

# PREEM ANNUAL REPORT 2016



2016

# 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.

**INTRODUCTION**

Preem's sales revenue for 2016 fell to SEK 56,041 million, in comparison to SEK 66,006 million in the previous year, a 15 percent decrease.

The operating profit totaled SEK 3,799 million (3,192). The increase in operating profit in comparison to the previous year is mainly due to rising oil prices having a positive impact on inventory value. Solid refining margins and high throughput, mainly in the last quarter, helped boost these good results.

Crude oil prices rose in 2016 from USD 35 per barrel at the beginning of the year to USD 55 per barrel at year-end. However, crude oil prices were highly volatile during the year. The SEK-USD exchange rate has been unstable with the SEK weakening from 8.35 SEK/USD at the start of the year to 9.10 at the end of the year. The average USD rate increased from 8.43 to 8.56.

Total production was 18 million m3 (19), a four percent decrease in comparison to 2015. The proportion of products exported was 59 (64) percent, with a value of SEK 33,248 million (42,246).

**OPERATIONS**

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 via its two refineries in Gothenburg and Lysekil. 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. Preem sells gasoline, diesel, renewable fuel, heating oils and lubricating oils in the Swedish market to private customers and to large and small companies via our own marketing channels with filling stations and Såifa facilities, and through Preem partners and distributors. In 2016, Preem established a branch in Norway, Preem AB NUF, with operations in Sandefjord.

**MARKET**

The average price of crude oil in 2016 was approximately USD 44 per barrel, which was lower than the average price for 2015 of approximately USD 52 per barrel. However, the downward trend that began in 2015 was reversed, with an upward trend taking hold in January 2016 when the price was at USD 25 per barrel. The key factors that drove this trend include heightened expectations that the producer countries would adjust their surplus production even though global crude oil production exceeded demand. Demand rose globally as well, which also propped up the price. Several producer countries also experienced major conflicts and wars, which has impacted crude oil production and made the market nervous.

Prices reached USD 50 per barrel in June, in part driven by signals of crude oil production cuts in the US. However, market participants were unsure of whether the major producers would be able to agree on cutting production. Prices fluctuated widely between USD 40 and 50 per barrel until the OPEC meeting on November 30, which was also attended by Russia. At that meeting, the majority of the OPEC countries, along with Russia, agreed to cut crude oil

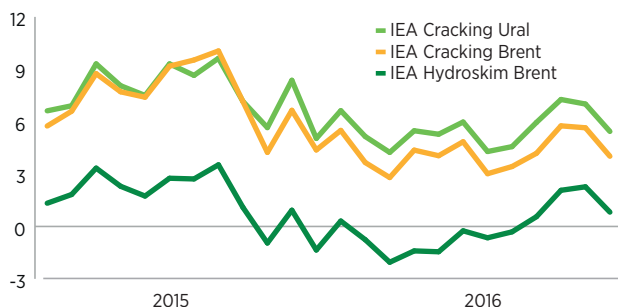
**OIL PRICE TREND IN 2016**

USD/barrel



**REFINERY MARGINS**

USD/barrel



production. Prices already started rising before the meeting, and the final price quoted for 2016 was USD 55 per barrel.

Crude oil is normally priced against the Dated Brent, which has been weak due to the crude oil surplus. One example is the type of crude oil most purchased by Preem, Russian Urals, with a negative average premium of USD -2.5 per barrel for 2016 in comparison to USD -1.8 per barrel in 2015.

Global demand for finished products continued to rise, with gasoline experiencing the highest increase in demand in 2016. Demand increased in America, but mainly in the emerging regions of Asia. Increase in demand for gasoline is primarily a sign of higher living standards for consumers. Demand for diesel, which was not as strong globally in 2016, is more dependent on industrial growth.

Overall, the weak crude oil market, strong gasoline margins and relatively stable margins for other products led to solid refining margins in 2016. This resulted in high utilization of available capacity in most of the world's refineries.

## PRODUCTION

The Group's operations consist mainly of refining crude oil in its refineries in Lysekil and Gothenburg. Total production for the year amounted to 18 million m<sup>3</sup>, in comparison to 19 million m<sup>3</sup> in 2015. The bulk of the crude oil originates from Russia and the North Sea. In addition, imported distillate was processed at both refineries. Renewable raw materials amounting to 169,000 m<sup>3</sup> were used at the refinery in Gothenburg to produce hydrogenated vegetable oil (HVO) for Preem Evolution Diesel.

In Lysekil, a maintenance shutdown was conducted for inspection, repairs and catalyst replacements at the HPU and ICR plants, along with some other minor maintenance activities in the spring. Operation was stable and plant capacity utilization was high, except for the time during which the HPU and ICR plants were out of service.

The catalyst in the reformer plant in Gothenburg was replaced during the plant shutdown in the spring. Despite this, 2016 was a record-breaking year for renewable production.

## MARKETING AND SALES

The Marketing and Sales segment reported strong 2016 earnings with an operating profit of SEK 590 million, in comparison to SEK 422 million the previous year. The increase in profit is partly due to improved profitability of HVO, and partly due to volumes sold which were up 3 percent year-on-year.

The proportion of renewable content grew to 19 percent of Preem's total fuel sales in 2016, in comparison to 14 percent in 2015. HVO is a strong driver of this trend, while rape methyl ester (RME) and ethanol sales fell. In 2016, Preem launched Preem Evolution Diesel+, the first diesel fuel to ever bear the official Nordic Ecolabel (Swan). This product has at least 50 percent renewable content and is free of palm oil and palm fatty acid distillates (PFAD). The product marks another step toward achieving Preem's vision of leading the transition toward a sustainable society and the Swedish government's vision of a vehicle fleet free of fossil fuels by 2030.

Product prices kicked off the year at low levels in comparison to the most recent years. Consumer gasoline and diesel prices started off the year at SEK 12.87 and 12.18 per liter respectively, and fell slightly initially before rising gradually until the summer. During the summer period, gasoline prices were driven up to SEK 13.87 per liter, while diesel prices reached SEK 13.13, between SEK 0.5 and 0.7 lower than for 2015. Prices then fell again slightly in the fall before rising sharply after the OPEC meeting in November. Consumer prices reached their 2016 peak in late December, which was SEK 14.19 per liter for gasoline and SEK 14.14 per liter for diesel.

## 2016 PURCHASES

Distribution in %

- Russia 58%
- North Sea 26%
- Other 17%



## 2015 PURCHASES

Distribution in %

- Russia 55%
- North Sea 30%
- Other 15%



The overall goal of the Marketing and Sales segment is to open 50 new filling stations from 2013 to 2018. The station expansion project proceeded according to plan in 2016 and 30 of the planned 50 new stations had been opened by the end of the year.

Diesel volumes continued to increase on the Swedish market, mainly driven by the transport sector and conversion from gasoline. Gasoline fell due to efficiency drives and conversions to other fuels. Heating and heavy oils were relatively stable following a sharp decline over several years. The increase in diesel was largely due to renewable products with blends mainly consisting of HVO. The overall oil market in Sweden in November 2016, 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 29.5 percent accumulated for November 2015 to 30.6 percent accumulated for November 2016.

On the bulk market, Preem held its position as the largest market participant with leading market shares in diesel, heating oil and heavy oil. Preem was the third largest participant in the station market with a market share of just over 19 percent.

**EARNINGS**

Consolidated net sales revenue amounted to SEK 66,225 million (75,826). Excluding excise duties, sales revenue totaled SEK 56,041 million (66,006). This decrease in sales is mainly due to lower crude oil prices, which led to lower product prices and slightly lower sales volumes.

Gross profit/loss for 2016 increased by SEK 726 million to SEK 5,112 million (4,386), including price effects on inventories in the amount of SEK 1,278 million (-1,266).

Preem's operating profit improved, coming in at SEK 3,799 million (3,192). Operating expenses increased by six percent compared year-on-year. The average refining margin weakened from USD 6.45 per barrel the previous year to USD 4.53 per barrel for the full year. The margins strengthened significantly in the final quarter, reaching USD 6.14 per barrel.

The Marketing and Sales segment saw an improvement in operating profit by as much as 40 percent although revenue fell by 5 percent and expenses increased by a couple percent due to an increase in investments in Norway and in IT.

Similarly to oil prices, the USD exchange rate fluctuated sharply during the year. The currency gained 9 percent on the SEK and the average exchange rate was 8.56 SEK/USD. The stronger USD exchange rate resulted in substantial exchange losses because crude oil purchases are made in USD, and the majority of Preem's funding is in USD.

A provision of SEK 1,567 million (946) for Preem's receivable from Corral Morocco Gas & Oil was charged to net financial items

in 2016 due to uncertainty regarding the company's financial position and solvency. Profit before tax came in at SEK 1,431 million (1,423).

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

For more information about financial instruments, see Note 2.

**ENVIRONMENT**

Preem operates several businesses that are subject to licensing or reporting under the Swedish Environmental Code. The main environmental impact is from emissions to air of carbon dioxide, nitrogen oxides, sulfur oxides and volatile hydrocarbons, as well as discharges to water and noise.

Preem's environmental policy was revised in 2016 and a new integrated policy for health, safety and the environment was adopted. Policy compliance is secured by using procedures and instructions in the Company's management system. Management system compliance is monitored by reporting and managing divergences, via safety rounds and via both internal and external audits.

The refineries in Lysekil and Gothenburg are licensed for A operations. The licenses are subject to conditions and an associated control program. Preem operated within all emission limits in 2016, except for an operations-related limit that was exceeded marginally without any impact on emission values. Several standard limits were not met, so remedial action was taken and the licensing authority was informed.

Preem submitted an environmental application for expansion of the refinery in Lysekil to the Land and Environment Court in December 2016. In addition, the County Administrative Board approved an application for handling up to 200,000 metric tons of renewable fuel components, which will be included in the existing licensed throughput of 11.4 million metric tons per year.

An environmental application for a hydrogen production plant was filed in July 2016 for the refinery in Gothenburg for the purpose of enabling increased production of renewable fuels at the plant.

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 2013-2020, according to a decision by the Swedish Environmental Protection Agency.

The depots are licensed for B operations. In 2016, the Helsingborg depot received a permit modification under the Swedish Environmental Code enlarging the amount of renewable fuels it is permitted to handle. The amount of fossil fuels it is permitted to handle was reduced to the corresponding extent to balance out the

**EXPORTS IN SEK 2016**

Distribution in %

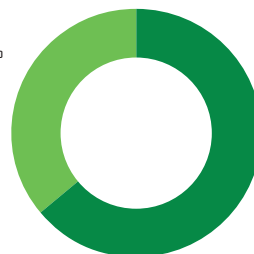
- International 59%
- Sweden 41%



**EXPORTS IN SEK 2015**

Distribution in %

- International 64%
- Sweden 36%



existing environmental status for the operations as a whole. The limits for hydrocarbon emissions to water were exceeded on a few occasions during the year at the depots in Norrköping and Skarvik. The licensing authorities were notified of this and remedial action was taken by the depots.

