

The target is set: Climate neutral by 2045



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2019

Director's Report Preem AB

Facts

Preem AB (publ).
Corporate ID number 556072-6977.
Preem AB (publ) is wholly-owned by Corral Petroleum Sweden AB.

Preem AB (publ), with its registered office in Stockholm, Sweden and its subsidiary is Sweden's largest fuel company.

Preem AB is Sweden's largest fuel company and accounts for about 80 percent of Swedish refinery capacity and about 30 percent of refinery capacity in the Nordic Region. Preem's two refineries in Gothenburg and Lysekil are among the most energy-efficient and modern in Europe. They have a total refining capacity of over 18 million m³ per year. Preem conducts refinement of crude oil and renewable feedstocks.

A majority of the production is exported to the international market, mainly in Northwestern Europe. In Sweden and Norway Preem sells fuel, heating oil and lubricating oil, as well as other products to both businesses and private individuals. Sales of our products in the Swedish market take place through Preem's nationwide station network of around 570 filling stations for private and commercial traffic, as well as certified resellers. In Norway, Preem's products are mainly sold through resellers and in bulk through direct sales.

Profit/loss

Preem's sales revenue decreased during 2019 to SEK 84,694 million from SEK 92,553 million the previous year, a decrease of 8 percent.

Gross profit decreased by SEK 621 million to SEK 3,403 million (4,024) MSEK. The decrease in profit compared with the previous year is primarily due to that the Lysekil refinery underwent planned maintenance, which reduced production.

The average refining margin decreased to USD 4.25 per barrel compared with USD 4.88 per barrel the previous year.

Total production amounted to 16.5 (18.9) million m³, or a reduction of 13 percent compared with 2018, primarily due to the maintenance shutdown at Lysekil. The proportion of products sold outside Sweden amounted to 61 (60) percent, and a value of SEK 57,951 million (55,113).

Operating profit reduced to SEK 1,785 million (2,431). Profit before tax amounted to SEK 922 million (1,746). The decrease is mainly due to the scheduled maintenance shutdown at the refinery in Lysekil, which resulted in reduced production levels.

The SEK/USD exchange rate rose during the year with the SEK weakening from 8.97 SEK/USD at the start of the year to SEK 9.32 at the end of the year. The average exchange rate to the USD was SEK 9.46 in 2019, compared with SEK 8.69 in 2018.

A table of key ratios including definitions is presented on page 48 of this annual report.

Market

Market development - crude oil

The average price of crude oil in 2019 was USD 64 per barrel, which was lower than the average price for 2018 of USD 71 per barrel. The year began with a price of USD 54 per barrel and ended at USD 67 per barrel. In general, the average price per month has fluctuated between USD 59-71 per barrel, with a top quote of crude oil prices of USD 75 per barrel in May and a bottom quote of USD 53 per barrel in January.

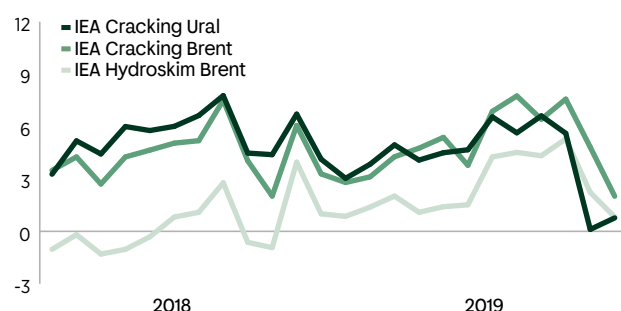
Oil price trend 2019

USD/barrel



Refining margins

USD/barrel



Director's Report

In general, we saw an upward trend in the crude oil price between January and mid-May and then during the remainder of the year mostly fluctuated between USD 60-70 per barrel. The price rose continuously during the first 4.5 months. This was mainly related to the restriction that OPEC+ had previously implemented but began to take effect in the first half of the year in combination with geopolitical instability.

In the second quarter, the price fell to just over USD 60 per barrel, which was related to concerns about the future economic development and its effect on growth. During the third and fourth quarters, the price balanced between USD 60-70 per barrel. The peak was during September when Saudi Arabia suffered a drone attack and the price quickly rose to USD 70 per barrel due to the market's concern for a possible long-term loss of production. However, the price quickly fell back when it was communicated that strategic stocks could be used to balance the need, and that the consequences of a loss in production over a period would therefore not be significant. During December, the price again rose sharply from around USD 60 per barrel to an output of USD 67 per barrel linked to further restrictions from OPEC+ and the sign of US-China trade agreements.

Increased US crude oil production has ensured the country has a similar level of production as Saudi Arabia and Russia. Crude oil from the US is relatively low-sulphur and light, which has changed the global average quality of crude oil. When OPEC+ restricts its production, it is mainly high-sulphur and heavy crude oils that do not enter the market. This means that global production of heavier oil products such as high-sulphur heavy oil is declining and the proportion of light products such as petrol is increasing. The loss of production from Venezuela also leads to a reduction in high-sulphur crude oil.

At the same time, an adjustment was already made during the fourth quarter in the global refining industry for what is known as IMO2020 (International Maritime Organisation), which means that the sulphur content of ship fuel is limited to 0.5 per cent, unless the flue gas is desulphurised. This meant that we saw a sharp decrease in demand for high-sulphur heavy oil and with a sharp decline in the price of high-sulphur heavy oil in the fourth quarter compared to crude oil.

Crude oil is normally priced against the "Dated Brent" price quote. The premiums against Dated Brent for low-sulphur crude

oil continued and were pressed in 2019 by increased exports from the US. High-sulphur crude oil was strengthened by the decline in global production despite the commencement of conversion to IMO2020 last quarter. The high-sulphur crude oil that Preem normally buys most had a relatively strong premium during the year and was also traded with a positive premium periodically during the year.

Market development - renewable raw material

Demand for biodiesel in Europe has continued to increase in 2019. Despite the continued influx of cheap imported soybean and palm-based biodiesel from Argentina and Asia, the production of rapeseed methyl ester (RME) has been fairly balanced. However, margins have been better than in 2018 for producers despite lower harvests than last year. During the year, the US-China trade war meant changing trading patterns for rapeseed and other crops, which led to more volume being shipped from Canada/North America instead of Australia. Higher mandates in both the UK and Germany have driven up prices for high-reduction FAME, which has been the strongest contributing factor to the price trend at UCOME. At the end of 2019, UCOME traded at record highs, USD 840 more expensive than diesel.

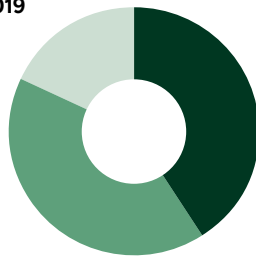
Very high demand for Used Cooking Oil (UCO) in Europe, especially during the second half of the year, led to sharply rising prices in the market. China could largely meet this need with its export of UCO raw material but also esterified UCO (UCOME). The remainder was imported from other parts of the world. The reason for the growing demand is that in 2020 EU countries must meet the Fuel Quality Directive (FQD) of at least 6 percent renewable admixture, which is most easily achieved with the inclusion of waste-based bio-product with high Green House Gas (GHG) savings.

Demand for hydrogenated vegetable oil (HVO) increased in continental Europe in 2019 and is expected to rise in 2020 as well, with rising prices as a result. Petrol with an increased admixture of ethanol (10 percent) was introduced in a handful of European countries in 2019. The HVO market in Sweden was characterised by two different periods. The first half of the year, which was similar to 2018, with a higher need for volumes to cover the reduction obligation and the second half of the year where the Palm Fatty Acid Distillate (PFAD) was reclassi-

Purchases of crude oil 2019

Distribution in %

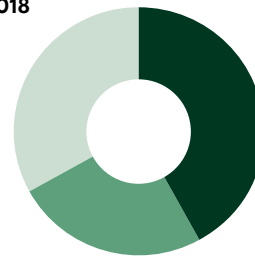
- Russia 41%
- North Sea 41%
- Other 18%



Purchases of crude oil 2018

Distribution in %

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



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fied so that it could no longer be used in the reduction obligation. This led to a lower availability of HVO in the market and a price increase. During 2020, the mandate will be changed in various countries and the Fuel Quality Directive (FQD) linked to the share of renewables in 2020 should be achieved. This means that, apart from Sweden, the need is increasing even more in other countries in Europe, which will result in an increased price level for HVO going forward.

The difference in value for a refinery's products and the cost of the crude oil, the margin, is the basis of its profitability. In 2019, refinery margins were very good, especially during the second and third quarters, due to good demand for products and a global restriction on available refinery capacity. During the fourth quarter, margins fell sharply, largely due to a fall in demand for products such as petrol/diesel. The market had previously expected a greater need for distillation in order to handle an ever greater need for the new bunker specification (IMO2020) of max 0.5S. This assumption has proven to be incorrect, which has had an effect on expected demand. Lower demand, together with expected lower economic growth, are some of the explanations for the deviation. For those operators that do not have the opportunity to upgrade high-sulphur heavy oil, this has also had a large marginal impact on the processing of high-sulphur crude oil. However, after the introduction of IMO2020, which began in the fourth quarter, the marginal effect of processing low-sulphur crude oil has been very good. The price level for the new bunker specification has been on a par with diesel towards the end of the year. It is therefore probable that the first months of 2020 will be volatile precisely for this reason, but that the market later in the year will stabilise.

Business Area Supply and Trading

The Group's operations consist largely of refining of crude oil at its refineries in Lysekil and Gothenburg. During the year, total production amounted to 16.5 million m³, compared with 18.9 million m³ in 2018. Most of the crude oil comes from Russia, the North Sea and West Africa. At the Gothenburg refinery, 205,000 m³ of renewable raw material was processed for the production of HVO for Preem Evolution Diesel.

In March and April, two new plants were put into operation. In Gothenburg, a hydrogen production plant was commissioned that produces hydrogen for use in, among other things,

desulphurisation processes and the production of HVO. At Lysekil, a vacuum distillation unit was commissioned that reduces the refinery's proportion of heavy oil production.

During the first quarter of 2019, repairs were carried out on the facility's isocracker (ICR), the part that produces diesel, which affected production during the period. In addition, starting in September and during most of the fourth quarter, a comprehensive planned maintenance shutdown was carried out at all production facilities in Lysekil.

Also in Gothenburg, scheduled maintenance shutdowns were implemented in May, which affected several of the production facilities. Apart from these maintenance shutdowns, operations during the year in Gothenburg have been stable with high plant utilisation.

Marketing and Sales

The Marketing and Sales segment reported weaker earnings in 2019 with an operating profit of SEK 277 million, compared with SEK 499 million the previous year.

In Retail, a restructuring was done to improve profitability and work more efficiently and cost-consciously.

The business area had good volume growth during the year, 16 percent compared with the previous year. This was largely driven by a new large customer in Norway.

The implementation of new transporters continued in 2019. The work was carried out in three phases, while the former carrier Hoyer was phased out. In 2019, the collaboration with Skanol ended and a new agreement was signed with two new carriers: Simeon and Eliasson's haulage.

Consumer prices for petrol and diesel were SEK 14.87 and SEK 14.62 per litre at the beginning of 2019, and rose until the spring with an annual peak for petrol in May of SEK 16.89 and SEK 16.59 per litre for diesel. Prices then dropped slightly in the last two months of the year. At year-end, prices for petrol were SEK 14.72 per litre and for diesel SEK 16.24 per litre.

Environment

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

Sales in SEK 2019

Distribution in %

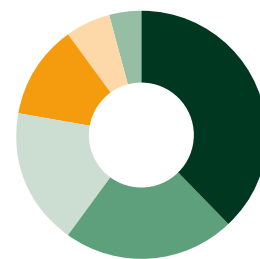
- Sweden 39%
- Other countries 24%
- Norway 12%
- UK 10%
- Netherlands 8%
- Rest of Nordic region 6%



Sales in SEK 2018

Distribution in %

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



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The overall focus of Preem's safety, health and environment efforts is described in an integrated policy, the Safety, Health and Environment Policy. Policy compliance is secured by using procedures and instructions in the Company's management system. Compliance checks for the management system take the form of safety rounds, internal and external audits, and deviation reporting and management.

The refineries in Lysekil and Gothenburg have permits for so-called A operations. The permits are subject to conditions and an associated inspection program. In 2019, Preem achieved all limits, except an operating limit that was marginally exceeded without effect on the emissions values. A few target values were not met, so remedial action was taken, and the regulatory authority was informed.

Preem submitted an environmental application for expansion of the Lysekil refinery to the Land and Environment Court in December 2016 and negotiations were held in court during the fall of 2017. After the summer of 2018, the application documents were supplemented and in November 2018 the permit was granted. Thereafter, appeals were filed with the Land and Environmental Court of Appeal, which during 2019 decided to give the case a provisional permit. In August 2019, the Swedish Government announced that the matter after the upcoming hearing in court will also be examined by the government. The main hearing in the court is scheduled to take place in March 2020.

For the Gothenburg refinery, an application was submitted before the summer of 2019 for a new environmental permit for the expansion of the plant. Some supplementary information was requested during the autumn by the authorities and the court, which was submitted in January 2020.

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 tonnes per year on average for the current trading period, 2013-2020, according to a decision by the Swedish Environmental Protection Agency. For this period, the Group's two refineries in Lysekil and Gothenburg have been allocated emission rights free of charge for one year at a time and the unutilised emissions rights may be carried forward to subsequent years within the relevant period. Any deficit is covered by a purchase of emission rights on a market or through improvements in energy efficiency. For the coming trading period 2021-2025, the application was submitted in May 2019 and was supplemented in August 2019. Decisions on how many emission rights that Preem is allocated for each year are expected to be announced in early 2021.

The depots have permits for so-called B operations with associated conditions and inspection programmes. The limits for hydrocarbon emissions to water were exceeded on a few occasions in 2019 at the depot in Norrköping. The regulatory authority was notified of this and actions were taken.

Most Preem filling stations and diesel facilities handle more than 1,000 m³ of fuel per calendar year, which means they are subject to reporting requirements for C operations. Such reporting occurs continuously to the appropriate municipality. Preem maintains ongoing communication with the regulatory authority on environmental matters at our filling stations.

Remediation of contaminated soil at closed depots, filling stations and Sâifa facilities is ongoing and continued in 2019.

