

# CORRAL PETROLEUM HOLDINGS AB (publ)

## REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2018

No. of pages 15

FOR IMMEDIATE RELEASE

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Stockholm

This report includes unaudited consolidated financial information of Corral Petroleum Holdings AB (publ) ("Corral Petroleum Holdings") and its consolidated subsidiaries, for the third quarter of 2018 and for the comparative periods in 2017 and for the other periods indicated. Note that due to the rounding of figures in the tables to the nearest SEK million (MSEK), the sum is not always exactly equal to the sum of all components.

### Financial Highlights – Third Quarter 2018

- Sales revenue for the third quarter of 2018 amounted to 26,369 MSEK compared to 16,325 MSEK in the third quarter of 2017.
- EBITDA<sup>1</sup> for the third quarter of 2018 amounted to 2,202 MSEK compared to 1,544 MSEK in the third quarter of 2017.
- Adjusted EBITDA<sup>1</sup> for the third quarter of 2018 amounted to 1,396 MSEK compared to 1,428 MSEK in the third quarter of 2017.
- Operating profit for the third quarter of 2018 amounted to 1,941 MSEK compared to an operating profit of 1,297 MSEK in the third quarter of 2017.
- Net profit for the third quarter of 2018 amounted to 1,369 MSEK compared to a net profit of 971 MSEK in the third quarter of 2017.
- Cash flow from operating activities for the third quarter of 2018 amounted to 1,840 MSEK compared to cash flow from operating activities of 482 MSEK in the third quarter of 2017.
- Weighted refining margin for the third quarter of 2018 was 5.98 \$/bbl compared to 6.85 \$/bbl in the third quarter of 2017.

MSEK	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year	
	2018	2017	2018	2017	2017	2016
Sales revenue	26,369	16,325	70,379	49,596	68,752	56,041
Gross profit	2,306	1,653	4,488	3,509	5,312	5,112
EBITDA <sup>1</sup>	2,202	1,544	4,103	3,401	5,047	4,800
Adjusted EBITDA <sup>1</sup>	1,396	1,428	2,571	3,301	4,189	3,399
Operating profit	1,941	1,297	3,332	2,661	4,047	3,800
Profit/loss before taxes	1,734	1,253	1,358	2,226	2,926	-291
Net profit/loss	1,369	971	1,117	1,738	2,267	-631

<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

	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year
	2018	2017	2018	2017	2017
Weighted refining margin, \$/bbl	5.98	6.85	4.87	5.78	5.58
Average Brent Dated crude oil, \$/bbl	75	52	72	52	54
Feedstock throughput, thousand bbls	31,091	28,398	91,284	83,906	113,512
Average exchange rate SEK/USD	8.95	8.14	8.58	8.62	8.54
Closing exchange rate SEK/USD	8.86	8.11	8.86	8.11	8.23

**Market Overview – Third Quarter 2018**

The average price of Dated Brent in the third quarter of 2018 was 75 \$/bbl, compared to an average price of 74 \$/bbl in the second quarter of 2018. In the third quarter of 2017 the average price was 52 \$/bbl.

The crude oil market was volatile during the third quarter. In the beginning of July, Dated Brent traded at 76 \$/bbl, traded down below 70 \$/bbl in the middle of August and ended the quarter above 83 \$/bbl. This volatility was due to actual supply cuts as well as the high geopolitical risk level. The increased crude oil production in, and export from, the US helped balance the market. However, the expected ban on Iranian crude imports from November 2018 makes the market nervous and increases the volatility.

The average price differential for Russian crude oil (“Urals”) versus Dated Brent was -1.3 \$/bbl in the third quarter of 2018, compared to -2.2 \$/bbl in the second quarter of 2018 and -1.0 \$/bbl in the third quarter of 2017.

Lower export volumes and very good demand strengthened the market from a -2 \$/bbl level in July to very strong levels in August and early September, when a positive premium occasionally traded. Late in the quarter the market weakened and traded at -1.8 \$/bbl.

European refining margins were on average generally stronger during the third quarter of 2018 than during the second quarter of 2018. This was particularly the case during August when there is high seasonal demand and all the main products showed very good margins. In September when the so-called “driving season” ended, margins were considerably reduced.