The majority of Preem's filling stations and diesel facilities handle fuel in excess of 1,000 m<sup>3</sup> 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 licensing authority on environmental matters at our filling stations and diesel facilities. Remediation of contaminated soil at closed depots, filling stations and SÅIFA facilities is ongoing and continued in 2016 as well.

The current emission rights trading period is from 2013 to 2020. 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 eight-year period. Any deficit must be covered by a purchase of emission rights on a market or through improvements in energy efficiency.

#### INVESTMENTS

Preem's capital expenditures in intangible assets and property, plant and equipment totaled SEK 1,347 (968) million. The expenditure attributable to the maintenance shutdown totaled SEK 108 million, and an additional SEK 595 million was expended on operational improvements on top of that. SEK 330 million was expended on equipment for profitability improvements, SEK 119 million on establishing and renovating stations and SEK 196 million on environmental and safety improvement measures.

#### PRODUCT DEVELOPMENT

Preem's vision is to lead the transition towards a sustainable society. The Company was the first to develop a second-generation renewable fuel made of forestry by-products. Preem made progress on this front in 2016.

In November 2016, the Board of Directors of Preem resolved to further strengthen Preem's capability to produce fuel from sustainable biomass by approving an investment in a hydrogen plant adjacent to the refinery in Gothenburg. The investment will enable Preem to double production of its premium product, Preem Evolution Diesel, in the long term. The investment will cut carbon dioxide emissions at the user level by up to one million metric tons per year in the long term.

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 3 million cubic meters of renewable fuel on the Swedish market by 2030. 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 sustainability properties and will result in lower greenhouse gas emissions. By investing in products from Swedish forests, Preem supports the Swedish forestry industry and cuts Sweden's dependence on raw material imports for fuel production.

Preem supports Swedish research on several fronts in order to strengthen Swedish innovation. We are involved in Bioinnovation, a strategic research program where we collaborate with several large Swedish companies to develop renewable fuels. In 2016, we helped fund a pilot plant in Piteå where Preem and others can pursue research and development for renewable fuel produc-

tion processes. Preem also has a long-standing partnership with Chalmers and participates in the f3 national knowledge platform, conducting systems research with a focus on fossil-free fuels.

#### FINANCING AND LIQUIDITY

In the spring 2016, all the Company's credit facilities were extended. The new credit facility have a term of four and a half years and will be due to payment in November 2020. At the end of the period, consolidated net debt totaled SEK 5,060 million, compared with SEK 6,876 million at December 31, 2015.

#### PERSONNEL

The average number of employees of the Group was 1,395 (1,319), of whom 1,386 (1,309) worked at the Parent Company.

#### FUTURE PROSPECTS

Major maintenance shutdowns are expected at refineries in Asia in the first half of 2017, while the corresponding demand in Europe and the US is expected to be low. The maintenance shutdowns are expected to result in a decrease in the currently high excess inventories on the product side and some analysts forecast balanced inventory levels by the end of the second quarter or beginning of the third quarter.

Preem is planning maintenance shutdowns at certain plants in the Lysekil refinery in the second quarter of 2017 and a major maintenance shutdown in Gothenburg in fall 2017.

#### PROPOSED APPROPRIATION OF PROFITS

The Parent Company's non-restricted equity amounted to SEK 7,518,012,837.

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

Carried forward:	7,518,013
Total	7,518,013

#### BASIS FOR DECISION BY BOARD OF DIRECTORS

This annual report discloses that a Group contribution amounting to SEK 2,793 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 2,340 million.

#### 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, 2016, and the 2017 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 2017).

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	2016	2015
Net sales		66,225	75,826
Excise duties <sup>1)</sup>		-10,184	-9,820
<b>Sales revenue</b>	4, 14	<b>56,041</b>	<b>66,006</b>
Cost of goods sold	8, 10, 14	-50,929	-61,620
<b>Gross profit</b>	5	<b>5,112</b>	<b>4,386</b>
Selling expenses		-820	-797
Administrative expenses		-810	-743
Other operating income	11	317	347
<b>Operating profit</b>	6-11, 33	<b>3,799</b>	<b>3,192</b>
Financial income		154	216
Financial expenses		-2,522	-1,985
<b>Net financial items</b>	12, 14	<b>-2,368</b>	<b>-1,769</b>
<b>Profit before tax</b>		<b>1,431</b>	<b>1,423</b>
Tax on profit for the year	13	-721	-567
<b>Profit for the year</b>		<b>710</b>	<b>856</b>
ATTRIBUTABLE TO:			
Parent Company shareholders		710	856
Non-controlling interests		0	0
		<b>710</b>	<b>856</b>
<b>Statement of comprehensive income</b>			
<b>Profit for the year</b>		<b>710</b>	<b>856</b>
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to the income statement:</i>			
Actuarial gains/losses on defined benefit pension plans	23	-76	70
Translation difference attributable to branch		0	0
Tax attributable to items in other comprehensive income		17	-15
<b>Total other comprehensive income for the year, net of tax</b>		<b>-59</b>	<b>55</b>
<b>Total comprehensive income for the year</b>		<b>651</b>	<b>910</b>
ATTRIBUTABLE TO:			
Parent Company shareholders		651	910
Non-controlling interests		0	0
		<b>651</b>	<b>910</b>

<sup>1)</sup> Excise duties refer to energy tax, carbon dioxide tax, sulfur tax and alcohol tax

# Group

## Balance sheet

AMOUNTS IN SEK MILLIONS

ASSETS	Note	12/31/2016	12/31/2015
<b>NON-CURRENT ASSETS</b>			
<i>Intangible assets</i>			
Goodwill	15	308	308
Construction in progress	15	261	84
		<b>568</b>	<b>392</b>
<i>Property, plant and equipment</i>			
Buildings and land	16, 30	1,398	1,392
Plant and equipment	16	5,464	5,580
Capitalized turnaround costs	16	387	481
Equipment, tools, fixtures and fittings	16	368	388
Construction in progress	16	1,087	704
		<b>8,705</b>	<b>8,546</b>
<i>Financial assets</i>			
Investments in associates	17	168	124
Receivables from associates	33	1	1
Receivables from affiliates	18, 33	-	1,567
Available-for-sale financial assets	19, 32	28	29
Other non-current receivables	23, 34	47	8
		<b>243</b>	<b>1,728</b>
<b>Total non-current assets</b>		<b>9,516</b>	<b>10,666</b>
<b>CURRENT ASSETS</b>			
Inventories	20	8,452	5,883
Trade receivables	21, 30, 32	3,892	3,198
Derivatives	27, 32	0	0
Receivables from Parent Company	33	55	55
Other receivables	32	572	899
Prepaid expenses and accrued income		370	268
		<b>13,341</b>	<b>10,305</b>
Cash and cash equivalents	22, 32	123	411
<b>Total current assets</b>		<b>13,464</b>	<b>10,715</b>
<b>TOTAL ASSETS</b>		<b>22,980</b>	<b>21,381</b>

# Group

## Balance sheet

AMOUNTS IN SEK MILLIONS

EQUITY AND LIABILITIES	Note	12/31/2016	12/31/2015
<b>EQUITY</b>			
<i>Equity attributable to Parent Company shareholders</i>			
Share capital		610	610
Other paid-in capital		2,482	2,482
Profit brought fwd. including profit for the year		5,870	5,058
		<b>8,962</b>	<b>8,150</b>
Non-controlling interests		0	0
<b>Total equity</b>		<b>8,962</b>	<b>8,150</b>
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Pension obligations	23	101	-
Deferred tax liabilities	13	844	711
Other provisions	24	66	51
Borrowings	25, 26, 32	4,688	-
Other non-current liabilities	32	19	22
		<b>5,821</b>	<b>784</b>
<i>Current liabilities</i>			
Borrowings	25, 26, 32	103	7,308
Advance payments from customers		15	4
Trade payables	32	2,695	908
Liabilities to associates	33	102	65
Current tax liabilities		-	-
Derivatives	27, 32	-	-
Other liabilities	28, 32	1,428	1,315
Accrued expenses and deferred income	29	3,957	2,847
		<b>8,196</b>	<b>12,447</b>
<b>Total liabilities</b>		<b>14,018</b>	<b>13,231</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22,980</b>	<b>21,381</b>

Pledged assets and contingent liabilities 30

## Group

# Statement of changes in equity

AMOUNTS IN SEK MILLIONS

	Attributable to Parent Company shareholders				Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Profit brought forward	Total		
Opening equity 1/1/2015	610	2,482	4,147	7,239	0	7,239
Profit for the year	-	-	856	856	0	856
Other comprehensive income	-	-	55	55	-	55
<b>Comprehensive income for the year</b>	-	-	<b>910</b>	<b>910</b>	-	<b>910</b>
Closing equity 12/31/2015	610	2,482	5,058	8,150	0	8,150
Profit for the year	-	-	710	710	0	710
Other comprehensive income	-	-	-59	-59	-	-59
<b>Comprehensive income for the year</b>	-	-	<b>651</b>	<b>651</b>	<b>0</b>	<b>651</b>
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

**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.

**DIVIDENDS**

No dividend was paid for 2016 or 2015. The terms and conditions of the Group's borrowings restrict payment of a dividend to shareholders.

**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.

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Profit before tax	1,431	1,423
Adjustments for non-cash items	2,313	552
	<b>3,744</b>	<b>1,975</b>
Tax paid	0	-49
<b>Cash flow from operating activities before changes in working capital</b>	<b>3,744</b>	<b>1,926</b>
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>		
Increase (-)/Decrease (+) in inventories	-2,129	2,140
Increase (-)/Decrease (+) in operating receivables	-426	456
Increase (+)/Decrease (-) in operating payables	3,059	-1,143
<b>Cash flow from operating activities</b>	<b>4,247</b>	<b>3,379</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures of intangible assets	-176	-16
Capital expenditures of property, plant and equipment	-1,171	-952
Disposal of property, plant and equipment	-	9
Investment in/disposal of financial assets	-8	5
<b>Cash flow from investing activities</b>	<b>-1,356</b>	<b>-955</b>
<b>FINANCING ACTIVITIES</b>		
Borrowings	5,656	5,687
Repayment of loans	-7,928	-8,812
Group contributions paid	-453	-
Expenses related to raising loans	-455	-
<b>Cash flow from financing activities</b>	<b>-3,179</b>	<b>-3,125</b>
Cash flow for the year	-288	-701
Opening cash and cash equivalents	411	1,112
<b>Closing cash and cash equivalents</b>	<b>123</b>	<b>411</b>

# Notes to the consolidated financial statements

## NOTE 1. Significant accounting policies

On March 15, 2017, 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 March 15, 2017.

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, with the exception of IAS 33, Earnings per Share, on the grounds that 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 measured at fair value via profit/loss for the year.

The preparation of reports in accordance with IFRS requires the use of a number of important estimates for accounting purposes. It also requires that management carry out certain assessments when applying the Group's accounting policies. For areas that involve a high degree of assessment, which are complex or where assumptions and estimates are of significant importance for the consolidated financial statements, see Note 3.

The financial statements are presented in Swedish Kronor (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 sum total is not exactly equal to the sum of all components in some cases.