Sustainability Report

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

Investments

Preem's net capital expenditures on intangible assets and property, plant and equipment totalled SEK 2,264 million (2,084).

The expenditure attributable to the maintenance shutdown totalled SEK 798 million, and an additional SEK 735 million was invested in operational improvements on top of that. SEK 829 million was invested in profitability improvements, SEK 336 million in environmental and safety improvement measures.

During the year, Preem sold intangible fixed assets for a value of SEK 436 million.

Preem has invested in and developed a new business system (ERP) during several years. On the first of April 2019 the system was implemented and resulted in major challenges during the year.

Product development

For many years, Preem has had a vision of leading the transition to a sustainable society. In 2019, Preem revised its strategies with the goal that Preem will become the world's first climate-neutral petroleum and biofuels company, with net zero emissions at our production facilities in 2040 and net zero seen to the entire value chain before 2045. To achieve this goal of renewable production capacity, the goal was increased from earlier 3 million m³ to 5 million m³ by 2030. Sweden's ambitions in the transport sector are ambitious, with the aim of reducing emissions from the transport sector by 70 percent compared to the 2010 level.

During the year, Preem decided together with the Setra Group to build Sweden's first pyrolysis oil refinery in the joint-owned company Pyrocell. The project will break ground in the spring of 2020 and the plant will begin production at the end of 2021.

At Preemraff, the expansion of the production capacity of hydrated vegetable oils (HVO) is now being planned from today's 200,000 m³ to 1,300,000 m³ by 2023. The environmental review is under way and in parallel with this the existing Green HydroTreater (GHT) is being converted to handle a larger through-put. These two projects will be the largest investment in the refinery since the expansion was done in the mid-90s.

In Lysekil, various plants are being planned to be able to jointly process renewable feedstocks in the same facilities as fossil products are produced. During the 2019 maintenance shutdown, minor adjustments were made at two plants.

Continued adjustments will be made in 2020. The goal is to be able to conduct test operations in 2020 to produce the first volumes of HVO in Lysekil. Preem wants capacity to produce renewable products at both of our refineries to meet a growing demand from Sweden, Norway and the rest of Northern Europe.

The cooperation with Vattenfall is continuing and project planning of a first electrolytic hydrogen gas plant is remains

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

In research and development, the initiatives in lignin extraction continued as Preem acquired a share of the development company SunCarbon AB together with Sveaskog. Preem's efforts to upgrade lignin will continue during 2020.

Financing and liquidity

In the fall of 2019, all the parent company's outstanding loans were renegotiated. Loans at Preem increased, but overall, Preem and its parent company have unchanged debt. The new loans have a maturity of 3 years and mature on September 30, 2022. At the end of the period, the Group had a net loan debt of SEK 12,101 million, which is to be compared with SEK 7,096 million as of December 31, 2018. The net loan debt contains a leasingdebt in 2019.

Personnel

The average number of employees of the Group was 1,536 (1,483), of whom 1,493 (1,454) worked at the Parent Company.

Outlook

Preem judges that geopolitical tensions and uncertainties related to world trade will continue to be significant, although the US and China are expected to sign trade agreements and the uncertainties surrounding Brexit are now resolved, with the UK leaving the EU. Tensions in the Middle East are expected to continue to be high, which will affect the global oil market as well as the local situation in Iran, Venezuela, Libya and several other countries. World trade forecasts are positive with growth of around 3 percent in 2019 and up to 3.4 percent in 2020 (Source: IMF).

Society's focus on the issue of climate change is increasing, and new regulations and instruments are expected to be put into use to reduce carbon dioxide emissions into the atmosphere. Existing and newly planned measures, combined with expected economic growth, will increase energy demand globally. The increase is also expected to continue in the coming decade, and not least in the form of oil products. In Europe, the growth of electrified vehicles is expected to continue, but there will also be a great need for liquid fuels from both oil and renewable raw materials.

The continued rising demand and the willingness of OPEC+ to restrict oil production is expected to provide continued support for oil prices at the current level in 2020. However, short-term price volatility may arise, especially at times when geopolitical tensions affect oil supply security in the world market.

In 2019, the company adopted a new strategy aimed at making Preem the world's first climate-neutral petroleum and biofuels company, with net zero emissions at our production facilities in 2040 and net zero seen to the entire value chain before 2045.

During 2020, no major shutdowns are planned at the Lysekil or Gothenburg refineries. This gives Preem the

opportunity to continue the transition to a sustainable future, while at the same time optimising production and maintaining good margins.

Our strategy with the objectives of net zero emissions at our production facilities in 2040 and net zero in terms of the entire value chain before 2045 places new demands on measures in the business, but also creates opportunities in the coming years. Preem has finalised an investment plan on how the production of renewable fuels should increase, and how the effort to capture carbon dioxide should be implemented in practice. In 2020, Preem will begin to implement a number of projects for the renewable transition - which is absolutely crucial both for our long-term competitiveness and for Sweden's ability to achieve its climate goals.

Proposed allocation of profit

The Parent Company's non-restricted equity amounted to SEK 8,605,979 thousands. The Board of Directors proposes that this amount be appropriated as follows:

SEK thousands	
Dividend	151,468
Carried forward	8,454,511
Total	8,605,979

Basis for decision by Board of Directors

This annual report discloses that a Group contribution amounting to SEK 712 million was paid to the former Parent Company, Corral Petroleum Holdings AB (publ). Corral Petroleum Holdings AB (publ) has provided an unconditional shareholders' contribution to Preem AB (publ) in the amount of SEK 712 million. In addition, a dividend of SEK 384 million was paid to Corral Petroleum Holdings in June 2019 and one of SEK 2,560 million in November 2019. As of December 2019 the Board of Directors proposes that a new dividend shall be made to the new Parent company Corral Petroleum Sweden AB.

Motivation

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

In light of the financial position on December 31, 2019 and the business plan for 2020, the Board of Directors find that the dividends and the Group contribution paid to shareholders are justifiable in view of the parameters set out 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 2019).

With regard to the Company's results and position in general, reference is made to subsequent financial reports with year-end comments.

Income statement and statement of other comprehensive income

AMOUNTS IN SEK MILLIONS

Income statement	Note	2019	2018
Net sales		95,758	103,641
Excise duties ¹⁾		-11,064	-11,087
Sales revenue	4, 13	84,694	92,553
Cost of goods sold	8, 9, 13	-81,291	-88,529
Gross profit	5	3,403	4,024
Selling expenses		-1,004	-913
Administrative expenses		-1,282	-1,123
Other operating income	10	668	443
Operating profit	6-10, 33, 35	1,785	2,431
Financial income		13	11
Financial expenses		-876	-697
Net financial items	11, 13	-863	-685
Profit before tax		922	1,746
Tax on profit for the year	12	-340	-271
Profit for the year		582	1,475
Profit/loss for the year attributable to:			
Parent Company shareholders		582	1,475
Non-controlling interests		0	0
		582	1,475
Statement of comprehensive income			
Profit for the year		582	1,475
Other comprehensive income			
<i>Items that may be reclassified to the income statement:</i>			
Translation difference		7	-1
<i>Items that will not be reclassified to the income statement:</i>			
Actuarial gains/losses on defined benefit pension plans	23	-23	-47
Tax attributable to the item above		5	10
Changed tax rate		-1	1
Total other comprehensive income for the year, net of tax		-12	-37
Total comprehensive income for the year		570	1,438
Total comprehensive income for the year attributable to:			
Parent Company shareholders		570	1,438
Non-controlling interests		0	0
		570	1,438

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

Balance sheet

AMOUNTS IN SEK MILLIONS

Assets	Note	12/31/2019	12/31/2018
Non-current assets			
<i>Intangible assets</i>			
Goodwill	14	308	308
Construction in progress	14	13	779
Other intangible assets	14	883	129
		1,203	1,215
<i>Property, plant and equipment</i>			
Land and buildings	15, 30, 35	2,044	1,613
Plant and machinery	15	7,211	5,200
Capitalised turnaround costs	15	1,055	439
Equipment, tools, fixtures and fittings	15, 35	579	347
Construction in progress	15	1,550	2,974
		12,439	10,573
<i>Financial assets</i>			
Participations in associates	16	302	238
Receivables from associates	33	0	0
Receivables from affiliates	17, 33	251	0
Other shares and participations	18, 32	0	11
Other non-current receivables	34	222	124
		775	373
Total non-current assets		14,416	12,161
Current assets			
Inventories	19	12,456	10,543
Trade receivables	20, 30, 32	4,634	4,322
Derivatives	27, 32	63	2
Receivables from Parent Company	32, 33	55	55
Other receivables	32	1,650	1,018
Prepaid expenses and accrued income	21	2,324	700
		21,182	16,639
Cash and cash equivalents	22, 32	2,018	292
Total current assets		23,201	16,931
Total assets		37,617	29,092

Balance sheet

AMOUNTS IN SEK MILLIONS

Equity and liabilities	Note	12/31/2019	12/31/2018
Equity			
<i>Equity attributable to Parent Company shareholders</i>			
Share capital		610	610
Other paid-in capital		2,482	2,482
Profit brought forward including profit for the year		7,577	9,798
		10,669	12,890
Non-controlling interests		0	0
Total equity		10,669	12,890
Liabilities			
<i>Non-current liabilities</i>			
Pension obligations	23	185	159
Deferred tax liabilities	12	879	853
Other provisions	24	613	244
Borrowings	25, 26, 32	13,620	6,711
		15,298	7,967
<i>Current liabilities</i>			
Borrowings	25, 26, 32	204	488
Advance payments from customers		750	5
Trade payables	32, 33	2,606	2,709
Liabilities to associates	32, 33	0	96
Current tax liabilities	12	164	17
Derivatives	27, 32	25	1
Other liabilities	28, 32	1,829	1,472
Accrued expenses and deferred income	29	6,072	3,448
		11,650	8,239
Total liabilities		26,948	16,202
Total equity and liabilities		37,617	29,092
Pledged assets and contingent liabilities	30		

Statement of changes in equity

AMOUNTS IN SEK MILLIONS

	Attributable to Parent Company shareholders				Non-control- ling interests	Total equity	
	Share capital	Other paid-in capital	Translation reserve	Profit brought forward			
Opening equity 1/1/2018	610	2,482	-1	9,159	12,250	0	12,250
<i>Adjustment in accordance with IFRS 9</i>	-	-	-	0	0	-	0
Profit for the year	-	-	-	1,475	1,475	0	1,475
Other comprehensive income	-	-	-1	-36	-37	-	-37
Comprehensive income for the year	-	-	-1	1,439	1,438	0	1,438
Group contributions paid	-	-	-	-1,048	-1,048	-	-1,048
Tax attributable to Group contribution paid	-	-	-	231	231	-	231
Shareholder's contribution received	-	-	-	400	400	-	400
Dividends	-	-	-	-380	-380	-	-380
Closing equity 12/31/2018	610	2,482	-2	9,800	12,890	0	12,890
Opening equity 1/1/2019	610	2,482	-2	9,800	12,890	0	12,890
Profit for the year	-	-	-	582	582	0	582
Other comprehensive income	-	-	7	-19	-12	-	-12
Comprehensive income for the year	-	-	7	563	570	0	570
Group contributions paid	-	-	-	-712	-712	-	-712
Tax attributable to Group contribution paid	-	-	-	152	152	-	152
Shareholder's contribution received	-	-	-	712	712	-	712
Dividends	-	-	-	-2,944	-2,944	-	-2,944
Closing equity 12/31/2019	610	2,482	5	7,572	10,669	0	10,669

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.

Other paid-in capital

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

Profit brought forward

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

Cash flow statement

AMOUNTS IN SEK MILLIONS

	Note	2019	2018
Operating activities			
Profit before tax		922	1,746
Adjustments for non-cash items	31	1,571	1,112
		2,492	2,858
Tax paid		-14	-5
Cash flow from operating activities before changes in working capital		2,478	2,852
Cash flow from operating activities before charges in working capital			
Increase (-)/Decrease (+) in inventories		-1,512	-263
Increase (-)/Decrease (+) in operating receivables		-3,266	60
Increase (+)/Decrease (-) in operating payables		3,578	-1,517
Cash flow from operating activities		1,279	1,133
Investing activities			
Acquisition of subsidiaries		-	-26
Acquisition of intangible assets		-158	-265
Acquisition of property, plant and equipment		-2,418	-1,798
Disposal of property, plant and equipment		4	34
Disposal of intangible assets		436	-
Investment in financial assets		-139	-54
Disposal of financial assets		11	25
Cash flow from investing activities		-2,264	-2,084
Financing activities			
Dividends paid		-2,944	-380
Borrowings		18,117	9,894
Loan expenditures		-288	-
Amortisation of loans		-11,993	-7,869
Amortisation of lease debt		-161	-
Group contributions made		-	-648
Cash flow from financing activities		2,731	997
Cash flow for the year		1,746	46
Opening cash and cash equivalents		292	256
Exchange gains/losses on cash and cash equivalents		-20	-10
Closing cash and cash equivalents	22	2,018	292

For supplementary disclosures, see Note 31

Notes to the consolidated financial statements

Note 1. Significant accounting policies

On March 10, 2020, the Board of Directors approved this annual report and these consolidated financial statements for publication and will submit them to the Annual General Meeting for adoption on March 10, 2020.

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

Basis on which the financial statements have been prepared

The consolidated financial statements for the Preem AB Group (Preem) have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, apart from IAS 33, Earnings per Share, since Preem AB is not listed on a regulated market. In addition, RFR 1 "Supplementary Accounting Rules for Groups" issued by the Swedish Financial Reporting Board was applied. The consolidated financial statements have been prepared using the cost method, apart from other shares and participations and financial assets and liabilities at fair value through profit or loss.

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

The financial statements are presented in the Swedish krona (SEK), which is the Parent Company's functional currency. Unless otherwise stated, all figures are rounded to the nearest million. Amounts in the Group consolidation system are based on SEK thousands. Due to the rounding of figures in the tables to the nearest SEK million, the total amount is not exactly equal to the sum of all components in some cases.

Standards, amendments and interpretations that came into effect in 2019

The Group applies IFRS 16 Leasing agreement for the first time from January 1, 2019. As a result, the Group has changed its accounting principles for leasing agreements as below. The Group has chosen to apply the modified retroactive approach during the transition, which means that the comparative year has not been recalculated in accordance with IFRS 16.

