venture company for the construction and ownership of a new green feed unit facility located at Preem´s existing Gothenburg refinery. The plant would be expected to be operational in 2024 and to have an annual volume capacity of one million cubic meters of renewable diesel and aviation fuel. The purpose of the collaboration is for Preem and Diamond Green Diesel to evaluate the formation of a joint venture company, to be owned equally between Preem and Diamond Green Diesel. This strategic alliance would build on the combined strengths of each party, integrating supply of renewable raw materials to the new plant, as well as leveraging the collective operational knowledge and valuable experience to maximize the value from the integrated value chain. The parties have engaged in initial project development with an objective to reach a decision regarding the JV investment in late 2020. The Memorandum of Understanding is non-binding and the strategic alliance as such is subject to finalization of binding contracts, board approvals in each of the parties as well as applicable authority clearances.

On April 1, 2019, a new ERP system was implemented as planned. This system covers all business areas (except the operation of the refineries) and is fully integrated with related and necessary systems within Preem. The implementation of the ERP system is the final result of a 3 and a half year project involving 20 personnel from Preem and around 70 consultants, not including additional resources from the system suppliers. The total spend during this period was around 830 MSEK.

On December 31, 2018, Preem upstreamed excess cash to Corral Petroleum Holdings to service the January 1, 2019 interest payment on the Notes. Amounts standing to the credit of the Interest Reserve Account increased from EUR 41 million to EUR 67 million and from USD 52 million to USD 61 million.

As of March 31, 2019 Preem satisfied one of the required tests under the A&R Credit Facility to upstream excess cash to Corral Petroleum Holdings in June for the July 1, 2019 scheduled interest payment on the 2021 Notes. The other test under the A&R Credit Facility, to determine minimum liquidity, will be performed in May 2019.

Geopolitical risks have to an increasing degree been supporting oil prices. Given the significant reduction in surplus inventories, combined with strong global demand growth and OPEC spare capacity being near historical lows, there is now much less room for supply losses. Uncertainty over the Iranian nuclear deal and escalating tensions between Iran and Saudi Arabia pose real near-term supply risks and have helped to push prices up so far in 2018. In addition, disruptions and reductions are now more likely than production growth in

Libya, Venezuela, and Nigeria. Looking ahead, there is a growing risk for a short-term crude price drop, mainly as result of the growing optimism in the US shale industry which could lead to a surge in rig counts and increasing production. This, combined with the current large net long-position in the paper-market have the potential to trigger an accelerated negative price spiral over the coming 1-3 months.

Winter being a seasonally low-demand period for gasoline has kept gasoline prices at a moderate level. Demand is however now increasing and is starting to support prices. Diesel prices have clearly improved compared to prices 12 months ago. This improvement is supported by Atlantic Basin diesel inventories which are trending lower, even though overall inventories still remain ample. Over the coming months we expect to see a shift of yields more towards the gasoline side, which in combination with the spring turnaround season, would be expected to further support diesel prices.

Preem has continued to purchase put options in accordance with its strategy to protect its balance sheet and cash flow.

In early March, Preem decided to move maintenance work on selected units (mainly the Iso-Cracker Unit and fluid catalytic cracker (FCC) Unit), which was planned for April into March. These maintenance activities progressed well, and as planned the units were back in operation with products to tank from the Iso-Cracker on March 18, 2019, and products to tank from the FCC on March 22, 2019.

The principal for Preem, Mohammed Al-Amoudi, regained his freedom at the end of January and is now back in his home in Jeddah, Saudi Arabia. As far as Peem is aware, there are no charges directed at Mohammed and the Preem Group is continuing its business operations as before

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 north western European markets, including Scandinavia, France, Germany and the United Kingdom, as well as the United States and, to a lesser extent, other markets. Our refineries represented approximately 80% of the refining capacity in Sweden and approximately 30% of the refining capacity in the Nordic region in 2018. We sell more refined products in Sweden than any of our competitors. In Sweden, we had the leading market share in 2018 in terms of sales volume of diesel, with approximately 35% of 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 2018, 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 76% (by value) and 24% (by value), respectively, in 2017. For the years ended December 31, 2016, 2017 and 2018, our Supply and Refining segment had sales revenue (including internal sales and exchange rate differences) of SEK 53,808 (€5,463 million), SEK 66,237 million (€6,724 million) and SEK 89,467 million (€8,707 million) and an operating income of SEK 3,779 million (€384 million), SEK 4,403 million (€447 million) and SEK 2,646 million (€258 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 334 Preem-branded service stations (of which 99 are manned which are company owned and dealer-operated and 235 are unmanned, which are company owned and operated) along with 149 company-owned and operated unmanned Såifa-branded diesel truck stops. We also operate 3 commercial road transport truck stops in Norway. For the years ended December 31, 2016, 2017 and 2018 our Marketing and Sales segment had sales revenue (including internal sales and exchange rate differences) of SEK 14,776 million (€1,500 million), SEK 18,679 million (€1,896 million) and SEK 23,875 million (€2,324 million) and operating income of SEK 590 million (€60 million), SEK 581 million (€59 million) and SEK 499 million (€49 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, 2016, 2017 and 2018.

	Year ended December 31, 2016		Year ended December 31, 2017		Year ended December 31, 2018	
	SEK	**€[1]**	**SEK**	**€[1]**	**SEK**	**€[1]**
			(in millions)			
Sales Revenue:						
Supply and Refining[2]	53,808	5,237	66,237	6,446	89,467	8,707
Marketing	14,776	1,438	18,679	1,818	23,875	2,324
Exchange rate differences	95	9	(137)	(13)	111	11
Group eliminations	(12,638)	(1,230)	(16,027)	(1,560)	(20,900)	2,034
Total Sales Revenue[3]	**56,041**	**5,454**	**68,752**	**6,691**	**92,553**	**9,007**
Operating profit/(loss):						
Supply and Refining	3,779	368	4,403	429	2,646	258
Marketing	590	57	581	57	499	49
Other non-allocated income (expense)[4]	(570)	(55)	(937)	(91)	(714)	(69)
Total operating profit/(loss)	**3,799**	**370**	**4,047**	**394**	**2,432**	**237**

(1) We have translated kronor into euro at the rate of €1.00=SEK 10.2753 (the exchange rate on December 31, 2018). 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 12,612 million (€1,227 million) for 2016, SEK 16,019 (€1,559) for 2017 and SEK 20,899 million (€2,034 million) for 2018. 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 119 million barrels of refined products in 2018, approximately 110 million barrels of refined products in 2017 and approximately 112 million barrels of refined products in 2016. The refining margins (reflecting the gross margin minus variable costs) at Preemraff Lysekil were $5.28, $6.44 and $5.15 per barrel for the years ended December 31, 2018, 2017 and 2016 respectively. The refining margins at Preemraff Gothenburg were $4.14, $3.71 and $3.29 per barrel for the years ended December 31, 2018, 2017 and 2016, respectively. We also own a strategically located network of storage depots in Sweden. For the years ended December 31, 2018, 2017 and 2016, our Supply and Refining segment had sales revenue of SEK 89,467, SEK 66,237 million and SEK 53,808 million and operating income of SEK 2,646, SEK 4,403 million and SEK 3,779 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 2018. 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 VLCCs for both the import of crude oil and the distribution of refined products. The refinery has a total refining capacity of approximately 220,000 barrels of crude oil per calendar day. The aggregate production of refined products at Preemraff Lysekil was approximately 78 million barrels, 76 million barrels and 76 million barrels for the years ended December 31, 2018, 2017 and 2016, 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,					
	2016		2017		2018	
	Thousand bbls	% Vol	Thousand bbls	% Vol	Thousand bbls	% Vol
Sweet Crude Oil	7,181	9	16,167	21	21,970	28
Sour Crude Oil	63,005	82	54,721	71	49,734	63
Unfinished and Blend Stocks	6,659	9	6,511	8	7.334	9
Total Feedstock	**76,845**	**100**	**77,399**	**100**	**79,038**	**100**

Production

	For the Year Ended December 31,								
	2016			2017			2018		
	Thousand bbls	% Vol	% Rev	Thousand bbls	% Vol	% Rev	Thousand bbls	% Vol	% Rev
Liquefied Petroleum Gas.	3,412	5	2	2,760	4	2	3,208	4	3
Gasoline	23,089	31	31	21,952	29	29	23.508	30	33
Diesel	27,724	37	47	33,080	44	52	33.945	44	46
Heating Oil......................	1,834	2	2	982	1	1	0.548	1	0
Vacuum Gasoil...............	2,997	4	4	2,364	3	3	0.689	1	0
Heavy Fuel Oil	15,886	21	12	14,066	19	12	15.534	20	18
Other	585	1	1	645	1	0	0.269	0	0
Total Production...........	**75,527**	**100**	**100**	**75,848**	**100**	**100**	**77.701**	**100**	**100**

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

	For the Year Ended December 31,		
	2016	2017	2018
Utilization Rate...	76%	82%	86%

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 sulfide 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 50 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. Incidents and maintenance shutdowns that took place in 2017, 2018 and 2019 are as follows:

- April - May 2017: The Preemraff Lysekil Refinery carried out a scheduled shutdown for maintenance. It was mainly a turnaround of the FCC, catalyst changeouts in the MHC and SynSat, decoking of the Visbreaker and changeout of the structured packing in the vacuumcolumn.

- June 2018: Tube failure in one of the two Visbreaker furnaces. No personal injuries but the furnace was shutdown for the remainder of the year for extensive repairs (total recoil).

- December 2018: Total power failure on site due to breakdown of a component in high voltage switch board, followed by loss of steam generation units causing an unplanned shutdown of all production units. After shutting down the units in a safe manner and repairing the switch board, the refinery was brought back online.

- January 2019: Hydrocracker reactor developed sudden pressure drop which caused shutdown of the unit for repair. Catalyst migration into intermediate space between catalyst beds caused the pressure drop and resulted in mechanical damage of some internals. The unit was restarted in March 2019.

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 September / October 2019, with some shorter shutdown periods planned before then, due to the need for catalyst regenerations and change-outs. After 2019 we plan to run the major turnarounds every six years but with a total refinery shutdown every three years to perform catalyst changeouts and cleaning/decoking of necessary units.

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

- The next major turnaround of Preemraff Lysekil is scheduled for September / October 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

Year	Upgrade	Function
1994	Tailgas Treatment Sulfur Recovery Unit	Removes hydrogen sulfide 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
2019	Vacuum distillation unit VDU2	Enables vacuum distillation of all indigenous LR, increases VGO production and eliminates necessity to import VGO

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 will have invested approximately SEK 1,775 million, spread over three years, in vacuum distillation equipment at Preemraff Lysekil, with the first VGO produced during the end of the first quarter of 2019. 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.

In line with our long term strategy, we are currently evaluating a major project to design, build and operate a Residue Hydrocracker with associated units to heavy oil upgrading and practically eliminating production of High Sulfur Heavy Fuel Oil. The technology of choice is a slurry hydrocracker. This unit will not only increase the production of high value products (diesel and mogas) but will also enable us to meet bunker fuel sulfur specifications in the years to come. In this regard, we have entered into an arrangement with an experienced EPC provider and have applied for an environmental permit. Board decision regarding whether or not to proceed is planned for late 2019.

During 2019-2021, a demonstration project will take place on the Lysekil refinery. The project begins in February 2019 and ends in December 2021 and is financially supported from the The Swedish Energy Agency and Norwegian Gassnova. The aim is to explore the possibilities of establishing a full-scale plant for capturing and storing carbon dioxide on the refinery's hydrogen plant, which can reduce carbon dioxide emissions from the refinery by up to 500,000 tonnes per year. The demonstration plant is a step in the ambition to establish a full-scale facility in 2025.

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 2018. 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, 2018, Preemraff Gothenburg generated other income from the sale of surplus heat of SEK 68 million with relatively little additional operating cost. Preemraff Gothenburg's last turnaround was in 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 41 million barrels, 34 million barrels and 36 million barrels for the years ended December 31, 2018, 2017 and 2016 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,					
	2016		2017		2018	
	Thousand bbls	% Vol	Thousand bbls	% Vol	Thousand bbls	% Vol
Sweet Crude Oil	34,749	91	33,383	92	40,509	94
Sour Crude Oil	148	0	-	0	-	0
Unfinished and Blend Stocks	3,330	9	2,733	8	2,483	6
Total Feedstock	**38,228**	**100**	**36,116**	**100**	**42,991**	**100**

Production

	For the Year Ended December 31,								
	2016			2017			2018		
	Thousand bbls	% Vol	% Rev	Thousand bbls	% Vol	% Rev	Thousand bbls	% Vol	% Rev
Liquefied Petroleum Gas	830	2	1	919	3	2	1,224	3	2
Gasoline	10,433	29	31	9,333	27	29	10,912	26	28
Diesel	9,325	26	35	8,043	23	30	10,715	26	38
Heating Oil	4,916	13	13	6,278	18	19	7,332	18	2
Heavy Fuel Oil	10,762	29	18	9,384	27	19	11,011	27	30
Other	245	1	1	508	1	1	4	0	0
Total Production	**36,512**	**100**	**100**	**34,466**	**100**	**100**	**41,198**	**100**	**100**

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

	For the Year Ended December 31,		
	2016	2017	2018
Utilization Rate	79%	72%	86%

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 desulfurized and then fractionated up in gases, gasoline, naphtha and kerosene;

- *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-condensable gases;

- *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;

- *Sulfur Recovery Units*. The hydrogen sulfide 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 reformer unit in 1999, which reduces benzene formation in the reformer;

- *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* (1993). 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* (formerly *Mild Hydrocracker*). In 2010, Preemraff Gothenburg completed the construction of a green hydrotreater unit, which enables Preemraff Gothenburg to produce renewable diesel from vegetable oil such as 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 unit improves the cold flow properties of the renewable diesel. The 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 67.5 million in 2018, SEK 59.8 million in 2017 and SEK 44.8 million in 2016, all achieved with relatively little additional operating cost.

