

Preem Annual Report 2010

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Directors' report

Preem AB (publ)

✔ Corporate ID number
556072-6977

✔ Preem AB (publ) is
wholly-owned by Corral
Petroleum Holdings AB
(publ).

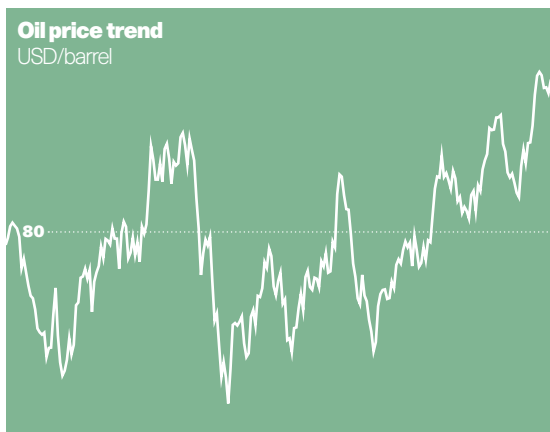
✔ Corral Petroleum
Holdings AB (publ) is a
wholly-owned subsidiary
of Moroncha Holdings Co.
Limited (Cyprus).

Operations

Preem AB (publ) (Preem) is Sweden's largest fuel and oil company, and through its two refineries in Gothenburg and Lysekil it accounts for about 80 % of Swedish refining capacity and about 30 % of Nordic refining capacity. Preem conducts extensive refining of crude oil and sales of petroleum products to oil companies active in Sweden and in the international market, primarily in northwestern Europe. Sales of gasoline, diesel, heating oils and lubricating oils on the Swedish market to private customers, large and small companies, are conducted via our own marketing channels, Preem Partners and gasoline stations. About two-thirds of production is exported, which makes Preem one of the largest Swedish export companies.

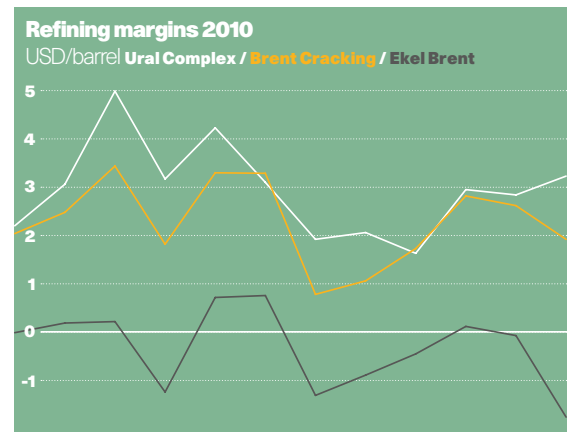
The market

The macroeconomic outlook has improved in 2010 with strong economic growth in the global economy despite the debt problem, especially in southern Europe. The Asian countries have been the engine behind this recovery while the US economy has been boosted by a fiscal stimulus. As the recovery in the global economy took hold, the demand for oil increased which meant that oil prices continued to rise in 2010. The year started with a crude oil price (Dated Brent) of USD 78/barrel and ended with a price of USD 93/barrel. The highest price of the year was quoted in December, at USD 94/barrel.



Demand for refined products increased globally. The recovery in the global economy led to the global demand for products increasing in the order of 3 % (International Energy Agency, January 2011). Demand for middle distillates such as jet fuel and diesel has been positively affected by developments in China and the exceptionally cold winter in Europe. The increased

demand combined with maintenance shutdowns at a number of refineries in the spring meant higher margins for middle distillates in 2010.



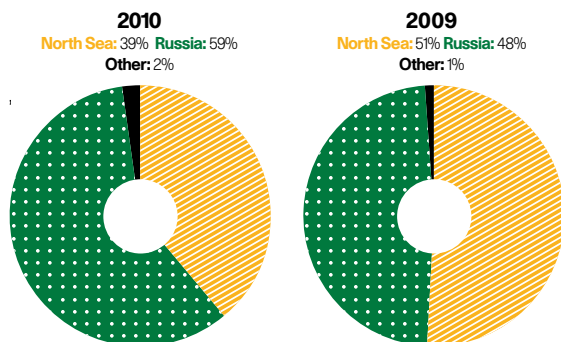
The global margins for gasoline remained relatively good in 2010. Demand for gasoline, mainly from Africa and the Middle East increased, while supply decreased slightly due to lower capacity utilization at refineries in the US.

Refining margins rose in 2010. The increased demand for diesel was a strong contributory factor to the healthy refining margins. The international reference margin for complex refineries in northwestern Europe (IEA Brent Cracking) was USD 2.28 (1.29)/barrel in 2010.

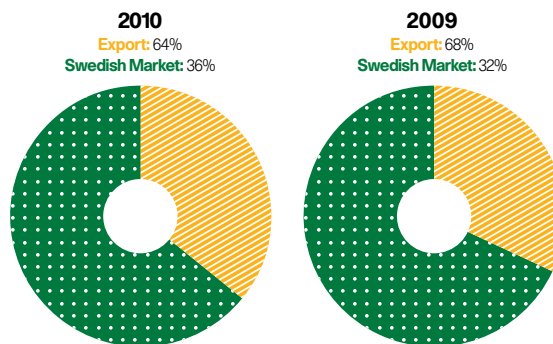
The trend in the Swedish oil market rebounded in 2010 and the total consumption of oil products totaled 13.3 million m³, an increase of 3.3 % over the previous year. The extremely cold winter in Sweden affected the demand for heavy fuel oil and the market grew by 20.2 % in 2010.

The extensive price war in the Swedish gasoline market in previous years, has continued to abate in 2010. The total gasoline market fell by 6.1 % in 2010 compared to 2009 (Statistics Sweden, December 2010). Over the same period, the total diesel market grew by 8.5 %. The use of diesel is increasing in Sweden as a consequence of more freight transport but also by a rise in the number of passenger cars using diesel. 2010 was the first year in Sweden where diesel fuel sales were higher than gasoline. Preem has strengthened its position in both the gasoline and diesel markets with improved margins and increased volumes resulting in higher market shares. Preem is now a leader in diesel, heating oil 1 and heating oil 2-6 on the Swedish market.

Import



Export



Production

The Group's operations consist to a great extent of refining crude oil in two refineries, Preemraff Lysekil and Preemraff Göteborg. During the year total production reached a level of 17.9 (17.6) million m³. Purchases of crude oil were mainly from Russia 59 (48) % and the North Sea 39 (51) %. 64 (68) % of products sold were exported.

During the fall, planned maintenance work was carried out on gasoline and diesel plants in Lysekil. This meant the production at Lysekil decreased from 11.6 (2009) to 11.2 million m³ (2010). The refinery at Gothenburg showed a high availability (99.5 %) during the year, which paved the way for a production level of 6.7 (6.0) million m³.

At the beginning of the year the conversion of the sulfur plant at Lysekil was completed with a view to increasing capacity. This enabled the refinery to process 100 % high-sulfur crude oil. Since the converted plant began operating, crude oil to the refinery has almost exclusively been Urals, a Russian high-sulfur crude oil. High-sulfur crude oil is typically less expensive than low-sulfur crude oil, resulting in an increased economic return.

During the year, a plant for the production of green diesel based on tall oil was constructed in Gothenburg. The cost of the project was lower than budgeted and the planned capacity and product quality have both been achieved. The plant is unique in terms of production of renewable diesel based on raw materials from the forest, known as second generation bio-fuels.

Production of diesel totaled 6.4 (7.8) million m³, corresponding to 36 (42) % of total production. The reduction in the production of diesel from the previous year was caused by the stoppage at the diesel plant at Lysekil.

All objectives in the areas of energy and the environment have been surpassed. In the case of emissions to the atmosphere and water that are regulated by authority requirements, the margin to the limit value in all cases was at least 20 %.

Production, million m³

		2010	2009
Preemraff Lysekil	↓	11.2	11.6
Preemraff Gothenburg	↑	6.7	6
Total production	↑	17.9	17.6

The environment

Preem conducts a number of activities that are licensable and notifiable under the Environmental Code for which the main environmental impact is through emissions to air of carbon dioxide, nitrogen oxides, sulfur oxides and volatile hydrocarbons, as well as emissions to water and noise.

Preem's refineries in Lysekil and Gothenburg conduct licensable "A" activities with licenses for the refining of petroleum products under the Environmental Code. The impact on the environment is mainly through the discharge to the atmosphere of carbon dioxide, nitrogen oxides, sulfur oxides and volatile hydrocarbons. The licenses are subject to conditions and an associated control program, both for the operation itself and for local surroundings. The environmental conditions cover such things as capacity limitation, discharge to the atmosphere and to water, noise and waste.

The emission control program has been set by the County Administrative Board. The control program describes in detail the checks and reports that apply to the refinery's own checks on raw materials' consumption and production, discharge to the atmosphere and to water, as well as noise and waste.

Preemraff Lysekil is licensed under the Environmental Code to undertake the production of fuel at the refinery complex on Brofjorden. Production is limited to an annual throughput of 13.0 million m³. The license was granted in a part judgment from the Environmental Court on June 30, 2004. The license has 36 final conditions, ten provisional conditions and a requirement for eleven test period reports, of which all have been submitted. All conditions pertaining to Preemraff Lysekil were satisfied for 2010.

Preemraff Gothenburg has a license under the Environmental Code to undertake the production of fuel etc., at the refinery facility at Hisingen, and production is limited to an annual throughput of 7.1 million tons. The license was granted in part judgments from the Environmental Court on July 3, 2002 and December 20, 2004, with a total of 14 final conditions. All the test period reports required in the judgment were submitted within the stipulated time period.

For the judgments on April 4, 2006, November 17, 2006 and August 2, 2008 an additional ten final conditions were established. For the judgment on September 17, 2009, permission to the Environmental Court was granted to take in and process 0.2 million m³ of bio-oils, which was associated with an additional two final conditions. Licenses issued for gasoline volumes for unloading directly to vehicles were increased by the judgment on December 10, 2010. All conditions pertaining to Preemraff Göteborg were satisfied for 2010.

The fixed allocation of CO₂ emission rights for Preem refineries was 2.47 million/year for the 2008-2012 trading period. During normal operation at the refineries Preem expects the allocation to cover the need for emission rights.

At the six operational depots, every year more than 50,000 tons and 500,000 tons respectively of petroleum products, petrochemical products and oils are stored and handled, which requires licensing in accordance with the Environmental Code for what are known as "B" activities. Of Preem's operating depots, five have licenses under the Environmental Code and one depot has a license under the Environmental Protection Act. A licensing assessment is being carried out under the Environmental Code for the depot that is authorized by the Environmental Protection Act because of increased activities at the depot. For four of the depots, licenses granted are tied to requirements on test period surveys regarding possible walling-in of the tanks. In accordance with the licenses, Preem has submitted reports for the four depots to the relevant County Administrative Boards. Following this, one depot received a decision with a requirement for walling-in. This decision was appealed to the Environmental Court, which changed the condition to a new test period condition for further investigation.

The lion's share of Preem's gasoline stations and diesel facilities handle fuel in excess of 1,000 m³ per calendar year and are thus notifiable for what are known as "C" activities. Notification of the "C" activities is to be continuous to the relevant municipal committee, which also inspects the activities.

Remediation of the soil has been undertaken and completed within the non-operational depot areas at Falun. Remediation in the depot areas is in progress at the gasoline and diesel storage chambers at Finnberget, at no cost to Preem because of an earlier decision by the Court of Appeal, two areas in Karlstad and one in Malmö, and groundwater in Sundsvall. Remediation and restoration works in Karlstad, Västerås and Malmö will be accounted for within the framework of the funds set aside in the 2005 accounts (see note 27). Remediation costs for Falun were not covered by the provision made in 2005 and totaled SEK 1 million.

In connection with the non-operational depot at Gällivare, remediation is underway of jointly used track areas. The cost is shared jointly by other operators and remediation will be completed in 2011. In connection with the new road alignment and bridge at Sundsvall (E4), Preem, together with other operators, Sundsvall Municipality and Sundsvall Oil Harbor have been summoned to a briefing by the Swedish Road Administration. A decision on a possible injunction on remediation because of an infrastructure project is expected to be made in 2011 at the earliest, and is covered in the event that Preem is affected by the reserve from 2005.

Results

2010 was characterized by stable refinery margins, significantly improved earnings within the Market division and inventory gains in crude oil and finished products as a consequence of the rising world market prices for crude oil and refined products.

Profitability was also good within refinery operations. The average refinery margin reached USD 3.92 (4.09)/barrel, while at the same time accessibility at the refineries at Lysekil and

Gothenburg continued to be high. Refining margins were negatively affected by the planned maintenance work at the refinery in Lysekil. The negative earnings impact from this suspension has been partially offset by rising margins in middle distillates and the lower world market prices for high-sulfur crude oil, which has reduced the cost of crude oil.

Within the Market division, earnings improved considerably in 2010. Increased margins for gasoline and heating oil, continued good margins for heavy oil and higher volumes all contributed to the improved earnings. Within the gasoline station business, a significant improvement in earnings was evident in 2010. Earnings improved primarily due to increased margins for gasoline and increased volumes for diesel.

Consolidated net sales totaled SEK 87,004 (73,592) million. Excluding excise duties, consolidated sales revenues totaled SEK 77,256 (63,813) million. After deducting the cost of goods sold, gross profit totaled SEK 3,052 (4,934) million. 2010 showed a rise in prices for crude oil and products, bringing price gains in inventories of SEK 1,212 (3,170) million.

The US Dollar exchange rate has continued to weaken in 2010. The year started with a US Dollar rate of 7.21 and ended at 6.80. The weaker US Dollar has meant exchange rate losses on inventories of SEK -461 (-524) million.

The weaker US Dollar exchange rate also resulted in exchange rate gains in the Company's loans in this currency of SEK 223 (495) million. The profit after financial items was SEK 1,822 (3,828) million.

The parent company's net sales totaled SEK 86,922 (73,519) million, with a profit after financial items but before appropriations of 1,818 (3,739) million.

In 2010 Preem provided a group contribution to Corral Petroleum Holdings AB (publ) of SEK 1,004 million and received a shareholder's contribution from Corral Petroleum Holdings AB (publ) of an equivalent amount. In addition, Preem has received a conditional shareholder's contribution of SEK 500 million from Corral Petroleum Holdings AB (publ).

Sales and earnings (SEK million)

		2010	2009
Net sales	↑	87,004	73,592
Gross profit	↓	3,052	4,934
Price gains on inventories	↓	1,212	3,170
Exchange rate losses on inventories	↓	461	524

Capital expenditure

The Group's capital expenditures in non-current assets totaled SEK 710 (641) million.

Financing and liquidity

At the end of the period the Group had a net loan debt of SEK 9,072 million, compared with SEK 12,645 million as at December 31, 2009, a decrease of SEK 3,573 million. This decrease is primarily due to a positive cash flow from operating activities and exchange rate gains on the Company's loans in foreign currencies.

Cash flow from operating activities totaled SEK 3,593 million, compared with SEK 1,639 million in 2009. A decreased binding of operating capital and lower taxes paid have had a positive impact on cash flow from operating activities in 2010. This was partially offset by lower earnings after financial items.

The Group's cash and cash equivalents of SEK 599 (808) million and unutilized credit facilities of SEK 1,926 (1,614) million totaled SEK 2,525 (2,422) million as of December 31.

In September 2011, all the Company's financial liabilities will mature for repayment. Negotiations with the Group's banking group are ongoing with a view to extending all the loans in order to ensure long-term financing of the Company.

For management of financial risks, see note 2.

