DIRECTORS' REPORT.

IMPROVED REFINERY MARGINS DURING 2012.

Operations

Preem AB (publ) (Preem) is Sweden's largest fuel and oil company, and is responsible, via its two refineries in Gothenburg and Lysekil, for about 80 percent of Swedish refinery capacity, and approximately 30 percent of the refinery capacity in the Nordic Region. Preem undertakes large-scale refining of crude oil and sales of petroleum products to oil companies operating in Sweden and on the international market, particularly in north-western Europe. The sale of gasoline, diesel, heating oils and lubricating oils to private consumers and to large and small companies in Sweden is carried out through the Company's own marketing channels, Preem Partners, Såifa stations and filling stations. Around 65 percent of production is exported, which places Preem among the largest Swedish export companies.

FACTS:

Preem AB (publ)
Corp. ID no.: 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).

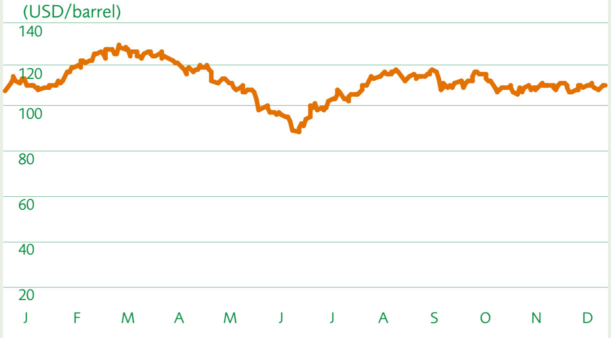
The market

The oil price stabilised at a relatively high level in 2012. Despite continued geopolitical unrest in oil-producing countries and the debt problems in Europe, the average crude oil price (Dated Brent) during the year was USD 112 per barrel.

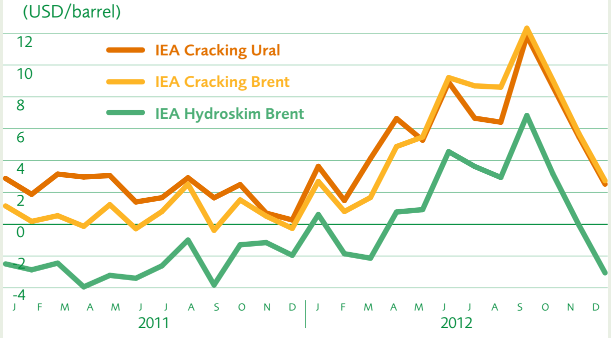
At the beginning of the year, Dated Brent was priced at USD 107 per barrel, and the rise continued during the spring, with the peak price of USD 128 per barrel being reached in March. The increase was driven primarily by concerns about the import embargo on Iranian oil and the fall in production from Syria and South Sudan. The peak price was followed by increasing worries about economic growth in Europe and the USA, at the same time as several significant oil-producing countries expanded their production. The majority of the oil fields which closed during the civil war in Libya came back on stream, and Saudi Arabia increased its output during the second quarter. These events had a negative impact on the oil price, which registered its lowest level of USD 89 per barrel in June. During the autumn, the oil price fluctuated between USD 105 and USD 115 per barrel, ending the year at USD 110 per barrel.

The price differential between high-sulphur crude (Urals), which is used at the refinery in Lysekil, and Dated Brent varied sharply during 2012. It began the year at USD -2.1 per barrel, and then strengthened to USD 0.4 per barrel in February. The higher price is primarily due to a reduction in supply of other grades of European crude. At the end of the first quarter, the price of high-sulphur crude weakened as many European refineries shut down for maintenance. The lowest price of the year, USD -3.9 per barrel was quoted in March, and the year ended with a price differential of USD -1.3 per barrel.

OIL PRICE TREND IN 2012

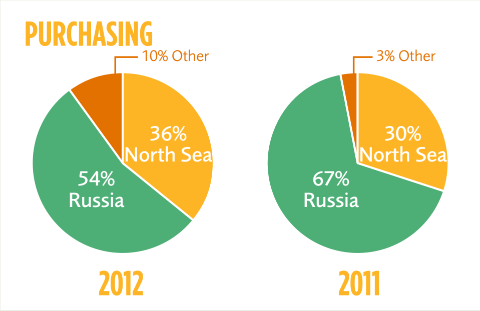


REFINERY MARGINS



Refining margins improved sharply during 2012. At the beginning of the year, one of Europe's largest independent refiners, Petroplus, went into liquidation. This had a negative impact on the supply of refined products, and this strengthened refining margins in Europe. During the second quarter, further closures of refineries in Europe and the USA were announced, and this coincided with the start of the maintenance season. The reduction in supply continued to have a positive impact on refining margins during the second and third quarters. The year ended with somewhat lower refining margins. The international reference margin for complex refineries in north-western Europe (IEA Brent Cracking) was USD 6.0 (0.6) per barrel in 2012.

The reduced supply of middle distillates (particularly diesel) and gasoline contributed to a rise in margins on these products in Europe in 2012. The closure of refineries in both Europe and the USA, along with the lower utilisation rate, was a contributory factor in the reduction in supply. In addition, demand for diesel remained strong from both China and Japan. The margins on heavy fuel oil rose during 2012, particularly due to high demand from Asia and high energy consumption in China.



The total consumption of oil products in Sweden was 11.9 million m³, a reduction of 7 percent on the preceding year.

The large-scale price war in the Swedish gasoline market seen in previous years continued to abate in 2012. The total gasoline market declined by 8.1 percent during 2012, compared with 2011 (Statistics Sweden, December 2012). During the same period, the total diesel market declined by 1.0 percent while the use of diesel in relation to gasoline is increasing in Sweden as a consequence of more freight transport but also of a rise in the number of diesel-powered passenger cars. Preem has within Station and Consumer division evolved better than the total market for both diesel and gasoline, resulting in higher market shares.

Results

Consolidated net sales amounted to SEK 114,947 (101,747) million. Excluding excise duties, consolidated sales revenue totalled SEK 105,089 (91,554) million. The increase in the consolidated sales revenue is largely due to the rising prices of refined products. After deducting the cost of goods sold, gross profit was SEK 3,575 (2,084) million. A fall in the SEK price of crude oil and refined products led to price losses on inventories of SEK 85 million, compared to price gains on inventories of SEK 878 million in 2011.

The operating profit for the year rose to SEK 2,773 (976) million. The increase in operating profit is largely due to higher refining margins and improved profitability on the Swedish market. The operating profit for 2011 was negatively affected by the scrapped planned expenditures of SEK 306 million. The total consolidated operating expenses increased to SEK 3,490 (3,417) million. The increase in operating expenses is primarily due to a provision for staff reductions carried out during the year of SEK 50 million.

Profitability within the refinery operation improved sharply during 2012. The average refining margin amounted to USD 5.9 (2.9) per barrel. There was a positive impact on refining margins from the rising margins on diesel, gasoline and heavy fuel oil. In addition, both refineries recorded excellent operational reliability and a high level of capacity utilisation during 2012.

Within the Marketing Segment, performance continued to improve during 2012. The increase in profit was mainly due to improvements in the Station and Consumer division, particularly as a result of increased margins on gasoline and diesel, along with increased volumes of diesel.

The average USD exchange rate strengthened somewhat during 2012, and amounted to 6.78 (6.50). At the beginning of the year, the quoted USD exchange rate was 6.92, and at the end of the year, 6.52. The weaker exchange rate against the Dollar at the end of 2012 has led to exchange losses on inventories of SEK 578 million (exchange gain of SEK 133 million).

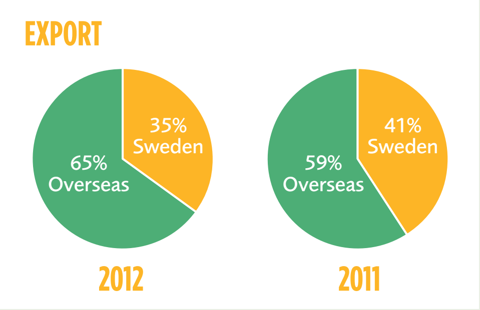
The weaker USD exchange rate has also resulted in exchange gains on the Company's loans in this currency of SEK 357 million (loss of SEK 238 million). The profit before tax amounted to SEK 2,610 (260) million.

The Parent Company's net sales totalled SEK 114,864 (101,645) million, with a profit before taxes of SEK 2,610 (295) million.

In 2012, Preem provided a group contribution of SEK 984 million to Corral Petroleum Holdings AB (publ), and received a shareholders' contribution from Corral Petroleum Holdings AB (publ) of SEK 981 million.

Production

The Group's operations consist to a great extent of refining crude oil in two refineries, Preemraff Lysekil and Preemraff Gothenburg. During the year, total production reached a level of 18.9 (17.3) million m³. Purchases of crude oil were mainly from Russia 54 (67) percent and the North Sea 36 (30) percent. 65 (59) percent of products sold were exported.



Both of Preem's refineries reported excellent availability during the year, and a high level of capacity utilisation. For Lysekil, this is particularly significant since the refinery is at the end of an operating cycle, i.e. the year preceding the complete maintenance turnaround shutdown. Despite this, the refinery achieved its second-highest capacity utilisation rate in its history. With this operating cycle, the interval between shutdowns is six years for the first time. The total capital expenditure for the planned maintenance turnaround at the refinery in Lysekil amounts to approximately SEK 500 million.