### Standards, amendments and interpretations that came into force in 2016

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

A number of 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 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 15 Revenue from Contracts with Customers will replace IAS 18 Revenue. IFRS 15 introduces a new model for revenue recognition where transactions are divided up into various performance obligations. The standard will take effect on January 1, 2018. The Group has initiated an analysis of its revenue streams to identify potential effects of the standard. Thus far, approximately 80 percent of the Group's revenue is covered by the analysis, and on this basis, IFRS 15 is not estimated to have any material effects upon transition to the new standard in 2018. A couple of issues have arisen and further inquiry is in progress. Potential effects of these issues have not yet been evaluated. A transition method has not been chosen because the analysis has not yet been completed.

IFRS 16 Leases will replace IAS 17 Leases. For lessees, the classification of leases as operating and finance leases under IAS 17 is replaced by a model where assets and liabilities for all leases are to be recognized in the balance sheet. There is an exception from balance sheet recognition for low-value leases and leases with a term no longer than 12 months. Amortization must be recognized in the income statement separately from interest expenses attributable to the lease liability. IFRS 16 is effective beginning on January 1, 2019. Earlier application is permitted, provided that IFRS 15 is also applied beginning on the same date. The standard has not yet been adopted by the European Commission. Potential effects have not yet been evaluated.

Other future changes adopted by the IASB are not estimated to have a material impact on the Group.

### 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.

### 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 of an acquisition 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 and balance sheet items and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, although any losses are viewed as an indication that there is a need for an impairment of the transferred asset. The accounting policies for subsidiaries have been amended as appropriate to guarantee a consistent application of the Group's policies.

### Associates

Associates are all companies in which the Group has significant but not controlling influence, which mainly applies 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 shareholding and

the owner company's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded using the same principles as used on 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 associate are eliminated in proportion to the Group's investment in the associate. Unrealized losses are also eliminated, unless the transaction constitutes evidence that there is a need for 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 and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities in this operation and are translated at the exchange rate on the balance sheet date.

#### PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is measured at cost less accumulated depreciation and impairment losses, apart from land and precious metals, which are recognized under plant and equipment, as these are included as catalysts in the reformer and isomerization plants and are not consumed. 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.

In order 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 a number of 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

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 acquisitions 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.

##### Construction in progress

Construction in progress refers to proprietary IT systems and licenses. These assets are measured at cost less amortization and impairment losses. 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.

### 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 on the basis of 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 as a consequence of 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, has 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 as a consequence of earlier events, it is likely that an outflow of resources will be required to settle the obligation and the amount can be calculated reliably.

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

### CONTINGENT LIABILITIES

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

### EMPLOYEE BENEFITS

#### Pension obligations

The Group has defined benefit and defined contribution pension plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits associated with the employees' service during the current or previous periods. A defined benefit pension plan is a pension plan that is not a defined contribution plan. The feature of defined benefit plans is that they specify an amount for the pension benefit that an employee receives after retirement based on length of service and salary at retirement. These pension plans are usually financed by payments to insurance companies or managed funds in accordance with periodic actuarial calculations. Pension commitments have been secured by means of occupational pension insurance, liabilities entered into an account allocated for pensions (FPG/PRI) or payment to a pension fund (KP-stiftelsen) in accordance with the provisions of the Swedish Pension Obligations Vesting Act. The defined benefit pension plans are both funded and unfunded. If the plans are funded, assets have been separated in the pension fund (KP-stiftelsen). These plan assets can only be used to make payments under pension agreements. Plan assets are measured at fair value as of the reporting date.

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

The revaluation effects comprise actuarial gains and losses, the difference between the actual yield on plan assets and the amount included in net interest income/expenses and any changes in effects of asset restrictions (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 as a result 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 takes into account 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 measured at fair value via 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 proportion of transaction expenses in connection with borrowings that is recognized as an expense during the year, the effect of reversing the present value calculations of provisions, fair value losses on financial assets measured at fair value through profit/loss for the year and impairment losses on financial assets. Exchange rate gains and losses on financial liabilities are recognized at their net amounts as financial expenses.

As a general rule, 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 measured at fair value through profit/loss for the year, loan receivables and trade receivables measured at amortized cost, and available-for-sale financial assets measured at fair value via 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 measured 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 measured 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 statement of profit or loss and 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 expiration 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 or interest on debt instruments and dividend income as well as 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 a number of different financial risks in the course of 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 results of operations and cash flows while retaining a high level of efficiency for business operations.

All operations associated with the management of risks relating to financial instruments are handled by Preem's Treasury Department, with the exception of oil derivatives, which are handled by the Supply & 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 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, in particular in respect of 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 purchase 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 take place 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 actual historic sales, but demand 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 would however be impaired and this would have a direct effect on profit/loss.

All amounts in SEK millions

Net exposure at balance sheet date	2016	%	2015	%
EUR	-62	1%	-55	1%
USD	-7,413	99%	-4,726	99%
Others	-17	0%	-12	0%
<b>Total</b>	<b>-7,492</b>	<b>100%</b>	<b>-4,793</b>	<b>100%</b>

The net exposure in USD must be considered in relation to the Group's normal position in inventories, which came in at USD 701 million (474) at December 31, 2016, corresponding to SEK 6,375 million (3,960) translated to SEK using the exchange rate on the balance sheet date.

The Group has no investments in foreign operations which have net assets exposed to currency risks. As a result, the Group does not have any currency exposure to this.

If the Swedish krona were to become stronger/weaker by 10 percent in relation to the US dollar as 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 81 million (49) higher/lower as a consequence of gains/losses on translation of monetary assets and liabilities in accordance with 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<sup>1)</sup> 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 m<sup>3</sup>. 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 +200,000 m<sup>3</sup> or -250,000 m<sup>3</sup>. 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 on a daily basis.

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
2016	+10%	732	-79	653	617
2016	-10%	-732	81	-652	-617
2015	+10%	453	-319	134	371
2015	-10%	-453	390	-63	-371

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 via 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 in the event that the original net realizable value is less than cost. However, this effect may not exceed the previously impaired value of inventories.

In the event of a price 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.

<sup>1)</sup>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.

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 2016 was USD +50,000 (639,000).

### 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, 2016, the remaining fixed-interest period totaled approximately 0.41 months. In 2016, 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 5,080 million (7,287). 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 40 million (57) 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. In order 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 Poors, 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 on the basis of 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 on the basis of the Group's ongoing analysis of its customers. The Group only has one provision for doubtful debts of SEK 7 million (6), compared with sales revenue of SEK 56,041 million (66,006). For further information, see Note 21.

The Group has a loan issued to Corral Morocco Gas & Oil AB (CMGO), which is an affiliate, in the amount of SEK 3,136 million. The loan has a standard market interest rate of 5 percent of the nominal loan amount. The interest income is capitalized and added to the original receivable. In 2016, the Group's receivable from CMGO was measured on the basis of CMGO's underlying assets and the expected return on them. At the end of 2016, the Board of Directors resolved on a provision for the receivable in the amount of SEK 1,724 million (1,103). On December 31, 2016, the receivable was SEK 0 million after the provision. The receivable can be terminated at nine months' notice. No collateral has been pledged for the Group's receivable from CMGO.

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

**LIQUIDITY RISK**

Liquidity risk is managed by the Group maintaining sufficient cash and cash equivalents and short-term investment with a liquid market and available financing through agreed credit facilities. Every month, the Group pays approximately SEK 1,274 million (1,266) 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, 2016	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	103	-	5,080	-
Oil derivatives	-	-	-	-
Trade payables	2,695	-	-	-
Other liabilities	1,530	19	-	-

As at December 31, 2015	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	7,422	-	-	-
Oil derivatives	-	-	-	-
Trade payables	908	-	-	-
Other liabilities	1,381	22	-	-

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:

	2016	2015
Total borrowings	5,183	7,422
Less: cash and cash equivalents	-123	-411
<b>Net debt</b>	<b>5,060</b>	<b>7,011</b>
Total equity	8,962	8,172
<b>Total capitalization</b>	<b>14,022</b>	<b>15,183</b>
<b>Net debt/equity ratio</b>	<b>36%</b>	<b>46%</b>

Net debt excludes capitalized payroll expenses SEK 392 million (115).

**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. Significant estimates and assessments for accounting purposes**

Estimates and judgements 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.

**SIGNIFICANT ESTIMATES AND ASSUMPTIONS FOR ACCOUNTING PURPOSES**

The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes 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 discount rate before tax that was applied for discounted cash flows for the cash-generating unit that comprises the Supply & Refining segment had been 2 percent higher than the management judgement, the Group would not have needed to recognize any impairment losses on goodwill.

**Inventories**

Inventories are measured at the lower of cost and net realizable value. Inventories are sensitive to market price fluctuations. If market prices fall relative to the cost at the end of the accounting period, the Group may need to recognize an impairment loss on the carrying amount of the inventories.

**Pensions**

Pension obligations are based on actuarial calculations that are themselves based on assumptions about discount 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 ASSESSMENTS ON THE 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 59 (64) percent 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.

**TRANSFER 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.

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

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

2015	Supply & Refining	Marketing	Total by segment
<b>Sales revenue</b>			
Segment's total sales revenue	64,194	15,612	79,806
Sales between segments	-13,860	-51	-13,911
<b>External sales revenue</b>	<b>50,334</b>	<b>15,561</b>	<b>65,895</b>
Exchange differences			111
<b>Total external sales revenue</b>			<b>66,006</b>

Operating profit/loss	Supply & Refining	Marketing	Total by segment
Operating profit/loss per segment	3,437	422	3,859
of which depreciation/amortization	866	97	962

Reconciliation in relation to the Group's profit/loss before tax	2016	2015
Operating profit/loss for reported segments	4,369	3,859
Exchange differences on recurring payments	-341	-370
Currency effect on normal inventories	463	374
Corporate Center depreciation/amortization	-10	-11
Other <sup>1)</sup>	-682	-661
<b>Total operating profit/loss</b>	<b>3,799</b>	<b>3,192</b>
Interest income	163	164
Interest expense	-356	-445
Exchange differences	-337	-282
Other net financial items	-1,838	-1,206
<b>Profit before tax</b>	<b>1,431</b>	<b>1,423</b>

<sup>1)</sup> Refers mainly to Corporate Center.

**OTHER SALES INFORMATION**

Sales revenue mainly comes from sales of oil products.

	2016	2015
Sales of oil products	55,939	65,905
Other	102	101
<b>Total external sales revenue</b>	<b>56,041</b>	<b>66,006</b>

Revenue of SEK 4,803 (7,631) million originates from one single customer and the revenue is included in the Supply & Refining segment.

Investments	Supply & Refining	Marketing	Other <sup>1)</sup>	Group	
Capital expenditures in property, plant and equipment	2016	986	162	24	1,171
Capital expenditures in property, plant and equipment	2015	756	167	29	952
Capital expenditures in intangible assets	2016	-	-	176	176
Capital expenditures in intangible assets	2015	-	-	16	16
Investments in associates	2016	-	-	-	-
Investments in associates	2015	-	-	-	-

<sup>1)</sup> 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.