Financing and liquidity

SEK million		2010	2009
Net loan debt	↓	9,072	12,645
Cash flow from operating activities	↑	3,593	1,639
Cash & cash equivalents	↓	599	808
Unutilized credit	↑	1,926	1,614

Personnel

The average number of employees in the Group was 1,329 (1,396), of whom 1,315 (1,382) worked at the Parent Company. At the end of the year, the number of employees was 1,334 (1,368), of whom 1,320 (1,355) worked at the parent company.

Future prospects

The global recession will affect demand for refined products in 2011 and also influence refining margins. The global economy and thereby economic growth is expected to continue and strengthen in 2011. Demand and margins for gasoline are expected to remain relatively good. As a result of increased economic activity, demand for diesel is expected to increase slightly in 2011 from the historically low levels at the end of 2009. Preem's refineries, which have a relatively high proportion of diesel production, are expected to benefit from the increased demand for diesel compared with other products.

Profitability in the Market division is expected to remain positive.

Directors composition

In fiscal year 2010, the following changes have occurred in the composition of the Board.

Carl-Johan Åberg passed away on March 7, 2010 after a period of illness. John P. Oswald decided to leave the Board at his own request. Replacements have yet to be appointed.

Proposed appropriation of profits

Non-restricted equity in the Parent Company totals SEK 5,575,875 thousand. The Board of Directors proposes that this amount should be appropriated as follows (in SEK thousand):

Carried forward	5,575,875
Total	5,575,875

The board's explanation

Statement, including explanations, to the 2011 annual general meeting regarding the group contribution provided in respect of the fiscal year 2010 to shareholders. The Annual Report submitted shows that a Group contribution has been paid to the Parent Company, Corral Petroleum Holdings AB (publ), of SEK 1,004 million and that it shall be proposed to the annual general meeting that the profit be carried forward. Corral Petroleum Holdings AB has paid a shareholder's contribution to Preem AB (publ) of an equivalent amount.

Explanation

The Company's equity has been calculated in accordance with Swedish law through the application of the Swedish Financial Accounting Standards Council's recommendation RFR 2.

The Board of Directors is satisfied that full cover exists for the restricted equity of the Company and the Group after payment of the Group contribution.

In the light of the financial position at 31 December 2010 and the business plan for 2011, the Board is satisfied that the Group contribution paid to the shareholder is justifiable with reference to the parameters set out in Chapter 17, section 3, subsections 2 and 3 of the Swedish Companies Act (the nature of the operation, scope and risks, the consolidation requirements, liquidity and general position of the Company and the Group, and the Company and the Group's estimated performance in 2011).

Events after the balance sheet date

The Group is exposed to price risk in respect of inventories of crude oil and refined products. Price changes in crude oil and refined oil products affect the Group's sales income, cost of goods sold, gross profit/loss and operating profit/loss. The price risk at this volume is the Company's commercial risk that the Board of Directors has accepted. In February and March 2011, the Group has purchased put options equivalent to approximately 1,8 million m³ (about 11.6 million barrels) of crude oil to hedge against the price risk in relation to the normal position.

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Consolidated financial statements

Comprehensive income statement

SEK millions

		2010	2009
Net sales		87,004	73,592
Excise duties	Note 5	-9,747	-9,778
Sales revenues	Notes 4 and 16	77,256	63,813
Cost of goods sold	Note 16	-74,205	-58,880
Gross profit	Note 6	3,052	4,934
Selling expenses		-656	-685
Administrative expenses		-491	-432
Other operating income	Note 13	369	443
Operating profit/loss	Notes 7-12, 36-38	2,274	4,260
Finance income		155	87
Finance expenses		-607	-519
Net financial items	Notes 14 and 16	-452	-432
Profit before tax		1,822	3,828
Tax on profit for the year	Note 15	-487	-1,016
Profit/loss for the year		1,335	2,812
Comprehensive income			
Translation differences		0	0
COMPREHENSIVE INCOME FOR THE YEAR		1,335	2,812
Attributable to:			
Parent company's shareholders		1,335	2,811
Non-controlling interests		1	1
		1,335	2,812

Balance Sheet

SEK millions

Assets

		2010	2009
Non-current assets			
Intangible assets			
Goodwill	Note 17	308	308
		308	308
Property, plant and equipment			
Land and buildings	Note 18	1,012	994
Plant and machinery	Note 18	6,723	6,890
Audit inspection	Note 18	265	344
Equipment, tools, fixtures and fittings	Note 18	421	433
Constructions in progress	Note 18	905	951
		9,326	9,611
Financial assets			
Participations in associates	Note 19	83	5
Receivables from related parties	Note 20, 35	3,340	3,183
Available-for-sale financial assets	Note 21, 35	23	56
Other non-current receivables		14	23
		3,460	3,266
Total non-current assets		13,093	13,185
Current assets			
Inventories	Note 22	8,216	8,266
Trade receivables	Note 23, 35	4,667	3,674
Derivatives	Note 30, 35	21	54
Other receivables		759	595
Prepaid expenses and accrued income		322	245
		13,986	12,834
Cash and cash equivalents	Note 24, 35	599	808
Total current assets		14,585	13,642
TOTAL ASSETS		27,679	26,827

Balance Sheet

SEK millions

Equity and liabilities

		2010	2009
Equity			
Equity attributable to parent company's shareholders			
Share capital		610	610
Other paid-in capital		500	-
Retained earnings includes comprehensive income for the year		5,881	4,282
		6,991	4,892
Non-controlling interests		9	10
Total equity	Note 25	7,000	4,902
Liabilities			
Non-current liabilities			
Pension obligations	Note 26	62	71
Deferred tax liability	Note 15	1,321	1,346
Other provisions	Note 27	94	102
Borrowing	Note 28, 35	-	9,460
Other liabilities		27	17
		1,504	10,995
Current liabilities			
Borrowing	Note 28, 29, 35	9,561	3,735
Advance payments from customers		8	4
Trade payables	Note 35	3,916	4,193
Liabilities to parent company		3	3
Liabilities to associates		44	2
Current tax liabilities		242	1
Derivatives	Note 30, 35	13	97
Other liabilities	Note 31, 35	1,904	1,469
Accrued expenses and prepaid income	Note 32	3,484	1,425
		19,175	10,930
Total liabilities		20,679	21,925
TOTAL EQUITY AND LIABILITIES		27,679	26,827

Pledged assets and contingent liabilities

Note 33

Changes in equity

SEK millions

Attributable to parent company's shareholders

	Share capital	Other paid-in capital	Retained profit incl. comp. income for year	Total	Non-controlling interests	Total equity
Opening equity 1/1/2009	610		1,217	1,827	11	1,838
Comprehensive income for the year	-	-	2,811	2,811	1	2,812
Shareholders' contribution received	-	-	970	970	-	970
Group contribution paid	-	-	-970	-970	-	-970
Tax effect of Group contribution	-	-	255	255	-	255
Dividend	-	-	-	-	-3	-3
Closing equity 12/31/2009	610	-	4,282	4,892	10	4,902
Comprehensive income for the year	-	-	1,335	1,335	1	1,335
Shareholders' contribution received	-	500	1,004	1,504	-	1,504
Group contribution paid	-	-	-1,004	-1,004	-	-1,004
Tax effect of Group contribution	-	-	264	264	-	264
Dividend	-	-	-	-	-1	-1
Closing equity 12/31/2010	610	500	5,881	6,991	9	7,000

The Board has not proposed any dividend for the current fiscal year.

Cash Flow Statement

SEK millions

		2010	2009
Operating activities			
Profit before tax		1,822	3,828
Adjustments for items not included in cash flow	Note 34	575	-606
		2,398	3,222
Tax paid		-6	-281
Cash flow from operating activities before changes in working capital		2,391	2,941
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		50	-1,945
Increase (-)/Decrease (+) in operating receivables		-1,191	-303
Increase (+)/Decrease (-) in operating liabilities		2,343	947
Cash flow from operating activities		3,593	1,639
Investing activities			
Capital expenditure of property, plant & equipment		-710	-641
Disposal of property, plant & equipment		2	22
Increase in financial assets		-55	0
Cash flow from investing activities		-762	-619
Financing activities			
Shareholders' contribution received		500	-
New loans		3,012	4,690
Repayment of loans		-6,551	-5,853
Expenses in connection with arrangement of loans		-	-5
Group contribution paid		-	-109
Dividend paid		-1	-3
Cash flow from financing activities		-3,040	-1,280
Cash flow for the year		-209	-259
Opening cash and cash equivalents		808	1,068
CLOSING CASH AND CASH EQUIVALENTS		599	808

Notes on the consolidated financial statements

Note 1. Significant accounting policies

Preem AB (publ) (the parent company), corp. ID no. 556072-6977, and its subsidiaries constitute the biggest oil company in Sweden.

The parent company is a joint stock company registered in and with its registered office in Sweden. The address of the head office is Warfvingsväg 45, SE-112 80 STOCKHOLM.

Preem AB (publ) is a wholly-owned subsidiary of Corral Petroleum Holdings AB, corp. ID no. 556726-8569, which has its registered office in Stockholm.

On March 30, 2011 the Board of Directors approved this annual report and these consolidated financial statements for publication and submittal to the annual general meeting for adoption on March 30, 2011.

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

Basis on which the statements have been produced

The consolidated financial statements for the Preem AB Group (Preem) have been produced in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued from the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU with the exception of IAS 33, earnings per share on the grounds that Preem AB is not quoted on a regulated market. In addition, RFR 1 "Supplementary Accounting Rules for Groups" issued by the Swedish Financial Reporting Board have been applied. The consolidated financial statements have been produced according to the cost method, apart from financial assets held for trading and financial assets and liabilities measured at fair value via the profit/loss for the year.

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

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

Standards, amendments and interpretations that came into force in 2010

New items that came into force in the fiscal year had no effect on the Group's financial statements.

New IFRS and interpretations that have not yet come into force

A number of new or amended IFRS and interpretive notes will only take effect during the coming fiscal year and have not been applied early when establishing these financial statements. New or changes to standards with future application are not planned to be applied early. The current assessment is that the new and revised standards will have no effect on the Group.

Classification, etc.

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

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

Subsidiaries

Subsidiaries are companies (including special purpose entities) that are under the control of Preem. "Control" means to have a direct or indirect right to formulate a company's financial and operational strategies for the purpose of receiving financial 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 from the date on which control was transferred to the Group. They are excluded from the consolidated financial statements as from the date on which control ceases.

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

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

Transactions with non-controlling interests

The Group applies the policy of recording transactions with non-controlling interests as transactions with a third party. Disposals to non-controlling interests result in profits and losses for the Group, which are recognized in the profit/loss for the year. In connection with the acquisition from non-controlling interests in which the purchase price paid exceeds the acquired share of the carrying amount of the subsidiary's net assets, the amount of the difference is recognized as goodwill. In connection with disposals to non-controlling interests in which the purchase price received deviates from the carrying amount of the share of the net assets disposed, a profit or loss arises. This profit or loss is recognized in the profit/loss for the year.

Associates

Related parties are all companies in which the Group has significant but not controlling influence, which mainly applies for shareholdings that encompass between 20% and 50% of votes. As from the date on which the significant influence is obtained, shares in related parties are recognized in the consolidated financial statements according to the equity method and are measured initially at the cost of acquisition. The Group's carrying amount of holdings in related parties includes goodwill that is identified upon acquisition, net after any necessary impairment charges.

Any difference upon acquisition between the cost of acquisition of the shareholding and the owner company's share of the fair value net of the associate's identifiable assets, liabilities and contingent liabilities is recognized according to the same principles as in connection with the acquisition of subsidiaries.

The Group's share of profit/loss in related parties after the acquisition is recognized in the profit/loss for the year. Accumulated changes after the acquisition are recognized as a change in the shareholding's carrying amount. 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 record any additional losses unless the Group has assumed obligations or made payments on behalf of the associate.

Unrealized profits on transactions between the Group and its associate are eliminated in relation to the Group's holding in the associate. Unrealized losses are also eliminated, unless the transaction constitutes evidence that there is a need for an impairment charge on the transferred asset.

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

Segment reporting

An operating segment is part of the Group that runs operations from which it can generate revenues and incur expenses for which separate financial information is available. An operating segment's results are followed up by the company's chief executive decision makers to evaluate the performance and to allocate resources to the operating segment. See Note 4 for a further description of the classification and presentation of segments.

Translation of foreign currency

Functional currency and reporting currency

Items included in the financial statements for the various entities in the Group are measured in the currency used in the financial environment where each company has its main operations (functional currency). The consolidated financial statements are produced in Swedish kronor (SEK), which is the parent company's functional currency and reporting currency.

Transactions and balance sheet items

Transactions in foreign currency are translated into the functional currency according to the foreign exchange rates prevailing on the transaction date. Exchange rate gains/losses that arise when paying for such transactions and when translating monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are recognized in the profit/loss for the year. Exchange rate changes that arise during the time between invoicing of and payment for products affect the Group's gross profit/loss. Other exchange rate

changes affect the Group's net finance income/expense. The company does not hedge transactions or investments in foreign currency. Non-monetary assets and liabilities are recognized at the foreign exchange rates prevailing at the transaction date.

Group companies

The profit/loss and financial position of all Group companies that have a different functional currency than the reporting currency are translated into the Group's reporting currency as follows: assets and liabilities are translated at the exchange rate on the balance sheet date, income and expenses for each of the income statements are translated at the average exchange rate, and all exchange rate differences that arise are recognized in comprehensive income.

In connection with consolidation exchange rate differences that arise as a consequence of translating net investment in a foreign operation are posted to comprehensive income with an accumulated effect in equity. In connection with the disposal of a foreign operation, wholly or partly, the exchange rate differences recognized in equity are posted to profit/loss for the year and recognized as an element of the capital gain/loss.

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

Property, plant and equipment

All property, plant and equipment is recognized at cost of acquisition minus accumulated depreciation and any impairment, apart from any relating to land, platinum and palladium, which are recognized under plant and equipment, as these are included as catalysts in the reformer and isomerization plants and are not consumed. Property, plant and equipment that consists of elements with different useful lives are treated as separate components of property, plant and equipment.

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

Depreciation of other assets, in order to allocate their cost of acquisition to the estimated residual value across the estimated useful life, is performed on a straight-line basis as follows:

Buildings and storage chambers	20-50 years
Land installations	20 years
Plant and machinery	10-30 years
Audit inspection of refineries	4-5 years
Inventories, tools, fixtures and fittings	3-10 years

The refinery installations consist of a number of components with different useful lives. The main breakdown is into plant and equipment. There are, however, several components that have different useful lives within this main breakdown. The following main component groups have been identified and form the basis of depreciation of refinery installations:

Electrical installations and instruments	15 years
Heat exchangers	15 years
Steam boiler	20 years
Steel installation	30 years
Pressure vessel	30 years

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

The carrying amount of property, plant and equipment is removed from the balance sheet in connection with retirement or disposal, or when no future financial benefits are expected from the use or the retirement/disposal of the asset. Profits and losses in connection with disposal are defined by means of a comparison between sales income and the carrying amount, and are recognized as net in the statement on comprehensive income depending on the function to which the asset belongs.

Borrowing costs that are not directly attributable to the purchasing, design or production of an asset and that takes a significant length of time to produce for its intended use or sale are included in the cost of acquisition of the asset.

Intangible assets

Goodwill

Goodwill constitutes the amount by which the cost of acquisition exceeds the fair value of the Group's share of the acquired subsidiary/s/associate's identifiable net assets on the acquisition date. Goodwill in acquisitions of subsidiaries is recognized as intangible assets. Goodwill that is recognized separately is tested on an annual basis to identify any possible impairment need and is recognized at the cost of acquisition minus accumulated impairment charges. Impairment charges of goodwill are not reversed. A profit or loss from the disposal of an entity includes the residual carrying amount of the goodwill that relates to the disposed entity.