Developments. Generally, we have seen good performance and availability rates for the Preemraff Gothenburg refinery with new throughput records and new records of production of green diesel in GHT. Maintenance shutdowns and minor incidents that took place in 2017 and 2018 are as follows:

- March 2017: The Preemraff Gothenburg refinery carried out a change of catalyst on the Green Hydrotreater Unit;

- September/October 2017: The Preemraff Gothenburg refinery carried out a revision turnaround of the refinery. The units were shutdown as planned. During the revision, the majority of the plants on site were inspected, maintenance was performed, most of the refinery catalysts were changed and investment projects were installed. The start-up was delayed for a couple of days due to discovery of unexpected corrosion damage. There were no major personal or process incidents during the period. All units are working as expected or better after start-up; and

- March 2018: A major spill of crude oil occurred of approximately 100 m3 due to corrosion in a dead leg of a former crude line in the tank farm. The spill was handled within the refinery sewer system and contaminated soil was sanitized. The spill was reported to local authorities.

Planned maintenance. Every four 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 September/October 2017, as detailed above.

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

- February 2019 commissioning of the new HPU unit (investment). This unit will enable higher production of renewable diesel, higher production of Swedish and European diesel and reduce the need for high naphthenic crudes and naphthas to maximise hydrogen production in the reformer.

- Spring 2019: There is a turnaround scheduled in the Preemraff Gothenburg refinery for regeneration of the Reformer unit (CRU), inspection on the ISOGHT unit, decoking of CDU1, change of catalyst in the ISOM and GHT and change out of structural packing in CDU2. Tie-ins for GHT revamp stage 1 will be installed that will increase the throughput of the GHT-unit, ISOGHT.

- Autumn 2020 inspection on the ISOGHT unit, decoking of CDU1 and change of catalyst in DHT 3.

- 2020/2021 Commissioning of GHT revamp stage 2. The revamp will increase throughput of renewable feed to 900m3/d (Investment).

- Q2 2021: The Preemraff Gothenburg refinery will carry out a revision turnaround of the refinery. During the revision, the majority of the plants on site will be inspected, maintenance will be performed, most of the refinery catalysts will be changed and investment projects will be installed.

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, expected to be mechanically complete by the end of 2018 but which is slightly delayed, is designed to further increase the refinery's desulfurization capacity. The investment has an estimated pay back time of less than two years. Commissioning and start up initiated in February 2019. First hydrogen from the new plant was delivered to the desulfurization units on February 28, 2019. 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 sulfide into liquid sulfur	1997
Prefractionator	Reduces benzene formation in the reformer 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
Hydrogen Production Unit	Production of pure hydrogen for use in other refinery processes	2019

Capital and strategic investment plans. On March 17, 2017 the Swedish Government announced their proposal to introduce a renewables quota (“CO2 reduction requirement”) system for Sweden. On July 1, 2018, the CO2 reduction requirement system was implemented. The proposal mandates fuel companies to sell fuels with more than 50% renewable content by 2030. As a means of getting started towards achieving this goal, the Government proposed specific “reduction requirement” quotas for diesel and gasoline at 19.3% and 2.6% respectively for 2018. Preem fulfilled the mandates by producing and purchasing renewable components and ensuring detailed control and blending management processes were in place. Non-compliance will result in large penalties, which in the end we expect will be passed to consumers. With tax incentives now secured for the coming years we have initiated a study to further increase Preemraff Gothenburg's production of renewable products, with an ongoing project to increase hydrogen supply for renewable production, debottlenecking the existing renewable diesel plant and evaluating building a new standalone production facility.

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, 2018, sales revenue from such throughput fees was SEK 33 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, 2018 the volume of transfers between the refineries was approximately 440,000 cubic meters.

Sales

Our Supply and Refining segment exports over one half of its products each year (approximately 59% in 2016, approximately 62% in 2017 and approximately 60% in 2018). Our exports are primarily to north western Europe, including to other markets in Scandinavia, France, Germany and the United Kingdom. In 2018, 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, 2018, 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 800,000 cubic meters (approximately 5.9 million barrels). Of the total storage capacity at our depots, approximately 5% is leased out, which generated SEK 5 million of rental income from third parties during 2018. 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, 2018; 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, 2018, we generated SEK 134 million (€13 million) in the sale of storage certificates. For the year ended December 31, 2017, we generated SEK 63 million (€6 million) in the sale of storage certificates and in 2016, we generated SEK 56 million (€5 million), in the sale of storage certificates.

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 334 Preem branded service stations (of which

99 are manned which are company owned and dealer operated and 235 are unmanned, which are company owned and operated) along with 149 company owned and operated unmanned Såifa branded diesel truck stops. We also operate 3 commercial road transport truck stops in Norway. For the years ended December 31, 2018, 2017 and 2016, our Marketing and Sales segment had sales revenue of SEK 23,875, SEK 18,679 million and SEK 14,776 million and operating income of SEK 499 million, SEK 581 million and SEK 590 million, respectively.

For the year ended December 31, 2018, 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. For the year ended December 31, 2017, approximately 24% (by value) of the products made by our Supply and Refining segment was sold to our Marketing and Sales segment, and the other 76% (by value) was sold to third parties. In 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.

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, 2017 increased by approximately 4% compared to year ended December 31, 2016 as a result of increased sales of gasoline, diesel and fuel oil. This is due to new high volume contracts with a few key customers.

Retail Division

Our retail division consists of a network of service stations throughout Sweden. We have a network of 334 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 149 unmanned and dealer operated diesel truck stops that are company-owned and operate under the brand name "Såifa". We also operate 3 commercial road transport truck stops in Norway. 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, 2018.

Type of Station	**Preem**	**Såifa**
Manned	99	0
Unmanned	235	149
Total	334	149

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. On July 1, 2018, the CO2 reduction requirement system was implemented. The proposal mandates fuel companies to sell fuels with more than 50% renewable content by 2030. As a means of getting started towards achieving this goal, the Government proposed specific "reduction requirement" quotas for diesel and gasoline at 19.3% and 2.6% respectively for 2018. Preem fulfilled the mandates by producing and purchasing renewable components and ensuring detailed control and blending management processes were in place. Non-compliance will result in large penalties, which in the end we expect will be passed to consumers. With tax incentives now secured for the coming years we have initiated a study to further increase Preemraff Gothenburg's production of renewable products, with an ongoing project to increase hydrogen supply for renewable production, debottlenecking the existing renewable diesel plant and evaluating building a new standalone production facility.

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.

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."

Because of the hydrocracker unit at Preemraff Lysekil, Preemraff Lysekil has a strong market position in producing virtually sulfur-free (ten parts per million) diesel, a product for which there is increasing demand in Europe. The hydrocracker unit's operations allow us to focus less on production of heating oil, a lower margin product, versus production of diesel, a higher-margin product, which we believe has enhanced 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. Our Green Hydrotreater Unit, which has been in operation at Preemraff Gothenburg since late 2015, addressed difficulties encountered in producing winter quality environmental low-sulfur renewable diesel and nearly doubled Preemraff Gothenburg's production of renewable diesel compared to before the upgrade.

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, which 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: "corral", "corralfinans", "corralpetroleum", "preem", "preemholdings", "preempetroleum", "preemgas", "preemraff", "wwwpreem", "preemfinans", "preemevolution" "acpdiesel", "depastoppsportalen", "depåstoppsportalen", "preem apps," and "preemapps," "substainability", "preemtest", preemecorun, preemtest, tackforskjutsen, tackförskjutsen, "tvättabilen", "svenskaoljegrossister", "bjornkoll", "björnkoll" and "renofin". 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", ".at", ".be", ".cn", ".ee", ".es", ".fi", ".hu", ".it", ".lv", ".ni", ".pt", and ".tel"; "preemholdings" which is only held in the top domains ".com", ".se" and ".no"; "björnkoll" which is only held in the top domains ".se," ".com," ".nu," ".org," ".biz," ".info" and ".net,"; "corral", "depastoppsportalen", "depåstoppsportalen", "preemecorun", "preemtest", "tackforskjutsen", "tackförskjutsen", which are only held in the top domain ".se"; "preemevolution ", which is only held in the top domains ".se," and ".com"; "evolutiondiesel" which is only held in the top domains ".se," ".eu," ".nu," ".org," ".biz," ".info" and ".net" (this domain is parked and not in use due to an agreement with a third party); "preem apps," and "preemapps," which are only held in the top domain ".net,"; "tvättabilen" which is only held in the top domain ".nu" and "substainability" which is only held in the top domain ".bio".

As regards patents, Preem currently has two on-going patent applications (one filed and one in preparation for filing).

In addition, Preem holds a number of technology licenses pertaining to its day-to-day production processes in the refineries. In relation to renewable production, Preem has a licensing agreement regarding certain technology patented by a third party that is used in Preem's production of higher environmental quality low sulphur 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. In this context, it should be noted that two of the patents held by the aforesaid third party (being licensed to Preem) have recently been nullified in court proceedings. Preem was not a party to these proceedings and, to Preem's knowledge, these rulings have been appealed and are therefore not yet final. Preem is continually monitoring the situation in order to assess any potential impact on Preem's business.

Employees

During 2018, the average number of people employed by us was 1,483. 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%) and Lawter BVBA (approximately 25%). 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, 2018 was 110,764 Nm3 of tall diesel.

Preem is also involved with a number of new production companies where the intention is to start the production of feedstocks for our refineries in 2021-22 based on residues from the pulp and forest industry. Currently, we are shareholders in 2 companies in Sweden: Lignolproduktion AB (24.9%) and Pyrocell (50%).

Preem is also planning to be a shareholder in another Swedish company called SunCarbon as of April 30, 2019. Production of feedstock to our refineries is scheduled to begin in 2022. Preem is also involved with a company in Norway called Biozin AS. We have signed a cooperation agreement regarding large-scale production of biofuels with residual products from the forest and wood industry. Initially, a new production facility will be built in Jordoya in Åmli municipality, Norway. The Biozin capacity will be around 120,000 m3 of renewable crude oil to be fed into the Gothenburg refinery

Planned capacity for the Swedish plants arising from these joint ventures is around 90,000 – 100,000 m3 feedstocks, where around 25,000 m3 will be pyrolysis oil for Preem's FCC unit in Lysekil and the remaining volume will be a lignin oil to be hydro treated.

Preem is also planning to build an electrolyser in the Gothenburg refinery for increasing the production of hydrogen based on renewable electricity. The co-partner in this project is the Swedish state owned company, Vattenfall. The final agreement is not yet fully negotiated.

Sweden are currently contemplating a mandatory reduction quota system for aircraft fuel from 2021. Preem and SAS have entered into an agreement for supplying renewable jet fuel when Preem's new stand-alone unit for HVO is operational. The unit can produce 1 mm3 of renewable HVO per year, of which 300,000 m3 can be renewable jet fuel. The domestic demand of jet fuel in Sweden is about 200,000 m3 per year.

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.

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.

In 2019, Sweden will introduce interest deduction limitation rules capping deduction on interest rate costs to 30% of taxable EBITDA.

The Swedish Government subsidises a niche diesel quality that emits fewer particles when combusted in a diesel engine. The tax incentive for this cleaner diesel quality is currently approximately SEK 453/m^3 (€0.45/l). Preem currently produce 2.5 million m^3 diesel with Environmental Class 1 to the Swedish market and loss of this tax incentive would be materially adverse to our business.

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, loss of income due to suspension of operations, injury or death to personnel or third parties, directors and officer's insurance, travel insurance, insurance against crime and insurance relating to 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 as well as Environmental Impairment 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 and other equipment 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 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").

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)
Jason T. Milazzo	56	Chairman of the Board
Richard Öhman	67	Managing Director
Petter Holland	62	Director

Preem

Board of Directors

Name	Age	Position(s)
Jason T. Milazzo	56	Chairman of the Board
Petter Holland	62	President and CEO
Richard Öhman	67	Director
Per Höjgård	70	Director
Michael G:son Löw	67	Director
Sven Gunnar Lennart Sundén	66	Director
Cristian Mattsson	50	Employee Representative
Eva Lind Grennfelt	45	Deputy Employee Representative
Erika Andersson	43	Employee Representative
Robin Harming	33	Deputy Employee Representative

Management

Name	Age	Position(s)
Ingrid Bodin	54	Executive Vice President Business Transformation
Peter Abrahamsson	55	Executive Vice President Refining
Peder Zetterberg	68	Chief Financial Officer
Magnus Holm	46	Executive Vice President Supply and Trading
Christian Bjerdén	52	Executive Vice President Marketing and Sales
Stein-Ivar Bye	52	Chief Operating Officer (COO)
Petter Holland	62	President and CEO
Malin Hallin	51	Executive Vice President Sustainable Development
Ylva Nyberg	41	Executive Vice President of Human Resources

Jason T. Milazzo has been Chairman of the Board of Corral Petroleum Holdings since November 2018 and Chairman of the Board of Preem since November 2018, having previously been Vice Chairman of each since 2009. Mr. Milazzo is a highly experienced and well-regarded business leader with a broad background across multiple industry sectors, with a particular focus on the natural resources sector. 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 33 years of experience in the oil refining industry. Mr. Holland received his Master of Science in mechanical engineering from the University of Trondheim.

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 24 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.

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 27 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 39 years of working experience in the oil industry, mainly downstream and midstream. Mr. Löw holds a MSc degree from Stockholm School of Economics.

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.

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 29 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 Preem since 2008. Prior to this Mrs. Grennfelt was working as process engineer at Kvaerner Pulping AB. Mrs. Grennfelt has 14 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.

Robin Harming is a production technician at Preemraff Gothenburg and has served as deputy employee representative on the Board of Preem since 2018. Robin joined Preem in 2015.

Ingrid Bodin joined Preem in 1988 and has served as Manager of Production Planning and Manager of Business Development. From 2006 to 2015, she served as Executive Vice President of Supply and Trading. and from 2015 to 2016 as Executive Vice President of Sustainable Operations. Ms. Bodin currently serves as Executive Vice President Business Transformation. In addition she is a director of Ikem and the European Petroleum Refiners Association. Ms. Bodin has 29 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.

