

# CORRAL PETROLEUM HOLDINGS AB (publ)

## REPORT FOR THE FIRST QUARTER ENDED MARCH 31, 2019

No. of pages 15

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

### Financial Highlights – First Quarter 2019

- Sales revenue for the first quarter of 2019 amounted to 21,259 MSEK compared to 20,609 MSEK in the first quarter of 2018.
- EBITDA<sup>1</sup> for the first quarter of 2019 amounted to 819 MSEK compared to 230 MSEK in the first quarter of 2018.
- Adjusted EBITDA<sup>1</sup> for the first quarter of 2019 amounted to 548 MSEK compared to 326 MSEK in the first quarter of 2018.
- Operating profit for the first quarter of 2019 amounted to 521 MSEK compared to an operating loss of 22 MSEK in the first quarter of 2018.
- Net loss for the first quarter of 2019 amounted to 285 MSEK compared to a net loss of 614 MSEK in the first quarter of 2018.
- Cash flow from in operating activities for the first quarter of 2019 amounted to 4,851 MSEK compared to cash flow from operating activities of 2,461 MSEK in the first quarter of 2018.
- Weighted refining margin for the first quarter of 2019 was 3.53 \$/bbl compared to 3.94 \$/bbl in the first quarter of 2018.

MSEK	Jan 1 - Mar 31		Full year
	2019	2018	2018
Sales revenue	21 259	20 609	92 553
Gross profit	822	343	4 024
EBITDA <sup>1</sup>	819	230	3 469
Adjusted EBITDA <sup>1</sup>	548	326	3 571
Operating profit/loss	521	-22	2 432
Profit/loss before taxes	-368	-787	8
Net profit/loss	-285	-614	113

<sup>1</sup> For a reconciliation of our operating profit to EBITDA and EBITDA to Adjusted EBITDA, please see the financial statements section on page 15.

Key indicators

	Jan 1 - Mar 31		Full year
	2019	2018	2018
Weighted refining margin, \$/bbl	3.53	3.94	4.88
Average Brent Dated crude oil, \$/bbl	63	67	71
Feedstock throughput, thousand bbls	26,499	29,480	122,029
Average exchange rate SEK/USD	9.17	8.11	8.69
Closing exchange rate SEK/USD	9.28	8.36	8.97

**Market Overview – First Quarter 2019**

The average price of Dated Brent in the first quarter of 2019 was 63 \$/bbl, compared to an average price of 69 \$/bbl in the fourth quarter of 2018. In the first quarter of 2018 the average price was 67 \$/bbl.

After the sharp price drop at the end of December 2018, the prices immediately started to increase when trading started in 2019. Reduced production from OPEC and others gave a signal that the balance would tighten going forward and speculative money went back into the oil market, pushing prices higher again. The worrying geopolitical situation also helped push prices upward. January trading started at 54 \$/bbl, with prices strengthening during the quarter and ending the first quarter at 68 \$/bbl.

The average price differential for Russian crude oil (“Urals”) versus Dated Brent was 0 \$/bbl in the first quarter of 2019, compared to -1.0 \$/bbl in the fourth quarter of 2018 and -1.6 \$/bbl in the first quarter of 2018. Much of the reduced crude oil production consists of heavier high sulphur crude oil, with less supply of so called sour crude and a strong market for high sulphur fuel oil, resulting in a strengthening of the price differential for Urals. Cargoes traded often with a small positive differential, in short periods the differential fell to -0.5 \$/bbl. The average differential for the whole quarter ended at zero or flat as the market calls it.

European refining margins were on average generally slightly weaker during the first quarter of 2019 than during the fourth quarter of 2018. The gasoline and diesel margins weakened, while the fuel oil margin strengthened further.

The average gasoline margin versus Dated Brent weakened to slightly below 4 \$/bbl in the first quarter of 2019, compared to slightly above 4 \$/bbl in the fourth quarter of 2018. In the first quarter of 2018 the average gasoline margin was 10 \$/bbl. Inventory levels on both sides of the Atlantic were on the high side and demand statistics and forecasts were not optimistic. At the end of March 2019 when gasoline of summer quality started trading, the gasoline margin strengthened up to and above 10 \$/bbl. The summer quality gasoline is more expensive to produce and the yield from every barrel of crude oil is lower. Some unplanned events in US refineries contributed to the strengthening of the gasoline margin in the end of March.