Goodwill is divided among cash generating units in connection with the testing of a possible need for an impairment charge. This division is performed to the cash generating units or groups of cash generating units that are expected to benefit from the business combination that gave rise to the goodwill item. The Group divides goodwill among operating segments. The Group's carrying amount of goodwill of SEK 308 (308) million is allocated in full to the Supply & Refining segment.

Other intangible assets

The Group has no other capitalized intangible assets. The cost of internally generated goodwill and brands, for example, are therefore recognized as they arise.

Impairment of non-financial assets

Assets that have an indeterminate useful life, such as goodwill, are not amortized, but are tested annually with regard to any possible impairment. Assets that are amortized are assessed with regard to the loss of value whenever events or changes in circumstances indicate that the carrying amount may perhaps not be recoverable. Impairment takes place at the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment impacts the profit/loss for the year. The recoverable amount is the higher of the asset's fair value minus selling expenses and its value in use. When assessing an impairment need, 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 impairments may not exceed the carrying amount that should have been recognized if no impairment had been undertaken.

Inventories

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

The cost of acquisition of finished goods and work in progress consists of raw material, direct wages, other direct operating expenses and attributable indirect manufacturing expenses (based on normal manufacturing capacity). The net

realizable value is the estimated sales price in the operating activities.

With regard to crude oil, the replacement cost is used as the best available measure of the net realizable value. In cases where the net realizable value is below the cost of acquisition of crude oil and there is thus a need for write-down, the write-down charge is reduced in cases where the products' net realizable value exceeds the cost of acquisition. The reduction in the write-down amount for the crude oil consists of the difference between the products' net realizable value and the cost of acquisition.

Borrowed inventory is not included in the value of inventories, and in the same way inventory out on loan is included in the value of inventories, as significant risks and benefits have not been transferred.

Current and deferred tax

The current tax expense is calculated on the basis of the tax rules adopted or adopted in practice in the countries where the parent company's subsidiaries and associates operate and generate taxable income. Management conducts regular assessments of claims lodged in tax returns in respect of situations in which applicable tax rules are subject to interpretation and makes, if it is considered suitable, provisions for amounts that will probably have to be paid to the tax authority. Taxes are recognized in the comprehensive income statement except when underlying transactions are recognized directly in equity, in which case the associated tax effect is recognized in equity. Current tax is tax that must be paid or received in respect of the current year. This also includes any adjustment of current tax attributable to previous periods.

Deferred tax is recognized in full, using the balance sheet method, for all temporary differences that arise between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred tax is not, however, recognized if it arises as a consequence of a transaction that constitutes the first recognition of an asset or liability that is not a business combination and that, at the time of the transaction, has no effect on either the recognized profit/loss or the profit/loss for tax purposes. Deferred income tax is calculated applying tax rates (and laws) that have been adopted or announced as of the balance sheet date and that are expected to be in force when the relevant deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future tax surpluses will be available against which the temporary differences can be utilized. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilized.

Provisions

Provisions for environmental restoration measures and legal requirements are recognized when the Group has a legal or an informal obligation as a consequence of earlier events, and it is likely that an outflow of resources will be required to settle the commitment and the amount can be calculated in a reliable way. The Group has made provisions for environmental restoration measures relating to the non-operational depots and ordered the decommissioning of filling stations.

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

Contingent liabilities

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

A future decommissioning of operations within the Group may involve a requirement for decontamination and restoration works. It is believed, however,

that such an event will take place well into the future, and the future expenses cannot be reliably calculated, so this cannot therefore be considered to be a contingent liability.

Employee benefits

Pension commitments

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 informal obligations to pay extra contributions if this legal entity does not have sufficient assets to pay all employee benefits that are 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. Defined benefit plans are characterized by the fact that they specify an amount of the pension benefit that an employee receives after retirement based on length of service and salary at retirement. The pension plans are usually financed by payments to insurance companies or funds managed by administrators in accordance with periodic actuarial calculations. The 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 foundation (the KP Foundation) in accordance with the provisions of the Swedish Pension Security Act. The defined benefit pension plans are both funded and unfunded. If the plans are funded, assets have been separated in the pension foundation (KP Foundation). These plan assets can only be used to make payments in accordance with the pension agreement. The plan assets are measured at the fair value as of the balance sheet date.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the current value of the defined benefit obligation on the balance sheet date minus the value of the plan assets, with adjustments for unrecognized actuarial gains and losses and for unrecognized expenses for service during earlier periods. The defined benefit pension obligation is calculated on an annual basis by independent actuaries applying the projected unit credit method. The current value of the defined benefit obligation is defined by discounting the estimated future cash flows using the interest rate for first class government bonds issued in the same currency in which the benefits will be paid and with terms comparable to those of the relevant pension liability.

Actuarial gains and losses resulting from experience-based adjustments and changes in actuarial assumptions in excess of 10% of the value of the plan assets and 10% of the defined benefit obligation are recognized as expenses or income over the estimated average remaining period of service of the employees.

Expenses in respect of service during earlier periods are recognized directly in the profit/loss for the year, unless the changes in the pension plan are conditional upon the employees remaining in service for a specified period (the qualification period). In such cases the past service cost is 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 Group's profit/loss is charged with expenses as the benefits are earned. Prepaid contributions are recognized as an asset to the extent that cash repayment or a reduction in future payments may benefit the Group.

Benefits upon notice of termination

Benefits upon notice of termination are paid when notice is served by the Group to terminate an employee's employment before normal retirement age or when an employee accepts voluntary termination in exchange for such compensation. The Group records severance payments when it has been clearly obliged either to lay off an employee according to a detailed, formal plan without any possibility of recall, or to pay benefits upon notice of termination as a result of an offer having been made to encourage voluntary termination.

Profit-sharing plans

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

Income recognition

Revenue comprises the fair value of what has been received or will be received. Revenue is recognized excluding VAT, returns and discounts, and after the elimination of internal Group sales.

The Group records an item of revenue when its amount including attributable expenses can be measured in a reliable way and it is probable that future financial benefits will accrue to the company. It is not considered that the revenue amount can be measured reliably until all obligations in respect of the sale have been fulfilled or expired. The Group bases its assessments on historical results and in doing so takes account of the type of customer, type of transaction and special circumstances in each individual case.

Sale of goods

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

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

A large proportion of the Group's sales of products takes place by ship. These sales are often subject to the terms of transport CIF (Cost Insurance Freight) and FOB (Free on Board), which means that these revenue items are normally recognized on the date on which the goods are loaded onto the ship, i.e., on the BL date (Bill of Lading). For other sales, the revenue item is recognized in connection with delivery to the customer, for example, Preem Partners or end consumers via filling stations operated by the Group.

Finance income and expenses

Finance income consists of interest income from invested funds (including financial assets held for trading), income from dividends, gains from the disposal of financial assets held for trading and gains from the change in value of financial assets measured at fair value via the profit/loss for the year. Exchange rate gains and losses on financial assets are recognized net as finance income.

Interest income from financial instruments is recognized in accordance with the effective interest method. Income from dividends is recognized when entitlement to receive the dividend has been confirmed. The profit from the disposal of a financial asset is recognized when the risks and benefits associated with ownership of the instrument have been transferred to the buyer and the Group no longer exercises control over the instrument.

Financial expenses consist of interest expenses on loans including the proportion of transaction expenses in connection with the arrangement of loans that is recognized as expenses during the year, the effect of resolving calculations of the current value of provisions, losses in the change in value of financial assets measured at fair value through the profit/loss for the year and impairment of financial assets. Exchange rate gains and losses on financial liabilities are recognized net as financial expenses.

As a general rule, borrowing costs charge the profit/loss for the period to which they relate. Borrowing costs that are not directly attributable to the purchasing, design or production of an asset and where a significant length of time is needed to produce for its intended use or sale must be included in the cost of acquisition of the asset. The capitalized interest expenses for the year are SEK 4 (1) million and relate primarily to the balance sheet item "Constructions in progress." Used average interest rate is 6.0 (6.0) percent.

Leasing

Lessee

Leasing in which a significant element of the risks and benefits of ownership is retained by the lessor is classified as operational leasing. Payments made during the lease term (after deductions of any incentives from the lessor) are recognized as expenses on a straight-line basis over the lease term. Variable expenses are recognized as expenses in the periods when they arise. The Group only has operating leases.

Lessor

A lease agreement is an agreement according to which a lessor gives a lessee the right to use an asset in return for payment in accordance with agreed terms and for an agreed period. Assets that are leased out under an operating lease are recognized as an asset in the balance sheet. The lease charge is recognized on a straight-line basis over the term of the lease. The Group only has operating leases.

Dividends

A dividend to the parent company's shareholders is recognized in the consolidated financial statements in the period when the dividend was approved by the parent company's shareholders.

Emission rights

The period covers the time from 2008 up to and including 2012. The Group's two refineries in Lysekil and Gothenburg have been awarded emission rights, with allocation taking place one year at a time, and it is permitted to carry forward outstanding emission rights to subsequent years within the five-year period. Any deficit must be covered by means of purchasing emission rights on a market or by means of energy rationalization measures.

The allocation of emission rights within the five-year period described above does not involve any cost to the company and neither allocation nor consumption has therefore affected the profit/loss for the year and the balance sheet. Disposal or acquisition of emission rights is recognized in the comprehensive income statement under the headings net sales or cost of goods sold. No emission rights were bought or sold in 2010. The Group has estimated that the number of allocated emission rights will be sufficient to cover the period.

Emission rights

	Lysekil	Gothenburg
Opening balance 2010	1,393,449	197,198
Number of rights allocated for 2010	1,849,176	618,252
The number of rights consumed for 2009 that were canceled in 2010	-1,777,932	-496,876
Deposit rights at March 31, 2010	1,464,693	318,574
The preliminary number of rights consumed for 2010 that are canceled in 2011	-1,672,852	-557,239
Total	-208,159	-238,665
Number of rights allocated for 2011	1,849,176	618,252
Prel. deposit rights at March 31, 2011	1,641,017	379,587

Financial assets and liabilities

Financial assets are classified in the following categories: financial assets designated at fair value through the profit/loss for the year, loans and receivables measured at accrued cost of acquisition, and financial assets held for trading designated at fair value via comprehensive income. The classification depends on the purpose for which the financial asset was acquired. Management defines the classification of financial assets when they are initially recognized. Financial liabilities are classified in the following categories: financial liabilities designated at fair value through the profit/loss for the year and other financial liabilities.

Purchases and sales of financial assets are recognized on the transaction date – the date on which the Group commits itself to buy or sell the asset. When initially recognized, financial assets and liabilities are recognized at fair value plus or minus any transaction costs if the asset or liability in question is not measured at the fair value according to the profit/loss for the year. Financial assets are removed from the balance sheet when the right to receive cash flows from

the instrument has expired or been transferred, and the Group has essentially transferred all risks and benefits associated with the right of ownership. A financial liability or part of a financial liability is removed from the balance sheet when the obligation in the contract has been fulfilled or otherwise canceled.

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

Financial assets and liabilities measured at fair value through the profit/loss for the year are financial assets held for trading. A financial asset or liability is classified in this category if it is acquired primarily with a view to selling it within a short period of time. Derivatives are classified as being held for trading if they are not identified as hedging instruments.

The Group makes use of oil derivatives that are current and are classified in the balance sheet either as current assets or current liabilities under the heading "derivatives" and in the comprehensive income statement under the heading "cost of goods sold" unlike the results of other financial instruments that are recognized in the financial net. The Group's interest rate swaps expired during the year and no new contracts have been concluded. The effects of interest rate swaps are recognized in the comprehensive income statement under the heading "financial expenses."

The Group holds derivatives but does not apply hedge accounting.

Loans and receivables

Loans and receivables are financial assets that are not derivatives that have payments that are fixed or can be fixed, and that are not listed in an active market. These items are measured at the accrued cost of acquisition. Trade receivables are included in current assets when there are no items with an expiry date more than 12 months after the balance sheet date. Loan receivables are included in financial non-current assets when the expiry date is after more than twelve months. The Group's non-current loan receivables consist primarily of loans to related parties.

Trade receivables are initially recognized at fair value and subsequently at accrued cost of acquisition, minus any reserve for impairment. A reservation for impairment of trade receivables is made when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms and conditions of the receivables. Indications that a debtor will be declared bankrupt or undergo financial reconstruction and absent or delayed payments are factors on the basis of which to start impairing a trade receivable. The size of a reservation consists of the difference between the asset's carrying amount and the estimated future cash flows. The asset's carrying amount is reduced by means of an impairment account, and the loss is recognized in the comprehensive income statement depending on the function to which the trade receivable relates. When a trade receivable cannot be collected, it is written off against the impairment account for trade receivables. Any recovery of an amount that has previously been written off is credited to the function to which it relates in the comprehensive income statement.

This category also includes cash and cash equivalents, which consist of cash, bank balances and other short-term investments with an expiry date within three months of the acquisition date.

Available-for-sale financial assets

Financial assets held for trading are assets that are not derivatives and where the assets have been identified as being held for trading or have not been classified in any of the other categories. They are included in non-current assets if management does not intend to dispose of the asset within twelve months of the balance sheet date. Assets in this category are measured at fair value with changes in value for the period in a separate component of shareholders' equity, excluding such changes in value due to impairments, nor interest on debt instruments and dividend income and foreign exchange differences on monetary items which are reported in the profit/loss for the year. For the disposal of the asset accumulated profits/losses are recognized which have been previously recognized in the comprehensive income statement, in the profit/loss for the year.

The fair value of publicly listed securities is based on current bid prices. If the

market for a financial asset is not active (and for non-listed securities), the Group confirms the fair value by applying valuation techniques such as the use of information in respect of recently completed transactions at an arms-length distance, reference to the fair value of another instrument that is essentially identical, analysis of discounted cash flows and option valuation models. In this context market information is used to as great an extent as possible, while company-specific information is used as little as possible. If the company believes that these methods do not produce a reliable value, the assets are measured at the cost of acquisition. All financial assets held for trading are measured as of the balance sheet date at the cost of acquisition if a reliable value cannot be calculated.

Other financial liabilities

The category "other financial liabilities" includes borrowing and other liabilities (trade payables and other current liabilities).

Borrowing

Borrowing is initially recognized at fair value, net after transaction expenses. Borrowing is subsequently recognized at accrued cost of acquisition and any difference between amount received (net after transaction expenses) and the repayment amount is recognized as "financial expenses" divided over the term of the loan.

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

Other liabilities

Other liabilities are initially recognized at fair value and subsequently at accrued cost of acquisition.

Impairment of financial assets

On each balance sheet date the Group considers whether there is objective evidence that an impairment need exists for a financial asset or group of financial assets. With regard to shares that are classified as assets held for trading, a significant or extended impairment in the fair value of a share to a level below its cost of acquisition is considered to constitute an indication that there is an impairment need. If such evidence exists for financial assets held for trading, the accumulated loss – calculated as the difference between the cost of acquisition and the current fair value minus any previous impairments recognized in the profit/loss for the year – is removed from equity and recognized in the profit/loss for the year. Impairments of equity instruments, which are recognized in the profit/loss for the year, are not reversed via the profit/loss for the year. Reservation of trade receivables are described in note 23.