Peder Zetterberg serves as Chief Financial Officer. During the last 20 years, Mr. Zetterberg has worked as a freelance executive. His assignments include serving as Chief Executive Officer for BRIO, Chief Financial Officer for Sveaskog and Chief Information Officer for Capgemeni, in addition to a number of non-executive board assignments. Among others, Mr. Zetterberg served as Chairman for Sunpine AB during the establishment of the company. Before becoming a freelance executive, Mr. Zetterberg held various management positions at companies such as Sandvik, Texas Instruments, PLM, Pharmacia Swedish Match and Electrolux, both in Sweden and abroad. Mr. Zetterberg has two years of experience in the oil refining industry. Mr. Zetterberg completed an Advanced Management Programme degree at Insead and holds a B.Sc. from the University of Stockholm and Gothenburg School of Economics.

Magnus Holm serves as Executive Vice President of Supply and Trading, having previously served as Executive Vice President of Marketing and Sales since April 1, 2014, when he joined Preem. Prior to joining Preem, 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.

Christian Bjerdén joined Preem in 2007 and serves as Executive Vice President of Marketing and Sales, having previously served as Executive Vice President of Human Resources. Prior to these roles, 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 has 11 years of experience in the oil refining industry. Mr. Bjerdén holds a master's degree from Örebro University.

Malin Hallin joined Preem in 1995 and started working as a process engineer at Preemraff Gothenburg, where she, in 2000, became Technical Manager. After the merger of Preem’s two refineries, she held the position as Environment and Safety Manager at Preemraff. Ms. Hallin has also held several other positions within Preemraff, Supply and Trading, and Marketing and Sales. Since December 2016 she has served as Executive Vice President of Sustainable Development. Ms. Hallin is also member of the board of directors of Preem Försäkrings AB, and the European Petroleum Refiners Association. Ms. Hallin a holds a Master of Science in Chemical Engineering from Chalmers University of Technology, and an International Diploma from Imperial College, London.

Stein Ivar Bye joined Preem in 2018 and serves as Chief Operating Officer (COO). Prior to this role, Mr. Bye was Executive Business Development for ExxonMobil covering Europe, Africa, Middle East and Asia Pacific, located in Brussels, Belgium. Mr. Bye have served in a wide range of positions in the area of refining and supply, trading and strategy development during a 25 year career in Exxon Mobil involving international assignments in UK, France, Italy and Belgium. Mr. Bye holds a Master of Mechanical Engineering degree from Norwegian University of Science and Technology and an MBA in Strategic Management from BI Norwegian Business School.

Ylva Nyberg joined Preem in 2013 and has served as Executive Vice President of Human Resources since November 1, 2018. From 2013 to 2018, she held various positions within HR. Prior to that she worked with organizational and process development, project management as well as leadership and competence supply within various companies in the private sector. Ms. Nyberg holds a Bachelor of Science within Business Administration, Human Resources and Communication from Lund University.

Board of Directors of Corral Petroleum Holdings and Preem

The board of directors of Corral Petroleum Holdings currently has three members: Richard Öhman as Managing Director, Jason T Milazzo as Chairman of the Board and Petter Holland as director. 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 2018 annual general shareholders' meeting was held on April 18, 2018, at which time the current directors were elected to serve until the end of Corral Petroleum Holdings' 2019 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 eight 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 April 18, 2018 and will serve until the end of the Preem 2019 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. Richard Öhman and Per Höjgård are members of the audit committee. 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 2017. 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 51.3 million, including bonuses of SEK 10.1 million, in 2018, SEK 41.1 million, including bonuses of SEK 2.1 million, in 2017 and SEK 31.3 million, including bonuses of SEK 2.4 million, in 2016. 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

Fees are paid to the Chairman of the Board and members of the Board as per resolutions at the annual general meeting. No separate fee is paid for committee work. Remuneration of the CEO and other senior executives consists of base pay, variable remuneration, other benefits and pensions. The breakdown between base pay and variable remuneration must be in proportion to the senior executive’s responsibility and authority. For the CEO and other senior executives, the variable remuneration is a defined maximum percentage of the base pay. Pension benefits and other benefits for the CEO and other senior executives are paid as part of the overall remuneration package. Other benefits consist primarily of a company car.

Chairman of the Board

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 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 Ställningar AB, Midroc Alucrom AB and Midroc Rodoverken AB, to Preem. For these services, Preem paid SEK 185 million in the year ended December 31, 2018, SEK 213 million in the year ended December 31, 2017 and SEK 274 million in the year ended December 31, 2016. 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, 2018, the outstanding principal, including capitalized interest, was SEK 4,594 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 2018, a provision of SEK 157 million was made in relation to the promissory note and the interest incurred during the year 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 2018 amount to SEK 0 and purchases made during 2017 and 2016 amount to SEK 0.

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 A&R Credit Facility. 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.

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, 2018, the aggregate of all fees paid to Capital Trust Group amounted to SEK 27 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. 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.

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 May 15, 2021, and (ii) SEK 500,000,000 aggregate principal amount of Swedish krona-denominated 12.250% / 13.750% senior PIK toggle notes due May 15, 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 €217 million and $97 million, as of December 31, 2018.

Subordinated Shareholder Loans

CPH incurred the Subordinated Shareholder Loans in connection with certain transactions refinancing the Group's debt in 2011. 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 have all now been converted into equity, including as of March 31, 2018, June 30, 2018 and September 26, 2018 by converting SEK 400 million, SEK 416 million and SEK 92 million equivalent, respectively, from Subordinated Shareholder Loans to shareholder contributions. As of December 31, 2018, the Subordinated Shareholder Loans, including accrued interest expense, amounted to $171 million and €4 million respectively.

Subordination features of the Subordinated Shareholder Debt

In connection with the issuance of the 2021 Notes, CPH and the Ultimate Shareholder effected modifications to the Subordinated Shareholder Debt to, among other things, ensure that, without the consent of the senior creditors of CPH, 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

The 2011 Credit Facility was amended and restated from time to time up through an amendment and restatement agreement dated October 30, 2017, entered into in connection with Preem's acquisition of YX Norge's bulk sales business in Norway. As of the most recent amendment and restatement date, the parties to the A&R Credit Facility included, inter alios, Preem, as borrower, Skandinaviska Enskilda Banken AB (publ), Danske Bank A/S, Danmark, Sverige Filial, DNB Bank ASA, Svenska Handelsbanken AB (publ), and Swedbank AB (publ), 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.

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 November 9, 2020, (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 twelve 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 twelve 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 twelve 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 twelve 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 twelve 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 twelve 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 June 30 or December 31 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 twelve 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 SEK 50,000,000 (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 twelve 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 (i) Preem or (ii) Preem Aktiebolag NUF (a branch of Preem) and Preem Norge AS (a subsidiary of Preem) (Preem Aktiebolag NUF and Preem Norge AS together, the "**Norwegian Entities**") from time to time and which are stored at a specified port in Sweden (if owned by Preem) or Norway (if owned by one of the Norwegian Entities) (or in a vessels anchored at a specified port for the purpose of offloading 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, excluding (x) in each case any products which are subject to attachment, sequestration, distress execution or analogous events, and (y) in the case of products owned by one of the Norwegian Entities, any products which have been purchased by such Norwegian Entity from the owner or operator of the storage facility in which the inventory was located immediately prior to, and has remained from the date of, the purchase;

(C) 85% of the fair market value of goods in transit within Sweden or Norway, being crude oil and refined oil and/or other petroleum products which are owned by Preem (in relation to goods in transit with Sweden) or one of the Norwegian Entities (in relation to goods in transit in Norway) 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 or one of the Norwegian Entities 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, Norway 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 or one of the Norwegian Entities from time to time and which are located in terminals located in Sweden (in the case of Preem) or Norway (in the case of the Norwegian Entities) and which are subject to security interests in favour of the Credit Facility Security Agent, excluding in the case of any products owned by one of the Norwegian Entities, any product which have been purchased by the Norwegian entity from the owner or operator of the storage facility in which the inventory was located immediately prior to, and has remained from the date of, the purchase.

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) two English law pledges in respect of Preem's receivables arising from contracts governed by English law, the first having been entered into in 2011 and the second having been entered into in 2017;

(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;

(ix) a Norwegian law governed security agreement pursuant to which Preem Aktiebolag NUF grants a floating charge over its trade receivables and its inventory and a pledge over any monetary claims against operators/owners of any storage tanks which Preem Aktiebolag NUF has stored refined oil or other oil products as a result of such operators/owners disposing of the stored oil products in breach of the storage agreement with Preem Aktiebolag NUF (such security over monetary claims only to be perfected on the occurrence of such breach of the storage agreement);

(x) a Norwegian law governed security agreement pursuant to which Preem Norge AS grants a floating charge over its trade receivables and its inventory and a pledge over any monetary claims against operators/owners of any storage tanks which Preem Norge AS has stored refined oil or other oil products as a result of such operators/owners disposing of the stored oil products in breach of the storage agreement with Preem Norge AS (such security over monetary claims only to be perfected on the occurrence of such breach of the storage agreement); and

(xi) 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 precursors to the A&R Credit Facility and the 2021 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 also acknowledges within the Intercreditor Agreement that it has received a copy of the undertaking to be provided by Moroncha Holdings on May 9, 2016 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	Associated 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 Technique
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.
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 in other refinery processes.
HVO Diesel	Production of diesel from renewable sources (e.g. 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	Liquefied petroleum gas (butane and propane or a mixture of both) used as a fuel for heating, cooking and lighting.
MHC	Mild hydrocracker unit: a refinery unit that desulfurizes vacuum gasoil and converts it into lighter products and feedstock for the hydrocracker.

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, 2018 and 2017

Translation from the Swedish original

Auditor's Report

To the general meeting of the shareholders of Corral Petroleum Holdings AB, corp. id 556726-8569

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Corral Petroleum Holdings AB for the year 2018. The annual accounts and consolidated accounts of the company are included on pages F4-F49 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of directors in accordance with the Audit Regulation (537/2014) Article 11.

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 the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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 annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, 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 annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and 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 annual accounts and consolidated accounts 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, 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 annual accounts and consolidated accounts. 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 annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. 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 annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts 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.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Corral Petroleum Holdings AB for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group 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 is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.
The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Corral Petroleum Holdings AB by the general meeting of the shareholders on the 20 April, 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2007.

Stockholm 2019-04-25

KPMG AB

Håkan Olsson Reising
Authorized Public Accountant

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Amounts in SEK million)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
Net sales		103,641	78,581
Excise duties*		(11,087)	(9,829)
Sales revenue	4 and 14	**92,553**	**68,752**
Cost of goods sold	8,10 and 14	(88,529)	(63,440)
Gross profit/(loss)	5	**4,024**	**5,312**
Selling expenses	10	(913)	(866)
Administrative expenses	10	(1,122)	(864)
Other operating income	11	443	465
Operating profit/(loss)	6 - 10, 33	**2,432**	**4,047**
Financial income		11	401
Financial expenses		(2,436)	(1,522)
Net financial items	12 and 14	**(2,424)**	**(1,121)**
Profit/loss before income tax		**8**	**2,926**
Income tax (expense) benefit	13	105	(659)
Net profit/(loss) for the year		**113**	**2,267**
Net profit/(loss) attributable to:			
Parent Company's shareholder		113	2,267
Non-controlling interest		0	0
		113	**2,267**

* 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, 2018	Year ended December 31, 2017
Net profit/(loss) for the year		**113**	**2,267**
Other comprehensive income (loss)			
Items that may be reclassified to the income statement:			
Translation difference		(1)	(1)
Items that will not be reclassified to the income statement:			
Actuarial gains/(losses) on defined benefit pension plans	23	(47)	(2)
Income tax related to items that will not be reclassified		10	0
Changed tax rate		1	—
Other comprehensive income (loss), net after tax		**(37)**	**(3)**
Total comprehensive profit/(loss)		**76**	**2,264**
Total comprehensive profit/loss attributable to:			
Parent Company's shareholder		76	2,264
Non-controlling interest		0	0
		76	**2,264**

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

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2017

(Amounts in SEK million)

	Notes	As of December 31, 2018	2017
Assets			
Non-current assets			
Intangible assets			
Goodwill	15	308	308
Construction in progress	15	779	521
Other intangible assets	15	129	153
		1,215	981
Property, Plant and Equipment			
Land and buildings	16 and 30	1,613	1,366
Plant and machinery	16	5,200	5,313
Capitalized turnaround costs	16	439	638
Equipment, tools, fixtures and fittings	16	347	386
Constructions in progress	16	2,974	1,978
		10,573	9,681
Financial non-current assets			
Participating interests in associates	17	238	194
Receivables from associates	33	0	0
Receivables from related parties	18 and 33	0	0
Other shares and participations	19 and 32	11	26
Other non-current receivables	34	124	91
		373	312
Total non-current assets		12,161	10,974
Current assets			
Inventories	20	10,543	10,691
Trade receivables	21, 30 and 33	4,322	4,674
Derivatives	27 and 32	2	—
Other receivables	32	1,016	568
Prepaid expenses and accrued income		701	373
		16,585	16,306
Cash and cash equivalents	22 and 32	1,423	1,083
Total current assets		18,008	17,388
Total assets		**30,169**	**28,363**

CORRAL PETROLEUM HOLDINGS AB (publ)

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2017 (cont.)