The average diesel margin versus Dated Brent weakened to 16 \$/bbl in the first quarter of 2019, compared to 18 \$/bbl in the fourth quarter of 2018. In the first quarter of 2018, the average diesel margin was 13 \$/bbl. The supply increased more than demand during the first quarter of 2019 and made the market softer as we are moving towards the summer season

when inventories tend to build. However, the diesel margin continued to trade at healthy levels.

The average margin for high sulphur fuel oil versus Dated Brent strengthened to -3 \$/bbl in the first quarter of 2019, compared to -5 \$/bbl in the fourth quarter of 2018. In the first quarter of 2018 the average margin for high sulphur fuel oil was -11 \$/bbl. The record levels for high sulphur fuel oil margins are due to lack of supply from refineries compared to the good demand from the shipping industry for bunker fuel and low inventory levels in the important Asian market. This will certainly change when we move towards the change of bunker specification to 0.5 % sulphur in 2020.

### **Sales and Results – First Quarter 2019**

Sales revenue in the first quarter of 2019 amounted to 21,259 MSEK compared to 20,609 MSEK in the first quarter of 2018, an increase of 650 MSEK. The increase in sales revenue is primarily a result of a higher exchange rate (SEK/USD), with an average of 9.17 USD for the first quarter of 2019 compared to 8.11 USD in the first quarter of 2018.

Operating profit for the first quarter of 2019 amounted to 521 MSEK, an increase of 543 MSEK, compared to an operating loss of 22 MSEK for the first quarter of 2018. The increase in operating profit is a result of both higher revenues (due to translation effect) and lower selling, general and administrative expense (SG&A cost). The weighted refining margin in the first quarter of 2019 decreased compared to the first quarter of 2018, from 3.94 \$/bbl to 3.53 \$/bbl. The exchange rate for Swedish Krona against the US Dollar ascended in the first quarter of 2019, resulting in a positive currency effect of 171 MSEK, compared to a positive effect of 20 MSEK for the first quarter of 2018.

### **Segment Reporting**

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

#### Sales Revenue

	<b>Jan 1 - Mar 31</b>		<b>Full year</b>
<b>MSEK</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
Supply & Refining	20,412	19,620	89,467
Marketing	6,357	5,166	23,875
Exchange rate differences	85	18	111
Group eliminations	-5,594	-4,195	-20,900
<b>Total Sales Revenue</b>	<b>21,259</b>	<b>20,609</b>	<b>92,553</b>

<u>Operating profit</u>			
	<b>Jan 1 - Mar 31</b>		<b>Full year</b>
<b>MSEK</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
Supply & Refining	434	76	2 646
Marketing	125	109	499
Total Segment Operating profit	559	186	3 146
Exchange rate differences	171	20	254
Other expenses	-216	-227	-968
Total Operating profit	<b>514</b>	<b>-21</b>	<b>2 432</b>

### Supply & Refining

Our Supply & Refining segment reported an operating profit of 434 MSEK for the first quarter of 2019, an increase of 358 MSEK, compared with an operating profit of 76 MSEK for the first quarter of 2018. The weighted refining margin decreased to 3.53 \$/bbl for the first quarter of 2019 compared to 3.94 \$/bbl for the first quarter of 2018. The reported price gain in inventory in the first quarter of 2019 amounted to 100 MSEK compared to a price loss in inventory of 116 MSEK in the first quarter of 2018. Excluding price effects, operating profit amounted to 335 MSEK in the first quarter of 2019, an increase of 143 MSEK, compared to 192 MSEK in the first quarter of 2018. Operating profit excluding price effects increased in the first quarter due to increased refining margins in our Gothenburg refinery. A new Hydrogen Production Unit (HPU) in Gothenburg from March 2019 will increase refinery margin.

