# CORRAL PETROLEUM HOLDINGS AB (publ)

**REPORT FOR THE SECOND QUARTER ENDED JUNE 30, 2019**

No. of pages 16

FOR IMMEDIATE RELEASE
Date: August 29, 2019
Stockholm

This report includes unaudited consolidated financial information of Corral Petroleum Holdings AB (publ) ("Corral Petroleum Holdings") and its consolidated subsidiaries, for the second quarter of 2019 and for the comparative periods in 2018. Note that due to the rounding of figures in the tables to the nearest SEK million, the sum is not always exactly equal to the sum of all components.

**Financial Highlights – Second Quarter 2019**

- Sales revenue for the second quarter of 2019 amounted to 22,771 MSEK compared to 23,401 MSEK in the second quarter of 2018.
- EBITDA[1] for the second quarter of 2019 amounted to 820 MSEK compared to 1,670 MSEK in the second quarter of 2018.
- Adjusted EBITDA[1] for the second quarter of 2019 amounted to 454 MSEK compared to 847 MSEK in the second quarter of 2018.
- Operating profit for the second quarter of 2019 amounted to 442 MSEK compared to an operating profit of 1,413 MSEK in the second quarter of 2018.
- Net loss for the second quarter of 2019 amounted to 50 MSEK compared to a net profit of 362 MSEK in the second quarter of 2018.
- Cash flow used in operating activities for the second quarter of 2019 amounted to -6,881 MSEK compared to cash flow used in operating activities of -1,197 MSEK in the second quarter of 2018.
- Weighted refining margin for the second quarter of 2019 was 3.94 $/bbl compared to 4.65 $/bbl in the second quarter of 2018.

| | Apr 1 - Jun 30 | | Jan 1 - Jun 30 | | Full year | |
|---|---|---|---|---|---|---|
| **MSEK** | **2019** | **2018** | **2019** | **2018** | **2018** | **2017** |
| Sales revenue | 22,771 | 23,401 | 44,030 | 44,010 | 92,553 | 68,752 |
| Gross profit | 884 | 1,839 | 1,706 | 2,182 | 4,024 | 5,312 |
| EBITDA[1] | 820 | 1,670 | 1,639 | 1,901 | 3,469 | 5,047 |
| Adjusted EBITDA[1] | 454 | 847 | 1,002 | 1,175 | 3,571 | 4,189 |
| Operating profit | 442 | 1,413 | 963 | 1,391 | 2,432 | 4,047 |
| Profit/loss before taxes | -28 | 412 | -396 | -375 | 8 | 2,926 |
| Net profit/loss | -50 | 362 | -335 | -252 | 113 | 2,267 |

[1] For a reconciliation of our operating profit to EBITDA and EBITDA to Adjusted EBITDA, please see the financial statements section on page 15.

Key indicators

| | Apr 1 - Jun 30 | | Jan 1 - Jun 30 | | Full year |
|---|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** | **2018** |
| Weighted refining margin, $/bbl | 3.94 | 4.65 | 3.75 | 4.30 | 4.88 |
| Average Brent Dated crude oil, $/bbl | 69 | 74 | 66 | 71 | 71 |
| Feedstock throughput, thousand bbls | 30,443 | 30,713 | 56,941 | 60,193 | 122,029 |
| Average exchange rate SEK/USD | 9.45 | 8.67 | 9.31 | 8.39 | 8.69 |
| Closing exchange rate SEK/USD | 9.27 | 8.96 | 9.27 | 8.96 | 8.97 |

## Market Overview – Second Quarter 2019

The average price of Dated Brent in the second quarter of 2019 was 69 $/bbl, compared to an average price of 63 $/bbl in the first quarter of 2019. In the second quarter of 2018 the average price was 74 $/bbl.

Oil prices pushed higher in the first half of the second quarter as a result of crude oil producers holding back production, the subsequent expectation that the market would tighten, and geopolitical tensions. Dated Brent topped at 75 $/bbl on May 16, 2019. Later, global economic concerns and the expected effect on demand growth turned the focus and prices stopped climbing. The low for the second quarter occurred on June 5, 2019 at 62 $/bbl for Dated Brent but later, the market gained some momentum again and ended the quarter at 66 $/bbl.

The average price differential for Russian crude oil ("Urals") versus Dated Brent was -0.5 $/bbl in the second quarter of 2019, compared to 0 $/bbl in the first quarter of 2019 and -2.2 $/bbl in the second quarter of 2018. It was a volatile quarter for the Urals market. During April the market became aware of a contamination of chlorides in the pipeline system to one of the loading ports in the Baltic Sea, but it was mainly large volumes transported to central and southern Europe through the pipeline system that were affected. The volumes could not be used "as is" in refineries and the market for non-contaminated Urals became very strong. The public market varied between +0.9 $/bbl and down to -2.3 $/bbl towards the end of the quarter.

European refining margins strengthened during the second quarter of 2019 compared to the first quarter of 2019. The gasoline margin strengthened considerably, and diesel and fuel oil margins maintained a relative strength. The margins were supported by a high level of refinery downtime due to planned maintenance and some unplanned events. After an explosion at a refinery in Philadelphia, US on June 21, 2019 it was decided to close the refinery permanently which increased the need to import gasoline to the East Coast of the US.