The plant for producing biodiesel from tall oil in Gothenburg operated as planned throughout the year. A higher level of utilisation of the facilities and the optimisation of operations has meant that, during 2012, we were able to process 150 percent more biomass into Preem Evolution Diesel than during 2011.

The production of diesel totalled 7.1 (6.6) million m³, which is equivalent to 39 (38) percent of overall production.

All our targets in the areas of energy and the environment were exceeded. As regards emissions and discharges to air and water which are regulated by the authorities, we were at least 20 percent below the permitted levels in all cases.

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, sulphur oxides and volatile hydrocarbons, as well as discharges to water and noise.

Preem's refineries in Lysekil and Gothenburg conduct licensable "A" activities with licences for the refining of petroleum products and bio fuel under the Environmental Code. The impact on the environment is mainly through emissions to air of carbon dioxide, nitrogen oxides, sulphur oxides and volatile hydrocarbons. The licences are subject to conditions and an associated control programme, both for the operation itself and for the surrounding area. The environmental conditions cover areas such as capacity limitation, emissions/discharges to air and to water, noise and waste.

The emission control programme has been set by the County Administrative Board. The control programme describes in detail the checks and reports that apply to the refineries' own checks on raw materials consumption and production, emissions/discharges to air and to water, as well as noise and waste.

Preemraff Lysekil is licenced 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 licence was granted in a part judgment from the Environmental Court on June 30, 2004. The licence includes 36 final conditions, 10 provisional conditions and a requirement for 11 probationary period reports, of which all have been submitted. In a part judgement on December 6, 2011, the Environmental Court granted a licence for the construction and commissioning of a plant for the reception, processing and storage of liquified natural gas (LNG), up to an annual throughput of 250,000 tonnes, subject to an additional five conditions. All conditions pertaining to Preemraff Lysekil were met in 2012, with the exception of the target figure for dust from the catalytic cracker. The target was exceeded in eleven of the twelve months. The supervisory authority has been kept continuously informed, and investigations are in progress to find a solution to the problem.

Preemraff Gothenburg has a licence 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 m³. The licence 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 probationary period reports required in the judgment were submitted within the stipulated time period. In the judgments on April 4, 2006, November 17, 2006 and August 21, 2008, a further ten final conditions were added. In the judgment of September 17, 2009, the Environmental Court granted a licence to take in and process 0.2 million m³ of bio fuel, which was subject to an additional two final conditions. Licences issued for gasoline volumes for unloading directly to vehicles were increased by the judgment on December 10, 2010. All conditions pertaining to Preemraff Gothenburg were satisfied for 2012.

The fixed allocation of CO_2 emission rights for Preem refineries was 2.47 million per year for the 2008–2012 trading period. During normal operation at the refineries, Preem expects the allocation to cover the requirement for emission rights. The EU ruling on the allocation for 2013–2020 has been delayed. Pending the ruling, we will base our strategy until further notice on the fact that our allocation and emissions are in balance. After the capital expenditure at Preemraff Lysekil in respect of LNG and energy-saving projects is complete in 2013, we expect a 5–10 percent reduction in emissions, which means that we are improving the balance between allocation and requirements.

At the six operational depots, more than 50,000 tonnes and 500,000 tonnes respectively of petroleum products, petrochemical products and oils are stored and handled every year, and this, under the provisions of the Environmental Code, requires licensing for "B" activities. All Preem's operating depots have licences under the Environmental Code. The most recent licence was issued during 2012, and is time-limited. An appeal against the licence has been lodged by external parties. For five of the depots, the licences granted are subject to test period surveys regarding possible walling in of the tanks. In accordance with the licences, Preem has submitted reports for the depots to the relevant County Administrative Boards. During 2012, one depot received a ruling on the matter, and this set out requirements for the construction of secondary protection for tanks storing thin products of fire classes 2 and 3. The ruling has been appealed by Preem.

The majority of Preem's filling stations and diesel facilities handle and sell fuel in excess of 1,000 m³ per calendar year. This means that they are notifiable for "C" activities. The relevant municipal agency, which is the supervisory body for the operation, is notified on the "C" activities on a continuous basis.

Remediation of the soil in the depot areas is in progress at the diesel storage chambers at Finnberget, at no cost to Preem because of an earlier decision by the Court of Appeal. The on-going remediation and restoration work in two areas in Karlstad, in Västerås and in Malmö will be accounted for within the framework of the funds set aside in the 2005 accounts (see note 28).

In connection with the non-operational depot at Gällivare, remediation of jointly used track areas is underway. The cost is being shared jointly with other operators. The work has been further delayed by poor weather conditions, and is now due for completion in 2013. This project will also be accounted for within the framework of the above-mentioned provision. In connection with the new road alignment and bridge at Sundsvall (E4), Preem, together with other operators, the Municipality of Sundsvall and Sundsvall Oil Port, has been summoned to a briefing by the Swedish Transport Administration. The road alignment work has not, so far, affected Preem's remediation work in Sundsvall. Remediation of the gasoline storage chambers at Finnberget and the groundwater in Sundsvall was completed in 2012.

Capital expenditure

The Group's capital expenditure in non-current assets amounted to SEK 575 (948) million. A planned maintenance turnaround was carried out in Gothenburg in autumn 2011. Capital expenditure related to the planned maintenance turnaround amounted approximately to SEK 300 million.

Financing and liquidity

At the end of the reporting period, the Group had a net loan debt, i.e. loans from credit institutions minus balances of cash and cash equivalents, of SEK 10,970 million, compared with SEK 10,160 million as at December 31, 2011, an increase of SEK 809 million. The increase is to some extent due to a negative cash flow from operating activities. The negative cash flow from operating activities is mainly attributable to a temporary increase in working capital related to a considerable decrease in trade payables at year end.

Cash flow from operating activities amounted to SEK -218 million, compared with SEK -1,583 million in 2011. The improved profit before tax has had a positive impact on cash flow, but this has been partially offset by an increase in working capital tied up and a somewhat higher amount of tax paid.

The Group's cash and cash equivalents of SEK 634 (343) million and unutilised credit facilities of SEK 972 (3,512) million totalled SEK 1,606 (3,855) million as at December 31, 2012.

For management of financial risks, see note 2.

Personnel

The average number of employees in the Group was 1,272 (1,319), of whom 1,259 (1,306) worked at the Parent Company. At the end of the reporting period, the number of employees was 1,226 (1,309), of whom 1,213 (1,296) worked at the Parent Company.

Future prospects

The global recession will affect demand for refined products in 2013 and also influence refining margins. The outlook for the global economy is uncertain, and there is a great deal of concern over economic recovery in Europe. Economic growth is expected to be primarily concentrated in the Asian economies. Further expansion of refining capacity, particularly in Asia, is expected to lead to an increased supply of refined products.

Compared with the historically high refining margins in 2012, margins are expected to deteriorate to some extent during 2013. The level of uncertainty is considerable, and is strongly linked to economic trends in Europe and the USA. Demand for diesel, however, is expected to continue to increase in the future. Preem's refineries, which have a relatively high proportion of diesel production, are expected to benefit from this increased demand for diesel compared with other products.

Profitability in the Marketing Segment is expected to remain positive.

Proposed appropriation of profits

The Parent Company's non-restricted equity amounts to KSEK 10,248,727.

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

Carried forward	10,248,727
Total	10,248,727

The Board's explanation

The Annual Report submitted shows that a Group contribution of SEK 984 million was made to the Parent Company, Corral Petroleum Holdings AB (publ), and that the profits are proposed to be carried forward. Corral Petroleum Holdings AB (publ) has provided a shareholders' contribution to Preem AB (publ) of SEK 981 million.

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 the payment of the Group contribution.

In the light of:

the financial position as at December 31, 2012 and the business plan for 2013, 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 2013).

Events after the balance sheet date

In February, 2013 the refinery in Lysekil was forced to shut down its CDU (Crude Distillation Unit) and VDU (Vacuum Distillation Unit) units for approximately 8 days in order to replace leaking heat exchanger bundles in the crude preheat train. The shutdown and repair works were successfully implemented, without any incidents. The decrease in operating income from the shutdown has been estimated at approximately SEK 75 million.

INCOME STATEMENT.

Amounts in SEK millions

		2012	2011
Net sales		114,947	101,747
Excise duties	(Note 5)	–9,859	–10,193
Sales revenue	(Notes 4, 17)	105,089	91,554
Cost of goods sold	(Notes 15, 17)	–101,514	–89,470
Gross profit	(Note 6)	**3,575**	**2,084**
Selling expenses		–694	–716
Administrative expenses		–555	–495
Other operating income	(Note 13)	447	409
Other operating expenses	(Note 14)	–	–306
Operating profit	(Notes 7–12, 37–39)	**2,773**	**976**
Financial income		167	173
Financial expenses		–330	–889
Net financial items	(Notes 15, 17)	**–163**	**–716**
Profit before tax		**2,610**	**260**
Tax on profit for the year	(Note 16)	–497	–75
PROFIT FOR THE YEAR*		**2,113**	**185**
Attributable to:			
Parent Company's shareholder		2,112	184
Non-controlling interests		1	1
		2,113	**185**

* Profit for the year corresponds to comprehensive income for the year

BALANCE SHEET.