The average gasoline margin versus Dated Brent strengthened to 14 \$/bbl in the third quarter of 2018, compared to 13 \$/bbl in the second quarter of 2018. In the third quarter of 2017 the average gasoline margin was 15 \$/bbl. The strength in the third quarter of 2018 was especially clear in August when the margin averaged above 17 \$/bbl. Later in the quarter the demand fell seasonally and inventory levels in the US and North West Europe started to rise leading to a significantly weakening gasoline margin.

The average diesel margin versus Dated Brent strengthened to 15 \$/bbl in the third quarter of 2018, compared to 14 \$/bbl in the second quarter of 2018. In the third quarter of 2017 the average diesel margin was 14 \$/bbl. Inventory levels calculated as “Days of supply forward coverage” are low on both sides of the Atlantic. However, very low summer water levels in European rivers hindered the transport of product from large coastal terminals like Rotterdam to the inland market, resulting in product inventory level high at the coast but very low inland. The logistical obstacle has a negative impact on the margin.

The average margin for high sulphur fuel oil versus Dated Brent strengthened to -8 \$/bbl in the third quarter of 2018, compared to -11 \$/bbl in the second quarter of 2018. In the third quarter of 2017 the average margin for high sulphur fuel oil was -5 \$/bbl. During July and August the margin was very strong, attributable to strong demand from the Middle East for fuel oil for electrical power production during the hot weather period. Good demand for bunker fuel for transport as well as limited supply also supported the high sulphur fuel oil margin. During September supply increased and the margin fell.

### **Sales and Results – Third Quarter 2018**

Sales revenue in the third quarter of 2018 amounted to 26,369 MSEK compared to 16,325 MSEK in the third quarter of 2017, an increase of 10,044 MSEK. The increase in sales revenue is primarily a result of higher crude and product prices, but also supported by a 9% increase in sales volumes compared to the same period for 2017.

Operating profit for the third quarter of 2018 amounted to 1,941 MSEK, an increase of 644 MSEK, compared to a profit of 1,297 MSEK for the third quarter of 2017. Higher sales volumes and positive currency conversion effect both contributed to the improved result. The weighted refining margin in the third quarter of 2018 decreased compared to the third quarter of 2017, to 5.98 \$/bbl from 6.85 \$/bbl. On the other hand a higher market price for crude oil resulted in an increase of inventory value in the third quarter of 2018, adding profits of 581 MSEK compared to inventory price gains of 1,014 MSEK in the third quarter of 2017. The exchange rate for Swedish Krona against the US Dollar slightly descended in the third quarter of 2018, decreasing the result by 10 MSEK, compared to a negative effect of 9 MSEK for the third quarter of 2017.

### **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>MSEK</b>	<b>Jul 1 - Sep 30</b>		<b>Jan 1 - Sep 30</b>		<b>Full year</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
Supply & Refining	25,476	15,816	67,420	48,059	66,237
Marketing	6,548	4,607	18,047	13,212	18,679
Exchange rate differences	-29	-54	103	-138	-137
Group eliminations	-5,626	-4,044	-15,191	-11,538	-16,027
<b>Total Sales Revenue</b>	<b>26,369</b>	<b>16,325</b>	<b>70,379</b>	<b>49,596</b>	<b>68,752</b>

Operating profit

<b>MSEK</b>	<b>Jul 1 - Sep 30</b>		<b>Jan 1 - Sep 30</b>		<b>Full year</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
Supply & Refining	1,956	1,354	3,420	2,889	4,403
Marketing	191	148	442	382	581
Total Segment Operating profit	2,147	1,502	3,862	3,270	4,984
Exchange rate differences	-10	-9	192	-216	-205
Other expenses	-195	-196	-722	-394	-732
Total Operating profit	<b>1,941</b>	<b>1,297</b>	<b>3,332</b>	<b>2,661</b>	<b>4,047</b>

Supply & Refining

Our Supply & Refining segment reported an operating profit of 1,956 MSEK for the third quarter of 2018, an increase of 602 MSEK, compared to 1,354 MSEK for the third quarter of 2017. The weighted refining margin decreased to 5.98 \$/bbl for the third quarter of 2018 compared to 6.85 \$/bbl for the third quarter of 2017. The reported price gain in inventory in the third quarter of 2018 amounted to 816 MSEK compared to a price gain inventory of 125 MSEK in the third quarter of 2017. Excluding price effects, operating profit amounted to 1,140 MSEK in the third quarter of 2018, a decrease of 88 MSEK, compared to 1,228 MSEK in the third quarter of 2017. Operating profit excluding price effects decreased in the third quarter of 2018 compared to the third quarter of 2017 due to weaker refining margins.