The average gasoline margin versus Dated Brent strengthened to 13 $/bbl in the second quarter of 2019, compared to 4 $/bbl in the first quarter of 2019. In the second quarter of 2018, the average gasoline margin was 13 $/bbl. The margin seasonably strengthens when the summer quality reduces output and demand is high. This quarter, supply was on the low side due to high refinery outages and inventory data in the US gave support to the margin.

The average diesel margin versus Dated Brent weakened to 14 $/bbl in the second quarter of 2019, compared to 16 $/bbl in the first quarter of 2019. In the second quarter of 2018, the average diesel margin was 14 $/bbl. The daily market stayed relatively strong with limitations of the supply available and global inventory levels not building as much as usual during this second quarter.

The average margin for high sulphur fuel oil versus Dated Brent weakened to -7 $/bbl in the second quarter of 2019, compared to -3 $/bbl in the first quarter of 2019. In the second quarter of 2018, the average margin for high sulphur fuel oil was -11 $/bbl. The continued relatively high levels for high sulphur fuel oil margins are due to low supply from refineries compared to the good demand from the shipping industry for bunker fuel and low inventory levels in the important Asian market. This will certainly change when we move towards the change of bunker specification to 0.5 % sulphur in 2020.

**Sales and Results – Second Quarter 2019**

Sales revenue in the second quarter of 2019 amounted to 22,771 MSEK compared to 23,401 MSEK in the second quarter of 2018, a decrease of 630 MSEK. The decrease in sales revenue is primarily a result of lower crude and product prices.

Operating profit for the second quarter of 2019 amounted to 442 MSEK, a decrease of 971 MSEK, compared to an operating profit of 1,413 MSEK for the second quarter of 2018. The decrease in operating profit is primarily a result of lower revenues but also due to an increase in cost of goods sold compared to last year. The weighted refining margin in the second quarter of 2019 decreased compared to the second quarter of 2018, from 4.65 $/bbl to 3.94 $/bbl.

The exchange rate for Swedish Krona against the US Dollar descended in the second quarter of 2019, decreasing the result by 394 MSEK, compared to a positive effect of 183 MSEK for the second quarter of 2018.

**Segment Reporting**

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

Sales Revenue

| | **Apr 1 - Jun 30** | | **Jan 1 - Jun 30** | | **Full year** |
|---|---|---|---|---|---|
| **MSEK** | **2019** | **2018** | **2019** | **2018** | **2018** |
| Supply & Refining | 16 683 | 22 324 | 37 094 | 41 945 | 89 467 |
| Marketing | 6 840 | 6 332 | 13 197 | 11 498 | 23 875 |
| Exchange rate differences | -10 | 114 | 75 | 132 | 111 |
| Group eliminations | -742 | -5 370 | -6 336 | -9 565 | -20 900 |
| Total Sales Revenue | **22 771** | **23 401** | **44 030** | **44 010** | **92 553** |

Operating profit

| | Apr 1 - Jun 30 | | Jan 1 - Jun 30 | | Full year |
|---|---|---|---|---|---|
| **MSEK** | **2019** | **2018** | **2019** | **2018** | **2018** |
| Supply & Refining | 1,161 | 1,388 | 1,595 | 1,464 | 2,646 |
| Marketing | 91 | 143 | 221 | 252 | 499 |
| Total Segment Operating profit | 1,252 | 1,530 | 1,816 | 1,716 | 3,146 |
| | | | | | |
| Exchange rate differences | -394 | 183 | -223 | 202 | 254 |
| Other expenses | -416 | -300 | -630 | -527 | -968 |
| Total Operating profit | **442** | **1,413** | **963** | **1,391** | **2,432** |

Supply & Refining

Our Supply & Refining segment reported an operating profit of 1,161 MSEK for the second quarter of 2019, a decrease of 227 MSEK, compared with an operating profit of 1,388 MSEK for the second quarter of 2018. The weighted refining margin decreased to 3.94 $/bbl for the second quarter of 2019 compared to 4.65 $/bbl for the second quarter of 2018. The reported Adjustments in the second quarter of 2019 amounted to 422 MSEK compared to Adjustments of 640 MSEK in the second quarter of 2018. Excluding Adjustments, operating profit amounted to 739 MSEK in the second quarter of 2019, a decrease of 9 MSEK, compared to 748 MSEK in the second quarter of 2018. The lower refining margins in our Lysekil refinery have been almost fully offset by the weaker SEK versus USD exchange rate in the period.

In the second quarter of 2019, throughput was 4.8 million $m^3$ compared to 4.9 million $m^3$ in the second quarter of 2018. In the beginning of May 2019, there were production disruptions at our Lysekil refinery related to leakage in our crude oil distillation unit. The unit was repaired and fully back in operation after eleven days of down time.

Marketing

Our Marketing segment reported an operating profit of 91 MSEK for the second quarter of 2019 compared to 143 MSEK for the second quarter of 2018, a decrease of 52 MSEK.

**Depreciation**

Total depreciation in the second quarter of 2019 amounted to 378 MSEK compared to 258 MSEK in the second quarter of 2018.

