PREEM ANNUAL REPORT 2018

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2018

Directors' Report Preem AB

Facts

Preem AB (publ)
Corporate ID number 556072-6977.
Preem AB (publ) is wholly-owned by Corral Petroleum Holdings AB (publ).
Corral Petroleum Holdings AB is a wholly-owned subsidiary of Moroncha Holdings Co. Limited (Cyprus).
Preem AB (publ), with its registered office in Stockholm, Sweden and its subsidiary, is Sweden's largest fuel company. The Parent Company's address is Warfvinges väg 45, SE-112 80 STOCKHOLM.
Figures in parentheses refer to the previous year.

Preem AB is Sweden's largest fuel company and accounts for about 80 percent of Swedish refinery capacity and about 30 percent of refinery capacity in the Nordic Region. Preem's two refineries in Gothenburg and Lysekil are among the most energy-efficient and modern in Europe. They have a total refining capacity of over 18 million m³ per year. Preem conducts refinement of crude oil and renewable feedstocks. A majority of the production is exported to the international market, mainly in Northwestern Europe. In Sweden and Norway Preem sells fuel, heating oil and lubricating oil, as well as other products to both businesses and private individuals. Sales of our products in the Swedish market take place through Preem's nationwide station network of around 570 filling stations for private and commercial traffic, as well as certified resellers. In Norway, Preem's products are mainly sold through resellers and in bulk through direct sales.

Profit/loss

Preem's sales revenue rose from SEK 68,752 million in 2017 to SEK 92,553 million in 2018, a 35 percent increase.

Gross profit decreased by SEK 1,288 million to SEK 4,024 million (5,312), including price effects on inventories in the amount of SEK –356 million (1,064). The decrease in profit compared with the previous year is primarily due to declining market prices for crude oil and products.

The average refining margin decreased from USD 5.58 per barrel the previous year to USD 4.88 per barrel for the full year. The lower refining margin was primarily attributable to shrinking margins on gasoline and heavy fuel oil.

Crude oil prices dropped in 2018 from USD 66.54 per barrel at the beginning of the year to USD 50.21 per barrel at year-end. The price gradually increased during the first three quarters to then turned downwards in the fourth quarter. The SEK/USD exchange rate rose during the year with the SEK weakening from SEK 8.15/USD at the start of the year to SEK 8.97 at the end of the year. The average exchange rate to the USD was SEK 8.69 in 2018, compared with SEK 8.54 in 2017.

Total production was 18.9 million m³ (17.5), an increase of almost 8 percent compared with 2017. The proportion of products exported was 60 percent (62), with a value of SEK 55,113 million (42,768).

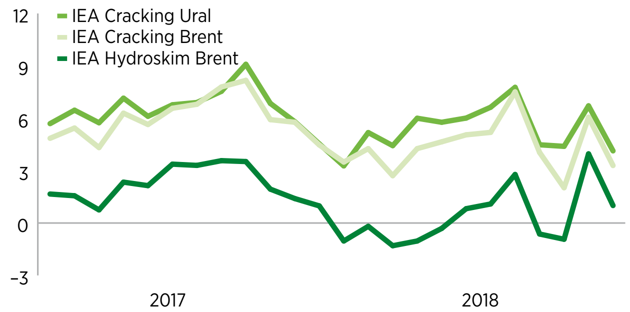
The Marketing and Sales segment reported a continued strong operating profit of SEK 499 million, compared with SEK 581 million in the previous year. Overhead costs increased by 8 percent, driven by an expanded organization, upgrades to the IT systems and higher insurance costs.

Operating profit dropped to SEK 2,431 million (4,047). Profit before tax amounted to SEK 1,746 million (3,971).

A table of key ratios including definitions is presented on the last page under the Preem Group's operations in summary.

OIL PRICE TREND 2018
USD/barrel

REFINING MARGINS
USD/barrel



Market

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.

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 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 the most 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 USD –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 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/mt 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

PURCHASES OF CRUDE OIL 2018

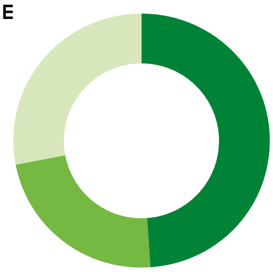
Distribution in %

- Russia 42%
- North Sea 25%
- Other 33%

PURCHASES OF CRUDE OIL 2017

Distribution in %

- Russia 49%
- North Sea 23%
- Other 28%



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 difference in value for a refinery's products and the cost of the crude oil, the margin, is the basis of its profitability. In 2018, the margin for gasoline decreased compared with 2017 especially towards the end of the year. Gasoline production was high and global demand was not at the same level, which meant that inventories increased at the end of the year. The production of diesel was well matched by demand, which meant that global inventories decreased and the margin was strengthened in 2018 compared with 2017.

The margin for heavy fuel oil is likely to remain at a high level for the next year even if the margin decreased in 2018 compared with 2017. Global demand is still good for marine fuel, as fuel for electricity production and for the production of bitumen at the same time that a globally lighter crude oil mix and investments in existing refineries and new refineries with low production of heavy fuel oils is reducing the supply. The price for heavy fuel oil will be affected in 2019 by the large change that IMO 2020 (International Maritime Organization) will entail.

In summary, the refineries of the world can be said to have had good profitability during 2018 even if price fluctuations during the year meant some decline compared with 2017.

Production

The Group's operations consist mainly of refining crude oil in its refineries in Lysekil and Gothenburg. Total production for the year amounted to 18.9 million m^3, compared with 17.5 million m^3 in 2017. The bulk of the crude oil originates from Russia, the North Sea and West Africa. Renewable feedstocks amounting to 204 thousand m^3 were used at the refinery in Gothenburg to produce hydrogenated vegetable oil (HVO) for Preem Evolution Diesel, which generated the highest renewable fuel production in Preem's history.

At the middle of the year, a plant fire occurred in a visbreaker in Lysekil. It affected the second half of the year's operations in Lysekil. In addition, planned maintenance stops were implemented on the Fluid Catalytic Cracker (FCC) and Iso Cracker (ICR) in Lysekil in spring 2018 and the Green Hydro Treater (GHT) in Gothenburg during the summer. Not counting this, operations during the year were stable with a high plant capacity utilization where January was the month in the refinery in Lysekil's history with the very highest process utilisation.

Marketing and Sales

The Marketing and Sales segment reported strong 2018 earnings with an operating profit of SEK 499 million, compared with SEK 581 million in the previous year. A large positive non-recurring effect from the sale of Preem Gas of SEK 103 million, was included in the previous year's figures. There was a good volume growth during the year at 6 percent compared with the previous year. It is largely driven by higher sales of heavy fuel oil and fuel oil, which have continued to increase despite the adoption of conversion to other fuels. In September 2017, the operations of Preem Norge AS (YX Bulk) were acquired in Norway, which did not provide a large earnings effect for the 2017 financial year, but in 2018 contributed to higher volumes and earnings.

In 2018, Marketing and Sales changed transport provider. On June 1, the new contract began with the three new transporters: Skanol, Sundfrakt and BDX. The implementation of the new transporters took place in three phases at the same time that the previous transporter Hoyer was phased out. The goal of the new agreement is better control and simplified follow-up.

On July 1, 2018, a new law was introduced, requiring a reduction obligation for gasoline and diesel sales in Sweden. The law demands that fuel suppliers reduce the fuel's climate impact by gradually increasing the percentage of renewable feedstock in gasoline and diesel. This means that the proportion of renewable feedstocks will increase in both gasoline and diesel.

Consumer gasoline and diesel prices were SEK 14.70 and 14.55 per liter, respectively, at the start of the year and rose until the autumn when they reached the year-high levels of SEK 16.21 and 16.68 per liter, respectively, in October. The prices then dropped somewhat in the last two months of the year. Gasoline and diesel prices closed out the year at SEK 14.64 and 15.66 per liter, respectively. A part of the rising consumer price of diesel can be traced to the introduction of required reductions.

SALES IN SEK 2018

Distribution in %

- Sweden 38%
- Netherlands 22%
- Other countries 18%
- UK 12%
- Rest of Nordic region 6%
- Norway 4%

SALES IN SEK 2017

Distribution in %

- Sweden 38%
- UK 21%
- Netherlands 17%
- Other countries 13%
- Rest of Nordic region 7%
- Norway 4%

Environment

Preem operates several businesses that are subject to permitting or reporting under the Swedish Environmental Code. The main environmental impact is from atmospheric emissions of carbon dioxide, nitrogen oxides, sulfur oxides and volatile hydrocarbons, as well as emissions to water and noise.
The overall focus of Preem's safety, health and environment efforts is described in a new integrated policy, the Safety, Health and Environment Policy. Policy compliance is secured by using procedures and instructions in the Company's management system. Compliance checks for the management system take the form of safety rounds, internal and external audits, and deviation reporting and management.

The refineries in Lysekil and Gothenburg have permits for so-called A operations. The permits are subject to conditions and an associated inspection program. In 2018, Preem achieved all limits, except an operating limit that was marginally exceed without effect on the emissions values. A few target values were not met, so remedial action was taken, and the regulatory authority was informed.

Preem submitted an environmental application for expansion of the Lysekil refinery to the Land and Environment Court in December 2016. The proceedings were held before the court in autumn 2017. After the summer of 2018, the application documents were supplemented with an inventory of the potential occurrence of the species Natterer's bat in the area and, in November 2018, the permit was granted. Thereafter, appeals were filed with the Land and Environmental Court of Appeal, which will determine whether a leave to appeal will be granted. Until the review is completed, the permit is postponed.

Carbon dioxide emissions from the refineries are included in the EU emission rights trading system, and the number of freely allocated emission rights covered a total of 1.96 million metric tons per year on average for the current trading period, 2013-2020, according to a decision by the Swedish Environmental Protection Agency. The Group's two refineries in Lysekil and Gothenburg have been allocated emission rights free of charge for one year at a time. Unutilized emission rights may be carried forward to subsequent years within the relevant period. Any deficit is covered by a purchase of emission rights on a market or through improvements in energy efficiency.

The depots have permits for so-called B operations with associated conditions and inspection programmes. The limits for hydrocarbon emissions to water were exceeded on a few occasions in 2018 at the depot in Norrköping and on one occasion at the depot in Skarvik. The regulatory authority was notified of this and actions were taken. On one occasion, the Vapor Recovery Unit (VRU) at the depot in Skarvik was struck by an unplanned stop in connection with the unloading of class-1 products. The supervisory authority was notified, but chose not to act further in the matter.

Most Preem filling stations and diesel facilities handle more than 1,000 m^3 of fuel per calendar year, which means they are subject to reporting requirements for C operations. Such reporting occurs continuously to the appropriate municipality. Preem maintains ongoing communication with the regulatory authority on environmental matters at our filling stations Remediation of contaminated soil at closed depots, filling stations and Såifa facilities is ongoing and continued in 2018.

Sustainability report

Preem has prepared a sustainability report in line with the requirements of Chapter 6 of the Swedish Annual Accounts Act. It is published as a PDF-file at preem.se/om-preem/finansiell_info and can be ordered as a printed report.