Definition of leasing

Previously, the Group determined whether an agreement contained leasing in accordance with IFRIC 4 Determining whether an agreement contains a lease agreement. As of January 1, 2019, the Group assesses whether an agreement contains leasing based on the definition of leasing agreement in IFRS 16.

Leasing agreements where the Group is the lessee

The Group previously classified leasing agreements as operational or financial leasing agreements based on whether the lease transferred the significant risks and rewards that ownership of the underlying asset entailed to the Group. All agreements were classified as operational in 2018. These operating leases were not recognised as assets and liabilities in the statement of financial position and lease or leasing cost was reported on a straight-line basis over the lease term.

At the transition to IFRS 16, leasing liabilities were valued at the present value of the remaining leasing fees, discounted by the agreements or the Group's incremental borrowing rate on the first

day of application (January 1, 2019). The right of use was valued at an amount corresponding to the lease debt, adjusted for any prepaid rents or lease fees.

- The Group has chosen to apply the following relief rules for previous operating leases in the transition to IFRS 16.
- Applied only one discount rate to a portfolio of leases with reasonably similar characteristics.
 - Utility rights assets and leasing liabilities have not been reported for leases for which the leasing period ends within 12 months or earlier after the transitional period (short-term agreement).
 - Examinations made afterwards in determining the lease period if the agreement contains possibilities to extend or terminate the lease agreement.

Leasing agreements where the Group is the lessor

For the Group as lessor, the transition to IFRS 16 has not led to any adjustments.

Impact on the financial reports

At the transition to IFRS 16, the Group reported new rights assets of 508 and leasing liabilities of 479. Prepaid expenses decreased by 19, while deferred tax assets increased by 0. See Note 35 for more information on the Group's rights in use and leasing liabilities.

New IFRS and interpretations that have not yet come into force

A number of new or amended IFRSs will not come into force until the coming fiscal years and have not been applied prematurely in the preparation of these financial reports. New developments or changes in their future application are not planned to be applied prematurely.

The following changes are presented below, which are currently estimated to have an impact on the Group's financial reports.

Amended IFRS 3 Business Acquisition

According to IASB Application from January 1, 2019. The EU is expected to approve during the first quarter of 2020.

The amendment clarifies the definition of a business with the purpose of assisting companies to decide whether a transaction should be reported as a business or as an acquisition of assets. The amendment includes a selectively simplified concentration test that results in the acquisition being an acquisition of assets if substantially all of the fair value is concentrated in an identifiable asset/group of similar assets. If the concentration test does not lead to an acquisition of assets, testing should be carried out in accordance with the general rule's schedule for to ensure that accounting is not mistaken as a business combination.

Amended IAS 1 and IAS 8: Definition of Material. To be applied from January 1, 2020.

The EU approved the changes in December 2019. The changes are intended to clarify the concept of materiality. A single definition of materiality in IAS 1, consistent with the conceptual framework.

Amendments to References to the Conceptual Framework in IFRS Standards: The EU approved the changes in December 2019 to be applied from January 1, 2020.

Classification in the balance sheet

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

Current assets and current liabilities consist of all material amounts expected to be recovered or paid within 12 months from the balance sheet date.

Notes to the consolidated financial statements

Note 1. Cont.

Basis of consolidation and business combinations

Subsidiaries

Subsidiaries are companies (including structured entities) that are under the controlling influence of Preem. "Controlling influence" means having a direct or indirect right to formulate a company's financial and operational strategies for the purpose of receiving economic benefits. When assessing whether control exists, consideration is given to potential shares providing entitlement to vote that can be immediately used or converted. Subsidiaries are included in the consolidated financial statements as of the date on which control was transferred to the Group. They are excluded from the consolidated financial statements as of the date on which control ceases.

The acquisition method is used to recognise the Group's acquisitions of subsidiaries. The cost comprises the fair value of assets given as payment, equity instruments issued, and liabilities arising or assumed as of the transfer date. Transaction expenses directly attributable to the acquisition are recorded as an expense as they arise. Identifiable acquired assets and assumed liabilities and contingent liabilities in a business combination are initially measured at the fair values on the acquisition date, regardless of the extent of any non-controlling interests. The surplus that comprises the difference between the cost and the fair value of the Group's share of identifiable acquired assets, liabilities and contingent liabilities is recognised as goodwill. When the difference is negative, this is recognised in profit/loss for the year.

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

Associates

Associates are all companies in which the Group has significant but not controlling influence, which mainly applies to shareholdings of between 20 percent and 50 percent of votes. As of the date on which significant influence is obtained, participations in associates are recognised in the consolidated financial statements in accordance with the equity method and are measured initially at cost. The Group's carrying amount of participations in associates includes goodwill identified upon acquisition, net of any necessary impairment losses.

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

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

Unrealised gains on transactions between the Group and its associates are eliminated in proportion to the Group's holding in the associate. Unrealised 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.

The equity method is applied up to the time when the significant influence ceases.

Joint ventures

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

Segment reporting

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

Translation of foreign currency

Transactions and balance sheet items

Transactions in foreign currency are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Exchange rate gains/losses arising on payment of such transactions and when translating monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are recognised 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 recognised at the exchange rates prevailing on the date of the transaction.

Group companies

The financial performance and financial position of all Group companies that have different functional and reporting currencies are translated into the Group's presentation currency as follows: assets and liabilities are translated at the exchange rate on the balance sheet date, revenue and expenses are translated at the average exchange rate, and all exchange differences that arise are recognised 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 recognised in equity are posted to profit/loss for the year and recognised as a component of the capital gain/loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities in this operation and are translated at the exchange rate on the balance sheet date.

Intangible assets

Goodwill

Goodwill consists of the amount at which cost exceeds the fair value of the Group's share of the acquired subsidiary's/associate's net identifiable assets on the acquisition date. Goodwill on acquisition of subsidiaries is recognised as an intangible asset. Goodwill is tested at least on an annual basis to identify any impairment requirements and is recognised at cost less accumulated impairment losses. Impairment of goodwill is not reversed. Gains or losses on disposal of a unit include the remaining carrying amount of the goodwill relating to the disposed unit.

Goodwill is allocated among cash-generating units in connection with impairment testing. This allocation is applied to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination which gave rise to the goodwill item. The Group allocates goodwill among segments. The Group's carrying amount of goodwill of SEK 308 million (308) is allocated in its entirety to the Supply and Refining segment.

Other intangible assets

Other intangible assets comprise customer contracts, proprietary IT systems and licenses. These assets are measured at cost less amortisation and impairment losses. Borrowing costs are included in proprietary IT systems in the same manner as for property, plant and equipment. The intangible asset is amortised on a straight-line basis over the useful life of the asset, and amortisation 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 recognised on it if this impairment testing shows that its value in use is less than its carrying amount.

Notes to the consolidated financial statements

Note 1. Cont.

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

Construction in progress

Construction in progress refers to proprietary IT systems and licenses.

Property, plant and equipment

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

Cost includes expenses that can be directly attributed to the acquisition of the assets. Additional expenses are added to the asset's carrying amount or are recognised 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 derecognised from the balance sheet. All other kinds of repairs and maintenance are recognised as expenses during the period in which they arise.

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

Buildings and storage chambers	20-50 years
Land improvements	20 years
Plant and machinery	10-30 years
Capitalised turnaround costs for refineries	6 years
Equipment, tools, fixtures and fittings	3-10 years

The refinery facilities consist of several components with different useful lives. The main classification is into plant and machinery. There are, however, several components that have different useful lives within this main classification. The following main component groups have been identified and form the basis for depreciation of refinery facilities.

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

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

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

The carrying amount for property, plant and equipment is removed from the balance sheet upon scrapping or disposal or when no future economic benefits are expected from the use or the scrapping or disposal of the asset. Gains and losses on disposal are determined by means of a comparison between sales revenue and the carrying amount and are recognised 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 capitalised 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 capitalised. Secondly, the borrowing costs incurred for general loans that are not specific to a qualified asset are capitalised.

Impairment of non-financial assets

Goodwill is not amortised, but is tested at least annually for impairment. Assets that are amortised 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 recognised if there had not been any impairment losses.

Inventories

Inventories are measured at the lower of cost and net realisable value. The acquisition value is determined using the first in, first out method (FIFO).

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 realisable 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 realisable value. In cases where the net realisable 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 realisable value of the products exceeds cost. The reduction in the impairment amount for crude oil consists of the difference between the net realisable value of the products and cost.

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

Current and deferred tax

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

Deferred tax is recognised 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 recognised if it arises from a transaction that constitutes initial recognition of an asset or liability that is not a business combination and which, at the time of the transaction, impacts profit/loss neither for accounting purposes nor for tax purposes. Deferred income tax is calculated by applying the tax rates (and laws) that have been enacted or announced at the balance sheet date and are expected to be in force when the relevant deferred tax assets are realised, or the deferred tax liabilities are settled. Deferred tax assets are recognised 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 utilised.

Provisions

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

Notes to the consolidated financial statements

Note 1. Cont.

Provisions are valued at the present value of the amount expected to be required to settle the obligation. A pre-tax discount rate is used to reflect a current market assessment of the time-dependent value of money and the risks associated with the provision.

Contingent liabilities

A contingent liability is recognised 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 recognised as a liability or a provision because it is not likely that an outflow of resources will be required or that the outflow cannot be calculated.

Employee benefits

Pension obligations

The Group has defined benefit and defined contribution pension plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits associated with the employees' service during the current or previous periods. A defined benefit pension plan is a pension plan that is not a defined contribution plan. The distinguishing factor of defined benefit plans is that they specify an amount for the pension benefit that an employee receives after retirement based on length of service and salary at retirement. These pension plans are usually financed by payments to insurance companies or 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 recognised in the balance sheet under defined benefit pension plans is the present value of the defined commitment at the balance sheet date. The defined benefit pension obligation is calculated annually by independent actuaries who apply the projected unit credit method. The present value of the defined benefit obligation is determined by the discounted cash flow method using the interest rate for first class mortgage bonds issued in the same currency as the payments will be made in and with maturities comparable to the relevant pension liability.

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

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

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

Severance pay

Severance pay is paid when notice is served by the Group to terminate an employee's employment before the normal retirement age

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

Profit-sharing plans

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

Revenue recognition

Revenue is measured based on the compensation specified in the contract with the customer. The Group recognises the revenue when control over a good or service is transferred to the customer. Revenue is recognised excluding VAT, returns and discounts, and after the elimination of internal Group sales. Net sales include excise taxes deducted and recognised on a separate line before sales revenue.

Sale of goods

The Group's main revenue originates from the sale of goods in the form of petroleum products. Our Supply and Refining segment sells products to oil companies operating in Sweden and on the international market, primarily in Northwestern Europe. Sales of petrol, diesel, heating oils and lubricating oils in the Swedish market are carried out, for example, through Preem's nationwide station network, through certified dealers and in bulk via its own direct sales. In Norway, Preem's products are mainly sold through resellers and in bulk through direct sales.

A large proportion of these sales of products take place by ship and are often subject to the CIF (cost, insurance and freight) and FOB (free on board) terms, which means that these revenue items are normally recognised 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, revenue is reported in connection with delivery to the customer.

Financial income and expenses

Financial income consists of interest income, dividend income, and gains upon value changes of financial assets measured at fair value through profit/loss for the year.

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

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

Generally, borrowing costs are charged to profit/loss for the period to which they relate. Borrowing costs that are directly attributable to the purchasing, design or production of an asset and where a significant length of time is needed to make the asset ready for its intended use or sale, must be included in the cost of the asset.

Leasing

Principles applied from 1 January 2019

When an agreement is entered into, the Group assesses whether the agreement is, or contains, a lease agreement. An agreement is or contains a lease agreement if the agreement assigns the right to decide for a certain period on the use of an identified asset in exchange for compensation.

If an agreement contains several components - leasing or non-leasing components - the Group distributes the compensation according to the agreement to each component based on the stand-alone price.

Notes to the consolidated financial statements

Note 1. Cont.

Leasing agreements where the Group is the lessee

The Group recognises a right of use and a lease liability at the start of the lease. The right to use the asset is initially valued at cost, which consists of the initial value of the leasing liability with the addition of prepaid leasing fees and any direct fees. The rights of use are depreciated on a straight-line basis over the term of the lease.

The lease liability is initially valued at the present value of remaining leasing fees during the assessed lease period. The leasing period is the non-cancellable period with the addition of additional periods in the agreement if it is deemed reasonably certain that these will be used at the commencement date.

Leasing fees are discounted with the implied interest rate of the agreement. In the absence of such interest, the leasing fees are discounted to the Group's marginal borrowing rate.

The value of the leasing liability is increased by interest expenses for each period and recouped with the leasing payments. Interest expense is calculated as the value of the debt multiplied by the discount rate.

For leasing contracts that have a leasing period of 12 months or less or with an underlying asset of low value, less than SEK 50,000, no rights of use and leasing debt are reported. Leasing fees for these leases are recognised as a cost on a straight-line basis over the lease term.

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 recognised as an asset in the balance sheet. The lease payment is recognised as revenue on a straight-line basis over the term of the lease. The Group only has operating leases.

When the rights to use an asset is granted to a third party the head lease and the sub-lease is accounted for as two separate contracts. The group classifies the sub-lease based on the right of use asset arising from the head lease, not based on the actual asset it leases from the head lessor.

Principles applied to 31 December 2018

Lessee

Leases where the risks and rewards of ownership are substantially retained by the lessor are classified as operating leases. Payments made during the lease term (less any incentives from the lessor) are recognized as expense 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.

Emission rights

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

Financial instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

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

Financial assets measured at amortised cost

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

- it is held within the scope of a business model the objective of which is to hold financial assets for the purpose of receiving contractual cash flows, and
- the contractual terms for the financial asset give rise to cash flows at set times that are only payments of principal amounts and interest on the outstanding principal.

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

Financial assets are derecognised from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred, and the Group has substantially transferred all risks and rewards of ownership.

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

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

The Group uses oil derivatives that are short term and are classified in the balance sheet either as current assets or current liabilities under the heading "derivatives" and in the income statement and statement of other comprehensive income under the heading "cost of goods sold", in contrast to the profit/loss from other financial instruments, which is recognised in net financial items.

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

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

Other financial liabilities

The "other financial liabilities" category includes borrowings, trade payables and other liabilities.

Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the debt for at least 12 months after the balance sheet date.