**Financing**

Financial net for the second quarter of 2019 amounted to an expense of 470 MSEK, an improvement of 531 MSEK compared to an expense of 1,001 MSEK for the second quarter of 2018. The exchange rate difference on financial items resulted in a loss of 2 MSEK for the second quarter of 2019 compared to a loss of 593 MSEK for the same period in 2018. Total interest expense for the second quarter of 2019 amounted to 458 MSEK compared to 377 MSEK for the same period in 2018 of which depreciation of loan expenditures amounted to 41 MSEK for the second quarter of 2019 which was the same amount as for the second quarter of

2018. Cash interest paid was 118 MSEK for the second quarter of 2019 compared to 69 MSEK for the second quarter of 2018.

**Six Months Ending June 30, 2019**

- Sales revenue for the first six months of 2019 amounted to 44,030 MSEK compared to 44,010 MSEK for the first six months of 2018.
- EBITDA[1]for the first six months of 2019 amounted to 1,639 MSEK compared to 1,901 MSEK for the first six months of 2018.
- Adjusted EBITDA[1] for the first six months of 2019 amounted to 1,002 MSEK compared to 1,175 MSEK for the first six months of 2018.
- Depreciation for the first six months of 2019 amounted to 676 MSEK compared to 510 MSEK for the first six months of 2018.
- Operating profit for the first six months of 2019 amounted to 963 MSEK compared to operating profit of 1,391 MSEK for the first six months of 2018.
- Net loss for the first six months of 2019 amounted to 335 MSEK compared to net loss of 252 MSEK for the first six months of 2018.
- Cash flow from operating activities for the first six months of 2019 amounted to -2,030 MSEK compared to 1,264 MSEK for the first six months of 2018.
- Weighted refining margin for the first six months of 2019 was 3.75 $/bbl compared to 4.30 $/bbl for the first six months of 2018.

**Cash Flow**

Loss before taxes amounted to 396 MSEK for the first six months of 2019 compared to loss before taxes of 375 MSEK for the same period in 2018, a decrease in profitability of 21 MSEK. Cash flow used in operating activities amounted to -2,030 MSEK in 2019 compared to cash flow from operating activities of 1,264 MSEK for the same period in 2018, a decrease of 3,294 MSEK. Adjustments for non-cash items had a positive impact of 1,349 MSEK in 2019 compared to a positive impact of 2,071 MSEK for the same period in 2018, a decrease of 722 MSEK. Please refer to page 12 for further specification of items not included in cash flow.

Taxes paid amounted to -2 MSEK for the first six months of 2019 compared to 5 MSEK in the same period of 2018.

Cash flow was negatively impacted by movements in working capital of -2,980 MSEK for the first six months of 2019 compared to a negative impact of 427 MSEK for the same period in 2018. Cash flow used in inventories amounted to -1,241 MSEK in the first six months of 2019, primarily due to the higher price of crude oil. In the first six months of 2018, cash flow used in inventories amounted to 761 MSEK. Cash flow used in operating receivables amounted to -4,364 MSEK for the first six months of 2019, primarily due to later payments than normal as a result of the implementation of our new enterprise resource planning (“ERP”) system. In the first six months of 2018, cash flow from operating receivables amounted to 72 MSEK. Cash flow from operating liabilities in 2019 amounted to 2,624 MSEK primarily due to a higher volume of outstanding crude oil payments in combination with the higher price of crude oil. For the same period in 2018, cash flow from operating liabilities amounted to 262 MSEK.

Cash flow used in investing activities amounted to 760 MSEK in the first six months of 2019, a decrease of 231 MSEK, compared to 991 MSEK for the same period in 2018.

Cash flow from financing activities amounted to 2,697 MSEK for the first six months of 2019 compared to cash flow used in financing activities of -108 MSEK for the same period in 2018. Cash flow from financing activities is attributable to (net) raising of loans under Preem's revolving credit facility as a consequence of the positive cash flow from operating activities. Cash flow from operating activities includes cash coupon payments on the Corral Petroleum Holdings' PIK toggle Senior Notes due 2021 (the "2021 Notes"), totaling 375 MSEK for the first quarter of 2019.

**Income taxes**

Taxes for the first six months ended June 30, 2019 was 61 MSEK compared to income tax of 123 MSEK for the same period in 2018. Effective tax rate amounts to 15%. The low income tax is mainly due to tax cost attributable to previous year amounting to 87 MSEK.

For information purposes, new tax rules implemented in 2019 limit interest deductions to a value of 30% of taxable EBITDA. We currently expect limited impact on Corral Petroleum Holdings´ ability to make full interest deductions during 2019.

**Financial Debt**

On June 30, 2019, the Group's financial net debt amounted to 20,627 MSEK, compared to 14,681 MSEK as of the second quarter of 2018, an increase of 5,946 MSEK. The financial debt consisted primarily of the 2021 Notes, subordinated shareholder notes, a subordinated shareholder loan (described below) and Preem's revolving credit facility. Lease agreements are now included in financial debt. Cash and cash equivalents amounted to 1,335 MSEK at June 30, 2019, an increase of 75 MSEK, compared to 1,260 MSEK for the second quarter of 2018. A breakdown of the Group's financial debt as at June 30, 2019 is included in the financial statements section on page 16.

**Corral Petroleum Holdings AB (publ)**

Corral Petroleum Holdings AB (publ) is wholly owned by Moroncha Holdings Co. Ltd and is the Parent Company of the Corral Petroleum Holdings Group. Corral Petroleum Holdings incurred loss before taxes of 434 MSEK for the first six months of 2019 compared to a loss of 872 MSEK for the first six months in 2018.