Amounts in SEK millions

ASSETS		2012	2011
Non-current assets			
Intangible assets			
Goodwill	(Note 18)	308	308
		308	**308**
Property, plant and equipment			
Land and buildings	(Note 19)	1,078	1,004
Plant and machinery	(Note 19)	5,964	6,348
Capitalized turnaround costs	(Note 19)	323	449
Equipment, tools, fixtures and fittings	(Note 19)	435	459
Constructions in progress	(Note 19)	702	698
		8,503	**8,958**
Financial non-current assets			
Participations in associates	(Note 20)	83	86
Receivables from affiliates	(Notes 21, 36)	3,653	3,496
Financial assets available for sale	(Notes 22, 36)	27	25
Other non-current receivables		8	7
		3,771	**3,615**
Total non-current assets		**12,582**	**12,880**
Current assets			
Inventories	(Note 23)	10,069	11,137
Trade receivables	(Notes 24, 36)	5,015	5,102
Derivatives	(Notes 31, 36)	0	11
Other receivables		738	643
Prepaid expenses and accrued income		224	316
		16,046	**17,209**
Cash and cash equivalents	(Notes 25, 36)	634	343
Total current assets		**16,680**	**17,552**
TOTAL ASSETS		**29,262**	**30,433**

Consolidated financial statements

BALANCE SHEET.

Amounts in SEK millions

EQUITY AND LIABILITIES		2012	2011
Equity			
Equity attributable to Parent Company's shareholder			
Share capital		610	610
Other paid-in capital		2,482	2,482
Profit brought forward including profit for the year		8,542	6,174
		11,634	**9,266**
Non-controlling interests		9	9
Total equity	(Note 26)	**11,643**	**9,275**
Liabilities			
Non-current liabilities			
Pension obligations	(Note 27)	81	88
Deferred tax liability	(Note 16)	1,011	1,270
Other provisions	(Note 28)	64	79
Borrowing	(Notes 29, 36)	9,589	9,320
Other non-current liabilities		22	182
		10,769	**10,939**
Current liabilities			
Borrowing	(Notes 29, 30, 36)	1,428	439
Advance payments from customers		5	7
Trade payables	(Note 36)	2,496	4,905
Liabilities to Parent Company		6	6
Liabilities to associates		32	52
Current tax liabilities		284	59
Derivatives	(Notes 31, 36)	0	1
Other liabilities	(Notes 32, 36)	1,605	1,689
Accrued expenses and deferred income	(Note 33)	995	3,060
		6,851	**10,218**
Total liabilities		**17,619**	**21,157**
TOTAL EQUITY AND LIABILITIES		**29,262**	**30,433**

Pledged assets and contingent liabilities (Note 34)

CHANGES IN EQUITY.

Amounts in SEK millions (Note 26)

	Attributable to Parent Company's shareholder					
	Share capital	Other paid-in capital	Profit brought fwd incl.profit for the year	Total	Non-controlling interests	Total equity
OPENING EQUITY 01/01/2011	**610**	**500**	**5,881**	**6,991**	**9**	**7,000**
Profit for the year	–	–	184	184	1	184
Shareholders' contribution received	–	1,982	428	2,410	–	2,410
Group contribution paid	–	–	–431	–431	–	–431
Tax effect of Group contribution	–	–	113	113	–	113
Dividend	–	–	–	–	–1	–1
CLOSING EQUITY 12/31/2011	**610**	**2,482**	**6,174**	**9,266**	**9**	**9,275**
Profit for the year	–	–	2,112	2,112	1	2,113
Shareholders' contribution received	–	–	981	981	–	981
Group contribution paid	–	–	–984	–984	–	–984
Tax effect of Group contribution	–	–	259	259	–	259
Dividend	–	–	–	–	–1	–1
CLOSING EQUITY 12/31/2012	**610**	**2,482**	**8,542**	**11,634**	**9**	**11,643**

The Board of Directors has not proposed a dividend for the current financial year.

CASH FLOW STATEMENT.

Amounts in SEK millions

		2012	2011
Operating activities			
Profit before tax		2,610	260
Adjustment for items not included in cash flow	(Note 35)	1,106	1,481
		3,716	**1,742**
Tax paid		–273	–199
Cash flow from operating activities before changes in working capital		**3,443**	**1,543**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in inventories		826	–2,955
Increase (–)/Decrease (+) in operating receivables		58	–306
Increase (+)/Decrease (–) in operating liabilities		–4,544	135
Cash flow from operating activities		**–218**	**–1,583**
Investing activities			
Capital expenditures of property, plant and equipment		–575	–948
Disposal of property, plant and equipment		8	16
Increase in financial assets		–2	–13
Cash flow from investing activities		**–569**	**–945**
Financing activities			
Shareholders' contribution received		–	1,982
Group contribution paid		–3	–
New loans		8,622	6,099
Repayment of loans		–7,418	–5,293
Expenses in connection with arrangement of loans		–122	–515
Dividends paid		–1	–1
Cash flow from financing activities		**1,078**	**2,271**
Cash flow for the year		291	–257
Opening cash and cash equivalents		343	599
CLOSING CASH AND CASH EQUIVALENTS		**634**	**343**

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 largest oil company in Sweden.

The Parent Company is a joint stock company registered, and with its registered office, in Sweden. The address of the head office is Warfvinges väg 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 13, 2013 the Board of Directors approved this annual report and these consolidated financial statements and will publish and submit them to the Annual General Meeting for adoption on March 13, 2013.

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

Basis on which the statements have been prepared

The consolidated financial statements for the Preem AB Group (Preem) have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by 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 prepared using the cost method, apart from financial assets available for sale and financial assets and liabilities measured at fair value via profit/loss for the year.

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

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

Standards, amendments and interpretations that came into force in 2012

New standards, amendments and interpretations that came into force during the financial year had no significant 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 come into force during future financial years, and these have not been adopted in advance by the Group in preparing these financial statements. There are no plans for early adoption of new or amended standards that come into force in the future.

Upcoming amendments which it is currently anticipated will have an impact on the consolidated financial statements are described below.

Amended IAS 19, Employee Benefits. The change means that the Corridor Method will no longer be used. Actuarial gains and losses will be recorded in other comprehensive income. Estimated return on plan assets is based on the discount rate used in the calculation of the pension obligation. The difference between actual and estimated return on plan assets is recorded in other comprehensive income. The amendment will be effective for financial years beginning on or after January 1, 2013, with retroactive application. The change is expected to have a negative impact on equity of SEK 65 million, after taking deferred tax into account, and SEK 47 million of this relates to the adjusted transition balance as at January 1, 2012.

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement from 2015 onwards. The Standard has not yet been finalized, and no parts of it have been adopted by the European Commission. Potential effects have not yet been evaluated.

Other upcoming amendments adopted by IASB are not expected to have any significant impact on the Group's financial statements.

Classification etc.

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

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

Subsidiaries

Subsidiaries are companies (including structured entities) that are under the 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 economic benefits. When assessing whether control exists, consideration is given to potential shares providing entitlement to vote that can be immediately used or converted. Subsidiaries are included in the consolidated financial statements as of the date on which control was transferred to the Group. They are excluded from the consolidated financial statements as of the date on which control ceases.

The acquisition method is used to record the Group's acquisition of subsidiaries. The cost of an acquisition comprises the fair value of assets given as payment, equity instruments issued and liabilities arising or assumed as of the transfer date. Transaction expenses directly attributable to the acquisition are recorded as an expense as they arise. Identifiable acquired assets and assumed liabilities and contingent liabilities in 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 and the fair value of the Group's share of identifiable acquired assets, liabilities and contingent liabilities is recorded as goodwill. When the difference is negative, this is recorded in 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 of 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 gains and losses for the Group, which are recorded in profit/loss for the year. In acquisitions 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 recorded as goodwill. In the event of 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 recorded in profit/loss for the year.

Associates

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

Any difference on acquisition between the cost of the shareholding and the owner company's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded using the same principles as used on the acquisition of subsidiaries.

The Group's share of profit/loss in associates after the acquisition is recorded in profit/loss for the year. Accumulated changes after the acquisition are recorded as a change in the carrying amount of the shareholding. 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 proportion 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 of the transferred asset.

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

Segment reporting

An operating segment is a part of the Group that runs operations from which it can generate revenues and incur costs for which separate financial information is available. An operating segment's results are monitored by the Group's senior executives to evaluate performance and to allocate resources to the operating segment. See Note 4 for 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 in which each company has its main operations (functional currency). The consolidated financial statements are prepared 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 at the foreign exchange rates prevailing on the date of exchange. Exchange rate gains/losses arising on payment of such transactions and when translating monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are recorded in profit/loss for the year. Exchange rate changes that arise during the time between invoicing and payment for products affect the Group's gross profit/loss. Other exchange rate changes affect the Group's net financial income/expense. The Company does not hedge transactions or investments in foreign currency. Non-monetary assets and liabilities are recorded at the foreign exchange rates prevailing at the date of exchange.

Group companies
The performance and financial position of all Group companies that have different functional and reporting currency are translated into the Group's presentation 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 net exchange differences that arise are recorded in other comprehensive income.