Other liabilities

Other liabilities are initially recognised at fair value and subsequently at amortised 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 20.

Notes to the consolidated financial statements

Note 2. Financial risk management

The Group is exposed to several different financial risks during its operations: market risk (which includes currency risk, price risk¹ and interest rate risk in fair value and in cash flow), credit risk and liquidity risk. The Board of Directors of the Group annually sets policies for risk management that focus on the unpredictability of the financial markets and strive to control potential adverse effects on the Group's financial performance.

Risk policy and objectives

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

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

Market risk

Currency risk

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

Transaction risk

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

Translation risk

Translation risk is the risk that the value of the Group's recognised assets and liabilities in foreign currency is negatively impacted by changes in exchange rates. The Group aims to reduce the translation risk that arises in working capital by balancing assets and liabilities in foreign currency. To reduce the translation risk in the Group's working capital in USD, the Group takes out loans in USD. The Group also strives to invoice and be invoiced in the same currency if possible, from a business perspective.

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

The table below describes the Group's net exposure on the balance sheet date in each currency translated into SEK for monetary assets and liabilities in the form of trade receivables, cash and cash equivalents, trade payables and other borrowings in foreign currency. Working capital includes not only trade receivables and trade payables, but also the Group's inventory value. As a result, the magnitude of the net exposure on the monetary items must be considered in relation to the value of the inventories in USD as of the balance sheet date. As inventories are a non-monetary asset, inventories are not translated at the exchange rate on the balance sheet date, but at the exchange rate on the purchase date. A change in the exchange rate does not normally affect the inventory value, which means that there is no effect in profit/loss for the year until the product is sold. If a change in the exchange rate were to lead to the net realisable value of the inventories in SEK being less than cost because of a fall in the exchange rate, the inventories will be impaired, having a direct effect on profit/loss.

All amounts in SEK millions

Net exposure at balance sheet date	2019	%	2018	%
EUR	-52	0%	39	0%
NOK	988	7%	121	1%
USD	-12,449	92%	-8,799	98%
Other	28	0%	-19	0%
Total	-11,485	100%	-8,658	100%

If the Swedish krona were to become stronger/weaker by 10 percent in relation to the US dollar at the balance sheet date while all other variables remained constant, profit/loss for the year after tax as of 31 December would have been SEK -361 million (-144) higher/lower as a consequence of gains/losses on translation of monetary assets and liabilities according to the table above, taking into account the indirect price effect on the Group's normal position for inventories.

Price risk

The Group is exposed to price risk regarding inventories of crude oil and refined products. Price changes in crude oil and refined oil products affect the Group's sales revenue, cost of goods sold, gross profit/loss and operating profit/loss. The Group has a defined normal position for inventories, which is the volume of priced oil required to maximise the contribution from the refining system in the most efficient way. The normal position is defined as 1,840,000 m³. The price risk at this volume is the Company's commercial risk that the Board of Directors has accepted. The Group trades in oil derivatives to counteract the price risk that arises when priced inventories deviate from the normal position. In addition to the above price risk management policy, the Group used oil derivatives during the past year to also hedge parts of its normal position.

Sensitivity analysis

The Board of Directors has established risk limits that define the extent to which volume exposure may deviate from the normal position, as well as the maximum risk expressed in USD that the Group is prepared to accept in volume deviations from the normal position. The volume deviation may be +140,000 m³ or -190,000 m³. Preem uses the value at risk method to measure the raw material price risk on the deviation position divided by product line. Using this method, the maximum potential loss is calculated with a certain probability during a set period of time.

The table below describes how the position would change in SEK million if the price were to rise/fall by 10 percent as at the balance sheet date. How such a change would have impacted the Company's financial performance depends on whether the effect on financial performance arises in the physical position or the derivatives position. The reason for this is that inventories and derivatives are measured using different accounting policies. Over time, however, the price change in the total position will affect the Company's financial performance. As a result, the total position constitutes the Company's price risk, but accrual effects arise over time in profit/loss for the year, because of the differing measurement policies for inventories and derivatives.

Year	Change in price	Physical position	Derivatives position	Total position	Of which normal position
2019	10%	1,189	-234	955	801
2019	-10%	-1,189	241	-948	-801
2018	10%	768	-120	649	604
2018	-10%	-768	199	-570	-604

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 recognised through profit/loss for the year.

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

Notes to the consolidated financial statements

Note 2. Cont.

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 realisable 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 recognised in profit/loss for the year until they have been realised. A price rise may, however, have a direct effect in profit/loss for the year if the original net realisable value is less than cost. However, this effect may not exceed the previously impaired value of inventories.

If prices fall, profit/loss is normally affected directly, which means that inventories are impaired, and a product expense is recognised in the statement of other comprehensive income. However, inventories will only be impaired to the amount at which the changed net realisable value is less than the inventory's previous carrying amount as of the balance sheet date.

In addition to price risk management of the inventories position, the Board of Directors has defined the scope for speculative trading in oil derivatives. These transactions are limited by setting a ceiling on the maximum gain or loss in such trading.

Interest rate risk

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

Loans with a floating interest rate expose the Group to interest rate risk with regard to cash flow. Loans with a fixed interest rate expose the Group to an interest rate risk regarding fair value. The Group's borrowings are at floating interest rates. It is the Group's policy to have a fixed interest period which does not exceed 12 months. As of 31 December 2019, the remaining fixed-interest period totalled approximately 0.37 months. In 2019, the Group's borrowings at floating interest rate terms consisted of EUR and USD. The Group's interest-bearing assets are in the form of loans to affiliates and, to a lesser extent, short-term investments in cash and cash equivalents.

The Group's outstanding borrowings as of the balance sheet date for loans taken out from credit institutions totalled SEK 13,471 million (7,371). 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 106 million (57) lower/higher.

Credit risk

Credit risks arise through investments in cash and cash equivalents, derivatives and credit exposure to the large number of customers to whom sales are made on credit. To limit this exposure, there are Group-wide credit policies under which only banks and financial institutions with a credit rating of at least "A" by Standard and Poor's, or by an equivalent independent credit rating agency, are accepted. Individual risk limits are established based on internal or external credit ratings. The Group also uses a range of collateral, including letters of credit, bank guarantees, deposits and Parent Company sureties. There is regular follow-up on the use of credit limits. The credit risk is controlled at the Group level by a Credit Committee.

Most of the credit exposure, in terms of volume, is to financially strong oil companies. Credit quality is considered good based on the Group's ongoing analysis of its customers. The Group only has one provision for doubtful debts of SEK 37 million (10), compared with sales revenue of SEK 84,694 million (92,553). For further information, see Note 20.

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

Liquidity risk

Liquidity risk is the risk that the Group will not have the possibility of conducting its business due to a shortage of liquid assets. The Group manages liquidity risk by maintaining sufficient cash and cash equivalents and short-term investments with a liquid market and available financing through contracted credit facilities. Every month, the Group pays approximately SEK 1,401 million (1,388) in the form of excise duties and VAT which, combined with fluctuations in purchasing and sales patterns, can place demands on the availability of short-term borrowing facilities.

The table below analyses the Group's financial liabilities and net settled derivatives that constitute financial liabilities, broken down by the term remaining after the balance sheet date until the contractual maturity date. The amounts specified in the table are the contractual, non-discounted cash flows and therefore do not correspond to the amounts in the balance sheet. The amounts that fall due within 12 months correspond to the carrying amounts, since the discount effect is insignificant.

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

As of December 31 2019	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	-	-	13,417	54
Lease debt	204	149	97	178
Oil derivatives	25	-	-	-
Trade payables	2,606	-	-	-
Other liabilities	1,836	-	-	-

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

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:

	2019	2018
Total borrowings	14,119	7,388
Less cash and cash equivalents	-2,018	-292
Net debt	12,101	7,096
Total equity	10,669	12,890
Total capitalisation	22,770	19,987
Net debt/equity ratio	53%	36%

Net debt excludes capitalised borrowing costs SEK 295 million (189).

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.

Notes to the consolidated financial statements

Note 3. Critical accounting estimates and judgments

Estimates and judgments are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the current circumstances.

Critical accounting estimates and assumptions

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

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

Goodwill

If the estimated pre-tax discount rate applied to discounted cash flows for the cash-generating unit constituted by supply had been 2 percent higher than the management's assessment, the Group would not need to write down any goodwill.

Inventories

Inventories are measured at the lower of cost and net realisable 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 recognise 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 judgements on application of the company's accounting policies

Functional currency

Preem has significant cash flows in USD. In determining the Company's functional currency, management has evaluated the criteria contained in IAS 21 on the determination of the functional currency. After giving careful consideration to all indicators, management has judged that Preem's functional currency is SEK.

Note 4. Segment reporting

Operating segments

The Group consists of two operating segments:

Supply and Refining

Crude oil is purchased for the two refineries, Preemraff Lysekil and Preemraff Gothenburg. This crude oil is refined to produce finished oil products. Approximately 61 percent (60) 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 channelled directly to consumers via the Company's network of filling stations and to companies and consumers via direct sales.

Internal pricing

Prices are set at market levels at prices based on official listings in the oil market.

Profit/loss per segment

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

2019	Supply & Refining	Marketing	Total by segment
Sales revenue			
Segments total sales revenue	77,261	28,222	105,482
Sales between segments	-20,800	-86	-20,886
External sales revenue	56,461	28,136	84,597
Exchange rate differences			97
Total external sales revenue			84,694

Operating profit	Supply & Refining	Marketing	Total by segment
Operating profit/loss per segment	2,834	277	3,111
of which depreciation/amortisation	1,197	243	1,440

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

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

Reconciliation with consolidated profit/loss before tax	2019	2018
Operating profit/loss for reported segments	3,111	3,146
Exchange differences on recurring payments	-207	-544
Currency effect on normal inventories	-	799
Corporate Centre depreciation/amortisation	-80	-10
Other ¹⁾	-1,040	-959
Total operating profit/loss	1,785	2,431
Interest income	13	8
Interest expense	-468	-284
Exchange differences	-66	-291
Other net financial items	-343	-118
Profit before tax	922	1,746

¹⁾ Mainly refers to Corporate Centre.

Other sales information

Sales revenue mainly comes from sales of oil products.

	2019	2018
Sales of oil products	84,385	92,499
Other	309	55
Total external sales revenue	84,694	92,553

Revenue of SEK 6,168 million (6,593) originates from one single customer and the revenue is included in the Supply & Refining segment.

Notes to the consolidated financial statements

Note 4. Cont.

Investments		Supply and Refining	Marketing	Other ¹⁾	Group
Capital expenditures in property, plant and equipment	2019	2,251	126	41	2,418
Capital expenditures in property, plant and equipment	2018	1,575	221	1	1,797
Capital expenditures in intangible assets	2019	-	6	152	158
Capital expenditures in intangible assets	2018	-	2	263	265
Investments in associates	2019	23	20	-	43
Investments in associates	2018	-	-	25	25

¹⁾ Mainly refers to Corporate Centre.

Distribution by geographic region

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

2019	External sales			Property, plant and equipment and intangible assets
	Supply & Refining	Marketing	Total	
Sweden	11,664	21,459	33,123	13,603
Norway	4,070	5,801	9,870	39
Other Nordic countries	5,359	-	5,359	-
Netherlands	7,110	-	7,110	-
UK	8,635	-	8,635	-
Other countries	20,598	-	20,598	-
Group			84,694	13,642

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

Note 5. Gross profit

Purchases and sales of oil products on the market are mainly USD-based. Exchange differences on disposal are recognised under net sales and exchange differences on acquisition are recognised 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 -207 million (-544).

This note also refers to the Parent Company.

Note 6. Auditors' fees

	2019	2018
KPMG		
Audit engagements	4	4
Auditing other than audit engagements	-	-
Tax consulting	1	1
Other services	1	1
	6	6

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

	2019		2018	
	Salaries and other benefits	Social security expenses (of which pension costs)	Salaries and other benefits	Social security expenses (of which pension costs)
Parent Company	998	537 (176)	907	489 (161)
Group companies	23	6 (1)	12	4 (1)
Group total	1,021	544 (177)	919	494 (162)

¹⁾ Of the Parent Company's pension costs, SEK 8.0 million (10.7) relates to the Group CEO, Board of Directors and other senior executives.

²⁾ Of the Group's pension costs, SEK 8.0 million (10.7) relates to the Group CEO, Board of Directors and other senior executives.

	2019		2018	
	Board of Directors, CEO and other senior executives	Other employees	Board of Directors, CEO and other senior executives	Other employees
Parent Company	42	954	41	865
Group companies in Sweden	-	7	-	8
Group companies abroad	2	12	1	4
Group total	44	973	42	877

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

Notes to the consolidated financial statements

Note 7. Cont.

Remuneration of senior executives

Fees are paid to the Chairman of the Board and members as per resolutions at the AGM. No separate fee is paid for committee work. Remuneration of the CEO and other senior executives consists of base pay, variable remuneration, other benefits and pensions. The breakdown between base pay and variable remuneration must be in proportion to the senior executive's responsibility and authority.

For the CEO, the variable remuneration may be a maximum of 30 percent of the base pay. For other senior executives, the variable remuneration is a defined maximum percentage of the base pay. Pension benefits and other benefits for the CEO and other senior executives are paid as part of the overall remuneration package. Other benefits consist primarily of a company car.

2019 Remuneration and benefits	Base pay/ Board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
Chairman of the Board	0.9	-	-	-	-	0.9
Other Board members (6)	2.6	-	-	-	-	2.6
CEO	11.5	4.8	0.1	0.0	-	16.5
Other senior executives (10)	17.9	3.4	1.1	8.0	-	30.3
	32.9	8.2	1.2	8.0	-	50.3

In total, SEK 3.5 million has been paid in Board fees, which is included in all items, except in other senior executives, of which one member received SEK 0.9 million, two members received SEK 0.5 million and four members received SEK 0.4 million. Compensation to an affiliate to the Chairman of the Board has been paid during 2019. See note 33.

2018 Remuneration and benefits	Base pay/ Board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
Chairman of the Board	1.0	-	-	-	-	1.0
Other Board members (8)	3.6	-	-	-	-	3.6
CEO	9.1	4.7	0.1	3.9	-	17.9
Other senior executives (7)	15.7	5.4	0.9	6.8	-	28.8
	29.4	10.1	1.0	10.7	-	51.3

In total, SEK 4.6 million has been paid in Board fees, which is included in all items, except in other senior executives, of which one member received SEK 1.0 million, two members received SEK 0.5 million and five members received SEK 0.4 million, and two members received SEK 0.3 million.