In the third quarter of 2018 throughput was 4.9 million m<sup>3</sup> compared to 4.5 million m<sup>3</sup> in the third quarter of 2017. The third quarter of 2018 was characterized by high availability and crude runs, whereas the corresponding quarter last year was affected by a major turnaround in Gothenburg.

Marketing

Our Marketing segment reported an operating profit of 191 MSEK for the third quarter of 2018 compared to 148 MSEK for the third quarter of 2017, an increase of 43 MSEK. The increase in operating profit is mainly driven by price increases, due to the introduced mandatory quota system introduced in Sweden on July 1, 2018 and higher sales volumes in Norway than in the previous year.

**Depreciation**

Total depreciation in the third quarter of 2018 amounted to 261 MSEK compared to 247 MSEK in the third quarter of 2017.

**Financing**

Financial net for the third quarter of 2018 weakened by 163 MSEK to an expense of 207 MSEK compared to an expense of 44 MSEK for the third quarter of 2017 due to the weakening of the Swedish Krona against the Euro and US Dollar. The exchange rate difference on financial items resulted in a gain of 159 MSEK for the third quarter of 2018 compared to a gain of 327 MSEK for the same period in 2017. Total interest expense for the

third quarter of 2018 amounted to 369 MSEK compared to 343 MSEK for the same period in 2017 of which depreciation of loan expenditures amounted to 41 MSEK for the third quarter of 2018 which was the same amount as for the third quarter of 2017. Cash interest paid was 448 MSEK for the third quarter of 2018 compared to 402 MSEK for the third quarter of 2017. Cash interest paid consists mainly of the coupon payment on the Corral Petroleum Holdings' PIK toggle Senior Notes due 2021 (the "2021 Notes") made in the beginning of the third quarter. Cash interests increased compared to the third quarter last year due to the continuous weakening of the Swedish Krona against the Euro and the US Dollar.

### **Nine Months Ending September 30, 2018**

- Sales revenue for the first nine months of 2018 amounted to 70,379 MSEK compared to 49,596 MSEK for the first nine months of 2017.
- EBITDA<sup>1</sup> for the first nine months of 2018 amounted to 4,103 MSEK compared to 3,401 MSEK for the first nine months of 2017.
- Adjusted EBITDA<sup>1</sup> for the first nine months of 2018 amounted to 2,571 MSEK compared to 3,301 MSEK for the first nine months of 2017.
- Depreciation for the first nine months of 2018 amounted to 770 MSEK compared to 740 MSEK for the first nine months of 2017.
- Operating profit for the first nine months of 2018 amounted to 3,332 MSEK compared to operating profit of 2,661 MSEK for the first nine months of 2017.
- Net profit for the first nine months of 2018 amounted to 1,117 MSEK compared to net profit of 1,738 MSEK for the first nine months of 2017.
- Cash flow from operating activities for the first nine months of 2018 amounted to 3,104 MSEK compared to 1,779 MSEK for the first nine months of 2017.
- Weighted refining margin for the first nine months of 2018 was 4.87 \$/bbl compared to 5.78 \$/bbl for the first nine months of 2017.

### **Cash Flow**

Profit before taxes amounted to 1,358 MSEK for the first nine months of 2018 compared to profit before taxes of 2,226 MSEK for the same period in 2017, a decrease of 868 MSEK. Cash flow from operating activities amounted to 3,104 MSEK in 2018 compared to cash flow from operating activities of 1,779 MSEK for the same period in 2017, an increase of 1,325 MSEK. Adjustments for non-cash items had a positive impact of 1,693 MSEK in 2018 compared to a positive impact of 1,017 MSEK for the same period in 2017, an increase of 676 MSEK. Please refer to page 12 for further specification of items not included in cash flow.