In the first quarter of 2019 throughput was 4.2 million m<sup>3</sup> compared to 4.7 million m<sup>3</sup> in the first quarter of 2018. The first quarter of 2019 included production disruptions mainly at our Lysekil refinery with down time on our ISO Cracker (ICR) and Visbreaker Unit (VBU) for most of the quarter. Both units were back to operating normally by the end of the first quarter.

### Marketing

Our Marketing segment reported an operating profit of 125 MSEK for the first quarter of 2019 compared to 109 MSEK for the first quarter of 2018, an increase of 16 MSEK. The increase in operating profit is mainly driven by price increases made due to the mandatory inblend system and higher sales volumes in Norway than the prior year.

Sales volumes were 14% higher in the first quarter of 2019 compared to the first quarter of the previous year. This was primarily due to new customer Circle K in Norway and our Business to Business segment.

### **Depreciation**

Total depreciation in the first quarter of 2019 amounted to 297 MSEK compared to 252 MSEK in the first quarter of 2018.

## **Financing**

Financial net for the first quarter of 2019 amounted to an expense of 889 MSEK, an increase of 124 MSEK compared to an expense of 765 MSEK for the first quarter of 2018. The exchange rate difference on financial items resulted in a loss of 448 MSEK for the first quarter of 2019 compared to a loss of 377 MSEK for the same period in 2018. Total interest expense for the first quarter of 2019 amounted to 419 MSEK compared to 350 MSEK for the same period in 2018 of which depreciation of loan expenditures amounted to 41 MSEK for the first quarter of 2019 which was the same amount as for the first quarter of 2018. Cash interest paid was 480MSEK for the first quarter of 2019 compared to 407 MSEK for the first quarter of 2018.

## **Cash Flow**

Loss before taxes amounted to 368 MSEK for the first quarter of 2019 compared to loss before taxes of 787 MSEK for the same period in 2018, an increase in profitability of 419 MSEK. Cash flow from operating activities amounted to 4,851 MSEK in the first quarter of 2019 compared to cash flow from operating activities of 2,461 MSEK for the same period in 2018, an increase of 2,390 MSEK. Adjustments for non-cash items had a positive impact of 800 MSEK in the first quarter of 2019 compared to a positive impact of 1,191 MSEK for the same period in 2018, a decrease of 391 MSEK. Please refer to page 12 for further specification of items not included in cash flow.

Taxes paid amounted to 1 MSEK in the first quarter of 2019 compared to 3 MSEK in the first quarter of 2018.

Cash flow was positively impacted by movements in working capital of 4,420 MSEK in the first quarter of 2019 compared to a positive impact of 2,059 MSEK for the same period in 2018. Cash flow used in inventories amounted to 557 MSEK in the first quarter of 2019, primarily due to the higher price of crude oil. In the first quarter of 2018, cash flow from inventories amounted to 1,238 MSEK. Cash flow used in operating receivables amounted to 1,054 MSEK in the first quarter of 2019, primarily due to higher prices on refined products compared to year-end 2018. In the first quarter of 2018 cash flow from operating receivables amounted to 161 MSEK. Cash flow from operating liabilities in the first quarter of 2019 amounted to 6,032 MSEK primarily due to a higher volume of outstanding crude oil payments in combination with higher price of crude oil. For the same period in 2018, cash flow from operating liabilities amounted to 661 MSEK.

Cash flow used in investing activities in the first quarter of 2019 amounted to 162 MSEK, a decrease of 325 MSEK, compared to 487 MSEK for the same period in 2018.

Cash flow used in financing activities amounted to 3,197 MSEK in the first quarter of 2019 compared to cash flow used in financing activities of 2,235 MSEK for the same period in 2018. Cash flow from financing activities is attributable to (net) repayment of loans under Preem's revolving credit facility as a consequence of the positive cash flow from operating activities. Cash flow from operating activities includes cash coupon payments on the Corral Petroleum Holdings' PIK toggle Senior Notes due 2021 (the "2021 Notes"), totaling 375 MSEK for the first quarter of 2019.