The tables above are for the Parent Company.

Pensions

The pension for the CEO is paid as gross salary according to individual agreement. The national pension plan applies to other senior executives and in certain cases there are individual solutions. All pension benefits are vested, i.e. not conditional on future employment. See also Note 23 Pension obligations.

Severance pay

There is a mutual notice period of 6 months between the Company and the CEO.

There is a mutual notice period between the Company and other senior executives of a maximum of 24 months and 6 months, respectively. There is a paid notice period of a maximum of 24 months for termination by the Company. Upon resignation by the senior executive, no severance pay is paid.

Gender distribution in company management	2019 Percentage of woman	2018 Percentage of woman
Board of Directors	0%	0%
Other senior executives	36%	33%

This table also refers to the Parent Company.

Average number of employees	2019		2018	
	Number of employees	Percentage of men	Number of employees	Percentage of men
Parent company				
Sweden	1,493	74%	1,454	69%
Group companies				
Sweden	25	28%	14	21%
Norway	18	78%	15	73%
Group total	1,536	73%	1,483	69%

Note 8. Depreciation

Breakdown of depreciation	2019	2018
Intangible assets	175	36
Buildings and land improvements	227	102
Plant and machinery	714	576
Capitalised turnaround costs	245	219
Equipment, tools, fixtures and fittings	160	105
	1,520	1,037
Breakdown by function		
Cost of goods sold	1,217	877
Selling expenses	245	142
Administrative expenses	57	18
	1,520	1,037

Note 9. Expenses by type of expense

	2019	2018
Cost of materials	77,206	84,851
Cost of employee benefits	1,567	1,417
Depreciation and amortisation	1,520	1,037
Other expenses	3,284	3,259
	83,577	90,565

Reconciliation with statement of comprehensive income

	2019	2018
Cost of goods sold	81,291	88,529
Selling expenses	1,004	913
Administrative expenses	1,282	1,123
	83,577	90,565

Note 10. Other operating income

	2019	2018
Heating deliveries	61	72
Rental income	117	114
Harbour income	50	71
Storage certificates	166	134
Service compensation	4	15
Insurance compensation	246	-
Other	23	38
	668	443

Notes to the consolidated financial statements

Note 11. Net financial items

	2019	2018
Interest income from instruments measured at amortised cost	13	8
Other	0	3
Financial income	13	11
Interest expenses from defined benefit unfunded pension obligation	-5	-4
Interest expenses from instruments valued at amortisation		
Interest expenses from instruments measured at amortised cost ¹⁾	-687	-280
Interest expense leasing debt	-23	-
Net exchange differences	-66	-291
Other	-95	-121
Financial expenses	-876	-697
Net financial items	-863	-685

¹⁾ Of which SEK 216 million (102) in interest expenses from accrued transaction fees in conjunction with raised loans recognised using the effective interest method.

The loss from oil derivatives measured at fair value, recognised as a cost of goods sold in profit/loss for the year, totaled SEK 487 million compared with a gain of SEK 753 million the previous year. A provision of SEK 0 million (0) for Preem's receivable from Corral Morocco Gas & Oil was charged to net financial items. The provision is net of capitalised interest income of SEK 31 million (157) and a provision of SEK 31 million (157).

Note 12. Tax

	2019	2018
Current tax expenses (-)/tax revenue (+)		
Tax expense for the period	-224	-253
Tax attributable to previous years	-87	0
	-311	-253
Deferred tax expenses (-)/ tax income(+)		
Deferred tax on temporary differences	-28	-36
Deferred tax as a result of changed tax rates	-	53
Deferred tax on tax loss carryforwards	-2	-35
Total reported tax expenses	-340	-271
Reconciliation of effective tax		
Profit before tax	922	1,746
Tax calculated at national tax rates applicable for profits in the respective countries	-197	-384
Other non-deductible expenses	-64	-66
Non-taxable income	3	123
Taxable income not included in profit/loss	0	-4
Tax attributable to previous years	-87	-1
Other tax adjustments	6	60
Reported tax	-340	-271
Tax items recognised directly in equity		
Current tax in Group contributions paid	152	231

The weighted average tax rate was 36,9 percent (15,5).

	Deferred tax assets	Deferred tax liabilities
2019		
Deferred tax assets and tax liabilities		
Intangible assets	-	-19
Land and buildings	-	-34
Machinery and equipment	-	-830
Tax loss carryforwards	7	-
Other	-	-1
Net assets/liabilities		-879

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

	Opening amount	Recognised in profit/loss for the year	Other changes	Closing amount
Change in deferred tax in temporary differences and tax loss carryforwards				
Intangible assets	-34	9	6	-19
Land and buildings	-23	-11	-	-34
Machinery and equipment	-725	-105	-	-830
Other	-71	74	-2	-1
Total temporary differences	-853	-33	4	-882
Tax loss carryforwards	-	-3	10	7
	-853	-36	14	-879

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

Note 13. Exchange differences in profit/loss for the year

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

	2019	2018
Net sales	97	111
Cost of goods sold	-304	-655
Financial items	-66	-291
	-273	-835

Note 14. Intangible assets

	2019	2018
Goodwill		
Opening cost	308	308
Closing accumulated cost	308	308
Carrying amount at end of period	308	308

Impairment testing of goodwill

Identified goodwill is attributable in full to the Group's cash-generating unit (CGU) Supply & Refining and Sweden.

The recoverable amount of a CGU is defined on the basis of calculations of value in use. These calculations are based on estimated future cash flows before tax based on financial budgets that have been approved by Company management and cover a 5-year period. Cash flows beyond the 5-year period are extrapolated using an estimated rate of growth as explained below. The rate of growth does not exceed the long-term rate of growth for the market in which the Supply & Refining segment operates.

Significant assumptions used to calculate value in use	Supply and Refining
Average refining margin in USD per barrel for the period	6.29-7.29
Average rate of growth for extrapolation beyond the budget period	1%
Discount rate before tax	8%

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

Notes to the consolidated financial statements

Note 14. Cont.

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

Construction in progress	2019	2018
Opening cost	779	521
Investments for the year	157	265
Completion of construction in progress	-923	-8
Exchange-rate differences for the year	0	1
Carrying amount	13	779
Other intangible assets	2019	2018
Opening cost	173	163
Business combinations	0	-
Completion of construction in progress	923	8
Exchange-rate differences for the year	5	3
Closing accumulated cost	1,101	173
Opening depreciation	44	10
Depreciation for the year	175	36
Exchange-rate differences for the year	-1	-1
Closing accumulated depreciation	218	44
Carrying amount	883	129

The capitalised interest expenses for the year of SEK 9 million (23) were attributable to intangible assets, relating primarily to one major IT project. The average interest rate is 6.2 percent (6.3).

Emission rights

Opening balance 2019	2,061,144
Number of allocated rights for 2019	1,857,708
Number of used rights for 2018 which were cancelled in 2019	-2,161,082
Purchased emission rights 2019	1,700,000
Sold emission rights ⁹⁾	-3,400,000
Profit/loss from swap of emission rights in 2019	0
Closing balance 2019	57,770
Number of allocated rights for 2020	1,814,579
Profit/loss from swap transactions 2020	0
Balance before cancellation 2020	1,872,349
Prel. number of used rights for 2019 which will be cancelled on 30 April 2020	-1,720,587
Prel. balance after 30 April 2020	151,762

⁹⁾ Of the sales in 2019, 17 million tonnes belong to a transaction where the repurchase was established in 2020. The price for the repurchase is hedged in the transaction.

The Group's balance sheet account for emission rights decreases gradually for the current 2013-2020 trading period and is forecast to be at zero by the end of the period. The deficit until the end of 2020 is believed to be 400 000 tonnes, a deficit that is hedged with the purchase of futures. An application for a capacity increase will be made in conjunction with commissioning of the HPU facility in Gothenburg in 2019. Allocation of new emission rights for this facility is expected to be approved and compensate for increased emissions. We therefore maintain our current forecast for the period.

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

Operational data will be collected from all industrial enterprises in Europe with free allocation and a decrease will then be determined based on how the industry has performed. The better the industrial enterprises perform, the faster the free allocation will decrease between 2021 and 2030. The futures prices for emission rights increased sharply during the year from EUR 20 to EUR 30. The price increase on emission rights is primarily due to the fundamental changes in the trading system. New political decisions mean that as

of 1 January 2019, the large excess offering of rights in the system will begin to decrease.

Note 15. Property, plant and equipment

Land and buildings	2019	2018
Opening cost	3,267	2,969
Leasing	462	-
Investments for the year	21	46
Business combinations	-	6
Disposals/retirements	-50	-55
Completion of construction in progress	181	296
Exchange-rate differences for the year	1	5
Closing accumulated cost	3,882	3,267
Opening depreciation	1,655	1,604
Disposals/retirements	-43	-51
Depreciation for the year	227	102
Exchange-rate differences for the year	0	0
Closing accumulated depreciation	1,839	1,655
Carrying amount	2,043	1,612
Plant and machinery⁹⁾	2019	2018
Opening cost	16,010	17,885
Reclassification	58	-
Disposals/retirements	-67	-2,376
Completion of construction in progress	2,737	501
Closing accumulated cost	18,739	16,010
Opening depreciation	10,810	12,572
Reclassification	54	-
Disposals/retirements	-49	-2 338
Depreciation for the year	714	576
Closing accumulated depreciation	11,528	10,810
Carrying amount	7,211	5,200
⁹⁾ The planned residual value includes precious metals at SEK 143 million (143).		
Capitalised turnaround costs	2019	2018
Opening cost	1,084	1,466
Retirements	-	-402
Completion of construction in progress	860	20
Closing accumulated cost	1,944	1,084
Opening depreciation	645	828
Retirements	-	-402
Depreciation for the year	245	219
Closing accumulated depreciation	889	645
Carrying amount	1,055	440
Equipment, tools, fixtures and fittings	2019	2018
Opening cost	1,526	1,556
Leasing	334	-
Investments for the year	5	3
Disposals/retirements	-80	-99
Completion of construction in progress	62	67
Reclassification	-58	-
Exchange-rate differences for the year	0	0
Closing accumulated cost	1,789	1,526
Opening depreciation	1,180	1,170
Disposals/retirements	-76	-96
Depreciation for the year	160	105
Reclassification	-54	-
Exchange-rate differences for the year	0	0
Closing accumulated depreciation	1,210	1,180
Carrying amount	579	347

Notes to the consolidated financial statements

Note 15. Cont.

	2019	2018
Construction in progress		
Opening cost	2,975	1,978
Disposals/retirements	3	0
Investments for the year	2,413	1,771
Completion of construction in progress	-3,840	-774
Exchange-rate differences for the year	0	0
Carrying amount	1,550	2,975

Capitalised interest expenses for the year were SEK 22 million (18), relating primarily to the balance sheet item "Construction in progress". The average interest rate is 3.5 percent (3.4).

Note 16. Participations in associates

Swedish companies	Corp. ID no.	Reg. Office	Number of shares	Participating interest, %	Carrying amount
AB Djurgårdsberg	556077-3714	Stockholm	366	37	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	556287-6481	Göteborg	50,000	50	25
SunPine AB	556682-9122	Piteå	16,685	25	228
Lignolproduktion AB	559095-1116	Stockholm	249,999	25	25
Biozin Holdings AS	N/A	Oslo	46,112	21	18
SunCarbon AB	556972-7315	Lund	600	33	5
					302 ⁹⁾

⁹⁾ 50% ownership of Pyrocell AB (SEK 36 million) has been classified as a subsidiary of the Group. Reported according to the splitting method. Information on the holding in Pyrocell AB is in note 115.

2019	Assets	Liabilities	Equity	Revenue	Net profit/loss
AB Djurgårdsberg	4	4	0	5	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	163	98	65	440	0
SunPine AB	978	286	692	1,436	78
Lignolproduktion AB	52	52	0	0	0
Biozin Holdings AS	12	7	5	0	1
Sun Carbon AB	8	2	6	3	-5

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

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

	2019	2018
Opening balance	238	194
Dividends	-	-25
Investment for the year	43	25
Profit participation	21	44
Closing balance	302	238

Goodwill of SEK 79 million is included.

Note 17. Receivables from affiliates

	2019	2018
Opening value	0	0
Capitalised interest for the year	31	157
Provision for receivable from CMGO	-31	-157
Closing value	0	0

The receivables from affiliates line item relates to an interest-bearing receivable from affiliate Corral Morocco Gas & Oil AB (CMGO). In the annual financial statements for 2016, a provision of SEK 1,724 million was made for Preem's receivable from CMGO based on the estimated value of the company's assets. The receivable totalled SEK 0 million after the provision but is subject to a market-based fixed interest rate of 5 percent of the original receivable of SEK 3,136 million to 31/03/2019. From 01/04/2019 no interest is no longer paid. No collateral has been pledged for the Group's receivable from CMGO. The prospects of CMGO repaying funds to Preem under the aforementioned note are dependent upon success in the legal proceedings, regarding ownership rights to the Moroccan company SAMIR which CMGO (through its subsidiary Corral Morocco Holdings AB) initiated against Morocco at ICSID (International Centre for Settlement of Investment Disputes) in Washington in Early 2018. In May 2019, the Board decided that Preem's financial support for CMGO's lawsuit against the Moroccan state at ICSID (as well as various other legal processes related to SAMIR), which was initiated in 2018, should be discontinued.

Notes to the consolidated financial statements

Note 18. Other shares and participations

	2019	2018
Carrying amount at start of period	11	26
Impairment losses	-	-20
Divestments	-10	-
Profit/loss	-	5
Carrying amount at end of period	0	11

Company	Corp. ID no.	Reg. Office	Number of shares/participations	Participating interest %	Carrying amount
Släckmedelscentralen - SMC AB	556488-8583	Stockholm	117	12	0
SPIMFAB - SPI Miljösaneringsfond AB	556539-4888	Stockholm	1	1	0
Götene E.D.F. Elföreningen, ek förening	769000-0612	Götene	100		0
SSH Svensk Servicehandel					0
					0

This note also refers to the Parent Company.