Taxes paid amounted to 4 MSEK for the first nine months of 2018 compared to 2 MSEK in the same period in 2017.

Cash flow was positively impacted by movements in working capital of 57 MSEK for the first nine months of 2018 compared to a negative impact of 1,462 MSEK for the first nine months in 2017. Cash flow used in inventories amounted to 1,385 MSEK in the first nine months of 2018, primarily due to higher market prices on crude oil and refined products compared to year end 2017. In the first nine months of 2017 cash flow from inventories amounted to 1,597 MSEK. Cash flow used in operating receivables amounted to 1,547 MSEK for the first nine months of 2018, primarily due to higher market prices on crude oil and refined products in September 2018 than in December 2017. In the first nine months of 2017 cash flow used in

operating receivables amounted to 250 MSEK. Cash flow from operating liabilities in 2018 amounted to 2,988 MSEK primarily due to the higher crude oil market price by the end of June, as well as more unpaid crude cargoes compared to December 2017. For the same period in 2017 cash flow used in operating liabilities amounted to 2,808 MSEK.

Cash flow used in investing activities amounted to 1,461 MSEK in the first nine months of 2018, a decrease of 202 MSEK, compared to 1,663 MSEK for the same period of 2017.

Cash flow used in financing activities amounted to 1,779 MSEK for the first nine months of 2018 compared to cash flow used in financing activities of 318 MSEK for the first nine months of 2017. Cash flow used in 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 2021 Notes, totaling 740 MSEK.

### **Income Taxes**

Income tax expense for the first nine months ended September 30, 2018 was 242 MSEK, a decrease of 246 MSEK compared to an expense of 488 MSEK in the same period in 2017.

The effective tax rate, 17%, for the first nine months of 2018 is due to a recalculation of the provision for deferred tax, which had an effect of 53 MSEK. The recalculation is done because the Swedish tax rate will be reduced to 21.4% in 2019 and then to 20.6% in 2021 compared to today's rate of 22%.

### **Financial Debt**

On September 30, 2018, the Group's financial net debt amounted to 13,205 MSEK, compared to 14,142 MSEK as of the third quarter of 2017. The financial debt consisted primarily of the 2021 Notes, subordinated shareholder notes, a subordinated shareholder loan (described below) and Preem's Credit Facility. Cash and cash equivalents amounted to 970 MSEK at September 30, 2018, an increase of 145 MSEK, compared to 825 MSEK for the third quarter of 2017. A breakdown of the Group's financial debt as at September 30, 2018 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 1,049 MSEK for the first nine months in 2018 compared to a loss of 507 MSEK for the first nine months in 2017.

Shareholder equity as at September 30, 2018, amounted to 436 MSEK compared to 263 MSEK as of December 31, 2017. During the third quarter of 2018, Corral Petroleum Holdings converted all remaining principal amounts of the shareholder loans. In total, the equivalent of 908 MSEK has thereby been converted into equity during 2018. As per September 30, 2018, only accumulated non-cash (PIK) interest amounts totalling 4 MEUR plus 166 MUS\$ (1,510 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 also had outstanding subordinated shareholder notes of 94 MUSD and 211 MEUR (3,011 MSEK) as at September 30, 2018. 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**

After peaking at a near 4-year high, 86.7 \$/bbl in early October, the Brent-price started a downward slide and has weakened around 25 \$/bbl / 28% as of end of November. The rising crude price in September and into early October was mainly due to indications that US sanctions were shrinking Iran's crude exports faster than anticipated and potentially leaving the world with a shortage of oil. However, over the course of October and into November this view changed 180 degrees, with traders now more concerned about potential oversupply due to wavering demand because of trade tensions and currency weakness in some emerging markets, and increasing output from OPEC/Russia. The crude price weakened further due to statistics showing growing crude oil stocks in the US, risk of gasoline over-supply and that the Trump Administration in early November provided relief to 8 buyers of Iranian oil.

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

On the products side, recent couple of months have been characterized by a weak gasoline price, and strengthening diesel and fuel oil prices.

The main reason for the weak gasoline price is that gasoline inventories have been increasing fast with especially high inventories on the US east coast which pushes back on European markets. Moreover, European gasoline inventories in the large production and storage centers in the channel zone have increased and are now well above normal levels.