## **Income taxes**

Deferred income tax for the first three months ended March 31, 2019 was 83 MSEK compared to deferred income tax of 173 MSEK for the same period in 2018. The decrease was attributable to the lower operational results in the three months ended March 31, 2019.

The Swedish tax rate has changed in 2019 from 22% to 21.4%. The effective tax rate was 22.5% for the first three months ending March 31, 2019 due to non-deductible costs compared to 22.0% for the first quarter in 2018.

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

## **Financial Debt**

On March 31, 2019, the Group's financial net debt amounted to 15,811 MSEK, compared to 13,777 MSEK as of the first quarter of 2018, an increase of 2,034 MSEK. The financial debt consisted primarily of the 2021 Notes, subordinated shareholder notes, a subordinated shareholder loan (described below) and Preem's revolving credit facility. Cash and cash equivalents amounted to 2,913 MSEK at March 31, 2019, an increase of 2,066 MSEK, compared to 847 MSEK at the first quarter of 2018. A breakdown of the Group's financial debt as at March 31, 2019 is included in the financial statements section on page 15.

## **Corral Petroleum Holdings AB (publ)**

Corral Petroleum Holdings AB (publ) is wholly owned by Moroncha Holdings Co. Ltd and is the Parent Company of the Corral Petroleum Holdings Group. Corral Petroleum Holdings incurred loss before taxes of 495 MSEK for the first quarter of 2019 compared to a loss of 671 MSEK for the first quarter in 2018.

Shareholder equity as at March 31, 2019, amounted to 305 MSEK compared to 694 MSEK as of December 31, 2018. As at March 31, 2019, only accumulated non-cash (PIK) interest amounts totaling 4 MEUR plus 171 MUSD (1,622 MSEK) remain under the shareholder loans, all of which are subordinated and carry a non-cash interest rate of 5% per annum. The interest expense related to the shareholder loans is paid in kind semi-annually. In order to facilitate an appropriate equity level going forward, Corral Petroleum Holdings might consider also converting accumulated non-cash (PIK) interest amounts into equity. Such conversion would be subject to the shareholder's approval and would likely imply a tax effect for Corral Petroleum Holdings on any converted non-cash interest amounts.

Corral Petroleum Holdings had outstanding subordinated shareholder notes of 99 MUSD and 222 MEUR (3,233 MSEK) as at March 31, 2019. The subordinated shareholder notes carry a non-cash interest rate of 10% per annum. The interest expense related to the subordinated shareholder notes is paid in kind each quarter.

## **Recent Developments**

The main event in the oil market to the date of this report in the second quarter was the decision of the United States to not renew the waivers of Iran sanctions for India, China, Japan, South Korea and Turkey from and after May 2, 2019. This is leading to a loss of

around 1.0 million barrels per day ("MBD") of Iranian oil exports (and, therefore, OPEC production). Overall OPEC capacity is enough to replace the Iranian production as Saudi Arabia and the United Arab Emirates combined had previously cut production by 1.5 MBD compared to peak production levels in November of 2018. However, replacing Iranian production and maintaining balance in the oil market during the second half of 2019 is expected to erode core OPEC spare capacity from levels of approximately 2.8 MBD down to 1.5 MBD. This is a low spare capacity level in a historical perspective, which is expected to make the oil market more vulnerable to supply disruptions amid high geopolitical risks in key oil producing countries such as Libya, Venezuela, Algeria and Nigeria.

Preem continues to purchase put options in accordance with its strategy to protect its balance sheet and cash flow.

The gasoline crack has strengthened so far in second quarter due to entering the summer quality period and reports of lower inventories in the United States.

The diesel crack has reduced during April and May of this year compared to March. With increased supply from refineries that are coming back online after maintenance, and little upside on the demand side, the global market balance is gradually moving towards a lower diesel crack.

The high sulfur fuel oil crack continues to be strong, but lower compared to the first quarter of this year. Increased supply has reduced the market shortage which had prevailed for some time.