(Amounts in SEK million)

	Notes	As of December 31, 2018	2017
Equity and Liabilities			
Equity			
Equity attributable to Parent Company's shareholder			
Share capital		1	1
Other paid-in capital		9,236	8,328
Retained loss includes net profit/(loss) for the year		(6,259)	(6,334)
		2,978	1,995
Non-controlling interest		0	0
Total equity		2,978	1,995
Liabilities			
Non-current liabilities			
Pension obligations	23	159	109
Provision for taxes	13	592	726
Other provisions	24	244	142
Shareholders' loans	25, 32 and 33	1,568	2,218
Borrowing	25, 26, 32 and 33	16,017	12,755
		18,580	15,949
Current liabilities			
Borrowing	25, 26 and 32	488	903
Advance payments from customers		5	5
Trade payables	32	2,709	3,529
Liabilities to associates	32 and 33	96	89
Current tax liabilities	13	17	—
Derivatives	27 and 32	1	3
Other liabilities	28 and 32	1,472	1,413
Accrued expenses and prepaid income	29	3,823	4,477
		8,611	10,419
Total liabilities		27,191	26,368
Total equity and liabilities		**30,169**	**28,363**
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, 2018 AND 2017

(Amounts in SEK million)

	Attributable to Parent Company's shareholder						
	Share capital	Other paid-in capital	Translation reserve	Retained profit/loss	Total	Non-controlling interest	Total equity
Opening equity 01/01/2017	**1**	**7,828**	—	**(8,597)**	**(768)**	**0**	**(768)**
Net Profit for the year	—	—	—	2,267	2,267	0	2,267
Other comprehensive loss	—	—	(1)	(2)	(3)	—	(3)
Total comprehensive profit	**—**	**—**	**(1)**	**2,265**	**2,264**	**0**	**2,264**
Shareholders Contribution received	—	500	—	0	500	—	500
Closing equity 12/31/2017	**1**	**8,328**	**(1)**	**(6,333)**	**1,995**	**0**	**1,995**
Opening equity 01/01/2018	**1**	**8,328**	**(1)**	**(6,333)**	**1,995**	**0**	**1,995**
Adjustment according to IFRS 9	—	—	—	0	0	—	0
Net Profit for the year	—	—	—	113	113	0	113
Other comprehensive loss	—	—	(1)	(36)	(37)	—	(37)
Total comprehensive profit	**—**	**—**	**(1)**	**76**	**75**	**0**	**75**
Shareholders Contribution received	—	908	—	—	908	—	908
Closing equity 12/31/2018	**1**	**9,236**	**(2)**	**(6,257)**	**2,978**	**0**	**2,978**

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 5,058 million (of which SEK 908 million in 2018, 500 million in 2017, SEK 1,600 million in 2016, SEK 1,000 million in 2015 and SEK 1,050 million in 2014) which has been converted from other shareholders loan in USD.

Profit brought forward

Profit brought forward includes accumulated comprehensive income from the Group's operations.

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, 2018 AND 2017

(Amounts in SEK million)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
Operating activities			
Profit/(loss) before tax		8	2,926
Adjustments for items not included in cash flow	31	2,469	1,758
		2,477	4,684
Tax paid/received		(5)	(4)
		2,472	**4,680**
Increase (−)/Decrease (+) in inventories		(263)	(2,232)
Increase (−)/Decrease (+) in operating receivables		60	(885)
Increase (+)/Decrease (−) in operating liabilities		(1,877)	596
Cash flow from operating activities		**392**	**2,159**
Investing activities			
Acquisition of subsidiaries		(26)	(123)
Disposal of subsidiaries		—	103
Capital expenditure of intangible assets		(265)	(268)
Capital expenditure of property, plant and equipment		(1,798)	(2,069)
Disposal of property, plant and equipment		34	21
Increase in financial assets		(54)	(36)
Decrease in financial assets		25	25
Cash flow used in investing activities		**(2,084)**	**(2,347)**
Financing activities			
New loans		9,894	6,957
Repayment of loans		(7,869)	(6,731)
Cash flow from/used in financing activities		**2,025**	**226**
Cash flow for the year		**333**	**38**
Opening cash and cash equivalents		1,083	1,030
Translation difference in cash and cash equivalents		8	15
Closing cash and cash equivalents	22	**1,423**	**1,083**

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

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 Preem AB, Warfvinges väg 45, 112 80 Stockholm, Sweden.

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

On March 13, 2019, the Board of Directors approved this annual report and these consolidated financial statements for publication and submitted them to the Annual General Meeting for adoption on April 18, 2019

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

Basis on which the statements have been prepared

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, apart from IAS 33, Earnings per Share, since Corral is not listed on a regulated market. In addition RFR 1 "Supplementary Accounting Rules for Groups," issued by the Swedish Financial Reporting Board, has 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 at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise its judgement in the process of applying the Group's accounting policies. For areas that involve a high degree of assessment, which are complex or where assumptions and estimates are significant to the consolidated financial statements, see Note 3.

The financial statements are presented in Swedish krona (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 consolidation system are based on SEK thousands. Due to the rounding of figures in the tables to the nearest SEK million, the total is not exactly equal to the sum of all components in some cases.

Standards, amendments and interpretations that came into force in 2018

The Group applies IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments for the first time beginning on 1 January 2018. It has not had any significant impact on the Group's financial statements. No restatement of comparative information was necessary. Amendments that have come into effect are not expected to have any significant impact on the Group's financial statements. Other upcoming amendments that came into effect are not expected to have any significant impact on the Group's financial statements.

IFRS 9 Financial Instruments

IFRS 9 establishes principles for the recognition and measurement of financial assets, financial liabilities and some contracts for the purchase and sale of non-financial instruments. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

It has not had any significant impact on the Group's financial statements. Restatement of expected credit losses according to IFRS 9 reduced profit brought forward by SEK 0.4 million.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contain three principle classification categories for financial assets. Measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification of financial assets according to IFRS 9 is generally based on the company's business model for the management of the financial assets and the characteristics of the contractual cash flows from the financial asset. IFRS 9 eliminates the earlier IAS 39 categories of investments held to maturity, loans and receivables, and available-for-sale financial assets. The introduction of IFRS 9 has not had a material impact on the Group's accounting policies related to financial assets.

IFRS 9 generally retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The introduction of IFRS 9 has not had a material impact on the Group's accounting policies related to financial liabilities and derivatives.

The following table explains original measurement categories according to IAS 39 and the new measurement categories according to IFRS 9 for each class of the Group's financial assets and liabilities as of January 1,2018. The effect of the introduction of IFRS 9 on the carrying amounts of the financial assets as of January 1, 2018 relates solely to the new impairment requirements.

	Original classification according to IAS 39	**New classification according to IFRS 9**
Financial assets		
Derivatives	Fair value through profit or loss	Fair value through profit or loss
Other shares and participations[1]	Fair value through profit or loss	Mandatory at fair value through profit or loss
Trade receivables and other receivables [2]	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Finacial liabilities		
Derivatives	Fair value through profit or loss	Fair value through profit or loss
Borrowings	Other financial liabilities	Other financial liabilities
Trade payables and other liabilities	Other financial liabilities	Other financial liabilities

(1) According to IAS 39, these securities were identified as financial instruments at fair value through profit or loss since they were managed on a fair value basis and their development was followed up on this basis. These assets have been classified as mandatory measurement at fair value through profit or loss according to IFRS 9.

(2) Trade receivables and other receivables that under IAS 39 were classified as loans and receivables are now classified as financial assets measured at amortized cost. An increase of SEK 0.4 million in the provision for impairment losses for these receivables is recognized in the opening balance for profit brought forward as of January 1, 2018 at the transition to IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a comprehensive standard for determining how much revenue should be recognized and when. It replaces IAS 18 Revenue, IAS 11 Construction Contracts. According to IFRS 15, revenue is recognized when the customer takes control over the goods or services. Determining the time for transfer of control, i.e. at a certain point in time or over time requires assessments.

The Group has reviewed sales contracts in accordance with the five-step model in IFRS 15. The contracts pertain to specific goods and revenue is recognizes when control is transferred, which happens at a specific time. The transition has not had any material impact on the Group's financial statements.

New IFRS and interpretations that have not yet entered into effect

Several new or amended IFRS that will enter into effect during future financial years 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 enter into effect in the future.

Upcoming amendments which are currently estimated to potentially have an impact on the consolidated financial statements are described below.

IFRS 16 Leases

The Group will apply IFRS 16 Leases as of January 1, 2019. IFRS 16 introduces a uniform lease recognition model for lessees. A lessee recognizes a right of use (ROU) asset that represents a right to use the underlying asset and a lease liability that represents an obligation to make lease payments. There are exceptions for short-term leases and the leasing of assets of a low value. The recognition for lessors is similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 Leases replaces existing IFRS related to the recognition of leases, such as IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Incentives in connection with signing operating leases and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

Leases where the Group is the lessee

The Group will recognize new assets and liabilities for leases previously recognized as operating leases for properties, tankers and other minor assets. The costs for these leases will change since the Group will recognize amortization for ROU assets and interest expenses for lease liabilities.

Previously, the Group recognized operating lease costs on a straight-line basis over the lease term and recognized assets (prepaid lease payments) and liabilities (accrued lease payments) only insofar as there was a difference between actual lease payments and recognized costs.

Based on the information available, the Group estimates that on 1 January 2019 it will recognize a lease liability of approximately SEK 500 million. The ROU asset will amount to the value of the liability plus the prepaid lease expenses recognized on 31 December 2018.

The Group does not expect the introduction of IFRS 16 to impact its ability to meet the revised maximal debt/equity ratio that exists in the loan terms for the Group.

Leases where the Group is the lessor

No material impact is expected for leases where the Group is a lessor.

Transition and exemption rules

The Group will apply the modified retroactive method. This means that the accumulated effect of the IFRS 16 introduction will be recognized in profit brought forward in the opening balance as of 1 January 2019 without the restatement of comparative figures. The ROU assets attributable to earlier operating leases will be recognized at the liability's value on January 1, 2019 with addition for prepaid lease payments recognized on the balance sheet as of December 31, 2018.

Leases of low value (assets of a value of less than around SEK 50,000 in new condition) – which is mainly comprised of tools, computers, printers/ copiers and coffee machines – will not be included in the lease liability, but will continue to be recognized with straight-line expensing over the lease term. The occurrence of leases with a lease term of a maximum of 12 months, so-called short-term leases, are not deemed to be material to the Group.

Because the lease payments for low-value leases are included in the disclosures in this annual report regarding minimum lease payments for operating leases, the aforementioned lease liability increase amounts to a sum below the present value of these minimum lease payments by around SEK 32 million.

Other new and amended IFRS with future application are not expected to have any material effect on the company's financial statements.

Balance sheet classification

Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or paid after more than 12 months from the balance sheet date.

Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within 12 months of the balance sheet date.

Basis of consolidation and business combinations

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 economic 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 recognize the Group's acquisition of subsidiaries. The cost 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 a business combination are initially measured at the fair values on the acquisition date, regardless of the extent of any 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 recognized as goodwill. When the difference is negative, this is recognized in the profit/loss for the year.

Internal Group transactions, balance sheet items and unrealized gains 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 of 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 of between 20% and 50% of the votes. As of the date on which the significant influence is obtained, investments in associates are recognized in the consolidated financial statements in accordance with the equity method and are measured initially at the cost. The Group's carrying amount of investments in associates includes goodwill identified on acquisition, net after any necessary impairment losses.

Any difference on acquisition between the cost of the investment and the investor's share of the fair value of the associate's net identifiable assets, liabilities and contingent liabilities is recognized using the same principles as used on the acquisition of subsidiaries.

The Group's share of the profit /loss in associates arising after the acquisition is recognized in profit/loss for the year. Accumulated changes after the acquisition are recognized as a change in the carrying amount of the investment. When the Group's share in an associate's losses is equal to or exceeds its investment in the associate, including any unsecured receivables, the Group does not recognize any additional losses unless the Group has assumed obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associate are eliminated in proportion to the Group's investment 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.

Joint ventures

Joint ventures, usually conducted in corporate form, are cooperative arrangements where the Group and one or more partners have a right to all economic benefits related to the venture's assets. In addition, the Settlement of the venture's liabilities is dependent on the parties' purchases of output from the venture or capital contributions to the venture. Joint ventures are recognized according to the "proportional consolidation principle", which means that the respective party in a joint venture recognizes its share of assets, liabilities, income and expenses.

Segment reporting

An operating segment is a part of the Group that runs operations from which it can generate revenues and incur costs for which separate financial information is available. An operating segment's results are monitored by the Group's senior executives to evaluate performance and to allocate resources to the operating segment. See Note 4 for more information on the classification and presentation of segments.

Translation of foreign currency

Transactions and balance sheet items

Transactions in foreign currency are translated into the functional currency at the exchange rates prevailing on the date of the transaction. 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 recognized in 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 items. The Company does not hedge transactions or investments in foreign currency. Non-monetary assets and liabilities are recognized at the exchange rates prevailing at the date of the transaction.

Group companies

The financial performance and financial position of all Group companies that have different functional and reporting currencies are translated into the Group's presentation currency as follows: assets and liabilities are translated at the exchange rate on the balance sheet date, revenue and expenses are translated at the average exchange rate, and all exchange differences that arise are recognized in other comprehensive income.

In connection with consolidation, 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 complete disposal of a foreign operation, the exchange rate differences recognized in equity are posted to profit/loss for the year and recognized as a component of the capital gain/loss.

Goodwill fair value adjustments arising on 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.

Intangible assets

Goodwill

Goodwill consists of 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 acquisition of subsidiaries is recorded as an intangible asset. Goodwill is tested at least on an annual basis to identify any impairment and is recognized at the cost less accumulated impairment losses. Impairment of goodwill is not reversed. Gains or losses on disposal of a unit include the remaining carrying amount of the goodwill relating to the disposed unit.

Goodwill is allocated among cash-generating units in connection with impairment testing. This allocation is applied to 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.

Other intangible assets

Other intangible assets comprise customer contracts, proprietary IT systems and licenses. These assets are measured at cost less amortization and impairment losses. Borrowing costs are included in proprietary IT systems in the same manner as for property, plant and equipment. 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 of the asset is tested at least once a year for impairment and an impairment loss is recognized on it if this impairment testing shows that its value in use is less than its carrying amount.

The Group has no other intangible assets that can be capitalized. As a result, expenses such as those for internally generated goodwill and trademarks are recognized as incurred.

Construction in progress

Construction in progress refers to proprietary IT systems and licenses.

Property, Plant and Equipment

All property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses. 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 recognized 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 of the replaced element is derecognized from the balance sheet. All other kinds of repairs and maintenance are recognized as expenses during the period in which they arise.

To adjust their cost down to their estimated residual value over their estimated useful life, other assets are depreciated on a straight-line basis as follows:

Buildings and storage chambers	20 - 50 years
Land improvements	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 facilities consist of several components with different useful lives. The main classification is into plant and equipment. There are, however, several components that have different useful lives within this main classification. The following main component groups have been identified and form the basis for depreciation of refinery facilities.

Electrical Installations and Instruments	15 years
Heat exchangers	15 years

Steam boiler	20 years
Steel structures	30 years
Pressure vessel	30 years

Land and precious metals (which are recognized under Plant and equipment) are not depreciated because their useful lives are considered unlimited.

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. Gains and losses on disposal are determined by means of a comparison between sales revenue and the carrying amount, and are recognized at their net amounts in the statement of other comprehensive income depending on the function to which the asset belongs.