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	-
<b>Group</b>	<b>56,041</b>	<b>9,273</b>

2015	External sales	Property, plant and equipment and intangible assets
Sweden	23,740	8,938
Norway	3,568	-
Other Nordic	4,460	-
Netherlands	6,963	-
UK	17,642	-
Other countries	9,633	-
<b>Group</b>	<b>66,006</b>	<b>8,938</b>

**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 -341 million (-370).

This note also refers to the Parent Company.

	2016		2015	
	Board, CEO and other senior executives	Other employees	Board, CEO and other senior executives	Other employees
Parent Company	26	750	33	705
Group companies in Sweden	1	4	1	4
Group companies abroad	-	-	-	-
<b>Group total</b>	<b>27</b>	<b>754</b>	<b>34</b>	<b>709</b>

**NOTE 6. Auditors' fees**

	2016	2015
<b>KPMG</b>		
Audit engagements	2	2
Auditing other than audit engagements	-	-
Tax consulting	1	1
Other services	0	1
	<b>3</b>	<b>4</b>
<b>SET</b>		
Audit engagements	0	0
Auditing other than audit engagements	-	-
Tax consulting	-	-
Other services	-	-
	<b>0</b>	<b>0</b>

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

	2016		2015	
	Salaries and other benefits	Social security expenses (of which pension costs)	Salaries and other benefits	Social security expenses (of which pension costs)
Parent Company	776	416 (129) <sup>1</sup>	738	386 (123) <sup>1</sup>
Group companies	5	2 (1)	5	2 (1)
<b>Group total</b>	<b>781</b>	<b>418 (130)<sup>2</sup></b>	<b>743</b>	<b>389 (124)<sup>2</sup></b>

<sup>1</sup> Of the Parent Company's pension costs, SEK 5.7 million (5.0) relates to the Group's CEO, Board of Directors and other senior executives.

<sup>2</sup> Of the Group's pension costs, SEK 5.8 million (5.1) relates to the Group's CEO, Board of Directors and other senior executives.

2016	Base pay/ Board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
Remuneration and benefits						
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
	<b>22.1</b>	<b>2.4</b>	<b>0.8</b>	<b>6.0</b>	<b>-</b>	<b>31.3</b>

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.

2015	Base pay/ Board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
Remuneration and benefits						
Chairman of the Board	1.0	-	-	-	-	1.0
Other Board members (8)	3.4	-	-	-	-	3.4
CEO	6.0	-	0.1	1.7	-	7.8
Other senior executives (7)	16.5	5.4	0.6	3.3	-	25.8
	<b>26.8</b>	<b>5.4</b>	<b>0.8</b>	<b>5.0</b>	<b>-</b>	<b>38.0</b>

In total, SEK 4.8 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.

**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 6 (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 (7 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 for 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.

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.

	2016 Percent- age of women	2015 Percent- age of women
<b>Gender distribution in company management</b>		
Board of Directors	0%	0%
Other senior executives	29%	29%

This note also refers to the Parent Company.

	2016		2015	
	Number of em- ployees	% of men	Number of em- ployees	% of men
<b>Average number of employees</b>				
<b>Parent Company</b>				
Sweden	1,386	73%	1,309	74%
<b>Group companies</b>				
Sweden	9	89%	10	80%
<b>Group total</b>	<b>1,395</b>	<b>73%</b>	<b>1,319</b>	<b>75%</b>

### NOTE 8. Depreciation and amortization

<b>Breakdown of depreciation and amortization</b>	2016	2015
Buildings and land improvements	93	87
Plant and equipment	604	582
Capitalized turnaround costs	194	188
Equipment, tools, fixtures and fittings	110	116
	<b>1,001</b>	<b>973</b>
<b>Breakdown by function</b>		
Cost of goods sold	889	867
Selling expenses	102	95
Administrative expenses	10	11
	<b>1,001</b>	<b>973</b>

### NOTE 9. Leases

<b>Lease payments for operating leases</b>	2016	2015
Minimum lease payments	101	96
Variable payments	25	29
<b>Total lease expenses</b>	<b>126</b>	<b>126</b>
<i>Contracted future minimum lease payments</i>		
Within one year	130	129
Between one and five years	557	554
More than five years	95	95
<b>Lease revenue from operating leases</b>		
Minimum lease payments	81	75
Variable payments	24	20
<b>Total lease revenue</b>	<b>105</b>	<b>96</b>
<i>Contracted future minimum lease payments</i>		
Within one year	82	76
Between one and five years	418	389
More than five years	-	-

### NOTE 10. Expenses by type of expense

	2016	2015
Cost of materials	47,572	58,220
Costs of employee benefits	1,252	1,182
Depreciation and amortization	1,001	973
Other expenses	2,733	2,786
	<b>52,559</b>	<b>63,160</b>
<b>Reconciliation with statement of other comprehensive income</b>		
Cost of goods sold	50,929	61,620
Selling expenses	820	797
Administrative expenses	810	743
	<b>52,559</b>	<b>63,160</b>

### NOTE 11. Other operating income

	2016	2015
Heating deliveries	49	43
Rental income	104	95
Harbor income	64	63
Storage certificates	56	101
Service compensation	26	23
Other	18	21
	<b>317</b>	<b>347</b>

**NOTE 12. Net financial items**

	2016	2015
Interest income from instruments measured at amortized cost	163	164
Net exchange differences	-9	51
Other	0	0
<b>Financial income</b>	<b>154</b>	<b>216</b>
Interest expenses from defined benefit unfunded pension obligation	-4	-5
Interest expenses from instruments measured at amortized cost <sup>1)</sup>	-352	-440
Net exchange differences	-328	-333
Other	-1,838	-1,206
<b>Financial expenses</b>	<b>-2,522</b>	<b>-1,985</b>
<b>Net financial items</b>	<b>-2,368</b>	<b>-1,769</b>

<sup>1)</sup> Of which interest expenses from accrued transaction fees in conjunction with raised loans recognized using the effective interest method SEK 177 (158) million.

The net gain from oil derivatives measured at fair value, recognized as a cost of goods sold in profit/loss for the year, totaled SEK 31 million (511). A provision of SEK 1,567 million (946) 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 1,724 million (1,103).

**NOTE 13. Tax**

	2016	2015
<b>Current tax expenses(-)/ tax revenue(+)</b>		
Tax expenses for the period	-615	-3
Tax attributable to previous years	-	0
	<b>-615</b>	<b>-3</b>
<b>Deferred tax expenses(-)/ tax income(+)</b>		
Deferred tax in respect of temporary differences	103	55
Deferred tax on tax loss carryforwards	-210	-620
<b>Total reported tax expenses</b>	<b>-721</b>	<b>-567</b>
<b>Reconciliation of effective tax</b>		
Profit before tax	1,431	1,423
Income tax calculated according to national tax rates for profit/loss in each country	-315	-313
Other non-deductible expenses	-408	-263
Non-taxable income	12	85
Tax attributable to previous years	-	0
Other tax adjustments	-10	-78
<b>Reported tax</b>	<b>-721</b>	<b>-567</b>
<b>Tax items recognized directly in equity</b>		
Current tax in Group contributions paid	614	-
Tax reported directly in other comprehensive income	17	-15

The weighted average tax rate was 50.4 (38.3) percent.

2016	Deferred tax assets	Deferred tax liabilities
<b>Deferred tax assets and tax liabilities</b>		
Buildings and land	3	-5
Machinery and equipment	-	-843
Other	33	-32
<b>Net assets/liabilities</b>		<b>-844</b>

2015	Deferred tax assets	Deferred tax liabilities
<b>Deferred tax assets and tax liabilities</b>		
Buildings and land	1	-3
Machinery and equipment	-	-880
Other	286	-114
<b>Net assets/liabilities</b>		<b>-711</b>

Change in deferred tax in temporary differences and tax loss carryforwards	Opening amount	Recognized in profit/loss for the year	Other changes	Closing amount
Buildings and land	-3	1	-	-2
Machinery and equipment	-880	36	-	-843
Other	-114	66	17	-32
<b>Total temporary differences</b>	<b>-996</b>	<b>103</b>	<b>17</b>	<b>-877</b>
Tax loss carryforwards	285	-210	-43	33
	<b>-711</b>	<b>-106</b>	<b>-26</b>	<b>-844</b>

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

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

	2016	2015
Net sales	95	111
Cost of goods sold	-436	-481
Financial items	-337	-282
	<b>-677</b>	<b>-652</b>

The estimated currency effect on the Group's normal position in inventories was SEK 463 million (374).

**NOTE 15. Intangible assets**

Goodwill	2016	2015
Opening cost	308	308
<b>Closing accumulated cost</b>	<b>308</b>	<b>308</b>
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	4.49-4.95
Average rate of growth for extrapolation beyond the budget period	1%
Discount rate before tax	8%

## Note 15. Cont.

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

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

Construction in progress	2016	2015
Opening cost	84	68
Investments for the year	176	16
<b>Carrying amount</b>	<b>261</b>	<b>84</b>

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

The capitalized interest expenses for the year of SEK 10.8 (0) million were attributable to intangible assets, relating primarily to one major IT project. The average interest rate is 4.4 (0) percent.

**EMISSION RIGHTS**

The Group will receive a lower allocation for the current trading period, i.e. 2013-2020, in comparison to previous trading periods and will be able to fully compensate for emissions until the final year, given that we have a deficit of approximately 500,000 emission rights according to emission forecasts.

The final allocation was decided at the EU level in 2013 and, as opposed to the two previous trading periods, joint EU allocation rules have been implemented. These rules are based on the standard limits from the most efficient greenhouse gas plants in each sector of the EU. This benefits the plants that are the most efficient. In Sweden, pulp and paper industries and district heating plants in particular receive a much higher allocation than their historic emissions. Electricity production is not given a free allocation.

**Emission rights**

<b>Opening balance 2016</b>	<b>2,428,869</b>
Number of allocated rights for 2016	1,986,606
Number of used rights for 2015 which were canceled in 2016	-2,241,870
Purchased emission rights 2016	0
Sold emission rights	0
Profit/loss from swap of emission rights in 2016	0
<b>Closing balance 2016</b>	<b>2,173,605</b>
Number of allocated rights for 2017	1,943,845
Profit/loss from swap transactions 2017	0
<b>Balance before cancellation 2017</b>	<b>4,117,450</b>
Prel. number of used rights for 2016 which will be cancelled on April 30, 2017	-1,931,626
<b>Prel. balance after April 30, 2017</b>	<b>2,185,824</b>

**NOTE 16. Property, plant and equipment**

Buildings and land	2016	2015
Opening cost	2,848	2,678
Investments for the year	-	61
Disposals/retirements	-8	-32
Completion of construction in progress	103	141
<b>Closing accumulated cost</b>	<b>2,943</b>	<b>2,848</b>
Opening depreciation	1,456	1,393
Disposals/retirements	-4	-24
Depreciation for the year	93	87
<b>Closing accumulated depreciation</b>	<b>1,546</b>	<b>1,456</b>
<b>Carrying amount</b>	<b>1,398</b>	<b>1,392</b>

Plant and equipment <sup>1)</sup>	2016	2015
Opening cost	18,354	17,789
Investments for the year	0	1
Disposals/retirements	-48	-58
Completion of construction in progress	495	619
Reclassification	5	4
<b>Closing accumulated cost</b>	<b>18,805</b>	<b>18,354</b>
Opening depreciation	12,774	12,240
Disposals/retirements	-42	-49
Depreciation for the year	604	582
Reclassification	5	1
<b>Closing accumulated depreciation</b>	<b>13,341</b>	<b>12,774</b>
<b>Carrying amount</b>	<b>5,464</b>	<b>5,580</b>

<sup>1)</sup> The carrying amount includes precious metals at SEK 143 million (143).