Investments

Preem's net capital expenditures on intangible assets and property, plant and equipment totaled SEK 2,084 million (2,347). The expenditure attributable to the maintenance shutdown totaled SEK 84 million, and an additional SEK 662 million was invested in operational improvements on top of that. SEK 1,071 million was invested in profitability improvements, SEK 146 million in establishing and renovating stations and SEK 121 million on environmental and safety improvement measures.

Product development

For many years, Preem has had a vision of leading the transition to a sustainable society. Since 2016, we have set an objective of producing 3 million cubic meters of renewable fuel per year by 2030. Sweden's intentions in the transport sector are ambitious, with an objective of reducing emissions from the transport sector by 70 percent compared with the level of 2010.

During the year, Preem made a number of decisions leading to this goal. Among other things, Preem decided to build a plant together with Bergene Holm AS to produce renewable feedstock from remains from the forest industry. The plant will be built adjacent to one of Bergene Holm's large sawmills in Åmli Municipality in Southern Norway. The plant will be planned in 2019 and is scheduled for completion in 2022. Preem is investing NOK 250 million in this project. The technology comes from Shell's subsidiary CRI and is based on hydrogen pyrolysis.

In the same area, Preem has also initiated a cooperation with the semi-state-owned Setra Group, which through the joint company Pyrocell, is planning on building an initial pyrolysis plant adjacent to the Kastet sawmill in Gävle harbor. This technology differs from the technology being tested in Norway, and the product needs more catalytic processing before it can be used as a transport fuel, but will also be able replace fossil fuel oils.

At Preemraff, the expansion of the production capacity of hydrated vegetable oils (HVO) is now being planned from today's 200,000 cubic meters to 1,300,000 cubic meters by 2023. The environmental review is under way and in parallel with this the existing Green HydroTreater (GHT) is being converted to handle a larger through-put. These two projects will be the largest investment in the refinery since the expansion was done in the mid-90s.

In Lysekil, various plants are being planned to be able to jointly process renewable feedstocks in the same facilities as fossil products are produced. Minor adjustments are planned and will be implemented during the stop in 2019. Preem wants capacity to produce renewable products at both of our refineries to meet a growing demand from Sweden, Norway and the rest of Northern Europe.

The cooperation with Vattenfall is continuing and project planning of a first electrolytic hydrogen gas plan is remains under way and is a part of the expansion in Gothenburg. This means that renewable electricity will be converted to renewable hydrogen gas by splitting water. The hydrogen gas will be used to make HVO production even more renewable and at the same time, be able to support a power grid that is increasingly dependent on renewable power sources, such as wind and solar power.

In research and development, the initiatives in lignin extraction and upgrading are continuing through the cooperation with RenFuel, where Preem together with Rottneros is project planning an initial lignin facility for biofuel at the transition for biofuel and at the pulp mill in Vallvik. The plant is estimated to produce an annual volume of 25,000–30,000 ton of lignin and will be finished by 2021.

Financing and liquidity

In the spring of 2016, all of the company's financial liabilities were extended. The new loans have 4.5-year terms, maturing in November 2020. At the end of the period, consolidated net debt totaled SEK 7,096 million, compared with SEK 5,129 million at December 31, 2017.

Personnel

The average number of employees of the Group was 1,483 (1,458), of whom 1,454 (1,439) worked at the Parent Company.

Outlook

The geopolitical risks remain and may be brought to a head in connection with the situation concerning the trade issues between the USA and China. In addition, uncertainty is extensive in the Middle East, which affects the oil market, as does the situation in Venezuela, Libya and others. The forecast for global trade is, despite this, still positive with growth of 3 percent. This growth will continue to increase the consumption of energy, not least of oil products even if there will be a growth of electrical vehicles in Europe. This continued strong demand is assumed to lead to an oil price that will be slowly rising. There being sharp increases during brief periods is not unlikely considering geopolitical circumstances and quickly arising crises.

In 2019, Preem will implement a major stop in the Lysekil refinery. This is a recurring stop that is performed once every six years and will entail a total overhaul of the refinery. For the refinery in Gothenburg, no major stop is planned as the latest major stop took place in 2017. In addition, the major investments in the Vacuum Distillation Unit (VDU) in Lysekil and the Hydrogen Production Unit (HPU) in Gothenburg will be concluded and commissioned and thereby begin to contribute positively to the refinery margin.

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 Preem is aware, there are no charges directed at Mohammed and the Preem Group is continuing its business operations as before.

Proposed appropriation of profits

The Parent Company's non-restricted equity amounted to SEK 10,909,709,144.

The Board of Directors proposes that this amount be appropriated as follows (SEK thousands)

Carried forward	10,909,709
Total	10,909,709

Basis for decision by Board of Directors

This annual report discloses that a Group contribution amounting to SEK 1,048 million was paid to the Parent Company, Corral Petroleum Holdings AB (publ), and that the Board of Directors proposes that the non-restricted equity be carried forward. Corral Petroleum Holdings AB (publ) has provided an unconditional shareholders' contribution to Preem AB (publ) in the amount of SEK 400 million. In addition, a dividend of SEK 380 million was paid to Corral Petroleum Holdings AB in June 2018.

Motivation

The Company's equity has been calculated in compliance with Swedish law in accordance with Recommendation RFR2 of the Swedish Financial Reporting Board. The Board of Directors has found that the Company's and the Group's restricted equity is fully covered following the Group contribution paid.

In light of the financial position at December 31, 2017, and the 2018 business plan, the Board of Directors found that the Group contribution paid to the shareholder is justifiable in consideration of the parameters specified in Chapter 17 Section 3 Paragraphs 2 and 3 of the Swedish Companies Act (type, scope and risks of operations, the Company and Group's consolidation needs, liquidity and financial position in other respects, and the forecast performance of the Company and Group in 2018).

Please see the following financial statements and their notes for more information about the Company's financial position and performance.

Income statement and statement of other comprehensive income

AMOUNTS IN SEK MILLIONS

Income statement	Note	2018	2017
Net sales		103,641	78,581
Excise duties[1]		–11,087	–9,829
Sales revenue	4, 14	**92,553**	**68,752**
Cost of goods sold	8, 10, 14	–88,529	–63,440
Gross profit	5	**4,024**	**5,312**
Selling expenses		–913	–866
Administrative expenses		–1,123	–864
Other operating income	11	443	465
Operating profit	6-11, 33	**2,431**	**4,047**
Financial income		11	311
Financial expenses		–697	–386
Net financial items	12, 14	**–685**	**–75**
Profit before tax		**1,746**	**3,971**
Tax on profit for the year	13	–271	–890
Profit for the year		**1,475**	**3,081**
PROFIT/LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Parent Company shareholders		1,475	3,081
Non-controlling interests		0	0
		1,475	**3,081**

Statement of comprehensive income			
Profit for the year		**1,475**	**3,081**
OTHER COMPREHENSIVE INCOME			
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
Tax attributable to the item above		10	0
Changed tax rate		1	-
Total other comprehensive income for the year, net of tax		**–37**	**–3**
Total comprehensive income for the year		**1,438**	**3,079**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Parent Company shareholders		1,438	3,079
Non-controlling interests		0	0
		1,438	**3,079**

[1] Excise duties refer to energy tax, carbon dioxide tax, sulfur tax and alcohol tax

Balance sheet

AMOUNTS IN SEK MILLIONS

ASSETS	Note	12/31/2018	12/31/2017
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, 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
Construction in progress	16	2,974	1,978
		10,573	**9,681**
Financial assets			
Participations in associates	17	238	194
Receivables from associates	33	0	0
Receivables from affiliates	18, 33	0	0
Other shares and participations	19, 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, 32	4,322	4,674
Derivatives	27, 32	2	–
Receivables from Parent Company	32, 33	55	55
Other receivables	32, 33	1,018	568
Prepaid expenses and accrued income		700	372
		16,639	**16,360**
Cash and cash equivalents	22, 32	292	256
Total current assets		**16,931**	**16,616**
TOTAL ASSETS		**29,092**	**27,591**

Balance sheet

AMOUNTS IN SEK MILLIONS

EQUITY AND LIABILITIES	Note	12/31/2018	12/31/2017
EQUITY			
Equity attributable to Parent Company shareholders			
Share capital		610	610
Other paid-in capital		2,482	2,482
Profit brought fwd. including profit for the year		9,798	9,158
		12,890	**12,250**
Non-controlling interests		0	0
Total equity		**12,890**	**12,250**
LIABILITIES			
Non-current liabilities			
Pension obligations	23	159	109
Deferred tax liabilities	13	853	841
Other provisions	24	244	142
Borrowings	25, 26, 32	6,711	4,191
		7,967	**5,283**
Current liabilities			
Borrowings	25, 26, 32	488	903
Advance payments from customers		5	5
Trade payables	32, 33	2,709	3,529
Liabilities to associates	32, 33	96	89
Current tax liabilities	13	17	–
Derivatives	27, 32	1	3
Other liabilities	28, 32	1,472	1,413
Accrued expenses and deferred income	29	3,448	4,116
		8,239	**10,057**
Total liabilities		**16,202**	**15,341**
TOTAL EQUITY AND LIABILITIES		**29,092**	**27,591**
Pledged assets and contingent liabilities	30		

Statement of changes in equity

AMOUNTS IN SEK MILLIONS

	Attributable to Parent Company shareholders						
	Share capital	Other paid-in capital	Translation reserve	Profit brought forward	Total	Non-controlling interests	Total equity
Opening equity 1/1/2017	**610**	**2,482**	**–**	**5,870**	**8,962**	**0**	**8,962**
Profit for the year	–	–	–	3,081	3,081	0	3,081
Other comprehensive income	–	–	–1	–2	–3	–	–3
Comprehensive income for the year	**–**	**–**	**–1**	**3,080**	**3,079**	**0**	**3,079**
Group contributions paid	–	–	–	–4,200	–4,200	–	–4,200
Tax attributable to Group contribution paid	–	–	–	924	924	–	924
Shareholder's contribution received	–	–	–	*3,840*	*3,840*	–	*3,840*
Dividends	–	–	–	–355	–355	–	–355
Closing equity 12/31/2017	**610**	**2,482**	**–1**	**9,159**	**12,250**	**0**	**12,250**
Opening equity 1/1/2018	*610*	*2,482*	*–1*	*9,159*	*12,250*	*0*	*12,250*
Adjustment according to IFRS 9	–	–	–	*0*	*0*	*0*	*0*
Profit for the year	–	–	–	1,475	1,475	0	1,475
Other comprehensive income	–	–	–1	–36	–37	–	–37
Comprehensive income for the year	–	–	**–1**	**1,439**	**1,438**	**0**	**1,438**
Group contributions paid	–	–	–	–1,048	–1,048	–	–1,048
Tax attributable to Group contribution paid	–	–	–	231	231	–	231
Shareholder's contribution received	–	–	–	400	400	–	400
Dividends	–	–	–	–380	–380	–	–380
Closing equity 12/31/2018	**610**	**2,482**	**–2**	**9,800**	**12,890**	**0**	**12,890**

Share capital
The Company's share capital totals SEK 610,258,000. The number of shares totals 610,258, all of which are class A shares. The shares are fully paid up and the number of shares is the same at both the beginning and the end of the year. The quota value is SEK 1,000 per share.

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

Other paid-in capital
Preem AB received a conditional shareholders' contribution totaling SEK 2,482 million (of which SEK 1,982 million in 2011, SEK 500 million in 2010) from Corral Petroleum Holdings AB (publ).