Borrowing costs attributable to the construction of qualified assets are capitalized as a part of the cost of the qualified asset. A qualified asset is an asset which necessarily takes a substantially long time to complete. Firstly, the borrowing costs incurred for loans specific to the qualified asset are capitalized. Secondly, the borrowing costs incurred for general loans that are not specific to a qualified asset are capitalized.

Impairment of non-financial assets

Goodwill is not amortized but is tested at least annually for 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. Assets are impaired by the amount at 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 less costs of disposal and its value in use. When assessing impairment, 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 impairment losses must not exceed the carrying amount that would have been recognized if there had not been any impairment losses.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in-first-out method. Cost for petroleum products, which is expressed in USD, is recognized 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 materials, direct wages, other direct expenses and attributable indirect manufacturing expenses (based on normal manufacturing capacity). Net realizable value is the estimated selling price from operating activities less the costs of production and disposal.

For 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 the products are impaired as a result, the impairment amount is reduced in cases where the net realizable value of the products exceeds cost. The reduction in the impairment amount for crude oil consists of the difference between the net realizable value of the products and cost.

Borrowed inventories are not included in the value of inventories, and, correspondingly, lent inventories are included in the value of inventories, as significant risks and benefits have not been transferred.

Current and deferred tax

Current tax expenses are calculated based on the tax laws enacted or substantially enacted at 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 laws are subject to interpretation and, where appropriate, makes provisions for amounts that will probably have to be paid to the Swedish Tax Agency. Taxes are recognized in the statement of other comprehensive income except when the underlying transaction is recognized in other comprehensive income or directly in equity. In this case, the related tax effect is recognized in other comprehensive income or 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 recognized in full, using the balance sheet method, for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from a transaction that constitutes initial recognition of an asset or liability that is not a business combination and which, at the time of the transaction, impacts profit/loss neither for accounting purposes nor for tax purposes. Deferred income tax is calculated by applying the tax rates (and laws) that have been enacted or announced at the balance sheet date and are expected to be in force when the relevant deferred tax assets are realized, or the deferred tax liabilities are settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be offset. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilized.

Provisions

Provisions for environmental remediation measures and legal requirements are recognized when the Group has a legal or constructive obligation due to earlier events, it is likely that an outflow of resources will be required to settle the obligation and the amount can be calculated reliably.

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

Contingent liabilities

A contingent liability is recognized when there is a possible obligation that originates from past events and when the existence of which has only been confirmed by one or more uncertain future events or when there is an obligation that is not recognized 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 obligations

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 additional contributions if this legal entity does not have sufficient assets to pay all employee benefits 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 for the pension benefit that an employee receives after retirement based on length of service and salary at retirement. These pension plans are usually financed by payments to insurance companies or managed funds in accordance with periodic actuarial calculations. 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 (KP-stiftelsen) in accordance with the provisions of the Swedish Pension Obligations 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-stiftelsen). These plan assets can only be used to make payments under pension agreements. Plan assets are measured at fair value as of the reporting date.

The liability that is recognized in the balance sheet under defined benefit pension plans is the present value of the defined commitment at the balance sheet date. The defined benefit pension obligation is calculated annually by independent actuaries who apply the projected unit credit method. The present value of the defined benefit obligation is determined by the discounted cash flow method using the interest rate for first class mortgage bonds issued in the same currency as the payments will be made in and with maturities comparable to the relevant pension liability.

The revaluation effects comprise actuarial gains and losses, the difference between the actual yield on plan assets and the amount included in net interest income/expenses and any changes in effects of asset restrictions (excluding interest included in net interest income/expenses). The revaluation effects are recognized in other comprehensive income.

The special payroll tax forms part of the actuarial assumptions and is therefore recognized as part of net obligations/assets.

Expenses in respect of service during earlier periods are recognized 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, expenses for past service 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 recognized in consolidated profit or loss as the benefits are earned. Prepaid contributions are recognized as an asset to the extent that cash repayment or a reduction in future payments may benefit the Group.

Severance pay

Severance pay is paid when notice is served by the Group to terminate an employee's employment before the normal retirement age or when an employee accepts voluntary termination in exchange for such compensation.

The Group recognizes severance payments when it is documented that the Group either is obliged to terminate an employee in accordance with a detailed, formal plan that cannot be revoked, or to pay termination pay because of an offer made to encourage voluntary termination.

Profit-sharing plans

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

Revenue recognition

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

Sale of goods

The Group's main revenue originates from the sale of goods in the form of petroleum products. Our Supply and Refining segment sells products to oil companies operating in Sweden and on the international market, primarily in Northwestern Europe. A large proportion of these sales of products take place by ship and are often subject to the CIF (cost, insurance and freight) and FOB (free on board) terms, Which means that these revenue items are normally recognized on the date on which means that these revenue items are normally recognized on the date on which the goods are loaded onto the ship, i.e., on the B/L (bill of lading) date.

Our marketing and Sales segment sells gasoline, diesel, fuel oil and lubricating oil on the Swedish market. The sales take place through Preem's nationwide gas station network (retail), through certified resellers and in bulk through ints own direct sales (energy). In Norway, Preem's products are mainly sold through resellers and in bulk through direct sales. For these sales, the revenue is recognized in conjunction with delivery to the customer.

Financial income and expenses

Financial income consists of interest income from invested funds (including available-for-sale financial assets), income from dividends, gains on the disposal of available-for-sale financial assets and gains from changes in value of financial assets at fair value through profit/loss for the year.

Interest income from financial instruments is recognized using the effective interest method. Income from dividends is recognized when entitlement to receive the dividend has been confirmed. Gains or losses on disposal of a financial instrument are recognized when the risks and rewards of ownership of the instrument are transferred to the buyer and the Group no longer has control over the instrument.

Financial expenses consist of interest expenses on loans including the expensed share of transaction expenses in connection with borrowings for the year, the effect of reversing the present value calculations of provisions, fair value losses on financial assets at fair value through profit/loss for the year and impairment of financial assets.

Generally, borrowing costs are charged to 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.

Leases

Lessee

Leases where the risks and rewards of ownership are substantially retained by the lessor are classified as operating leases. Payments made during the lease term (less any incentives from the lessor) are recognized as expenses on a straight-line basis over the lease term. Variable expenses are recognized as expenses in the periods when they arise. The Group only has operating leases.

Lessor

A lease is an agreement under which a lessor grants a lessee the right to use an asset in exchange for payment in accordance with agreed terms and for an agreed period. Assets that are leased under an operating lease are recognized as an asset in the balance sheet. The lease payment is recognized as revenue on a straight-line basis over the term of the lease. The Group only has operating leases.

Emission rights

The allocation of emission rights within the period described above does not involve any cost to the Company and, therefore, neither allocation nor consumption has impacted profit/loss for the year and the balance sheet. Disposals or acquisitions of emission rights are recognized in the statement of other comprehensive income under the headings net sales or cost of goods sold.

FINANCIAL INSTRUMENTS

Recognition and initial measurement

Trade receivables and issued debt instruments are recognized when issued. Other financial assets and financial liabilities are recognized when the Group becomes a party to the financial instrument's contractual terms.

A financial asset (except for trade receivables that do not have a significant financing component) or financial liability is initially measured at fair value plus transaction costs directly attributable to the acquisition or issue for financial instruments not measured at fair value through profit or loss. A trade receivable without a significant financing component is measured at the transaction price.

Classification and subsequent measurement

Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income or fair value through profit or loss.

Financial liabilities are classified in the following categories: financial liabilities at fair value through profit/loss for the year and other financial liabilities at amortized cost.

Financial assets measured at amortized cost

A financial asset shall be measured at amortized cost if it fulfills both of the following conditions and is not identified as measured at fair value via profit or loss:

– it is held within the scope of a business model the objective of which is to hold financial assets for the purpose of receiving contractual cash flows, and

– the contractual terms for the financial asset give rise to cash flows at set times that are only payments of principal amounts and interest on the outstanding principal.

The Group has classified trade receivables, other receivables and cash and cash equivalents as financial assets measured at amortized cost. At initial recognition, they are measured at amortized cost. Any impairment requirements are estimated upon subsequent measurement occasions.

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 substantially transferred all risks and rewards of ownership.

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

Financial assets and liabilities at fair value through profit/loss for the year are available-for-sale financial assets. A financial asset or liability is classified in this category if it is acquired primarily to be sold within a short period of time.

The Group uses 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 and statement of other comprehensive income under the heading “cost of goods sold”, in contrast to the profit/loss from other financial instruments, which is recognized in net financial items.

The Group holds derivatives, but does not apply hedge accounting.

The Group has classified other shares and participations as measured at fair value through profit/loss for the year.

Other financial liabilities

The “other financial liabilities” category includes borrowing, trade payables and other current liabilities.

Borrowings

Borrowings are initially recognized at fair value, net after transaction expenses. Borrowings are subsequently recognized at amortized cost and any difference between the amount received (net after transaction expenses) and the repayment amount is recognized as financial expenses accrued over the term of the loan. Borrowings are 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 recognized at fair value and subsequently at amortized cost.

Impairment of financial assets

On each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Provisions of trade receivables are described in Note 21.

NOTE 2. FINANCIAL RISK MANAGEMENT

The Group is exposed to several different financial risks during its operations: 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 performance.

Risk policy and objectives

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

All operations associated with managing financial instrument risks are handled by Preem's Treasury Department, except for oil derivatives, which are handled by the Supply and Refining segment. Management of financial risks is governed by Group-wide policies established by the Board of Directors or Group-wide committees. The aim of the Company's trading in derivatives is to ensure that financial risks are kept within limits determined by the Board of Directors. The Group does not use hedge accounting.

Market risk

Currency risk

The Group operates internationally, and is exposed to currency risks arising from exposure to various currencies, especially the USD. Transaction risks within the Group arise from future business transactions. Translation risk arises on remeasurement of recognized assets and liabilities.

Transaction risk

Transaction exposure entails a risk that profitability is negatively impacted by changed exchange rates, mainly in USD, without a possibility to obtain comparable compensation through commercial operations. Preem's transaction exposure arises when a sale or purchase of crude oil and refined products takes place in foreign currency and when this affects profit or loss.

Translation risk

Translation risk is the risk that the value of the Group's recognized assets and liabilities in foreign currency is negatively impacted by changes in exchange rates. 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 loans in USD. The Group also strives to invoice and be invoiced in the same currency if possible, from a business perspective.

The Group has a policy concerning currency hedging that permits the hedging of currency risks, which is only permitted to protect currency flows from significant currency risks.

The table below describes the Group's net exposure on the balance sheet date in each currency translated into SEK for 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 Group's inventory value. As a result, the magnitude of the net exposure on the monetary items must be considered in relation to the value of the 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 at the exchange rate on the purchase date. A change in the exchange rate does not normally affect the inventory value, which means that there is no effect in profit/loss for the year until 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 cost because of a fall in the exchange rate, the inventories will be impaired, having a direct effect on profit/loss.

All amounts in SEK million	2018	as a %	2017	as a %
Net exposure as of balance sheet date				
EUR	(7,393)	39%	(7,300)	40%
NOK	121	1%	86	0%
USD	(11,189)	60%	(10,685)	59%
Others	(19)	0%	(19)	0%
Total	(18,480)	100%	(17,918)	100%

Net exposure of USD must be set in relation to the Group's normal position for inventories, which as of December 31, 2018 totaled USD 775 million (849), which is equivalent to SEK 6,950 million (6,989) translated at the balance sheet date.

If the Swedish krona were to become stronger/weaker by 10% in relation to the U.S. dollar at the balance sheet date, while all other variables remained constant, the profit/loss for the year after tax as of December 31 would have been SEK (331) million (-288) 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 regarding inventories of crude oil and refined products. Price changes in crude oil and refined oil products affect the Group's sales revenue, cost of goods sold, gross profit/loss and operating profit/loss. The Group has a defined normal position for inventories1), which is the volume of priced oil required to maximize the contribution from the refining system in the most efficient way. The normal position is defined as 1,840,000 m3. The price risk at this volume is the Company's commercial risk that the Board of Directors has accepted. The Group trades in oil derivatives to counteract the price risk that arises when priced inventories deviate from the normal position. In addition to the above price risk management policy, the Group used oil derivatives during the past year to also hedge parts of its normal position.

Sensitivity analysis

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 +140,000 m^3 or -190,000 m^3. Preem uses the value at risk method to measure raw material price risk on the deviation position divided by product line. Using this method, the maximum potential loss is calculated with certain probability during a set period of time. The table below describes 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 performance depends on whether the effect on financial performance 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 performance. As a result, the total position constitutes the Company's price risk, but accrual effects arise over time in profit/loss for the year, because of the differing measurement policies for inventories and derivatives.

Year	Price change	Physical position	Derivative position	Total position	Of which normal position
2018	10%	768	(120)	649	604
2018	(10%)	(768)	199	(570)	(604)
2017	10%	881	(176)	704	700
2017	(10%)	(881)	180	(701)	(700)

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 value at the balance sheet date and the gain/loss is recognized through profit/loss for the year.

A change in the value of the physical position has a direct effect on profit/loss in some cases, and in other cases profit/loss is only affected in subsequent periods. This is because inventories are measured at the lower of cost and net realizable value.

In the event of a price rise, profit/loss is usually not affected until a sale is made, i.e. the price gains are not recognized in profit/loss for the year until they have been realized. A price rise may, however, have a direct effect in profit/loss for the year if the original net realizable value is less than cost. However, this effect may not exceed the previously impaired value of inventories.

If prices fall, profit/loss is normally affected directly, which means that inventories are impaired, and a product expense is recognized in the statement of other comprehensive income. However, inventories will only be impaired to the amount at which the changed net realizable value is less than 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 the scope for speculative trading in oil derivatives. These transactions are limited by setting a ceiling on the maximum gain or loss in such trading.

Interest rate risk

The Group's interest rate risk, is the risk for negative change resulting from interest fluctuations of interest-bearing assets and liabilities.