Note 19. Inventories

	2019	2018
Raw materials	5,275	3,465
Finished products	7,180	7,079
	12,456	10,543

The cost of inventories in the Group includes the equivalent of SEK 0 million (183) million of volumes of inventories out on loan. Borrowed inventory volumes corresponding to a total inventory value of SEK 75 million (78) are not included in the inventory value.

Note 20. Trade receivables

	2019	2018
Trade receivables	4,671	4,332
Provision for impairment of Trade receivables	-37	-10
Fair value of trade receivables	4,634	4,322

Provision for impairment of accounts receivable are made on the basis of expected credit losses for the remaining term. Receivables that are overdue by more than 90 days is reserved in full. The age analysis of accounts receivable is shown below:

	2019	2018
Less than 5 days	479	148
Between 6 and 30 days	142	134
Between 31 and 60 days	172	88
Between 61 and 90 days	49	-
More than 90 days	146	-
	988	371

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

	2019	2018
At start of period	10	7
Provision for impairment of trade receivables/unused amounts reversed for the year	39	15
Confirmed losses for the year	-13	-12
At end of period	36	10

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 recognised 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 21. Prepayments and accrued income

	2019	2018
Accrued income	1,622	455
Prepaid catalyst	323	161
Other	379	84
	2,324	700

Note 22. Cash and cash equivalents

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

	2019	2018
Cash and bank balances	2,018	292
	2,018	292

Notes to the consolidated financial statements

Note 23. Pension commitments

Defined benefit obligations and the value of plan assets

Wholly or partly funded obligations:	2019	2018
Present value of defined benefits liabilities	712	654
Fair value of plan assets	-670	-634
Net wholly or partially funded obligations	42	20

Unfunded obligations:

Present value of unfunded defined benefit obligations	83	84
Provision, endowment insurance	61	55
Net amount in the balance sheet (obligation +, asset -)	185	159

The net amount is recognised in the following balance sheet items:

Pension obligations	185	159
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The net amount is divided among the following countries:

Sweden	185	159
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Pension costs

The amounts recognised in profit/loss are as follows:

Defined benefit plans

Interest expenses	16	16
Fair value of plan assets	-14	-15
Total cost of defined benefit plans	2	1

The amount that is recognised in other comprehensive income is as follows:

Actuarial gains/losses on defined benefit pension plans	-23	-47
Tax attributable to items in other comprehensive income	5	10
Total other comprehensive income for the year, net of tax	-18	-37

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

Opening gross amount in the balance sheet	738	711
Payment of benefits	-29	-29
Interest expenses	16	16
Actuarial gain (+) or loss (-) for the year on the obligation for the year:		
Remeasurement	5	10
Actuarial gains and losses on changes in financial assumptions	61	28
Experience adjustments	4	3
Closing gross amount in the balance sheet	794	738

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

Active members:	0% (0%)
Vested beneficiaries:	56% (58%)
Old-age pensioners:	44% (42%)

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

	2019	2018
Opening gross amount in the balance sheet	-634	-652
Payment of benefits	22	21
Fair value of plan assets	-14	-15
Actuarial gain (+) or loss (-) for the year on plan assets	-44	11
Closing gross amount in the balance sheet	-670	-634

The actual return on plan assets amounted to SEK 57 million (4).

Actuarial assumptions

	2019	2018
Discount rate	1.45%	2.20%
Future wage increases	Not applicable	Not applicable
Staff turnover	Not applicable	Not applicable
Inflation	1.80%	2.00%
Expected average remaining period of service of employees	Not applicable	Not applicable
Life expectancy assumption	DUS 14 tjm	DUS 14 tjm
Duration of obligation	16	15

Plan assets consist of the following:

Interest-bearing securities	56%	55%
Shares	30%	33%
Real estate	14%	12%
	100%	100%

The expected return on plan assets is established by reference to the expected return on the assets covered by the current investment policy. The expected return on investments with a fixed interest rate is based on the return received if these securities are held until maturity. The expected return on shares and real estate is based on the long-term return that has occurred in the relevant market.

Sensitivity analysis	Present value of the obligation	Percentage change
Discount rate +1.0%	659	-17%
Discount rate -1.0%	966	22%
Inflation/Pension indexing +0.5%	879	11%
Inflation/Pension indexing -0.5%	718	-10%
Life expectancy + 1 year	845	6%

Contributions for defined benefit plans are estimated at SEK 0 million in 2019, as the transition to Alecta took place on 1 January 2008 and the former plan was paid up. The Group pays a fixed fee for the defined benefit pension plan to a separate legal entity (Alecta). The Group has no legal or constructive obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits associated with the employees' service during the current or previous periods.

Notes to the consolidated financial statements

Note 24. Other provisions

	Restoration of environment ¹⁾	Other ²⁾	Total
Opening balance 2019	169	75	244
Provisions for the year	20	441	461
Amounts utilised	-15	-9	-24
Unutilised amounts that have been reversed	-2	-66	-68
Closing balance 2019	173	441	614
Opening balance 2018	63	79	142
Provisions for the year	110	0	110
Amounts utilised	-4	-4	-8
Closing balance 2018	169	75	244

1) The closing balance includes a provision made in Preem AB for remediation of soil in connection with the decommissioning of the Loudden depot and remediation of a ditch at the refinery in Gothenburg. The provision has been capitalised as a non-current asset (land and land improvements) which is expected to be completed in December 2021 for Loudden and 2022 for the trench at the refinery in Gothenburg. In 2019, additional provisions were made with SEK 20 million regarding the remediation of land at Loudden.

2) Other includes SEK 436 million relating to provision for costs for emission rights.

Note 25. Borrowings

	2019	2018
Long-term borrowings		
Loans in SEK	-	1,500
Loans in EUR	54	-
Loans in USD	13,417	5,383
Leasing liabilities	424	-
Total long-term loans	13,894	6,883
Capitalised borrowing costs	-295	-189
Total net long-term loans	13,599	6,694
Deposits	21	18
Total interest bearing	13,620	6,711
Short-term borrowings		
Loans in NOK	-	105
Loans in USD	-	383
Leasing liabilities	204	-
Total short-term loans	204	488
Capitalised borrowing costs	-	-
Total net short-term loans	204	488
Total Group borrowings	14,119	7,389
Total net Group borrowings	13,824	7,200

Repayment plan	2020	2021	2022	2023-	Total
	204	149	13,513	252	14,119

Loan terms and 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
- EUR, variable interest	5	1.25	-	54
- USD, variable interest	1,440	5.27	-	13,417
Total loans				13,470
Capitalised borrowing costs				-295
Deposits				21
Leasing liabilities long and short term				628
Total borrowings incl. deposits and capitalised borrowing costs				13,824

Remaining average fixed-interest term at December 31, 2019 amounted to around 0.37 months.

Compliance with special loan conditions

Borrowings totalling SEK 13,417 million in both EUR 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, 2019.

Note 26. Overdraft facilities, etc.

	2019	2018
Authorised line of credit, checking account	-	628
Unutilised portion	-	409
Utilised credit amount	-	219
Other unutilised lines of credit		
Authorised line of credit	1,255	3,809
	1,255	3,809
Total unutilised lines of credit	1,255	4,218

With a new financing structure there is no overdraft credit. This note also refers to the Parent Company.

Note 27. Derivative instruments

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Oil derivatives	63	25	2	1

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 recognised as assets in the balance sheet.

Oil derivatives

Oil derivatives contracts are held primarily to hedge price changes in petroleum products. The nominal amount of outstanding oil derivatives contracts (including strategic hedge of normal position in the form of options) at December 31, 2019 was: Long positions SEK 843 million (225) and short positions SEK 4,043 million (1,510).

Note 28. Other liabilities

	2019	2018
VAT	910	517
Excise duties ¹⁾	768	771
Other liabilities	151	185
	1,829	1,472

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

Note 29. Accrued expenses and deferred income

	2019	2018
Purchases of crude oil and products	4,913	2,062
Personnel	342	323
Interest	8	4
Unregulated damage	430	231
Other	379	828
	6,072	3,448

Notes to the consolidated financial statements

Note 30. Pledged assets and contingent liabilities

Pledged assets	2019	2018
Property mortgages	4,000	4,000
Floating charges	10,000	8,000
Deposits	215	118
Trade receivables	5,270	4,076
	19,485	16,194
Contingent liabilities		
Sureties for associates	46	96
Guarantees FPG/PRI	1	1
	47	98

Property mortgages, floating charges and trade receivables are pledged to serve as collateral in conjunction with fulfilment of the Group's syndicated bank loan obligations. Preem AB has, in addition to the above pledged their insurance and Preem Försäkrings AB their reinsurance. According to the new credit facility the representatives of the bank syndicate are the "loss-payee" in relation to the insurances.

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

Other contingent liabilities

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

This note also refers to the Parent Company.

Note 31. Supplementary disclosures to the cash flow statement

Interest paid and dividends received	2019	2018
Dividends received	-	25
Interest received	6	8
Interest paid	-504	-269
Adjustment for non-cash items, etc.		
Depreciation of non-current assets	1,520	1,037
Impairment of non-current assets	-	27
Impairment losses on inventories	-385	393
Unrealised exchange rate losses (+)/exchange rate gains (-)	-51	109
Unrealised exchange rate losses (+)/ exchange rate gains (-), net financial items	-27	-21
Unrealised gains (-)/losses (+) on oil derivatives	384	-484
Expensed share of capitalised borrowing costs	216	102
Provisions	348	-10
Capital gains/losses on disposal/retirement of non-current assets	-414	5
Profit participation in associates	-21	-49
Other	-	4
	1,571	1,112
Acquisition of subsidiary - Group	2019	2018
Intangible assets		
Intangible assets	-	1
Property, plant and equipment	-	33
Cash and cash equivalents	-	1
Total assets	-	35
Current provisions	-	-6
Operating liabilities	-	-1
Total provisions and liabilities	-	-7
Consideration:		
Consideration paid ¹⁾	-	-27
Impact on cash and cash equivalents	-	-26

¹⁾ See note 112.

Reconciliation of liabilities arising from financing activities

	Opening balance 2019	Cash flows	Non-cash changes		Closing balance 2019
			Exchange rate, unrealised	Other	
Bank overdraft facilities	219	-219	-	-	0
Syndicated bank loans	7,152	6,342	-24	-	13,470
Deposits	18	3	-	-	21
Leasing	-	-161	-3	792	629
Total liabilities arising from financing activities	7,389	5,965	-27	792	14,119

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

Note 32. Financial instruments**Financial instruments by category**

2019	Assets measured at fair value through profit/ loss for the year	Assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Carrying amount	Fair value
Assets in the balance sheet					
Other shares and participations	0	-	-	0	0
Derivatives	63	-	-	63	63
Receivables from Parent Company	-	-	306	306	306
Trade receivables and other receivables	-	-	6,507	6,507	6,507
Cash and cash equivalents	-	-	2,018	2,018	2,018
	63	-	8,831	8,894	8,894
	Liabilities at fair value through profit/ loss for the year	Liabilities at fair value through other comprehensive income	Other liabilities	Carrying amount	Fair value
Liabilities in the balance sheet					
Borrowings	-	-	13,491	13,491	13,491
Derivatives	25	-	-	25	25
Leasing liabilities	-	-	628	628	628
Other liabilities	-	-	5,185	5,185	5,185
	25	-	19,304	19,329	19,329
2018	Assets measured at fair value through profit/ loss for the year	Assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Carrying amount	Fair value
Assets in the balance sheet					
Other shares and participations	11	-	-	11	11
Derivatives	2	-	-	2	2
Receivables from Parent Company	-	-	55	55	55
Trade receivables and other receivables	-	-	5,339	5,339	5,339
Cash and cash equivalents	-	-	292	292	292
	13	-	5,686	5,698	5,698
	Liabilities at fair value through profit/loss for the year	Liabilities at fair value through other comprehensive income	Other liabilities	Carrying amount	Fair value
Liabilities in the balance sheet					
Borrowings	-	-	7,389	7,389	7,389
Derivatives	1	-	-	1	1
Other liabilities	-	-	4,282	4,282	4,282
	1	-	11,670	11,671	11,671

Financial instruments measured at fair value in the balance sheet

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

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

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

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

2019	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	-	63	-
	-	63	-
Liabilities in the balance sheet			
Oil derivatives	-	25	-
	-	25	-
2018	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	-	2	-
	-	2	-
Liabilities in the balance sheet			
Oil derivatives	-	1	-
	-	1	-

Notes to the consolidated financial statements

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.

2019	Sales	Purchases	Receivables Dec 31	Liabilities Dec 31
Relationships with affiliates				
Parent Company	-	-	251	-
Associates	11	1,079	0	0
Other affiliates*	2	405	55	129

*The increased cost to other affiliates, relates to a compensation amounting to SEK 116,5 million to Sparrow Winds Ltd. The company is an associate to the Chairman of the Board, Jason Milazzo. The amount relates to a one time compensation regarding a termination clause of 30 months. A new agreement with altered conditions concerning termination has been agreed with Sparrow Winds Ltd, and is in effect from November 2019.

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

Note 34. Other non-current receivables

	2019	2018	Buildings and land	Equipment and tools	TOTAL
At start of year	124	91			
Capital expenditures for the year					
Endowment insurance	3	4			
Project Rocc	96	28	81	207	288
Other	0	-	-78	-70	-147
Carrying amount	222	124	385	264	649

This note also refers to the Parent Company.

Note 35. Leases

The effect of the transition to IFRS 16 on the Group's leasing agreement is described in Note 1 Significant accounting policies. The transition method that the Group has chosen to apply in the transition to IFRS 16 means that the comparative information has not been restated to reflect the new requirements.

The Group's tangible fixed assets comprise of both owned and leased assets.

	2019
Tangible assets owned	11,790
Right-of-use assets	649
	12,439

The Group leases several types of assets such as buildings, land, vehicles, time-share boats and machinery. No leasing agreements contain covenants or other restrictions in addition to the security of the leased asset.

	Buildings and land	Equipment and tools	TOTAL
Right-of-use assets			
Effect of the transition to IFRS 16	382	127	508
Additional right-of-use during the year	81	207	288
Depreciation and disposals during the year	-78	-70	-147
Closing balance December 31, 2019	385	264	649

	2019
Leasing liabilities	
Short term	204
Long term	424
Leasing liabilities included in the report over financial position	628

For maturity analysis of leasing liabilities, see Note 2 Financial risk management in the section on liquidity risk.