Shareholder equity as at June 30, 2019, amounted to 367 MSEK compared to 694 MSEK as of December 31, 2018. As at June 30, 2019, only accumulated non-cash (PIK) interest amounts totaling 4 MEUR plus 175 MUSD (1,661 MSEK) remain under the shareholder loans, all of which are subordinated and carry a non-cash interest rate of 5% per annum. The interest expense related to the shareholder loans is paid in kind semi-annually. In order to facilitate an appropriate equity level going forward, Corral Petroleum Holdings might consider also converting accumulated non-cash (PIK) interest amounts into equity. Such conversion would be subject to the shareholder´s approval and would likely imply a tax effect for Corral Petroleum Holdings on any converted non-cash interest amounts.

Corral Petroleum Holdings had outstanding subordinated shareholder notes of 102 MUSD and 228 MEUR (3,344 MSEK) as at June 30, 2019. The subordinated shareholder notes carry a non-cash interest rate of 10% per annum. The interest expense related to the subordinated shareholder notes is paid in kind each quarter.

## Recent Developments

The main focus of the oil market to the date of this report has been the rising tensions between Iran and the West which have the potential to threaten to limit supplies through the Strait of Hormuz -- the world's most important oil shipping lane with roughly 15-16 million barrels of crude oil passing daily. Tankers have been seized by Iran, Iranian and US drones have been shot down, and insurance premiums have increased dramatically for oil shippers in the region. So far however, the market actors do not seem to be much affected by this with oil prices in July and so far in August staying within the 61 +/-5 USD/bbl range.

This somewhat surprisingly calm market response can partly be explained by the continued hope/belief that US and Iran will avoid the conflict becoming too serious and that oil will largely continue to flow through the Strait of Hormuz. In addition there are also worries that the world economy is slowing down and that oil demand growth will be suffering as a result of this -- which in combination with the continued rise of the US shale oil industry means that traders may expect the oil market to be in surplus both this year and next -- despite the hit to supplies from Iran and Venezuela due to US sanctions, and OPEC's efforts with Russia to cut production.

Preem continues to purchase put options in accordance with its strategy to protect its balance sheet and cash flow. As of April 1, 2019, Preem has implemented a new ERP platform. Process adaptations and system adjustments are on-going.

As we are now well into the summer driving season, the gasoline market is characterized by strong demand and good prices. Gasoline prices also seem to have received some extra help this summer from the shutdown of 150-200 thousand barrels per day of gasoline production from an US East Coast Philadelphia refinery after economic problems and a major fire, combined with temporary reduced production by US Gulf Coast refineries in early July due to Hurricane Barry.

Also, Diesel has showed a positive and strong trend during the summer. The good diesel price is a result of low inventories and good demand, partly as a result of IMO 2020 which is now starting to make itself felt as bunker sellers have started early buying to fill up their tanks in preparation for January 1, 2020. The warm weather has also been weighing on European refinery throughputs/utilization during parts of the summer, and thus contributing further to somewhat reduced production and low inventories.

We have now started on the last lap before high sulfur fuel oil ("HSFO") will be excluded as bunker for ships on January 1, 2020 (unless the ship has a scrubber in operation). The HSFO price continued to be very strong in the -5 to -7 USD/bbl range versus Brent till end July. Thereafter, however, HSFO cracks have fallen to a level of -15 to -20 USD/bbl as the process of empty HSFO tanks and converting them to diesel or marine gasoil qualities accelerate.

Operations have been good at both refineries during July and August, without significant issues. See page 16 for Key Market Ratios July and Forecast August.

The Minister of the Environment and Climate, Isabella Lövin, announced on August 23, 2019 that the government will take over the permissibility application for Preem's planned expansion in Lysekil (the "ROCC-project") from the Land and Environmental Supreme Court. The judicial process will however progress as normal with a statement from the Land and Environmental Supreme Court to the government expected in late Q1 or early Q2 2020. A decision by the government could then come no earlier than Q2 2020. The plan for the ROCC-project is that the project shall be presented for Board approval by the end of 2020.

The Indenture governing the 2021 Notes contains certain provisions relating to optional redemption. In very brief summary, such provisions include that Corral Petroleum Holdings, on or after May 15, 2019, may redeem, at its option, all or a portion of each series of the 2021 Notes at specified redemption prices (plus accrued and unpaid interest and additional amounts, if any, to the redemption date). In light of these provisions, 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 discussions with the potential financiers are on-going and the target remains 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 reports, 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.

**Risk Factors**

For information on risks relating to our business and our capital structure, please see Corral Petroleum Holdings' Annual Report 2018, available at
http://www.preem.se/en/in-english/investors/corral/

**Accounting Principles and Legislations**

The consolidated financial information in this report has been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 "Interim Financial Reporting". The description of the accounting principles and definitions are found in the Annual Report 2018, with the complementary description of changes described below. The Annual Report can be found at http:://www.preem.se/en/in-english/investors/corral.

