PREEM ANNUAL REPORT 2017

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2017

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 subsidiaries form Sweden's largest fuel company.
The address of the Parent Company is
Warfvinges väg 45, 112 80 STOCKHOLM.
Figures in parentheses refer to the previous year.

Preem AB (publ) 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 modern and environmentally optimized in Europe. They have a total refining capacity of over 18 million m^3 per year and roughly two-thirds of this production is exported. Preem engages in large-scale refining of crude oil and sales of petroleum products to oil companies operating in Sweden and in the international market, particularly in Northwestern Europe. Gasoline, diesel, renewable fuel, heating oils and lubricating oils are sold in the Swedish market via Preem's own marketing channels, certified distributors and filling stations. Preem has a nationwide station network with around 570 filling stations for private and commercial traffic. Since 2016, Preem has also had operations in Norway.

EARNINGS

Preem's sales revenue rose from SEK 56,041 million in the previous year to SEK 68,752 million in 2017, a 23 percent increase.

Gross profit/loss increased by SEK 200 million to SEK 5,312 million (5,112), including price effects on inventories in the amount of SEK 1,064 million (1,278). This year-on-year increase in earnings is mainly due to stronger refining margins, with the diesel and heavy fuel oil margins gaining ground. The average refining margin improved from USD 4.53 per barrel the previous year to USD 5.58 per barrel for the full year.

Crude oil prices rose in 2017 from USD 54.94 per barrel at the beginning of the year to USD 66.54 per barrel at year-end. We saw crude oil price increases mainly in the final quarter of the year. The SEK/USD exchange rate declined during the year with the SEK weakening from 9.10 SEK/USD at the start of the year to 8.23 at the end of the year. However, the average USD rate has been stable, going from 8.56 in 2016 to 8.54 in 2017.

Total production was 17.5 million m^3 (17.8), a decrease of less than two percent in comparison to 2016. The proportion of products exported was 62 percent (59), with a value of SEK 42,768 million (33,248).

The Marketing and Sales segment once again reported a strong operating profit of SEK 581 million, in comparison with SEK 590 million the previous year. The sale of Preem Gas had a major positive effect. Overhead costs increased by 4 percent driven by Preem's investments in Norwegian operations and in upgrading its IT systems.

Preem's operating profit improved, coming in at SEK 4,047 million (3,799). Operating expenses increased by 6 percent compared year-on-year.

Profit before tax came in at SEK 3,971 million (1,431).

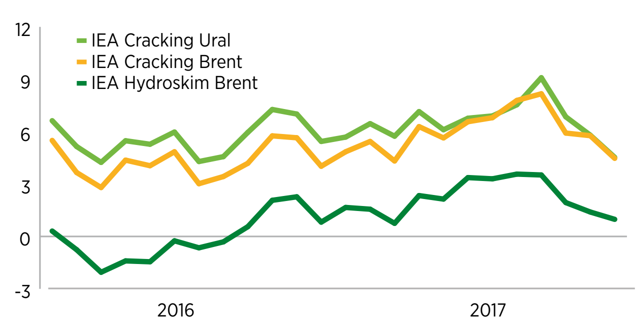
A table of key ratios including definitions is presented on the last page under The Preem Group's operations in summary.

MARKET

The average price of crude oil in 2017 was approximately USD 54 per barrel, which was higher than the average price for 2016 of

OIL PRICE TREND IN 2017
USD/barrel

REFINERY MARGINS
USD/barrel



approximately USD 44 per barrel. The biggest reason for this price increase was the crude oil production limits continued by OPEC members and some other countries, with Russia the most significant, throughout 2017 and on into 2018. In early 2018, the market speculated on how long this would continue.

The combination of reduced crude oil production and a strong global economy, which leads to higher demand for petroleum products, resulted in a decrease in global stockpiles of both crude oil and its products. Political tensions and wars also impacted prices given that they are largely occurring in regions with high crude oil production.

Crude oil prices fluctuated in 2017 based on market views of production and demand and on uncertainty concerning inventory levels. These prices started off the year at USD 55 per barrel but fell to USD 45 per barrel in late June even though OPEC and the other countries decided to continue their production limits at a meeting in May. Later in the year, confidence increased that the countries that had reduced their production would reach their lower stockpile targets and the price rose to USD 59 per barrel in late September, closing the year at a high of USD 66 per barrel. The price exceeded USD 70 per barrel in January 2018.

Crude oil is normally priced against the Dated Brent, which was weak due to the crude oil surplus early in the year but has increasingly gained strength. The Dated Brent premium also strengthened during the year. The crude oil Preem buys the most had a negative premium of USD -2 per barrel at the start of the year but strengthened to -0.5 by the close of the year. As an annual average for 2017, this level represents a year-on-year increase of approximately USD 1 per barrel.

The difference in value of a refinery's products and the cost of crude oil forms the basis for profitability The gasoline margin was maintained at a positive level, supported by increased global demand but also by disruptions to production in South America and a rough hurricane season in much of the southern US, which is home to many refineries. The price difference between diesel and crude oil was higher in 2017 than in 2016, but global diesel stockpiles did not decrease as quickly as gasoline stockpiles.

The heavy fuel oil margin has been stronger than it has been in many years. This oil is used globally as shipping fuel, for power generation in areas such as the Middle East and is a raw material of bitumen, which is used in asphalt. Demand has been greater than supply in 2017, which has resulted in year-on-year heavy fuel oil price increases relative to crude oil. The strong demand is a result of a strong global economy that leads to more transport, of a very hot summer that spurred higher power needs, and of crude oil production problems in Venezuela.

The crude oil market trend and the high value of crude oil products drove strong refining margins for 2017. Global refineries demand large quantities of crude oil and produce products with high capacity utilization to meet increased demand.

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 17.5 million m³, in comparison to 17.8 million m³ in 2016. The bulk of the crude oil originates from Russia, the North Sea and West Africa. In addition, imported distillate was processed at both refineries. Renewable raw materials amounting to 163,000 m³ 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.

There were two planned maintenance shutdowns at Preem's refineries, one in Lysekil in the spring and one major turnaround at the Gothenburg refinery in September and October. Besides these maintenance shutdowns, operations were stable during the year with high plant capacity utilization.

2017 PURCHASES

Distribution in %

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

2016 PURCHASES

Distribution in %

- Russia 58%
- North Sea 26%
- Other 16%

MARKETING AND SALES

The Marketing and Sales segment reported strong 2017 earnings with an operating profit of SEK 581 million, in comparison to SEK 590 million the previous year. Despite the considerable decline in HVO profitability, earnings were prevented from decreasing further by an 8 percent year-on-year increase in sold volume and by the sale of Preem Gas in June 2017, which had a major positive one-off effect on earnings. The Norwegian operations of YX Bulk were acquired in September, but this did not have any major effect on earnings for the 2017 financial year. The acquisition was completed by purchasing shares in YX Bulk AS, a new company set up for this transaction that was renamed Preem Norge AS.

Product prices opened and closed the year at around the same levels. Consumer gasoline and diesel prices were SEK 14.42 and 14.35 per liter respectively at the start of the year and declined slightly until the summer when they reached year-low levels of SEK 13.67 and 13.30 per liter respectively. Prices then increased in the fall and reached year-high levels of SEK 14.72 and 14.45 per liter respectively in November. Gasoline and diesel prices closed out the year at SEK 14.47 and 14.55 per liter respectively. The Swedish government's new tax rules for indexation will result in substantial tax increases and thus also substantial fuel price increases over the coming years.

Diesel volumes continued to increase on the Swedish market, albeit at a lower rate than in previous years, mainly driven by the transportation sector and conversion from gasoline. The increase in diesel was largely due to renewable products with blends mainly consisting of HVO or pure HVO (HVO100), which had gained 20 percent by November on an accumulated basis. Gasoline volumes fell due to efficiency drives and conversions to other fuels. Heating and heavy oil volumes continued to decline due to conversion to other fuels. The overall oil market in Sweden in November 2017, excluding aircraft fuel, was on par with November of the previous year. Preem's total share of the Swedish market for oil products excluding aircraft fuel increased from 30.7 percent accumulated for December 2016 to 31.5 percent accumulated for December 2017 according to preliminary figures from Statistics Sweden (SCB).

The proportion of renewable fuels fell to 17 percent of Preem's total fuel sales via Marketing and Sales in 2017, in comparison to 19 percent in 2016. The decrease in the proportion of renewable content is due to lower HVO availability. Rape methyl ester (RME) and ethanol sales were relatively stable.

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 are described in a new integrated policy, the Safety, Health and Environment Policy, which was adopted in January 2017. 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 are have permits for A operations. The permits are subject to conditions and an associated control program. Several limits for hydrocarbon emissions to water were exceeded at the Gothenburg refinery in 2017. 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 Land and Environment Court in fall 2017. Application documents will be supplemented with a species-specific inventory during the summer and they are expected in the fall of 2018.

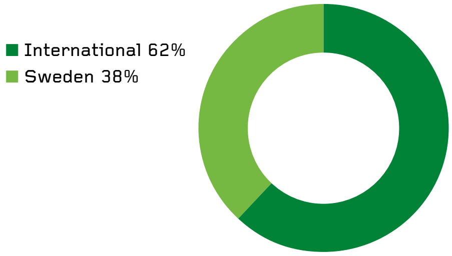
Carbon dioxide emissions from the refineries are included in the EU emission rights trading system, and the number of freely allocated emission rights covered a total of 1.96 million metric tons per year on average for the current trading period, 2013-2020, according to a decision by the Swedish Environmental 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 must be covered by a purchase of emission rights on a market or through improvements in energy efficiency.

The depots have permits for B operations. The limits for hydrocarbon emissions to water were exceeded on a few occasions during the year at the depot in Norrköping. The regulatory authority was notified of this and remedial action was taken by the depot.

Most Preem filling stations and diesel facilities handle more than 1,000 m3 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 and diesel facilities.

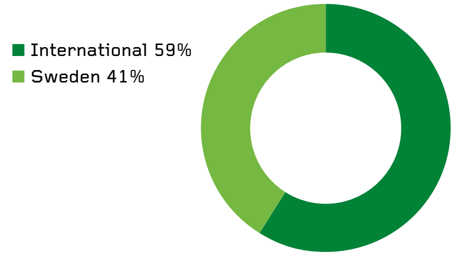
EXPORTS IN SEK 2017

Distribution in %



EXPORTS IN SEK 2016

Distribution in %



Remediation of contaminated soil at closed depots, filling stations and Såifa facilities is ongoing and continued in 2017.

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 online.
See www.preem.se/om-preem/finansiell_info

INVESTMENTS

Preem's capital expenditures on intangible assets and property, plant and equipment totaled SEK 2,337 million (1,348). The expenditure attributable to the maintenance shutdown totaled SEK 441 million, and an additional SEK 667 million was expended on operational improvements on top of that. SEK 902 million was expended on profitability improvements, SEK 68 million on establishing and renovating stations and SEK 259 million on environmental and safety improvement measures.

PRODUCT DEVELOPMENT

Preem's vision is to lead the transition to a sustainable society. The Company has an ambitious program to be a part of Sweden and Europe's transition to a more climate-smart transportation sector. Being the largest fuel producer in Sweden, it is very important for Preem take a great deal of responsibility for this transition. Preem has set its own objective in line with Sweden's goal of achieving a vehicle fleet free of fossil fuels by 2030. Preem will produce and sell at least three million m3 of renewable fuel on the Swedish market by 2030.

In November 2017, the Board of Directors of Preem resolved to further strengthen Preem's capability to produce fuel from sustainable biomass by approving an investment to increase capacity at an existing plant of the Gothenburg refinery. This investment will enable Preem to double its production capacity from 2017 levels by 2021. Preem is also working on projects to add additional renewable fuel production capacity of up to one million m^3 by 2022.