Cash flow statement

AMOUNTS IN SEK MILLIONS

	Note	2018	2017
OPERATING ACTIVITIES			
Profit before tax		1,746	3,971
Adjustments for non-cash items	31	1,112	1,065
		2,858	**5,036**
Tax paid		–5	–4
Cash flow from operating activities before changes in working capital		**2,852**	**5,032**
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase (–)/Decrease (+) in inventories		–263	–2,232
Increase (–)/Decrease (+) in operating receivables		60	–885
Increase (+)/Decrease (–) in operating payables		–1,517	1,049
Cash flow from operating activities		**1,133**	**2,964**
INVESTING ACTIVITIES			
Acquisition of subsidiaries		–26	–123
Disposal of subsidiaries		–	103
Acquisition of intangible assets		–265	–268
Acquisition of property, plant and equipment		–1,798	–2,069
Disposal of property, plant and equipment		34	21
Investment in financial assets		–54	–36
Disposal of financial assets		25	25
Cash flow from investing activities		**–2,084**	**–2,347**
FINANCING ACTIVITIES			
Dividends paid		–380	–355
Borrowings		9,894	6,957
Repayment of loans		–7,869	–6,731
Group contributions paid		–648	–360
Cash flow from financing activities		**997**	**–490**
Cash flow for the year		46	127
Opening cash and cash equivalents		256	123
Exchange gains/losses on cash and cash equivalents		–10	6
Closing cash and cash equivalents	22	**292**	**256**

For supplementary disclosures, see Note 31

Notes to the consolidated financial statements

NOTE 1. Significant accounting policies

On March 13, 2019, the Board of Directors approved this annual report and these consolidated financial statements for publication and will submit 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 FINANCIAL STATEMENTS HAVE BEEN PREPARED

The consolidated financial statements for the Preem AB Group (Preem) 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 Preem AB is not listed on a regulated market. In addition, RFR 1 "Supplementary Accounting Rules for Groups" issued by the Swedish Financial Reporting Board was applied. The consolidated financial statements have been prepared using the cost method, apart from other shares and participations 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 management to exercise its judgment 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 the 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 consolidation system are based on SEK thousands. Due to the rounding of figures in the tables to the nearest SEK million, the total amount is not exactly equal to the sum of all components in some cases.

STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT CAME INTO EFFECT 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.

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.

	Note	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
Financial 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.

Note 1. Cont.

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 and associated interpretations. 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 the revenue is recognized 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 the 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 more than 12 months after 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 Preem. "Controlling influence" means having 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 of the date on which control was transferred to the Group. They are excluded from the consolidated financial statements as of the date on which control ceases.

The acquisition method is used to recognize the Group's acquisitions 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 interests. 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 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 accountingpolicies for subsidiaries have been amended as appropriate to guarantee 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 to shareholdings of between 20 percent and 50 percent of votes. As of the date on which significant influence is obtained, participations in associates are recognized in the consolidated financial statements in accordance with the equity method and are measured initially at cost. The Group's carrying amount of participations in associates includes goodwill identified upon acquisition, net of any necessary impairment losses.

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

The Group's share of 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 holding. When the Group's share in an associate's losses is equal to or exceeds its holding in the associate, including any unsecured receivables, the Group does not 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 associates are eliminated in proportion to the Group's holding in the associate. Unrealized losses are also eliminated, unless the transaction constitutes evidence that there is a need for impairment of the transferred asset. The equity method is applied until the date on which significant influence ceases.

Note 1. Cont.

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 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 on 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 a foreign operation are posted to other comprehensive income with an accumulated effect in 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 and 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 at which cost exceeds the fair value of the Group's share of the acquired subsidiary's/associate's net identifiable assets on the acquisition date. Goodwill on acquisition of subsidiaries is recognized as an intangible asset. Goodwill is tested at least on an annual basis to identify any impairment requirements and is recognized at 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 and 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 machinery	10–30 years
Capitalized turnaround costs for refineries	6 years
Equipment, 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 machinery. 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 boilers	20 years
Steel structures	30 years
Pressure vessels	30 years

Land and precious metals (which are recognized under Plant and machinery) 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 for property, plant and equipment is removed from the balance sheet upon scrapping or disposal or when no future economic benefits are expected from the use or the scrapping or 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.

Note 1. Cont.

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 costsincurred 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 re-coverable. 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 with regard to 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 for 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 distinguishing factor 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 managedfunds 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 (excl. 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 (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.

Note 1. Cont.

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 severance 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 is measured based on the compensation specified in the contract with the customer. The Group recognizes the revenue when control over a good or service is transferred to the customer. 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 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 its 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, dividend income, and gains upon value changes of financial assets measured at fair value through profit/loss for the year.

Interest income from financial instruments is recognized using the effective interest method. Dividendincome 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
Lessees
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.

Lessors
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 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 amortised 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 borrowings, trade payables and other liabilities.

Note 1. Cont.

Borrowings
Borrowings are initially recognized at fair value, net of transaction expenses. Borrowings are subsequently recognized at amortized cost and any difference between the amount received (net of transaction expenses) and the repayment amount is recognized as a financial expense 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 for 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[1] and interest rate risk in fair value and in cash flow), credit risk and liquidity risk. The Board of Directors of the Group annually sets policies for risk management that focus on the unpredictability of the financial markets and strive to control 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 flow 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 millions

Net exposure at balance sheet date	2018	%	2017	%
EUR	39	0%	–43	1%
NOK	121	1%	86	1%
USD	–8,799	98%	–7,869	98%
Other	–19	0%	–19	0%
Total	**–8,658**	**100%**	**–7,845**	**100%**

The net exposure in USD must be considered in relation to the Group's normal position in inventories, which amounted to USD 775 million (849) at December 31, 2018, corresponding to SEK 6,950 million (6,989) translated to SEK using the exchange rate on the balance sheet date.

If the Swedish krona were to become stronger/weaker by 10 percent in relation to the US dollar at the balance sheet date while all other variables remained constant, profit/loss for the year after tax as at December 31 would have been SEK -144 million (-69) higher/lower as a consequence of gains/losses on translation of monetary assets and liabilities according to the table above, taking into account 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 inventories[1)], which is the volume of priced oilrequired to maximize the contribution from the refining system in the most efficient way. The normal position is defined as 1,840,000 m^3. The price risk at this volume is the Company's commercial risk that the Board of Directors has accepted. 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 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 the raw material price risk on the deviation position divided by product line. Using this method, the maximum potential loss is calculated with a 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 percent as at 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.

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

Note 2. Cont.

Year	Change in price	Physical position	Derivatives 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 derivatives position will always have a direct effect in 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

Group interest rate risk for negative change resulting from interest fluctuations of interest-bearing assets and liabilities

Loans with a floating interest rate expose the Group to 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 months. As of December 31, 2018, the remaining fixed-interest period totaled approximately 0.32 months. In 2018, the Group's borrowings at floating interest rate terms consisted of SEK and USD. 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 borrowings as of the balance sheet date for loans taken out from credit institutions totaled SEK 7,371 million (5,366). The Group's loan terms, effective interest rates and the maturity structure of the loans are described in Note 25.

If interest rates for borrowings expressed in SEK during the year had been 1.0 percent higher/lower, with all other variables constant, the profit after tax for the financial year would have been SEK 57 million (42) 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 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 the 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 ongoing 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 loans must be renegotiated no later than 12 months before maturity.

As at December 31, 2018	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	488	6,883	–	18
Oil derivatives	1	–	–	–
Trade payables	2,709	–	–	–
Other liabilities	1,573	–	–	–

As at December 31, 2017	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	903	–	4,482	–
Oil derivatives	3	–	–	–
Trade payables	3,529	–	–	–
Other liabilities	1,504	–	–	–

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 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 debt/equity ratio is shown in the table below:

	2018	2017
Total borrowings	7,388	5,385
Less cash and cash equivalents	–292	–256
Net debt	**7,096**	**5,129**
Total equity	12,890	12,250
Total capitalization	**19,987**	**17,379**
Net debt/equity ratio	**36%**	**30%**

Net debt excludes capitalized borrowing costs SEK 189 million (291).

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.

Note 2. Cont.

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. Critical accounting 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 under the current circumstances.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The estimates and assumptions that involve a significant risk of material adjustments in the carrying amounts of assets and liabilities for subsequent financial 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's judgment, the Group would not have needed to recognize any impairment of 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 rates, the 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 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.

Provisions for environmental obligations

Provisions are made for environmental obligations for known and planned remediation work. Any future decommissioning of operations within the Group may involve a requirement for remediation and restoration work. 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 COMPANY'S ACCOUNTING POLICIES

Functional currency

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 the functional currency. After giving careful consideration to all indicators, management has judged that Preem's functional currency is SEK.

NOTE 4. Segment reporting

OPERATING SEGMENTS

The Group consists of two operating segments:

Supply and 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 percent (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/LOSS PER SEGMENT

The information that senior executives regularly monitor within the Group is presented below.

2018 Sales revenue	Supply & Refining	Marketing	Total by segment
Segment's total sales revenue	89,467	23,875	113,342
Sales between segments	–20,899	–1	–20,900
External sales revenue	**68,568**	**23,874**	**92,442**
Exchange differences			111
Total external sales revenue			**92,553**

Operating profit	Supply & Refining	Marketing	Total by segment
Operating profit/loss per segment	2,646	499	3,146
of which depreciation/amortization	876	144	1,020

2017 Sales revenue	Supply & Refining	Marketing	Total by segment
Segment's total sales revenue	66,237	18,679	84,916
Sales between segments	–16,019	–8	–16,027
External sales revenue	**50,218**	**18,671**	**68,889**
Exchange differences			–137
Total external sales revenue			**68,752**

Operating profit	Supply & Refining	Marketing	Total by segment
Operating profit/loss per segment	4,403	581	4,984
of which depreciation/amortization	869	118	988

Reconciliation with consolidated profit/loss before tax	2018	2017
Operating profit/loss for reported segments	3,146	4,984
Exchange differences on recurring payments	–544	349
Currency effect on normal inventories	799	–564
Corporate Center depreciation/amortization	–10	–10
Other[1]	–959	–713
Total operating profit/loss	**2,431**	**4,047**
Interest income	8	6
Interest expense	–284	–265
Exchange differences	–291	306
Other net financial items	–118	–123
Profit before tax	**1,746**	**3,971**

[1] Mainly refers to Corporate Center.

Note 4. Cont.

OTHER SALES INFORMATION

Sales revenue mainly comes 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**

Revenue of SEK 6,593 million (5,209) originates from one single customer and the revenue is included in the Supply & Refining segment.

Investments		Supply and Refining	Marketing	Other[1]	Group
Capital expenditures in property, plant and equipment	2018	1,575	221	1	1,797
Capital expenditures in property, plant and equipment	2017	1,938	131	0	2,069
Capital expenditures in i ntangible assets	2018	–	2	263	265
Capital expenditures in intangible assets	2017	–	15	253	268
Investments in associates	2018	–	–	25	25
Investments in associates	2017	–	–	–	–

[1] Mainly refers to Corporate Center.