Diesel inventories have been steadily declining for over a year, with inventories in the US now at their lowest level since 2014 and with Europe at their lowest level since 2013. As we are now heading into the heating oil season, it is expected that diesel inventories will stay tight for the rest of the year and well into 2019, which should be expected to support continued firm diesel cracks.

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 15 May 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 in the process of evaluating a potential refinancing of the Group, in which redemption of the 2021 Notes according to the aforesaid may be one possible component. The objective and structure of the refinancing will also include the longer-term prospect that the Preem Shareholder may consider an initial public offering (IPO) of Preem shares at a future date, although no such decision has been taken.

Preem is pleased to announce the appointment of Jason Milazzo as the new Chairman of its Board. Jason Milazzo has been Vice Chairman of the Board since 2009, and he succeeds Mohammed Al-Amoudi.

Preem would like to convey its strong appreciation to Mohammed Al-Amoudi. His leadership, expertise and dedication to the company over more than 20 years have been invaluable for Preem.

Jason Milazzo, an American and British citizen, graduated from Cornell University with a Master's degree in 1992. Mr. Milazzo is a highly experienced and well-regarded business leader with a broad background across multiple industry sectors, and with a particular focus on the natural resources sector. Prior to joining Mohammed Al-Amoudi nearly 10 years ago, Mr. Milazzo spent two decades in investment banking, primarily at Morgan Stanley where he held a number of senior level positions, including Global Head of the Corporate Finance Group.

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

## **Risk Factors**

For information on risks relating to our business and our capital structure, please see Corral Petroleum Holdings' Annual Report 2017, 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 accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended December 31, 2017. For further information regarding accounting principles applied, please see Corral Petroleum Holdings Annual Report 2017, available at <http://www.preem.se/en/in-english/investors/corral/>

### **Additional Information**

An international conference call for investors and analysts will be held on November 28, 2018 at 3:00 pm CET.

The call-in number is

Standard International Access +44 (0) 20 3003 2666

Stockholm +46 (0) 8 50520424

New York +1 646 843 4608

Washington DC Local number +1 202 204 1514

The meeting code is Corral Q3.

The report for the fourth quarter and twelve months ending 31 December, 2018 will be released on March 14, 2019.

Stockholm, November 26, 2018  
On behalf of the Board of Directors

Richard Öhman  
Managing Director

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**CONDENSED CONSOLIDATED INCOME STATEMENTS**

MSEK	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year 2017	Rolling 12 Months Oct 1 - Sep 30	
	2018	2017	2018	2017		2018	2017
Revenue	29,251	18,854	78,085	57,137	78,581	99,529	77,552
Excise duties	-2,881	-2,529	-7,706	-7,541	-9,829	-9,993	-10,130
Sales revenue	26,369	16,325	70,379	49,596	68,752	89,536	67,422
Cost of goods sold	-24,063	-14,672	-65,891	-46,087	-63,440	-83,244	-61,907
<b>Gross profit</b>	<b>2,306</b>	<b>1,653</b>	<b>4,488</b>	<b>3,509</b>	<b>5,312</b>	<b>6,292</b>	<b>5,515</b>
Selling expenses	-226	-203	-685	-617	-866	-935	-830
Administrative expenses	-226	-219	-775	-591	-864	-1,048	-860
Other operating income	87	66	304	359	465	410	459
<b>Operating profit</b>	<b>1,941</b>	<b>1,297</b>	<b>3,332</b>	<b>2,661</b>	<b>4,047</b>	<b>4,719</b>	<b>4,284</b>
Interest income	2	2	6	5	6	7	6
Interest expense	-370	-343	-1,096	-1,053	-1,400	-1,443	-1,405
Exchange rate differences	159	327	-810	703	397	-1,116	333
Other financial, net	0	-30	-73	-89	-124	-108	-1,685
Net financial items	-208	-44	-1,974	-435	-1,121	-2,660	-2,750
<b>Profit/Loss before income tax</b>	<b>1,734</b>	<b>1,253</b>	<b>1,358</b>	<b>2,226</b>	<b>2,926</b>	<b>2,059</b>	<b>1,533</b>
Income tax	-365	-282	-242	-488	-659	-413	-720
<b>Net profit/loss for the year</b>	<b>1,369</b>	<b>971</b>	<b>1,117</b>	<b>1,738</b>	<b>2,267</b>	<b>1,646</b>	<b>813</b>
<b>Attributable to:</b>							
Parent Company's shareholder	1,369	971	1,117	1,738	2,267	1,646	813
Non-controlling interests	-	-	-	-	-	-	-
	<b>1,369</b>	<b>971</b>	<b>1,117</b>	<b>1,738</b>	<b>2,267</b>	<b>1,646</b>	<b>813</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME:**