To achieve this objective, Preem engages in a series of research and development projects with a clear focus on forestry and pulp industry by-products. Preem is focused on developing products from residual streams that possess good sustainability properties and will result in lower greenhouse gas emissions. By investing in products from forests, Preem supports the Nordic forestry industry and cuts the Nordic region's dependence on raw material imports for fuel production. In this context, Preem has partnered with Bergene Holm, one of Norway's largest sawmill groups, to assess construction of a factory to convert sawdust and other by-products of the forest industry into liquid hydrocarbons for fuel production.

Preem also partnered with Vattenfall in Sweden in 2017 to investigate possibilities for large-scale production of hydrogen from water using electricity. The hydrogen would be used in biofuel production to improve the sustainability properties of the fuel.

Preem supports Swedish research on several fronts to strengthen Swedish innovation. Preem participates in Bioinnovation, a strategic research program, where we collaborate with several other major Swedish companies to develop renewable fuels. Preem also supports f3, a collaboration platform working to increase knowledge and collaborations to achieve a fossil-free vehicle fleet.

FINANCING AND LIQUIDITY

All the Company's financial liabilities were extended in the spring of 2016. The new loans have 4.5-year terms, maturing in November 2020. At the end of the period, consolidated net debt totaled SEK 5,076 million, compared with SEK 4,791 million at December 31, 2016.

PERSONNEL

The average number of employees of the Group was 1,458 (1,395), of whom 1,439 (1,386) worked at the Parent Company.

OUTLOOK

Geopolitical risks, reduced crude oil production and a strong global economy continued to stimulate oil prices in early 2018. However, there is an increasing risk of price declines due to rising optimism in the US shale oil industry.

Preem does not have any major maintenance shutdowns planned for 2018. Regular maintenance and preparations for the major Lysekil shutdown in 2019 will proceed throughout the year.

We are aware that Preem AB's beneficial owner, Sheikh Mohammed Al-Amoudi, was one of a large group of Saudi leading figures detained on November 5, 2017 in Riyadh for reasons that have not been made clear at this time. No further confirmed information in the matter is available to us at the date of this report. We are unable to provide further comments other than to say that Preem AB and its subsidiaries are operating on a normal basis and remain unaffected by this development.

PROPOSED APPROPRIATION OF PROFITS

The Parent Company's non-restricted equity amounted to SEK 10,534,748,313.

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

Carried forward:	10,534,748
Total	10,534,748

BASIS FOR DECISION BY BOARD OF DIRECTORS

This annual report discloses that a Group contribution amounting to SEK 4,200 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 shareholder's contribution to Preem AB (publ) in the amount of SEK 3,839 million. In addition, a dividend of SEK 355 million was distributed to Corral Petroleum Holdings AB in June 2017.

JUSTIFICATION

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 performance and position.

Group

Income statement and statement of other comprehensive income

AMOUNTS IN SEK MILLIONS

Income statement	Note	2017	2016
Net sales		78,581	66,225
Excise duties[1]		-9,829	-10,184
Sales revenue	4, 14	**68,752**	**56,041**
Cost of goods sold	8, 10, 14	-63,440	-50,929
Gross profit	**5**	**5,312**	**5,112**
Selling expenses		-866	-820
Administrative expenses		-864	-810
Other operating income	11	465	317
Operating profit	6-11, 33	**4,047**	**3,799**
Financial income		311	154
Financial expenses		-386	-2,522
Net financial items	12, 14	**-75**	**-2,368**
Profit before tax		**3,971**	**1,431**
Tax on profit for the year	13	-890	-721
Profit for the year		**3,081**	**710**
ATTRIBUTABLE TO:			
Parent Company shareholders		3,081	710
Non-controlling interests		0	0
		3,081	**710**

Statement of comprehensive income			
Profit for the year		**3,081**	**710**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the income statement:			
Actuarial gains/losses on defined benefit pension plans	23	-2	-76
Translation difference		-1	0
Tax attributable to items in other comprehensive income		0	17
Total other comprehensive income for the year, net of tax		**-3**	**-59**
Total comprehensive income for the year		**3,079**	**651**
ATTRIBUTABLE TO:			
Parent Company shareholders		3,079	651
Non-controlling interests		0	0
		3,079	**651**

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

Group

Balance sheet

AMOUNTS IN SEK MILLIONS

ASSETS	Note	12/31/2017	12/31/2016
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	15	308	308
Construction in progress	15	521	261
Other intangible assets	15	153	–
		981	**568**
Property, plant and equipment			
Buildings and land	16, 30	1,366	1,398
Plant and equipment	16	5,313	5,464
Capitalized turnaround costs	16	638	387
Equipment, tools, fixtures and fittings	16	386	368
Construction in progress	16	1,978	1,087
		9,681	**8,705**
Financial assets			
Investments in associates	17	194	168
Receivables from associates	33	0	1
Receivables from affiliates	18, 33	0	0
Available-for-sale financial assets	19, 32	26	28
Other non-current receivables	34	91	47
		312	**243**
Total non-current assets		**10,974**	**9,516**
CURRENT ASSETS			
Inventories	20	10,691	8,452
Trade receivables	21, 30, 32	4,674	3,892
Receivables from Parent Company	32, 33	55	55
Other receivables	32	568	572
Prepaid expenses and accrued income		372	370
		16,360	**13,341**
Cash and cash equivalents	22, 32	256	123
Total current assets		**16,616**	**13,464**
TOTAL ASSETS		**27,591**	**22,980**

Group

Balance sheet

AMOUNTS IN SEK MILLIONS

EQUITY AND LIABILITIES	Note	12/31/2017	12/31/2016
EQUITY			
Equity attributable to Parent Company shareholders			
Share capital		610	610
Other paid-in capital		4,964	2,482
Profit brought fwd. including profit for the year		6,675	5,870
		12,250	**8,962**
Non-controlling interests		0	0
Total equity		**12,250**	**8,962**
LIABILITIES			
Non-current liabilities			
Pension obligations	23	109	101
Deferred tax liabilities	13	841	844
Other provisions	24	142	66
Borrowings	25, 26, 32	4,191	4,707
		5,283	**5,718**
Current liabilities			
Borrowings	25, 26, 32	903	103
Advance payments from customers		5	15
Trade payables	32	3,529	2,695
Liabilities to associates	32, 33	89	102
Derivatives	27, 32	3	–
Other liabilities	28, 32	1,413	1,428
Accrued expenses and deferred income	29	4,116	3,957
		10,057	**8,300**
Total liabilities		**15,341**	**14,018**
TOTAL EQUITY AND LIABILITIES		**27,591**	**22,980**

Pledged assets and contingent liabilities	30

Group

Statement of changes in equity

AMOUNTS IN SEK MILLIONS

	Attributable to Parent Company shareholders					
	Share capital	Other paid-in capital	Profit brought forward	Total	Non-controlling interests	Total equity
Opening equity 1/1/2016	**610**	**2,482**	**5,058**	**8,150**	**0**	**8,150**
Profit for the year	–	–	710	710	0	710
Other comprehensive income	–	–	-59	-59	–	-59
Comprehensive income for the year	**–**	**–**	**651**	**651**	0	**651**
Group contribution paid	–	–	-2,793	-2,793	–	-2,793
Tax attributable to Group contribution paid	–	–	614	614	–	614
Shareholder's contribution received	–	–	2,340	2,340	–	2,340
Closing equity 12/31/2016	**610**	**2,482**	**5,870**	**8,962**	**0**	**8,962**
Profit for the year	–	–	3,081	3,081	0	3,081
Other comprehensive income	–	–	-3	-3	–	-3
Comprehensive income for the year	**–**	**–**	**3,079**	**3,079**	**0**	**3,079**
Group contribution 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**	**9,158**	**12,250**	**0**	**12,250**

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 shareholder's contribution totaling SEK 2,482 million (SEK 1,982 million in 2011, SEK 500 million in 2010) from Corral Petroleum Holdings AB (publ).

Group

Cash flow statement

AMOUNTS IN SEK MILLIONS. Note 31.

	Note	2017	2016
OPERATING ACTIVITIES			
Profit before tax		3,971	1,431
Adjustments for non-cash items		1,065	2,313
		5,036	**3,744**
Tax paid		-4	0
Cash flow from operating activities before changes in working capital		**5,032**	**3,744**
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase (-)/Decrease (+) in inventories		–2,232	–2,129
Increase (-)/Decrease (+) in operating receivables		-885	–426
Increase (+)/Decrease (-) in operating payables		1,049	3,059
Cash flow from operating activities		**2,964**	**4,247**
INVESTING ACTIVITIES			
Acquisition of subsidiaries		–123	–
Disposal of subsidiaries		103	–
Acquisition of intangible assets		–268	-176
Acquisition of property, plant and equipment		–2,069	-1,171
Disposal of property, plant and equipment		21	–
Investment in financial assets		–36	–16
Disposal of financial assets		25	8
Cash flow used in investing activities		**–2,347**	**-1,356**
FINANCING ACTIVITIES			
Dividends paid		–355	–
Borrowings		6,957	5,656
Repayment of loans		–6,731	–7,928
Group contributions paid		–360	–453
Expenses related to raising loans		–	–455
Cash flow used in financing activities		**–490**	**–3,179**
Cash flow for the year		127	–288
Opening cash and cash equivalents		123	411
Exchange gains/losses on cash and cash equivalents		6	–
Closing cash and cash equivalents	22	**256**	**123**

Notes to the consolidated financial statements

NOTE 1. Significant accounting policies

On March 14, 2018, the Board of Directors approved this annual report and these consolidated financial statements and will publish and submit them to the Annual General Meeting for adoption on April 20, 2018.

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 has been applied. The consolidated financial statements have been prepared using the cost method, apart from available-for-sale financial assets 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 is not exactly equal to the sum of all components in some cases.

Standards, amendments and interpretations that came into force in 2017

The amended IAS 7 Statement of Cash Flows is effective for annual periods beginning on or after 1 January 2017. Disclosures have been added in Note 31 where change in liabilities for the year attributable to financing activities is reconciled against specification of new borrowings, repayments, exchange rate effects, etc. Both cash and non-cash changes are disclosed.

Other upcoming amendments that have come into effect are not expected to have any significant impact on the Group's financial statements.

New IFRS and interpretations that have not yet come into force

Several new or amended IFRS that will come into force 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 come into force in the future.

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

IFRS 9 Financial Instruments

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

IFRS 9 changes the classification and measurement of financial assets, introduces an impairment model based on expected credit losses instead of incurred losses, and changes hedge accounting policies to simplify and increase coherence with the internal risk management strategies of companies.

The Group estimates that the new categories of financial assets introduced by IFRS 9 will not have a material impact on the recognition of trade and loan receivables. The Group had available-for-sale financial assets held for long-term purposes at December 31, 2017 with a fair value of SEK 26 million. These assets will be classified as assets at fair value through profit or loss starting on January 1, 2018.

The Group estimates that there are no material effects on the classification of financial liabilities at January 1, 2018.

IFRS 9 replaces the "incurred loss model" with a model based on expected future credit losses. The new impairment model is applicable to financial assets at amortized cost or fair value through other comprehensive income, except for investments in equity instruments (shares and investments) and contract assets. This affects the Group's trade receivables and a loss allowance is required for full lifetime expected losses. The Group estimates that an additional impairment loss of SEK 0.4 million will need to be recognized at January 1, 2018.

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 IFRIC 13 Customer Loyalty Programs.

IFRS 15 Revenue from Contracts with Customers will be effective for annual periods beginning on or after January 1, 2018. The Group has reviewed its revenue flows and determined that IFRS 15 will not have any effect on its financial statements. Revenue is currently recognized when the substantial risks and rewards of ownership have been transferred to the customer. According to IFRS 15, revenue is recognized when the customer takes control over the goods. The Group has estimated that the time of recognition of petroleum product sales will be the same.