DISTRIBUTION BY GEOGRAPHIC REGIONS

The information presented for revenue relates to the geographic regions grouped according to where the goods are delivered. Information about the segments' assets is based on geographic 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.

	External sales			Property, plant and equipment and intangible assets
2018	Supply & Refining	Marketing	Total	
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	–
Group			**92,553**	**11,789**

	External sales			Property, plant and equipment and intangible assets
2017	Supply & Refining	Marketing	Total	
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 on the market are mainly USD-based. Exchange differences on disposal are recognized under net sales and exchange differences on acquisition are recognized under cost of goods sold. The Group's gross profit/loss includes exchange differences on acquisition and disposal of oil products at a net value of SEK –544 million (349).

This note also refers to the Parent Company.

NOTE 6. Auditors' fees

	2018	2017
KPMG		
Audit engagements	4	2
Auditing other than audit engagements	–	–
Tax consulting	1	1
Other services	1	1
	6	**4**
OTHER		
Audit engagements	–	0
Auditing other than audit engagements	–	–
Tax consulting	–	–
Other services	–	–
	0	**0**

NOTE 7. Employees, employee benefit expenses and remuneration of senior executives

	2018		2017	
	Salaries and other benefits	Social security expenses (of which pension costs)	Salaries and other benefits	Social security expenses (of which pension costs)
Parent Company	907	489	846	421
		(161)		(112)[1]
Group companies	12	4	11	4
		(1)		–1
Group total	**919**	**494**	**856**	**425**
		(162)		**(113)[2]**

[1] Of the Parent Company's pension costs, SEK 10.7 million (14.0) relates to the group comprise of the CEO, Board of Directors and other senior executives.
[2] Of the Group's pension costs, SEK 10.7 million (14.0) relates to the group comprised of the CEO, Board of Directors and other senior executives.

	2018		2017	
	Board of Directors, CEO and other senior executives	Other employees	Board of Directors, CEO and other senior executives	Other employees
Parent Company	41	865	27	818
Group companies in Sweden	–	8	0	8
Group companies abroad	1	4	1	1
Group total	**42**	**877**	**28**	**828**

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 CEO (10 individuals), and other senior executives and the Parent Company's Group management (9 individuals).

Note 7. Cont.

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 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, the variable remuneration may be a maximum of 30 percent of the base pay. For 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.

2018 Remuneration and benefits	Base pay/ Board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
Chairman of the Board	1.0	–	–	–	–	1.0
Other Board members (9)	3.6	–	–	–	–	3.6
CEO	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, which is included in all items, except in other senior executives, of which one member received SEK 1.0, million, one member received SEK 0.75 million, two members received SEK 0.5 million, four members received SEK 0.4 million and two members received SEK 0.3 million.

2017 Remuneration and benefits	Base pay/ Board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
Chairman of the Board	1.0	–	–	–	–	1.0
Other Board members (8)	3.6	–	–	–	–	3.6
CEO	7.4	–	0.1	6.7	–	14.2
Other senior executives (7)	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, which is included in all items, except in other senior executives, of which one member received SEK 1.0 million, two members received SEK 0.5 million and five members received SEK 0.4 million, and two members received SEK 0.3 million.

The tables above are for the Parent Company.

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 in 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 notice period of 6 months between the Company and the CEO.

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.

Gender distribution in company management	2018 Percentage of woman	2017 Percentage of woman
Board of Directors	0%	0%
Other senior executives	33%	38%

This table also refers to the Parent Company.

Average number of employees	2018 Number of employees	2018 Percentage of men	2017 Number of employees	2017 Percentage of men
PARENT COMPANY				
Sweden	1,454	69%	1,439	73%
GROUP COMPANIES				
Sweden	14	21%	17	56%
Norway	15	73%	2	86%
Group total	**1,483**	**69%**	**1,458**	**73%**

NOTE 8. Depreciation

Breakdown of depreciation	2018	2017
Intangible assets	36	10
Buildings and land improvements	102	94
Plant and machinery	576	585
Capitalized turnaround costs	219	202
Equipment, tools, fixtures and fittings	105	109
	1,037	**1,000**
Breakdown by function		
Cost of goods sold	877	870
Selling expenses	142	118
Administrative expenses	18	12
	1,037	**1,000**

NOTE 9. Leases

Lease payments for operating leases	2018	2017
Minimum lease payments	202	115
Variable payments	41	40
Total lease expenses	**243**	**155**
Contracted future minimum lease payments		
Within one year	148	157
Between one and five years	445	662
More than five years	52	113
Lease revenue from operating leases		
Minimum lease payments	86	91
Variable payments	28	25
Total lease revenue	**114**	**115**
Contracted future minimum lease payments		
Within one year	87	91
Between one and five years	443	453
More than five years	–	–

NOTE 10. Expenses by type of expense

	2018	2017
Cost of materials	84,851	59,867
Cost of employee benefits	1,417	1,334
Depreciation and amortization	1,037	1,000
Other expenses	3,259	2,969
	90,565	**65,171**
Reconciliation with statement of comprehensive income		
Cost of goods sold	88,529	63,440
Selling expenses	913	866
Administrative expenses	1,123	864
	90,565	**65,171**

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
	443	**465**

NOTE 12. Net financial items

	2018	2017
Interest income from instruments measured at amortized cost	8	6
Net exchange differences	–	306
Other	3	–2
Financial income	**11**	**311**
Interest expenses from defined benefit unfunded pension obligation	–4	–5
Interest expenses from instruments measured at amortized cost[1]	–280	–260
Net exchange differences	–291	–
Other	–121	–122
Financial expenses	**–697**	**–386**
Net financial items	**–685**	**–75**

[1] Of which SEK 102 million (102) in interest expenses from accrued transaction fees in conjunction with raised loans recognized using the effective interest method.

The net gain from oil derivatives measured at fair value, recognized as a cost of goods sold in profit/loss for the year, totaled SEK 753 million compared with a loss of SEK 308 million the previous year. A provision of SEK 0 million (0) for Preem's receivable from Corral Morocco Gas & Oil was charged to net financial items. The provision is net of capitalized interest income of SEK 157 million (157) and a provision of SEK 157 million (157).

NOTE 13. Tax

Current tax expenses (–)/tax revenue (+)	2018	2017
Tax expense for the period	–253	–927
Tax attributable to previous years	0	–11
	–253	**–938**
DEFERRED TAX EXPENSES (–)/TAX INCOME (+)		
Deferred tax on temporary differences	–36	32
Deferred tax as a result of changed tax rates	53	–
Deferred tax on tax loss carryforwards	–35	16
Total reported tax expenses	**–271**	**–890**
RECONCILIATION OF EFFECTIVE TAX		
Profit before tax	1,746	3,971
Tax calculated at national tax rates applicable for profits in the respective countries	–384	–874
Other non-deductible expenses	–66	–59
Non-taxable income	123	32
Taxable income not included in profit/loss	–4	–
Tax attributable to previous years	–1	–11
Other tax adjustments	60	21
Reported tax	**–271**	**–890**
TAX ITEMS RECOGNIZED DIRECTLY IN EQUITY		
Current tax in Group contributions paid	231	924

The weighted average tax rate was 15.5 percent (22.4).

2018 **Deferred tax assets and tax liabilities**	Deferred tax assets	Deferred tax liabilities
Intangible assets	–	–34
Land and buildings	–	–23
Machinery and equipment	–	–725
Tax loss carryforwards	0	–
Other	4	–75
Net assets/liabilities		**–853**

2017 **Deferred tax assets and tax liabilities**	Deferred tax assets	Deferred tax liabilities
Intangible assets	–	–36
Land and buildings	2	–2
Machinery and equipment	–	–817
Tax loss carryforwards	34	–
Other	4	–25
Net assets/liabilities		**–841**

Change in deferred tax in temporary differences and tax loss carryforwards	Opening amount	Recognized in 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	**–878**	**16**	**5**	**–857**
Tax loss carryforwards	34	–34	0	0
	–841	**–18**	**5**	**–853**

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

NOTE 14. Exchange differences in profit/loss for the year

Net exchange differences have been recognized in profit/loss for the year as follows:

	2018	2017
Net sales	111	–146
Cost of goods sold	–655	497
Financial items	–291	306
	–835	**658**

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 in use. These calculations are based on estimated future cash flows before tax based on financial budgets that have been approved by Company management and cover 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 value in use	Supply and Refining
Average refining margin in USD per 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 to the various segments.

No impairment 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 point and a discount rate of 2 percentage points higher for each segment.

Other intangible assets	2018	2017
Opening cost	163	0
Business combinations	–	155
Disposals/retirements	–	–
Completion of construction in progress	8	8
Exchange-rate differences for the year	3	0
Closing accumulated cost	**173**	**163**
Opening depreciation	10	0
Disposals/retirements	–	–
Depreciation for the year	36	10
Exchange-rate differences for the year	–1	0
Closing accumulated depreciation	**44**	**10**
Carrying amount at end of period	**129**	**153**

Construction in progress	2018	2017
Opening cost	521	261
Investments for the year	265	268
Completion of construction in progress	–8	–8
Exchange-rate differences for the year	1	0
Carrying amount	**779**	**521**

Construction in progress refers to capitalized expenses attributable to a major IT project.

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

Opening balance 2018	2,205,316
Number of allocated rights for 2018	**1,900,914**
Number of used rights for 2017 which were canceled in 2018	–2,045,086
Purchased emission rights 2018	0
Sold emission rights	0
Profit/loss from swap of emission rights in 2018	0
Closing balance 2018	2,061,144
Number of allocated rights for 2019	**1,857,708**
Profit/loss from swap transactions 2019	0
Balance before cancellation 2019	3,918,852
Prel. number of used rights for 2018 which will be canceled on April 30, 2019	**–2,126,000**
Prel. balance after 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

Land and buildings	2018	2017
Opening cost	2,969	2,943
Investments for the year	46	–
Business combinations	6	–
Disposals/retirements	–55	–58
Completion of construction 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
Disposals/retirements	–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**

Note 16. Cont.

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

[1] The planned residual value includes precious metals at SEK 143 million (143).

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

Equipment, tools, fixtures and fittings	2018	2017
Opening cost	1,556	1,507
Investments for the year	3	2
Disposals/retirements	–99	–84
Completion of construction in progress	67	129
Reclassification	–	3
Exchange-rate differences for the year	0	0
Closing accumulated cost	**1,526**	**1,556**
Opening depreciation	1,170	1,139
Disposals/retirements	–96	–79
Depreciation for the year	105	108
Reclassification	–	2
Exchange-rate differences for the year	0	0
Closing accumulated depreciation	**1,180**	**1,170**
Carrying amount	**347**	**386**

Construction in progress	2018	2017
Opening cost	1,978	1,087
Disposals/retirements	0	–
Investments for the year	1,771	2,067
Completion of construction in progress	–774	–1,176
Exchange-rate differences for the year	0	0
Carrying amount	**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 percent (4.4).

NOTE 17. Participations in associates

Swedish companies	Corp. ID no.	Reg. Office	Number 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
					238

2018	Assets	Liabilities	Equity	Revenue	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	Revenue	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 refers to 100 percent of the companies' assets, liabilities, equity, revenue and net profit/loss.

	2018	2017
Opening balance	194	168
Dividends	–25	–25
Investment for the year	25	–
Profit participation	44	51
Closing balance	**238**	**194**

Goodwill of SEK 79 million is included.