In connection with consolidation, net exchange differences arising from the translation of net investments in a foreign operation are posted to other comprehensive income with an accumulated effect in equity. On the partial or total disposal of a foreign operation, the exchange rate differences recorded in equity are posted to profit/loss for the year and recorded as an element of the capital gain/loss.

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

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

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

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

Buildings and storage chambers	20–50 years
Land installations	20 years
Plant and equipment	10–30 years
Capitalized turnaround costs for refineries	6 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 derecognized from the balance sheet on retirement or disposal, or when no future economic benefits are expected from the use or the retirement/disposal of the asset. Profits and losses on disposal are determined by means of a comparison between sales income and the carrying amount, and are recorded net in the income statement depending on the function to which the asset belongs.

Borrowing expenses directly attributable to the purchasing, design or production of an asset, and where a significant length of time is needed to make the asset ready for its intended use or sale, are included in the cost of the asset.

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

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

Other intangible assets
The Group has no other intangible assets which can be capitalized. The cost of internally generated goodwill and brands, for example, is therefore recorded as an expense as it arises.

Impairment of non-financial assets
Assets with an indeterminate useful life, such as goodwill, are not amortized, but are tested annually for any possible impairment. Assets that are amortized are assessed for loss of value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is applied at the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment impacts profit/loss for the year. The recoverable amount is the higher of the asset's fair value minus cost of sales 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 must not exceed the carrying amount that would have been recorded if no impairment had been applied.

Inventories

Inventories are recorded at the lower of the cost and the net realizable value. Cost is determined using the first in, first out method (FIFO). Cost for petroleum products, which is expressed in USD, is recorded at the exchange rate prevailing on the date of the Bill of Lading.

The cost of finished goods and work in progress consists of raw material, direct wages, other direct operating expenses and attributable indirect manufacturing expenses (based on normal manufacturing capacity). Net realizable value is the estimated selling price from operating activities less the cost of production and sales.

With regard to crude oil, replacement cost is used as the best available measure of net realizable value. In cases where the net realizable value is less than the cost of crude oil and there is, therefore, an impairment need, the impairment amount is reduced in cases where the products' net realizable value exceeds cost. The reduction in the impairment amount for the crude oil consists of the difference between the products' net realizable value and cost.

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 on the balance sheet date in the countries where the Parent Company's subsidiaries and associates operate and generate taxable income. Management conducts regular assessments of claims lodged in tax returns in respect of situations in which applicable tax rules are subject to interpretation and, if appropriate, makes provisions for amounts that will probably have to be paid to the Swedish Tax Agency. Taxes are recorded in the income statement except when the underlying transaction is recorded in other comprehensive income or directly 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 recorded in full, using the balance sheet method, for all temporary differences arising between the tax base of receivables and liabilities and their carrying amounts in the consolidated financial statements. The deferred tax is not, however, recorded if it arises as a consequence of a transaction that constitutes the initial recording of an asset or liability that is not a business combination and which, at the time of the transaction, has no effect on either the recorded profit/loss or profit/loss for tax purposes. Deferred income tax is calculated by applying tax rates (and laws) that have been adopted or announced as of the balance sheet date and are expected to be in force when the relevant deferred tax receivables is realized or the deferred tax liability is settled. Deferred tax assets are recorded 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 receivables is reduced when it is no longer considered likely that they can be utilized.

Provisions

Provisions for environmental restoration measures and legal requirements are recorded when the Group has a legal or a constructive 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 reliably. The Group has made provisions for environmental restoration measures relating to non-operational depots and the decommissioning of filling stations where this has been decided.

Provisions are measured at the present 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 associated with the provision.

Contingent liabilities

A contingent liability is recorded 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 recorded 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.

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

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 constructive 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. The feature of defined benefit plans is 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 managed funds 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 fund (the KP foundation) in accordance with the provisions of the Swedish Pension Obligations Vesting Act. The defined benefit pension plans are both funded and unfunded. If the plans are funded, assets have been separated in the pension fund (the KP foundation). These plan assets can only be used to make payments under pension agreements. Plan assets are measured at fair value as of the reporting date.

The liability recorded in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date minus the value of the plan assets, with adjustments for unrecorded actuarial gains and losses and for unrecorded expenses for service during earlier periods. The Group applies the corridor method. The defined benefit pension obligation is calculated on an annual basis by independent actuaries applying the projected unit credit method. The present value of the defined benefit obligation is obtained 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 percent of the value of the plan assets and 10 percent of the defined benefit obligation are recorded as expenses or income over the estimated average remaining period of service of the employees.

Expenses in respect of service during earlier periods are recorded in profit/loss for the year, unless the changes in the pension plan are conditional upon the employees remaining in service for a specified period (the qualification period). In such cases the past service expenses are allocated on a straight-line basis over the qualification period.

For defined contribution pension plans, the Group pays contributions into publicly or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no additional payment obligations once the contributions have been paid. The cost is recorded in the consolidated profit or loss as the benefits are earned. Prepaid contributions are recorded as an asset to the extent that cash repayment or a reduction in future payments may benefit the Group.

Remuneration on notice of termination

Remuneration on notice of termination is paid when notice is served by the Group to terminate an employee's employment before the normal retirement age or when an employee accepts voluntary termination in exchange for such compensation. The Group 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 termination benefits 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 records a provision when there is a legal obligation or a constructive obligation based on previous practice.

Recording income

Income comprises the fair value of what has been received or will be received. Income is recorded excluding VAT, returns and discounts, and after the elimination of internal Group sales. Net sales include excise taxes deducted and recorded on a separate line before sales revenue.

The Group records an income when its amount including attributable expenses can be measured reliably and it is probable that future economic benefits will accrue to the Company. It is not considered that the income 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 income 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 Northwestern Europe. Sales of gasoline, diesel, heating oils and lubricating oils on the Swedish market to private customers and to large and small companies take place via our own marketing channels, Preem partners and filling stations.

Income from sales of goods is recorded 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 income for the sale of a product has been recorded, the Group no longer has any involvement in the on-going administration usually associated with ownership, nor does it exercise any actual control over the goods sold.

A large proportion of the Group's sales of products takes place by ship. These sales are often subject to the terms of transport CIF (cost insurance freight) and FOB (free on board), which means that these income items are normally recorded on the date on which the goods are loaded onto the ship, i.e., on the Bill of Lading date. For other sales, the income item is recorded in connection with delivery to the customer, for example, Preem Partners or end-consumers via filling stations operated by the Group.

Financial income and expenses

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

Interest income from financial instruments is recorded using the effective interest method. Income from dividends is recorded when entitlement to receive the dividend has been confirmed. The profit on disposal of a financial asset is recorded 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 consists of interest expense on loans including the proportion of transaction expenses in connection with borrowing that is recorded as an expense during the year, the effect of calculating the present value of provisions, losses in the event of changes in value of financial assets measured at fair value through profit/loss for the year and the impairment of financial assets. Exchange rate gains and losses on financial liabilities are recorded net as financial expenses.

As a general rule, borrowing costs are charged to profit/loss for the period to which they relate. Borrowing costs that are directly attributable to the purchasing, design or production of an asset and where a significant length of time is needed to make the asset ready for its intended use or sale, must be included in the cost of the asset. The capitalized interest expense for the year is SEK 5 (3) million, relating primarily to the balance sheet item "Construction in progress". The 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 operating leasing. Payments made during the lease term (after deductions of any incentives from the lessor) are recorded as expenses on a straight-line basis over the lease term. Variable expenses are recorded as expenses in the periods when they arise. The Group has operating leases only.

Lessor

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

Dividends

A dividend to the Parent Company's shareholder is recorded in the consolidated financial statements in the period in which the dividend was approved by the Parent Company's shareholder.

Emission rights

The present period covers the time from 2008 up to and including 2012. The Group's two refineries in Lysekil and Gothenburg have been allocated emission rights free of charge for one year at a time. Unutilized emission rights may be carried forward to subsequent years within the five-year period. Any deficit must be covered by a purchase of emission rights on a market or through improvements in energy efficiency.

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. The sale or acquisition of emission rights is recorded in the income statement under the headings net sales or cost of goods sold. In the financial statements as at 31 December 2012, SEK 4 million has been provided for the purchase of emission rights. In 2011, 300,000 emission rights were sold at an amount of SEK 35 million.

Emission rights

Opening balance 2012	**1,766,636**
Number of emission rights allocated in 2012	2,467,428
Number of emission rights used in 2011 which were cancelled in 2012	–2,208,420
Results of swap of emission rights in 2012	50,000
Closing balance 2012	**2,075,644**
Results of swap of emission rights in 2013	206,052
Number of emission rights purchased in 2012	85,000
Preliminary balance for cancelation 2013	**2,366,696**
Preliminary number of used rights in 2012 which are to be cancelled in 2013	–2,363,000
Preliminary balance of rights at April 30, 2013	**3,696**
Preliminary number of rights allocated for 2013	2,243,265
Preliminary balance after allocation for 2013	**2,246,961**

During the next trading period, i.e. 2013–2020, the Group expects to receive a lower allocation, but still sufficient to compensate for emissions. The final allocation has not yet been decided at EU level. The allocation, which is normally awarded in February each year, is expected to be delayed in 2013, due to the decision on the size of the allocation being delayed at EU level. For facilities which are not given a free allocation, e.g. electricity generators, or for facilities which are granted an allocation which is less than their emissions, there is a market for the purchase of emission rights. This year, the Group is not permitted to use emission rights allocated in March 2013 to cover emissions during 2012. The reason for this is that a new trading period is commencing, running from 2013 to 2020. In view of this, the Group made a provision of SEK 4 million for the purchase of emission rights during the first quarter of 2013, in respect of the period which ended in 2012.