IFRS 16 Leases is effective from January 1, 2019 and replaces IAS 17 Leases and IFRIC 4 (Determining Whether an Arrangement Contains a Lease). The Group has chosen to perform the transition by use of the modified retrospective approach, which does not require restatement of comparative periods.

| **Effect on balance sheet from adoption of IFRS 16, MSEK** | **January 1, 2019** |
|---|---|
| Land and buildings | 429 |
| Equipment, tools, fixtures and fittings | 130 |
| Prepaid expenses | -29 |
| Long term debt | -384 |
| Short term debt | -146 |

Operating profit includes depreciation on the right-of-use assets instead of minimum lease payments. The difference between these costs has had a minor positive effect on operating profit. Interest on the lease liability has had a small negative impact on financial net. Total effect on net loss is insignificant.

Lease payments are recognized as financing activities instead of cash flow from operating activities. Cash flow from operating activities has increased compared to the earlier period and cash flow from financing activities has decreased. The interest portion of the lease payment remains as cash flow from operating activities.

The Group does not expect the introduction of IFRS 16 to impact its ability to meet the interest coverage ratio or minimum adjusted equity value covenants that exist in Preem's revolving credit facility.

**Additional Information**

An international conference call for investors and analysts will be held on September 3, 2019 at 3:00 pm CET. The call-in number is US + 1 212 999 6659, UK +44 (0) 20 3003 2666 and Sweden +46 (0) 8 505 204 24 meeting code: Corral Q2.
The report for the third quarter of 2019 will be released on November 27, 2019.

Stockholm, August 29, 2019
On behalf of the Board of Directors

Richard Öhman
Managing Director

**For further information, please contact:**

Amelie Wilson
Investor Relations Manager
Tel: + 46-10-450 1010
Email: amelie.wilson@preem.se

Klas Lindgren Dansbo
Group Treasurer
Tel: + 46-10-450 12 52
Email: klas.lindgren@preem.se

Peder Zetterberg
Chief Financial Officer
Tel: +46-10-450 10 47
Email: peder.zetterberg@preem.se

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

| | Apr 1 - Jun 30 | | Jan 1 - Jun 30 | | Full year | Rolling 12 Months Jul 1 - Jun 30 | |
|---|---|---|---|---|---|---|---|
| **MSEK** | **2019** | **2018** | **2019** | **2018** | **2018** | **2019** | **2018** |
| Revenue | 25,112 | 25,874 | 49,102 | 48,834 | 103,641 | 103,909 | 89,132 |
| Excise duties | -2,341 | -2,473 | -5,072 | -4,825 | -11,087 | -11,335 | -9,641 |
| Sales revenue | 22,771 | 23,401 | 44,030 | 44,010 | 92,553 | 92,574 | 79,491 |
| Cost of goods sold | -21,887 | -21,562 | -42,324 | -41,828 | -88,529 | -89,026 | -73,853 |
| **Gross profit** | **884** | **1,839** | **1,706** | **2,182** | **4,024** | **3,548** | **5,638** |
| Selling expenses | -241 | -250 | -452 | -459 | -913 | -905 | -912 |
| Administrative expenses | -290 | -304 | -508 | -549 | -1,122 | -1,081 | -1,041 |
| Other operating income | 89 | 128 | 217 | 217 | 443 | 443 | 389 |
| **Operating profit** | **442** | **1,413** | **963** | **1,391** | **2,432** | **2,004** | **4,074** |
| Interest income | 38 | 2 | 40 | 4 | 8 | 44 | 6 |
| Interest expense | -458 | -377 | -878 | -727 | -1,476 | -1,627 | -1,416 |
| Exchange rate differences | -2 | -593 | -449 | -969 | -836 | -316 | -948 |
| Other financial, net | -49 | -33 | -73 | -74 | -120 | -119 | -138 |
| Net financial items | -470 | -1,001 | -1,359 | -1,766 | -2,424 | -2,017 | -2,496 |
| **Profit/Loss before income tax** | **-28** | **412** | **-396** | **-375** | **8** | **-13** | **1,578** |
| Income tax | -22 | -50 | 61 | 123 | 105 | 43 | -330 |
| **Net profit/loss for the year** | **-50** | **362** | **-335** | **-252** | **113** | **30** | 1,248 |
| **Attributable to:** | | | | | | | |
| Parent Company's shareholder | -50 | 362 | -335 | -252 | 113 | 30 | 1,248 |
| Non-controlling interests | - | - | - | - | - | - | - |
| | **-50** | **362** | **-335** | **-252** | 113 | **30** | **1,248** |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME:**

| | Apr 1 - Jun 30 | | Jan 1 - Jun 30 | | Full year | Rolling 12 Months Jul 1 - Jun 30 | |
|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** | **2018** | **2019** | **2018** |
| Net profit/loss for the year | -50 | 362 | -335 | -252 | 113 | 30 | 1,248 |
| Other income | -9 | -9 | -46 | -1 | -38 | -82 | -4 |
| **Comprehensive income** | **-59** | **353** | **-381** | **-254** | **75** | **-53** | **1,244** |
| **Attributable to:** | | | | | | | |
| Parent Company Shareholder | -59 | 353 | -381 | -254 | 75 | -53 | 1,244 |
| Non-controlling Shareholders | - | - | - | - | - | - | - |
| | **-59** | **353** | **-381** | **-254** | **75** | **-53** | **1,244** |