Note 2. Financial risk management

The Group is exposed to a number of different financial risks in the course of its activities: market risk (which includes currency risk, price risk, interest rate risk in fair value and in cash flow), credit risk and liquidity risk. The Group's risk management policies focus on the unpredictability of the financial markets and strive to minimize potential adverse effects on the Group's financial results.

Risk policy and objectives

The Group's financial risk management policy aims to reduce volatility in financial results and cash flows while retaining a high level of efficiency in business activities.

All activities associated with the management of risks relating to financial instruments are handled by the Finance Department within Preem, with the exception of oil derivatives, which are handled by the Supply & Refining segment. Management of financial risks is regulated by joint Group policies that are defined by the Board of Directors. The aim of the company's trading in derivatives is to make sure that financial risks are kept within limits defined by the Board of Directors. The Group does not apply hedge accounting.

Market risk

Currency risk

The Group operates on an international level and is exposed to currency risks arising from exposure to various currencies, in particular in respect of USD. Transaction risks within the Group arise from future business transactions. Translation risk arises when revaluing recognized assets and liabilities.

Transaction risk

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

An additional risk arises in the Group because purchases of oil products take place in USD, while sales are primarily in USD and SEK. After having taken the refining margin into account, there is a net deficit of USD in the Group, which is covered by daily purchases of USD against SEK. These purchases are based on a standard template, but demand can vary over time because of price changes, timing of purchases and sales, and the relationship in sales between USD and SEK.

Translation risk

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

The table below explains the Group's net exposure on the balance sheet date in each currency translated into SEK in respect of monetary assets and liabilities in the form of trade receivables, cash and cash equivalents, trade payables and other loans arranged in foreign currency. Working capital includes not only trade receivables and trade payables, but also the value of the Group's inventories. The size of the net exposure for the monetary items must therefore be placed in relation to the value of 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 using the exchange rate on the purchase date. A change in the exchange rate does not normally affect the value of inventories, which means that there is only an effect in the profit/loss for the year when the product is sold. If a change in the exchange rate were to lead to the net realizable value of the inventories in SEK being less than the cost of acquisition because of fall in the exchange rate, there would, however, be a write-down of inventories and this would have a direct effect on the profit/loss.

All amounts in SEK million

Net exposure as of balance sheet date

	2010	as a %	2009	as a %
EUR	1	0%	-13	0%
USD	-6,955	100%	-8,279	100%
Others	-8	0%	-3	0%
Total	-6,962	100%	-8,295	100%

Net exposure of USD must be set in relation to the Group's normal position for inventories, which as of December 31, 2010 totaled USD 1,050 million which is approximately SEK 7,100 million translated at the rate in SEK at balance sheet date.

The Group has no holdings in foreign activities, the net assets of which are exposed to currency risks, and for this reason the Group has no currency exposure for this. If the Swedish krona were to become stronger/weaker by 10% in relation to the US dollar as of the balance sheet date, while all other variables remained constant, the profit for the year after tax as of December 31 would have been SEK 513 (610) million higher/lower as a consequence of gains/losses when translating of monetary assets and liabilities.

Price risk

The Group is exposed to price risk in respect of inventories of crude oil and refined products. Price changes in crude oil and refined oil products affect the Group's sales income, cost of goods sold, gross profit and operating profit/loss. The Group has a defined normal position for inventories, which is the volume of priced oil⁽¹⁾ that is required to maximize the contribution from the refining system in the most efficient way without making use of derivatives. The normal position is defined as 1,840,000 m³. The price risk at this volume is the Company's commercial risk that the Board of Directors has accepted. To counteract the price risk that arises when priced inventories deviate from the normal position, the Group trades in oil derivatives in the form of futures, options and swaps

The Board of Directors has defined risk limits that define the extent to which volume exposure may deviate from the normal position, as well as the maximum risk expressed in USD that the Group is prepared to accept in the total of these volume deviations from the normal position. The volume deviation may be +200,000 m³ or -250,000 m³. The highest risk expressed in USD is USD 5 million on the grand total of these deviations. The exposure that first reaches the risk limit is the one on which the company must act. There is daily follow-up on this risk exposure.

The table below explains how the position would change in SEK million if the price were to rise/fall by 10% as at the balance sheet date. How such a change would have affected the Company's financial results is affected by whether the effect on financial results 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 results. The total position thus constitutes the company's price risk, but in the mean time accrual accounting effects do arise in the profit/loss for the year, because of the different valuation principles for inventories and derivatives respectively.

Year	Price change	Physical position	Derivative position	Total position	Of which normal position
2010	+ 10%	+711	+42	+753	+752
2010	- 10%	-711	-42	-753	-752
2009	+10%	+747	-69	+678	+674
2009	-10%	-747	+69	-678	-674

A change in the value of the derivative position will always have a direct effect in the profit/loss for the year, as derivatives are measured at market price as of the balance sheet date and the profit/loss is recognized via the profit/loss for the year.

A change in the value of the physical position does in some cases have a direct effect on the profit/loss and in other cases the profit/loss is only affected in subsequent periods. This is because inventories are measured according to the lowest value principle, i.e. the lower of the cost of the acquisition and the net realizable value.

In the event of a price rise, the profit/loss is usually only affected when a sale is made, i.e. the gains from the sale are recognized in the profit/loss for the year only when they have been realized. A price rise may, however, have a direct effect in the profit/loss for the year in the event that the original net realizable value is less than the cost of acquisition. This effect may be a maximum of the previously written-down value of the inventories.

In the event of a price fall the profit/loss is normally affected directly, which means that an inventory write-down is performed and a product cost is recognized in the comprehensive income statement. The write-down will, however, only take

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 charge will be included in or taken out of the position in relation to the number of days that the charge is priced. This means that the Group's physical inventories can differ somewhat from the company's physical position.

place at the amount by which the changed net realizable value will fall below 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 scope for speculative trading in oil derivatives. These transactions are limited by the definition of a ceiling for a maximum gain or loss for such trading. The Group's loss may not be any higher than USD 10,000 per transaction and USD 50,000 per annum per individual trader. Transactions on which the Group makes a joint decision may amount to a maximum of a level that falls within the deviation range in normal position management, and may involve a maximum loss of up to USD 500,000 in one transaction and USD 2,500,000 per annum. These transactions must first of all always be approved by the head of the Trading Department. The Group had at the balance sheet date in 2010 and 2009 no position regarding the speculative trade in oil derivatives.

Interest rate risk in respect of cash flows and fair values

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

Loans with a flexible interest rate expose the Group to an interest rate risk in respect of cash flow. Loans with a fixed interest rate expose the Group to an interest rate risk in respect of fair value. Most of the Group's borrowing is at a flexible interest rate. The interest rate risk in respect of cash flow is balanced to some extent by borrowing at a fixed rate and the use of interest rate swaps. It is the Group's policy to have a fixed-interest period that does not exceed 12 months. As of December 31, 2010 the remaining fixed-interest period totaled approx. 0.9 months. In 2010 the Group's borrowing on flexible interest rate terms consisted of SEK and USD.

The Group's interest-bearing assets are in the form of loans to related party companies and to a lesser extent current investments in cash and cash equivalents. Loans to related parties have been issued on standard market terms at a fixed interest rate, which means that the Group is exposed to fair value risk.

The Group's outstanding borrowing, as of the balance sheet date for both current loans, arranged with credit institutions totals SEK 9,671 (13,452) million. The Group's loan terms, effective interest rates and the maturity structure of the loans are described in note 28.

If interest rates for borrowing expressed in SEK during the year had been 1.0 per cent higher/lower, with all other variables constant, the profit/loss after tax for the fiscal year would have been SEK 49 (93) million lower/higher, mainly because of the higher/lower interest expenses of borrowing at flexible interest rates.

Credit risk

Credit risks arise through investments in cash and cash equivalents, derivatives and credit exposure to the large number of customers to which sales are made on credit. In order to limit this exposure, there are joint Group credit policies, which mean inter alia that only banks and financial institutions are accepted that have been given a credit rating of at least "A" by Standard & Poors or by an equivalent independent assessor. As far as the Group's customers are concerned, a risk assessment is conducted of each customer's creditworthiness in which the customer's financial position is considered, and previous experiences and other factors are assessed. Individual risk limits are defined on the basis of internal or external credit ratings. The Group has a credit committee that handles these matters. The Group also uses securities in the form of, for example, Letters of Credit, bank guarantees, deposits and parent company mortgages. There is regular follow-up on the use of credit limits. The credit risk is controlled at Group level.

Most of the credit exposure in terms of amounts is towards financially strong oil companies. On the basis of the Group's ongoing analysis of its customers, the credit quality is considered to be good. During the year the Group only had provisions for doubtful debts of SEK 16 (22) million, compared with sales revenue of SEK 77,256 (63,813) million.

The Group has a loan issued to Corral Morocco Gas & Oil AB (CMGO), a company that is a related party, of SEK 3,136 million. The loan has a standard market interest rate of 5% of the nominal loan amount. The interest is capitalized and added to the original receivable. On December 31, 2010 the total receivable was SEK 3,340 million. The loan and capitalized interest fall due for payment no later than February 6, 2013 unless otherwise agreed prior to this date. No security has been pledged for the Group's receivable in relation to CMGO.

Counterparties during the year for derivative trading in interest rate swaps only took place with banks and financial institutions with a credit rating of at least "A" from Standard & Poors or an equivalent independent assessor. Other oil companies, banks and trading companies are counterparties for trading in oil derivatives. In order to limit counterparty risks when trading in oil derivatives, the company concludes so-called ISDA contracts.

For further information, see note 23.

Liquidity risk

Liquidity risk is handled by means of the Group's having sufficient cash and cash equivalents and short-term investments with a liquid market and available financing through agreed credit facilities. Every month the Group pays approx. SEK 1,300 million in the form of product taxes and VAT, which combined with fluctuations in purchasing and sales patterns can make demands on the availability of current borrowing facilities.

To make sure that the Group has access to external financing at all times, both current and non-current credit facilities must always be available.

The table below analyzes 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 expiry date. The amounts specified in the table are the contractual, non-discounted cash flows and do not therefore correspond with the amounts in the balance sheet. The amounts that fall due within twelve months correspond with the book amounts, as the discount effect is insignificant.

It is the Group's policy that renegotiation of loans must take place no later than twelve months before expiry.

As of December 31, 2010	Within 1 year	Between 1 and 2 year	Between 2 and 5 year	More than 5 year
Borrowing	9,948	-	-	-
Interest rate swaps	-	-	-	-
Oil derivatives	-8	-	-	-
Trade payables	3,916	-	-	-
Other current liabilities	1,980	-	-	-

As of December 31, 2009	Within 1 year	Between 1 and 2 year	Between 2 and 5 year	More than 5 year
Borrowing	4,134	9,914	-	-
Interest rate swaps	53	-	-	-
Oil derivatives	-9	-	-	-
Trade payables	4,193	-	-	-
Other current liabilities	1,501	-	-	-

The Group has syndicated bank loans that are subject to a clause on the requirement to satisfy a number of key ratios (known as covenants).

Management of capital risk

The Group's objective with regard to the 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 the capital.

The Board of Directors constantly monitors the Group's financial position and net debt against expected future profitability and cash flow, investments and expansion plans, and developments in the interest rate and credit markets.

The Group's debt/equity ratio is shown in the table below:

	2010	2009
Total borrowing	9,671	13,452
Minus cash and cash equivalents	-599	-808
Net debt	9,072	12,644
Total equity	7,000	4,902
Total capital	16,072	17,546
Debt/equity ratio	56%	72%

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 defined 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 defined with the aid of valuation techniques. The fair value of interest rate swaps is calculated as the current value of estimated future cash flows.

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

Note 3. Important estimates and assessments for accounting purposes

Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable in the prevailing circumstances.

Important estimates and assumptions for accounting purposes

The Group makes estimates and assumptions about the future. The estimates for accounting purposes that are the consequence of these will, by definition, seldom correspond with the actual outcome.

The carrying amount, after any amortization, 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 at the current market interest rate that is available to the Group for similar financial instruments.

The estimates and assumptions that involve a significant risk of material adjustments in recognized values of assets and liabilities for subsequent fiscal years are explained in general below.

Impairment testing of goodwill

Every year the Group tests whether an impairment need exists for goodwill, in accordance with the accounting policy described in note 17. The recoverable amount of cash generating units has been defined by calculating the value in use. These calculations require certain estimates to be made, see note 17.

If the budgeted margin used when calculating the value in use of the cash generating unit that comprises Supply & Refining had been 20 % lower than the management assessment as of December 31, 2010 the Group would not have needed to perform any impairment of goodwill.

If the estimated discount rate before tax that was applied for discounted cash flows for the cash generating unit that comprises Supply & Refining had been 20 % higher than the management assessment, the Group would not have needed to perform any impairment of goodwill

Pensions

Pension obligations are based on actuarial calculations that are based on assumptions about discount rate, expected return on plan assets, future wage increases, staff turnover, inflation and expected average remaining period of service.

The expected return on plan assets is defined by considering the expected return on the assets covered by the investment policy in question. The expected return on investments with a fixed interest rate is based on the return received if these securities are held until expiry. The expected return on shares and property is based on the long-term return that has occurred in the market in question.

Provisions for environmental commitments

Provisions are made for environmental commitments for known and planned decontamination works. A possible future decommissioning of operations within the Group may involve a requirement for decontamination and restoration works. This is, however, considered to be well into the future and it is not believed that any possible future expenses for this can be calculated reliably. Such potential environmental commitments are not included in provisions in the balance sheet nor as contingent liabilities.

Important assessments when applying the company's accounting policies

Functional currency

Preem has significant cash flows in USD. When assessing the Company's functional currency management has evaluated the criteria contained in IAS 21 on defining the functional currency. Having given careful consideration to all indicators, the management has made the assessment that Preem's functional currency is SEK.

Note 4. Segment reporting

Operating Segments

The Group consists of two operating segments:

Supply & Refining

Crude oil is bought for the two refineries Preemraff Lysekil and Preemraff Göteborg and is refined to produce finished oil products. Approx. 2/3 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 bought from the Supply & Refining segment. Sales are channeled directly to consumers via the company's network of filling stations and to companies and consumers via direct sales.

Internal pricing

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

Profit/loss per segment

The information that senior executives regularly follows up in the Group is presented below.

2010

Sales revenues	Supply & Refining	Marketing	Total per segment
Segments' total sales revenues	76,050	16,822	92,871
Sales between segments	-15,450	-82	-15,532
External sales revenues	60,600	16,739	77,339
Reconciliation amount, exchange rate differences			-83
Total external sales income			77,256

Operating profit/loss	Supply & Refining	Marketing	Total per segment
Operating profit/loss per segment	2,693	349	3,042
of which depreciation	894	87	981

2009

Sales revenues	Supply & Refining	Marketing	Total per segment
Segments' total sales revenues	61,870	13,702	75,573
Sales between segments	-11,659	-80	-11,738
External sales revenues	50,212	13,623	63,834
Reconciliation amount, exchange rate differences			-21
Total external sales income			63,813

Operating profit/loss	Supply & Refining	Marketing	Total per segment
Operating profit/loss per segment	4,847	213	5,060
of which depreciation	887	92	979

Reconciliation in relation to the Group's earnings before tax	2010	2009
Operating profit/loss for reported segments	3,042	5,060
Exchange rate differences on continuous payments	80	26
Currency effect on normal inventories	-461	-524
Non-allocated depreciation	-5	-5
Other *)	-382	-297
Total operating profit/loss	2,274	4,260
Interest income	170	178
Interest expenses	-571	-862
Net exchange differences	207	404
Other financial net	-258	-152
Profit/loss before tax	1,822	3,828

*) Relates primarily to Corporate Center

Other information concerning sales

Sales revenues come for the most part from sales of oil products.