Financial assets and liabilities

Financial assets are classified in the following categories: financial assets measured at fair value through profit/loss for the year, loan receivables and trade receivables measured at accrued cost, and financial assets available for sale measured at fair value via other comprehensive income. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of financial assets when they are initially recorded.

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

Purchases and sales of financial assets are recorded on the date of exchange – the date on which the Group commits itself to buy or sell the asset. When initially recorded, financial assets and liabilities are recorded at fair value plus or minus any transaction costs if the asset or liability in question is not measured at fair value through profit/loss for the year. Financial assets are derecognized from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred, and the Group has essentially transferred all risks and benefits associated with the right of ownership. A financial liability or part of a financial liability is derecognized in the balance sheet when the obligation in the contract has been fulfilled or otherwise cancelled.

Financial assets and liabilities measured at fair value through profit/loss for the year
Financial assets and liabilities measured at fair value through profit/loss for the year are financial assets available for sale. 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 available for sale if they are not identified as hedging instruments.

The Group makes use of oil derivatives that are short-term and are classified in the balance sheet either as current assets or current liabilities under the heading "derivatives" and in the income statement under the heading "cost of goods sold", in contrast to the results of other financial instruments which are recorded in net financial interest/expense.

The Group holds derivatives but does not apply hedge accounting.

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

Trade receivables are initially recorded at fair value and subsequently at accrued cost, minus any provision for impairment. A provision for impairment of trade receivables is made when there is objective evidence that the Group will not receive all amounts due under the original terms and conditions of the receivables. Indications that a debtor will be declared bankrupt or undergo financial restructuring, as well as non-payment or delayed payments, are sufficient to initiate impairment of a trade receivable. The level of provision is the difference between the asset's carrying amount and estimated future cash flows. The asset's carrying amount is reduced by means of an impairment account, and the loss is recorded as other comprehensive income depending on the function to which the trade receivable relates. When a trade receivable cannot be collected, it is written off against the impairment account for trade receivables. Any recovery of an amount that has previously been written off is credited to the function to which it relates in the income statement.

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

Financial assets available for sale
Financial assets available for sale are assets that are not derivatives and where the assets have been identified as being available for sale or have not been classified in any of the other categories. They are included in non-current assets if management does not intend to dispose of the asset within twelve months of the balance sheet date. Assets in this category are measured at fair value with changes in value for the period recorded in other comprehensive income and accumulated changes in value in a separate component of shareholders' equity, excluding changes in value due to impairments, interest on debt instruments and dividend income, as well as foreign exchange differences on monetary items which are recorded in profit/loss for the year. On disposal of the asset, accumulated profits/losses, which have been previously recorded in the statement of other comprehensive income, are recorded in 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 unlisted securities), the Group establishes fair value by applying valuation techniques such as the use of information on recently completed arms-length transactions, 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 cost. All financial assets available for sale are measured at the balance sheet date at cost 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 recorded at fair value, net after transaction expenses. Borrowing is subsequently recorded at accrued cost and any difference between amount received (net after transaction expenses) and the repayment amount is recorded as "financial expense" allocated 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 recorded at fair value and subsequently at accrued cost.

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 classified as assets available for sale, a significant or extended impairment in the fair value of a share to a level below its cost is considered to constitute an indication that there is an impairment need. If such evidence exists for financial assets available for sale, the accumulated loss – calculated as the difference between cost and the current fair value minus any previous impairments recorded in profit/loss for the year – is derecognized from equity and is recorded in profit/loss for the year. Impairments of equity instruments, which are recorded in profit/loss for the year, are not reversed via profit/loss for the year. Provisions for trade receivables are described in Note 24.

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 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 Treasury Department within Preem, with the exception of oil derivatives, which are handled by the Supply & Refining segment. Management of financial risks is regulated by Group-wide policies established 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 determined by the Board of Directors. The Group does not apply hedge accounting.

Market risk

Currency risk

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

Transaction risk

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

The Group faces an additional currency risk in that purchases of oil products take place in USD, while sales are primarily in USD and SEK. After taking the refining margin into account, there is a net deficit of USD in the Group, which is covered by 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 set 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 borrowings 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 on 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 at 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 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 cost because of a fall in the exchange rate, there would, however, be an impairment of inventories and this would have a direct effect on profit/loss.

All amounts in SEK million

Net exposure at balance sheet date	2012	%	2011	%
EUR	83	1	–7	0
USD	–8,096	99	–10,858	100
Other	–11	0	–3	0
Total	–8,024	100	–10,868	100

Net exposure to the USD must be set in relation to the Group's normal position for inventories, which as of December 31, 2012 totalled USD 1,330 (1,297) million, which is equivalent to SEK 8,667 (8,981) million translated at the SEK balance sheet date rate.

The Group has no holdings in foreign operations which have net assets 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 percent in relation to the US Dollar as at the balance sheet date, while all other variables remained constant, profit/loss for the year after tax as at December 31, 2012 would have been SEK 42 (138) million higher/lower as a consequence of gains/losses on translating monetary assets and liabilities in accordance with the table above, taking account of the indirect price effect on the Group's normal position for inventories.

Price risk

The Group is exposed to price risk in respect of inventories of crude oil and refined products. Price changes in crude oil and refined oil products affect the Group's sales income, cost of goods sold, gross profit/loss and operating profit/loss. The Group has a defined normal position for inventories, which is the volume of priced oil[1] 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. In addition to the above price risk management, the Group has hedged against price risk in the normal position corresponding to a volume of approximately 1,200,000 m³ (approximately 7.5 million barrels), expiring on 11 January 2013, at a strike of approximately USD 60 per barrel.

The Board of Directors has established risk limits that define the extent to which volume exposure may deviate from the normal position, as well as the maximum risk expressed in USD that the Group is prepared to accept in the total of these volume deviations from the normal position. The volume deviation may be +200,000 m³ or –250,000 m³. The highest risk expressed in USD is USD 5 million on the total of these deviations. The exposure which first reaches the risk limit is the one on which the Company must act. This risk exposure is monitored on a daily basis.

The table below explains how the position would change in SEK million if the price were to rise/fall by 10 percent as at the balance sheet date. How such a change would have impacted the Company's financial results depends on 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, therefore, constitutes the Company's price risk, but accrual accounting effects do arise over time in 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
2012	10%	914	–47	867	853
2012	–10%	–914	47	–867	–853
2011	10%	907	3	910	893
2011	–10%	–907	–3	–910	–893

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

A change in the value of the physical position has a direct effect on profit/loss in some cases, and in other cases profit/loss is only affected in subsequent periods. This is because inventories are measured at the lower of cost and net realizable value.

In the event of a price rise, profit/loss is usually only affected when a sale is made, i.e., the gains from the sale are recorded in profit/loss for the year only when they have been realized. A price rise may, however, have a direct effect in profit/loss for the year in the event that the original net realizable value is less than cost. This effect may not, however, exceed the previously impaired value of inventories.

In the event of a price fall, profit/loss is normally affected directly, which means that an inventory impairment is carried out and a product expense recorded in the income statement. The impairment will, however, only take 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 the scope for speculative trading in oil derivatives. These transactions are limited through the setting of a ceiling on a maximum gain or loss in such trading. The Group's loss must not be higher than USD 10,000 per transaction and USD 50,000 per annum per individual trader. Transactions on which the Group makes a joint decision may amount to a maximum of a level that falls within the deviation range in normal position management, and the maximum permitted loss is USD 500,000 in one transaction and USD 2,500,000 per annum. These transactions must always be approved in advance by the head of the Trading Department. The results of the Group's exposures in speculative trading in oil derivatives on the balance sheet date for 2012 was USD –2,000.

Interest rate risk in respect of cash flows and fair values

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

Loans with a floating interest rate expose the Group to 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 floating interest rates. The interest rate risk in respect of cash flow is balanced to a minor 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 which does not exceed 12 months. As of December 31, 2012, the remaining fixed-interest period totalled approximately 0.5 months. In 2012, the Group's borrowing on floating interest rate terms consisted of SEK and USD.

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

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

The Group's outstanding borrowing as of the balance sheet date for loans arranged from credit institutions totals SEK 11,603 (10,503) million. The Group's loan terms, effective interest rates and the maturity structure of the loans are described in Note 29.

If interest rates for borrowing expressed in SEK during the year had been 1.0 percent higher/lower, with all other variables constant, the profit after tax for the fiscal year would have been SEK 85 (79) million lower/higher, mainly because of the higher/lower interest rate costs of borrowing at floating interest rates.