IFRS 16 Leases

IFRS 16 Leases replaces existing IFRSs related to lease recognition, including IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. The Group plans to apply the standard starting on January 1, 2019.

IFRS 16 mainly affects lessees and the core effect is that all leases currently recognized as operating leases must be recognized in a manner similar to current finance lease recognition policies. This means that assets and liabilities now need to be recognized for operating leases, including related recognition of expenses for depreciation and interest – as opposed to current policies under which leased assets and related liabilities are not recognized, and under which lease payments are accrued on a straight-line basis as lease expenses. Leases with terms no longer than 12 months and low values are exempted.

The Group has completed an initial estimate of the potential effects on its financial statements but has not yet completed its more in-depth analysis. The final effect of IFRS 16 application on the financial statements will depend on future financial conditions, including the Group's loan interest rate at January 1, 2019, the composition of the Group's lease portfolio at that time, the Group's most recent estimate on whether extension options will be exercised, and the extent to which the transition provisions of IFRS 16 will be applied.

The most significant effect identified thus far is that the Group will need to recognize new assets and liabilities for its operating leases relating to rental charges for properties. The Group's future minimum lease payments and non-cancellable operating leases at December 31, 2017 totaled SEK 388 million on an undiscounted basis.

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

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

BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS

Subsidiaries
Subsidiaries are companies (including structured entities) that are under the controlling influence of Preem. "Controlling influence" means to have a direct or indirect right to formulate a company's financial and operational strategies for the purpose of receiving economic benefits. When assessing whether control exists, consideration is given to potential shares providing entitlement to vote that can be immediately used or converted. Subsidiaries are included in the consolidated financial statements as 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 accounting policies 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 from the date on which significant influence is obtained, investments in associates are recognized in the consolidated financial statements in accordance with the equity method and are measured initially at cost. The Group's carrying amount of investments in associates includes goodwill identified on acquisition, net of any necessary impairment losses.

Any difference on acquisition between the cost of the investment and the investor's share of the fair value of the associate's net identifiable assets, liabilities and contingent liabilities is recognized using the same principles as used 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 investment. When the Group's share in an associate's losses is equal to or exceeds its investment in the associate, including any unsecured receivables, the Group does not recognize any additional losses unless the Group has assumed obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated in proportion to the Group's investment in the associate. Unrealized losses are also eliminated, unless the transaction constitutes evidence that there is a need for impairment of the transferred asset.

The equity method is applied until the date on which significant influence ceases.

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 at the date of the transaction.

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

In connection with consolidation, exchange differences arising from the translation of net investments in 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 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.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is recognized at cost less accumulated depreciation and impairment losses. Property, plant and equipment consisting of elements with different useful lives are treated as separate components of property, plant and equipment.

Cost includes expenses that can be directly attributed to the acquisition of the assets. Additional expenses are added to the asset's carrying amount or are recognized as a separate asset, as applicable. The expenses are added to the asset's carrying amount only if it is likely that the future economic benefits associated with the asset will flow to the Group and the asset's cost can be measured reliably. The carrying amount of the replaced element is derecognized from the balance sheet. All other kinds of repairs and maintenance are recognized as expenses during the period in which they arise.

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

Buildings and storage chambers	20-50 years
Land improvements	20 years
Plant and equipment	10-30 years
Capitalized turnaround costs for refineries	6 years
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 equipment. There are, however, several components that have different useful lives within this main classification. The following main component groups have been identified and form the basis for depreciation of refinery facilities.

Electrical installations and instruments	15 years
Heat exchangers	15 years
Steam boilers	20 years
Steel structures	30 years
Pressure vessels	30 years

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

The residual values and useful lives of the assets are reviewed on each balance sheet date and adjusted as required. An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. This is tested in the event of an indication of such a need.

The carrying amount of property, plant and equipment is derecognized from the balance sheet on retirement or disposal, or when no future economic benefits are expected from the use or the retirement/disposal of the asset. Gains and losses on disposal are determined by means of a comparison between sales revenue and the carrying amount and are recognized at their net amounts in the statement of other comprehensive income depending on the function to which the asset belongs.

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

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 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.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill is not amortized but is tested at least annually for impairment. Assets that are amortized are assessed for loss of value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are impaired by the amount at which the asset's carrying amount exceeds its recoverable amount. Impairment impacts profit/loss for the year. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. When assessing impairment, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash-generating units). For assets other than financial assets and goodwill that have previously been impaired, a test is performed on each balance sheet date to determine whether there should be a reversal. The carrying amount after reversal of impairment losses must not exceed the carrying amount that would have been recognized if there had not been any impairment losses.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in-first-out method. Cost for petroleum products, which is expressed in USD, is recognized at the exchange rate prevailing on the date of the bill of lading.

The cost of finished goods and work in progress consists of raw materials, direct wages, other direct expenses and attributable indirect manufacturing expenses (based on normal manufacturing capacity). Net realizable value is the estimated selling price from operating activities less the costs of production and disposal.

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

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

CURRENT AND DEFERRED TAX

Current tax expenses are calculated based on the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Parent Company's subsidiaries and associates operate and generate taxable income. Management conducts regular assessments of claims lodged in tax returns in respect of situations in which applicable tax laws are subject to interpretation and, where appropriate, makes provisions for amounts that will probably have to be paid to the Swedish Tax Agency. Taxes are recognized in the statement of other comprehensive income except when the underlying transaction is recognized in other comprehensive income or directly in equity. In this case, the related tax effect is recognized in other comprehensive income or in equity. Current tax is tax that must be paid or received in respect of the current year. This also includes any adjustment of current tax attributable to previous periods.

Deferred tax is recognized in full, using the balance sheet method, for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from a transaction that constitutes initial recognition of an asset or liability that is not a business combination and which, at the time of the transaction, impacts profit/loss neither for accounting purposes nor for tax purposes. Deferred income tax is calculated by applying the tax rates (and laws) that have been enacted or announced at the balance sheet date and are expected to be in force when the relevant deferred tax assets are realized, or the deferred tax liabilities are settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be offset. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilized.

PROVISIONS

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

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

CONTINGENT LIABILITIES

A contingent liability is recognized when there is a possible obligation that originates from past events and when the existence of which has only been confirmed by one or more uncertain future events or when there is an obligation that is not recognized as a liability or a provision because it is not likely that an outflow of resources will be required or that the outflow cannot be calculated.

EMPLOYEE BENEFITS

Pension obligations

The Group has defined benefit and defined contribution pension plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits associated with the employees' service during the current or previous periods.
A defined benefit pension plan is a pension plan that is not a defined con-

tribution plan. The feature of defined benefit plans is that they specify an amount for the pension benefit that an employee receives after retirement based on length of service and salary at retirement. These pension plans are usually financed by payments to insurance companies or managed funds in accordance with periodic actuarial calculations. Pension commitments have been secured by means of occupational pension insurance, liabilities entered into an account allocated for pensions (FPG/PRI) or payment to a pension fund (KP-stiftelsen) in accordance with the provisions of the Swedish Pension Obligations Vesting Act. The defined benefit pension plans are both funded and unfunded. If the plans are funded, assets have been separated in the pension fund (KP-stiftelsen). These plan assets can only be used to make payments under pension agreements. Plan assets are measured at fair value as of the reporting date.

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

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

The special payroll tax (särskild löneskatt) 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.

Termination pay

Termination pay is paid when notice is served by the Group to terminate an employee's employment before the normal retirement age or when an employee accepts voluntary termination in exchange for such compensation. The Group recognizes severance payments when it is documented that the Group either is obliged to terminate an employee in accordance with a detailed, formal plan that cannot be revoked, or to pay termination pay because of an offer made to encourage voluntary termination.

Profit-sharing plans

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

REVENUE RECOGNITION

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

The Group recognizes revenue when its amount including attributable expenses can be measured reliably and it is probable that future economic benefits will flow to the Company. Revenue is not considered to be capable of being measured reliably until all obligations in respect of the sale have been fulfilled or expired. The Group bases its assessments on historical results and considers the type of customer, type of transaction and special circumstances in each individual case.

Sale of goods

The Group's main revenue originates from the sale of goods in the form of petroleum products. Products are sold to oil companies operating in Sweden and on the international market, primarily in Northwestern Europe. Gasoline, diesel, heating oils and lubricating oils on the Swedish market are sold to private customers and to large and small companies via our own marketing channels, Preem partners and filling stations.

Revenue from the sales of goods is recognized when the Company has transferred the substantial risks and rewards of ownership of the goods to the buyer, which takes place in connection with delivery. Once the revenue for the sale of a product has been recognized, the Group no longer has any involvement in the ongoing management usually associated with ownership, nor does it exercise any actual control over the goods sold.

A large proportion of the Group's sales of products takes place by ship. These sales 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. For other sales, the revenue is recognized in conjunction with delivery to the customer.

FINANCIAL INCOME AND EXPENSES

Financial income consists of interest income from invested funds (including available-for-sale financial assets), income from dividends, gains on the disposal of available-for-sale financial assets and gains from changes in value of financial assets at fair value through profit/loss for the year. Exchange rate gains and losses on financial assets are recognized at their net amounts as financial income.

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

Financial expenses consist of interest expenses on loans including the expensed share of transaction expenses in connection with borrowings for the year, the effect of reversing the present value calculations of provisions, fair value losses on financial assets at fair value through profit/loss for the year and impairment of financial assets. Exchange rate gains and losses on financial liabilities are recognized at their net amounts as financial expenses.

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

FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified in the following categories: financial assets at fair value through profit/loss for the year, loan receivables and trade receivables at amortized cost, and available-for-sale financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of financial assets upon initial recognition.

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

Purchases and sales of financial assets are recognized on the date of the transaction – the date on which the Group commits itself to buy or sell the asset. Financial assets and liabilities are recognized upon initial recognition at fair value plus or minus any transaction costs if the asset or liability in question is not measured at fair value through profit/loss for the year. Financial assets are derecognized from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred, and the Group has substantially transferred all risks and rewards of ownership. A financial liability or part of a financial liability is derecognized from the balance sheet when the obligation in the contract has been fulfilled or otherwise extinguished.

Financial assets and liabilities measured 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.

Loan receivables and trade receivables

Loan receivables and trade receivables are financial assets that are not derivatives, that have payments that are fixed or can be fixed, and that are not listed in an active market. These items are measured at amortized cost. Trade receivables are included in current assets when there are no items with a maturity date later than 12 months after the balance sheet date. Loan receivables are included in financial assets when the maturity date is later than twelve months. The Group’s non-current loan receivables consist primarily of loans to affiliates.

Trade receivables are initially recognized at fair value and subsequently at amortized cost, less any provision for impairment. A provision for impairment of trade receivables is made when there is objective evidence that the Group will not receive all amounts due under the original terms and conditions of the receivables. Indications that a debtor will be declared bankrupt or undergo financial restructuring, as well as of non-payment or delayed payments, are sufficient for impairment of a trade receivable. The amount of the provision is the difference between the asset’s carrying amount and estimated future cash flows. The asset’s carrying amount is decreased using an impairment account, and the loss is recognized in the statement of other comprehensive income depending on the function to which the trade receivable relates. When a trade receivable cannot be collected, it is written off against the impairment account for trade receivables. If any amounts that have previously been written off are recovered, such amounts are credited to the function to which they relate in the statement of other comprehensive income.

This category also includes cash and cash equivalents, which consist of cash, bank balances and other short-term investments in securities etc. with a maturity date within three months of the acquisition date.