Capitalized turnaround costs	2016	2015
Opening cost	1,390	1,379
Completion of construction in progress	99	11
<b>Closing accumulated cost</b>	<b>1,489</b>	<b>1,390</b>
Opening depreciation	908	720
Depreciation for the year	194	188
<b>Closing accumulated depreciation</b>	<b>1,102</b>	<b>908</b>
<b>Carrying amount</b>	<b>387</b>	<b>481</b>

Equipment, tools, fixtures and fittings	2016	2015
Opening cost	1,458	1,446
Investments for the year	1	0
Disposals/retirements	-35	-54
Completion of construction in progress	90	67
Reclassification	-7	-1
<b>Closing accumulated cost</b>	<b>1,507</b>	<b>1,458</b>
Opening depreciation	1,070	1,001
Disposals/retirements	-34	-50
Depreciation for the year	110	116
Reclassification	-7	2
<b>Closing accumulated depreciation</b>	<b>1,139</b>	<b>1,070</b>
<b>Carrying amount</b>	<b>368</b>	<b>389</b>

Construction in progress	2016	2015
Opening cost	704	599
Investments for the year	1,170	942
Completion of construction in progress	-787	-837
<b>Carrying amount</b>	<b>1,087</b>	<b>704</b>

Capitalized interest expenses for the year were SEK 4.4 million (7), relating primarily to the balance sheet item "Construction in progress". The average interest rate is 4.4 (3.5) percent.

**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	163
					<b>168</b>

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

2015	Assets	Liabilities	Equity	Revenue	Net profit/loss
AB Djurgårdsberg	5	5	0	5	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	144	131	12	407	1
SunPine AB	611	239	372	914	53

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

	2016	2015
Opening balance	124	116
Dividends	-8	-4
Other changes in equity	34	-
Profit participation	18	13
<b>Closing balance</b>	<b>168</b>	<b>124</b>

Goodwill of SEK 54 million is included.

**NOTE 18. Receivables from affiliates**

	2016	2015
Opening value	1,567	2,513
Capitalized interest for the year	157	157
Provision for receivable from CMGO	-1,724	-1,103
<b>Closing value</b>	<b>0</b>	<b>1,567</b>

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 (1,103) was made for Preem's receivable from CMGO based on the estimated value of the company's assets. The receivable totaled SEK 0 million (1,567) and is subject to a market-based fixed interest rate of 5 percent of the original receivable of SEK 3,136 million. No collateral has been pledged for the Group's receivable from CMGO.

**NOTE 19. Available-for-sale financial assets**

	2016	2015
Carrying amount at start of period	29	27
Shareholder's contributions	-	-
Profit/loss	-1	2
<b>Carrying amount at end of the period</b>	<b>28</b>	<b>29</b>

Company	Corp. ID no.	Reg. Office	Number of shares	Participating interest %	Carrying amount
BasEl i Sverige AB	556672-5858	Stockholm	50	5	0
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	8.6	27
Götene E.D.F. Elföreningen, ek förening					0
SSH Svensk Servicehandel					0
					<b>28</b>

This note also refers to the Parent Company

**NOTE 20. Inventories**

	2016	2015
Raw materials	3,865	2,369
Finished products	4,587	3,514
	<b>8,452</b>	<b>5,883</b>

The cost of inventories in the group includes the equivalent of SEK 79 million (28) of volumes of inventories out on loan. Borrowed inventory volumes corresponding to a total inventory value of SEK 82 million (218) are not included in the inventory value.

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

**NOTE 21. Trade receivables**

	2016	2015
Trade receivables	3,899	3,205
Reserve for doubtful debts	-7	-6
<b>Fair value of trade receivables</b>	<b>3,892</b>	<b>3,198</b>

Trade receivables which are less than three months overdue are generally not considered impaired. As of December 31, 2016, trade receivables totaling SEK 210 million (129) 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:

	2016	2015
Less than 10 days	159	90
Between 10 and 20 days	20	18
Between 21 and 30 days	3	4
More than 30 days	28	16
	<b>210</b>	<b>129</b>

The reserve for doubtful trade receivables totaled SEK 7 million (6) as of December 31, 2016. Receivables are recognized as doubtful debts when objective information exists, e.g. in the form of cancelled payments or non-payment of receivables after being overdue for three months.

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

	2016	2015
At beginning of period	6	19
This year's reserve for doubtful receivables/reversed unutilized amounts	7	-5
Confirmed losses for the year	-6	-8
<b>At end of period</b>	<b>7</b>	<b>6</b>

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.

	2016	2015
Cash and bank balances	123	411
	<b>123</b>	<b>411</b>

**NOTE 23. Pension obligations**

Defined benefit obligations and the value of plan assets

	2016	2015
<b>Wholly or partly funded obligations:</b>		
Present value of defined benefit obligations	610	523
Fair value of plan assets	-641	-622
<b>Net wholly or partially funded obligations</b>	<b>-31</b>	<b>-99</b>
<b>Unfunded obligations:</b>		
Present value of unfunded defined benefit obligations	92	91
Provision, endowment insurance	40	-
<b>Net amount in the balance sheet (obligation+, asset -)</b>	<b>101</b>	<b>-8</b>
<b>The net amount is recognized in the following balance sheet items:</b>		
Pension obligations	101	-8
<b>The net amount is divided among the following countries:</b>		
Sweden	101	-8
<b>Pension costs</b>		
The amounts recognized in profit/loss are as follows:		
<b>Defined benefit plans</b>		
Interest expenses	19	16
Fair value of plan assets	-19	-14
<b>Total cost of defined benefit plans</b>	<b>0</b>	<b>2</b>
The amount that is recognized in other comprehensive income is as follows:		
Actuarial gains/losses on defined-benefit pension plans	76	-70
Tax attributable to other comprehensive income items	-17	15
<b>Total other comprehensive income for the year, net of tax</b>	<b>59</b>	<b>-55</b>
<b>The changes in the defined-benefit obligation during the year are as follows:</b>		
Opening gross amount in the balance sheet	614	683
Payment of benefits	-29	-29
Interest expenses	19	16
Actuarial gain (-) or loss (+) for the year on the obligation:		
Remeasurement	15	-13
Actuarial gains and losses on changes in financial assumptions	95	-41
Experience adjustments	-12	-2
<b>Closing gross amount in the balance sheet</b>	<b>702</b>	<b>614</b>

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

Active members: 0% (0%)  
 Vested beneficiaries: 50% (61%)  
 Old-age pensioners: 50% (39%)

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

	2016	2015
Opening gross amount in the balance sheet	-622	-613
Payment of benefits	20	19
Fair value of plan assets	-19	-14
Actuarial gain (+) or loss (-) for the year on plan assets	-20	-13
<b>Closing gross amount in the balance sheet</b>	<b>-641</b>	<b>-622</b>

The actual return on plan assets amounted to SEK 39 million (28).

Actuarial assumptions	2016	2015
Discount rate	2.45%	3.15%
Future wage increases	Not applicable	Not applicable
Staff turnover	Not applicable	Not applicable
Inflation	1.75%	1.5%
Expected average remaining period of service of employees	Not applicable	Not applicable
Maturity assumptions	DUS 14 tjm	DUS 14 tjm
Duration of obligation	16	14
<b>Plan assets consist of the following:</b>		
Interest-bearing securities	59%	60%
Shares	31%	31%
Real estate	10%	9%
	<b>100%</b>	<b>100%</b>

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%	638	-9%
Discount rate -0.5%	774	10%
Inflation/Pension indexing +0.5%	779	11%
Inflation/Pension indexing -0.5%	633	-10%
Expected maturity + 1 year	741	6%

Maturity analysis, undiscounted pension payments	2016	2015	2014	2013	2012
Present value of defined benefit obligation	702	614	683	608	700
Fair value of plan assets	641	622	613	566	543
<b>Deficit/(surplus)</b>	<b>61</b>	<b>-8</b>	<b>70</b>	<b>42</b>	<b>157</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Experience adjustments of defined benefit obligations	12	2	22	-1	-10
Experience adjustments of plan assets	20	13	42	19	14

Contributions for defined benefit plans are estimated at SEK 0 million in 2017, 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 envi- ronment <sup>1)</sup>	Other	Total
Opening balance 2015	11	0	11
Provisions for the year	51	-	51
Amounts utilized	-	-	0
Unutilized amounts that have been reversed	-11	-	-11
<b>Closing balance 2015</b>	<b>51</b>	<b>0</b>	<b>51</b>
Provisions for the year	15	-	15
Amounts utilized	-	-	0
Unutilized amounts that have been reversed	-	-	0
<b>Closing balance 2016</b>	<b>66</b>	<b>0</b>	<b>66</b>

1) Preem AB made a provision of SEK 15 million in 2016 for remediation of land in connection with station facilities. Preem AB made a provision of SEK 51 million in 2015 for remediation of land in connection with the decommissioning of Depå Loudden and remediation of a dike 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. SEK 11 million of the reserve for not yet commenced remediation work was reversed in 2015 in connection with a decrease in the insurance coverage of Preem Försäkrings AB.

**NOTE 25. Borrowings**

	2016	2015
<b>Long-term borrowings</b>		
Loans in SEK	1,350	-
Loans in USD	3,730	-
<b>Total long-term loans</b>	<b>5,080</b>	<b>-</b>
Transaction expenses	-392	-
<b>Total net long-term loans</b>	<b>4,688</b>	<b>-</b>
<b>Short-term borrowings</b>		
Loans in SEK	-	3,132
Loans in USD	103	4,290
<b>Total short-term loans</b>	<b>103</b>	<b>7,422</b>
Transaction expenses	-	-115
<b>Total net short-term loans</b>	<b>103</b>	<b>7,308</b>
<b>Total Group borrowings</b>	<b>5,183</b>	<b>7,422</b>
<b>Total net Group borrowings</b>	<b>4,791</b>	<b>7,309</b>

Repayment plan	2017	2018	2019	2020	Total
	103	-	-	5,080	5,183

**LOAN CONDITIONS, EFFECTIVE INTEREST RATE AND MATURITY STRUCTURE**

Non-current liabilities, credit institutions	Nominal value, local currency	Effective interest	Maturity structure (in SEK million)	
			Less than 1 year	1-5 years
- SEK, floating interest	1,350	3.56	-	1,350
- USD, floating interest	421	4.30	103	3,730
<b>Current liabilities, credit institutions</b>				
- SEK, floating interest	-	-	-	-
- USD, floating interest	-	-	-	-
<b>Total loans</b>			<b>103</b>	<b>5,080</b>
Transaction expenses			-	-392
<b>Total borrowings incl. transaction expenses</b>			<b>103</b>	<b>4,688</b>
				<b>4,791</b>

In the spring 2016, all the Company's credit facilities were extended. The new credit facility have a term of four and a half years and will be due to payment in November 2020. The remaining average fixed-interest period as of December 31, 2016 was approx. 0.41 months.