NOTE 18. Receivables from affiliates

	2018	2017
Opening value	0	0
Capitalized interest for the year	157	157
Provision for receivable from 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.

Note 19. Cont.

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 have 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
Carrying amount at start of period	26	28
Impairment losses	–20	–
Profit/loss	5	–1
Carrying amount at end of period	**11**	**26**

Company	Corp. ID no.	Reg. Office	Number 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, cooperative					0
SSH Svensk Servicehandel					0
					11

This note also refers to the Parent Company.

NOTE 20. Inventories

	2018	2017
Raw materials	3,465	4,978
Finished products	7,079	5,713
	10,543	**10,691**

The cost of inventories in the Group includes the equivalent of SEK 183 million (15) million 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
	371	**176**

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

	2018	2017
At start of period	7	7
Provision for impairment of trade receivables/unused amounts reversed for the year	15	7
Confirmed losses for the year	–12	–7
At end of period	**10**	**7**

Provisions for and reversals of reserves for doubtful trade receivables are included in the functions to which they relate in the statement of profit or loss and other comprehensive income. Amounts recognized 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 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 bank balances in the balance sheet and the cash flow statement include the following with a maturity date less than three months after acquisition.

	2018	2017
Cash and bank balances	292	256
	292	**256**

NOTE 23. Pension commitments

Defined benefit obligations and the value of plan assets

Wholly or partly funded obligations:	2018	2017
Present value of defined-benefits liabilities	654	624
Fair value of plan assets	–634	–652
Net wholly or partially funded obligations	**20**	**–28**
Unfunded obligations:		
Present value of unfunded defined benefit obligations	84	87
Provision, endowment insurance	55	50
Net amount in the balance sheet (obligation +, asset –)	**159**	**109**
THE NET AMOUNT IS RECOGNIZED IN THE FOLLOWING BALANCE SHEET ITEMS:		
Pension obligations	159	109
THE NET AMOUNT IS DIVIDED AMONG THE FOLLOWING COUNTRIES:		
Sweden	159	109
PENSION COSTS		
The amounts recognized in profit/loss are as follows:		
Defined benefit plans		
Interest expenses	16	17
Fair value of plan assets	–15	–15
Total cost of defined benefit plans	**1**	**2**
The amount that is recognized in other comprehensive is as follows:		
Actuarial gains/losses on defined benefit pension plans	–47	–2
Tax attributable to items in other comprehensive income	10	0
Total other comprehensive income for the year, net of tax	**–37**	**–2**
THE CHANGE IN THE DEFINED BENEFIT OBLIGATION DURING THE YEAR IS AS FOLLOWS:		
Opening gross amount in the balance sheet	711	702
Payment of benefits	–29	–29
Interest expenses	16	17
Actuarial gain (+) or loss (–) for the year on the obligation for the year:		
Remeasurement	10	1
Actuarial gains and losses on changes in financial assumptions	28	28
Experience adjustments	3	–8
Closing gross amount in the balance sheet	**738**	**711**

THE PRESENT VALUE OF THE OBLIGATION IS DISTRIBUTED BETWEEN THE PLAN'S MEMBERS AS FOLLOWS:

Active members: 0% (0%)
Vested beneficiaries: 58% (59%)
Old-age pensioners: 42% (41%)

Change in fair value of plan assets during the year is as follows:	2018	2017
Opening gross amount in the balance sheet	–652	–641
Payment of benefits	21	21
Fair value of plan assets	–15	–15
Actuarial gain (+) or loss (–) for the year on plan assets	11	–16
Closing gross amount in the balance sheet	**–634**	**–652**

The actual return on plan assets amounted to SEK 4 million (32).

Actuarial assumptions	2018	2017
Discount rate	2.20%	2.35%
Future wage increases	Not applicable	Not applicable
Staff turnover	Not applicable	Not applicable
Inflation	2.00%	1.90%
Expected average remaining period of service of employees	Not applicable	Not applicable
Life expectancy assumption	DUS 14 tjm	DUS 14 tjm
Duration of obligation	15	16
PLAN ASSETS CONSIST OF THE FOLLOWING:		
Interest-bearing securities	55%	57%
Shares	33%	32%
Real estate	12%	11%
	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.

Sensitivity analysis	Present value of the obligation	Percentage change
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%
Life expectancy + 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.

This note also refers to the Parent Company.

NOTE 24. Other provisions

	Restoration of environment[1]	Other	Total
Opening balance 2018	63	79	142
Provisions for the year	110	0	110
Amounts utilized	–4	–4	–8
Unutilized amounts that have been reversed	–	–	–
Closing balance 2018	**169**	**75**	**244**
Opening balance 2017	66	0	66
Provisions for the year	4	79	84
Amounts utilized	–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

Long-term borrowings	2018	2017
Loans in SEK	1,500	1,500
Loans in USD	5,383	2,964
Total long-term loans	**6,883**	**4,464**
Capitalized borrowing costs	–189	–291
Total net long-term loans	**6,694**	**4,173**
Deposits	18	18
Total interest bearing	**6,711**	**4,191**
Short-term borrowings		
Loans in NOK	105	–
Loans in SEK	–	–
Loans in USD	383	903
Total short-term loans	**488**	**903**
Capitalized borrowing costs	–	–
Total net short-term loans	**488**	**903**
Total Group borrowings	**7,388**	**5,385**
Total net Group borrowings	**7,200**	**5,094**

Repayment plan	2019	2020	2021	2022-	Total
	488	6,883	–	18	7,388

LOAN TERMS AND CONDITIONS, EFFECTIVE INTEREST RATE AND MATURITY STRUCTURE

			Maturity structure (in SEK million)	
Non-current liabilities, credit institutions	**Nominal value, local currency**	**Effective interest, %**	**Less than 1 year**	**1–5 years**
– SEK, variable interest	1,500	3.53	–	1,500
– USD, variable interest	600	6.08	–	5,383
CURRENT LIABILITIES, CREDIT INSTITUTIONS				
– NOK, utilized overdraft facilities	–	–	105	–
– SEK, variable interest	–	–	–	–
– USD, utilized overdraft facilities	–	–	114	–
– USD, variable interest	30	6.36	269	–
Total loans			**488**	**6,883**
Capitalized borrowing costs				-189
Deposits				18
Total borrowings incl. deposits and capitalized borrowing costs			**488**	**6,711**
				7,200

Remaining average fixed-interest term at December 31, 2018 amounted to around 0.32 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.

This note also refers to the Parent Company.

NOTE 26. Overdraft facilities, etc.

	2018	2017
Authorized line of credit, checking account	628	412
Unutilized portion	409	332
Utilized credit amount	**219**	**79**
Other unutilized lines of credit		
Authorized line of credit	3,809	4,580
	3,809	**4,580**
Total unutilized lines of credit	**4,218**	**4,912**

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

This note also refers to the Parent Company.

NOTE 27. Derivative instruments

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

Derivatives held for trading 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 term is more than 12 months, and as a current asset or current liability if the item's outstanding term is less than 12 months.

The maximum exposure to credit risk as of the balance sheet date is the fair value of the derivatives recognized as assets in the balance sheet.

OIL DERIVATIVES
Oil derivatives contracts are held primarily to hedge price changes in petroleum products. The nominal amount of outstanding oil derivatives contracts (including strategic hedge of normal position in the form of options) at December 31, 2018 was: Long positions SEK 225 million (52) (including emission right futures) and short positions SEK 1,510 million (1,900).

NOTE 28. Other liabilities

	2018	2017
VAT	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 deferred income

	2018	2017
Purchases of crude oil and products	2,062	3,159
Personnel	323	307
Interest	4	2
Other	1,059	647
	3,448	**4,116**

NOTE 30. Pledged assets and contingent liabilities

Pledged assets	2018	2017
Property mortgages	4,000	4,000
Floating charges	8,000	8,000
Deposits	118	125
Trade receivables	4,076	4,408
	16,194	**16,533**
CONTINGENT LIABILITIES		
Sureties for associates	96	93
Guarantees FPG/PRI	1	2
	98	**94**

Property mortgages, floating charges and trade receivables are pledged to serve as collateral in conjunction with fulfillment of the Group's syndicated bank loan obligations.

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 obligations.

OTHER CONTINGENT LIABILITIES

Any future decommissioning of operations within the Group may involve a requirement for remediation and restoration work. However, this is considered to be a matter for the distant future, and the potential expenditure involved cannot be calculated reliably.

This note also refers to the Parent Company.

NOTE 31. Supplementary disclosures to the cash flow statement

Interest paid and dividends received	2018	2017
Dividends received	25	25
Interest received	8	6
Interest paid	–269	–197
Adjustment for non-cash items, etc.		
Depreciation and amortization of non-current assets	1,037	1,000
Impairment of non-current assets	27	80
Impairment losses on inventories	393	–8
Unrealized exchange rate losses (+)/exchange rate gains (–)	109	–52
Unrealized exchange rate losses (+)/ exchange rate gains (–), net financial items	–21	–43
Unrealized gains (–)/losses (+) on oil derivatives	–484	70
Expensed share of capitalized borrowing costs	102	102
Provisions	–10	74
Capital gains/losses on disposal/retirement of non-current assets	5	–3
Capital gains/losses on disposal of business/subsidiary	–	–105
Profit participation in associates	–49	–50
Other	4	–
	1,112	**1,065**

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[1)]	-27	-123
Impact on cash and cash equivalents	-26	-123

1) See Note 112

Reconciliation of liabilities arising from financing activities

	Opening balance 2018	Cash flows	Non-cash changes Exchange rate, unrealized	Closing balance 2018
Bank overdraft facilities	80	139	–	219
Syndicated bank loans	5,287	1,887	–22	7,152
Deposits	18	–1	0	18
Total liabilities arising from financing activities	**5,385**	**2,026**	**–22**	**7,389**

	Opening balance 2017	Cash flows	Non-cash changes Unrealized exchange rate differences	Closing balance 2017
Bank overdraft facilities	103	–24	–	80
Syndicated bank loans	5,080	248	–43	5,287
Deposits	19	0	–	18
Total liabilities arising from financing activities	**5,202**	**224**	**–43**	**5,385**

Reconciliation of liabilities also refers to the Parent Company.

NOTE 32. Financial instruments

FINANCIAL INSTRUMENTS BY CATEGORY

2018 Assets in the balance sheet	Assets measured at fair value through profit/loss for the year	Assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Carrying amount	Fair value
Other shares and participations	11	–	–	11	11
Derivatives	2	–	–	2	2
Receivables from Parent Company	–	–	55	55	55
Trade payables and other receivables	–	–	5,339	5,339	5,339
Cash and cash equivalents	–	–	292	292	292
	13	**–**	**5,686**	**5,698**	**5,698**

Liabilities in the balance sheet	Liabilities at fair value through profit/loss for the year	Liabilities at fair value through other comprehensive income	Other liabilities	Carrying amount	Fair value
Borrowings	–	–	7,389	7,389	7,389
Derivatives	1	–	–	1	1
Other liabilities	–	–	4,282	4,282	4,282
	1	**–**	**11,670**	**11,671**	**11,671**

2017 Assets in the balance sheet	Assets measured at fair value through profit/loss for the year	Assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Carrying amount	Fair value
Other shares and participations	26	–	–	26	26
Derivatives	–	–	–	–	–
Receivables from Parent Company	–	–	55	55	55
Trade payables and other receivables	–	–	5,242	5,242	5,242
Cash and cash equivalents	–	–	256	256	256
	26	**–**	**5,554**	**5,580**	**5,580**

Liabilities in the balance sheet	Liabilities at fair value through profit/loss for the year	Liabilities at fair value through other comprehensive income	Other liabilities	Carrying amount	Fair value
Borrowings	–	–	5,385	5,385	5,385
Derivatives	3	–	–	3	3
Other liabilities	–	–	5,033	5,033	5,033
	3	**–**	**10,418**	**10,421**	**10,421**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET

The table below shows financial instruments measured at fair value in the balance sheet, classified into the following three levels:

Level 1: Fair value is based on quoted market prices on an active market for the same instruments.