Available-for-sale financial assets

Available-for-sale financial assets are assets that are not derivatives and where the assets have been identified as being available for sale or have not been classified in any of the other categories. They are included in non-current assets if management does not intend to dispose of the asset within twelve months of the balance sheet date. Assets in this category are measured at fair value on an ongoing basis, with net changes in fair value recognized in other comprehensive income and accumulated changes in fair value in a special component of equity, but not fair value changes due to impairment losses nor interest on debt instruments and dividend income and exchange rate differences on monetary items recognized in profit/loss for the year. Accumulated gains/losses on disposal of the asset, which were previously recognized in the statement of other comprehensive income, are recognized in profit/loss for the year.

All available-for-sale financial assets are measured at the balance sheet date at cost if a reliable value cannot be calculated.

Other financial liabilities

The “other financial liabilities” category includes borrowings and other liabilities (trade payables and other current liabilities).

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 twelve 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 and interest rate risk in fair value and in cash flow), credit risk and liquidity risk. The Group’s risk management policies focus on the unpredictability of the financial markets and strive to 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

The Group purchases and sells oil products in USD. The refining margin is therefore expressed in USD, which represents a currency risk. For example, this means that when the SEK weakens against the USD, the currency effect on the refining margin will have a positive effect on operating profit/loss. The Group does not hedge the risk associated with individual business transactions.

The Group faces an additional currency risk in that purchases of oil products are in USD, while sales are primarily in USD and SEK. After taking the refining margin into account, there is a net deficit of USD in the Group, which is covered by ongoing purchases of USD against SEK. These purchases are based on historic sales, but the need can vary over time because of price changes, the timing of purchases and sales, and the relationship in sales between USD and SEK.

Translation risk

The Group aims to reduce the translation risk that arises in working capital by balancing assets and liabilities in foreign currency. To reduce the translation risk in the Group's working capital in USD, the Group takes out loans in dollars. There is no set level in respect of the magnitude of loans taken out at any given time.

The table below describes the Group's net exposure on the balance sheet date in each currency translated into SEK in respect of monetary assets and liabilities in the form of trade receivables, cash and cash equivalents, trade payables and other borrowings in foreign currency. Working capital includes not only trade receivables and trade payables, but also the 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	2017	%	2016	%
EUR	-43	1%	-62	1%
USD	-7,047	99%	-7,413	99%
Others	-21	0%	-17	0%
Total	**-7,111**	**100%**	**-7,492**	**100%**

The net exposure in USD must be considered in relation to the Group's normal position in inventories, which amounted to USD 849 million (701) at December 31, 2017, corresponding to SEK 6,989 million (6,375) 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 5 million (81) 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 in respect of 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, which is the volume of priced oil[1] required to maximize the contribution from the refining system in the most efficient way without using derivatives. The normal position is defined as 1,840,000 m³. The price risk at this volume is the Company's commercial risk that the Board of Directors has accepted. The Group trades in oil derivatives in the form of futures, options and swaps 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. The Group is not required to continue with this strategy.

The Board of Directors has established risk limits that define the extent to which volume exposure may deviate from the normal position, as well as the maximum risk expressed in USD that the Group is prepared to accept in the total of these volume deviations from the normal position. The volume deviation may be +140,000 m³ or -190,000 m³. The highest risk expressed in USD is USD 5 million on the total of these deviations. The exposure which reaches the risk limit first is the one on which the Company must act. This risk exposure is monitored daily.

[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.

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.

Year	Change in price	Physical position	Derivatives position	Total position	Of which normal position
2017	+10%	881	-176	704	700
2017	-10%	-881	180	-701	-700
2016	+10%	732	-79	653	617
2016	-10%	-732	81	-652	-617

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. The Group's loss must not be higher than USD 10,000 per transaction and USD 50,000 per annum and per individual trader. Transactions on which the Group makes a joint decision may amount to a maximum of a level that falls within the deviation range in normal position management, and the maximum permitted loss is USD 500,000 in one transaction and USD 2,500,000 per annum. These transactions must always be approved in advance by the head of the Trading Department. The gain/loss on the Group's exposure in speculative trading in oil derivatives on the balance sheet date for 2017 was USD -37,000 (+50,000).

Interest rate risk in respect of cash flows and fair values

The Group's interest rate risk arises through both borrowing and lending.

Loans with a floating interest rate expose the Group to interest rate risk in respect of cash flow. Loans with a fixed interest rate expose the Group to an interest rate risk in respect of fair value. The Group's 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, 2017, the remaining fixed-interest period totaled approximately 0.41 months. In 2017, 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. Loans to affiliates have been issued on standard market terms at fixed interest rates, which means that the Group is exposed to fair value risk.

The Group's outstanding borrowings as of the balance sheet date for loans taken out from credit institutions totaled SEK 5,366 million (5,184). 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 42 million (40) lower/higher, mainly because of the higher/lower interest expenses of borrowings at floating interest rates.

CREDIT RISK
Credit risks arise through investments in cash and cash equivalents, derivatives and credit exposure to the large number of customers to whom sales are made on credit. 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. A risk assessment is conducted on the credit rating of each of the Group's customers, in which the customer's financial position is considered, and previous history and other factors are assessed. Individual risk limits are established based on internal or external credit ratings. The Group has a credit committee that handles these matters. The Group also uses a range of collateral, including letters of credit, bank guarantees, deposits and Parent Company sureties. There is regular follow-up on the use of credit limits. The credit risk is controlled at the Group level.

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 7 million (7), compared with sales revenue of SEK 68,752 million (56,041). 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
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 SEK 1,314 million (1,274) 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 twelve 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 twelve months before maturity.

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	–	–	–	–
Trade payables	3,529	–	–	–
Other liabilities	1,504	–	–	–

As at December 31, 2016	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	103	–	5,099	–
Oil derivatives	–	–	–	–
Trade payables	2,695	–	–	–
Other liabilities	1,530	–	–	–

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:

	2017	2016
Total borrowings	5,385	5,202
Less cash and cash equivalents	–256	–123
Net debt	**5,129**	**5,079**
Total equity	12,250	8,962
Total capitalization	**17,379**	**14,041**
Net debt/equity ratio	**30%**	**36%**

Net debt excludes capitalized borrowing costs SEK 291 million (392).

CALCULATION OF FAIR VALUE
The fair value of derivatives traded on an active market is based on listed market prices on the balance sheet date. The listed market price used for the Group's financial assets is the current bid price. The fair value of oil derivatives is determined using listed prices of oil futures on the balance sheet date.

The fair value of financial instruments not traded on an active market (e.g. OTC derivatives) is determined using measurement techniques. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. Other unlisted holdings are measured at cost where fair value cannot be measured reliably.

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

The carrying amount, after any impairment losses, of trade receivables and trade payables is considered to correspond to their fair values, as these items are current by nature. The fair value of financial liabilities is calculated, for the purposes of disclosure, by discounting the future contracted cash flow to the current market interest rate available to the Group for similar financial instruments.

NOTE 3. 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 two 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 & 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 62 percent (59) 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.

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

2016 Sales revenue	Supply & Refining	Marketing	Total by segment
Segment's total sales revenue	53,808	14,776	68,584
Sales between segments	–12,612	–26	–12,638
External sales revenue	**41,196**	**14,750**	**55,946**
Exchange differences			95
Total external sales revenue			**56,041**

Operating profit/loss	Supply & Refining	Marketing	Total by segment
Operating profit/loss per segment	3,779	590	4,369
of which depreciation/amortization	888	103	991

Reconciliation in relation to consolidated profit/loss before tax	2017	2016
Operating profit/loss for reported segments	4,984	4,369
Exchange differences on recurring payments	349	–341
Currency effect on normal inventories	–564	463
Corporate Center depreciation/amortization	–10	–10
Other [1]	–713	–682
Total operating profit/loss	**4,047**	**3,799**
Interest income	6	163
Interest expense	–265	–356
Exchange differences	306	–337
Other net financial items	–123	–1,838
Profit before tax	**3,971**	**1,431**

[1] Refers mainly to Corporate Center.

OTHER SALES INFORMATION
Sales revenue mainly comes from sales of oil products.

	2017	2016
Sales of oil products	68,674	55,939
Other	78	102
Total external sales revenue	**68,752**	**56,041**

Revenue of SEK 5,209 million (4,803) originates from one single customer and the revenue is included in the Supply & Refining segment.

Investments		Supply & Refining	Marketing	Other[1]	Group
Capital expenditures in property, plant and equipment	2017	1,938	131	0	2,069
Capital expenditures in property, plant and equipment	2016	986	162	24	1,171
Capital expenditures in intangible assets	2017	–	15	253	268
Capital expenditures in intangible assets	2016	–	–	176	176
Investments in associates	2017	–	–	–	–
Investments in associates	2016	–	–	–	–

[1] Refers mainly to Corporate Center.

DISTRIBUTION BY GEOGRAPHICAL REGIONS
The information presented for revenue relates to the geographical regions grouped according to where the goods are delivered. Information about the segments' assets is based on geographical regions grouped according to where the assets are located. "Other Nordic" in the table below refers primarily to Denmark and "Other countries" primarily to Germany, France and North America.

2017	External sales	Property, plant and equipment and intangible assets
Sweden	25,984	10,656
Norway	3,124	6
Other Nordic	4,942	–
Netherlands	11,610	–
UK	14,061	–
Other countries	9,031	–
Group	**68,752**	**10,662**

2016	External sales	Property, plant and equipment and intangible assets
Sweden	22,775	9,263
Norway	1,639	10
Other Nordic	3,845	–
Netherlands	7,282	–
UK	10,432	–
Other countries	10,067	–
Group	**56,041**	**9,273**

NOTE 5. Gross profit/loss

Purchases and sales of oil products on the market are mainly dollar-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 349 million (-341).

This note also refers to the Parent Company.

NOTE 6. Auditors' fees

	2017	2016
KPMG		
Audit engagements	2	2
Auditing other than audit engagements	–	–
Tax consulting	1	1
Other services	1	0
	4	**3**
Others		
Audit engagements	0	0
Auditing other than audit engagements	–	–
Tax consulting	–	–
Other services	–	–
	0	**0**

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

	2017		2016	
	Salaries and other benefits	Social security expenses (pension costs)	Salaries and other benefits	Social security expenses (pension costs)
Parent Company	846	421 (112)[1]	776	416 (129)[1]
Group companies	11	4 (1)	5	2 (1)
Group total	**856**	**425 (113)[2]**	**781**	**418 (130)[2]**

[1] Of the Parent Company's pension costs, SEK 14 million (5.7) relates to the Group's CEO, Board of Directors and other senior executives.
[2] Of the Group's pension costs, SEK 14 million (5.8) relates to the Group's CEO, Board of Directors and other senior executives.

	2017		2016	
	Board, CEO and other senior executives	Other employees	Board, CEO and other senior executives	Other employees
Parent Company	27	818	26	750
Group companies in Sweden	0	8	1	4
Group companies abroad	1	1	–	–
Group total	**28**	**828**	**27**	**754**

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 7 (6) salaried employees who are part of Preem AB's Group management along with the CEO; all are employed by Preem. In total the Group's senior executives include Board members, including the Chairman of the Board and CEO (11 individuals), and other senior executives and the Parent Company's Group management (8 individuals).

PREPARATION AND DECISION-MAKING PROCESSES FOR DETERMINING REMUNERATION OF SENIOR EXECUTIVES

The terms of remuneration for the CEO and the principles for salary benefits for people on the Company's Group management team are prepared by a remuneration committee appointed by the Board, consisting of the Deputy Chairman of the Board. The committee's proposals are confirmed by the Board. The annual salary review for both the CEO and for other members of Group management is determined by the remuneration committee.

REMUNERATION OF SENIOR EXECUTIVES

Fees are paid to the Chairman of the Board and members as per resolutions at the AGM. No separate fee is paid for committee work. Remuneration 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. The remuneration committee does, however, establish the terms of the flexible remuneration on an annual basis. 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.