Credit risk

Credit risks arise through investments in cash and cash equivalents, derivatives and credit exposure to the large number of customers to whom sales are made on credit. In order to limit this exposure, there are Group-wide credit policies under which, for example, only banks and financial institutions with a credit rating of at least "A" by Standard and Poors, or by an equivalent independent assessor, are accepted. A risk assessment is conducted on the creditworthiness of each of the Group's customers, in which the customer's financial position is considered, and previous history and other factors are assessed. Individual risk limits are established on the basis of internal or external credit ratings. The Group has a credit committee that handles these matters. The Group also uses a range of collateral, including Letters of Credit, bank guarantees, deposits and Parent Company sureties. There is regular follow-up on the use of credit limits. The credit risk is controlled at Group level.

Most of the credit exposure in terms of amount is to financially strong oil companies. On the basis of the Group's on-going analysis of its customers, the credit quality is regarded as good. The Group has only one provision for doubtful debts of SEK 24 (44) million, compared with sales revenue of SEK 105,089 (91,554) million. For further information, see Note 24.

The Group has a loan issued to Corral Morocco Gas & Oil AB (CMGO), which is an associate company, of SEK 3,136 million. The loan has a standard market interest rate of 5 percent of the nominal loan amount. The interest income is capitalized and added to the original receivable. On December 31, 2012, the total receivable was SEK 3,653 million. The loan and capitalized interest may be terminated on nine months' notice. No security has been pledged for the Group's receivable in relation to CMGO.

Counterparties for derivative trading in interest rate swaps during the year were exclusively banks and financial institutions with a credit rating of at least "A" from Standard and 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 in trading in oil derivatives, the Company signs ISDA agreements.

Liquidity risk

Liquidity risk is handled by the Group having sufficient cash and cash equivalents and investments in securities etc. with a liquid market and available financing through agreed credit facilities. Every month, the Group pays approximately SEK 1,400 million in the form of excise duties and VAT which, combined with fluctuations in purchasing and sales patterns, can make demands on the availability of short-term borrowing facilities.

To ensure that the Group has access to external financing at all times, both short-term and long-term credit facilities must always be available.

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

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

As at 31 December **2012**	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing	1,919	1,580	9,546	–
Oil derivatives	0	–	–	–
Trade payables	2,496	–	–	–
Other liabilities	1,649	22	–	–

As at 31 December **2011**	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing	1,008	1,312	10,342	–
Oil derivatives	–10	–	–	–
Trade payables	4,905	–	–	–
Other liabilities	1,771	162	–	–

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 capital structure is to secure the Group's access to capital markets and to maintain an optimal capital structure in order to keep down the costs of capital and to balance the Company's commercial risk with the cost of capital.

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

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

	2012	2011
Total borrowing	11,603	10,503
Less; cash and cash equivalents	–634	–343
Net debt	**10,970**	**10,160**
Total equity	11,643	9,275
Total capitalization	**22,612**	**19,436**
Net debt/total capitalization ratio	**49%**	**52%**

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 determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. Unlisted holdings in general are measured at cost where fair value cannot be measured reliably.

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 available to the Group for similar financial instruments.

The carrying amount, after any impairment, 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 available to the Group for similar financial instruments.

Note 3. Important estimates and assessments for accounting purposes

Estimates and assessments are evaluated on an on-going 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 estimates and assumptions that involve a significant risk of material adjustments in recorded 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 Notes 1 and 18. The recoverable amount of cash generating units has been established by calculating the value in use. These calculations require certain estimates to be made, see Note 18.

If the budgeted margin used when calculating the value in use of the cash generating unit that comprises Supply & Refining segment had been 20 percent lower than the management assessment as of December 31, 2012, the Group would not have needed to carry out 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 segment had been 2 percent higher than the management assessment, the Group would not have needed to carry out any impairment of goodwill.

Pensions

Pension obligations are based on actuarial calculations that are themselves 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 determined taking account of the expected return on the assets covered by the appropriate investment policy. 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 real estate is based on the long-term return that has occurred in the relevant market.

Provisions for environmental commitments

Provisions are made for environmental commitments for known and planned decontamination work. Any future decommissioning of operations within the Group may involve a requirement for decontamination and restoration works. This is, however, considered to be a matter for the distant future, and the potential expenditure involved cannot be calculated reliably. Potential environmental commitments of this type 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. In determining the Company's functional currency, management has evaluated the criteria contained in IAS 21 on the determination of functional currency. After giving careful consideration to all indicators, management has judged that Preem's functional currency is SEK.

Note 4. Segment reporting

Operating Segments

The Group consists of two operating segments;

Supply & Refining

Crude oil is bought for the two refineries Preemraff Lysekil and Preemraff Gothenburg and is refined to produce finished oil products. Approximately 65 percent of production is exported, mainly to the Northern European market. The proportion of production that is sold in Sweden is sold through the Group's own market channels and through other oil companies.

Marketing

This segment sells refined oil products, which are bought from the Supply & Refining segment. Sales are channelled directly to consumers via the Company's network of filling stations and to companies and consumers via direct sales.

Internal pricing

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

Profit per segment

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

2012 Sales revenue	Supply & Refining	Marketing	Total allocated per segment
Segment's total sales revenue	103,596	20,575	124,171
Sales between segments	–18,913	–63	–18,976
External sales revenue	**84,683**	**20,512**	**105,196**
Exchange differences			–107
Total external sales revenue			**105,089**

Operating profit	Supply & Refining	Marketing	Total allocated per segment
Operating profit per segment	3,095	433	3,528
of which depreciation	901	88	989

2011 Sales revenue	Supply & Refining	Marketing	Total allocated per segment
Segment's total sales revenue	90,052	20,528	110,580
Sales between segments	–18,942	–102	–19,043
External sales revenue	**71,110**	**20,427**	**91,537**
Exchange differences			17
Total external sales revenue			**91,554**

Operating profit	Supply & Refining	Marketing	Total allocated per segment
Operating profit per segment	1,004	412	1,416
of which depreciation	895	90	985

Reconciliation in relation to the Group's profit before tax

	2012	2011
Operating profit for reported segments	3,528	1,416
Net exchange differences on continuous payments	267	134
Currency effect on normal inventories	–578	133
Non-allocated depreciation	–3	–4
Other *)	–441	–703
Total operating profit	**2,773**	**976**
Interest income	175	173
Interest expenses	–605	–605
Net exchange differences	349	–238
Other financial net	–82	–46
Profit before tax	**2,610**	**260**

*) Refers mainly to Corporate Center and scrapped planned expenditures (see Note 14).

Other information concerning sales

Sales revenue comes for the most part from sales of oil products.

	2012	2011
Sales of oil products	105,002	91,428
Other	86	126
Total external sales revenue	**105,089**	**91,554**

Income of SEK 10,336 (9,592) million originates from one single customer and the income is included in the Supply & Refining segment.

Investments		Supply & Refining	Marketing	Other *)	Group
Capital expenditure in property, plant and equipment	2012	476	95	4	575
Capital expenditure in property, plant and equipment	2011	795	151	2	948
Investments in financial assets	2012	–	–	–	–
Investments in financial assets	2011	10	–	–	10

*) Refers mainly 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 is based on geographical regions grouped according to where the assets are located. "Other Nordic" in the table below refers primarily to Denmark and Norway, and "Other countries" primarily to Germany, France, the UK, the Netherlands and North America.

2012	Sweden	Oth. Nordic	Oth. countries	Group
External sales	36,620	11,990	56,479	105,089
Property, plant and equipment and intangible assets	8,810	–	–	8,810
2011				
External sales	37,149	12,295	42,110	91,554
Property, plant and equipment and intangible assets	9,266	–	–	9,266

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 differences from sales are recorded under net sales and exchange differences from purchases are recorded under cost of goods sold. The Group's gross profit includes exchange differences from purchases and sales of oil products to a net value of SEK 267 (134) million.

This note also refers to the Parent Company.

Note 7. Auditors' fees

KPMG	2012	2011
Audit assignments	2	2
Auditing in addition to the audit assignment	–	–
Tax advice	1	1
Other services	1	2
	4	**5**

SET		
Audit assignments	0	0
Auditing in addition to the audit assignment	–	–
Tax advice	–	–
Other services	–	–
	0	**0**

Note 8. Wages, salaries and social costs

	2012 Salaries and other benefits	Social costs (of which pension costs)	2011 Salaries and other benefits	Social costs (of which pension costs)
Parent Company	703	351	643	356
		(103)*		(122)*
Group companies	6	2	6	3
		(0)		(1)
Group total	**709**	**354**	**649**	**358**
		(104)**		**(123)****

* Of the Parent Company's pension costs, SEK 3.7 (4.8) million relates to the Group's CEO and other senior executives.

** Of the Group's pension costs, SEK 3.7 (4.9) million relates to the Group's CEO and other senior executives.

Note 9. Salaries and other compensation by region and between the Board/CEO and other employees

	2012 Board, CEO and other senior executives	2012 Other employees	2011 Board, CEO and other senior executives	2011 Other employees
Parent Company	16	687	17	626
Group companies in Sweden	1	5	1	5
Group companies abroad	–	–	–	–
Group total	**16**	**693**	**18**	**631**

Senior executives

Senior executives means both senior management and other senior executives. The Group comprising senior management includes the Chairman of the Board, other Board members who receive benefits from the Company in addition to the current Board fee and who are not employed by the Company, and the President and CEO. The Group comprising other senior executives includes 5 (5) salaried employees who are part of Preem AB's Group management together with the CEO; all are employed by Preem. In total the Group's senior executives include Board members including Chairman and CEO (9 individuals) and other senior executives and the Parent Company's Group management (5 individuals).