Operational reliability was good during April. In late April we started the planned maintenance shutdown of selected units in Gothenburg (for catalyst replacement, inspection and cleaning of equipment), which continued until the second half of May. On May 7, 2019 we shut down the Lysekil crude distillation tower and selected downstream units to address a small leak in the crude distillation overhead line. Repair activities went well and Lysekil is currently in the process of returning to full capacity.

The Indenture governing the 2021 Notes contains certain provisions relating to optional redemption. In very brief summary, such provisions include that Corral Petroleum Holdings, on or after May 15, 2019, may redeem, at its option, all or a portion of each series of the 2021 Notes at specified redemption prices (plus accrued and unpaid interest and additional amounts, if any, to the redemption date). In light of these provisions, Corral Petroleum Holdings and Preem are now progressing, in collaboration with various potential financiers, a plan to refinance the Group, in which redemption of the 2021 Notes may be one possible component. The current target is to finalize a refinancing during 2019, but this may vary due to a number of factors, including market conditions. As mentioned in the previous quarterly report, the objective and structure of the refinancing will also include preparations for the longer-term prospect that the Preem Shareholder may, at a future date, consider an initial public offering (IPO) of Preem shares. It should however be noted that no decision regarding a potential IPO has been taken. This information does not constitute a notice of redemption of the 2021 Notes, nor is it an offer to sell or a solicitation of offers to purchase any securities.

## **Risk Factors**

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

## **Accounting Principles and Legislations**

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

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

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

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

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

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

## **Additional Information**

An international conference call for investors and analysts will be held on June 4, 2019 at 3:00 pm CET. The call-in number is US + 1 212 999 6659, UK +44 (0) 20 3003 2666 and Sweden +46 (0) 8 505 204 24 meeting code: Corral.

The report for the second quarter of 2019 will be released on August 29, 2019.



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

Richard Öhman  
Managing Director

**For further information, please contact:**

Magdalena Patrón  
Investor Relations Manager  
Tel: + 46-10-450 10 00  
Email: [magdalena.patron@preem.se](mailto:magdalena.patron@preem.se)

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

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

<b>MSEK</b>	<b>Jan 1 - Mar 31</b>		<b>Full year</b>	<b>Rolling 12 Months</b>	
	<b>2019</b>	<b>2018</b>	<b>2018</b>	<b>Apr 1 - Mar 31</b>	<b>2018</b>
Revenue	23 990	22 961	103 641	104 670	80 904
Excise duties	-2 731	-2 352	-11 087	-11 467	-9 702
Sales revenue	21 259	20 609	92 553	93 203	71 202
Cost of goods sold	-20 436	-20 266	-88 529	-88 700	-66 998
<b>Gross profit</b>	<b>822</b>	<b>343</b>	<b>4 024</b>	<b>4 503</b>	<b>4 204</b>
Selling expenses	-212	-210	-913	-914	-881
Administrative expenses	-218	-245	-1 122	-1 095	-933
Other operating income	128	90	443	481	453
<b>Operating profit/loss</b>	<b>521</b>	<b>-22</b>	<b>2 432</b>	<b>2 975</b>	<b>2 843</b>
Interest income	2	2	8	8	6
Interest expense	-419	-350	-1 476	-1 545	-1 399
Exchange rate differences	-448	-377	-836	-907	-107
Other financial, net	-24	-41	-120	-104	-138
Net financial items	-889	-765	-2 424	-2 548	-1 638
<b>Profit/Loss before income tax</b>	<b>-368</b>	<b>-787</b>	<b>8</b>	<b>427</b>	<b>1 205</b>
Income tax	83	173	105	15	-281
<b>Net profit/loss for the year</b>	<b>-285</b>	<b>-614</b>	<b>113</b>	<b>442</b>	<b>924</b>
<b>Attributable to:</b>					
Parent Company's shareholder	-285	-614	113	442	924
Non-controlling interests	-	-	-	-	-
	<b>-285</b>	<b>-614</b>	<b>113</b>	<b>442</b>	<b>924</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME:**