Level 2: Fair value is based on quoted market prices on an active market for similar instruments or measurement techniques where all variables are based on quoted market prices. This level includes oil derivatives in the form of swaps and options and interest rate swaps.

Level 3: Fair value is based on measurement techniques and the essential variables are not based on quoted market prices.

2018	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	–	2	–
	–	**2**	**–**
Liabilities in the balance sheet			
Oil derivatives	–	1	–
	–	**1**	**–**

2017	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	–	–	–
	–	**–**	**–**
Liabilities in the balance sheet			
Oil derivatives	–	3	–
	–	**3**	**–**

NOTE 33. Transactions with affiliates

RELATIONSHIPS WITH AFFILIATES INVOLVING CONTROL

The Group is under the control of Corral Petroleum Holdings AB. In addition to the affiliate transactions described for the Group below, the Parent Company has affiliate relationships that involve control with its subsidiaries, see Note 113.

2018 Relationships with affiliates	Sales	Purchases	Receivables Dec 31	Liabilities Dec 31
Parent Company	–	–	55	–
Associates	10	1,122	0	96
Other affiliates	3	215	0	29

2017 Relationships with affiliates	Sales	Purchases	Receivables Dec 31	Liabilities Dec 31
Parent Company	–	–	55	–
Associates	24	882	0	89
Other 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
Carrying amount	**124**	**91**

This note also refers to the Parent Company.

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, a 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.

Next up 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.

The work of refinancing the bond in Corral has intensified and a review of the total capital structure has begun. The goal is to carry out a refinancing of the group, when the market permits, with the aim of implementing a spread of the shareholding in Preem when the owner so decides.

This note also refers to the Parent Company.

Income statement

AMOUNTS IN SEK MILLIONS

	Note	2018	2017
Net sales		102,063	78,283
Excise duties[1]		–10,198	–10,040
Sales revenue	102	**91,865**	**68,243**
Cost of goods sold		–88,188	–63,060
Gross profit	5	**3,677**	**5,183**
Selling expenses		–887	–841
Administrative expenses		–1,089	–857
Other operating income	107	645	398
Operating profit	7, 103–107	**2,346**	**3,883**
Profit from participations in Group companies		5	112
Financial income		48	338
Financial expenses		–694	–385
Net financial items	108	**–641**	**65**
Profit before tax		**1,705**	**3,948**
Tax expenses/revenue for the period	109	–269	–889
Profit for the year[2]		**1,436**	**3,059**

[1] Excise duties refer to energy tax, carbon dioxide tax, sulfur tax and alcohol tax.
[2] Profit for the year corresponds to comprehensive income for the year.

Balance sheet

AMOUNTS IN SEK MILLIONS

ASSETS	Note	12/31/2018	12/31/2017
NON-CURRENT ASSETS			
Intangible assets			
Other intangible assets	110	5	6
Construction in progress	110	777	514
		781	**520**
Property, plant and equipment			
Land and buildings	30, 111	1,557	1,364
Plant and machinery	111	5,200	5,313
Capitalized turnaround costs	111	439	638
Equipment, tools, fixtures and fittings	111	338	381
Construction in progress	111	2,974	1,974
		10,509	**9,670**
Financial assets			
Participations in Group companies	112	429	295
Receivables from Group companies	113, 122	3	3
Participations in associates	114	130	103
Receivables from associates	122	0	0
Receivables from affiliates	18, 122	0	0
Other shares and participations	19, 122	11	26
Other non-current receivables		124	91
		696	**519**
Total non-current assets		**11,986**	**10,709**
CURRENT ASSETS			
Inventories			
Raw materials and consumables	115	3,461	4,978
Finished products	115	6,701	5,714
		10,162	**10,692**
Receivables			
Trade receivables	30, 116, 122	4,076	4,408
Receivables from Parent Company	122, 33	55	55
Receivables from Group companies	122	401	36
Receivables from associates	122	0	1
Derivatives	27, 123	2	–
Other receivables	122	771	538
Prepaid expenses and accrued income		653	371
		5,959	**5,410**
Cash and bank balances	121, 122	239	132
Total current assets		**16,360**	**16,234**
TOTAL ASSETS		**28,346**	**26,943**

Balance sheet, cont.

AMOUNTS IN SEK MILLIONS

EQUITY, PROVISIONS AND LIABILITIES	Note	12/31/2018	12/31/2017
EQUITY			
Restricted equity			
Share capital (610,258 shares)		610	610
Statutory reserve		266	266
Other restricted equity		692	430
		1,569	**1,306**
Non-restricted equity			
Profit brought forward		9,474	7,476
Profit for the year		1,436	3,059
		10,910	**10,535**
Total equity		**12,479**	**11,841**
PROVISIONS			
Provisions for pensions	117	128	127
Provisions for deferred tax	109	835	802
Other provisions	24	244	142
		1,207	**1,071**
Total provisions		**1,207**	**1,071**
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	25, 122	6,693	4,173
Liabilities to Group companies	122	107	60
Other non-current liabilities	25, 122	18	18
		6,818	**4,251**
Current liabilities			
Liabilities to credit institutions	25, 26, 122	488	903
Advance payments from customers		5	5
Trade payables	122	2,667	3,332
Liabilities to Group companies	122	65	21
Liabilities to associates	122	97	90
Derivatives	27, 122	1	3
Current tax liabilities		7	–
Other liabilities	118, 122	1,300	1,408
Accrued expenses and deferred income	119	3,212	4,019
		7,843	**9,781**
Total liabilities		**14,660**	**14,032**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**28,346**	**26,943**
Pledged assets and contingent liabilities	30		

Statement of changes in equity

AMOUNTS IN SEK MILLIONS

	Restricted equity			Non-restricted equity		
	Share capital	**Statutory reserve**	**Other restricted equity**	**Profit brought forward**	**Profit for the year**	**Total equity**
Opening equity 1/1/2017	**610**	**266**	**176**	**6,848**	**670**	**8,571**
Appropriation of profits	–	–	–	670	–670	–
Profit for the year	–	–	–	–	3,059	3,059
	–	–	–	–355	–	–355
Shareholder's contribution received	–	–	–	3,840	–	3,840
Group contributions paid	–	–	–	–4,200	–	–4,200
Tax attributable to Group contributions paid	–	–	–	924	–	924
Translation difference	–	–	–	2	–	2
Fund for internally generated development expenditure	–	–	253	–253	–	–
Closing equity 12/31/2017	**610**	**266**	**430**	**7,476**	**3,059**	**11,841**
Opening equity 01/01/2018	*610*	*266*	*430*	*7,476*	*3,059*	*11,841*
Adjustment according to IFRS 9	–	–	–	*0*	–	*0*
Appropriation of profits	–	–	–	3,059	–3,059	–
Profit for the year	–	–	–	–	1,436	1,436
Dividends paid	–	–	–	–380	–	–380
Shareholder's contribution received	–	–	–	400	–	400
Group contributions paid	–	–	–	–1,048	–	–1,048
Tax attributable to Group contributions paid	–	–	–	231	–	231
Translation difference	–	–	–	0	–	0
Fund for internally generated development expenditure	–	–	263	–263	–	–
Closing equity 12/31/2018	**610**	**266**	**693**	**9,475**	**1,436**	**12,479**

Statutory reserve
The statutory reserve comprises restricted equity and is set aside in accordance with the previously applicable Swedish Companies Act (1975:1385).

Other restricted equity
Other restricted equity comprises the transfer of an amount corresponding to internally generated development expenses.

Non-restricted equity
Non-restricted equity comprises the previous year's non-restricted equity plus the profit/loss for the year and unconditional shareholder's contributions received.

Number of shares and appropriation of profit
The number of shares issued totals 610,258, all of which are class A shares. The shares are fully paid up and the number of shares is the same at both the beginning and the end of the year. The quota value is SEK 1,000 per share.

Conditional shareholders' contributions
Preem AB received a conditional shareholders' contribution totaling SEK 2,482 million (of which SEK 1,982 million in 2011, SEK 500 million in 2010) from Corral Petroleum Holdings AB (publ).

Cash flow statement

AMOUNTS IN SEK MILLIONS

	Note	2018	2017
OPERATING ACTIVITIES			
Profit before tax		1,705	3,948
Adjustments for non-cash items	120	1,077	1,095
		2,782	**5,043**
Tax paid		0	–2
Cash flow from operating activities before changes in working capital		**2,783**	**5,041**
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase (–)/Decrease (+) in inventories		159	–2,234
Increase (–)/Decrease (+) in operating receivables		–58	–719
Increase (+)/Decrease (–) in operating payables		–1,545	783
Cash flow from operating activities		**1,340**	**2,870**
INVESTING ACTIVITIES			
Acquisition of subsidiaries		–26	–
Acquisition of intangible assets		–263	–261
Acquisition of property, plant and equipment		–1,766	–2,068
Disposal of property, plant and equipment		34	21
Investment in financial assets		–189	–159
Disposal of financial assets		–	131
Cash flow from investing activities		**–2,211**	**–2,337**
FINANCING ACTIVITIES			
Borrowings		9,894	6,957
Repayment of loans		–7,869	–6,731
Dividends paid		–380	–355
Group contributions paid		–648	–360
Cash flow from financing activities		**997**	**–490**
Cash flow for the year		126	43
Opening cash and bank balances		132	82
Exchange gains/losses on cash and cash equivalents		–19	7
Closing cash and bank balances	121	**239**	**132**

For supplementary disclosures, see Note 120

Notes to the Parent Company financial statements

NOTE 101. Significant accounting policies for the Parent Company

Preem AB (publ), corp. id no. 556072-6977, is the Parent Company of the Preem AB Group (Preem) and has its head office in Stockholm. The Group's operations involve extensive refining of crude oil and sales of petroleum products. Operating activities are run primarily by the Parent Company, Preem AB.

Preem has prepared its annual report in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities", along with the statements issued by the Swedish Financial Reporting Board that apply to publicly listed companies. Under RFR 2, a parent company whose financial statements comply with IFRS must prepare its financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as adopted by the European Union, to the extent that these accounting policies and interpretations correspond with the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, taking into account the relationship between accounting and taxation. The recommendation specifies which exemptions from and amendments to IFRS are to be observed.

The financial statements are presented in the Swedish krona (SEK), rounded off to the nearest million.