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| MSEK | June 30 2019 | June 30 2018 | December 31 2018 |
|---|---|---|---|
| ASSETS | | | |
| Goodwill | 308 | 308 | 308 |
| Other intangible assets | 986 | 804 | 908 |
| Tangible assets | 11,510 | 10,045 | 10,573 |
| Financial assets | 424 | 339 | 373 |
| **Total non-current assets** | **13,228** | **11,496** | **12,161** |
| Inventories | 12,205 | 11,445 | 10,543 |
| Trade receivables | 3,180 | 4,335 | 4,322 |
| Other receivables | 2,216 | 713 | 1,018 |
| Prepaid expenses and accrued income | 4,775 | 571 | 701 |
| Cash and cash equivalents[1] | 1,335 | 1,260 | 1,423 |
| **Total current assets** | **23,711** | **18,323** | **18,008** |
| **Total assets** | **36,939** | **29,819** | **30,169** |
| EQUITY AND LIABILITIES | | | |
| Share capital | 1 | 1 | 0 |
| Other paid-in capital | 9,236 | 9,145 | 9,236 |
| Retained loss including net profit/loss for the year | -6,634 | -6,588 | -6,259 |
| | 2,603 | 2,557 | 2,978 |
| Non-controlling interests | 0 | 0 | 0 |
| **Total equity** | **2,603** | **2,557** | **2,978** |
| Financial debts | 20,849 | 15,014 | 17,585 |
| Provision for deferred taxes | 375 | 429 | 592 |
| Other provisions | 788 | 269 | 403 |
| **Total non-current liablilites** | **22,012** | **15,712** | **18,580** |
| Financial debts | 1,113 | 926 | 488 |
| Trade payables | 1,804 | 4,475 | 2,709 |
| Other liabilities | 2,047 | 1,940 | 1,591 |
| Accrued expenses and deferred income | 7,361 | 4,207 | 3,823 |
| **Total current liablilites** | **12,325** | **11,549** | **8,611** |
| **Total liabilities** | **34,336** | **27,262** | **27,191** |
| **Total shareholders equity, provisions and liablities** | **36,939** | **29,819** | **30,169** |

[1] 767 MSEK (67 MEUR and 61 MSEK) segregated account

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

| | Apr 1 - Jun 30 | | Jan 1 - Jun 30 | | Full year | Rolling 12 Months Jul 1 - Jun 30 | |
|---|---|---|---|---|---|---|---|
| **MSEK** | **2019** | **2018** | **2019** | **2018** | **2018** | **2019** | **2018** |
| **Operating activities** | | | | | | | |
| Profit/loss before taxes | -28 | 412 | -396 | -375 | 8 | -13 | 1,578 |
| Adjustments for items not included in cash flow [1] | 549 | 880 | 1,349 | 2,071 | 2,469 | 1,747 | 3,048 |
| | 521 | 1,292 | 953 | 1,696 | 2,477 | 1,734 | 4,626 |
| Taxes paid | -1 | -2 | -2 | -5 | -5 | -3 | -7 |
| | 520 | 1,290 | 951 | 1,691 | 2,472 | 1,731 | 4,619 |
| Decrease(+)/Increase(-) in inventories | -684 | -1,999 | -1,241 | -761 | -263 | -743 | -3,664 |
| Decrease(+)/Increase(-) in operating receivables | -3,310 | -89 | -4,364 | 72 | 60 | -4,376 | -824 |
| Decrease(-)/Increase(+) in operating liabilities | -3,408 | -398 | 2,624 | 262 | -1,877 | 485 | 1,995 |
| Cash flow uesd in/from operating activities | -6,881 | -1,197 | -2,030 | 1,264 | 392 | -2,903 | 2,126 |
| **Investing activities** | | | | | | | |
| Aqustion/disposal of subsidiaries | 0 | -27 | 0 | -27 | -26 | 1 | -167 |
| Capital expenditure of intangible assets | -79 | -62 | -133 | -133 | -265 | -265 | -280 |
| Capital expenditure of tangible assets | -489 | -422 | -962 | -830 | -1,798 | -1,929 | -2,033 |
| Sales of intangible and tangible assets | 0 | 16 | 371 | 16 | 34 | 389 | 35 |
| Decrease(+)/Increase(-) in financial assets | -29 | -9 | -36 | -16 | -29 | -49 | -33 |
| Cash flow used in investing activities | -598 | -504 | -760 | -991 | -2,084 | -1,853 | -2,477 |
| | -7,479 | -1,701 | -2,790 | 273 | -1,692 | -4,756 | -352 |
| **Financing activities** | | | | | | | |
| New loans | 8,134 | 3,747 | 9,937 | 4,548 | 9,894 | 15,283 | 8,093 |
| Repayment of loans | -2,162 | -1,620 | -7,160 | -4,656 | -7,869 | -10,373 | -7,422 |
| Amortization of lease debt | -41 | 0 | -78 | | | -78 | 0 |
| Loan expenditures | 0 | 0 | -3 | 0 | 0 | -3 | 0 |
| Cash flow from/used in financing activities | 5,931 | 2,127 | 2,697 | -108 | 2,025 | 4,830 | 671 |
| **CASH FLOW FOR THE PERIOD** | -1,585 | 426 | -94 | 165 | 333 | 74 | 319 |
| Opening cash and cash equivalents | 2,913 | 847 | 1,423 | 1,083 | 1,083 | 1,260 | 917 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 6 | -13 | 5 | 12 | 8 | 0 | 24 |
| **Cash and cash equivalents at the end of the period** | **1,334** | **1,260** | **1,334** | **1,260** | **1,423** | **1,334** | **1,260** |