	<b>Jan 1 - Mar 31</b>		<b>Full year</b>	<b>Rolling 12 Months</b>	
	<b>2019</b>	<b>2018</b>	<b>2018</b>	<b>Apr 1 - Mar 31</b>	<b>2018</b>
Net profit/loss for the year	-285	-614	113	442	924
Other income/loss	-10	8	-38	-56	5
<b>Comprehensive income</b>	<b>-296</b>	<b>-607</b>	<b>75</b>	<b>386</b>	<b>929</b>
<b>Attributable to:</b>					
Parent Company Shareholder	-296	-607	75	386	929
Non-controlling Shareholders	-	-	-	-	-
	<b>-296</b>	<b>-607</b>	<b>75</b>	<b>386</b>	<b>929</b>

**CONDENSED CONSOLIDATED BALANCE SHEETS**

<b>MSEK</b>	<b>March 31 2019</b>	<b>March 2018</b>	<b>December 31 2018</b>
<b>ASSETS</b>			
Goodwill	308	308	308
Other intangible assets	959	747	908
Tangible assets	11 334	9 845	10 573
Financial assets	389	317	373
<b>Total non-current assets</b>	<b>12 989</b>	<b>11 217</b>	<b>12 161</b>
Inventories	11 498	9 440	10 543
Trade receivables	4 521	4 195	4 322
Other receivables	1 537	641	1 018
Prepaid expenses and accrued income	678	717	701
Cash and cash equivalents <sup>1</sup>	2 913	847	1 423
<b>Total current assets</b>	<b>21 148</b>	<b>15 839</b>	<b>18 008</b>
<b>Total assets</b>	<b>34 137</b>	<b>27 056</b>	<b>30 169</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	1	1	0
Other paid-in capital	9 236	8 728	9 236
Retained loss including net profit/loss for the year	-6 555	-6 941	-6 259
	2 682	1 788	2 978
Non-controlling interests	0	0	0
<b>Total equity</b>	<b>2 682</b>	<b>1 788</b>	<b>2 978</b>
Financial debts	15 671	13 295	17 585
Provision for deferred taxes	383	553	592
Other provisions	767	246	403
<b>Total non-current liabilities</b>	<b>16 820</b>	<b>14 095</b>	<b>18 580</b>
Financial debts	141	482	488
Trade payables	5 584	4 107	2 709
Other liabilities	2 308	1 681	1 591
Accrued expenses and deferred income	6 603	4 903	3 823
<b>Total current liabilities</b>	<b>14 635</b>	<b>11 173</b>	<b>8 611</b>
<b>Total liabilities</b>	<b>31 455</b>	<b>25 268</b>	<b>27 191</b>
<b>Total shareholders equity, provisions and liabilities</b>	<b>34 137</b>	<b>27 055</b>	<b>30 169</b>

<sup>1)</sup> 758 MSEK (67 MEUR and 61 MSEK) segregated account

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

MSEK	Jan 1 - Mar 31		Full year 2018	Rolling 12 Months Apr 1 - Mar 31	
	2019	2018		2019	2018
<b>Operating activities</b>					
Profit/loss before taxes	-368	-787	8	427	1 205
Adjustments for items not included in cash flow <sup>1)</sup>	800	1 191	2 469	2 078	2 385
	432	404	2 477	2 505	3 590
Taxes paid	-1	-3	-5	-4	-5
	431	402	2 472	2 501	3 585
Decrease(+)/Increase(-) in inventories	-557	1 238	-263	-2 058	-928
Decrease(+)/Increase(-) in operating receivables	-1 054	161	60	-1 155	-1 044
Decrease(-)/Increase(+) in operating liabilities	6 032	661	-1 877	3 494	1 781
Cash flow from operating activities	4 851	2 461	392	2 782	3 393
<b>Investing activities</b>					
Aquisition/disposal of subsidiaries	0	0	-26	-26	-20
Capital expenditure of intangible assets	-54	-72	-265	-248	-289
Capital expenditure of tangible assets	-472	-408	-1 798	-1 862	-2 135
Sales of intangible and tangible assets	371	0	34	405	21
Decrease(+)/Increase(-) in financial assets	-6	-7	-29	-28	-8
Cash flow used in investing activities	-162	-487	-2 084	-1 759	-2 431
	4 689	1 974	-1 692	1 023	962
<b>Financing activities</b>					
New loans	1 803	801	9 894	10 896	7 201
Repayment of loans	-4 998	-3 036	-7 869	-9 831	-8 193
Loan expenditures	-3	0	0	-3	0
Cash flow used in financing activities	-3 197	-2 235	2 025	1 063	-992
<b>CASH FLOW FOR THE PERIOD</b>					
Opening cash and cash equivalents	1 423	1 083	1 083	847	834
Effect of exchange rate fluctuations on cash and cash equivalents	-1	25	8	-19	42
<b>Cash and cash equivalents at the end of the period</b>	<b>2 913</b>	<b>847</b>	<b>1 423</b>	<b>2 913</b>	<b>847</b>