DIFFERENCES BETWEEN GROUP AND PARENT COMPANY ACCOUNTING POLICIES

Differences between the accounting policies of the Group and the Parent Company are described below. The accounting policies described below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements.

A more detailed description of the accounting policies applied by the Group as well as significant estimates and judgments are contained in Note 1 to the consolidated financial statements.

Classification and presentation methods

The Parent Company's income statement and balance sheet are presented in accordance with the Swedish Annual Accounts Act's schedule. The difference compared with IAS1 "Presentation of Financial Statements", which is applied in the presentation of the consolidated financial statements, relates primarily to the recognition of financial assets, current assets, equity, a separate heading for provisions in the Parent Company's balance sheet, and non-current and current liabilities.

Subsidiaries and associates

Participations in subsidiaries and associates are recognized by the Parent Company using the cost method.

Leased assets

The Parent Company recognizes all leases under the rules for operating leases.

Employee benefits

The Parent Company applies different bases for calculating defined benefit plans than those described in IAS 19. The Parent Company observes the provisions of the Swedish Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations, given that this is a prerequisite for entitlement to tax deductions. The most significant differences compared with the rules of IAS 19 are primarily the setting of the discount rate, the calculation of defined benefit obligations on the basis of the current salary level with no assumptions about future salary increases and the practice of recognizing all actuarial gains and losses in the income statement as they arise.

Income taxes

The Parent Company recognizes untaxed reserves in the balance sheet including deferred tax liabilities. In contrast, in the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and equity. There is no allocation of a share of appropriations to deferred tax expenses in the Parent Company's income statement.

Group contributions and shareholders' contributions for legal entities

The Company recognizes Group contributions and shareholders' contributions in accordance with RFR 2. Shareholders' contributions are recognized directly in the equity of the recipient and are capitalized in the shares and participations of the contributor, provided that they are not impaired. The general rule is applied to Group contributions. Group contributions that the Parent Company receives from subsidiaries are recognized as revenue in the Parent Company's income statement, and Group contributions paid by the Parent Company to a subsidiary are recognized under participations in subsidiaries in the same manner as shareholders' contributions. Group contributions paid by a subsidiary to the Parent Company are recognized as a distribution from the subsidiary, i.e. directly in equity after the recognized tax effect.

Development expenditure fund

The amount capitalized for internally generated development expenditures will be transferred from non-restricted equity to the development expenditure fund in restricted equity. The fund decreases as these intangible assets are amortized or impaired.

Branch in Norway

The current rate method is used for translation of the income statement and balance sheet of the Norwegian branch. This means that the balance sheet is translated using the exchange rate at the balance sheet date and the income statement is translated using the average exchange rate. The translation difference is recognized in other comprehensive income and accumulated in a fair value fund in equity.

NOTE 102. Segment reporting

Sales by segment	Supply & Refining	Marketing	Elim	Total
Sales 2018	89,521	21,726	–19,382	91,865
Sales 2017	66,236	18,090	–16,083	68,243

Sales by geographical region	2018	2017
Sweden	35,259	25,956
Norway	3,157	2,643
Other Nordic	5,742	4,942
Netherlands	20,687	11,610
UK	10,789	14,061
Other countries	16,230	9,031
Parent Company	**91,865**	**68,243**

NOTE 103. Auditors' fees

	2018	2017
KPMG		
Audit engagements	3	2
Tax consulting	1	1
Other services	1	1
	5	**4**
OTHERS		
Audit engagements	–	0
	–	**0**

NOTE 104. Depreciation and amortization

Breakdown of depreciation and amortization	2018	2017
Intangible assets	2	2
Buildings and land improvements	98	95
Plant and machinery	576	585
Capitalized turnaround costs	219	202
Equipment, tools, fixtures and fittings	100	104
	995	**987**

Breakdown by function	2018	2017
Cost of goods sold	870	865
Selling expenses	114	112
Administrative expenses	10	10
	995	**987**

NOTE 105. Leases

Lease payments for operating leases	2018	2017
Minimum lease payments	215	122
Variable payments	41	40
Total lease expenses	**256**	**162**
CONTRACTED FUTURE MINIMUM LEASE PAYMENTS		
Within one year	159	154
Between one and five years	446	662
More than five years	61	113

Lease revenue from operating leases	2018	2017
Minimum lease payments	86	89
Variable payments	28	25
Total lease revenue	**114**	**114**
CONTRACTED FUTURE MINIMUM LEASE PAYMENTS		
Within one year	87	90
Between one and five years	443	451
More than five years	–	–

NOTE 106. Expenses by type of expense

	2018	2017
Cost of materials	84,420	59,450
Cost of employee benefits	1,396	1,267
Depreciation and amortization	995	987
Other expenses	3,353	3,054
	90,164	**64,758**
RECONCILIATION WITH INCOME STATEMENT		
Cost of goods sold	88,188	63,060
Selling expenses	887	841
Administrative expenses	1,089	857
	90,164	**64,758**

NOTE 107. Other operating income

	2018	2017
Heating deliveries	72	64
Rental income	114	144
Charter rent	150	30
Harbor income	121	75
Storage certificates	134	63
Service compensation	15	23
Other	41	30
	645	**398**

NOTE 108. Net financial items

	2018	2017
Group contributions received	5	0
Gain/loss on disposal of participations in subsidiaries	–	112
	5	**112**
Interest income from instruments measured at amortized cost	19	8
Net exchange differences	–	307
Dividends	25	25
Other	3	–2
Financial income	**47**	**338**
Interest expenses from defined benefit unfunded pension obligation	–3	–3
Interest expenses from instruments measured at amortized cost[1)]	–280	–260
Net exchange differences	–289	–
Other	–121	–122
Financial expenses	**–693**	**–385**
Net financial items	**–641**	**65**

[1)] Of which SEK 102 million (102) in interest expenses from accrued transaction fees in conjunction with raised loans recognized using the effective interest method.

The net profit from oil derivatives measured at fair value, recognized as a cost of goods sold in profit/loss for the year, totaled SEK 753 million compared with a loss of SEK 308 million the previous year.

A provision of SEK 0 million (0) for Preem's receivable from Corral Morocco Gas & Oil was charged to net financial items. The provision is net of capitalized interest income of SEK 157 million (157) and a provision of SEK 157 million (1,724).

NOTE 109. Tax

Current tax expense (–)/tax revenue (+)	2018	2017
Tax expenses/revenue for the period	–236	–924
Tax attributable to previous years	–	–11
	–236	**–935**
Deferred tax expenses (–)/tax income (+)	–53	
Deferred tax on temporary differences	53	32
Deferred tax on tax loss carryforwards	–34	15
Total reported tax expenses	**–269**	**–889**

Reconciliation of effective tax	2018	2017
Profit before tax	1,705	3,948
Income tax calculated according to the prevailing tax rate for the Parent Company	–375	–869
Other non-deductible expenses	–58	–61
Non-taxable income	114	26
Taxable income not included in profit/loss	–4	–
Tax attributable to previous years	–1	–11
Other tax adjustments	55	25
Reported tax	**–269**	**–889**
Tax items recognized directly in equity		
Current tax in Group contributions paid/received	231	924

The weighted average tax rate was 15.8 percent (22.5).

2018 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Land and buildings	–	–23
Machinery and equipment	–	–725
Tax loss carryforwards	–	0
Other	4	–90
Net assets/liabilities		**–835**

2017 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Land and buildings	2	–2
Machinery and equipment	–	–817
Tax loss carryforwards	34	–
Other	4	–22
Net assets/liabilities		**–802**

Change in deferred tax in temporary differences	Amount at beginning of year	Recognised in profit/loss for the year	Other changes	Amount at end of year
Land and buildings	0	–23	–	–23
Machinery and equipment	–817	91	–	–725
Other	–19	–68	–	–87
Total temporary differences	**–836**	**1**	–	**–835**
Tax loss carryforwards	34	–34	0	0
	–802	**–33**	**0**	**–835**

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

NOTE 110. Intangible assets

Other intangible assets	2018	2017
Opening cost	8	0
Completion of construction in progress	–	8
Closing accumulated cost	**8**	**8**
Opening amortization	2	0
Amortization for the year	2	2
Closing accumulated amortization	**3**	**2**
Carrying amount at end of period	**5**	**6**

Construction in progress	2018	2017
Opening cost	514	261
Investments for the year	263	261
Completion of construction in progress	–	–8
Carrying amount at end of period	**777**	**514**

The capitalized interest expenses for the year of SEK 22.8 million (13.5) were attributable to intangible assets, and related primarily to one major IT project. The average interest rate is 6.3 percent (4.4).

NOTE 111. Property, plant and equipment

Land and buildings	2018	2017
Opening cost	2,941	2,905
Disposals/retirements	–54	–48
Completion of construction in progress	294	84
Closing accumulated cost	**3,181**	**2,941**
Opening depreciation	1,576	1,518
Disposals/retirements	–51	–36
Depreciation for the year	98	95
Closing accumulated depreciation	**1,624**	**1,576**
Carrying amount	**1,557**	**1,364**

Plant and machinery[1]	2018	2017
Opening cost	17,885	18,796
Disposals/retirements	–2,376	–1,421
Completion of construction in progress	501	511
Closing accumulated cost	**16,011**	**17,885**
Opening depreciation	12,572	13,334
Disposals/retirements	–2,338	–1,346
Depreciation for the year	576	585
Closing accumulated depreciation	**10,811**	**12,572**
Carrying amount	**5,200**	**5,313**

[1] The carrying amount includes precious metals at SEK 143 million (143).

Capitalized turnaround costs	2018	2017
Opening cost	1,466	1,489
Disposals/retirements	–402	–477
Completion of construction in progress	20	454
Closing accumulated cost	**1,084**	**1,466**
Opening depreciation	828	1,102
Retirements	–402	–477
Depreciation for the year	219	202
Closing accumulated depreciation	**645**	**828**
Carrying amount	**440**	**639**

Equipment, tools, fixtures and fittings	2018	2017
Opening cost	1,498	1,442
Disposals/retirements	–98	–72
Completion of construction in progress	61	129
Closing accumulated cost	**1,460**	**1,498**
Opening depreciation	1,118	1,084
Disposals/retirements	–95	–70
Depreciation for the year	100	104
Closing accumulated depreciation	**1,122**	**1,118**
Carrying amount	**338**	**380**

Construction in progress	2018	2017
Opening cost	1,974	1,084
Investments for the year	1,766	2,067
Completion of construction in progress	–766	–1,176
Carrying amount	**2,974**	**1,974**

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 percent (4.4).