**Compliance with special loan conditions**

Borrowings totaling SEK 5,183 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, 2016.

This note also refers to the Parent Company.

**NOTE 26. Overdraft facilities**

	2016	2015
Authorized line of credit, current account	475	438
Unutilized share	372	302
<b>Utilized credit amount</b>	<b>103</b>	<b>135</b>
<b>Other unutilized lines of credit</b>		
Authorized line of credit	4,310	1,119
	<b>4,310</b>	<b>1,119</b>
<b>Total unutilized lines of credit</b>	<b>4,682</b>	<b>1,421</b>

This note also refers to the Parent Company.

**NOTE 27. Derivatives**

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Oil derivatives	-	-	0	-

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 (incl. strategic hedge of normal position in the form of options) was as follows at December 31 2016: Long positions SEK 258 million (incl. emission right futures) and short positions SEK 1,082 million.

**NOTE 28. Other liabilities**

	2016	2015
VAT	438	404
Excise duties <sup>1)</sup>	847	781
Other liabilities	143	130
	<b>1,428</b>	<b>1,315</b>

<sup>1)</sup> Excise duties refer to energy tax, carbon dioxide tax, sulfur tax and alcohol tax.

**NOTE 29. Accrued expenses and deferred income**

	2016	2015
Purchases of crude oil and products	3,228	2,086
Personnel	291	283
Interest	1	1
Other	437	477
	<b>3,957</b>	<b>2,847</b>

**NOTE 30. Pledged assets and contingent liabilities**

	2016	2015
<b>Pledged assets</b>		
Property mortgages	4,000	4,000
Floating charges	8,000	8,000
Deposits	88	372
Trade receivables	3,863	3,176
	<b>15,951</b>	<b>15,549</b>
<b>Contingent liabilities</b>		
Sureties for associates	97	93
Guarantees FPG/PRI	2	2
	<b>99</b>	<b>95</b>

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

The deposits relate primarily to guarantees issued in connection with trade in oil derivatives. These amounts fall due for payment if the Group does not meet its 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**

	2016	2015
<b>Interest paid and dividends received</b>		
Dividends received	8	4
Interest received	6	7
Interest paid	-194	-295
<b>Adjustment for non-cash items</b>		
Depreciation, amortization and impairment of non-current assets	1,001	973
Impairment losses on inventories (+)/Reversal of impairment losses on inventories (-)	-439	-731
Unrealized exchange rate losses (+)/exchange rate gains (-)	-4	-159
Unrealized exchange rate losses (+)/exchange rate gains (-), net financial items	33	-638
Unrealized gains (-)/losses (+) on oil derivatives	0	-1
Expensed share of capitalized borrowing costs	177	158
Provisions	17	-9
Provision for promissory note receivable, CMGO	1,567	946
Capital gains/losses on disposal/retirement of non-current assets	11	12
Profit participation in associates	-50	-14
Other	-	16
	<b>2,313</b>	<b>552</b>

**NOTE 32. Financial instruments**

## Financial instruments by category

2016	Loan receivables and trade receivables	Assets measured at fair value via profit/loss for the year	Available for sale	Carrying amount	Fair value
<b>Assets in the balance sheet</b>					
Available-for-sale financial assets	-	-	28	28	28
Derivatives	-	-	-	0	0
Receivables from affiliates	-	-	-	0	0
Trade and other receivables	4,520	-	-	4,520	4,520
Cash and cash equivalents	123	-	-	123	123
	<b>4,643</b>	<b>-</b>	<b>28</b>	<b>4,670</b>	<b>4,670</b>
		Liabilities measured at fair value via profit for the year	Other financial liabilities	Carrying amount	Fair value
<b>Liabilities in the balance sheet</b>					
Borrowings	-	-	5,183	5,183	5,183
Derivatives	-	-	-	0	0
Other liabilities	-	-	4,244	4,244	4,244
		<b>-</b>	<b>9,427</b>	<b>9,427</b>	<b>9,427</b>

2015	Loan receivables and trade receivables	Assets measured at fair value via profit/loss for the year	Available for sale	Carrying amount	Fair value
<b>Assets in the balance sheet</b>					
Available-for-sale financial assets	-	-	29	29	29
Derivatives	-	-	-	0	0
Receivables from affiliates	1,567	-	-	1,567	1,567
Trade and other receivables	4,154	-	-	4,154	4,154
Cash and cash equivalents	411	-	-	411	411
	<b>6,131</b>	<b>-</b>	<b>29</b>	<b>6,160</b>	<b>6,160</b>
		Liabilities measured at fair value via profit for the year	Other financial liabilities	Carrying amount	Fair value
<b>Liabilities in the balance sheet</b>					
Borrowings	-	-	7,422	7,422	7,422
Derivatives	-	-	-	0	0
Other liabilities	-	-	2,311	2,311	2,311
		<b>-</b>	<b>9,733</b>	<b>9,733</b>	<b>9,733</b>

**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 in active markets for the same instruments.

**Level 2:** Fair value is based on quoted market prices in active markets 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.

2016	Level 1	Level 2	Level 3
<b>Assets in the balance sheet</b>			
Oil derivatives	-	-	-
	-	-	-
<b>Liabilities in the balance sheet</b>			
Oil derivatives	-	-	-
	-	-	-
<b>2015</b>			
<b>Assets in the balance sheet</b>			
Oil derivatives	-	0	-
	-	0	-
<b>Liabilities in the balance sheet</b>			
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.

**2016**

<b>Relationships with affiliates</b>	<b>Sales</b>	<b>Purchases</b>	<b>Receivables Dec 31</b>	<b>Liabilities Dec 31</b>
Group companies	-	-	55	-
Associates	32	781	4	106
Other affiliates	2	312	0	128

**2015**

<b>Relationships with affiliates</b>	<b>Sales</b>	<b>Purchases</b>	<b>Receivables Dec 31</b>	<b>Liabilities Dec 31</b>
Group companies	-	-	55	-
Associates	20	821	4	69
Other affiliates	2	246	1,567	28

**NOTE 34. Other non-current receivables**

	<b>2016</b>	<b>2015</b>
<b>At start of year</b>	0	-
<b>Capital expenditures for the year</b>		
Endowment insurance	31	-
Project Rocc	16	-
<b>Carrying amount</b>	<b>47</b>	<b>0</b>

This note also refers to the Parent Company.

**NOTE 35. Events after balance sheet date**

No material events occurred after the end of the financial year.

This note also refers to the Parent Company.

## Parent Company

**Income statement**

AMOUNTS IN SEK MILLIONS

	Note	2016	2015
Net sales		66,174	75,783
Excise duties <sup>1</sup>		-10,184	-9,820
<b>Sales revenue</b>	102	<b>55,990</b>	<b>65,962</b>
Cost of goods sold		-50,951	-61,565
<b>Gross profit</b>	5	<b>5,039</b>	<b>4,397</b>
Selling expenses		-807	-784
Administrative expenses		-809	-792
Other operating income	107	315	344
<b>Operating profit</b>	7, 103-107	<b>3,738</b>	<b>3,165</b>
Profit from investments in Group companies	108	13	18
Financial income	109	162	220
Financial expenses	109	-2,521	-1,983
<b>Net financial items</b>		<b>-2,346</b>	<b>-1,746</b>
<b>Profit before tax</b>		<b>1,392</b>	<b>1,419</b>
Tax expenses/revenue for the period	110	-722	-567
<b>Profit for the year<sup>2</sup></b>		<b>670</b>	<b>852</b>

<sup>1)</sup> Excise duties refer to energy tax, carbon dioxide tax, sulfur tax and alcohol tax.

<sup>2)</sup> Profit for the year corresponds to comprehensive income for the year.

# Parent Company

## Balance sheet

AMOUNTS IN SEK MILLIONS

ASSETS	Note	12/31/2016	12/31/2015
<b>NON-CURRENT ASSETS</b>			
<i>Intangible assets</i>			
Construction in progress	111	261	84
		<b>261</b>	<b>84</b>
<i>Property, plant and equipment</i>			
Buildings and land	112, 30	1,387	1,382
Plant and equipment	112	5,462	5,578
Capitalized turnaround costs	112	387	481
Equipment, tools, fixtures and fittings	112	358	373
Construction in progress	112	1,084	703
		<b>8,678</b>	<b>8,517</b>
<i>Financial assets</i>			
Investments in Group companies	113	201	200
Receivables from Group companies	114, 122	2	2
Investments in associates	115	103	103
Receivables from associates	122	1	1
Receivables from affiliates	18, 122	0	1,567
Available-for-sale financial assets	19, 122	28	29
Other non-current receivables		47	-
		<b>382</b>	<b>1,902</b>
<b>Total non-current assets</b>		<b>9,320</b>	<b>10,503</b>
<b>CURRENT ASSETS</b>			
<i>Inventories</i>			
Raw materials and consumables	20	3,865	2,366
Finished products	20	4,585	3,517
		<b>8,450</b>	<b>5,883</b>
<i>Receivables</i>			
Trade receivables	116, 122, 30	3,863	3,176
Receivables from Group companies	122	55	55
Receivables from associates	122	4	4
Derivatives	27, 122	0	0
Other receivables	122	541	824
Prepaid expenses and accrued income		370	268
		<b>4,834</b>	<b>4,327</b>
Cash and bank balances	121, 122	82	365
<b>Total current assets</b>		<b>13,366</b>	<b>10,575</b>
<b>TOTAL ASSETS</b>		<b>22,686</b>	<b>21,079</b>

# Parent Company

## Balance sheet

AMOUNTS IN SEK MILLIONS

EQUITY, PROVISIONS AND LIABILITIES	Note	12/31/2016	12/31/2015
<b>EQUITY</b>			
<i>Restricted equity</i>			
Share capital (610,258 shares)		610	610
Statutory reserve		266	266
Other restricted equity		176	-
		<b>1,053</b>	<b>877</b>
<i>Non-restricted equity</i>			
Profit brought forward		6,848	6,010
Profit for the year		670	852
		<b>7,518</b>	<b>6,863</b>
<b>Total equity</b>		<b>8,571</b>	<b>7,739</b>
<b>PROVISIONS</b>			
Provisions for pensions	117	124	90
Provisions for deferred tax	110	839	688
Other provisions	24	66	51
		<b>1,028</b>	<b>829</b>
<b>Total provisions</b>		<b>1,028</b>	<b>829</b>
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Liabilities to credit institutions	25, 122	4,688	-
Liabilities to Group companies	122	60	55
Other non-current liabilities	122	19	22
		<b>4,766</b>	<b>77</b>
<i>Current liabilities</i>			
Liabilities to credit institutions	25, 26, 122	103	7,308
Advance payments from customers		15	4
Trade payables	122	2,691	906
Liabilities to Group companies	122	68	100
Liabilities to associates	122	106	69
Other liabilities	118, 122	1,424	1,310
Accrued expenses and deferred income	119	3,913	2,737
		<b>8,217</b>	<b>12,433</b>
<b>Total liabilities</b>		<b>13,087</b>	<b>12,510</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>22,686</b>	<b>21,079</b>

Pledged assets and contingent liabilities

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## Parent Company

# Statement of changes in equity

AMOUNTS IN SEK MILLIONS

	Restricted equity			Non-restricted equity		Total Equity capital
	Share capital	Statutory reserve	Other restricted equity	Profit brought forward	Profit/loss for the year	
Opening equity 1/1/2015	610	266		8,951	-2,941	6,887
Appropriation of profits	-	-	-	-2,941	2,941	-
Profit for the year	-	-	-	-	852	852
Closing equity 12/31/2015	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	-	-	-	-2,178	-	-2,178
Translation difference branch	-	-	-	0	-	0
Fond for internally generated development expenditure	-	-	176	-176	-	0
Closing equity 12/31/2016	610	266	176	6,848	670	8,571

**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 consists of Fund for development expenses which is a sum equal to the value of internally generated intangible assets incurred after 1 January 2016. This amount is transferred from unrestricted to restricted equity and the fund is reduced as the assets are depreciated.