Loans with a floating interest rate expose the Group to an interest rate risk with regard to cash flow. Loans with a fixed interest rate expose the Group to an interest rate risk regarding fair value. The Group's borrowings are at floating interest rates. It is the Group's policy to have a fixed interest period which does not exceed 12 month. As of December 31, 2018 the remaining fixed-interest period totaled approximately 19.54 months. In 2018 the Group's borrowing at floating interest rate terms consisted of SEK and USD, and fixed interest rate borrowing consisted of SEK, 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.

The Group's outstanding borrowing as of the balance sheet date for loans arranged from credit institutions totals SEK 18,388 million (16,352). 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 142 million (127) lower/higher.

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. To limit this exposure, there are joint Group-wide credit policies, under which, only banks and financial institutions with a credit rating of at least "A" by Standard and Poor's or by an equivalent independent credit rating agency, are accepted.

Individual risk limits are established based on internal or external credit ratings. 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 by a Credit Committee.

Most of the credit exposure, in terms of volume, is to financially strong oil companies. Credit quality is considered good based on the Group's on-going analysis of its customers. The Group only has one provision for doubtful debts of SEK 10 million (7), compared with sales revenue of SEK 92,553 million (68,752). For further information see Note 21.

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

Liquidity risk

Liquidity risk is the risk that the Group will not have the possibility of conducting its business due to a shortage of liquid assets. The Group manages liquidity risk by maintaining sufficient cash and cash equivalents and short-term investments with a liquid market and available financing through contracted credit facilities. Every month, the Group pays approximately SEK1,388 million (1,314) in the form of excise duties and VAT which, combined with fluctuations in purchasing and sales patterns, can place demands on the availability of short-term borrowing facilities.

The table below analyses 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 maturity date. The amounts specified in the table are the contractual, non-discounted cash flows and therefore do not correspond to the amounts in the balance sheet. The amounts that fall due within 12 months correspond to the carrying amounts, since the discount effect is insignificant.

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

As of December 31, 2018	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing	488	6,883	11,018	18
Oil derivatives	—	—	—	—
Trade payables	2,709	—	—	—
Other current liabilities	2,244	—	—	—

As of December 31, 2017	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing	903	—	15,467	—
Oil derivatives	—	—	—	—
Trade payables	3,529	—	—	—
Other current liabilities	1,865	—	—	—

The Group has syndicated bank loans that are subject to several covenants.

Management of capital risk

The Group's objective for its 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/equity ratio is shown in the table below:

(Amounts in SEK million)	2018	2017
Total borrowing	18,406	16,370
Less; cash and cash equivalents	(1,423)	(1,083)
Net debt	**16,983**	**15,287**
Total equity	2,978	1,995
Total capitalization	**19,961**	**17,282**
Net debt/equity ratio	**85%**	**88%**

Net debt excludes capitalized borrowing costs SEK 333million (495).

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 determined 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 measurement techniques. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. Other unlisted holdings are measured at cost where fair value cannot be measured reliably.

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

The carrying amount, after any impairment losses, 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 to the current market interest rate available to the Group for similar financial instruments.

NOTE 3. IMPORTANT ESTIMATES AND JUDGMENTS

Estimates and judgments are assessed 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.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions about the future. The resulting accounting estimates will by definition, seldom correspond with the actual outcome.

The estimates and assumptions that involve a significant risk of adjustments in the carrying amounts of assets and liabilities for subsequent fiscal years are explained in general below.

If the estimated pre-tax discount rate 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, inflation and the expected useful life.

The expected return on plan assets is established by reference to the expected return on the assets covered by the current investment. 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 relevant market.

Provisions for environmental commitments

Provisions are made for environmental commitments for known and planned remediation works. Any future decommissioning of operations within the Group may involve a requirement for decontamination and restoration works. However, this is considered to be a matter for the distant future, and the Group is of the opinion that the potential expenditure involved cannot be calculated reliably. Potential environmental obligations of this type are neither included in provisions in the balance sheet nor as contingent liabilities.

Significant judgments on application of the Group'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 purchased for the two refineries Preemraff Lysekil and Preemraff Gothenburg. This crude oil is refined to produce finished oil products. Approximately 60% (62%) 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 purchased 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 follow up in the Group is presented below.

The Group 2018

	Supply & Refining	Marketing	Total
Sales per segment			
Total sales revenue	89,467	23,875	113,342
Internal sales	(20,899)	(1)	(20,900)
External sales	**68,568**	**23,874**	**92,442**
Residual, net exchange differences			111
Total external sales			**92,553**
Operating profit			
Operating profit (loss) per segment	2,646	499	3,146
Depreciation per segment	876	144	1,020

The Group 2017

	Supply & Refining	Marketing	Total
Sales per segment			
Total sales revenue	66,237	18,679	84,916
Internal sales	(16,019)	(8)	(16,027)
External sales	**50,218**	**18,671**	**68,889**
Residual, net exchange differences			(137)
Total external sales			**68,752**
Operating profit			
Operating profit (loss) per segment	4,403	581	4,984
Depreciation per segment	869	118	988

Reconciliation with the Group's total result

	2018	2017
Operating profit (loss) per segment	3,146	4,984
Net exchange differences on continuous payments	(544)	349
Currency effect on normal inventories	799	(564)
Undistributed depreciation	(10)	(10)
Other(*)	(958)	(713)
Total operating profit (loss)	**2,431**	**4,047**
Interest income	8	6
Interest expenses	(1,476)	(1,400)
Net exchange differences	(836)	397
Other net financial items	(120)	(124)
Loss before tax	**7**	**2,926**

(*) Mainly refers 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.

	2018	2017
Sales of oil products	92,499	68,674
Other	55	78
Total external sales revenue	**92,553**	**68,752**

Revenues of SEK 6,593 (5,209) in 2018 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	2018	1,575	221	1	1,797
Capital expenditure in property, plant and equipment	2017	1,938	131	0	2,069
Capital expenditure in intangible assets	2018	—	2	263	265
Capital expenditure in intangible assets	2017	—	15	253	268
Investments in associated companies	2018	—	—	25	25
Investments in associated companies	2017	—	—	—	—

(*) Mainly refers 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 and North America.

2018	External sales			
	Supply & Refining	Marketing	Total	Property, plant, equipment and intangible assets
Sweden	13,565	21,746	35,311	11,751
Norway	1,665	2,129	3,794	38
Other Nordic	5,742	—	5,742	—
Netherlands	20,687	—	20,687	—
UK	10,789	—	10,789	—
Other countries	16,230	—	16,230	—
			92,553	**11,789**

	External sales			
	Supply & Refining	Marketing	Total	Property, plant, equipment and intangible assets
2017				
Sweden	7,777	18,207	25,984	10,656
Norway	2,652	472	3,124	6
Other Nordic	4,942	—	4,942	—
Netherlands	11,610	—	11,610	—
UK	14,061	—	14,061	—
Other countries	9,031	—	9,031	—
Group			**68,752**	**10,662**

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 amounting to a net loss of SEK 544 million (compared with a net profit of SEK 349 million in 2017).

NOTE 6. FEES TO AUDITORS

	2018	2017
KPMG		
Audit assignments	4	3
Audit business beyond the audit assignment	0	0
Tax consultancy	1	1
Other assignments	1	1
	7	4
Others		
Audit assignments	—	0
Audit business beyond the audit assignment	—	—
Tax consultancy	—	—
Other assignments	—	—
	—	0

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

	2018		2017	
	Wages and Other Benefits	**Social Costs (of which pension costs)**	**Wages and Other Benefits**	**Social Costs (of which pension costs)**
Parent Company	—	—	—	—
		(—)		(—)
Group Companies	919	494	856	425
		(162)		(113)
Group Total	919	494	856	425
		(162)[1]		(113)[1]

(1) Of the Group's pension costs, SEK 10.7 million (14.0) relates to the Group's Board, CEO and other senior executives.

	2018		2017	
	Board, CEO and other senior executives	Other Employees	Board, CEO and other senior executives	Other Employees
Parent Company	—	—	—	—
Group Companies in Sweden	41	873	27	827
Group Companies Abroad	1	4	1	1
Group Total	**42**	**877**	**28**	**828**

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" are 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 President and CEO.

The group comprising other senior executives includes 8 (7) salaried employees who are part of Preem AB's Group management along with the CEO; of whom 7 are employed by Preem. In total the group comprising senior executives includes Board members, including the Chairman of the Board and the CEO (10 individuals), and other senior executives and the Parent Company's Group management (9 individuals).

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 as per resolutions at the AGM. No separate fee is paid for committee work. Remuneration to the CEO and other senior executives consist of base pay, variable remuneration, other benefits and pension. The breakdown between base pay and variable 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 base pay. For other senior executives, the flexible remuneration is a defined maximum percentage of the base pay. Pension benefits and other benefits to the CEO and other senior executives are paid as part of the overall remuneration package. Other benefits consist primarily of a company car.

Remuneration and benefits in 2018	Basic Salary/ Board Fee	Flexible Remuneration	Other Benefits	Pension Cost	Other Remuneration	Total
Chairman of the Board	1.0	—	—	—	—	1.0
Other Board Members (9)	3.6	—	—	—	—	3.6
The CEO in Preem AB	9.1	4.7	0.1	3.9	—	17.9
Other Senior Executives (8)	15.7	5.4	0.9	6.8	—	28.8
	29.4	10.1	1.0	10.7	—	51.3

In total SEK 5.0 million has been paid in board fees, included in all items except other Senior executives, whereof one member has received SEK 1.0 million, one member has received SEK 0.75 million two members have received SEK 0.5 million, four members have received SEK0.4 million and two members have received SEK 0.3 million.

Remuneration and benefits in 2017	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)	3.6	—	—	—	—	3.6
The CEO in Preem AB	7.4	—	0.1	6.7	—	14.2
Other Senior Executives (7 people)	12.1	2.1	0.8	7.3	—	22.3
	24.1	2.1	0.9	14.0	—	41.1

In total SEK 4.6 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, five members have received SEK 0.4 million and two members have received SEK 0.3 million.

Pensions

The pension for the CEO is paid as gross salary according to individual agreement. The national pension plan applies to other senior executives and certain cases there are individual solutions. All pension benefits are vested, i.e., not conditional on 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 notice period between the Company and other senior executives of a maximum of 24 months and 6 months, respectively. There is a paid notice period of a maximum of 24 months for termination by the Company. Upon resignation by the senior executive, no severance pay is paid.

	2018	2017
Gender distribution in company management	**Percentage of woman**	**Percentage of woman**
Board of Directors	0%	0%
Other Senior Executives	33%	38%

	2018		2017	
Average number of employees	**No. of employees**	**Of which male percent**	**No. of employees**	**Of which male percent**
Parent Company				
Sweden	—	—	—	—
Group Companies				
Sweden	1,468	69%	1,456	73%
Norway	15	73%	2	86%
Group Total	**1,483**	**69%**	**1,458**	**73%**

NOTE 8. DEPRECIATION

	2018	2017
Allocation of depreciation		
Intangible assets	36	10
Buildings and land installations	102	94
Plant and machinery	576	585
Capitalized turnaround costs	219	202
Equipment, tools, fixtures and fittings	105	109
	1,037	**1,000**

	2018	2017
Allocation by function		
Production expenses	877	870
Selling expenses	142	118
Administrative expenses	18	12
	1,037	**1,000**

NOTE 9. LEASING

	2018	2017
Leasing charges in respect of operational leasing		
Minimum lease charges	202	115
Variable charges	41	40
Total leasing expenses	**243**	**155**

	2018	2017
Agreed future minimum lease charges		
Within one year	148	157
Between one and five years	445	662
Longer than five years	52	113

	2018	2017
Leasing income in respect of operational leasing		
Minimum lease charges	86	91
Variable charges	28	25
Total leasing income	**114**	**115**

	2018	2017
Agreed future minimum lease charges		
Within one year	87	91
Between one and five years	443	453
Longer than five years	—	—

NOTE 10. EXPENSES BROKEN DOWN BY TYPE OF COST

	2018	2017
Cost of materials	84,851	59,867
Costs for employee benefits	1,417	1,334
Depreciation	1,037	1,000
Other expenses	3,259	2,969
	90,564	**65,170**
Reconciliation with the comprehensive income statement		
Cost of goods sold	88,529	63,440
Selling expenses	913	866
Administrative expenses	1,122	864
	90,564	**65,170**

NOTE 11. OTHER OPERATING INCOME

	2018	2017
Heating deliveries	72	64
Rental income	114	145
Harbor income	71	75
Storage certificates	134	63
Service compensation	15	23
Other	38	96
Total	**443**	**465**

NOTE 12. NET FINANCIAL INCOME/EXPENSES

	2018	2017
Interest income from instruments measured at accrued cost	8	6
Net exchange differences	—	397
Other	3	(2)
Financial income	**11**	**401**
Interest expenses from defined benefit unfunded pension obligation	(4)	(5)
Interest expenses from instruments measured at accrued cost[1]	(1,472)	(1,395)
Net exchange change	(836)	—
Other	(123)	(122)
Financial expenses	**(2,436)**	**(1,522)**
Net financial expense	**(2,424)**	**(1,121)**

(1) Of which interest rate expenses from accrued loan expenses, SEK 163 million (162).

The net gain on oil derivatives measured at fair value, recognized as a cost of goods sold in the profit/(loss) for the year, totaled SEK 753million compared with a loss of SEK 308 million previous year. A provision of SEK 0 million (0) 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 157million (157).

NOTE 13. INCOME TAXES

	2018	2017
Current tax (expense) benefit		
Tax expense for the period	(22)	(3)
Tax expense attributable to previous years	0	(11)
	(23)	(14)
Deferred tax (expense) benefit		
Deferred tax in respect of temporary differences and loss carry-forwards	(36)	32
Deferred tax as a result of changed tax rates	46	—
Deferred tax on loss carry-forwards	118	(677)
Total tax (expense) benefit	**105**	**(659)**

	2018	2017
Reconciliation of effective tax		
Profit before tax	8	2,926
Tax calculated at national tax rates applicable for profits in the respective countries	(2)	(644)
Other non-deductible expenses	(65)	(59)
Non taxable income	123	32
Taxable income not included in profit/loss	(4)	—
Tax attributable to previous years	(1)	(11)
Other tax adjustments	53	21
Tax (expense) benefit	**105**	**(659)**
Tax items recognized directly in equity		
Tax reported directly in other comprehensive income	11	0

Weighted average tax rate is (1,313%) (23%).