[1] **Specification of items not included in cash flow**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Depreciation of property, plant and equipment | 378 | 258 | 676 | 510 | 1,037 | 1,203 | 1,017 |
| Disposal | 0 | -10 | 0 | -10 | 27 | 37 | -10 |
| Write-down of inventory (+)/Reversed inventory write-down(-) | -20 | 4 | -397 | 18 | 393 | -22 | 24 |
| Gain/loss on sale of fixed assets | 0 | 0 | -367 | 0 | 5 | -362 | -4 |
| Gain on sale of subsidiaries | 0 | 0 | *0* | 0 | - | - | 8 |
| Unrealized losses(+)/gains(-) on derivatives | -385 | 35 | -10 | -10 | -484 | -484 | 9 |
| Unrealized exchange losses(+)/gains(-) | 186 | -5 | 146 | 222 | 91 | 15 | 227 |
| Unrealized exchange losses(+)/gains(-) from financing activities | 77 | 284 | 354 | 712 | 542 | 184 | 822 |
| Capitalized loan expenditures deferred as interest expenses | 41 | 41 | 81 | 81 | 162 | 162 | 162 |
| Capitalized interest cost financial debt | 296 | 286 | 585 | 564 | 752 | 773 | 744 |
| Other provisions | -313 | - | 0 | 0 | | 0 | 0 |
| Others | 289 | -13 | 282 | -15 | -55 | 242 | 50 |
| | **549** | **880** | **1,349** | **2,071** | **2,469** | **1,747** | **3,048** |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| MSEK | Share capital *) | Other paid-in capital | Retained earnings | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|
| **Opening equity January 1, 2018** | **1** | **8,328** | **-6,334** | **1,995** | **0** | **1,995** |
| Net loss | - | - | -252 | -252 | 0 | -252 |
| Other comprehensive income[1] | - | - | -1 | -1 | 0 | -1 |
| Total comprehensive profit | - | - | -254 | -254 | 0 | -254 |
| Shareholder contribution received | - | 816 | - | 816 | 0 | 816 |
| **Closing equity June 30, 2018** | **1** | **9,144** | **-6,588** | **2,557** | **0** | **2,557** |
| **Opening equity January 1, 2019** | **1** | **9,236** | **-6,259** | **2,978** | **0** | **2,978** |
| Net loss | - | - | -335 | -335 | 0 | -335 |
| Other comprehensive income[1] | - | - | -39 | -39 | 0 | -39 |
| Total comprehensive profit | - | - | -375 | -375 | 0 | -375 |
| **Closing equity June 30, 2019** | **1** | **9,236** | **-6,634** | **2,603** | **0** | **2,603** |

[1] Evalution of pensions obligations according to IAS 19 and translation difference.

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

| MSEK | Share capital *) | Restricted reserves | Unrestricted reserves | Total equity |
|---|---|---|---|---|
| **Opening equity January 1, 2019** | 1 | - | 694 | 694 |
| Shareholder contribution received | - | - | - | - |
| Net loss | - | - | -327 | -327 |
| **Closing equity June 30, 2019** | 1 | **-** | **366** | **367** |

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

**CONDENSED INCOME STATEMENT - PARENT COMPANY**

| MSEK | January 1 - June 30 2019 | January 1 - June 30 2018 | Full year 2018 |
|---|---|---|---|
| **Operating profit** | **-3** | **-2** | **1** |
| Profit from investment in Group companies | 472 | 380 | 380 |
| Financial net | -902 | -1,250 | -1,003 |
| **Profit/Loss before taxes** | **-434** | **-872** | **-622** |
| Taxes | **106** | **275** | **146** |
| **Net loss** | **-327** | **-597** | **-477** |

**CONDENSED BALANCE SHEET - PARENT COMPANY**

| MSEK | June 30 2019 | June 30 2018 | December 31 2018 |
|---|---|---|---|
| ASSETS | | | |
| Participation in Group Companies | 10,693 | 10,518 | 10,606 |
| Deferred tax | 367 | 391 | 261 |
| Other receivables | 1 | 1 | 1 |
| Cash and cash equivalents [1] | 1,155 | 867 | 1,131 |
| **Total assets** | **12,217** | **11,776** | **11,999** |
| EQUITY AND LIABILITIES | | | |
| Restricted equity | 1 | 1 | 1 |
| Non-restricted equity | 366 | 482 | 694 |
| **Total equity** | **367** | **482** | **694** |
| Shareholder loans | 1,661 | 1,620 | 1,568 |
| Bond loans, subordinated notes | 3,344 | 2,973 | 3,093 |
| Bond loans, senior notes | 6,405 | 6,266 | 6,213 |
| Loan from subsidiary | 55 | 55 | 55 |
| Other short term liabilities | 385 | 380 | 375 |
| **Total liabilities** | **11,850** | **11,294** | **11,304** |
| **Total equity and liabilities** | **12,217** | **11,776** | **11,999** |

[1)] 767 MSEK (67 MEUR and 61 MSEK) segregated account

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

We define Adjusted EBITDA as EBITDA adjusted to certain price, currency and hedging effects permitted in calculating covenant compliance under Preem's 2011 Credit Facility. The following table presents a reconciliation of EBITDA to Adjusted EBITDA.