**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.

**DIVIDENDS**

No dividend was paid for 2015 or 2016. The terms and conditions of the Group's borrowings prevent the payment of a dividend to shareholders.

**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 120.

	Note	2016	2015
<b>OPERATING ACTIVITIES</b>			
Profit before tax		1,392	1,419
Adjustments for non-cash items		2,359	550
		<b>3,750</b>	<b>1,970</b>
Tax paid		-	-48
<b>Cash flow from operating activities before changes in working capital</b>		<b>3,750</b>	<b>1,922</b>
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>			
Increase (-)/Decrease (+) in inventories		-2,128	2,142
Increase (-)/Decrease (+) in operating receivables		-484	506
Increase (+)/Decrease (-) in operating payables		3,117	-1,224
<b>Cash flow from operating activities</b>		<b>4,255</b>	<b>3,345</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of intangible assets		-176	-16
Acquisition of property, plant and equipment		-1,167	-951
Disposal of property, plant and equipment		-	9
Investment in/disposal of financial assets		-16	5
<b>Cash flow from investing activities</b>		<b>-1,360</b>	<b>-954</b>
<b>FINANCING ACTIVITIES</b>			
Borrowings		5,656	5,687
Repayment of loans		-7,928	-8,812
Group contributions paid		-453	-
Expenses related to raising loans		-455	0
<b>Cash flow from financing activities</b>		<b>-3,179</b>	<b>-3,125</b>
Cash flow for the year		-283	-734
Opening cash and bank balances		365	1,099
<b>Closing cash and bank balances</b>	121	<b>82</b>	<b>365</b>

# 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 Swedish kronor (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 judgements 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 a 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. Group contributions are recognised as an appropriation of profit.

### Development fund for internally generated assets

In cases where internally generated development expenditure is capitalized, a transfer is made in equity from non-restricted to restricted equity, using the Development Expenditure Fund, corresponding to the amount capitalized during the year. A corresponding amount is transferred from restricted to non-restricted equity as these intangible assets are amortized.

### Branch in Norway

The current rate method is used for translation of the income statement and balance sheet of the Danish and Norwegian branches. 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			Elim	Total
	Refining	Marketing			
Sales 2016	53,809	14,627		-12,447	55,990
Sales 2015	64,194	15,455		-13,686	65,962
By geographical region				2016	2015
Sweden				22,742	23,712
Norway				1,621	3,553
Other Nordic				3,845	4,460
Netherlands				7,282	6,963
UK				10,432	17,642
Other countries				10,067	9,633
<b>Parent Company</b>				<b>55,990</b>	<b>65,962</b>

**NOTE 103. Auditors' fees**

	2016	2015
<b>KPMG</b>		
Audit engagements	2	2
Tax consulting	1	1
Other services	0	1
	<b>3</b>	<b>4</b>
<b>SET</b>		
Audit engagements	0	0
	<b>0</b>	<b>0</b>

**NOTE 104. Depreciation and amortization**

Breakdown of depreciation and amortization	2016	2015
Buildings and land improvements	93	87
Plant and equipment	603	581
Capitalized turnaround costs	194	188
Equipment, tools, fixtures and fittings	104	111
	<b>994</b>	<b>966</b>
Breakdown by function	2016	2015
Cost of goods sold	884	861
Selling expenses	101	95
Administrative expenses	10	11
	<b>994</b>	<b>966</b>

**NOTE 105. Leases**

Lease payments for operating leases	2016	2015
Minimum lease payments	112	106
Variable payments	25	29
<b>Total lease expenses</b>	<b>136</b>	<b>136</b>
Agreed future minimum lease payments		
Within one year	129	129
Between one and five years	557	554
More than five years	95	95
Lease revenue from operating leases	2016	2015
Minimum lease payments	79	73
Variable payments	24	20
<b>Total lease revenue</b>	<b>102</b>	<b>93</b>
Agreed future minimum lease payments		
Within one year	79	74
Between one and five years	407	378
More than five years	-	-

**NOTE 106. Expenses by type of expense**

	2016	2015
Cost of materials	47,606	58,221
Costs of employee benefits	1,192	1,125
Depreciation and amortization	994	966
Other expenses	2,774	2,829
	<b>52,566</b>	<b>63,141</b>
Reconciliation with income statement		
Cost of goods sold	50,951	61,565
Selling expenses	807	784
Administrative expenses	809	792
	<b>52,566</b>	<b>63,141</b>

**NOTE 107. Other operating income**

	2016	2015
Heating deliveries	49	43
Rental income	101	93
Harbor income	64	63
Storage certificates	56	101
Service compensation	26	23
Other	18	20
	<b>315</b>	<b>344</b>

**NOTE 108. Profit/loss from investments in Group companies**

	2016	2015
Group contributions received from subsidiaries	13	12
Profit/loss from liquidation of investments in subsidiaries	-	6
	<b>13</b>	<b>18</b>

**NOTE 109. Net financial items**

	2016	2015
<b>Interest income from instruments measured at amortized cost</b>	<b>163</b>	<b>164</b>
Net exchange differences	-8	51
Dividends	8	4
Other	-	0
<b>Financial income</b>	<b>162</b>	<b>220</b>
Interest expenses from defined benefit unfunded pension obligation	-3	-4
Interest expenses from instruments measured at amortized cost <sup>1</sup>	-352	-441
Net exchange differences	-328	-333
Other	-1,838	-1,206
<b>Financial expenses</b>	<b>-2,521</b>	<b>-1,983</b>
<b>Net financial items</b>	<b>-2,359</b>	<b>-1,763</b>

<sup>1</sup> Of which interest expenses from accrued transaction fees in conjunction with raised loans recognized using the effective interest method SEK 177 million (158).

The net gain from oil derivatives measured at fair value, recognized as a cost of goods sold in profit/loss for the year, totaled SEK 4 million (514).

A provision of SEK 1,567 million (946) 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 1,724 million (1,103).

**NOTE 110. Tax**

Current tax expenses(-)/ tax revenue(+)	2016	2015
Tax expenses/revenue for the period	-614	-
Tax attributable to previous years	-	0
	<b>-614</b>	<b>0</b>
<b>Deferred tax expenses(-)/ tax income(+)</b>		
Deferred tax in respect of temporary differences	102	53
Deferred tax on tax loss carryforwards	-210	-620
<b>Total reported tax expenses</b>	<b>-722</b>	<b>-567</b>
<b>Reconciliation of effective tax</b>	<b>2016</b>	<b>2015</b>
Profit before tax	1,392	1,419
Income tax calculated according to the prevailing tax rate for the Parent Company	-306	-312
Adjustment related to change in tax rate		
Other non-deductible expenses	-409	-263
Non-taxable income	2	85
Tax attributable to previous years	-	0
Other tax adjustments	-9	-78
<b>Reported tax</b>	<b>-721</b>	<b>-567</b>
<b>Tax items recognized directly in equity</b>		
Current tax in Group contributions paid/received	-613	-

The weighted average tax rate was 52 (40) percent.

2016	Deferred tax assets	Deferred tax liabilities
<b>Deferred tax assets and tax liabilities</b>		
Buildings and land	3	-5
Machinery and equipment	-	-843
Other	33	-26
<b>Net assets/liabilities</b>		<b>-839</b>

2015	Deferred tax assets	Deferred tax liabilities
<b>Deferred tax assets and tax liabilities</b>		
Buildings and land	1	-3
Machinery and equipment	-	-880
Other	285	-90
<b>Net assets/liabilities</b>		<b>-688</b>

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
Buildings and land	-3	1	-	-2
Machinery and equipment	-880	36	-	-843
Other	-90	64	-	-26
<b>Total temporary differences</b>	<b>-973</b>	<b>102</b>	<b>-</b>	<b>-871</b>
Tax loss carryforwards	285	-210	-43	33
	<b>-688</b>	<b>-108</b>	<b>-43</b>	<b>-839</b>

**NOTE 111. Intangible assets**

Construction in progress	2016	2015
Opening cost	84	68
Investments for the year	176	16
<b>Carrying amount</b>	<b>261</b>	<b>84</b>

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

**NOTE 112. Property, plant and equipment**

Buildings and land	2016	2015
Opening cost	2,810	2,649
Investments for the year	-	51
Disposals/retirements	-8	-31
Completion of construction in progress	103	141
<b>Closing accumulated cost</b>	<b>2,905</b>	<b>2,810</b>
Opening depreciation	1,428	1,365
Disposals/retirements	-4	-24
Depreciation for the year	93	87
<b>Closing accumulated depreciation</b>	<b>1,518</b>	<b>1,428</b>
<b>Carrying amount</b>	<b>1,387</b>	<b>1,382</b>
<b>Plant and equipment<sup>1</sup></b>	<b>2016</b>	<b>2015</b>
Opening cost	18,350	17,789
Disposals/retirements	-48	-58
Completion of construction in progress	495	619
<b>Closing accumulated cost</b>	<b>18,796</b>	<b>18,350</b>
Opening depreciation	12,772	12,240
Disposals/retirements	-41	-49
Depreciation for the year	603	581
<b>Closing accumulated depreciation</b>	<b>13,334</b>	<b>12,772</b>
<b>Carrying amount</b>	<b>5,462</b>	<b>5,578</b>

<sup>1</sup> The carrying amount includes precious metals at SEK 143 million (143).