Deferred tax assets and tax liabilities	**2018**	
	Deferred tax assets	**Deferred tax liabilities**
Intangible assets	—	(34)
Land and buildings	—	(23)
Machinery and equipment	—	(725)
Tax loss carryforwards	261	—
Other	4	(75)
Net assets/liabilities		**(593)**

Deferred tax assets and liabilities	**2017**	
	Deferred tax assets	**Deferred tax liabilities**
Intangible assets	—	(36)
Land and buildings	2	(2)
Machinery and equipment	—	(817)
Tax loss carryforwards	149	—
Others	4	(25)
Net assets/liabilities		**(725)**

Change in deferred tax in temporary differences and loss carry-forwards	**Opening amount**	**Recognized in the profit/(loss for the year**	**Other changes**	**Closing amount**
Intangible assets	(36)	7	(5)	(34)
Land and buildings	0	(23)	—	(23)
Machinery and equipment	(817)	91	—	(725)
Other	(21)	(60)	10	(71)
Total temporary differences	(875)	16	5	(853)
Loss carry-forwards	149	112	0	261
Total	**(725)**	**128**	**5**	(593)

From 1/1/2019, the tax rate is 21.4 percent in Sweden and 22 percent in Norway.

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:

	2018	**2017**
Net sales	111	(146)
Cost of goods sold	(655)	497
Financial items	(836)	397
Total	(1,380)	748

The estimated currency effect on the Group's normal position in inventories was SEK 799 million (-564).

NOTE 15. INTANGIBLE ASSETS

Goodwill

	2018	2017
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 U.S. dollars a barrel for the period	6.17 – 6.51
Average rate of growth for extrapolation beyond the budget period	1%
Discount rate before tax	8%

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

No impairment need has been identified for goodwill, even if a change in conditions is changed as follows: Refining margin 20 percent lower, growth rate of (1) percentage and a discount rate 2 percentage points higher for each segment.

Other intangible assets

	2018	2017
Opening cost	163	0
Business combination	—	155
Sales/Disposals	—	—
Completion of constructions in progress	8	8
Exchange-rate differences for the year	3	0
Closing accumulated cost	**173**	**163**
Opening depreciation	10	0
Sales/Disposals	—	—
Depreciation for the year	36	10
Exchange-rate differences for the year	(1)	0
Closing accumulated depreciation	**44**	**10**
Carrying amount	**129**	**153**

Construction in progress

	2018	2017
Opening cost	521	261
Capital expenditure during the year	265	268
Completion of constructions in progress	(8)	(8)
Exchange-rate differences for the year	1	0
Carrying amount	**779**	**521**

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

The capitalized interest expenses for the year are SEK 23 million (14) were attributable to intangible assets, relating primarily to one major IT project. The average interest rate applied is 6.3 percent (4.4).

Emission rights

Opening balance, 2018	**2,205,316**
Number of emission rights allocated in 2018	1,900,914
Number of emission rights consumed 2017 which was cancelled in 2018	(2,045,086)
Number of emission rights purchased 2018	0
Number of emission rights sold 2018	0
Results swap of emission rights in 2018	0
Closing balance, 2018	**2,061,144**
Number of emission rights allocated in 2019	1,857,708
Results swap of emission rights in 2019	0
Number of emission rights before cancellation 2019	**3,918,852**
Prel. number of emission rights consumed in 2018 and cancelled in April 30, 2019	(2,126,000)
Prel. balance after allocation rights April 30, 2019	**1,792,852**

The Group's balance sheet account for emission rights decreases gradually for the current 2013-2020 trading period and is forecast to be at zero by the end of the period. The deficit until the end of 2020 is believed to be 700,000 tonnes, a deficit that is hedged with the purchase of futures. An application for a capacity increase will be made in conjunction with commissioning of the HPU facility in Gothenburg in 2019. Allocation of new emission rights for this facility is expected to be approved and compensate for increased emissions. We therefore maintain our current forecast for the period.

Phase 4, the 2021–2030 trading period, is largely known at his time. As a refining business, Preem will continue to receive free allocation in Phase 4. District heating will continue to receive 30% free allocation until 2030. Allocation for Phase 4 depends on where the industry lands in the given interval: 0.2% to 1.6%.

Operational data will be collected from all industrial enterprises in Europe with free allocation and a decrease will then be determined based on how the industry has performed. The better the industrial enterprises perform, the faster the free allocation will decrease between 2021 and 2030. The futures prices for emission rights increased sharply during the year from EUR 7 to EUR 20. The price increase on emission rights is primarily due to the fundamental changes in the trading system. New political decisions mean that as of January 1, 2019, the large excess offering of rights in the system will begin to decrease.

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
Land and buildings		
Opening cost	2,969	2,943
Investments for the year	46	—
Business combinations	6	—
Sales/Disposals	(55)	(58)
Completion of constructions in progress	296	84
Exchange-rate differences for the year	5	0
Closing accumulated cost	**3,267**	**2,969**
Opening depreciation	1,604	1,546
Sales/Disposals	(51)	(36)
Depreciation for the year	102	94
Exchange- rate differences for the year	0	0
Closing accumulated depreciation	**1,655**	**1,604**
Carrying amount	**1,612**	**1,366**

	2018[(1)]	2017[(1)]
Plant and machinery[(1)]		
Opening cost	17,885	18,805
Sales/Disposals	(2,376)	(1,431)
Completion of constructions in progress	501	510
Closing accumulated cost	**16,010**	**17,885**
Opening depreciation	12,572	13,341
Sales/Disposals	(2,338)	(1,354)
Depreciation for the year	576	585
Closing accumulated depreciation	**10,810**	**12,572**
Carrying amount	**5,200**	**5,313**

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

	2018	2017
Capitalized turnaround costs		
Opening cost	1,466	1,489
Disposals	(402)	(477)
Completion of constructions in progress	20	454
Closing accumulated cost	**1,084**	**1,466**
Opening depreciation	828	1,102
Disposals	(402)	(477)
Depreciation for the year	219	202
Closing accumulated depreciation	**645**	**828**
Carrying amount	**440**	**638**

	2018	2017
Equipment, tools, fixtures and fittings		
Opening cost	1,556	1,507
Investments during the year	3	2
Sales/Disposals	(99)	(84)
Completion of constructions in progress	67	129
Re-classification	—	3
Exchange-rate differences for the year	0	0
Closing accumulated cost	**1,526**	**1,556**

	2018	2017
Opening depreciation	1,170	1,139
Sales/Disposals	(96)	(79)
Depreciation for the year	105	108
Re-classification	—	2
Exchange-rate differences for the year	0	0
Closing accumulated depreciation	**1,180**	**1,170**
Carrying amount	**347**	**386**

	2018	2017
Constructions in progress		
Opening cost	1,978	1,087
Sales/Disposals	0	—
Capital expenditure during the year	1,771	2,067
Completion of constructions in progress	(774)	(1,176)
Exchange-rate differences for the year	0	0
Closing accumulated cost	**2,975**	**1,978**

Capitalized interest expenses for the year were SEK 18 million (22) relating primarily to the balance sheet item “Construction in progress”. The average interest rate is 3.4% (4.4%).

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	208
Lignolproduktion AB	559095-1116	Stockholm	249,999	25	25
Total					**238**

	2018				
	Assets	Liabilities	Equity	Income	Net profit/(loss)
AB Djurgårdsberg	3	3	0	5	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	205	190	15	413	(1)
SunPine AB	1,025	421	604	1,458	179
Lignolproduktion AB	75	75	0	—	0

	2017				
	Assets	Liabilities	Equity	Income	Net profit/(loss)
AB Djurgårdsberg	3	3	0	6	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	165	148	17	387	1
SunPine AB*	772	167	605	1,203	203

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

	2018	2017
Opening balance	194	168
Dividend	(25)	(25)
Capital expenditure during the year	25	—
Profit participation	44	51
Closing balance	**238**	**194**

Goodwill is included with SEK 79 million.

NOTE 18. RECEIVABLES FROM RELATED PARTIES

	2018	2017
Opening value	0	0
Change during the year	157	157
Allowance for doubtful receivable CMGO	(157)	(157)
Closing value	**0**	**0**

The receivables from affiliates line item relates to an interest-bearing receivable from affiliate Corral Morocco Gas & Oil AB (CMGO). In the annual financial statements for 2016, a provision of SEK 1,724 million was made for Preem's receivable from CMGO based on the estimated value of the company's assets. The receivable totaled SEK 0 million after the provision but is subject to a market-based fixed interest rate of 5 percent of the original receivable of SEK 3,136 million. A provision of SEK 157 million was made in 2018. No collateral has been pledged for the Group's receivable from CMGO.

The prospects of CMGO repaying funds to Preem under the aforementioned note are dependent upon success in the legal proceedings, regarding ownership rights to the Moroccan company SAMIR, which CMGO (through its subsidiary Corral Morocco Holdings AB) initiated against Morocco at ICSID (International Center for Settlement of Investment Disputes) in Washington in early 2018. During 2018, the Board of Directors of Preem, including all independent directors, have unanimously adopted a resolution to the effect that Preem, within certain specified boundaries and conditions, should financially support CMGO´s legal proceedings against Morocco at ICSID as well as certain other legal proceedings pertaining to SAMIR. The Board of Directors is of the opinion that these measures are beneficial to Preem as they uphold the possibility of getting repayment from CMGO.

NOTE 19. OTHER SHARES AND PARTICIPATIONS

	2018	2017
Opening carrying amount	26	28
Impairment losses	(20)	—
Profit/Loss	5	(1)
Carrying amount at end of period	**11**	**26**

Company	Corp. ID no.	Reg. office	No. of shares	Participating interest %	Carrying amount
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	9	10
Götene E.D.F. Elföreningen, co-operative					0
SSH Svensk Servicehandel					0
Total					**11**

NOTE 20. INVENTORIES

	2018	2017
Raw material	3,465	4,978
Finished goods	7,079	5,713
Total	**10,543**	**10,691**

The cost of inventories in the Group includes the equivalent of SEK 183 million (15) of volumes of inventories out on loan. Borrowed inventory volumes corresponding to a total inventory value of SEK 78 million (97) are not included in the inventory value.

NOTE 21. TRADE RECEIVABLES

	2018	2017
Trade receivables	4,328	4,681
Reserve for doubtful debts	(10)	(7)
Fair value of trade receivables	**4,318**	**4,674**

The impairment principle changed in 2018 in connection with new principles in IFRS. Through a historical analysis in 2017 and 2018, it was established that the uncertainty remains steady at 0.01% of the total trade receivable stock at the time the receivable was generated and this is continuously reserved. All trade receivables over 90 days are reserved in their entirety. The age analysis of trade receivables is shown below:

	2018	2017
Less than 10 days	148	121
Between 10 and 20 days	100	26
Between 21 and 30 days	34	5
More than 30 days	88	25
Total	**371**	**176**

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

	2018	2017
At the beginning of the period	7	6
Provision for impairment of trade receivables/unused amounts reversed for the year	15	7
Confirmed losses during the year	(12)	(7)
At the end of the period	**10**	**7**

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 impaired assets.

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.

	2018	2017
Cash and bank balances	1,423	1,083
	1,423	**1,083**

NOTE 23. PENSION OBLIGATIONS

	2018	2017
Defined benefit obligations and the value of plan assets		
Wholly or partly funded obligations:		
Current value of defined benefit obligations	654	624
Fair value of plan assets	(634)	(652)
Net wholly or partly funded obligations	20	(28)
Unfunded obligations:		
Current value of unfunded defined benefit obligations	84	87
Provision, endowment insurance	55	50
Net amount in balance sheet (obligation +, asset −)	**159**	**109**
The net amount is recorded in the following items in the balance sheet:		
Provisions for pensions	159	109
The net amount is divided among the following countries:		
Sweden	159	109

Pension expense

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

Defined benefit plans	2018	2017
Interest expense	16	17
Expected return on plan assets	(15)	(15)
Total cost of defined benefit plans	**1**	**2**

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

	2018	2017
Actuarial gain (+)/loss (−) on defined pension plans	(47)	(2)
Tax attributable to items relating to the comprehensive income	10	0
Total comprehensive income for the year, net after tax	**(37)**	**(2)**

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

	2018	2017
Opening gross amount in balance sheet	711	702
Payment of benefits	(29)	(29)
Interest expense	16	17
Actuarial Profit (−), Loss (+) for the year on the obligations:		
Revaluation	10	1
Actuarial Profit/loss on change in financial assumptions	28	28
Experience adjustments	3	(8)
Closing net amount in balance sheet	**738**	**711**

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

Active members: 0% (0%)
Blanche holders: 58% (59%)
Old-age pensioners: 42% (41%)

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

	2018	2017
Opening gross amount in balance sheet	(652)	(641)
Payments of benefits	21	21
Expected return	(15)	(15)
Actuarial gain (+) or loss (−) for the year on the plan assets	11	(16)
Closing gross amount in balance sheet	**(634)**	**(652)**

The actual return on plan assets totaled SEK 4 million **(32).**

	2018	2017
Actuarial assumptions		
Discount rate	2.20%	2.35%
Future salary increases	Not applicable	Not applicable
Staff turnover	Not applicable	Not applicable
Inflation	2.0%	1.9%
Expected average remaining period of service	Not applicable	Not applicable
Life adoption	DUS 14 tjm	DUS 14 tjm
The duration of benefit obligations	15	16
Plan assets consist of the following		
Interest-bearing securities	55%	57%
Shares	33%	32%
Real estate	12%	11%
Total	**100%**	**100%**

The expected return on plan assets is established by reference to the expected return on the assets covered by the current investment policy. 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 relevant market.

	Present value of obligations	Percentage change
Sensitivity analysis		
Discount rate +0,5%	673	(9%)
Discount rate −0,5%	812	10%
Inflation/pension indexing + 0,5%	817	11%
Inflation/pension indexing −0,5%	668	(9%)
Expected lifetime + 1 year	782	6%

Contributions for defined benefit plans are estimated at SEK 0 million in 2018, as the transition to Alecta took place on January 1, 2008 and the former plan was paid up. The Group pays a fixed fee for the defined benefit pension plan to a separate legal entity (Alecta). The Group has no legal or constructive obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits associated with the employees' service during the current or previous periods.