	2019
Amounts recognised in profit or loss	
IFRS 16	
Depreciation of right-of-use assets	147
Interest on leasing liabilities	18

	2018
IAS 17 Non-cancellable lease payments amount to:	
Within a year	204
Between one year and five years	445
More than five years	54
	703

	2018
IAS 17 Expensed fees for operating leases amount to:	
Minimum lease fees	202
Variable fees	147
Total leasing costs	349

	2019
Amounts reported in the cash flow report	
Total cash outflows attributable to leasing agreements	202

The above cash outflow includes both amounts for leasing contracts that are reported as leasing liabilities, as well as amounts paid for variable leasing fees, short-term leases and leases of low value.

Notes to the consolidated financial statements

Note 35. Cont.

Property leasing

The Group leases buildings and land for its depots, office and petrol stations. The leasing agreements normally have a term of ten, three and five years respectively. Some leases include an option to renew the lease agreement at the end of the lease period with another period with the same term. Some leasing agreements contain leasing fees based on changes in local price indices or the Group's sales in the leased gas stations during the year. Certain leasing agreements also require the Group to pay fees relating to property taxes that are imposed on the lessor. These amounts are determined annually. The Group rents out some of these properties as operating leases.

Leasing of Time-share boats

The Group leases boats for shipping crude oil and finished products. The leasing contracts normally have a term of 2 years. All leasing agreements contain an option to renew the lease agreement at the end of the lease period with another period with the same term.

Other leasing agreements

The Group leases vehicles with lease periods of three to five years. In some cases, the Group has an opportunity to buy the asset at the end of the lease period, which is rarely used. Usually, the Group guarantees the residual value of the leased asset at the end of the lease period. Extension options exist only to an insignificant extent. The expected payments for the residual values are considered intangible for the Group.

Lessors

Operating leases

The Group rents out properties to partners. The Group classifies these leases as operational because the leases do not transfer the significant risks and rewards associated with ownership of the underlying asset. Below is a maturity analysis of leasing fees, which shows the discounted leasing fees to be received after the balance sheet date.

IFRS 16	2019
Within a year	200
Between one year and five years	800
More than five years	-
IAS 17	2018
Within a year	87
Between one year and five years	443
More than five years	-

Note 36. Events after the closing date

Preem has appointed a new CEO to succeed Petter Holland who retires after the summer. His successor is Magnus Heimborg, who is currently CFO of Perstorp Holding AB and with a previous background as CFO of Preem AB. The CEO change will take place in August.

This note also applies to the parent company.

Income statement

AMOUNTS IN SEK MILLIONS

	Note	2019	2018
Net sales		93,478	102,063
Excise duties ¹⁾		-10,187	-10,198
Sales revenue	102	83,291	91,865
Cost of goods sold		-80,333	-88,188
Gross profit	5	2,957	3,677
Selling expenses		-918	-887
Administrative expenses		-1,320	-1,089
Other operating income	107	933	645
Operating profit	7, 103-107	1,653	2,346
Profit from participations in Group companies		-	5
Financial income		23	48
Financial expenses		-864	-694
Net financial items	108	-841	-641
Profit before tax		812	1,705
Tax expenses for the period	109	-333	-269
Profit for the year²⁾		479	1,436

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

²⁾ Profit for the year corresponds to comprehensive income for the year.

Balance sheet

AMOUNTS IN SEK MILLIONS

Assets	Note	12/31/2019	12/31/2018
Non-current assets			
<i>Intangible assets</i>			
Construction in progress	110	7	777
Other intangible assets	110	786	5
		793	781
<i>Property, plant and equipment</i>			
Land and buildings	30, 111	1,609	1,557
Plant and machinery	111	7,206	5,200
Capitalised turnaround costs	111	1,055	439
Equipment, tools, fixtures and fittings	111	309	338
Construction in progress	111	1,511	2,974
		11,690	10,509
<i>Financial assets</i>			
Participations in Group companies	112	429	429
Receivables from Group companies	113, 124	3	3
Participations in associates	115	208	130
Receivables from associates	124	0	0
Receivables from affiliates	114, 124	251	0
Other shares and participations	18, 124	0	11
Other non-current receivables	34	222	124
		1,113	696
Total non-current assets		13,596	11,986
Current assets			
<i>Inventories</i>			
Raw materials and consumables	116	5,275	3,461
Finished products	116	6,966	6,701
		12,241	10,162
<i>Receivables</i>			
Trade receivables	30, 118, 124	4,029	4,076
Receivables from Parent Company	124, 33	55	55
Receivables from Group companies	124	512	401
Receivables from associates	124	-	0
Derivatives	27, 124	63	2
Other receivables	124	1,222	771
Prepaid expenses and accrued income		2,753	653
		8,635	5,959
Cash and bank balances	123, 124	1,960	239
Total current assets		22,835	16,360
Total assets		36,432	28,346

Balance sheet, cont.

AMOUNTS IN SEK MILLIONS

Equity, provisions and liabilities	Note	12/31/2019	12/31/2018
Equity			
<i>Restricted equity</i>			
Share capital (610,258 shares)		610	610
Statutory reserve		266	266
Other restricted equity		684	692
		1,560	1,569
<i>Non-restricted equity</i>			
Profit brought forward		8,127	9,474
Profit for the year		479	1 436
		8,606	10,910
Total equity		10,166	12,479
Provisions			
Provisions for pensions	119	129	128
Provisions for deferred tax	109	874	835
Other provisions	24	613	244
Total provisions		1,617	1,207
Liabilities			
<i>Non-current liabilities</i>			
Liabilities to credit institutions	117	13,122	6,693
Liabilities to Group companies	122	169	107
Other non-current liabilities	117	21	18
		13,312	6,818
<i>Current liabilities</i>			
Liabilities to credit institutions	117	-	488
Advance payments from customers		750	5
Trade payables	124	2,558	2,667
Liabilities to Group companies	124	633	65
Liabilities to associates	124	0	97
Derivatives	27, 124	25	1
Current tax liabilities		149	7
Other liabilities	120, 124	1,564	1,300
Accrued expenses and deferred income	121	5,658	3,212
		11,337	7,843
Total liabilities		24,649	14,660
Total equity, provisions and liabilities		36,432	28,346
Pledged assets and contingent liabilities	30		

Statement of changes in equity

AMOUNTS IN SEK MILLIONS

	Restricted equity			Non-restricted equity		Total equity
	Share capital	Statutory reserve	Other restricted equity	Profit brought forward	Profit for the year	
Opening equity 1/1/2018	610	266	430	7,476	3,059	11,841
<i>Adjustment according to IFRS 9</i>	-	-	-	0	-	0
Appropriation of profits	-	-	-	3,059	-3,059	-
Profit for the year	-	-	-	-	1,436	1,436
Dividends paid	-	-	-	-380	-	-380
Shareholder's contribution received	-	-	-	400	-	400
Group contributions paid	-	-	-	-1,048	-	-1,048
Tax attributable to Group contributions paid	-	-	-	231	-	231
Translation difference	-	-	-	0	-	0
Fund for internally generated development expenditure	-	-	263	-263	-	-
Closing equity 12/31/2018	610	266	692	9,474	1,436	12,479
Opening equity 01/01/2019	610	266	692	9,474	1,436	12,479
Appropriation of profits	-	-	-	1,436	-1,436	-
Profit for the year	-	-	-	-	479	479
Dividends paid	-	-	-	-2,944	-	-2,944
Shareholder's contribution received	-	-	-	713	-	713
Group contributions paid	-	-	-	-712	-	-712
Tax attributable to Group contributions paid	-	-	-	152	-	152
Translation difference	-	-	-	0	-	0
Fund for internally generated development	-	-	-9	9	-	-
Closing equity 12/31/2019	610	266	684	8,127	479	10,166

Statutory reserve

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

Other restricted equity

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

Non-restricted equity

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

Number of shares and appropriation of profit

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

Conditional shareholders' contributions

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

Cash flow statement

AMOUNTS IN SEK MILLIONS

	Note	2019	2018
Operating activities			
Profit before tax		812	1,705
Adjustments for non-cash items	122	1,476	1,077
		2,288	2,782
Tax paid		1	0
Cash flow from operating activities before changes in working capital		2,289	2,783
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		-1,708	159
Increase (-)/Decrease (+) in operating receivables		-2,667	-58
Increase (+)/Decrease (-) in operating payables		3,237	-1,545
Cash flow from operating activities		1,151	1,340
Investing activities			
Acquisition of subsidiaries		-	-26
Acquisition of intangible assets		-152	-263
Acquisition of property, plant and equipment		-2,373	-1,766
Sale of intangible fixed assets		436	-
Disposal of property, plant and equipment		4	34
Investment in financial assets		-174	-189
Disposal of financial assets		11	-
Cash flow from investing activities		-2,248	-2,211
Financing activities			
Borrowings		18,063	9,894
Repayment of loans		-11,993	-7,869
Dividends paid		-2,944	-380
Borrowing costs		-288	-
Group contributions paid		-	-648
Cash flow from financing activities		2,838	997
Cash flow for the year		1,741	126
Opening cash and bank balances		239	132
Exchange gains/losses on cash and cash equivalents		-20	-19
Closing cash and bank balances	123	1,960	239

For supplementary disclosures, see Note 122.

Notes to the Parent Company financial statements

Note 101. Significant accounting policies for the Parent Company

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

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

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

Differences between Group and parent company accounting policies

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

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

Classification and presentation methods

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

Subsidiaries and associates

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

Leasing Lessees

In the Parent Company, all leasing fees are recognised as a cost on a straight-line basis over the lease period.

Lessors

The Parent Company recognises its lease payments as revenue on a straight-line basis over the lease period. The expenses related to the leasing income are recognised when they arise.

Employee benefits

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

Income taxes

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

Group contributions and shareholders' contributions for legal entities

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

Development expenditure fund

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

Branch in Norway

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

Parent company notes

Note 102. Segment reporting

Sales by segment	Supply & Refining	Marketing	Elim	Total
Sales 2019	81,882	22,294	-20,885	83,291
Sales 2018	89,521	21,726	-19,382	91,865

Sales by geographical region	2019	2018
Sweden	33,149	35,259
Norway	8,440	3,157
Other Nordic countries	5,359	5,742
Netherlands	7,110	20,687
UK	8,635	10,789
Other countries	20,598	16,230
Parent Company	83,291	91,865

Note 103. Auditors' fees

	2019	2018
KPMG		
Audit engagements	3	3
Tax consulting	1	1
Other services	1	1
	5	5

Note 104. Depreciation and amortisation

Breakdown of depreciation and amortisation	2019	2018
Intangible assets	140	2
Buildings and land improvements	143	98
Plant and machinery	712	576
Capitalised turnaround costs	245	219
Equipment, tools, fixtures and fittings	89	100
	1,329	995

Breakdown by function	2019	2018
Cost of goods sold	1,113	870
Selling expenses	163	114
Administrative expenses	52	10
	1,329	995

Note 105. Leases

Lease payments for operating leases	2019	2018
Minimum lease payments	239	215
Variable payments	55	41
Total lease expenses	294	256

Contracted future minimal lease payments		
Within one year	296	159
Between one and five years	855	446
More than five years	300	61

Lease revenue from operating leases	2019	2018
Minimum lease payments	202	86
Variable payments	147	28
Total lease revenue	349	114

Contracted future minimum lease payments		
Within one year	200	87
Between one and five years	800	443
More than five years	-	-

Note 106. Expenses by type of expense

	2019	2018
Cost of materials	76,375	84,420
Cost of employee benefits	1,535	1,396
Depreciation and amortisation	1,329	995
Other expenses	3,332	3,353
	82,571	90,164

Reconciliation with income statement		
Cost of goods sold	80,333	88,188
Selling expenses	918	887
Administrative expenses	1,320	1,089
	82,571	90,164

Note 107. Other operating income

	2019	2018
Heating deliveries	61	72
Rental income	121	114
Charter rent	229	150
Harbour income	79	121
Storage certificates	166	134
Service compensation	4	15
Insurance compensation	246	-
Other	27	41
	933	645

Note 108. Net financial items

	2019	2018
Group contributions received	-	5
	-	5
Interest income from instruments measured at amortised cost	23	19
Dividends	-	25
Other	-	3
Financial income	23	47
Interest expenses from defined benefit unfunded pension obligation	-3	-3
Interest expenses from instruments measured at amortised cost ¹⁾	-689	-280
Net exchange differences	-74	-289
Other	-99	-121
Financial expenses	-864	-693
Net financial items	-841	-641

¹⁾ Of which SEK 216 million (102) in interest expenses from accrued transaction fees in conjunction with raised loans recognised using the effective interest method.

The net profit from oil derivatives measured at fair value, recognised as a cost of goods sold in profit/loss for the year, totalled SEK 487 million compared with a profit of SEK 753 million the previous year.

Net financial items were charged with a provision of SEK 0 (0) million for Preem's claim on Corral Morocco Gas & Oil, which is a net of capitalised interest income of SEK 31 (157) million and a provision of SEK 31 (157) million.

Parent company notes

Note 109. Tax

	2019	2018
Current tax expense (-)/tax revenue (+)		
Tax expenses for the period	-207	-236
Tax attributable to previous years	-87	-
	-295	-236
Deferred tax expenses (-)/tax income (+)		
Deferred tax on temporary differences	-38	0
Deferred tax on tax loss carryforwards	-1	-34
Total reported tax expenses	-333	-269

	2019	2018
Reconciliation of effective tax		
Profit before tax	812	1,705
Income tax calculated according to the prevailing tax rate for the Parent Company	-174	-375
Other non-deductible expenses	-63	-58
Non-taxable income	3	114
Taxable income not included in profit/loss	0	-4
Tax attributable to previous years	-87	-1
Other tax adjustments	-11	55
Reported tax	-333	-269

Tax items recognised directly in equity		
Current tax in Group contributions paid/received	152	231

The weighted average tax rate was 41.1 percent (15.8).