	2010	2009
Sales of oil products	77,081	63,693
Other	175	121
Total external sales income	77,256	63,813

Income of SEK 8,554 (7,843) million originates from one single customer and the income is included in the Supply & Refining segment.

Investments		Supply & Refining	Marketing	Other *)	Group
Investments in property, plant and machinery	2010	635	71	3	710
Investments in property, plant and machinery	2009	520	117	4	641
Investments in associates	2010	38	-	-	38
Investments in associates	2009	-	-	-	-

*) Relates primarily to Corporate Center

Distribution by geographical regions

The information presented in respect of revenue relates to the geographical regions grouped according to where the goods are delivered. Information about the segments' assets and the period's investments in based on geographical regions grouped according to where the assets are located. In the table below, Rest of Nordic region refers mainly to Denmark and Norway while Other countries mainly means Germany, France, UK, the Netherlands and North America.

2010	Sweden	Rest of Nordic region	Other countries	Group
External sales	29,668	10,411	37,177	77,256
Property, plant and machinery and intangible assets	9,634	-	-	9,634

2009				
External sales	25,173	11,157	27,483	63,813
Property, plant and machinery and intangible assets	9,919	-	-	9,919

Note 5. Excise duties

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

This note also refers to the parent company.

Note 6. Gross profit

Purchases and sales of oil products in the market are essentially dollar-based. Exchange rate differences from sales are recognized under "net sales" and exchange rate differences from purchases are recognized under "cost of goods sold." The Group's gross profit includes exchange rate differences from purchases and sales of oil products to a net value of SEK 80 (26) million.

This note also refers to the parent company.

Note 7. Auditors' fees

	2010	2009
KPMG		
Audit assignments	2.3	2.5
Auditing in addition to the audit assignment	0.3	-
Tax advice	1.4	1.1
Other services	0.7	0.2
	4.7	3.8
SET		
Audit assignments	0.1	0.2
Auditing in addition to the audit assignment	-	-
Tax advice	-	-
Other services	-	-
	0.1	0.2

Note 8. Wages, salaries and social security contributions

	2010		2009	
	Wages and other benefits	Social costs (of which pension costs)	Wages and other benefits	Social costs (of which pension costs)
Parent company	64.77	330.5	646.1	320.3
		(98.4)*		(96.0)*
Group companies	5.1	2.2	5.5	2.3
		(0.5)**		(0.6)**
Group total	652.8	332.7	651.6	322.6
		(98.9)		(96.6)

* Of the parent company's pension costs, SEK 4.2 (4.6) million relates to the Group's CEO and other senior executives.

** Of the Group's pension costs, SEK 4.3 (4.6) million relates to the Group's CEO and other senior executives.

Note 9. Salaries and other benefits allocated by region and between Board/CEO and other employees

	2010		2009	
	Board, CEO and other senior executives (of which bonus)	Other employees	Board, CEO and other senior executives (of which bonus)	Other employees
Parent company	13.8 (-)	633.9	14.1 (-)	632.0
Group companies in Sweden	0.7 (-)	4.4	0.7 (-)	4.8
Group companies abroad	-	-	-	-
Total in Group companies	0.7	4.4	0.7	4.8
Group total	14.5 (-)	638.3	14.8 (-)	636.8

Senior executives

Senior executives means both senior management and other senior executives. The Group's 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 Chief Executive Officer and President. The Group's other senior executives includes 5 (6) salaried employees who are part of Preem AB's Group management together with the CEO; all are employed at Preem. In total, the Group senior executives include directors such as the Chairman and CEO (12 people) and other senior executives who are also in the parent company's group management (5 people)

Preparation and decision-making process when determining benefits for senior executives

The terms of remuneration for the CEO and the principles for salary benefits for people in the company's Group management team are prepared in a remuneration committee appointed by the Board and consisting of the Deputy Chairman of the Board and 3 other Board members. The committee's proposals are confirmed by the Board. The annual salary review for both the CEO and for other members of Group management is confirmed by the remuneration committee.

Benefits for senior executives

Fees are paid to the Chairman of the Board and members in accordance with the decision of the AGM. No special fee is paid for committee work. Benefits to the CEO and other senior executives consist of basic salary, flexible benefits, other benefits and pension. The breakdown between basic salary and flexible remuneration must be in proportion to the senior executive's responsibility and authority. For the CEO, the flexible benefit may be a maximum of 30% of basic salary. For other senior executives, the flexible benefit is a defined maximum percentage of basic salary. The CEO and certain senior executives are entitled to receive flexible benefits in the form of a defined contribution pension policy. In these cases the company also contributes by agreement an additional amount corresponding to the flexible benefit multiplied by 1.15. The remuneration committee does, however, define the terms of the flexible benefit on an annual basis. Pension benefits and other benefits to the CEO and other senior executives are paid as an element of the overall benefit package. Other benefits consist primarily of a company car.

Remuneration and benefits in 2010

	Basic salary/ Board fee	Flexible benefit	Other benefits	Pension cost	Other benefit	Total
Chairman of the Board	0.5	-	-	-	-	0.5
Other directors (10 people)	1.8	-	-	-	-	1.8
Chief Executive Officer	2.8	1.3	0.1	1.8	-	6.0
Other senior executives (5 people)	8.7	0.5	0.5	2.5	-	12.2
	13.8	1.8	0.6	4.3	-	20.5

In total, SEK 2.3 million has been paid in directors' fees, of which one member received SEK 0.5 million, eight members received SEK 0.2, one received SEK 0.13 million and one received SEK 0.0 million.

Remuneration and benefits in 2009

	Basic salary/ Board fee	Flexible benefit	Other benefits	Pension cost	Other benefit	Total
Chairman of the Board	0.5	-	-	-	-	0.5
Other Board members	2.7	-	-	-	-	2.7
Chief Executive Officer	2.7	0.6	0.1	1.5	-	4.8
Other senior executives (6 people)	7.4	0.5	0.5	3.2	-	11.5
	13.3	1.0	0.5	4.6	-	19.4

In total, SEK 2.1 million has been paid in directors' fees, of which two members received SEK 0.25 million, seven members received SEK 0.2 million and one who received SEK 0.17.

Pensions

The Chief Executive Officer is entitled to retire on his own initiative and has obligation to retire at the age of 60 on the company's initiative. The pension is a defined contribution pension. Pension premiums comprise 45% of qualifying salary in respect of retirement and survivor's pension. "Qualifying salary" means the basic salary plus an average of the last three years' flexible benefit. For other senior executives there is a general pension plan and, in certain cases, individual solutions. All pension benefits are protected, i.e. not conditional upon future employment.

Severance pay

There is a mutual period of notice between the company and the Chief Executive Officer of 24 months and 6 months, respectively. In the event of termination by the company, paid notice of a maximum of 24 months applies. In the event of termination by the CEO, the corresponding condition is six months' salary. The severance pay is set off against other income from new employment during the period of notice.

There is a mutual period of notice between the Company and other senior executives of a maximum of 24 months and 6 months, respectively. In connection with termination by the Company, paid notice of a maximum of 24 months applies. In the event of termination by the senior executive, no severance pay is paid. Severance pay is set off against other income from new employment during the period of notice.

Note 10. Depreciation and amortization

Allocation of depreciation and amortization	2010	2009
Buildings and land installations	67	68
Plant and machinery	689	680
Audit inspection	141	145
Equipment, tools, fixtures and fittings	88	91
	986	984
Allocation by function		
Cost of goods sold	895	888
Selling expenses	86	91
Administrative expenses	5	5
	986	984

Note 11. Leasing

Leasing charges in respect of operational leasing	2010	2009
Minimum leasing charges	84	83
Variable charges	29	27
Total leasing expenses	113	109
Agreed future minimum leasing charges		
Within 1 year	86	92
Between 1 and 5 years	357	376
Longer than 5 years	61	64
Leasing income in respect of operational leasing		
Minimum leasing charges	71	48
Variable charges	19	43
Total leasing income	91	91
Agreed future minimum leasing charges		
Within 1 year	72	48
Between 1 and 5 years	369	242
Longer than 5 years	-	49

Note 12. Costs by nature of expenses

	2010	2009
Product cost	71,327	56,112
Costs of employee benefits	985	974
Depreciation	986	984
Other expenses	2,053	1,926
	75,351	59,996
Reconciliation with comprehensive income statement		
Cost of goods sold	74,205	58,880
Selling expenses	656	685
Administrative expenses	491	432
	75,351	59,996

Note 13. Other operating income

	2010	2009
Heating deliveries	95	68
Rental income	91	91
Harbor income	49	53
Storage certificates	95	167
Service compensation	22	23
Other	18	41
Total	369	443

Note 14. Profit/loss from financial instruments

	2010	2009
Interest income from instruments measured at amortized cost	170	178
Net exchange differences	-16	-91
Other	1	-
Finance income	155	87
Net loss		
Instruments measured at fair value	53	41
Financial liabilities measured at amortized cost	-116	-105
Total net loss	-63	-64
Interest expenses from defined benefit unfunded pension obligation	-6	-5
Interest expenses from instruments measured at amortized cost 1)	-561	-841
Interest expenses from instruments measured at fair value	-57	-58
Net exchange differences	223	495
Other	-144	-47
Finance expenses	-607	-519

1) Of which interest expenses from accrued loan expenses, SEK 147 (147) million.

The net loss on oil derivatives measured at fair value, recognized as cost of goods sold in the profit/loss for the year totals SEK 243 (363) million.

Note 15. Tax

Current tax expense(-)/tax income(+)	2010	2009
Tax expense for the period	-512	-259
	-512	-259
Deferred tax expense(-)/tax income(+)		
Deferred tax in respect of temporary differences	24	-757
Total recognized tax expense	-487	-1,016
Reconciliation of effective tax	2010	2009
Profit before tax	1,822	3,828
Income tax calculated according to national tax rates for profit/loss in each country	-479	-1,007
Other non-deductible expenses	-10	-3
Non-taxable income	0	0
Tax attributable to previous years	0	-8
Effect of different tax rates for foreign companies	1	2
Recognized tax	-487	-1,016
Tax items recognized directly in equity		
Current tax in Group contributions paid	264	255

Weighted average tax rate is 26.7% (26.5%).

Deferred tax assets and tax liabilities	Deferred tax asset	Deferred tax liability
2010		
Land and buildings	9	-2
Machinery and equipment	-	-1,305
Other	0	-23
Net liability		-1,321
2009		
Land and buildings	8	-2
Machinery and equipment	-	-1,346
Other	14	-21
Net liability		-1,346

Change in deferred tax in temporary differences and loss carry-forwards	Opening amount	Recognized in the profit/loss for the year	Other changes	Closing amount
Land and buildings	6	0	-	7
Machinery and equipment	-1,346	41	-	-1,305
Other	-6	-16	-	-23
Total temporary differences	-1,346	24	-	-1,321
Loss carry-forwards	-	-	-	-
Total	-1,346	24	-	-1,321

Note 16. Exchange rate differences in the profit/loss for the year

Exchange rate differences have been recognized in the profit/loss for the year as follows	2010	2009
Net sales	-83	-21
Cost of goods sold	163	47
Financial items	207	404
Total	287	430

Note 17. Intangible assets

Goodwill

	2010	2009
Opening cost of acquisition	308	308
Closing accumulated cost of acquisition	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. A summary at segment level is provided below.

Supply & Refining	2010	2009
Sweden	308	308
Total	308	308

The recoverable amount of a CGU is defined on the basis of calculations of value of use. These calculations are based on estimated future cash flows before tax based on financial budgets that have been approved by company management and covering 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 values of use.

Supply & Refining

Average refining margin in USD a barrel for the period	4.61-5.28
Average rate of growth for extrapolation beyond the budget period	1%
Discount rate before tax	8%

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

No impairment need has been identified for goodwill. This applies even if a change in the conditions is amended as follows:

Refining margin 20% lower, rate of growth -1% and a discount rate 2% higher for each segment.

Note 18. Property, plant and equipment

Land and buildings

	2010	2009
Opening cost of acquisition	2,134	2,117
Capital expenditure during the year	-	1
Sales/Disposals	-5	-44
Completion of constructions in progress	89	60
Closing accumulated cost of acquisition	2,218	2,134
Opening depreciation	1,140	1,103
Sales/Disposals	-2	-31
Depreciation for the year	67	68
Closing accumulated depreciation	1,206	1,140
CARRYING AMOUNT	1,012	994

Plant and machinery 1)

	2010	2009
Opening cost of acquisition	15,752	15,499
Capital expenditure during the year	-	8
Sales/Disposals	-9	-16
Completion of constructions in progress	525	262
Closing accumulated cost of acquisition	16,269	15,752
Opening depreciation	8,862	8,196
Sales/Disposals	-6	-13
Depreciation for the year	689	680
Closing accumulated depreciation	9,546	8,862
CARRYING AMOUNT	6,723	6,890

1) Planned residual value includes platinum and palladium at SEK 138 (138) million.

Audit inspection

	2010	2009
Opening cost of acquisition	731	721
Capital expenditure during the year	62	10
Closing accumulated cost of acquisition	793	731
Opening depreciation	387	242
Depreciation for the year	141	145
Closing accumulated depreciation	528	387
CARRYING AMOUNT	265	344

Equipment, tools, fixtures and fittings

	2010	2009
Opening cost of acquisition	1,348	1,366
Sales/Disposals	-54	-72
Completion of constructions in progress	79	54
Closing accumulated cost of acquisition	1,373	1,348
Opening depreciation	916	887
Sales/Disposals	-52	-62
Depreciation for the year	88	91
Closing accumulated depreciation	952	916
CARRYING AMOUNT	421	433

Constructions in progress

	2010	2009
Opening cost of acquisition	951	704
Capital expenditure during the year	647	623
Sales/Disposals	0	0
Completion of constructions in progress	-693	-377
CARRYING AMOUNT 2)	905	951

2) Includes planning costs of SEK 311 (311) million.

Tax assessment values

	2010	2009
Buildings	763	737
Land	464	465
Plant and machinery	3,298	3,318
	4,525	4,520

Note 19. Participations in associates

Swedish companies	Corp. ID no.	Reg. office	No. of shares	Participating interest %	Recognized value in 1000s
SunPine AB	556682-9122	Piteå	11,264	26	78,192
AB Djurgårdsberg	556077-3714	Stockholm	366	37	18
Göteborgs Smörjmedelsfabrik, Scanlube AB	556287-6481	Gothenburg	50,000	50	5,000
TOTAL					83,210

2010	Assets	Liabilities	Equity	Income
SunPine AB	513	419	94	278
AB Djurgårdsberg	2	2	0	4
Göteborgs Smörjmedelsfabrik, Scanlube AB	170	160	10	434

2009	Assets	Liabilities	Equity	Income
AB Djurgårdsberg	2	2	0	4
Göteborgs Smörjmedelsfabrik, Scanlube AB	152	142	10	410

The information above is 100% of the companies' assets, liabilities, equity and income

	2010	2009
Opening balance	5	5
Investment during the year	38	-
Reclassification to associates	50	-
Profit participation	-10	0
Closing balance	83	5

Note 20. Receivables from related parties

	2010	2009
Opening value	3,183	3,136
Capitalized interest for the year	157	47
Closing value	3,340	3,183

Receivable from related parties relates to interest-bearing receivable from the related party company Corral Morocco Gas & Oil AB (CMGO). The receivable totals SEK 3,340 (3,183) million and is subject to a market-based fixed interest rate of 5 % of the original receivable of SEK 3,136 million. No security has been pledged for the Group's receivable in relation to CMGO. The loan and capitalized interest fall on due for payment no later than February 6, 2013 unless otherwise agreed prior to this date.