NOTE 24. OTHER PROVISIONS

	Restoration for the environment[(1)]	Other	Total
Opening balance 2018	63	79	142
Provisions during the year	110	0	110
Amount used	(4)	(4)	(8)
Unutilized amounts that have been reversed	—	—	—
Closing balance 2018	**169**	**75**	**244**
Opening balance 2017	66	0	66
Provisions during the year	4	79	84
Amount used	(7)	—	(7)
Unutilized amounts that have been reversed	—	—	—
Closing balance 2017	**63**	**79**	**142**

(1) The closing balance includes a provision made in Preem AB for remediation of soil in connection with the decommissioning of the Loudden depot and remediation of a ditch at the refinery in Gothenburg. The provision has been capitalized as a non-current asset (land and land improvements) with a depreciation period corresponding to the remediation period, which is forecast to be completed in December 2019 for Loudden and 2022 for the ditch at the refinery in Gothenburg. In 2018, further provisions were made in an amount of SEK 110 million for remediation of soil in depots.

NOTE 25. BORROWINGS

	2018	2017
Long-term loans		
Parent company		
Bond loans investors in EUR	5,857	5,614
Bond loans investors in SEK	500	500
Shareholder loans, subordinated in EUR	2,226	1,933
Shareholder loans, subordinated in USD	867	721
Shareholder loans, other in EUR	38	119
Shareholder loans, other in USD	1,530	2,098
Total long-term loans, Parent Company	**11,018**	**10,986**
Transaction expenses	(144)	(204)
Net total long-term loans, Parent Company	**10,874**	**10,781**
Group companies		
Loans in SEK	1,500	1,500
Loans in USD	5,383	2,964
Total long-term loans, Group companies	**6,883**	**4,464**
Transaction expenses	(189)	(291)
Net total long-term loans, Group companies	**6,694**	**4,173**
Total long-term loans, Group	**17,900**	**15,449**
Transaction expenses	(333)	(495)
Deposits	18	18
Net total long-term loans, Group	**17,585**	**14,973**

	2018	2017
Short-term loans		
Group companies		
Loans in SEK	105	—
Loans in USD	383	903
Total short-term loans, Group companies	**488**	**903**
Transaction expenses	—	—
Net total short-term loans, Group companies	**488**	**903**
Total borrowing, Group	**18,406**	**16,370**
Net total borrowing, Group	**18,073**	**15,875**

Repayment plan	2019	2020	2021	2022-	Total
Amortization schedule	488	6 883	11 018	18	**18 406**

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, variable interest	1,500	3.53	—	1,500	—
USD, variable interest	600	6.08	—	5,383	—
EUR, fixed interest rate	790	11.34	—	8,121	—
USD, fixed interest rate	267	6.98	—	2,397	—
SEK, fixed interest rate	500	12.25	—	500	—
Short-term loans					
NOK, utilized overdraft facilities	—	—	105	—	—
USD, utilized overdraft facilities	—	—	114	—	—
USD, variable interest	30	6.36	269	—	—
Total borrowing			**488**	**17,900**	**—**
Transaction expenses			—	(333)	—
Deposits			—	18	—
Total borrowing incl. deposits and transaction expenses			**488**	**17,585**	**—**
					18,073

The remaining average fixed-interest period as of December 31, 2018 was approx. 19.54 months.

Compliance with special loan conditions

Borrowings totaling SEK 7,371 million in both SEK and USD consist of a syndicated loan and are subject to a clause requiring compliance with the terms of the minimum level of equity, the ratio of net debt to equity, the interest coverage ratio and the ratio of net debt to adjusted EBITDA. All conditions have been met as at December 31, 2018.

NOTE 26. BANK OVERDRAFT, ETC.

	2018	2017
Authorized credit limit bank overdraft	628	412
Utilized credit limit bank overdraft	(219)	(79)
Unutilized element	409	332
Other unutilized credit		
Authorized credit limit	3,809	4,580
Total unutilized credit	**4,218**	**4,912**

The line of credit for checking account is divided in NOK and USD.

NOTE 27. DERIVATIVES

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Oil derivatives	2	1	—	3

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, 2018, long positions SEK 225 million (52) (incl. emission right futures) and short position SEK 1,510 million (1,900).

NOTE 28. OTHER LIABILITIES

	2018	2017
Value Added Tax	517	465
Excise Duties[1]	771	817
Other Liabilities	185	131
	1,472	**1,413**

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

NOTE 29. ACCRUED EXPENSES AND PREPAID INCOME

	2018	2017
Purchases of crude oil and products	2,062	3,159
Personnel	323	307
Interest	379	363
Other	1,059	647
	3,823	**4,477**

NOTE 30. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	2018	2017
Pledged assets		
Shares in subsidiaries	12,890	12,250
Property mortgages	4,000	4,000
Floating charges	8,000	8,000
Deposits	118	125
Trade receivables	4,076	4,408
	29,084	**28,783**
Contingent Liabilities		
Sureties in favour of associates	96	93
Guarantees FPG/PRI	1	2
	98	**94**

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

Interest paid and dividends received

	2018	2017
Interest received/paid		
Dividend received	25	25
Interest received	8	6
Interest paid	(1,009)	(1,000)
Adjustment for items not included in cash flow, etc.		
Depreciation of non-current assets	1,037	1,000
Impairment of non-current assets	27	80
Write-down of inventories	393	(8)
Unrealized exchange rate losses(+)/gains(−)	91	(55)
Unrealized losses(+)/gains(−) on financial net	542	(127)
Unrealized losses(+)/gains(−) on oil derivatives	(484)	70
Element of capitalized borrowing costs recorded as expenses	162	162
Capitalized interest cost	384	366
PIK interests	367	355
Capital gains/losses on disposal/retirement of non-current assets	5	(3)
Capital gains/loss from sale or disposal of business/subsidiary	—	(105)
Provisions	(10)	74
Profit participation in associates	(49)	(50)
Other	4	—
	2,469	**1,758**

Acquisition of subsidiary - Group

	2018	2017
Acquired assets and liabilities		
Intangible assets	1	158
Property, plant and equipment	33	1
Deferred tax assets	—	0
Prepaid expenses and accrued income	—	1
Cash and cash equivalents	1	—
Total assets	**35**	**160**
Current provisions	(6)	(37)
Operating liabilities	(1)	—
Total provisions and liabilities	**(7)**	**(37)**
Consideration:		
Consideration paid	(27)	(123)
Impact on cash and cash equivalents	(26)	(123)

Reconciliation of liabilities arising from financing activities

Non-cash changes

	2018 Opening balance	Cash flows	Capitalized interest	Capital contribution	Exchange rate, unrealized	2018 Closing balance
Bank overdraft facilities	79	139	—	—	—	219
Syndicated bank loans	5,286	1,887	—	—	(22)	7,151
Deposits	18	(1)	—	—	—	18
Senior notes	6,114	—	—	—	243	6,357
Subordinated notes	2,653	—	290	—	149	3,093
Shareholder loans	2,217	—	94	(908)	165	1,568
Total liabilities arising from financing activities	**16,369**	**2,026**	**384**	**(908)**	**534**	**18,405**

Non-cash changes

	2017 Opening balance	Cash flows	Capitalized interest	Capital contribution	Exchange rate, unrealized	2017 Closing balance
Bank overdraft facilities	103	(24)	—	—	—	79
Syndicated bank loans	5,080	248	—	—	(43)	5,286
Deposits	19	0	—	—	—	18
Senior notes	5,953	—	—	—	161	6,114
Subordinated notes	2,422	—	248	—	(16)	2,653
Shareholder loans	2,829	—	118	(500)	(229)	2,217
Total liabilities arising from financing activities	**16,406**	**224**	**365**	**(500)**	**(127)**	**16,369**

Reconciliation of liabilities also refers to the Parent Company.

NOTE 32. FINANCIAL INSTRUMENTS

Financial instrument by category

	2018				
	Assets measured at fair value through profit/loss for the year	Assets measured at fair value through other comprehensive income	Financial assets measured at amortized cost	Carrying amount	Fair Value
Assets in balance sheet					
Other shares and participations	11	—	—	11	11
Derivatives	2	—	—	2	2
Trade and other receivables	—	—	5,339	5,339	5,339
Cash and cash equivalents	—	—	1,423	1,423	1,423
Total	**13**	**—**	**6,761**	**6,774**	**6,774**

	Liabilities at fair value through profit/loss for the year	Liabilities at fair value through other comprehensive income	Other liabilities	Carrying amount	Fair Value
Liabilities in balance sheet					
Borrowings	—	—	18,406	18,406	18,661
Derivatives	1	—	—	1	1
Other liabilities	—	—	4,652	4,652	4,652
Total	**1**	**—**	**23,059**	**23,059**	**23,313**

	2017				
	Assets measured at fair value through profit/loss for the year	Assets measured at fair value through other comprehensive income	Financial assets measured at amortized cost	Carrying amount	Fair Value
Assets in balance sheet					
Other shares and participations	26	—	—	26	26
Derivatives	—	—	—	—	—
Trade and other receivables	—	—	5,242	5,242	5,242
Cash and cash equivalents	—	—	1,083	1,083	1,083
Total	**26**	**—**	**6,324**	**6,350**	**6,350**

	Liabilities at fair value through profit/loss for the year	Liabilities at fair value through other comprehensive income	Other liabilities	Carrying amount	Fair Value
Liabilities in balance sheet					
Borrowings	—	—	16,370	16,370	17,018
Derivatives	3	—	—	3	3
Other liabilities	—	—	5,391	5,391	5,391
Total	**3**	**—**	**21,761**	**21,765**	**22,412**

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.

	2018		
	Level 1	Level 2	Level 3
Assets in balance sheet			
Oil derivatives	—	2	—
Total	**—**	**2**	**—**
Liabilities in balance sheet			
Oil derivatives	—	**1**	—
Total	—	**1**	—

	2017		
	Level 1	Level 2	Level 3
Assets in balance sheet			
Oil derivatives	—	—	—
Total	—	—	—
Liabilities in balance sheet			
Oil derivatives	—	3	—
Total	—	3	—

NOTE 33. TRANSACTIONS WITH RELATED PARTIES

Relations with related parties which imply a controlling influence.

	2018			
	Sales	Purchase	Receivables Dec 31	Liabilities Dec 31
Transactions with Related parties				
Ultimate shareholder	—	—	—	4,661
Associated companies	10	1,122	0	96
Other affiliates	3	215	0	29

	2017			
	Sales	Purchase	Trade receivables	Current liabilities
Transactions with Related parties				
Ultimate shareholder	—	—	—	4,871
Associated companies	24	882	—	89
Other related affiliates	2	239	0	25

NOTE 34. OTHER NON-CURRENT RECEIVABLES

	2018	2017
At start of year	91	47
Capital expenditures for the year:		
Endowment insurance	4	8
Project Rocc	28	36
	124	**91**

NOTE 35. EVENTS AFTER THE CLOSING DATE

In January 2019, the Iso-Cracker was shut down in the refinery in Lysekil when one of the reactors was damaged in a power outage. Repair work was completed, and the plant restarted in March. The cost of the production loss for the three months is estimated at USD 36 million or USD 1.4/barrel. In connection with this, property damage also arose.

The new hydrogen gas unit in the refinery in Gothenburg was started according to plan at the end of February 2019. A total investment of SEK 635 million with an expected short payback period (< 2 years). The unit allows increased capacity for production of fuel based on renewable feedstock and greater desulfurization capacity.

Another initiative is the start-up of the new vacuum distillation unit (VDU) in Lysekil. This is another important investment with good profitability that reduces the production of HFO and allows increased diesel production. The expected payback period is three to four years, with first oil produced during the end of Q1, 2019.

Corral Petroleum Holdings and Preem are now progressing, in collaboration with various potential financiers, a plan to refinance the Group, in which redemption of the 2021 Notes may be one possible component. The current target is to finalize a refinancing during 2019, but this may vary due to a number of factors, including market conditions. As mentioned in the previous quarterly report, the objective and structure of the refinancing will also include preparations for the longer-term prospect that the Preem Shareholder may, at a future date, consider an initial public offering (IPO) of Preem shares. It should however be noted that no decision regarding a potential IPO has been taken. This information does not constitute a notice of redemption of the 2021 Notes, nor is it an offer to sell or a solicitation of offers to purchase any securities.

Preem has entered into customary best efforts mandate letter agreements with three lead banks regarding the potential refinancing of the existing debt of the Corral Petroleum Holdings AB group. As part of the mandate letter agreements, the lead banks will assist the group in its planning and structuring of its overall debt financing. Preem further expects that the mandated lead banks will coordinate the intended refinancing process, including to contact potential debt providers. While details of the refinancing arrangements and timeline remain to be determined in full, both Preem's current syndicated loan facility and the 2021 Notes are expected to be included in the scope of the potential refinancing. Any new financing arrangements will be subject to, among other things, market conditions, negotiation of documents satisfactory to Preem, satisfaction of customary closing conditions and other factors, any or all of which could delay, prevent or alter such financing arrangements. This information does not constitute a notice of redemption of the 2021 Notes, nor is it an offer to sell or a solicitation of offers to purchase any securities.

Preem and Diamond Green Diesel have signed a non-binding Memorandum of Understanding to evaluate the formation of a joint venture company for the construction and ownership of a new green feed unit facility located at Preem´s existing Gothenburg refinery. The plant would be expected to be operational in 2024 and to have an annual volume capacity of one million cubic meters of renewable diesel and aviation fuel. The purpose of the collaboration is for

Preem and Diamond Green Diesel to evaluate the formation of a joint venture company, to be owned equally between Preem and Diamond Green Diesel. This strategic alliance would build on the combined strengths of each party, integrating supply of renewable raw materials to the new plant, as well as leveraging the collective operational knowledge and valuable experience to maximize the value from the integrated value chain. The parties have engaged in initial project development with an objective to reach a decision regarding the JV investment in late 2020. The Memorandum of Understanding is non-binding and the strategic alliance as such is subject to finalization of binding contracts, board approvals in each of the parties as well as applicable authority clearances.

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, 2018 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, 2018, 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

2019-04-25
KPMG AB

Håkan Olsson Reising
Authorized Public Accountant