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, five members received SEK 0.4 million and two members received SEK 0.3 million.

2016 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)	3.4	–	–	–	–	3.4
CEO	6.6	–	0.1	1.7	–	8.4
Other senior executives (7)	11.1	2.4	0.7	4.3	–	18.5
	22.1	**2.4**	**0.8**	**6.0**	**–**	**31.3**

In total, SEK 4.4 million has been paid in board fees, 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 seven members received SEK 0.4 million.

The tables above are for the Parent Company.

Note 7. Cont.

PENSIONS
The pension for the CEO is a defined contribution pension. Pension premiums comprise 30 percent of qualifying salary in respect of retirement and survivor's pension. "Qualifying salary" means the base pay plus an average of the last three years' variable remuneration. 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. In the event of termination by the senior executive, no severance pay is paid.

Gender distribution in company management	2017 Percentage of women	2016 Percentage of women
Board of Directors	0%	0%
Other senior executives	38%	29%

This table also refers to the Parent Company.

	2017		2016	
Average number of employees	**Number of employees**	**Percentage of men**	**Number of employees**	**Percentage of men**
Parent Company				
Sweden	1,439	73%	1,386	73%
Group companies				
Sweden	17	56%	9	89%
Norway	2	86%	–	–
Group total	**1,458**	**73%**	**1,395**	**73%**

NOTE 8. Depreciation and amortization

Breakdown of depreciation and amortization	2017	2016
Buildings and land improvements	10	–
Intangible assets	94	93
Plant and equipment	585	604
Capitalized turnaround costs	202	194
Equipment, tools, fixtures and fittings	109	110
	1,000	**1,001**
Breakdown by function		
Cost of goods sold	870	889
Selling expenses	118	102
Administrative expenses	12	10
	1,000	**1,001**

NOTE 9. Leases

Lease payments for operating leases	2017	2016
Minimum lease payments	115	101
Variable payments	40	25
Total lease expenses	**155**	**126**
Contracted future minimum lease payments		
Within one year	157	130
Between one and five years	662	557
More than five years	113	95
Lease revenue from operating leases		
Minimum lease payments	91	81
Variable payments	25	24
Total lease revenue	**115**	**105**
Contracted future minimum lease payments		
Within one year	91	82
Between one and five years	453	418
More than five years	–	–

NOTE 10. Expenses by type of expense

	2017	2016
Cost of materials	59,867	47,572
Costs of employee benefits	1,334	1,252
Depreciation and amortization	1,000	1,001
Other expenses	2,969	2,733
	65,171	**52,559**
Reconciliation with statement of other comprehensive income		
Cost of goods sold	63,440	50,929
Selling expenses	866	820
Administrative expenses	864	810
	65,171	**52,559**

NOTE 11. Other operating income

	2017	2016
Heating deliveries	64	49
Rental income	145	104
Harbor income	75	64
Storage certificates	63	56
Service compensation	23	26
Other	96	18
	465	**317**

NOTE 12. Net financial items

	2017	2016
Interest income from instruments measured at amortized cost	6	163
Net exchange differences	306	-9
Other	–2	0
Financial income	**311**	**154**
Interest expenses from defined benefit unfunded pension obligation	–5	–4
Interest expenses from instruments measured at Amortized cost [1]	-260	–352
Net exchange differences	–	–328
Other	–122	–1,838
Financial expenses	**–386**	**–2,522**
Net financial items	**–75**	**–2,368**

[1] Of which SEK 102 million (177) in interest expenses from accrued transaction fees in conjunction with raised loans recognized using the effective interest method.

The net loss from oil derivatives measured at fair value, recognized as a cost of goods sold in profit/loss for the year, totaled SEK 308 million in comparison with a gain of SEK 31 million the previous year.

A provision of SEK 0 million (1,567) 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 13. Tax

Current tax expenses (–)/tax revenue (+)	2017	2016
Tax expenses for the period	–927	–615
Tax attributable to previous years	–11	–
	–938	**–615**
Deferred tax expenses (–)/tax income (+)		
Deferred tax on temporary differences	32	103
Deferred tax on tax loss carryforwards	16	–210
Total reported tax expenses	**–890**	**–721**
Reconciliation of effective tax		
Profit before tax	3,971	1,431
Income tax calculated according to national tax rates for profit/loss in each country	–874	–315
Other non-deductible expenses	–59	–408
Non-taxable income	32	12
Tax attributable to previous years	–11	–
Other tax adjustments	21	–10
Reported tax	**–890**	**–720**
Tax items recognized directly in equity		
Current tax in Group contributions paid	924	614
Tax reported directly in other comprehensive income	0	17

The weighted average tax rate was 22.4 percent (50.4).

2017 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Land and buildings	2	–2
Machinery and equipment	–	–817
Other	38	–61
Net assets/liabilities		**–841**

2016 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Land and buildings	3	–5
Machinery and equipment	–	–843
Other	33	–32
Net assets/liabilities		**–844**

Change in deferred tax in temporary differences and tax loss carryforwards	Opening amount	Recognized in profit/loss for the year	Other changes	Closing amount
Land and buildings	–2	1	–	0
Machinery and equipment	–843	27	–	–817
Other	–32	5	–35	–61
Total temporary differences	**–877**	**33**	**–35**	**–878**
Tax loss carryforwards	33	5	0	38
	–844	**38**	**–35**	**–841**

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

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

	2017	2016
Net sales	–146	95
Cost of goods sold	497	–436
Financial items	306	–337
	658	**–677**

The estimated currency effect on the Group's normal position in inventories was SEK -564 million (463).

NOTE 15. Intangible assets

Goodwill	2017	2016
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 & Refining
Average refining margin in USD per barrel for the period	5.68–6.23
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 -1 percentage point and a discount rate of 2 percentage points higher for each segment.

Note 15. Cont.

Other intangible assets	2017	2016
Opening cost	0	–
Business combinations	155	–
Disposals/retirements	–	–
Completion of construction in progress	8	–
Closing accumulated cost	**163**	**0**
Opening depreciation	0	–
Disposals/retirements	–	–
Depreciation for the year	10	–
Closing accumulated depreciation	**10**	**0**
Carrying amount at end of period	**153**	**0**

Construction in progress	2017	2016
Opening cost	261	84
Investments for the year	268	176
Completion of construction in progress	–8	–
Carrying amount	**521**	**261**

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

The capitalized interest expenses for the year of SEK 14 million (11) were attributable to intangible assets, relating primarily to one major IT project. The average interest rate is 4.4 percent (4.4).

Emission rights	
Opening balance 2017	**2,173,605**
Number of allocated rights for 2017	1,943,845
Number of used rights for 2016 which were canceled in 2017	–1,912,134
Purchased emission rights 2017	0
Sold emission rights	0
Profit/loss from swap of emission rights in 2017	0
Closing balance 2017	**2,205,136**
Number of allocated rights for 2018	1,900,914
Profit/loss from swap transactions 2018	0
Balance before cancellation 2018	**4,106,230**
Prel. number of used rights for 2017 which will be canceled on April 30, 2018	–2,045,086
Prel. balance after April 30, 2018	**2,061,144**

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. Earlier forecasts showed a deficit of 500,000, but Lysekil's emissions forecast was revised during the year. An application for a capacity increase will be made in conjunction with commissioning of the HPU facility in Gothenburg. 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 3, the 2021-2030 trading period, is largely unknown at this time. As a refining business, Preem will continue to receive free allocation in Phase 3. District heating will continue to receive 30% free allocation until 2030. Allocation for Phase 3 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 have stabilized for now at around €7–8 for the 2018–2030 period.

NOTE 16. Property, plant and equipment

Land and buildings	2017	2016
Opening cost	2,943	2,848
Investments for the year	–	–
Disposals/retirements	–58	–8
Completion of construction in progress	84	103
Closing accumulated cost	**2,969**	**2,943**
Opening depreciation	1,546	1,456
Disposals/retirements	–36	–4
Depreciation for the year	94	93
Closing accumulated depreciation	**1,604**	**1,546**
Carrying amount	**1,366**	**1,398**

Plant and equipment[1)]	2017	2016
Opening cost	18,805	18,354
Disposals/retirements	–1,431	–48
Completion of construction in progress	510	495
Reclassification	–	5
Closing accumulated cost	**17,885**	**18,805**
Opening depreciation	13,341	12,774
Disposals/retirements	–1,354	–42
Depreciation for the year	585	604
Reclassification	–	5
Closing accumulated depreciation	**12,572**	**13,341**
Carrying amount	**5,313**	**5,464**

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

Capitalized turnaround costs	2017	2016
Opening cost	1,489	1,390
Retirements	–477	–
Completion of construction in progress	454	99
Closing accumulated cost	**1,466**	**1,489**
Opening depreciation	1,102	908
Retirements	–477	–
Depreciation for the year	202	194
Closing accumulated depreciation	**828**	**1,102**
Carrying amount	**638**	**387**

Equipment, tools, fixtures and fittings	2017	2016
Opening cost	1,507	1,458
Investments for the year	2	1
Disposals/retirements	-84	-35
Completion of construction in progress	129	90
Reclassification	3	-7
Closing accumulated cost	**1,556**	**1,507**
Opening depreciation	1,139	1,070
Disposals/retirements	–79	–34
Depreciation for the year	108	110
Reclassification	2	–7
Closing accumulated depreciation	**1,170**	**1,139**
Carrying amount	**386**	**368**

Construction in progress	2017	2016
Opening cost	1,087	704
Investments for the year	2,067	1,170
Completion of construction in progress	–1,176	–787
Carrying amount	**1,978**	**1,087**

Capitalized interest expenses for the year were SEK 22 million (4), relating primarily to the balance sheet item "Construction in progress". The average interest rate is 4.4 percent (4.4).

NOTE 17. Investments 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	189
					194

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

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

The information above refers to 100 percent of the companies' assets, liabilities, equity, revenue and net profit/loss.

	2017	2016
Opening balance	168	124
Dividends	–25	–8
Other changes in equity	–	34
Profit participation	51	18
Closing balance	**194**	**168**

Goodwill of SEK 54 million is included.

NOTE 18. Receivables from affiliates

	2017	2016
Opening value	0	1,567
Capitalized interest for the year	157	157
Provision for receivable from CMGO	–157	–1,724
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 2017. No collateral has been pledged for the Group's receivable from CMGO.

NOTE 19. Available-for-sale financial assets

	2017	2016
Carrying amount at start of period	28	29
Shareholder's contributions	–	–
Profit/loss	–1	–1
Carrying amount at end of period	**26**	**28**

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	26
Götene E.D.F. Elföreningen, cooperative					0
SSH Svensk Servicehandel					0
					26

This note also refers to the Parent Company

NOTE 20. Inventories

	2017	2016
Raw materials	4,978	3,865
Finished products	5,713	4,587
	10,691	**8,452**

The cost of inventories in the group includes the equivalent of SEK 15 million (79) million of volumes of inventories out on loan. Borrowed inventory volumes corresponding to a total inventory value of SEK 97 million (82) are not included in the inventory value.

This Note also refers to the Parent Company, which recognizes all inventories apart from SEK 1 million (2) in finished goods recognized by subsidiaries Preem Gas AB, Bensinstation Preem AB and Drivemedelstation AB.

NOTE 21. Trade receivables

	2017	2016
Trade receivables	4,681	3,899
Reserve for doubtful debts	–7	–7
Fair value of trade receivables	**4,674**	**3,892**

Trade receivables which are less than three months overdue are generally not considered impaired. As of December 31, 2017, trade receivables totaling SEK 176 million (210) were overdue and were not found to be impaired. These relate to a number of independent customers that have not previously had any payment problems. The age analysis of these trade receivables is shown below:

	2017	2016
Less than 10 days	121	159
Between 10 and 20 days	26	20
Between 21 and 30 days	5	3
More than 30 days	25	28
	176	**210**

The reserve for doubtful trade receivables totaled SEK 7 million (7) as of December 31, 2017. Receivables are recognized as doubtful debts when objective information exists, e.g. in the form of canceled payments or non-payment of receivables after being overdue for three months.