<sup>1)</sup> **Specification of items not included in cash flow**

Depreciation of property, plant and equipment	297	252	1 037	1 083	1 005
Impairment of non-current assets		0	27	27	71
Write-down of inventory (+)/Reversed inventory write-down(-)	-377	14	393	2	10
Loss/gain on sale of fixed assets	-367	0	5	-362	-4
Loss/gain on sale of subsidiaries		0	-	-	-105
Unrealized losses(+)/gains(-) on derivatives	374	-46	-484	-64	-7
Unrealized exchange losses(+)/gains(-)	-40	227	91	-176	144
Unrealized exchange losses(+)/gains(-) from financing activities	277	428	542	392	334
Capitalized loan expenditures deferred as interest expenses	41	41	162	162	162
Capitalized interest cost financial debt	289	278	752	763	729
Other provisions	313	-5	-9	309	-5
Others	-7	3	-47	-57	50
	<b>800</b>	<b>1 191</b>	<b>2 469</b>	<b>2 078</b>	<b>2 386</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<b>MSEK</b>	<b>Share capital *)</b>	<b>Other paid-in capital</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
<b>Opening equity January 1, 2018</b>	<b>1</b>	<b>8 328</b>	<b>-6 334</b>	<b>1 995</b>	<b>0</b>	<b>1 995</b>
Net profit/loss	-	-	-614	-614	0	-614
Other comprehensive income <sup>1</sup>	-	-	8	8	0	8
Total comprehensive profit/loss	-	-	-607	-607	0	-607
Shareholder contribution received	-	400	-	400	0	400
<b>Closing equity March 31, 2018</b>	<b>1</b>	<b>8 728</b>	<b>-6 941</b>	<b>1 788</b>	<b>0</b>	<b>1 788</b>
<b>Opening equity January 1, 2019</b>	<b>1</b>	<b>9 236</b>	<b>-6 259</b>	<b>2 978</b>	<b>0</b>	<b>2 978</b>
Net profit/loss	-	-	-285	-285	0	-285
Other comprehensive income/loss <sup>1</sup>	-	-	-10	-10	0	-10
Total comprehensive profit/loss	-	-	-296	-296	0	-296
<b>Closing equity March 31, 2019</b>	<b>1</b>	<b>9 236</b>	<b>-6 555</b>	<b>2 682</b>	<b>0</b>	<b>2 682</b>

<sup>1</sup> Evaluation of pensions obligations according to IAS 19 and translation difference.

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

<b>MSEK</b>	<b>Share capital *)</b>	<b>Restricted reserves</b>	<b>Unrestricted reserves</b>	<b>Total equity</b>
<b>Opening equity January 1, 2019</b>	<b>1</b>	<b>-</b>	<b>694</b>	<b>694</b>
Shareholder contribution received	-	-	-	0
Net loss	-	-	-389	-389
<b>Closing equity March 31, 2019</b>	<b>1</b>	<b>-</b>	<b>305</b>	<b>305</b>

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

**CONDENSED INCOME STATEMENT - PARENT COMPANY**

<b>MSEK</b>	<b>January 1 - March 31</b>		<b>Full year</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
<b>Operating profit</b>	<b>-1</b>	<b>-1</b>	<b>1</b>
Profit from investment in Group companies	-	-	380
Financial net	-494	-671	-1,003
<b>Profit/Loss before taxes</b>	<b>-495</b>	<b>-671</b>	<b>-622</b>
Taxes	106	148	146
<b>Net loss</b>	<b>-389</b>	<b>-524</b>	<b>-477</b>