Note 21. Available-for-sale financial assets

	2010	2009
Opening carrying amount	56	55
Reclassification to associates	-50	-
Shareholders' contribution	16	1
Profit	1	-
Sales	-	0
Carrying amount at end of period	23	56

Company	Corp. ID no.	Reg. office	No. of shares	Participating interest %	Recognized value in 1000s
SPIMFAB - SPI Miljösaneringsfond AB	556539-4888	Stockholm	1	1	2
Släckmedelscentralen - SMC AB	556488-8583	Stockholm	117	12	52
BasEI i Sverige AB	556672-5858	Stockholm	50	5	405
VindIn AB	556713-5172	Stockholm	100	8,6	20,721
Götene E.D.F. Elföreningen, ek förening					10
SSH Svensk Servicehandel					1
Bostadsrättsföreningen Ekerum					945
Bostadsrättsföreningen Solhyllan					425
TOTAL					22,562

This note also refers to the parent company.

Note 22. Inventories

	2010	2009
Raw material	4,014	3,511
Finished goods	4,203	4,755
Total	8,216	8,266

The cost of acquisition of inventories in the Group includes the equivalent of SEK 0.5 (18) million in volumes of inventories out on loan. Volumes of inventories borrowed corresponding to a total inventory value of SEK 384 (25) million are not included in the value of inventories.

This note also refers to the parent company.

Note 23. Trade receivables

	2010	2009
Trade receivables	4,683	3,696
Reserve for doubtful debts	-16	-22
Total	4,667	3,674
Fair value of trade receivables	4,667	3,674

As a rule there is not considered to be any impairment need for trade receivables that have been due for payment for less than three months. On December 31, 2010 trade and other receivables totaling SEK 90 (183) million were due without any need for impairment being considered to exist.

These relate to a number of independent customers that have not previously had any payment problems. The age analysis of these trade receivables follows below:

	2010	2009
Less than 10 days	72	148
Between 10 and 20 days	7	11
Between 21 and 30 days	2	7
More than 30 days	9	17
Total	90	183

The reserve for doubtful trade receivables totaled SEK 16 (22) million on December 31, 2010. Receivables are recognized as doubtful receivables when objective information exists, e.g. in the form of canceled payments or receivables not being settled after being due for 3 months.

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

	2010	2009
At the beginning of the period	22	29
This year's reserve for doubtful receivables/reversed unutilized amounts	10	6
Confirmed losses during the year	-16	-13
At the end of the period	16	22

Provisions for and reversals of reserves for doubtful trade receivables are included in the functions to which they relate in the comprehensive income statement. Amounts recognized in the impairment account are usually written off when the Group is not expected to recover any additional cash and cash equivalents. Other categories within trade and other receivables do not include any assets for which an impairment need exists. The maximum exposure for credit risk on the balance sheet date is the fair value for each category of receivables mentioned above.

Note 24. Cash and cash equivalents

Cash and cash equivalents in the balance sheet and the cash flow statement include the following with an expiry date less than three months after acquisition.

	2010	2009
Current investments	139	539
Cash and bank balances	460	269
Total	599	808

Note 25. Equity

Share capital

The Company's share capital totals SEK 610,258,000. The number of shares is 610,258, all of which are class A shares. The shares are paid in full and the number of shares is the same at both the beginning and end of the year. The quota value is SEK 1,000/share.

Retained earnings

Retained earnings includes the comprehensive income from the Group's operations.

Dividend

No dividend was paid for either 2010 or 2009. The conditions of the Group's borrowing prevent the payment of a dividend to shareholders.

Shareholders' contribution

Preem has received a conditional shareholders' contribution of SEK 500 million from Corral Petroleum Holdings AB (publ).

Note 26. Pension obligations

Defined benefit obligations and the value of plan assets

	2010	2009
Wholly or partly funded obligations:		
Current value of defined benefit obligations	707	687
Fair value of plan assets	-736	-721
Net wholly or partly funded obligations	-29	-34
Unfunded obligations:		
Current value of unfunded defined benefit obligations	121	124
Net obligations, total, before adjustments	92	91
Adjustments:		
Accumulated unrecognized actuarial losses	-30	-20
Net amount in balance sheet (obligation+, asset -)	62	71
The net amount is recognized in the following items in the balance sheet:		
Pension obligations	62	71
The net amount is divided among the following countries:		
Sweden	62	71

Pension expenses

The amounts recognized in the comprehensive income statement are as follows:	2010	2009
Defined benefit plans		
Interest expense	31	31
Expected return on plan assets	-30	-43
Total cost of defined benefit plans	1	-12

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

Opening gross amount in balance sheet	812	832
Payment of benefits	-33	-32
Interest expense	31	31
Actuarial gains (-) or losses (+) for the year on obligations	18	-20
Closing gross amount in balance sheet	828	812

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

Opening gross amount in balance sheet	721	659
Payments of benefits	-23	-22
Payments of contributions from the company	-	8
Expected return	30	43
Actuarial gains (+) or losses (-) for the year on plan assets	8	34
Closing gross amount in balance sheet	736	721

The actual return on plan assets totaled SEK 38 (77) million.

Accumulated unrecognized actuarial gains or losses	2010	2009
Opening accumulated unrecognized losses	-20	-73
Actuarial gains (+) or losses (-) for the year on obligations	-18	20
Actuarial gains (+) or losses (-) for the year on plan assets	8	34
Closing accumulated losses	-30	-20
Closing accumulated unrecognized losses	-30	-20
10% corridor's limits (of obligations' current values)	81	83
Surplus (which is recognized as an expense in line with average remaining period of service)	-	-
Expected average remaining period of service	Not applicable	Not applicable

Actuarial assumptions	2010	2009
Discount rate	3.75%	3.92%
Expected return on plan assets	3.70%	4.25%
Future salary increases	Not applicable	Not applicable
Staff turnover	Not applicable	Not applicable
Inflation	2.0%	2.0%
Expected average remaining period of service	Not applicable	Not applicable

Plan assets consist of the following

Interest-bearing securities	60%	64%
Shares	31%	30%
Real estate	9%	6%
Total	100%	100%

The expected return on plan assets is defined by considering the expected return on the assets that are covered by the investment policy in question. The expected return on investments with a fixed interest rate is based on the return received if these securities are held until expiry. The expected return on shares and property is based on the long-term return that has occurred in the market in question.

	2010	2009	2008	2007
Current value of defined benefit obligation	828	812	832	740
Fair value of plan assets	736	721	659	677
Deficit/(surplus)	92	91	173	63
	2010	2009	2008	2007
Experience-based adjustments of defined benefit obligations	2	-1	-7	-9
Experience-based adjustments of plan assets	8	34	-69	-20

Contributions for defined benefit plans are estimated at SEK 0 million in 2011, as the transition to Alecta took place on January 1, 2008 and the former plan was paid-up.

Note 27. Other provisions

	Restoration of the environment 1)	Other	Total
Opening balance 2009	115	1	116
Provisions during the year	-	-	-
Amount used	-13	-1	-14
Unutilized amounts that have been reversed	-	-	-
Closing balance 2009	102	-	102
Provisions during the year	-	-	-
Amount used	-9	-	-9
Unutilized amounts that have been reversed	-	-	-
Closing balance 2010	94	-	94

1) The parent company has paid an insurance premium via its subsidiary Preem Insurance Co Ltd. of SEK 148 million for known and planned remediation works. In 2010 SEK 9 (13) million of the reserve has been used and SEK 94 (102) million remain. In 2011, approximately SEK 25 million of the remaining reserves will be utilized.

Note 28. Borrowing

Non-current borrowing	2010	2009	2008
Loans in SEK	-	4,937	6,943
Loans in USD	-	4,781	4,288
Total non-current loans	-	9,718	11,231
Transaction expenses	-	-258	-399
NET NON-CURRENT BORROWING, NET	-	9,460	10,832
Current borrowing			
Loans in SEK	7,408	3,028	2,000
Loans in USD	2,263	707	1,788
Total current loans	9,671	3,735	3,788
Transaction expenses	-111	-	-
TOTAL CURRENT BORROWING, NET	9,561	3,735	3,788

Loan conditions, effective interest rate and maturity structure

	Nominal value, local currency	Effective interest rate	Maturity structure (in SEK million)	
			Less than 1 year	1-5 years
Current liabilities, credit institutions				
- USD, flexible interest rate	333	3.18	2,263	-
- SEK, flexible interest rate	7,408	4.56	7,408	-
Total loans excl. bank overdraft			9,671	-
Transaction expenses			-111	
Total borrowing incl. transaction expenses			9,561	

The remaining average fixed-interest period as of December 31, 2010 was approx. 0.9 months. The above table includes the impact of interest rate derivatives. All contracts expired during the year and no new contracts have been concluded.

Compliance with covenants

Borrowing totaling SEK 9,671 million in both SEK and USD comprises a syndicated loan and is subject to a clause on a requirement to comply to the minimum level of equity, net debt relative to equity, interest coverage ratio and net debt in relation to EBITDA. All conditions have been met as at December 31, 2010.

Note 29. Bank overdrafts, etc.

	2010	2009
Authorized credit limit, check account	190	190
Unutilized element	190	190
Utilized credit	-	-
Other unutilized credit		
Authorized credit limit	1,736	1,424
Total	1,736	1,424
Total, unutilized credit	1,926	1,614

This note also refers to the parent company.

Note 30. Derivatives

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	-	-	53
Oil derivatives	21	13	54	45
Total	21	13	54	97
Of which long-term element:				
Interest rate swaps	-	-	-	-
Short-term element	21	13	54	97

Derivatives held for trading are classified as current assets or current liabilities. The full fair value of a derivative is classified as a current asset or non-current liability if the item's outstanding duration is more than 12 months, and as a current asset or current liability if the item's outstanding duration is less than 12 months.

The maximum exposure to credit risk as of the balance sheet date is the fair value of the derivatives recognized as assets in the balance sheet.

Interest rate swaps

The nominal amount for outstanding interest swap contracts on December 31, 2010 totaled SEK 0 (2,381) million. Gains and losses on interest rate swaps are recognized in the profit/loss for the year on an ongoing basis.

Oil derivatives

These oil derivative contracts are held primarily to hedge price changes in petroleum products. The nominal amount for all oil derivatives contracts purchased net SEK 615 (sold net 656) million. The total nominal amount of these oil derivatives contracts was SEK 5,282 (6,971) million at December 31, 2010.

Note 31. Other liabilities

	2010	2009
Value Added Tax	624	467
Excise duties 1)	1,025	862
Other liabilities	254	140
	1,904	1,469

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

Note 32. Accrued expenses and prepaid income

	2010	2009
Purchases of crude oil and products	3,122	1,075
Personnel	215	214
Interest	3	10
Other	144	126
	3,484	1,425

Note 33. Pledged assets and contingent liabilities

	2010	2009
Pledged assets		
Property mortgages	4,000	-
Floating charges	6,000	-
Deposits	33	52
Inventories	4,198	4,087
Trade receivables	2,740	2,916
	16,971	7,055
Contingent liabilities		
Sureties in favor of associates	53	53
Guarantees FPG/PRI	2	2
	55	55

Pledging of property mortgages, floating charges, inventories and trade receivables relating to security pledged in connection with the compliance of the obligation of the Group's syndicated bank loans.

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

A future decommissioning of operations within the Group may involve a requirement for decontamination and restoration works. This is, however, considered to be well into the future and the future expenses cannot be calculated reliably.

Note 34. Supplementary information for cash flow statement

Interest paid and dividend received	2010	2009
Interest received	13	21
Interest paid	-487	-749
Adjustment for items not included in cash flow, etc.		
Depreciation, amortization and impairment of non-current assets	986	984
Reversed write-down of inventories	-	-1,098
Unrealized exchange rate losses(+)/gains (-)	-329	-296
Unrealized losses(+)/gains (-) on oil and interest rate swaps	-100	-156
Element of capitalized borrowing costs recognized as expenses	147	147
Cash interest not received	-157	-157
Provisions	-4	-23
Capital gain from the sale or disposal of non-current assets	6	4
Other	26	-11
	575	-606

Note 35. Financial instruments

Financial instruments by category

2010	Loan and trade receivables	Assets measured at fair value through the profit/loss for the year	Held for trading	Carrying amount	Fair value
Assets in balance sheet					
Available-for-sale financial assets	-	-	23	23	23
Derivatives	-	21	-	21	21
Lending to related parties	3,340	-	-	3,340	3,340
Trade and other receivables	5,440	-	-	5,440	5,440
Cash and cash equivalents	599	-	-	599	599
Total	9,379	21	23	9,423	9,423
		Liabilities measured at fair value through the profit/loss for the year	Other financial liabilities	Carrying amount	Fair value
Liabilities in balance sheet					
Borrowing		-	9,561	9,561	9,561
Derivatives		13	-	13	13
Other liabilities		-	5,896	5,896	5,896
Total		13	15,457	15,470	15,470

2009	Loan and trade receivables	Assets measured at fair value through the profit/loss for the year	Held for trading	Carrying amount	Fair value
Assets in balance sheet					
Available-for-sale financial assets	-	-	56	56	56
Derivatives	-	54	-	54	54
Lending to related parties	3,183	-	-	3,183	3,183
Trade and other receivables	4,291	-	-	4,291	4,291
Cash and cash equivalents	808	-	-	808	808
Total	8,282	54	56	8,392	8,392

		Liabilities measured at fair value through the profit/loss for the year	Other financial liabilities	Carrying amount	Fair value
Liabilities in balance sheet					
Borrowing		-	13,194	13,194	13,194
Derivatives		97	-	97	97
Other liabilities		-	5,694	5,694	5,694
Total		97	18,888	18,986	18,986

Financial instruments measured at fair value in the balance sheet.

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

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

Level 2: Fair value is based on quoted market prices on the active market for equivalent instruments or on valuation techniques in which 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 valuation techniques and the essential variables are not based on quoted market prices.

2010		Level 1	Level 2	Level 3
Assets in balance sheet				
Oil derivatives		-	21	-
Total		-	21	-

		Level 1	Level 2	Level 3
Liabilities in balance sheet				
Oil derivatives		-	13	-
Interest rate swaps		-	-	-
Total		-	13	-

2009		Level 1	Level 2	Level 3
Assets in balance sheet				
Oil derivatives		-	54	-
Total		-	54	-

		Level 1	Level 2	Level 3
Liabilities in balance sheet				
Oil derivatives		-	45	-
Interest rate swaps		-	53	-
Total		-	97	-

Note 36. Related party transactions

Related party relationships that involve control

Group

The Group is under the control of Corral Petroleum Holdings AB. In addition to the related party relationships described for the Group below, the parent company has associates that involve control of its subsidiaries, see note 113.