Preparation and decision-making process when determining remuneration of 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 by a remuneration committee appointed by the Board and consisting of the Deputy Chairman of the Board and three 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 determined by the remuneration committee.

Remuneration of 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. Remuneration to the CEO and other senior executives consist of basic salary, flexible remuneration, 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 remuneration may be a maximum of 30 percent of basic salary. For other senior executives, the flexible remuneration is a defined maximum percentage of basic salary. The remuneration committee does, however, establish the terms of the flexible remuneration on an annual basis. Pension benefits and other benefits to the CEO and other senior executives are paid as an element of the overall remuneration package. Other benefits consist primarily of a company car.

2012 Remuneration and benefits	Basic salary/ Board fees	Flexible remuneration	Other benefits	Pension costs	Other remuneration	Total
Chairman of the Board	0.5	–	–	–	–	0.5
Other Board members (7)	1.3	–	–	–	–	1.3
CEO	4.1	1.5	0.1	1.2	–	6.9
Other senior executives (5)	7.4	0.3	0.4	2.4	–	10.6
	13.2	**1.8**	**0.5**	**3.7**	**–**	**19.2**

In total, SEK 1.8 million has been paid in board fees, of which one member received SEK 0.5 million, six members received SEK 0.2 million, and one member received SEK 0.0 million.

2011 Remuneration and benefits	Basic salary/ Board fees	Flexible remuneration	Other benefits	Pension costs	Other remuneration	Total
Chairman of the Board	0.5	–	–	–	–	0.5
Other Board members (8)	1.5	–	–	–	–	1.5
CEO	4.7	1.9	0.1	2.4	–	9.1
Other senior executives (5)	9.0	1.6	0.5	2.4	–	13.5
	15.7	**3.5**	**0.6**	**4.8**	**–**	**24.6**

In total, SEK 2.0 million has been paid in board fees, of which one member received SEK 0.5 million, seven members received SEK 0.2 million and one received SEK 0.1 million.

Pensions

The pension is a defined contribution pension. Pension premiums comprise 30 percent of qualifying salary in respect of retirement and survivor's pension. "Qualifying salary" means the basic salary plus an average of the last three years' flexible remuneration. For other senior executives there is a general pension plan and, in certain cases, individual solutions. All pension benefits are vested, i.e., not conditional upon future employment.

Severance pay

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

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.

Note 10. Depreciation

Allocation of depreciation	**2012**	**2011**
Buildings and land installations	66	70
Plant and machinery	693	704
Capitalized turnaround costs	132	119
Inventories, tools, fixtures and fittings	102	95
	993	**989**
Allocation by function		
Cost of goods sold	902	896
Selling expenses	87	89
Administrative expenses	3	4
	993	**989**

Note 11. Leasing

Leasing charges in respect of operational leasing	**2012**	**2011**
Minimum lease charges	93	87
Variable charges	20	35
Total leasing expenses	**114**	**123**
Agreed future minimum lease charges		
Within one year	117	92
Between one and five years	329	382
More than five years	86	52
Leasing income in respect of operational leasing		
Minimum lease charges	71	75
Variable charges	20	21
Total leasing income	**91**	**95**
Agreed future minimum lease charges		
Within one year	72	75
Between one and five years	355	371
More than five years	–	–

Note 12. Expenses broken down by type of cost

	2012	2011
Cost of materials	98,447	86,650
Costs of employee remuneration	1,063	1,007
Depreciation	993	989
Other expenses	2,261	2,035
	102,763	**90,681**
Reconciliation with income statement		
Cost of goods sold	101,514	89,470
Selling expenses	694	716
Administrative expenses	555	495
	102,763	**90,681**

Note 13. Other operating income

	2012	2011
Heating deliveries	75	80
Rental income	91	95
Harbor income	58	52
Storage certificates	183	133
Service compensation	20	20
Other	20	29
	447	**409**

Note 14. Other operating expenses

Other operating expenses for 2011 amounted to SEK 306 million, all of which related to the scrapped planned expenditures previously recorded as Constructions in progress in the balance sheet (see note 19). The project involved plans to construct a Hydro cracker facility at the refinery in Lysekil. The management team and the Board of Directors carried out an evaluation during 2011 and decided to close down the project.

Note 15. Net financial income/expenses

	2012	2011
Interest income from instruments measured at accrued cost	175	173
Net exchange differences	–8	0
Other	0	–
Financial income	**167**	**173**
Net loss		
- Instruments measured at fair value	–	–
- Financial liabilities measured at accrued cost	–	–
Total net loss	**–**	**–**
Interest expenses from defined benefit unfunded pension obligation	–5	–5
Interest expenses from instruments measured at accrued cost 1)	–600	–600
Net exchange difference	357	–238
Other	–82	–46
Financial expenses	**–330**	**–889**

1) Of which interest expenses from accrued transaction expenses associated with arrangement of loans as calculated using the effective interest method SEK 158 (157) million.

The net loss on oil derivatives measured at fair value, recorded as cost of goods sold in the profit for the year was SEK 153 (155) million.

Note 16. Tax

Current tax expense(–)/ tax income(+)	2012	2011
Tax expense for the period	–754	–116
Tax attributable to previous years	–2	–10
	–756	**–126**
Deferred tax expense(–)/ tax income(+)		
Deferred tax in respect of temporary differences	259	51
Total recorded tax expense	**–497**	**–75**
Reconciliation of effective tax		
Profit before tax	2,610	260
Income tax calculated according to national tax rates for profit in each country	–687	–68
Adjustment related to change in tax rate	198	–
Other non-deductible expenses	–7	–7
Non-taxable income	1	0
Tax attributable to previous years	–2	0
Effect of different tax rates for foreign companies	0	0
Recorded tax	**–497**	**–75**
Tax items recorded directly in equity		
Current tax in Group contribution paid	–259	–113

The weighted average tax rate was 19.0 (28.9) percent.

2012 **Deferred tax assets and tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Buildings and land	7	–2
Machinery and equipment	–	–1,000
Other	0	–17
Net assets/liabilities		**–1,011**

2011 **Deferred tax assets and tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Buildings and land	9	–1
Machinery and equipment	–	–1,263
Other	0	–15
Net assets/liabilities		**–1,270**

Change in deferred tax in temporary differences and loss carry-forwards	**Amount at beginning of year**	**Recorded in profit for year**	**Other changes**	**Amount at end of year**
Buildings and land	8	–2	–	5
Machinery and equipment	–1,263	263	–	–1,000
Other	–15	–2	–	–17
Total temporary differences	**–1,270**	**259**	**–**	**–1,011**
Loss carry-forwards	–	–	–	–
	–1,270	**259**	**–**	**–1,011**

Note 17. Net exchange differences in the profit for the year

Net exchange differences have been recorded in the profit for the year as follows

	2012	**2011**
Net sales	–107	17
Cost of goods sold	374	116
Financial items	349	–238
	617	**–104**

The estimated currency effect on the Group's normal position on inventories was SEK –578 (133) million.

Note 18. Intangible assets

Goodwill	**2012**	**2011**
Opening cost	308	308
Closing accumulated cost	**308**	**308**
Carrying amount at end of period	**308**	**308**

Impairment test for 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	**2012**	**2011**
Sweden	308	308
	308	**308**

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

Significant assumptions used to calculate value in use:

	Supply&Refining
Average refining margin in USD per barrel for the period	4.42–5.22
Average rate of growth for extrapolation beyond the budget period	1%
Discount rate before tax	8%

Management has determined the budgeted refining margin based on previous 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 used are specified before tax and reflect specific risks that apply for the various segments.

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

Note 19. Property, plant and equipment

Buildings and land	**2012**	**2011**
Opening cost	2,258	2,218
Sales/Disposals	–25	–29
Completion of constructions in progress	145	69
Closing accumulated cost	**2,378**	**2,258**
Opening depreciation	1,254	1,206
Sales/Disposals	–20	–22
Depreciation for the year	66	70
Closing accumulated depreciation	**1,300**	**1,254**
Carrying amount	**1,078**	**1,004**

Plant and machinery 1)	**2012**	**2011**
Opening cost	16,579	16,269
Sales/Disposals	–28	–26
Completion of Constructions in progress	318	336
Re-classification	21	–
Closing accumulated cost	**16,889**	**16,579**
Opening depreciation	10,231	9,546
Sales/Disposals	–19	–20
Depreciation for the year	693	704
Re-classification	21	–
Closing accumulated depreciation	**10,925**	**10,231**
Carrying amount	**5,964**	**6,348**

1) Planned residual value includes platinum and palladium at SEK 138 (139) million.