**RECONCILITATION OF OPERATING PROIFT TO EBITDA AND EBITDA TO ADJUSTED EBITDA**

| | Apr 1 - Jun 30 | | Jan 1 - Jun 30 | | Full year | Rolling 12 months Jul 1 - Jun 30 | |
|---|---|---|---|---|---|---|---|
| **MSEK** | **2019** | **2018** | **2019** | **2018** | **2018** | **2019** | **2018** |
| **Operating profit** | **442** | **1,413** | **963** | **1,391** | **2,432** | **2,004** | **4,074** |
| Depreciation | 378 | 257 | 676 | 509 | 1,037 | 1,204 | 1,016 |
| **EBITDA** | **820** | **1,670** | **1,639** | **1,901** | **3,469** | **3,208** | **5,090** |
| Add back: | | | | | | | |
| Adjustments* | -366 | -823 | -637 | -726 | 102 | 190 | -1,600 |
| **Adjusted EBITDA** | **454** | **847** | **1,002** | **1,175** | **3,571** | **3,398** | **3,490** |

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

* From the second quarter of 2019, Preem has moved to a new ERP platform, and as a part of this transformation, Preem has updated its definition of adjusted EBITDA. The changes from and after April 1, 2019 are:

- Price effect – Realized price effect from volumes sold. Calculated for each transaction from purchase of crude oil to sales to end customer.
- Currency effect - Currency effect related to accounts receivables and account payables.
- Stock write down - Inventory write down if FIFO valuation is higher than market valuation.
- Daily hedge - Hedging activities in order to meet norm position inventory levels.
- Strategic hedge - Hedging related to the total volume of the norm position (11.6 thousand barrels) and trading related to CO2 emission allowances.

Prior to April 1, 2019, applicable adjustments related primarily to inventory price and foreign currency gains and losses calculated on a different ERP platform. Hence, Adjusted EBITDA for all periods prior to April 1, 2019 should not be viewed as comparable to periods from and after April 1, 2019.

### Financial Debt Breakdown

| MSEK | June 30 2019 | June 30 2018 | Full year 2018 |
|---|---|---|---|
| Revolving credit facility | 9 217 | 4 378 | 6 883 |
| Leased assets debt non-current | 343 | – | – |
| Borrowings current | 979 | 926 | 488 |
| Leased assets debt current | 134 | - | - |
| Transaction expenses | -141 | -240 | -189 |
| Other liabilities, interest bearing | 20 | 18 | 18 |
| **Total Financial Debt - Preem** | **10 552** | **5 082** | **7 199** |
| Senior Notes | 6 518 | 6 440 | 6 357 |
| Transaction expenses | -114 | -174 | -144 |
| Subordinated Notes | 3 344 | 2 973 | 3 093 |
| Other loans from shareholder | 1 661 | 1 620 | 1 568 |
| **Total Financial Debt - Corral** | **11 409** | **10 859** | **10 874** |
| **Total Financial Debt - Group** | **21 961** | **15 941** | **18 073** |
| Cash and cash equivalents [1] | -1 335 | -1 260 | -1 423 |
| **Total Financial Net Debt** | **20 627** | **14 681** | **16 650** |
| **Leverage ratio [2]** | **4,1** | **3,2** | **3,5** |

[1] 767 MSEK (67 MEUR and 61 MSEK) segregated account
[2] Transaction expenses are excluded in the leverage ratio.

## Key Market Ratios July and Forecast August

| MSEK | | JUL 2019 | JUL 2018 | JAN-JUL 2019 | JAN-JUL 2018 | FY 2018 | FORECAST AUG 2019 |
|---|---|---|---|---|---|---|---|
| **General** | | | | | | | |
| Brent dated oil price (USD/bbl) - closing | | 63.23 | 74.46 | 63.23 | 74.46 | 50.21 | n/a |
| Brent dated oil price (USD/bbl) - average | | 64.98 | 74.35 | 66.13 | 71.14 | 71.31 | 58.82* |
| Exchange rate (SEK/USD) - closing | | 9.56 | 8.75 | 9.56 | 8.75 | 8.97 | n/a |
| Exchange rate (SEK/USD) - average | | 9.41 | 8.82 | 9.32 | 8.46 | 8.69 | 9.63* |
| **Supply & Refining** | | | | | | | |
| Refining margin USD/bbl | Lysekil | 5.63 | 6.13 | 3.84 | 5.05 | 5.28 | 6.85 |
| | Gothenburg | 7.55 | 4.79 | 4.82 | 3.50 | 4.14 | 7.71 |
| | Weighted | 6.32 | 5.66 | 4.19 | 4.50 | 4.88 | 7.17 |
| Throughput ( ' 000 m3) | Lysekil | 1,180 | 1,088 | 7,040 | 7,278 | 12,566 | 1,027 |
| | Gothenburg | 660 | 579 | 3,852 | 3,958 | 6,835 | 619 |
| | Total | 1,840 | 1,667 | 10,892 | 11,236 | 19,401 | 1,646 |

* As per data 27/08/2019