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

	2017	2016
At start of period	7	6
Provision for impairment of trade receivables/unused amounts reversed for the year	7	7
Confirmed losses for the year	–7	–6
At end of period	**7**	**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 cash equivalents in the balance sheet and the cash flow statement include the following items with a maturity date less than three months after acquisition.

	2017	2016
Cash and bank balances	256	123
	256	**123**

NOTE 23. Pension obligations

Defined benefit obligations and the value of plan assets

Wholly or partly funded obligations:	**2017**	**2016**
Present value of defined benefit obligations	624	610
Fair value of plan assets	–652	–641
Net wholly or partially funded obligations	**–28**	**–31**
Unfunded obligations:		
Present value of unfunded defined benefit obligations	87	92
Provision, endowment insurance	50	40
Net amount in the balance sheet (obligation +, asset -)	**109**	**101**
The net amount is recognized in the following balance sheet items:		
Pension obligations	109	101
The net amount is divided among the following countries:		
Sweden	109	101
Pension costs		
The amounts recognized in profit/loss are as follows:		
Defined benefit plans		
Interest expenses	17	19
Fair value of plan assets	–15	–19
Total cost of defined benefit plans	**2**	**0**
The amount that is recognized in other comprehensive income is as follows:		
Actuarial gains/losses on defined-benefit pension plans	–2	76
Tax attributable to other comprehensive income items	0	–17
Total other comprehensive income for the year, net of tax	**–2**	**59**
Changes in the defined-benefit obligation during the year are as follows:		
Opening gross amount in the balance sheet	702	614
Payment of benefits	–29	–29
Interest expenses	17	19
Actuarial gain (-) or loss (+) on the obligation for the year:		
Remeasurement	1	15
Actuarial gains and losses on changes in financial assumptions	28	95
Experience adjustments	–8	–12
Closing gross amount in the balance sheet	**711**	**702**

Note 23. Cont.

The present value of the obligation is distributed between the plan's members as follows:

Active members: 0% (0%)

Vested beneficiaries: 59% (50%)

Old-age pensioners: 41% (50%)

Change in fair value of plan assets during the year is as follows:	2017	2016
Opening gross amount in the balance sheet	–641	–622
Payment of benefits	21	20
Fair value of plan assets	–15	–19
Actuarial gain (+) or loss (-) for the year on plan assets	–16	–20
Closing gross amount in the balance sheet	**–652**	**–641**

The actual return on plan assets amounted to SEK 32 million (39).

Actuarial assumptions	2017	2016
Discount rate	2.35%	2.45%
Future wage increases	Not applicable	Not applicable
Staff turnover	Not applicable	Not applicable
Inflation	1.90%	1.75%
Expected average remaining period of service of employees	Not applicable	Not applicable
Maturity assumptions	DUS 14 tjm	DUS 14 tjm
Duration of obligation	16	16
Plan assets consist of the following:		
Interest-bearing securities	57%	59%
Shares	32%	31%
Real estate	11%	10%
	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 obligation	Percentage change
Discount rate +0.5%	647	-9%
Discount rate -0.5%	783	10%
Inflation/Pension indexing +0.5%	788	11%
Inflation/Pension indexing -0.5%	642	-10%
Life expectancy + 1 year	752	6%

Maturity analysis, undiscounted pension payments	2017	2016	2015	2014	2013
Present value of defined benefit obligation	711	702	614	683	608
Fair value of plan assets	652	641	622	613	566
Deficit/(surplus)	**59**	**61**	**-8**	**70**	**42**

	2017	2016	2015	2014	2013
Experience adjustments of defined benefit obligations	8	12	2	22	–1
Experience adjustments of plan assets	16	20	13	42	19

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 does not have any legal or constructive obligations to pay further contributions unless the legal entity does not have sufficient assets to pay all benefits to employees linked to the employee's service during the current or previous periods.

This note also refers to the Parent Company.

NOTE 24. Other provisions

	Restoration of the environment[1]	Other	Total
Opening balance 2016	51	0	51
Provisions for the year	15	–	15
Amounts utilized	–	–	–
Unutilized amounts that have been reversed	–	–	–
Closing balance 2016	**66**	**0**	**66**
Provisions for the year	4	79	81
Amounts utilized	-7	–	-7
Unutilized amounts that have been reversed	–	–	0
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.

NOTE 25. Borrowings

Long-term borrowings	2017	2016
Loans in SEK	1,500	1,350
Loans in USD	2,964	3,730
Total long-term loans	**4,464**	**5,080**
Capitalized borrowing costs	-291	-392
Total net long-term loans	**4,173**	**4,688**
Deposits	18	19
Total interest bearing	**4,191**	**4,707**
Short-term borrowings		
Loans in SEK	–	–
Loans in USD	903	103
Total short-term loans	**903**	**103**
Capitalized borrowing costs	–	–
Total net short-term loans	**903**	**103**
Total Group borrowings	**5,385**	**5,202**
Total net Group borrowings	**5,094**	**4,810**

Repayment plan	2018	2019	2020	2021-	Total
	903	–	4,464	18	5,385

LOAN 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, floating interest	1,500	3.56	–	1,500
– USD, floating interest	360	5.10	–	2,964
Current liabilities, credit institutions				
– SEK, floating interest	–	–	–	–
– USD, floating interest	100	5.36	903	–
Total loans			**903**	**5,366**
Capitalized borrowing costs				–291
Deposits				18
Total borrowings incl. capitalized borrowing costs			**903**	**5,094**
				5,997

The remaining average fixed-interest period as of December 31, 2017 was approx. 0.41 months.

Compliance with special loan conditions
Borrowings totaling SEK 5,366 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, 2017.

This note also refers to the Parent Company.

NOTE 26. Overdraft facilities

	2017	2016
Authorized line of credit, checking account	412	475
Unutilized share	332	372
Utilized credit amount	**79**	**103**
Other unutilized lines of credit		
Authorized line of credit	4,580	4,310
	4,580	**4,310**
Total unutilized lines of credit	**4,912**	**4,682**

This note also refers to the Parent Company.

NOTE 27. Derivatives

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Oil derivatives	–	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, 2017 was: Long positions SEK 52 million (258) (including emission right futures) and short positions SEK 1,900 million (1,082).

NOTE 28. Other liabilities

	2017	2016
VAT	465	438
Excise duties[1]	817	847
Other liabilities	131	143
	1,413	**1,428**

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

NOTE 29. Accrued expenses and deferred income

	2017	2016
Purchases of crude oil and products	3,159	3,228
Personnel	307	291
Interest	2	1
Other	647	437
	4,116	**3,957**

NOTE 30. Pledged assets and contingent liabilities

Pledged assets	2017	2016
Property mortgages	4,000	4,000
Floating charges	8,000	8,000
Deposits	125	88
Trade receivables	4,408	3,863
	16,533	**15,951**
Contingent liabilities		
Sureties for associates	93	97
Guarantees FPG/PRI	2	2
	94	**99**

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. Notes to the cash flow statement

Interest paid and dividends received	2017	2016
Dividends received	25	8
Interest received	6	6
Interest paid	–196	–194
Adjustment for non-cash items		
Depreciation and amortization of non-current assets	1,000	1,001
Impairment of non-current assets	9	–
Impairment losses on inventories	–8	–439
Unrealized exchange rate losses (+)/exchange rate gains (-)	–52	–4
Unrealized exchange rate losses (+)/ exchange rate gains (-), net financial items	–43	33
Unrealized gains (-)/losses (+) on oil derivatives	70	0
Expensed share of capitalized borrowing costs	102	177
Provisions	74	17
Provision for promissory note receivable, CMGO	–	1,567
Capital gains/losses on disposal/ retirement of non-current assets	68	11
Capital gains/losses on disposal of business/subsidiary	–105	–
Profit participation in associates	–50	–50
	1,065	**2,313**

Acquisition of subsidiary – Group	2017
Acquired assets and liabilities	
Intangible assets	158
Property, plant and equipment	1
Deferred tax assets	0
Prepaid expenses and accrued income	1
Total assets	**160**
Current provisions	-37
Total provisions and liabilities	**-37**
Consideration:	
Consideration paid	-123
Impact on cash and cash equivalents	0

Reconciliation of liabilities arising from financing activities

	2017 opening balance	Cash flows	Non-cash changes Exchange rate, unrealized	2017 closing balance
Bank overdraft facilities	103	–24	–	79
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**

	2016 opening balance	Cash flows	Non-cash changes Unrealized exchange differences	2016 closing balance
Bank overdraft facilities	135	–31	–	103
Syndicated bank loans	7,287	–2,239	33	5,080
Deposits	22	–3	–	19
Total liabilities arising from financing activities	**7,444**	**–2,274**	**33**	**5,202**

Reconciliation of liabilities also refers to the Parent Company.

NOTE 32. Financial instruments

Financial instruments by category

2017 Assets in the balance sheet	Loan receivables and trade receivables	Assets measured at fair value through profit/ loss for the year	Available for sale	Carrying amount	Fair value
Available-for-sale financial assets	–	–	26	26	26
Derivatives	–	–	–	–	–
Receivables from Parent Company	55	–	–	55	55
Trade and other receivables	5,242	–	–	5,242	5,242
Cash and cash equivalents	256	–	–	256	256
	5,554	**–**	**26**	**5,580**	**5,580**

Liabilities in the balance sheet	Liabilities at fair value through profit/ loss for the year	Other financial liabilities	Carrying amount	Fair value
Borrowings	–	5,366	5,366	5,366
Derivatives	–	3	3	3
Other liabilities	–	5,033	5,033	5,033
	–	**10,402**	**10,402**	**10,402**

2016 Assets in the balance sheet	Loan receivables and trade receivables	Assets measured at fair value through profit/ loss for the year	Available for sale	Carrying amount	Fair value
Available-for-sale financial assets	–	–	28	28	28
Derivatives	–	–	–	–	–
Receivables from Parent Company	55	–	–	55	55
Trade and other receivables	4,465	–	–	4,465	4,465
Cash and cash equivalents	123	–	–	123	123
	4,643	**–**	**28**	**4,670**	**4,670**

Liabilities in the balance sheet	Liabilities at fair value through profit/ loss for the year	Other financial liabilities	Carrying amount	Fair value
Borrowings	–	5,183	5,183	5,183
Derivatives	–	–	–	–
Other liabilities	–	4,225	4,225	4,225
	–	**9,409**	**9,409**	**9,409**

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.

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

2016	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	–	–	–
	–	**–**	**–**
Liabilities in the balance sheet			
Oil derivatives	–	–	–
	–	**–**	**–**

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.

2017 Relationships with affiliates	Sales	Purchases	Receivables Dec 31	Liabilities Dec 31
Parent company	–	–	55	–
Associates	24	882	–	89
Other affiliates	2	239	0	25

2016 Relationships with affiliates	Sales	Purchases	Receivables Dec 31	Liabilities Dec 31
Parent company	–	–	55	–
Associates	32	781	–	102
Other affiliates	2	312	0	128

NOTE 34. Other non-current receivables

	2017	2016
At start of year	47	–
Capital expenditures for the year		
Endowment insurance	8	31
Project Rocc	36	16
Carrying amount	**91**	**47**

This note also refers to the Parent Company.

NOTE 35. Events after the balance sheet date

In early March we decided to move maintenance work in Lysekil on selected units (mainly the Iso-Cracker Unit and fluid catalytic cracker (FCC) Unit), planned for April into March. These maintenance activities are progressing well, and the plan is to have the units back in operation with products to tank from the Iso-Cracker on March 18th, and products to tank from the FCC on March 22nd.