	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year 2017	Rolling 12 Months Oct 1 - Sep 30	
	2018	2017	2018	2017		2018	2017
Net profit/loss for the year	1,369	971	1,117	1,738	2,267	1,646	813
Other income	4	-2	3	-2	-3	2	9
<b>Comprehensive income</b>	<b>1,373</b>	<b>969</b>	<b>1,120</b>	<b>1,736</b>	<b>2,264</b>	<b>1,648</b>	<b>822</b>
<b>Attributable to:</b>							
Parent Company Shareholder	1,373	969	1,120	1,736	2,264	1,648	822
Non-controlling Shareholders	-	-	-	-	-	-	-
	<b>1,373</b>	<b>969</b>	<b>1,120</b>	<b>1,736</b>	<b>2,264</b>	<b>1,648</b>	<b>822</b>

**CONDENSED CONSOLIDATED BALANCE SHEETS**

<b>MSEK</b>	<b>September 30 2018</b>	<b>September 30 2017</b>	<b>December 31 2017</b>
<b>ASSETS</b>			
Goodwill	308	308	308
Other intangible assets	845	594	674
Tangible assets	10,199	9,359	9,681
Financial assets	382	304	312
<b>Total non-current assets</b>	<b>11,733</b>	<b>10,564</b>	<b>10,974</b>
Inventories	12,068	6,860	10,691
Trade receivables	5,893	4,040	4,674
Other receivables	979	588	569
Prepaid expenses and accrued income	446	410	372
Cash and cash equivalents <sup>1</sup>	970	825	1,083
<b>Total current assets</b>	<b>20,356</b>	<b>12,723</b>	<b>17,388</b>
<b>Total assets</b>	<b>32,088</b>	<b>23,287</b>	<b>28,363</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	1	1	1
Other paid-in capital	9,236	8,328	8,328
Retained loss including net profit/loss for the year	-5,214	-6,862	-6,334
	4,023	1,467	1,995
Non-controlling interests	0	0	0
<b>Total equity</b>	<b>4,023</b>	<b>1,467</b>	<b>1,995</b>
Financial debts	13,703	14,967	14,973
Provision for deferred taxes	388	0	726
Other provisions	268	168	251
<b>Total non-current liabilities</b>	<b>14,359</b>	<b>15,135</b>	<b>15,949</b>
Financial debts	472	0	903
Trade payables	4,939	1,618	3,529
Other liabilities	2,438	2,163	1,510
Accrued expenses and deferred income	5,859	2,904	4,477
<b>Total current liabilities</b>	<b>13,707</b>	<b>6,685</b>	<b>10,418</b>
<b>Total liabilities</b>	<b>28,066</b>	<b>21,820</b>	<b>26,368</b>
<b>Total shareholders equity, provisions and liabilities</b>	<b>32,088</b>	<b>23,287</b>	<b>28,363</b>