**CONDENSED BALANCE SHEET - PARENT COMPANY**

<b>MSEK</b>	<b>March 31</b>	<b>March 31</b>	<b>December 31</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
<b>ASSETS</b>			
Participation in Group Companies	10,606	10,518	10,606
Deferred tax	367	263	261
Other receivables	1	1	1
Cash and cash equivalents <sup>1</sup>	764	483	1,131
<b>Total assets</b>	<b>11,738</b>	<b>11,265</b>	<b>11,999</b>
<b>EQUITY AND LIABILITIES</b>			
Restricted equity	1	1	1
Non-restricted equity	305	139	694
<b>Total equity</b>	<b>305</b>	<b>139</b>	<b>694</b>
Shareholder loans	1,622	1,856	1,568
Bond loans, subordinated notes	3,233	2,821	3,093
Bond loans, senior notes	6,312	6,178	6,213
Loan from subsidiary	55	55	55
Other short term liabilities	211	216	375
<b>Total liabilities</b>	<b>11,433</b>	<b>11,125</b>	<b>11,304</b>
<b>Total equity and liabilities</b>	<b>11,738</b>	<b>11,265</b>	<b>11,999</b>

<sup>1)</sup> 758 MSEK (67 MEUR and 61 MSEK) segregated account

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

We define Adjusted EBITDA as EBITDA adjusted to exclude inventory gains and losses and foreign currency gains and losses and reflect the adjustments permitted in calculating covenant compliance under Preem's 2011 Credit Facility. The following table presents a reconciliation of EBITDA to Adjusted EBITDA.

### RECONCILIATION OF OPEATING PROIFT TO EBITDA AND EBITDA TO ADJUS

MSEK	Jan 1 - Mar 31		Full year 2018	Rolling 12 months Apr 1 - Mar 31	
	2019	2018		2019	2018
<b>Operating profit/loss</b>	<b>521</b>	<b>-22</b>	<b>2 432</b>	<b>2 975</b>	<b>2 843</b>
Depreciation	297	252	1 037	1 083	1 005
<b>EBITDA</b>	<b>819</b>	<b>230</b>	<b>3 469</b>	<b>4 058</b>	<b>3 848</b>
Add back:					
Inventory price gains(-)/losses(+)	-100	116	356	140	-687
Foreign currency gains(-)/losses(+)	-171	-20	-254	-405	170
<b>Adjusted EBITDA</b>	<b>548</b>	<b>326</b>	<b>3 571</b>	<b>3 793</b>	<b>3 331</b>

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

#### Financial debt breakdown

MSEK	March 31		December 31
	2019	2018	2018
Revolving credit facility	4,652	2,688	6,883
Borrowings current	141	482	488
Transaction expenses	-166	-265	-189
Other liabilities, interest bearing	18	18	18
<b>Total Financial Debt - Preem</b>	<b>4,644</b>	<b>2,923</b>	<b>7,199</b>
Senior Notes	6,441	6,367	6,357
Transaction expenses	-129	-189	-144
Subordinated Notes	3,233	2,821	3,093
Other loans from shareholder	1,622	1,856	1,568
<b>Total Financial Debt - Corral</b>	<b>11,167</b>	<b>10,854</b>	<b>10,874</b>
<b>Total Financial Debt - Group</b>	<b>15,811</b>	<b>13,777</b>	<b>18,073</b>
Cash and cash equivalents <sup>1</sup>	-2,913	-847	-1,423
<b>Total Financial Net Debt</b>	<b>12,898</b>	<b>12,931</b>	<b>16,650</b>
<b>Leverage ratio<sup>2</sup></b>	<b>2.1</b>	<b>2.6</b>	<b>3.5</b>

<sup>1</sup> 758 MSEK (67 MEUR and 61 MSEK) segregated account

<sup>2</sup> Transaction expenses are excluded in the leverage ratio.