2010

Group companies	Sales	Purchases	Receivable Dec 31	Liab, Dec 31
Corral Petroleum Holdings AB	-	-	-	3

Associates	Sales	Purchases	Receivable Dec 31	Liab, Dec 31
AB Djurgårdsberg	-	-	-	-
Göteborgs smörjmedelsfabrik (Scanlube) AB	3	126	-	7
SunPine AB	4	92	1	38

Other related party companies	Sales	Purchases	Receivable Dec 31	Liab, Dec 31
Huda Trading AB	1,756	2,051	6	12
Capital Trust Management Ltd.	-	19	-	-
Midroc Gruppen i Skandinavien	-	175	-	24
Société Anonyme Marocaine de l'Industrie du Raffinage (SAMIR)	6	6	-	-
Corral Morocco Gas and Oil AB	-	-	3,340	-
Constellation Ltd.	-	14	-	-

2009

Group companies	Sales	Purchases	Receivable Dec 31	Liab, Dec 31
Corral Petroleum Holdings AB	-	-	-	3

Associates	Sales	Purchases	Receivable Dec 31	Liab, Dec 31
AB Djurgårdsberg	-	1	-	-
Göteborgs smörjmedelsfabrik (Scanlube) AB	13	107	2	3

Other related party companies	Sales	Purchases	Receivable Dec 31	Liab, Dec 31
Huda Trading AB	1,291	1,311	18	71
Capital Trust Management Ltd.	-	21	-	-
Midroc Gruppen i Skandinavien	-	156	-	22
Société Anonyme Marocaine de l'Industrie du Raffinage (SAMIR)	2	-	3	-
Corral Morocco Gas and Oil AB	-	-	3,183	-
Svenska Petroleum Exploration AB	-	-	-	-

Note 37. Number of employees

Average number of employees	2010		2009	
	No. of employees	Of which male per cent	No. of employees	Of which male per cent
Parent company				
Sweden	1,315	76%	1,382	77%
Group companies				
Sweden	14	86%	14	86%
Ireland	-	-	-	-
Group total	1,329	77%	1,396	77%

Note 38. Gender distribution in company management

Group total	2010	2009
	Proportion female	Proportion female
Board of Directors	0%	0%
Senior executives	29%	25%

Note 39. Events after the balance sheet date

The Group is exposed to price risk in respect of inventories of crude oil and refined products. Price changes in crude oil and refined oil products affect the Group's sales income, cost of goods sold, gross profit and operating profit/loss. The Group has a defined normal position for inventories, which is the volume of crude oil and oil products in stock that the Board has accepted as a commercial risk. Normal position is 18 million m³ (about 11.6 million barrels). In February and March 2011, the Group has purchased put options equivalent to this volume to hedge against the price risk in relation to the normal position.

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Parent Company's financial statements

Comprehensive income statement

SEK millions

		2010	2009
Net sales		86,922	73,519
Excise duties	Note 5	-9,700	-9,736
Sales revenues	Note 102	77,223	63,783
Cost of goods sold		-74,186	-58,881
Gross profit	Note 6	3,036	4,902
Selling expenses		-648	-678
Administrative expenses		-488	-504
Other operating income	Note 107	366	440
Operating profit/loss	Note 37-38, 103-106 and 126-127	2,266	4,160
Profit from participations in Group companies	Note 108	4	7
Finance income	Note 109	153	92
Finance expenses	Note 109	-605	-520
Net financial items		-448	-421
Profit before tax		1,818	3,739
Tax on profit for the year	Note 110	-484	-1,005
Profit/loss for the year		1,335	2,734
Comprehensive income		-	-
COMPREHENSIVE INCOME FOR THE YEAR		1,335	2,734

Balance Sheet

SEK millions

Assets

		2010	2009
Non-current assets			
Intangible assets			
Goodwill	Note 111	-	-
		-	-
Property, plant and equipment			
Land and buildings	Note 112	1,011	993
Plant and machinery	Note 112	6,723	6,890
Audit inspection	Note 112	265	344
Equipment, tools, fixtures and fittings	Note 112	400	415
Constructions in progress	Note 112	898	942
		9,297	9,584
Financial assets			
Participations in Group companies	Note 113	10	10
Receivables from Group companies	Note 114	2	2
Participations in associates	Note 115	93	5
Receivables from related parties	Note 20, 125	3,340	3,183
Available-for-sale financial assets	Note 21, 125	23	56
Other non-current receivables		1	11
		3,469	3,267
Total non-current assets		12,766	12,851
Current assets			
Inventories			
Raw materials and consumables	Note 22	4,014	3,511
Finished goods	Note 22	4,201	4,755
		8,215	8,265
Receivables			
Trade receivables	Note 116, 125	4,610	3,641
Receivables from Group companies		44	19
Derivatives	Note 30, 125	21	54
Other receivables		758	590
Prepaid expenses and accrued income		321	245
		5,755	4,549
Cash and cash equivalents	Note 124, 125	436	617
Total current assets		14,406	13,432
TOTAL ASSETS		27,172	26,283

Balance Sheet

SEK millions

Equity, provisions and liabilities

		2010	2009
Equity	Note 117		
Restricted equity			
Share capital (610,258 shares)		610	610
Statutory reserve		266	266
		877	877
Unrestricted equity			
Retained earnings		4,241	742
Profit/loss for the year		1,335	2,734
		5,576	3,477
Total equity		6,452	4,353
Provisions			
Provisions for pensions	Note 118	115	120
Provisions for deferred tax	Note 110	1,299	1,326
		1,415	1,446
Liabilities			
Non-current liabilities			
Liabilities to credit institutions	Note 119, 125	-	9,460
Liabilities to Group companies		1	1
Other liabilities		27	17
		28	9,478
Current liabilities			
Liabilities to credit institutions	Note 29, 119, 125	9,561	3,735
Advance payments from customers		8	4
Trade and other payables	Note 125	3,905	4,189
Liabilities to Group companies		132	115
Liabilities to associates		44	2
Current tax liabilities		247	-
Derivatives	Note 30, 125	13	97
Other liabilities	Note 120, 125	1,901	1,464
Accrued expenses and prepaid income	Note 121	3,466	1,399
		19,278	11,006
Total liabilities		19,306	20,484
TOTAL EQUITY, PROVISIONS AND LIABILITIES		27,172	26,283

Pledged assets and contingent liabilities

Note 122

Changes in equity

SEK millions

	Restricted equity		Unrestricted equity		Total equity
	Share capital	Statutory reserve	Retained earnings	Profit/loss for the year	
Opening equity 1/1/2009	610	266	53	434	1,363
Appropriation of profits	-	-	434	-434	-
Comprehensive income for the year	-	-	-	2,734	2,734
Shareholders' contribution received	-	-	970	-	970
Group contribution paid	-	-	-969	-	-969
Tax effect of Group contribution	-	-	255	-	255
Closing equity 12/31/2009	610	266	742	2,734	4,353
Appropriation of profits	-	-	2,734	-2,734	-
Comprehensive income for the year	-	-	-	1,335	1,335
Shareholders' contribution received	-	-	1,504	-	1,504
Group contribution paid	-	-	-1,003	-	-1,003
Tax effect of Group contribution	-	-	264	-	264
Closing equity 12/31/2010	610	266	4,241	1,335	6,452

Cash Flow Statement

SEK millions

		2010	2009
Cash flow from operating activities			
Profit before tax		1,818	3,739
Adjustments for items not included in cash flow	Note 123	565	-591
		2,383	3,148
Tax paid		-	-276
Cash flow from operating activities before changes in working capital		2,383	2,872
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		50	-1,945
Increase (-)/Decrease (+) in operating receivables		-1,194	79
Increase (-)/Decrease (+) in operating liabilities		2,373	984
Cash flow from operating activities		3,612	1,990
Investing activities			
Capital expenditure of property, plant & equipment		-702	-1,034
Disposal of property, plant & equipment		2	21
Investment in financial assets		-55	-
Sale/reduction of financial assets		-	61
Cash flow from investing activities		-754	-952
Financing activities			
New loans		3,012	4,690
Repayment of loans		-6,551	-5,853
Expenses in connection with arrangement of loans		-	-5
Shareholders' contribution received		500	-
Group contribution paid		-	-109
Cash flow from financing activities		-3,039	-1,277
Cash flow for the year		-181	-239
Opening cash and cash equivalents		617	856
Closing cash and cash equivalents		436	617
	Note 124		

Notes on the parent company's financial statements

Note 101. Significant accounting policies, parent company

Preem AB (publ) corp. ID no. 556072-6977, is the parent company in the Preem AB Group and has its head office in Stockholm. The Group's operations involve the extensive refining of crude oil and sale of petroleum products. Operational activities are run primarily by the parent company, Preem AB.

Preem has produced 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." Also applied are the statements issued by the Swedish Financial Reporting Board that apply for publicly listed companies. In accordance with RFR 2, a parent company whose consolidated financial statements comply with IFRS must produce its financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union, to the extent that these accounting policies and interpretations correspond with the Swedish Annual Accounts Act, the Swedish Pension Security Act and with reference to the association between accounting and taxation. The recommendation states which exemptions from and additions to IFRS shall be observed.

The financial statements are presented in Swedish kronor, rounded to the nearest million.

Differences between the Group's and the parent company's accounting policies

The differences between the Group's and the parent company's accounting policies are described below. The accounting policies described below for the parent company have been applied consistently for all periods presented in the parent company's financial statements.

A more detailed description of the accounting policies applied by the Group as well as significant estimates and assessments is contained in note 1 on the consolidated financial statements.

Classification and presentation methods

The parent company's income statement and balance sheet are set out in accordance with the Swedish Annual Accounts Act's schedule. The difference compared with IAS 1 "Presentation of Financial Statements," which is applied in the presentation of the consolidated financial statements, relates primarily to the recognizing of financial non-current assets, current assets, equity, the presence of provisions as a separate heading in the parent company's balance sheet, and non-current and current liabilities.

Subsidiaries and associates

Participations in subsidiaries and associates are recognized in the parent company according to the cost method.

Leased assets

In the parent company all lease agreements are recognized in accordance with the rules for operational leasing.

Employee benefits

The parent company applies different basic rules when calculating defined benefit plans than those described in IAS 19. The parent company observes the Swedish Pension Security Act's provisions and the Swedish Financial Supervisory Authority's regulations, as this is a prerequisite for entitlement to tax deductions. The most significant differences compared with the rules in IAS 19 relate primarily to how the discount rate is defined and the fact that calculation of the defined benefit obligation takes place on the basis of the current wage level with no assumptions about future wage increases, and that all actuarial gains and losses are recorded in the income statement when they arise.

Income taxes

In the parent company, untaxed reserves are recorded in the balance sheet including deferred tax liability. In the consolidated financial statements, by contrast, untaxed reserves are divided into deferred tax liability and equity. There is no allocation in the parent company's income statement of part of appropriations to deferred tax expense.

Group contributions and shareholders' contribution for legal entities

The company recognizes Group contributions and shareholders' contribution in accordance with the statements issued by the Swedish Financial Reporting Board (UFR 2). Shareholder's contributions are recognized directly as equity with the recipient and are capitalized in shares and participations with the donor, to the extent that impairment is not required. Group contributions are recognized in accordance with the financial substance. This means that Group contributions that are paid and received with a view to minimizing the Group's total tax are recognized directly against retained earnings after a deduction for the actual tax affect.

Group contributions that are comparable with a dividend are recognized as a dividend. This means that a Group contribution received and its actual tax effect are recognized via the income statement. A Group contribution paid and its actual tax effect are recognized directly against retained earnings.

A Group contribution that is comparable with a shareholders' contribution is recognized, with reference to the actual tax effect, with the recipient directly against retained earnings. The donor recognizes the Group contribution and its actual tax effect as an investment in participations in Group companies.

Mergers

Mergers are recorded in accordance with BFNAR 1999:1. This means that the parent company's shares in the subsidiary are exchanged for assets and liabilities that the shares previously represented. This affects the equity in the recipient company. This is because the recipient company receives the profit for the year plus the profit for the previous year that was accumulated after the company was acquired.

Goodwill

IFRS 3 Business Combinations is not applied in the parent company in respect of items 54-55, which deal with the treatment of Goodwill; applied instead are the provisions on amortization in chapter 4, section 4 of the Swedish Annual Accounts Act. This means that goodwill is amortized in the parent company in contrast to the Group, where goodwill is only subject to impairment testing.

Note 102. Segment reporting

Sales per segment	Supply & Refining	Marketing	Elim	Total
Sales 2010	76,046	16,534	-15,357	77,223
Sales 2009	61,867	13,525	-11,610	63,783

By geographical region	Sweden	Rest of Nordic reg	Other countries	Total
Sales 2010	29,646	10,400	37,177	77,223
Sales 2009	25,152	11,148	27,483	63,783

Note 103. Auditors' fees

KPMG	2010	2009
Audit assignments	21	22
Auditing in addition to the audit assignment	0.3	-
Tax advice	1.4	1.1
Other services	0.7	0.2
	4.5	3.5
SET		
Audit assignments	0.1	0.2
Auditing in addition to the audit assignment	-	-
Tax advice	-	-
Other services	-	-
	0.1	0.2

Note 104. Depreciation and amortization

Allocation of depreciation and amortization	2010	2009
Goodwill	-	44
Buildings and land installations	68	68
Plant and machinery	689	625
Audit inspection	141	145
Equipment, tools, fixtures and fittings	83	87
	981	969

Allocation by function	2010	2009
Cost of goods sold	891	830
Selling expenses	85	91
Administrative expenses	5	49
	981	969

Note 105. Leasing

	2010	2009
Leasing charges in respect of operational leasing		
Minimum leasing charges	93	154
Variable charges	29	27
Total leasing expenses	122	181
Agreed future minimum leasing charges		
Within 1 year	86	92
Between 1 and 5 years	357	376
Longer than 5 years	61	64
Leasing income in respect of operational leasing	2010	2009
Minimum leasing charges	68	45
Variable charges	19	43
Total leasing income	87	88
Agreed future minimum leasing charges		
Within 1 year	69	45
Between 1 and 5 years	366	238
Longer than 5 years	-	49

Note 106. Costs by nature of expense

	2010	2009
Product cost	71,310	56,108
Costs of employee benefits	979	966
Depreciation and amortization	981	969
Other expenses	2,052	2,019
	75,322	60,063
Reconciliation with comprehensive income statement		
Cost of good sold	74,186	58,881
Selling expenses	648	678
Administrative expenses	488	504
	75,322	60,063

Note 107. Other operating income

	2010	2009
Heating deliveries	95	68
Rental income	87	88
Harbor income	49	53
Storage certificates	95	167
Service compensation	22	23
Other	18	41
Total	366	440

Note 108. Profit from participations in Group companies

	2010	2009
Dividend	3	7
Profit from participations in subsidiaries	1	-
Total	4	7

Note 109. Profit/loss from financial instruments

	2010	2009
Interest income from instruments measured at amortized cost	168	183
Net exchange differences	-16	-91
Finance income	153	92
Net loss		
Instruments measured at fair value.	53	41
Financial liabilities measured at amortized cost	-116	-105
Total net loss	-63	-64
Interest expenses from defined benefit unfunded pension obligation	-6	-5
Interest expenses from instruments measured at amortized cost 1)	-562	-842
Interest expenses from instruments measured at fair value	-57	-58
Net exchange differences	226	495
Other	-144	-47
Finance expenses	-605	-520

1) Of which interest expenses from accrued loan expenses, SEK 147 (147) million.

Note 110. Tax

Current tax expense(-)/tax income(+)	2010	2009
Tax expense for the period	-510	-255
	-510	-255
Deferred tax expense(-)/tax income(+)		
Deferred tax in respect of temporary differences	27	-750
Total recognized tax expense	-484	-1,005
Reconciliation of effective tax	2010	2009
Profit before tax	1,818	3,739
Income tax calculated according to the prevailing tax rate for the parent company	-478	-983
Amortization of goodwill	-	-12
Other non-deductible expenses	-7	-3
Non-taxable income	1	2
Tax attributable to previous years	0	-8
Recognized tax	-484	-1,005
Tax items recognized directly in equity		
Current tax in Group contributions received/paid	264	255
Weighted average tax rate is 26.6% (26.9%).		