This note also refers to the Parent Company.

Parent Company

Income statement

AMOUNTS IN SEK MILLIONS

	Note	2017	2016
Net sales		78,283	66,174
Excise duties[1]		–10,040	–10,184
Sales revenue	102	**68,243**	**55,990**
Cost of goods sold		–63,060	–50,951
Gross profit	5	**5,183**	**5,039**
Selling expenses		–841	–807
Administrative expenses		–857	–809
Other operating income	107	398	315
Operating profit	7, 103-107	**3,883**	**3,738**
Profit from investments in Group companies		112	13
Financial income		338	162
Financial expenses		–385	–2,521
Net financial items	108	**65**	**–2,346**
Profit before tax		**3,948**	**1,392**
Tax expenses/revenue for the period	109	–889	–722
Profit for the year[2]		**3,059**	**670**

[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.

Parent Company

Balance sheet

AMOUNTS IN SEK MILLIONS

ASSETS	Note	12/31/2017	12/31/2016
NON-CURRENT ASSETS			
Intangible assets			
Other intangible assets	110	6	–
Construction in progress	110	514	261
		520	**261**
Property, plant and equipment			
Land and buildings	30, 111	1,364	1,387
Plant and equipment	111	5,313	5,462
Capitalized turnaround costs	111	638	387
Equipment, tools, fixtures and fittings	111	381	358
Construction in progress	111	1,974	1,084
		9,670	**8,678**
Financial assets			
Investments in Group companies	112	295	201
Receivables from Group companies	113, 121	3	2
Investments in associates	114	103	103
Receivables from associates	121	0	1
Receivables from affiliates	18, 121	0	0
Available-for-sale financial assets	19, 121	26	28
Other non-current receivables		91	47
		519	**382**
Total non-current assets		**10,709**	**9,320**
CURRENT ASSETS			
Inventories			
Raw materials and consumables	20	4,978	3,865
Finished products	20	5,714	4,585
		10,692	**8,450**
Receivables			
Trade receivables	30, 115, 121	4,408	3,863
Receivables from Group companies	121	91	55
Receivables from associates	121	1	4
Other receivables	121	538	541
Prepaid expenses and accrued income		371	370
		5,410	**4,834**
Cash and bank balances	120, 121	132	82
Total current assets		**16,234**	**13,366**
TOTAL ASSETS		**26,943**	**22,686**

Parent Company

Balance sheet

AMOUNTS IN SEK MILLIONS

EQUITY, PROVISIONS AND LIABILITIES	Note	12/31/2017	12/31/2016
EQUITY			
Restricted equity			
Share capital (610,258 shares)		610	610
Statutory reserve		266	266
Other restricted equity		430	176
		1,306	**1,053**
Non-restricted equity			
Profit brought forward		7,476	6,848
Profit for the year		3,059	670
		10,535	**7,518**
Total equity		**11,841**	**8,571**
PROVISIONS			
Provisions for pensions	116	127	124
Provisions for deferred tax	109	802	839
Other provisions	24	142	66
		1,071	**1,028**
Total provisions		**1,071**	**1,028**
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	25, 121	4,173	4,688
Liabilities to Group companies	121	60	60
Other non-current liabilities	25, 121	18	19
		4,251	**4,766**
Current liabilities			
Liabilities to credit institutions	25, 26, 121	903	103
Advance payments from customers		5	15
Trade payables	121	3,332	2,691
Liabilities to Group companies	121	21	68
Liabilities to associates	121	90	106
Derivatives	27, 121	3	–
Other liabilities	117, 121	1,408	1,424
Accrued expenses and deferred income	118	4,019	3,913
		9,781	**8,321**
Total liabilities		**14,032**	**13,087**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**26,943**	**22,686**

Pledged assets and contingent liabilities	30		

Parent Company

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/loss for the year	Total equity
Opening equity 1/1/2016	**610**	**266**		**6,010**	**852**	**7,739**
Appropriation of profits	–	–	–	852	–852	0
Profit for the year	–	–	–		670	670
Shareholder's contribution received	–	–	–	2,340	–	2,340
Group contributions paid	–	–	–	–2,793	–	–2,793
Tax attributable to Group contributions paid	–	–	–	614	–	614
Translation difference	–	–	–	0	–	0
Fund for internally generated development expenditure	–	–	176	-176	–	0
Closing equity 12/31/2016	**610**	**266**	**176**	**6,848**	**670**	**8,571**
Appropriation of profits	–	–	–	670	–670	0
Profit for the year	–	–	–	–	3,059	3,059
Dividends paid	–	–	–	–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	–	0
Closing equity 12/31/2017	**610**	**266**	**430**	**7,476**	**3,059**	**11,841**

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 SHAREHOLDER'S CONTRIBUTIONS
Preem AB received a conditional shareholder's contribution totaling SEK 2,482 million (SEK 1,982 million in 2011, SEK 500 million in 2010) from Corral Petroleum Holdings AB (publ).

Parent Company

Cash flow statement

AMOUNTS IN SEK MILLIONS. Note 119.

	Note	2017	2016
OPERATING ACTIVITIES			
Profit before tax		3,948	1,392
Adjustments for non-cash items		1,095	2,359
		5,043	**3,750**
Tax paid		–2	–
Cash flow from operating activities before changes in working capital		**5,041**	**3,750**
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase (-)/Decrease (+) in inventories		–2,234	–2,128
Increase (-)/Decrease (+) in operating receivables		–719	–484
Increase (+)/Decrease (-) in operating payables		783	3,117
Cash flow from operating activities		**2,870**	**4,255**
INVESTING ACTIVITIES			
Acquisition of intangible assets		–261	–176
Acquisition of property, plant and equipment		–2,068	–1,167
Disposal of property, plant and equipment		21	–
Investment in financial assets		–159	–16
Disposal of financial assets		131	0
Cash flow from investing activities		**–2,337**	**–1,360**
FINANCING ACTIVITIES			
Borrowings		6,957	5,656
Repayment of loans		–6,731	–7,928
Dividends paid		–355	–
Group contributions paid		–360	–453
Expenses related to raising loans		–	–455
Cash flow from financing activities		**–490**	**–3,179**
Cash flow for the year		43	–283
Opening cash and bank balances		82	365
Exchange gains/losses on cash and cash equivalents		7	–
Closing cash and bank balances	120	**132**	**82**

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. Operational 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 consolidated 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 for 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 IAS 1 "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

Investments 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. By 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 shareholder's contributions for legal entities

The Company recognizes Group contributions and shareholder's contributions in accordance with RFR 2. Shareholder's contributions are recognized directly in the equity of the recipient and are capitalized in the shares and investments 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 investments in subsidiaries in the same manner as shareholder's 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 expenditure 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 2017	66,236	18,090	–16,083	68,243
Sales 2016	53,809	14,627	–12,447	55,990

Sales by geographical region	2017	2016
Sweden	25,956	22,742
Norway	2,643	1,621
Other Nordic	4,942	3,845
Netherlands	11,610	7,282
UK	14,061	10,432
Other countries	9,031	10,067
Parent Company	**68,243**	**55,990**

NOTE 103. Auditors' fees

	2017	2016
KPMG		
Audit engagements	2	2
Tax consulting	1	1
Other services	1	0
	4	**3**
Others		
Audit engagements	0	0
	0	**0**

NOTE 104. Depreciation and amortization

Breakdown of depreciation and amortization	2017	2016
Intangible assets	2	–
Buildings and land improvements	95	93
Plant and equipment	585	603
Capitalized turnaround costs	202	194
Equipment, tools, fixtures and fittings	104	104
	987	**994**

Breakdown by function	2017	2016
Cost of goods sold	865	884
Selling expenses	112	101
Administrative expenses	10	10
	987	**994**

NOTE 105. Leases

Lease payments for operating leases	2017	2016
Minimum lease payments	122	112
Variable payments	40	25
Total lease expenses	**162**	**136**
Contracted future minimum lease payments		
Within one year	154	129
Between one and five years	662	557
More than five years	113	95

Lease revenue from operating leases	2017	2016
Minimum lease payments	89	79
Variable payments	25	24
Total lease revenue	**114**	**102**
Contracted future minimum lease payments		
Within one year	90	79
Between one and five years	451	407
More than five years	–	-

NOTE 106. Expenses by type of expense

	2017	2016
Cost of materials	59,450	47,606
Costs of employee benefits	1,267	1,192
Depreciation and amortization	987	994
Other expenses	3,054	2,774
	64,758	**52,566**
Reconciliation with income statement		
Cost of goods sold	63,060	50,951
Selling expenses	841	807
Administrative expenses	857	809
	64,758	**52,566**

NOTE 107. Other operating income

	2017	2016
Heating deliveries	64	49
Rental income	144	101
Harbor income	75	64
Storage certificates	63	56
Service compensation	23	26
Other	30	18
	398	**315**

NOTE 108. Net financial items

	2017	2016
Group contributions received	0	13
Gain/loss on disposal of investments in subsidiaries	112	–
	112	**13**
Interest income from instruments measured at amortized cost	8	163
Net exchange differences	307	-8
Dividends	25	8
Other	–2	–
Financial income	**338**	**162**
Interest expenses from defined benefit unfunded pension obligation	–3	–3
Interest expenses from instruments measured at amortized cost [1]	–260	–352
Net exchange differences	–	–328
Other	–122	–1,838
Financial expenses	**–385**	**–2,521**
Net financial items	**65**	**–2,346**

[1] Of which SEK 102 million (177) in interest expenses from accrued transaction fees in conjunction with raised loans recognized using the effective interest method.

The net loss from oil derivatives measured at fair value, recognized as a cost of goods sold in profit/loss for the year, totaled SEK 308 million in comparison with a gain of SEK 31 million the previous year.

A provision of SEK 0 million (1,567) 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 expenses (–)/tax revenue (+)	2017	2016
Tax expenses/revenue for the period	–924	–614
Tax attributable to previous years	–11	–
	–935	**–614**
Deferred tax expenses (–)/tax income (+)		
Deferred tax on temporary differences	32	102
Deferred tax on tax loss carryforwards	15	–210
Total reported tax expenses	**–889**	**–722**

Reconciliation of effective tax	2017	2016
Profit before tax	3,948	1,392
Income tax calculated according to the prevailing tax rate for the Parent Company	–869	–306
Other non-deductible expenses	–61	–409
Non-taxable income	26	2
Tax attributable to previous years	–11	–
Other tax adjustments	25	-9
Reported tax	**–889**	**–721**
Tax items recognized directly in equity		
Current tax in Group contributions paid/received	–924	–613

The weighted average tax rate was 22 percent (52).

2017 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Land and buildings	2	–2
Machinery and equipment	–	–817
Other	38	–22
Net assets/liabilities		**–802**

2016 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Land and buildings	3	–5
Machinery and equipment	–	–843
Other	33	–26
Net assets/liabilities		**–839**

Change in deferred tax in temporary differences	Amount at beginning of year	Recognized in profit/loss for year	Other changes	Amount at end of year
Land and buildings	–2	1	–	0
Machinery and equipment	–843	27	–	–817
Other	–26	4	–	–22
Total temporary differences	**–871**	**32**	**–**	**–839**
Tax loss carryforwards	33	5	0	38
	–839	**37**	**0**	**–802**

NOTE 110. Intangible assets

Other intangible assets	2017	2016
Opening cost	0	–
Investments for the year	–	–
Disposals/retirements	–	–
Completion of construction in progress	8	–
Closing accumulated cost	**8**	**0**
Opening depreciation	0	–
Disposals/retirements	–	–
Depreciation for the year	2	–
Closing accumulated depreciation	**2**	**0**
Carrying amount at end of period	**6**	**0**

Construction in progress	2017	2016
Opening cost	261	84
Investments for the year	261	176
Completion of construction in progress	–8	–
Carrying amount at end of period	**514**	**261**

The capitalized interest expenses for the year of SEK 13.5 million (10.8) were attributable to intangible assets, relating primarily to one major IT project. The average interest rate is 4.4 percent (4.4).