<sup>1)</sup> 477 MSEK (41 MEUR and 52 MSEK) segregated account

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

MSEK	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year 2017	Rolling 12 Months Oct 1 - Sep 30	
	2018	2017	2018	2017		2018	2017
<b>Operating activities</b>							
Profit/loss before taxes	1,734	1,253	1,358	2,226	2,926	2,059	1,533
Adjustments for items not included in cash flow <sup>1)</sup>	-378	235	1,693	1,017	1,758	2,434	3,189
	1,356	1,488	3,052	3,243	4,684	4,493	4,723
Taxes paid	0	0	-4	-2	-4	-7	-2
	1,356	1,489	3,047	3,241	4,680	4,486	4,721
Decrease(+)/Increase(-) in inventories	-623	926	-1,385	1,597	-2,232	-5,214	408
Decrease(+)/Increase(-) in operating receivables	-1,618	-261	-1,547	-250	-885	-2,182	-1,022
Decrease(-)/Increase(+) in operating liabilities	2,726	-1,672	2,988	-2,808	596	6,393	-921
Cash flow from operating activities	1,840	482	3,104	1,779	2,159	3,484	3,186
<b>Investing activities</b>							
Aquisition/disposal of subsidiaries	0	-140	-27	-20	-20	-27	-20
Capital expenditure of intangible assets	-52	-54	-186	-175	-268	-279	-240
Capital expenditure of tangible assets	-410	-606	-1,240	-1,472	-2,069	-1,837	-1,794
Sales of intangible and tangible assets	0	2	16	4	21	33	4
Decrease(+)/Increase(-) in financial assets	-7	-6	-23	0	-11	-34	-16
Cash flow used in investing activities	-470	-803	-1,461	-1,663	-2,347	-2,144	-2,065
	1,370	-321	1,643	116	-187	1,340	1,120
<b>Financing activities</b>							
New loans	1,420	1,543	5,968	4,955	6,957	7,970	6,875
Repayment of loans	-3,090	-1,308	-7,747	-5,273	-6,731	-9,205	-7,707
Loan expenditures	0	0	0	0	0	0	0
Cash flow from/used in financing activities	-1,670	235	-1,779	-318	226	-1,235	-832
<b>CASH FLOW FOR THE PERIOD</b>	-300	-86	-135	-202	38	105	288
Opening cash and cash equivalents	1,260	917	1,083	1,030	1,030	825	543
Effect of exchange rate fluctuations on cash and cash equivalents	10	-6	22	-3	15	40	-6
<b>Cash and cash equivalents at the end of the period</b>	<b>970</b>	<b>825</b>	<b>970</b>	<b>825</b>	<b>1,083</b>	<b>970</b>	<b>825</b>

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

Depreciation of property, plant and equipment	261	247	770	740	1,000	1,030	997
Disposal	6	-	6	71	71	6	71
Write-down of inventory (+)/Reversed inventory write-down(-)	-7	8	11	-6	-8	9	6
Loss/gain on sale of fixed assets	-	-1	-10	0	-3	-13	6
Loss/gain on sale of subsidiaries	-	8	-	-105	-105	-	-105
Unrealized losses(+)/gains(-) on derivatives	-81	-13	-91	39	70	-59	39
Unrealized exchange losses(+)/gains(-)	-356	143	-134	84	-55	-272	-13
Unrealized exchange losses(+)/gains(-) from financing activities	-108	-95	605	-332	-127	809	-233
Capitalized loan expenditures deferred as interest expenses	41	41	122	122	162	162	161
Capitalized interest cost financial debt	-96	-92	468	449	720	740	725
Provision for doubtful receivables CMGO	-	-	-	-	-	-	1,567
Others	-38	-12	-53	-44	33	24	-31
	<b>-378</b>	<b>235</b>	<b>1,693</b>	<b>1,017</b>	<b>1,759</b>	<b>2,435</b>	<b>3,189</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, 2017</b>	<b>1</b>	<b>7,828</b>	<b>-8,598</b>	<b>-768</b>	<b>0</b>	<b>-768</b>
Net profit	-	-	1,738	1,738	0	1,738
Other comprehensive income <sup>1</sup>	-	-	-2	-2	0	-2
Total comprehensive profit	-	-	1,736	1,736	0	1,736
Shareholder contribution received	-	500	-	500	0	500
<b>Closing equity September 30, 2017</b>	<b>1</b>	<b>8,328</b>	<b>-6,862</b>	<b>1,467</b>	<b>0</b>	<b>1,467</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 loss	-	-	1,117	1,117	0	1,117
Other comprehensive income <sup>1</sup>	-	-	3	3	0	3
Total comprehensive profit	-	-	1,120	1,120	0	1,120
Shareholder contribution received	-	908	-	908	0	908
<b>Closing equity September 30, 2018</b>	<b>1</b>	<b>9,236</b>	<b>-5,214</b>	<b>4,023</b>	<b>0</b>	<b>4,023</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, 2018</b>		1	-	263
Shareholder contribution received		-	-	908
Net loss		-	-	-735
<b>Closing equity September 30, 2018</b>		1	-	<b>436</b>