	Deferred tax assets	Deferred tax liabilities
Deferred tax assets and tax liabilities		
Land and buildings	-	-32
Machinery and equipment	-	-830
Other	3	-14
Net assets/liabilities		-874

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

	Amount at beginning of year	Recognised in profit/loss for the year	Other changes	Amount at year end
Change in deferred tax in temporary differences				
Land and buildings	-23	-9	-	-32
Machinery and equipment	-725	-105	-	-830
Other	-87	72	-	-14
Total temporary differences	-835	-42	-	-877
Other	4	-1	0	3
	-831	-43	0	-874

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

Note 110. Intangible assets

	2019	2018
Construction in progress		
Opening cost	777	514
Investments for the year	152	263
Completion of construction in progress	-921	-
Carrying amount at end of period	8	777

	2019	2018
Other intangible assets		
Opening cost	8	8
Completion of construction in progress	921	-
Closing accumulated cost	929	8
Opening amortisation	3	2
Amortisation for the year	140	2
Closing accumulated amortisation	143	3
Carrying amount at end of period	786	5

Note 111. Property, plant and equipment

	2019	2018
Land and buildings		
Opening cost	3,181	2,941
Disposals/retirements	-41	-54
Other changes	20	110
Completion of construction in progress	181	184
Closing accumulated cost	3,341	3,181
Opening depreciation	1,624	1,576
Disposals/retirements	-35	-51
Depreciation for the year	143	98
Closing accumulated depreciation	1,731	1,624
Carrying amount	1,609	1,557

	2019	2018
Plant and machinery⁹		
Opening cost	16,011	17,885
Disposals/retirements	-67	-2,376
Completion of construction in progress	2,736	501
Closing accumulated cost	18,680	16,011
Opening depreciation	10,811	12,572
Disposals/retirements	-49	-2,338
Depreciation for the year	712	576
Closing accumulated depreciation	11,474	10,811
Carrying amount	7,206	5,200

⁹ The carrying amount includes precious metals at SEK 143 million (143).

	2019	2018
Capitalised turnaround costs		
Opening cost	1,084	1,466
Disposals/retirements	-	-402
Completion of construction in progress	860	20
Closing accumulated cost	1,944	1,084
Opening depreciation	645	828
Retirements	-	-402
Depreciation for the year	245	219
Closing accumulated depreciation	889	645
Carrying amount	1,055	440

	2019	2018
Equipment, tools, fixtures and fittings		
Opening cost	1,460	1,498
Disposals/retirements	-78	-98
Completion of construction in progress	62	61
Closing accumulated cost	1,445	1,460
Opening depreciation	1,122	1,118
Disposals/retirements	-75	-95
Depreciation for the year	89	100
Closing accumulated depreciation	1,136	1,122
Carrying amount	308	338

	2019	2018
Construction in progress		
Opening cost	2,974	1,974
Disposals/retirements	3	-
Investments for the year	2,373	1,766
Completion of construction in progress	-3,839	-766
Carrying amount	1,511	2,974

Parent company notes

Note 112. Participations in Group companies

	Corp. ID no.	Reg. Office	Number of shares	Participating interest, %	Carrying amount
Swedish companies					
Operating					
Bensinstation Preem AB	556909-4633	Malmö	1,000	100	1
Preem Försäkrings AB	516406-0930	Stockholm	75,000,000	100	170
Preem Shipping AB	559110-9052	Stockholm	500	100	0
Preem Technology AB	556117-6610	Lysekil	4,000	100	1
Svensk Petroleum Förvaltning AB	556067-8459	Stockholm	664	66	0
Drivmedelstation Preem AB	556955-3117	Stockholm	1,000	100	0
Tibblemarken 3 AB	556915-2571	Stockholm	500	100	0
Celkirk AB	559110-1596	Stockholm	50,000	100	27
Dormant					
Svenska Petroleum AB	556046-4819	Stockholm	1,000	100	0
Såifa Drivmedel AB	556039-7001	Stockholm	5,000	100	1
					200
Foreign companies					
Operating					
Preem Norge AS	919 502 193	Bærum	75,048	100	230
					230

Accumulated cost	2019	2018
At start of year	547	364
Acquisitions for the year	-	28
Group contributions	3	49
Shareholders' contributions	62	106
	612	547

Accumulated impairment losses/amortisation	2019	2018
At start of year	118	69
Impairment losses	65	49
	183	118
Carrying amount at end of period	429	429

Note 113. Receivables from Group companies

	2019	2018
Opening cost	3	3
Closing accumulated cost	3	3

Note 114. Receivables from parent companies

	2019	2018
Opening cost	0	-
Receivables Group company	251	-
Closing accumulated cost	251	0

Note 115. Participations in associates

Swedish companies	Corp. ID no.	Reg. Office	Number of shares	Participating interest, %	Carrying amount
AB Djurgårdsberg	556077-3714	Stockholm	366	37	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	556287-6481	Göteborg	50,000	50	25
SunPine AB	556682-9122	Piteå	16,685	25	98
Lignolproduktion AB	559095-1116	Stockholm	249,999	25	25
Biozin Holdings AS	N/A	Oslo	46,112	21	18
SunCarbon AB	556972-7315	Lund	600	33	5
Pyrocell AB	559167-3784	Gävle	500	50	36
					208

2019	Assets	Liabilities	Equity	Revenue	Net profit/loss
AB Djurgårdsberg	4	4	0	5	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	163	98	65	440	0
SunPine AB	978	265	714	1,437	78
Lignolproduktion AB	52	52	0	-	0
Biozin Holdings AS	12	7	5	0	1
SunCarbon AB	8	2	6	3	-5
Pyrocell AB	180	109	72	0	0

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

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

	2019	2018
Opening balance	129	103
Investment for the year	78	26
Closing balance	208	129

Parent company notes

Note 116. Inventories

	2019	2018
Raw materials	5,275	3,465
Finished products	6,966	6,697
	12,241	10,162

The cost of inventories in the Group includes the equivalent of SEK 0 million (183) million of volumes of inventories out on loan. Borrowed inventory–volumes corresponding to a total inventory value of SEK 75 million (78) are not included in the inventory value.

Note 117. Borrowing

	2019	2018
Long-term borrowing		
Loan in SEK	-	1,500
Loan in USD	13,417	5,383
Total long-term loans and leasing	13,417	6,883
Capitalised borrowing costs	-295	-189
Total long-term borrowing, net	13,122	6,694
Deposits	21	18
Total interest-bearing	13,143	6,711
Short-term borrowing		
Loan in NOK	-	105
Loan in USD	-	383
Total short-term borrowing	0	488
Total borrowing Group	13,438	7,389
Total borrowing Group, net	13,143	7,200

	2020	2021	2022	2023-	Total
Amortisation schedule	-	-	13,417	21	13,438

Loan terms, effective interest rate and maturity structure

Long-term liabilities credit	Nominal value local currency	Effective interest	Maturity (million SEK)	
			Less than 1 year	1-5 year
- USD, variable interest rates	1,440	5.27	-	13,417
Total loan			-	13,417

Capitalised borrowing costs	-295
Deposits	21
Total borrowing including leasing, deposits & capitalised borrowing costs	- 13,143

The outstanding average fixed interest term as of December 31, 2019 was approximately 0.37 months.

Fulfilment of special loan terms

Loans amounting to a total of SEK 13,417 million (USD 1,440) are a syndicated loan and are subject to a clause requiring compliance with the minimum level of equity, net debt in relation to equity, interest coverage ratio and net debt in relation to EBITDA. All conditions are met as of 31 December 2019.

Note 118. Trade receivables

	2019	2018
Trade receivables	4,058	4,082
Provision for impairment of trade receivables	-30	-6
Fair value of trade receivables	4,029	4,076

Provisions for doubtful debts are made on the basis of expected credit losses for the remaining term. A claim that is overdue for more than 90 days is reserved in full. The age analysis of trade receivables is shown below:

	2019	2018
Less than 5 days	396	109
Between 6 and 30 days	120	110
Between 31 and 60 days	159	82
Between 61 and 90 days	49	-
More than 90 days	146	-
	870	300

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

	2019	2018
At start of period	6	7
Provision for impairment of trade receivables/unused amounts reversed for the year	36	11
Confirmed losses for the year	-12	-12
At end of period	30	6

The accounting policies applied are described in Note 20 for the Group.

Note 119. Provisions for pensions

	2019	2018
Net liability in the balance sheet		
Present value of obligation (calculated using Swedish policies) relating to unfunded pension plans	129	128
Net amount recognised for pension obligations	129	128

Changes in net liabilities

Net liabilities at start of year for pension obligations	128	127
Interest component of pension costs for the year	3	3
Provision	5	6
Pension payments	-8	-8
Other changes	-	-
	129	128

Share of these expenses covered by credit insurance via FPG/PRI

	68	73
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Parent company notes

Note 120. Other liabilities

	2019	2018
VAT	712	431
Excise duties ⁹⁾	702	725
Other liabilities	151	145
	1,564	1,300

⁹⁾ Excise duties refer to energy tax, carbon dioxide tax, sulphur tax and alcohol tax.

Note 123. Cash and bank balances

The cash and bank balance in the balance sheet and the cash flow analysis include the following with due date shorter than three months after acquisition.

	2019	2018
Cash and bank balance	1,960	239
	1,960	239

Note 121. Accrued expenses and deferred income

	2019	2018
Purchases of crude oil and products	4,913	2,062
Personnel	338	321
Interest	8	4
Other	400	826
	5,658	3,212

Note 122. Supplementary disclosures to the cash flow statement

	2019	2018
Interest paid and dividends received		
Dividends received	-	25
Interest received	16	19
Interest paid	-500	-267
Adjustment for non-cash items, etc		
Depreciation of non-current assets	1,329	967
Write-downs of non-current assets	65	49
Impairment losses on inventories (+)/ Reversal of impairment losses on inventories (-)	-371	376
Unrealised exchange rate losses (+)/exchange rate gains (-)	-36	101
Unrealised exchange rate losses (+)/ exchange rate gains (-), net financial items	-23	-21
Unrealised gains (-)/losses (+) on oil derivatives	363	-484
Expensed share of capitalised borrowing costs	216	102
Provisions	348	-12
Capital gains/losses on disposal/retirement of non-current assets	-414	5
Capital gains/losses from associates	-	-5
	1,476	1,077

Reconciliation of liabilities arising from financing activities

	Opening balance 2019	Cash flows	Non-cash changes		Closing balance 2019
			Exchange rate, unrealised	Other	
Bank overdraft facilities	219	-219	-	-	0
Syndicated bank loans	7,152	6,288	-24	-	13,416
Deposits	18	3	-	-	21
Total liabilities arising from financial activities	7,389	6,072	-24	-	13,437

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

Parent company notes

Note 124. Financial instruments

Financial instruments by category

2019	Assets measured at fair value through profit/ loss for the year	Assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Carrying amount	Fair value
Assets in the balance sheet					
Other shares and participations	0	-	-	0	0
Derivatives	63	-	-	63	63
Receivables from related companies	-	-	306	306	306
Receivables from Parent Company	-	-	515	515	515
Trade receivables and other receivables	-	-	5,251	5,251	5,251
Cash and cash equivalents	-	-	1,960	1,960	1,960
	63	-	8,032	8,095	8,095

2019	Liabilities at fair value through profit/ loss for the year	Liabilities at fair value through other comprehensive income	Other liabilities	Carrying amount	Fair value
Liabilities in the balance sheet					
Borrowings	-	-	13,438	13,438	13,438
Liabilities to related companies	-	-	802	802	802
Derivatives	25	-	-	25	25
Other liabilities	-	-	4,872	4,872	4,872
	25	-	19,111	19,136	19,136

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

2018	Liabilities at fair value through profit/loss for the year	Liabilities at fair value through other comprehensive income	Other liabilities	Carrying amount	Fair value
Liabilities in the balance sheet					
Borrowings	-	-	7,389	7,389	7,389
Derivatives	1	-	-	1	1
Other liabilities	-	-	4,134	4,134	4,134
	1	-	11,522	11,523	11,523

Financial instruments measured at fair value in the balance sheet

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

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

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

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

2019	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	-	63	-
	-	63	-
Liabilities in the balance sheet			
Oil derivatives	-	25	-
	-	25	-

2018

Assets in the balance sheet

	Level 1	Level 2	Level 3
Oil derivatives	-	2	-
	-	2	-

Liabilities in the balance sheet

	Level 1	Level 2	Level 3
Oil derivatives	-	1	-
	-	1	-

Note 125. Proposal for allocation of profits

Free equity in the parent company amounts to TSEK 8,605,979.

The Board of Directors proposes that the amount be allocated as follows:

	2019
Dividend	151,468
Carried forward (thousand SEK)	8,454,511
Total	8,605,979

Board signatures

Stockholm, March 10, 2020

Per Höjgård

Richard Öhman

Michael G:son Löw

Petter Holland
Chief Executive Officer

Jason T. Milazzo
Chairman of the Board

Erika Andersson
Employee representative

Lennart Sundén

Cristian Mattsson
Employee representative

Our audit report was submitted on March 10, 2020

KPMG AB
Håkan Olsson Reising
Authorised Public Accountant

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 2019.

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 2019 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 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the sustainability report which is accessible via preem.se/om-preem/finansuell_info/. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are

also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

Auditor's report

- 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 2019 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.

Auditor's report

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions under-

taken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's opinion regarding the statutory sustainability report

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

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

A statutory sustainability report has been prepared.

Stockholm, March 10, 2020

KPMG AB

Håkan Olsson Reising
Authorized Public Accountant

The Preem Group's operations in summary

	2019	2018	2017	2016	2015
Sales revenue, SEK million	84,694	92,553	68,752	56,041	66,006
Profit/loss before tax ²⁾ , SEK million	922	1,746	3,971	1,431	1,423
Return on capital employed ²⁾ , %	8	12	29	25	19
Return on adjusted equity ²⁾ , %	5	11	25	8	11
Adjusted EBITDA ²⁾ , SEK million	3,330	3,570	4,188	3,399	5,427
Capital expenditures in plants ¹⁾ , SEK million	2,576	2,063	2,337	1,348	968
Total assets, SEK million	37,617	29,092	27,591	22,980	21,381
Equity/assets ratio, %	28	44	44	39	38
Average number of employees	1,536	1,483	1,458	1,395	1,319

¹⁾ Excluding plants acquired through acquisitions

²⁾ From the 1st of January 2019 the effect of IFRS16 Leasing is included

Definitions

Capital employed

Total assets minus interest-free trade payables.

Average adjusted equity

Equity including non-controlling interests.

Return on capital employed

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

Return on adjusted equity

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

Adjusted EBITDA

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

Equity/assets ratio

Adjusted equity as a percentage of total assets.