NOTE 111. Property, plant and equipment

Land and buildings	2017	2016
Opening cost	2,905	2,810
Investments for the year	–	–
Disposals/retirements	-48	-8
Completion of construction in progress	84	103
Closing accumulated cost	**2,941**	**2,905**
Opening depreciation	1,518	1,428
Disposals/retirements	-36	-4
Depreciation for the year	95	93
Closing accumulated depreciation	**1,576**	**1,518**
Carrying amount	**1,364**	**1,387**

Plant and equipment[1]	2017	2016
Opening cost	18,796	18,350
Disposals/retirements	–1,421	–48
Completion of construction in progress	511	495
Closing accumulated cost	**17,885**	**18,796**
Opening depreciation	13,334	12,772
Disposals/retirements	–1,346	–41
Depreciation for the year	585	603
Closing accumulated depreciation	**12,572**	**13,334**
Carrying amount	**5,313**	**5,462**

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

Capitalized turnaround costs	2017	2016
Opening cost	1,489	1,390
Disposals/retirements	–477	–
Completion of construction in progress	454	99
Closing accumulated cost	**1,466**	**1,489**
Opening depreciation	1,102	908
Retirements	–477	–
Depreciation for the year	202	194
Closing accumulated depreciation	**828**	**1102**
Carrying amount	**639**	**386**

Equipment, tools, fixtures and fittings	2017	2016
Opening cost	1,442	1,387
Disposals/retirements	–72	–35
Completion of construction in progress	129	90
Closing accumulated cost	**1,498**	**1,442**
Opening depreciation	1,084	1,014
Disposals/retirements	–70	–34
Depreciation for the year	104	104
Closing accumulated depreciation	**1,118**	**1,084**
Carrying amount	**380**	**358**

Construction in progress	2017	2016
Opening cost	1,084	703
Investments for the year	2,067	1,167
Completion of construction in progress	–1,176	–787
Carrying amount	**1,974**	**1,084**

Capitalized interest expenses for the year were SEK 22 million (4), relating primarily to the balance sheet item “Construction in progress”. The average interest rate is 4.4 percent (4.4).

NOTE 112. Investments 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
Dormant					
Svenska Petroleum AB	556046-4819	Stockholm	1,000	100	0
Såifa Drivmedel AB	556039-7001	Stockholm	5,000	100	1
					172
Foreign companies					
Operating					
Preem Norge AS	919,502,193	Bærum	75,048	100	123
					123

Accumulated cost	2017	2016
At start of year	260	255
Acquisitions for the year	123	–
Liquidation	–19	–
Group contributions	0	5
Shareholder's contributions	–	0
	364	**260**
Accumulated impairment losses/amortization		
At start of year	60	54
Impairment losses	10	5
	69	**60**
Carrying amount at end of period	**295**	**201**

NOTE 113. Receivables from Group companies

	2017	2016
Opening cost	2	2
Group contributions receivable	0	0
Group contributions payable	–	–
Closing accumulated cost	**3**	**2**

NOTE 114. Investments 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
					103

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

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

The information above refers to 100 percent of the companies' assets, liabilities, equity, revenue and net profit/loss.

	2017	2016
Opening balance	103	103
Investment for the year	–	–
Closing balance	**103**	**103**

NOTE 115. Trade receivables

	2017	2016
Trade receivables	4,415	3,870
Reserve for doubtful debts	–7	–7
Fair value of trade receivables	**4,408**	**3,863**

Trade receivables which are less than three months overdue are generally not considered impaired. As of December 31, 2017, trade receivables totaling SEK 131 million (203) were overdue and were not found to be impaired. These relate to a number of independent customers that have not previously had any payment problems. The age analysis of these trade receivables is shown below:

	2017	2016
Less than 10 days	84	152
Between 10 and 20 days	21	20
Between 21 and 30 days	4	3
More than 30 days	21	28
	131	**203**

The reserve for doubtful trade receivables totaled SEK 7 million (7) as of December 31, 2017. Receivables are recognized as doubtful debts when objective information exists, e.g. in the form of canceled payments or non-payment of receivables after being overdue for three months.

Changes in the reserve for doubtful trade receivables are as follows:	2017	2016
At start of period	7	6
Provision for impairment of trade receivables/ unused amounts reversed for the year	7	7
Confirmed losses for the year	–7	–6
At end of period	**7**	**7**

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

NOTE 116. Provisions for pensions

	2017	2016
Net liability in the balance sheet		
Present value of obligation (calculated using Swedish policies) relating to unfunded pension plans	127	124
Net amount recognized for pension obligations	**127**	**124**
Changes in net liabilities		
Net liabilities at start of year in respect of pension obligations	124	90
Interest component of pension costs for the year	3	3
Amounted allocated	10	40
Pension payments	-8	-9
Other changes	0	0
	127	**124**
Share of these expenses covered by credit insurance via FPG/PRI	77	83

NOTE 117. Other liabilities

	2017	2016
VAT	461	439
Excise duties[1]	817	843
Other liabilities	130	142
	1,408	**1,424**

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

NOTE 118. Accrued expenses and deferred income

	2017	2016
Purchases of crude oil and products	3,159	3,228
Personnel	306	289
Interest	2	1
Other	552	395
	4,019	**3,913**

NOTE 119. Notes to the cash flow statement

	2017	2016
Interest paid and dividends received		
Dividends received	25	8
Interest received	8	6
Interest paid	–194	–193
Adjustment for non-cash items		
Depreciation, amortization and impairment of non-current assets	998	994
Impairment losses on inventories (+)/ Reversal of impairment losses on inventories (-)	–8	–439
Unrealized exchange rate losses (+)/exchange rate gains (-)	–54	–4
Unrealized exchange rate losses (+)/ exchange rate gains (-), net financial items	–43	33
Unrealized gains (-)/losses (+) on oil derivatives	70	0
Expensed share of capitalized borrowing costs	102	177
Provisions	72	17
Provision for promissory note receivable, CMGO	–	1,567
Capital gains/losses on disposal/ retirement of non-current assets	68	11
Capital gains/losses on disposal of business/subsidiary	–112	–
Capital gains/losses from associates	1	1
	1,095	**2,359**

NOTE 120. 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.

	2017	2016
Cash and bank balances	132	82
	132	**82**

NOTE 121. Financial instruments

Financial instruments by category

2017 Assets in the balance sheet	Loan receivables and trade receivables	Assets measured at fair value through profit/loss for the year	Available for sale	Carrying amount	Fair value
Available-for-sale financial assets	–	–	26	26	26
Derivatives	–	–	–	0	0
Receivables from Parent Company	55	–	–	55	55
Trade and other receivables	4,983	–	–	4,983	4,983
Cash and bank balances	132	–	–	132	132
	5,170	**0**	**26**	**5,197**	**5,197**

Liabilities in the balance sheet	Liabilities at fair value through profit/loss for the year	Other financial liabilities	Carrying amount	Fair value
Borrowings	–	5,076	5,076	5,076
Derivatives	–	3	3	3
Other liabilities	–	4,853	4,853	4,853
	–	**9,932**	**9,932**	**9,932**

2016 Assets in the balance sheet	Loan receivables and trade receivables	Assets measured at fair value through profit/loss for the year	Available for sale	Carrying amount	Fair value
Available-for-sale financial assets	–	–	28	28	28
Derivatives	–	–	–	–	–
Receivables from Parent Company	55	–	–	55	55
Trade and other receivables	4,412	–	–	4,412	4,412
Cash and bank balances	82	–	–	82	82
	4,549	**–**	**28**	**4,576**	**4,576**

Liabilities in the balance sheet	Liabilities at fair value through profit/loss for the year	Other financial liabilities	Carrying amount	Fair value
Borrowings	–	4,791	4,791	4,791
Derivatives	–	–	–	–
Other liabilities	–	4,309	4,309	4,309
	–	**9,100**	**9,100**	**9,100**

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.

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

2016	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	–	–	–
	–	**–**	**–**
Liabilities in the balance sheet			
Oil derivatives	–	–	–
	–	**–**	**–**

NOTE 122. Proposed appropriation of profits

The Parent Company's non-restricted equity amounts to SEK 10,534,748,313. The Board of Directors proposes that this amount be appropriated as follows:

	2017
Carried forward (SEK thousand)	10,534,748
Total	10,534,748

Stockholm, March 14, 2018

Bassam Aburdene

Richard Öhman

Michael G:son Löw

Per Höjgård

Jason T. Milazzo

Erika Andersson
Employee representative

Jamal Ba-Amer

Lennart Sundén

Cristian Mattsson
Employee representative

Petter Holland
Managing Director

John P. Oswald

Roger Wikström
in the capacity of deputy board member for Mohammed H. Ali Al Amoudi

Our audit report was submitted on April 20, 2018

KPMG AB
Håkan Olsson Reising
Authorized Public Accountant

Willard Möller
Authorized Public Accountant
Mazars Set Revisionsbyrå AB

Auditor's report

To the general meeting of the shareholders of Preem Aktiebolag, corp. id 556072-6977

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Preem Aktiebolag for the year 2017, except for the sustainability report which is publicated on a separate web address <preem.se/om-preem/finansiell_info/>. The annual accounts and consolidated accounts of the company are included on pages 1-42 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the sustainability report.The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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.

Other Information than the annual accounts and consolidated accounts

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

Our opinion on the annual accounts and consolidated accounts 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 accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. 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 Managing Director

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

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

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Preem Aktiebolag for the year 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

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

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 that it is 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 the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Stockholm April 20, 2018

KPMG AB
Håkan Olsson Reising
Authorized Public Accountant

Willard Möller
Authorized Public Accountant
Mazars Set Revisionsbyrå AB

The Preem Group's operations in summary

	2017	2016	2015	2014	2013
Sales revenue, SEK million	68,752	56,041	66,006	84,438	79,405
Profit/loss before tax, SEK million	3,971	1,431	1,423	-3,637	-1,567
Return on capital employed, %	30	25	19	0	0
Return on adjusted equity, %	26	8	11	0	0
Capital expenditures in plants [1], SEK million	2,337	1,348	968	818	1,391
Self-financing ratio, multiple	1.27	3.63	3.55	1.82	1.76
Total assets, SEK million	27,591	22,980	21,381	24,856	31,443
Capital employed, SEK million	17,453	13,882	15,510	18,335	22,549
Average adjusted equity, SEK million	10,606	8,556	7,695	8,728	10,930
Equity/assets ratio, %	45	39	38	30	33
Net debt/equity ratio	0.4	0.54	0.85	1.51	0.96
Average number of employees	1,458	1,395	1,319	1,278	1,270

[1] Excluding plants acquired through acquisitions

Definitions

ADJUSTED EQUITY
Equity including non-controlling interests.

AVERAGE ADJUSTED EQUITY
Equity including non-controlling interests. The average value is calculated as the sum of the opening and closing balance divided by two.

CAPITAL EMPLOYED
Total assets minus interest-free trade payables.

EQUITY/ASSETS RATIO
Adjusted equity as a percentage of total assets.

NET DEBT/EQUITY RATIO
Interest-bearing liabilities minus cash and cash equivalents as a percentage of average adjusted equity.

RETURN ON ADJUSTED EQUITY
Profit/loss after tax as a percentage of average adjusted equity.

RETURN ON CAPITAL EMPLOYED
Profit/loss before borrowing expense as a percentage of average capital employed.

SELF-FINANCING RATIO
Net financing from the year's operations in accordance with the consolidated cash flow statement as a percentage of capital expenditures in plants.