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

**CONDENSED INCOME STATEMENT - PARENT COMPANY**

<b>MSEK</b>	<b>January 1 - September 30</b>		<b>Full year</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
<b>Operating profit</b>	<b>-3</b>	<b>-3</b>	<b>0</b>
Profit from investment in Group companies	380	-	1,205
Financial net	-1,426	-505	-1,046
<b>Profit/Loss before taxes</b>	<b>-1,049</b>	<b>-507</b>	<b>160</b>
Taxes	314	112	-693
<b>Net loss</b>	<b>-735</b>	<b>-396</b>	<b>-533</b>

**CONDENSED BALANCE SHEET - PARENT COMPANY**

<b>MSEK</b>	<b>September 30</b>	<b>September 30</b>	<b>December 31</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
<b>ASSETS</b>			
Participation in Group Companies	10,518	9,673	10,518
Deferred tax	430	920	115
Other receivables	1	1	1
Cash and cash equivalents <sup>1</sup>	481	452	826
<b>Total assets</b>	<b>11,429</b>	<b>11,046</b>	<b>11,460</b>
<b>EQUITY AND LIABILITIES</b>			
Restricted equity	1	1	1
Non-restricted equity	436	400	262
<b>Total equity</b>	<b>436</b>	<b>401</b>	<b>263</b>
Shareholder loans	1,510	2,130	2,218
Bond loans, subordinated notes	3,011	2,524	2,654
Bond loans, senior notes	6,209	5,733	5,910
Loan from subsidiary	55	55	55
Other short term liabilities	208	203	361
<b>Total liabilities</b>	<b>10,993</b>	<b>10,646</b>	<b>11,197</b>
<b>Total equity and liabilities</b>	<b>11,429</b>	<b>11,046</b>	<b>11,460</b>

<sup>1)</sup> 477 MSEK (41 MEUR and 52 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.

MSEK	Jul 1 - Sep 30		Jan 1 - Sep 30		Full year 2017	Rolling 12 months Oct 1 - Sep 30	
	2018	2017	2018	2017		2018	2017
<b>Operating profit</b>	<b>1,941</b>	<b>1,297</b>	<b>3,332</b>	<b>2,661</b>	<b>4,047</b>	<b>4,719</b>	<b>4,284</b>
Depreciation	261	247	770	740	1,000	1,029	997
<b>EBITDA</b>	<b>2,202</b>	<b>1,544</b>	<b>4,103</b>	<b>3,401</b>	<b>5,047</b>	<b>5,748</b>	<b>5,280</b>
Add back:							
Inventory price gains(-)/losses(+)	-816	-125	-1,340	-316	-1,064	-2,088	-795
Foreign currency gains(-)/losses(+)	10	9	-192	216	206	-202	130
<b>Adjusted EBITDA</b>	<b>1,396</b>	<b>1,428</b>	<b>2,571</b>	<b>3,301</b>	<b>4,189</b>	<b>3,458</b>	<b>4,615</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	September 30		Full year 2017
	2018	2017	
Revolving credit facility	3,171	4,878	4,464
Borrowings current	472	-	903
Transaction expenses	-214	-316	-291
Other liabilities, interest bearing	17	18	18
<b>Total Financial Debt - Preem</b>	<b>3,446</b>	<b>4,580</b>	<b>5,094</b>
Senior Notes	6,368	5,953	6,114
Transaction expenses	-159	-220	-204
Subordinated Notes	3,011	2,524	2,654
Other loans from shareholder	1,510	2,130	2,218
<b>Total Financial Debt - Corral</b>	<b>10,729</b>	<b>10,387</b>	<b>10,781</b>
<b>Total Financial Debt - Group</b>	<b>14,175</b>	<b>14,967</b>	<b>15,875</b>
Cash and cash equivalents <sup>1</sup>	-970	-825	-1,083
<b>Total Financial Net Debt</b>	<b>13,205</b>	<b>14,142</b>	<b>14,793</b>
<b>Leverage ratio<sup>2</sup></b>	<b>2.6</b>	<b>2.2</b>	<b>2.5</b>

<sup>1</sup>477 MSEK (41 MEUR and 52 MSEK) segregated account

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