Capitalized turnaround costs	2016	2015
Opening cost	1,390	1,379
Completion of construction in progress	99	11
<b>Closing accumulated cost</b>	<b>1,489</b>	<b>1,390</b>
Opening depreciation	908	720
Depreciation for the year	194	188
<b>Closing accumulated depreciation</b>	<b>1,102</b>	<b>908</b>
<b>Carrying amount</b>	<b>387</b>	<b>481</b>

Equipment, tools, fixtures and fittings	2016	2015
Opening cost	1,387	1,373
Disposals/retirements	-35	-53
Completion of construction in progress	90	67
<b>Closing accumulated cost</b>	<b>1,442</b>	<b>1,387</b>
Opening depreciation	1,014	952
Disposals/retirements	-34	-48
Depreciation for the year	104	111
<b>Closing accumulated depreciation</b>	<b>1,084</b>	<b>1,014</b>
<b>Carrying amount</b>	<b>358</b>	<b>373</b>

Construction in progress	2016	2015
Opening cost	703	599
Investments for the year	1,167	942
Completion of construction in progress	-787	-837
<b>Carrying amount</b>	<b>1,084</b>	<b>703</b>

Capitalized interest expenses for the year were SEK 4 million (7), relating primarily to the balance sheet item "Construction in progress". The average interest rate is 4.4 (3.5) percent.

**NOTE 113. Investments in Group companies**

	Corp. ID no.	Reg. Office	Number of shares	Participating interest %	Carrying amount
<b>Swedish companies</b>					
<i>Operating</i>					
Bensinstation Preem AB	556909-4633	Malmö	1,000	100	1
Preem Försäkrings AB	516406-0930	Stockholm	75,000,000	100	170
Preem Gas AB	556037-2970	Stockholm	2,500	100	19
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	10
<i>Dormant</i>					
Svenska Petroleum AB	556046-4819	Stockholm	1,000	100	0
Såfa Drivmedel AB	556039-7001	Stockholm	5,000	100	1
					<b>201</b>

	2016	2015
<b>Accumulated cost</b>		
At start of year	255	194
Acquisitions for the year	-	10
Liquidation	-	-3
Group contributions	5	54
Shareholder's contributions	0	-
	<b>260</b>	<b>255</b>
<b>Accumulated impairment losses/amortization</b>		
At start of year	54	0
Impairment losses	5	54
	<b>60</b>	<b>54</b>
<b>Carrying amount at end of the period</b>	<b>201</b>	<b>200</b>

**NOTE 114. Receivables from Group companies**

	2016	2015
<b>Opening cost</b>	2	4
Group contributions receivable	0	0
Group contributions payable	-	-1
<b>Closing accumulated cost</b>	<b>2</b>	<b>2</b>

**OTHER DISCLOSURES**

Preem Risk Management Co Ltd. was liquidated in 2015.

**NOTE 115. 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
					<b>103</b>

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
2015	Assets	Liabilities	Equity	Revenue	Net profit/loss
AB Djurgårdsberg	5	5	0	5	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	144	131	12	407	1
SunPine AB	611	239	372	914	53

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

	2016	2015
Opening balance	103	103
Investment for the year	-	-
<b>Closing balance</b>	<b>103</b>	<b>103</b>

**NOTE 116. Trade receivables**

	2016	2015
Trade receivables	3,870	3,183
Reserve for doubtful debts	-7	-6
<b>Fair value of trade receivables</b>	<b>3,863</b>	<b>3,176</b>

Trade receivables which are less than three months overdue are generally not considered impaired. As of December 31, 2016, trade receivables totaling SEK 203 million (124) 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:

	2016	2015
Less than 10 days	152	86
Between 10 and 20 days	20	18
Between 21 and 30 days	3	3
More than 30 days	28	17
	<b>203</b>	<b>124</b>

The reserve for doubtful trade receivables totaled SEK 7 million (6) as of December 31, 2016. Receivables are recognized as doubtful debts when objective information exists, e.g. in the form of cancelled payments or non-payment of receivables after being overdue for three months.

<b>Changes in the reserve for doubtful trade receivables are as follows:</b>	2016	2015
At beginning of period	6	19
This year's reserve for doubtful receivables/reversed unutilized amounts	7	-4
Confirmed losses for the year	-6	-8
<b>At end of period</b>	<b>7</b>	<b>6</b>

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

**NOTE 117. Provisions for pensions**

	2016	2015
<b>Net liability in the balance sheet</b>		
Present value of obligation (calculated using Swedish policies) relating to unfunded pension plans	124	90
<b>Net amount recognized for pension obligations</b>	<b>124</b>	<b>90</b>
<b>Changes in net liabilities</b>		
Net liabilities at beginning of year in respect of pension obligations	90	99
Interest component of pension costs for the year	3	4
Amounted allocated	40	-
Pension payments	-9	-10
Other changes	0	-3
	<b>124</b>	<b>90</b>
Share of these expenses covered by credit insurance via FPG/PRI	83	90

**NOTE 118. Other liabilities**

	2016	2015
VAT	439	403
Excise duties <sup>1)</sup>	843	777
Other liabilities	142	129
	<b>1,424</b>	<b>1,310</b>

<sup>1)</sup>Excise duties refer to energy tax, carbon dioxide tax, sulfur tax and alcohol tax.

**NOTE 119. Accrued expenses and deferred income**

	2016	2015
Purchases of crude oil and products	3,228	2,084
Personnel	289	283
Interest	1	1
Other	395	369
	<b>3,913</b>	<b>2,737</b>

**NOTE 120. Notes to the cash flow statement**

	2016	2015
<b>Interest paid and dividends received</b>		
Dividends received	8	4
Interest received	6	7
Interest paid	-193	-294
<b>Adjustment for non-cash items</b>		
Depreciation, amortization and impairment of non-current assets	994	966
Impairment losses on inventories (+)/Reversal of impairment losses on inventories (-)	-439	-733
Unrealized exchange rate losses (+)/exchange rate gains (-)	-4	-163
Unrealized exchange rate losses (+)/exchange rate gains (-), net financial items	33	-638
Unrealized gains (-)/losses (+) on oil derivatives	0	-1
Expensed share of capitalized borrowing costs	177	158
Provisions	17	-
Provision for promissory note receivable, CMGO	1,567	946
Capital gains/losses on disposal/retirement of non-current assets	11	12
Capital gains/losses from associates	1	2
	<b>2,359</b>	<b>550</b>

Tibblemärken 3 AB was acquired in November 2015. The payment received was SEK 9.6 million in cash.

**NOTE 121. Cash and bank balances**

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

	2016	2015
Cash and bank balances	82	365
	<b>82</b>	<b>365</b>

**NOTE 122. Financial instruments**

Financial instruments by category

2016	Loan receivables and trade receivables	Assets measured at fair value via profit/loss for the year	Available for sale	Carrying amount	Fair value
<b>Assets in the balance sheet</b>					
Available-for-sale financial assets	-	-	28	28	28
Derivatives	-	0	-	0	0
Receivables from affiliates	0	-	-	0	0
Trade and other receivables	4,467	-	-	4,467	4,467
Cash and bank balances	82	-	-	82	82
	<b>4,549</b>	<b>0</b>	<b>28</b>	<b>4,576</b>	<b>4,576</b>

		Liabilities measured at fair value via profit for the year	Other financial liabilities	Carrying amount	Fair value
<b>Liabilities in the balance sheet</b>					
Borrowings	-	-	4,791	4,791	4,791
Derivatives	-	-	-	0	0
Other liabilities	-	-	4,309	4,309	4,309
	-	-	<b>9,100</b>	<b>9,100</b>	<b>9,100</b>

2015	Loan receivables and trade receivables	Assets measured at fair value via profit/loss for the year	Available for sale	Carrying amount	Fair value
<b>Assets in the balance sheet</b>					
Available-for-sale financial assets	-	-	29	29	29
Derivatives	-	-	-	0	0
Receivables from affiliates	1,567	0	-	1,567	1,567
Trade and other receivables	4,062	-	-	4,062	4,062
Cash and bank balances	365	-	-	365	365
	<b>5,994</b>	<b>-</b>	<b>29</b>	<b>6,023</b>	<b>6,023</b>

		Liabilities measured at fair value via profit for the year	Other financial liabilities	Carrying amount	Fair value
<b>Liabilities in the balance sheet</b>					
Borrowings	-	-	7,308	7,308	7,308
Derivatives	-	-	-	0	0
Other liabilities	-	-	2,462	2,462	2,462
	-	-	<b>9,769</b>	<b>9,769</b>	<b>9,769</b>

**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 the active market for the same instruments.

**Level 2:** Fair value is based on quoted market prices in active markets 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.

2016	Level 1	Level 2	Level 3
<b>Assets in the balance sheet</b>			
Oil derivatives	-	-	-
	-	-	-
<b>Liabilities in the balance sheet</b>			
Oil derivatives	-	-	-
	-	-	-
<b>2015</b>			
<b>Assets in the balance sheet</b>			
Oil derivatives	-	0	-
	-	0	-
<b>Liabilities in the balance sheet</b>			
Oil derivatives	-	-	-
	-	-	-

**NOTE 123. Proposed appropriation of profits**

The Parent Company's non-restricted equity amounts to SEK 7,518,012,837.

The Board of Directors proposes that this amount be appropriated as follows:

	2016
Carried forward (SEK thousand)	7,518,013
<b>Total</b>	<b>7,518,013</b>

Stockholm, March 15, 2017

Mohammed H. Ali Al Amoudi  
*Chair*

Bassam Aburdene

Richard Öhman

Michael G:son Löw

Per Höjgård

Jason T. Milazzo

Erika Andersson  
*Employee representative*

Lars Nelson

Lennart Sundén

Cristian Mattsson  
*Employee representative*

Jamal Ba-Amer

Petter Holland  
*CEO*

John P. Oswald

Our audit report was submitted on March 15, 2017

KPMG AB  
Cronie Wallquist  
*Authorized Public Accountant*

Willard Möller  
*Authorized Public Accountant*  
Mazars Set Revisionsbyrå AB

# Auditor's report

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

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Preem AB (publ) for the year 2016.

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 2016 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

### 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 skepticism 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 AB (publ) for the year 2016 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 skepticism 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.

Stockholm 15 March 2017

Cronie Wallquist  
Authorized Public Accountant  
KPMG AB

Willard Möller  
Authorized Public Accountant

# The Preem Group's operations in summary

	2016	2015	2014	2013	2012
Sales revenue, SEK million	56,041	66,006	84,438	79,405	105,089
Profit/loss before tax, SEK million	1,431	1,423	-3,637	-1,567	2,610
Return on capital employed, %	25	19	0	0	17
Return on adjusted equity, %	8	11	0	0	20
Capital expenditures in plants <sup>1)</sup> , SEK million	1,348	968	818	1,391	575
Self-financing ratio, multiple	3.63	3.55	1.82	1.76	Neg
Total assets, SEK million	22,980	21,381	24,856	31,443	29,254
Capital employed, SEK million	13,882	15,510	18,335	22,549	22,921
Average adjusted equity, SEK million	8,556	7,695	8,728	10,930	10,460
Equity/assets ratio, %	39	38	30	33	40
Net debt/equity ratio	0.54	0.85	1.51	0.96	0.92
Average number of employees	1,395	1,319	1,278	1,270	1,272

<sup>1)</sup> Excluding plants acquired through acquisitions

## Definitions

### CAPITAL EMPLOYED

Total assets minus interest-free trade payables.

### 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.

### 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.

### RETURN ON ADJUSTED EQUITY

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

### 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.