Deferred tax assets and tax liabilities

	Deferred tax asset	Deferred tax liability
2010		
Land and buildings	9	-2
Machinery and equipment	-	-1,305
Other	-	-1
Net liability		-1,299
2009		
Land and buildings	8	-2
Machinery and equipment	-	-1,346
Other	14	-1
Net liability		-1,326

Change in deferred tax in temporary differences and loss carry-forwards

Parent company	Opening amount	Recognized in profit/loss for the year	Others changes	Closing amount
Land and buildings	6	0	-	6
Machinery and equipment	-1,346	41	-	-1,305
Other	13	-14	-	-1
Total temporary differences	-1,326	27	-	-1,299
Loss carry-forwards	-	-	-	-
Total	-1,326	27	-	-1,299

Note 111. Intangible assets

Goodwill

	2010	2009
Opening cost of acquisition	-	1,099
Disposals	-	-1,099
Closing accumulated cost of acquisition	-	-
Opening amortization	-	1,055
Amortization for the year	-	44
Disposals	-	-1,099
Closing accumulated amortization	-	-
CARRYING AMOUNT	-	-

Note 112. Property, plant and equipment

Land and buildings

	2010	2009
Opening cost of acquisition	2,105	2,086
Capital expenditure during the year	-	1
Acquisitions from subsidiaries	-	2
Sales/Disposals	-5	-44
Completion of constructions in progress	89	60
Closing accumulated cost of acquisition	2,189	2,105
Opening depreciation	1,112	1,075
Sales/Disposals	-2	-31
Depreciation for the year	68	68
Closing accumulated depreciation	1,178	1,112
CARRYING AMOUNT	1,011	993

Plant and machinery 1)

	2010	2009
Opening cost of acquisition	15,752	14,323
Capital expenditure for the year	-	8
Acquisitions from subsidiaries	-	1,176
Sales/Disposals	-9	-16
Completion of constructions in progress	525	262
Closing accumulated cost of acquisition	16,269	15,752
Opening depreciation	8,862	7,483
Acquisitions from subsidiaries	-	767
Sales/Disposals	-6	-13
Depreciation for the year	689	625
Closing accumulated depreciation	9,546	8,862
CARRYING AMOUNT	6,723	6,890

1) Carrying amount includes platinum and palladium at SEK 138 (138) million.

Audit inspection

	2010	2009
Opening cost of acquisition	731	721
Capital expenditure during the year	62	10
Closing accumulated cost of acquisition	793	731
Opening depreciation	387	242
Depreciation for the year	141	145
Closing accumulated depreciation	528	387
CARRYING AMOUNT	265	344

Equipment, tools, fixtures and fittings

	2010	2009
Opening cost of acquisition	1,303	1,327
Sales/Disposals	-53	-69
Completion of constructions in progress	70	44
Closing accumulated cost of acquisition	1,320	1,303
Opening depreciation	888	859
Sales/Disposals	-51	-59
Depreciation for the year	83	87
Closing accumulated depreciation	920	888
CARRYING AMOUNT	400	415

Constructions in progress

	2010	2009
Opening cost of acquisition	942	703
Capital expenditure during the year	639	606
Completion of constructions in progress	-684	-366
CARRYING AMOUNT	898	942

1) Includes planning costs of SEK 311 (311) million.

Tax assessment values

	2010	2009
Buildings	753	737
Land	447	465
Plant and machinery	3,298	3,318
	4,498	4,520

Note 113. Participations in Group companies

Swedish companies	Corp. ID no.	Reg. office	No. of shares	Participating interest %	Recognized value in 1000s
Operating					
Preem Gas AB (publ)	556037-2970	Stockholm	1,750	70	6,348
Svensk Petroleum Förvaltning AB	556067-8459	Stockholm	664	66	74
Preem Technology AB	556117-6610	Lysekil	4,000	100	0
ODAB Svensk Oljedistribution AB	556264-6835	Stockholm	2,000	100	240
Dormant					
Svenska Petroleum AB	556046-4819	Stockholm	1,000	100	100
Såifa Drivmedel AB	556039-7001	Stockholm	5,000	100	599
					7,360
Foreign companies					
Preem Insurance Company Ltd, Ireland		Dublin	7,500	100	3,018
					3,018
TOTAL					10,378

Accumulated cost of acquisition (in SEK thousand)	2010	2009
At beginning of year	19,495	79,934
Liquidation	-6,475	-60,439
	13,020	19,495
Accumulated amortization/impairment (in SEK thousand)		
At beginning of year	-9,117	-9,117
Disposals	6,475	-
	-2,642	-9,117
Carrying amount at end of period	10,378	10,378

Subsidiary liquidated during the year	Corp. ID no.
Preem Petroleum Wybrzeze Sp.z.o.o., Poland	RI-B 11623

Note 114. Receivables from Group companies

	2010	2009
Opening cost of acquisition	2	1
Change during the year	0	0
Closing accumulated cost of acquisition	2	2

Note 115. Participations in associates

Swedish companies	Corp. ID no.	Reg. office	No. of shares	Participating interest %	Recognized value in 1000s
SunPine AB	556682-9122	Pitea	11,264	26	88,337
AB Djurgårdsberg	556077-3714	Stockholm	366	37	18
Göteborgs Smörjmedelsfabrik, Scanlube AB	556287-6481	Goteborg	50,000	50	5,000
TOTAL					93,355

2010	Assets	Liabilities	Equity	Income
SunPine AB	513	419	94	278
AB Djurgårdsberg	2	2	0	4
Göteborgs Smörjmedelsfabrik, Scanlube AB	170	160	10	434

2009	Assets	Liabilities	Equity	Income
AB Djurgårdsberg	2	2	0	4
Göteborgs Smörjmedelsfabrik, Scanlube AB	152	142	10	410

The information above is 100% of the companies' assets, liabilities, equity and income.

	2010	2009
Opening balance	5	5
Investment during the year	38	-
Reclassification to associates	50	-
Closing balance	93	5

Note 116. Trade receivables

	2010	2009
Trade receivables	4,626	3,664
Reserve for doubtful receivables	-16	-22
Total	4,610	3,641
Fair value of trade receivables	4,610	3,641

As a rule there is not considered to be any impairment need for trade receivables that have been due for payment for less than three months. As of December 31, 2010 trade receivables totaling SEK 83 (180) million were due without any need for impairment being considered to exist. These relate to a number of independent customers that have not previously had any payment problems. The age analysis of these trade receivables is shown below:

	2010	2009
Less than 10 days	65	145
Between 10 and 20 days	7	11
Between 21 and 30 days	2	7
More than 30 days	9	17
Total	83	180

The reserve for doubtful trade receivables totaled SEK 16 (22) million on December 31, 2010. Receivables are recognized as doubtful receivables when objective information exists, e.g., in the form of canceled payments or receivables not being settled after being due for 3 months.

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

	2010	2009
At the beginning of the period	22	29
This year's reserve for doubtful receivables/reversed unutilized amounts	10	6
Confirmed losses during the year	-16	-13
At the end of the period	16	22

The accounting policies applied are described in note 23 for the Group.

Note 117. Equity

Statutory reserve

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

Unrestricted equity

Unrestricted equity comprises the previous year's unrestricted equity plus the profit for the year, received unconditional shareholder's contributions and received and paid Group contributions.

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 paid in full 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/share.

Dividend

No dividend was paid in 2010. The conditions of the Group's borrowing prevent the payment of a dividend to shareholders.

Shareholders' contribution

Preem has received a conditional shareholders' contribution of SEK 500 million from Corral Petroleum Holdings AB (publ).

Note 118. Provisions for pensions

Net liability recognized in balance sheet	2010	2009
Current value of obligation (calculated according to Swedish principles) in respect of unfunded pension plans	115	120
Net amount recognized in respect of pension obligations	115	120
Changes in net liability		
Net liability at beginning of year in respect of pension obligations	120	126
Retirement cost recognized in the income statement under own auspices excl. taxes	5	4
Pension payments	-10	-10
	115	120
Costs in respect of retirement under own auspices		
Interest expenses	5	4
	5	4
Of which covered by credit insurance via FPG/PRI	115	120

Note 119. Liabilities to credit institutions

Non-current	2010	2009	2008
Loans in SEK	-	4,937	6,943
Loans in USD	-	4,781	4,288
Total non-current liabilities to credit institutions	-	9,718	11,231
Transaction expenses	-	-258	-399
TOTAL NON-CURRENT LIABILITY TO CREDIT INSTITUTES, NET	-	9,460	10,832
Current			
Loans in SEK	7,408	3,028	2,000
Loans in USD	2,263	707	1,788
Total current liabilities to credit institutions	9,671	3,735	3,788
Transaction expenses	-111	-	-
TOTAL CURRENT LIABILITY TO CREDIT INSTITUTES, NET	9,561	3,735	3,788

Note 120. Other liabilities

	2010	2009
Value Added Tax	628	467
Excise duties 1)	1,020	858
Other liabilities	253	139
	1,901	1,464

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

Note 121. Accrued expenses and prepaid income

	2010	2009
Purchases of crude oil and products	3,122	1,075
Personnel	214	213
Interest	3	10
Other	127	101
	3,466	1,399

Note 122. Pledged assets and contingent liabilities

Pledged assets	2010	2009
Property mortgages	4,000	-
Floating charges	6,000	-
Inventories	4,198	4,087
Trade receivables	2,740	2,916
Deposits	33	52
	16,971	7,055
Contingent liabilities		
Sureties in favor of associates	53	53
Guarantees FPG/PRI	2	2
	55	55

Pledging of property mortgages, floating charges, inventories and trade receivables relating to security pledged in connection with the compliance of the obligation of the company's syndicated bank loans.

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

Other contingent liabilities

A future decommissioning of operations within the company may involve a requirement for decontamination and restoration works. This is, however, considered to be well into the future and the future expenses cannot be calculated reliably.

Note 123. Supplementary information for cash flow statement

Interest paid and dividend received	2010	2009
Dividend received	3	7
Interest received	13	28
Interest paid	-488	-750
Adjustment for items not included in cash flow, etc.		
Depreciation, amortization and impairment of non-current assets	981	969
Reversed write-down of inventories	-	-1,098
Unrealized exchange rate losses (+)/exchange rate gains (-)	-329	-296
Unrealized losses (+)/gains (-) on oil and interest rate swaps	-100	-156
Element of capitalized borrowing costs recognized as expenses	147	147
Cash interest not received	-157	-157
Capital gain from the sale or disposal of non-current assets	6	4
Other	16	-6
	565	-591

Note 124. Cash and cash equivalents

Cash and cash equivalents in the balance sheet and the cash flow statement include the following with an expiry date less than three months after acquisition.

	2010	2009
Current investments	-	380
Cash and bank balances	436	237
	436	617

Note 125. Financial instruments by category

2010	Assets measured at fair value		Held for trading	Carrying amount	Fair value
	Loan and trade receivables	through the profit/loss for the year			
Assets in balance sheet					
Available-for-sale financial assets	-	-	23	23	23
Derivatives	-	21	-	21	21
Lending to related parties	3,340	-	-	3,340	3,340
Trade and other receivables	5,415	-	-	5,415	5,415
Cash and cash equivalents	436	-	-	436	436
Total	9,191	21	23	9,235	9,235

	Liabilities measured at fair value through the profit/loss for the year		Other financial liabilities	Carrying amount	Fair value
Liabilities in balance sheet					
Borrowing		-	9,561	9,561	9,561
Derivatives		13	-	13	13
Other liabilities		-	6,013	6,013	6,013
Total		13	15,574	15,587	15,587

2009	Assets measured at fair value		Held for trading	Carrying amount	Fair value
	Loan and trade receivables	through the profit/loss for the year			
Assets in balance sheet					
Available-for-sale financial assets	-	-	56	56	56
Derivatives	-	54	-	54	54
Lending to related parties	3,183	-	-	3,183	3,183
Trade and other receivables	4,263	-	-	4,263	4,263
Cash and cash equivalents	617	-	-	617	617
Total	8,063	54	56	8,173	8,173

	Liabilities measured at fair value through the profit/loss for the year		Other financial liabilities	Carrying amount	Fair value
Liabilities in balance sheet					
Borrowing		-	13,194	13,194	13,194
Derivatives		97	-	97	97
Other liabilities		-	5,799	5,799	5,799
Total		97	18,993	19,090	19,090

Note 126. Gender distribution in Company management

	2010 Proportion female	2009 Proportion female
Senior executives	33%	29%

Note 127. Employees' sick leave in Parent Company

	2010	2009
Total sick leave in relation to total basic working hours	2.7%	2.6%
Proportion of total sick leave that has lasted 60 days or more (long-term sick leave)	43.8%	39.7%
Sick leave for women in relation to total basic working hours for women	4.0%	3.6%
Sick leave for men in relation to total basic working hours for men	2.4%	2.4%
Sick leave for age group 29 or less in relation to total basic working hours for this group	1.5%	1.9%
Sick leave for age group 30-49 in relation to total basic working hours for this group	2.2%	2.3%
Sick leave for age group 50 or more in relation to total basic working hours for this group	3.7%	3.3%

Stockholm, Wednesday, March 30, 2011

Mohammed H. Ali Al Amoudi
Chairman

Bassam Aburdene

Ghazi Habib

Jan Henricsson
Employees' representative

Per Höjgård

Jason T. Milazzo
Vice President

Cristian Mattsson
Employees' representative

Lars Nelson

Lennart Sundén

Richard Öhman

Sven-Erik Zachrisson

Michael G:son Löw
President and CEO

Our audit report was submitted on, March 30, 2011

Cronie Wallquist
Authorized Public Accountant
KPMG AB

Willard Möller
Authorized Public Accountant

Audit report

To the annual meeting of the shareholders of Preem AB (publ)

Corporate identity number 556072-6977

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Preem AB (publ) for the year 2010. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts. We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the board of directors and the managing director be discharged from liability for the financial year.

Stockholm 30 March 2011

Cronie Wallquist
Authorized Public Accountant
KPMG AB

Willard Möller
Authorized Public Accountant

Summary of the Preem Group's operations

	2010	2009	2008 2)	2007 2)	2006
Sales revenues, SEK millions	77,256	63,813	87,375	63,914	67,435
Profit/loss before tax, SEK millions	1,822	3,828	-3,150	3,248	1,859
Return on working capital, %	15	27	Neg	26	21
Return on adjusted equity, %	45	72	Neg	69	20
Investments in equipment 1) SEK millions	710	641	726	1,562	831
Self-financing ratio, multiple	5.06	2.56	0.08	0.87	5.98
Balance sheet total, SEK millions	27,679	26,827	24,534	28,333	22,407
Working capital, SEK millions	16,658	18,241	16,689	16,596	12,743
Average adjusted equity, SEK millions	6,239	3,910	4,807	3,364	6,604
Equity/capital ratio, %	25	18	7	15	26
Net debt/equity ratio	1.30	2.56	7.51	2.79	0.95
Average number of employees	1,329	1,396	1,407	1,485	1,697

1) Excluding equipment acquired through company acquisitions

2) After merger with Corral Petroleum Holdings AB

Definitions

Working capital.

Total assets minus interest-free operating liabilities.

Adjusted equity.

Equity including non-controlling interest.

Return on working capital.

Profit/loss before borrowing costs in relation to average working capital.

Self-financing ratio.

Net financing from operations during the year according to the consolidated cash flow statement in relation to investments in equipment.

Return on adjusted equity.

Profit/loss after tax in relation to average adjusted equity.

Equity/capital ratio.

Adjusted equity in relation to the balance sheet total.

Net debt/equity ratio.

Interest-bearing liabilities minus cash and cash equivalents in relation to average adjusted equity.