NOTE 112. Participations in Group companies

	Corp. ID no.	Reg. Office	Number of shares	Participating interest, %	Carrying amount
SWEDISH COMPANIES					
Operating					
Bensinstation Preem AB	556909-4633	Malmö	1,000	100	1
Preem Försäkrings AB	516406-0930	Stockholm	75,000,000	100	170
Preem Shipping AB	559110-9052	Stockholm	500	100	0
Preem Technology AB	556117-6610	Lysekil	4,000	100	1
Svensk Petroleum Förvaltning AB	556067-8459	Stockholm	664	66	0
Drivmedelstation Preem AB	556955-3117	Stockholm	1,000	100	0
Tibblemarken 3 AB	556915-2571	Stockholm	500	100	0
Celkirk AB*	559110-1596	Stockholm	50,000	100	27
Dormant					
Svenska Petroleum AB	556046-4819	Stockholm	1,000	100	0
Såifa Drivmedel AB	556039-7001	Stockholm	5,000	100	1
					199
FOREIGN COMPANIES					
Operating					
Preem Norge AS	919,502,193	Bærum	75,048	100	230
					230

* See Note 31

Accumulated cost	**2018**	**2017**
At start of year	364	260
Acquisitions for the year	28	123
Divestment	–	–19
Group contributions	49	0
Shareholders' contributions	106	–
	547	**364**
ACCUMULATED IMPAIRMENT LOSSES/AMORTIZATION		
At start of year	69	60
Impairment losses	49	10
	118	**69**
Carrying amount at end of period	**429**	**295**

NOTE 113. Receivables from Group companies

	2018	**2017**
Opening cost	3	2
Group contributions receivable	–	0
Closing accumulated cost	**3**	**3**

NOTE 114. Participations in associates

Swedish companies	Corp. ID no.	Reg. Office	Number 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	98
Lignolproduktion AB	559095-1116	Stockholm	249,999	25	25
Pyrocell AB	559167-3784	Gävle	500	50	1
					129

2018	Assets	Liabilities	Equity	Revenue	Net profit/loss
AB Djurgårdsberg	3	3	0	5	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	205	190	15	412	–1
SunPine AB	1,025	421	604	1,458	179
Lignolproduktion AB	75	75	0	–	0
Pyrocell AB	80	78	2	–	0

2017	Assets	Liabilities	Equity	Revenue	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 refers to 100 percent of the companies' assets, liabilities, equity, revenue and net profit/loss.

	2018	**2017**
Opening balance	103	103
Investment for the year	26	–
Closing balance	**129**	**103**

NOTE 115. Inventories

	2018	2017
Raw materials	3,465	4,978
Finished products	6,697	5,713
	10,162	**10,691**

The cost of inventories in the Group includes the equivalent of SEK 183 million (15) million 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 116. Trade receivables

	2018	2017
Trade receivables	4,082	4,415
Reserve for doubtful debts	–6	–7
Fair value of trade receivables	**4,076**	**4,408**

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	109	84
Between 10 and 20 days	76	21
Between 21 and 30 days	34	4
More than 30 days	82	21
	300	**131**

Changes in the reserve for doubtful trade receivables are as follows:	2018	2017
At start of period	7	7
Provision for impairment of trade receivables/unused amounts reversed for the year	11	7
Confirmed losses for the year	–12	–7
At end of period	**6**	**7**

The accounting policies applied are described in Note 21 for the Group.

NOTE 117. Provisions for pensions

	2018	2017
NET LIABILITY IN THE BALANCE SHEET		
Present value of obligation (calculated using Swedish policies) relating to unfunded pension plans	128	127
Net amount recognized for pension obligations	**128**	**127**
CHANGES IN NET LIABILITIES		
Net liabilities at start of year for pension obligations	127	124
Interest component of pension costs for the year	3	3
Provision	6	10
Pension payments	–8	–8
Other changes	–	0
	128	**127**
Share of these expenses covered by credit insurance via FPG/PRI	73	77

NOTE 118. Other liabilities

	2018	2017
VAT	431	461
Excise duties[1]	725	817
Other liabilities	145	130
	1,300	**1,408**

[1] Excise duties refer to energy tax, carbon dioxide tax, sulfur tax and alcohol tax.

NOTE 119. Accrued expenses and deferred income

	2018	2017
Purchases of crude oil and products	2,062	3,159
Personnel	321	306
Interest	4	2
Other	826	552
	3,212	**4,019**

NOTE 120. Supplementary disclosures to the cash flow statement

	2018	2017
INTEREST PAID AND DIVIDENDS RECEIVED		
Dividends received	25	25
Interest received	19	8
Interest paid	–267	–194
ADJUSTMENT FOR NON-CASH ITEMS, ETC.		
Depreciation, amortization and impairment of non-current assets	1,016	1,069
Impairment losses on inventories (+)/ Reversal of impairment losses on inventories (–)	376	–8
Unrealized exchange rate losses (+)/exchange rate gains (–)	101	–54
Unrealized exchange rate losses (+)/ exchange rate gains (–), net financial items	–21	–43
Unrealized gains (–)/losses (+) on oil derivatives	–484	70
Expensed share of capitalized borrowing costs	102	102
Provisions	–12	72
Capital gains/losses on disposal/retirement of non-current assets	5	–3
Capital gains/losses on disposal of business/subsidiary	–	–112
Capital gains/losses from associates	–5	1
	1,077	**1,095**

NOTE 121. Cash and bank balances

Cash and bank balances in the balance sheet and the cash flow statement include the following with a maturity date less than three months after acquisition.

	2018	2017
Cash and bank balances	239	132
	239	**132**

NOTE 122. Financial instruments

FINANCIAL INSTRUMENTS BY CATEGORY

2018 Assets in the balance sheet	Assets measured at fair value through profit/ loss for the year	Assets measured at fair value through other comprehen-sive income	Financial assets measured at amortised cost	Carrying amount	Fair value
Other shares and participations	11	–	–	11	11
Derivatives	2	–	–	2	2
Receivables from Parent Company	–	–	55	55	55
Trade payables and other receivables	–	–	5,248	5,248	5,248
Cash and cash equivalents	–	–	239	239	239
	13	**–**	**5,543**	**5,555**	**5,555**

Liabilities in the balance sheet	Liabilities at fair value through profit/ loss for the year	Liabilities at fair value through other comprehensive income	Other liabilities	Carrying amount	Fair value
Borrowings	–	–	7,389	7,389	7,389
Derivatives	1	–	–	1	1
Other liabilities	–	–	4,134	4,134	4,134
	1	**–**	**11,522**	**11,523**	**11,523**

2017 Assets in the balance sheet	Assets measured at fair value through profit/ loss for the year	Assets measured at fair value through other comprehen-sive income	Financial assets measured at amortised cost	Carrying amount	Fair value
Other shares and participations	26	–	–	26	26
Derivatives	0	–	–	0	0
Receivables from Parent Company	–	–	55	55	55
Trade payables and other receivables	–	–	4,983	4,983	4,983
Cash and cash equivalents	–	–	132	132	132
	26	**–**	**5,170**	**5,197**	**5,197**

Liabilities in the balance sheet	Liabilities at fair value through profit/ loss for the year	Liabilities at fair value through other comprehensive income	Other liabilities	Carrying amount	Fair value
Borrowings	–	–	5,385	5,385	5,385
Derivatives	3	–	–	3	3
Other liabilities	–	–	4,871	4,871	4,871
	3	**–**	**10,256**	**10,259**	**10,259**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET

The table below shows financial instruments measured at fair value in the balance sheet, classified into the following three levels:

Level 1: Fair value is based on quoted market prices on an active market for the same instruments.

Level 2: Fair value is based on quoted market prices on an active market for similar instruments or measurement techniques where all variables are based on quoted market prices. This level includes oil derivatives in the form of swaps and options and interest rate swaps.

Level 3: Fair value is based on measurement techniques and the essential variables are not based on quoted market prices.

2018	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	–	2	–
	–	**2**	**–**
Liabilities in the balance sheet			
Oil derivatives	–	1	–
	–	**1**	**–**

2017	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	–	–	–
	–	**–**	**–**
Liabilities in the balance sheet			
Oil derivatives	–	3	–
	–	**3**	**–**

NOTE 123. Proposed appropriation of profits

The Parent Company's non-restricted equity amounts to SEK 10,909,709,145. The Board of Directors proposes that this amount be appropriated as follows:

	2018
Carried forward (SEK thousand)	10,909,709
Total	**10,909,709**

BOARD SIGNATURES

Stockholm, March 13, 2019

Per Höjgård	Richard Öhman	Michael G:son Löw
Petter Holland *Chief Executive Officer*	Jason T. Milazzo Chairman of the Board	Erika Andersson *Employee representative*
	Lennart Sundén	Cristian Mattsson *Employee representative*

Our audit report was submitted on April 17, 2019

KPMG AB
Håkan Olsson Reising
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Preem AB (publ), corp. ID 556072-6977

Statement on the annual report and consolidated financial statements

Opinions

We have audited the annual report and consolidated financial statements of Preem AB (publ) for the year 2018, except for the sustainability report which is published at a separate web address.

In our opinion, the annual report has been prepared in accordance with the Annual Accounts Act, and in all material respects provides a true and fair view of the financial position of the Parent Company as of December 31, 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and in all material respects present a true and fair view of the financial position of the Group as of December 31, 2018 and its 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. Our opinions do not cover the sustainability report which is accessible via <preem.se/om-preem/finansiell_info/>. The Directors' Report is consistent with the other parts of the annual report and the consolidated financial statements.

We therefore recommend the general meeting of shareholders to adopt the income statement and balance sheet for the Parent Company and the Group.

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.

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

Information other than the annual report and consolidated financial statements

This document also contains information other than the annual report and consolidated financial statements and is found on <preem.se/ om-preem/finansiell_info/>.

Our opinion on the annual report and consolidated financial statements does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual report and consolidated financial statements, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual report and consolidated financial statements. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

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

In preparing the annual report and consolidated financial statements, the Board of Directors and the CEO 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 CEO intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual report and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISM 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 report and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the annual report and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual report and consolidated financial statements. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may lead to significant doubt about 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 report and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion about the annual report and consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual report and consolidated financial statements, including the disclosures, and whether the annual report and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. 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 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.

Statement on other legal and regulatory requirements

Opinions

In addition to our audit of the annual report and consolidated financial statements, we have also audited the administration of the Board of Directors and the CEO of Preem AB (publ) 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 Directors' Report and that the members of the Board of Directors and the CEO 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 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 CEO

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 CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to perform 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 CEO 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 a 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 made, 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.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report published outside of this report, and for it being prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Stockholm, April 17, 2019

KPMG AB
Håkan Olsson Reising
Authorized Public Accountant

The Preem Group's operations in summary

	2018	2017	2016	2015	2014
Sales revenue, SEK million	92,553	68,752	56,041	66,006	84,438
Profit/loss before tax, SEK million	1,746	3,971	1,431	1,423	−3,637
Return on capital employed, %	12	29	25	19	0
Return on adjusted equity, %	11	25	8	11	0
Adjusted EBITDA	3,570	4,188	3,399	5,427	2,113
Capital expenditures in plants[1)], SEK million	2,063	2,337	1,348	968	818
Total assets, SEK million	29,092	27,591	22,980	21,381	24,856
Equity/assets ratio, %	44	44	39	38	30
Average number of employees	1,483	1,458	1,395	1,319	1,278

[1)] Excluding plants acquired through acquisitions

Definitions

Capital employed
Total assets minus interest-free trade payables.

Average adjusted equity
Equity including non-controlling interests.

Return on capital employed
Profit/loss before borrowing expenses as a percentage of average capital employed.

Return on adjusted equity
Profit/loss after tax as a percentage of average adjusted equity.

Adjusted EBITDA
Operating profit/loss before amortization of intangible assets and depreciation of property, plant and equipment excluding price effects on inventory and exchange rate gains and losses.

Equity/assets ratio
Adjusted equity as a percentage of total assets.