Capitalized turnaround costs	2012	2011
Opening cost	754	793
Sales/Disposals	–	–342
Completion of constructions in progress	6	303
Closing accumulated cost	**760**	**754**
Opening depreciation	305	528
Sales/Disposals	–	–342
Depreciation for the year	132	119
Closing accumulated depreciation	**437**	**305**
Carrying amount	**323**	**449**

Equipment, tools, fixtures and fittings	2012	2011
Opening cost	1,393	1,373
Capital expenditure during the year	2	0
Sales/Disposals	–63	–118
Completion of Constructions in progress	80	137
Re-classification	–21	–
Closing accumulated cost	**1,391**	**1,393**
Opening depreciation	934	952
Sales/Disposals	–60	–113
Depreciation for the year	102	95
Re-classification	–21	–
Closing accumulated depreciation	**955**	**934**
Carrying amount	**435**	**459**

Constructions in progress	2012	2011
Opening cost	698	905
Capital expenditure during the year	573	948
Sales/Disposals	–21	–309
Completion of constructions in progress	–549	–845
Carrying amount	**702**	**698**

Note 20. Participations in associates

Swedish companies	Corp. ID no.	Reg. office	Number of shares	Participating interest %	Carrying amount
AB Djurgårdsberg	556077-3714	Stockholm	366	37	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	556287-6481	Gothenburg	50,000	50	5
SunPine AB	556682-9122	Piteå	16,685	28	78
					83

2012	Assets	Liabilities	Equity	Income	Net profit/loss
AB Djurgårdsberg	2	2	0	4	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	152	142	10	537	0
SunPine AB	564	478	86	877	–13

2011	Assets	Liabilities	Equity	Income	Net profit/loss
AB Djurgårdsberg	2	2	0	4	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	180	170	10	523	0
SunPine AB	547	447	99	598	–19

The information above is 100 percent of the companies' assets, liabilities, equity, income and net profit/loss.

	2012	2011
Opening balance	86	83
Investments in financial assets	–	10
Profit participation	–2	–7
Closing balance	**83**	**86**

Note 21. Receivables from affiliates

	2012	2011
Opening value	3,496	3,340
Capitalized interest for the year	157	157
Closing value	**3,653**	**3,496**

Receivables from affiliates relates to interest-bearing receivable from the related party company Corral Morocco Gas & Oil AB (CMGO). Total receivables are SEK 3,653 (3,496) million and are subject to a market-based fixed interest rate of 5 percent of the original receivables of SEK 3,136 million. No security has been pledged for the Group's receivable in relation to CMGO. The loan and capitalized interest can be terminated at nine months' notice.

Note 22. Financial assets available for sale

	2012	2011
Carrying amount at start of period	25	23
Shareholders' contribution	1	2
Profit	1	1
Carrying amount at end of period	**27**	**25**

Companies	Corp. ID no.	Reg. office	Number of shares	Participating interest %	Carrying amount
BasEl i Sverige AB	556672-5858	Stockholm	50	5	0
Släckmedelscentralen – SMC AB	556488-8583	Stockholm	117	12	0
SPIMFAB – SPI Miljösaneringsfond AB	556539-4888	Stockholm	1	1	0
VindIn AB	556713-5172	Stockholm	100	8.6	25
Bostadsrättsföreningen Ekerum					1
Bostadsrättsföreningen Solhyllan					0
Götene E.D.F. Elföreningen, co-operative					0
SSH Svensk Servicehandel					0
					27

This Note also refers to the Parent Company

Note 23. Inventories

	2012	2011
Raw materials	4,221	4,789
Finished goods	5,848	6,348
	10,069	**11,137**

The cost of inventories in the Group includes the equivalent of SEK 71 (41) million in volumes of inventories out on loan. Volumes of inventories borrowed corresponding to a total inventory value of SEK 223 (404) million are not included in the value of inventories.

This Note also refers to the Parent Company, in which all inventories are recorded apart from SEK 1 (1) million in finished goods recorded at the subsidiary, Preem Gas AB.

Note 24. Trade receivables

	2012	2011
Trade receivables	5,039	5 146
Reserve for doubtful debts	–24	–44
Fair value of trade receivables	**5,015**	**5,102**

No impairment for trade receivables due for payment for less than three months is normally considered necessary. As of December 31, 2012, trade receivables of SEK 612 (345) million were due without any need for impairment being considered to exist. These relate to a number of independent customers with no history of payment problems. The age analysis of these trade receivables is shown below:

	2012	2011
Less than 10 days	480	298
Between 10 and 20 days	83	9
Between 21 and 30 days	33	2
More than 30 days	16	37
	612	**345**

The reserve for doubtful trade receivables totalled SEK 24 (44) million as of December 31, 2012. Receivables are recorded as doubtful debts when objective information exists, e.g., in the form of cancelled payments or receivables not being settled after being due for three months.

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

	2012	2011
At beginning of period	44	16
This year's reserve for doubtful debts/reversed unutilized amounts	–4	34
Confirmed losses during the year	–16	–6
At end of period	**24**	**44**

Provisions for and reversals of reserves for doubtful trade receivables are included in the functions to which they relate in the statement of other comprehensive income. Amounts recorded in the impairment account are usually written off when the Group is not expected to recover any additional cash or cash equivalents. Other categories within trade and other receivables do not include any 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.

Notes on the consolidated financial statements

Note 25. 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 then three months after acquisition.

	2012	2011
Short-term investments	125	126
Cash and bank balances	509	217
	634	**343**

Note 26. 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.

Profit brought forward

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

Dividend

No dividend was paid for either 2012 or 2011. The conditions of the Group's borrowing prevent the payment of a dividend to the shareholder.

Other paid-in capital

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

Note 27. Pension obligations

Defined benefit obligations and the value of plan assets

Wholly or partly funded obligations:	2012	2011
Present value of defined benefit obligations	577	543
Fair value of plan assets	–543	–522
Net wholly or partly funded obligations	**34**	**21**
Unfunded obligations:		
Present value of unfunded defined benefit obligations	114	117
Net obligations, total, before adjustments	**148**	**137**
Adjustments:		
Accumulated unrecorded actuarial losses	–67	–49
Net amount in the balance sheet (obligation+, asset –)	**81**	**88**
The net amount is recorded in the following items in the balance sheet:		
Pension obligations	81	88
The net amount is divided among the following countries:		
Sweden	81	88

	2012	2011
Pension cost		
The amounts recorded in the income statement are as follows:		
Defined benefit plans		
Interest expenses	22	23
Expected return on plan assets	–18	–18
Settlement	–	43
Total cost of defined benefit plans	**4**	**48**
The change in the defined benefit obligation during the year is as follows:		
Opening gross amount in the balance sheet	659	828
Payment of benefits	–21	–18
Interest expenses	22	23
Actuarial gain (–) or loss (+) for the year on the obligation	31	29
Change in present value of obligations in connection with settlement	–	–203
Closing gross amount in the balance sheet	**691**	**659**
The change in the fair value of plan assets during the year is as follows:		
Opening gross amount in the balance sheet	522	736
Payment of benefits	–11	–8
Payments from the Company	1	12
Expected return	18	18
Actuarial gain (+) or loss (–) for the year on plan assets	14	2
Change in plan assets in connection with settlement	–	–238
Closing gross amount in the balance sheet	**543**	**522**

The actual return on plan assets amounted to SEK 31 (21) million.

	2012	2011
Accumulated unrecorded actuarial gains or losses		
Opening accumulated unrecorded losses	–49	–30
Actuarial loss (–) for the year on the obligation	–31	–29
Actuarial gain (+) for the year on the plan assets	14	2
Adjustment of unrecorded actuarial losses in connection with settlement	–	7
Closing accumulated losses	**–67**	**–49**
Closing accumulated unrecorded losses	–67	–49
10 percent corridor limit (of the obligation's present value)	66	83
Surplus (which is recorded as an expense in line with average remaining period of service of the employees)	–	–

Actuarial assumptions	**2012**	**2011**
Discount rate	3.20%	3.40%
Expected return on plan assets	3.20%	3.40%
Future wage increases	Not applicable	Not applicable
Staff turnover	Not applicable	Not applicable
Inflation	2.0%	2.0%
Expected average remaining period of service of the employees	Not applicable	Not applicable

	2012	2011
Plan assets consist of the following:		
Interest-bearing securities	59%	61%
Shares	32%	30%
Real estate	9%	9%
	100%	**100%**

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

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	691	659	828	812	832
Fair value of plan assets	543	522	736	721	659
Deficit/(surplus)	**148**	**137**	**92**	**91**	**173**

	2012	2011	2010	2009	2008
Experience-based adjustments of defined benefit obligations	–10	7	2	–1	–7
Experience-based adjustments of plan assets	14	2	8	34	–69

Contributions for defined benefit plans are estimated at SEK 0 million in 2013, as the transition to Alecta took place on January 1, 2008 and the former plan was paid-up.

This Note also refers to the Parent Company.

Note 28. Other provisions

	Restoration of the environment 1)	Other	Total
Opening balance 2011	94	–	94
Provisions for the year	–	2	2
Amounts used	–17	–	–17
Unutilized amounts that have been reversed	–	–	–
Closing balance 2011	**77**	**2**	**79**
Provisions for the year	7	3	10
Amounts used	–23	–	–23
Unutilized amounts that have been reversed	–	–2	–2
Closing balance 2012	**61**	**3**	**64**

1) The Parent Company has paid an insurance premium via its subsidiary, Preem Insurance Co Ltd, of SEK 148 million for known and planned decontamination work. During 2012, SEK 23 (17) million of the reserve was utilized, and SEK 61 (77) million remains. It is estimated that around SEK 16 million of the remaining reserve will be utilized in 2013.

Note 29. Borrowing

Long-term borrowing	2012	2011
Loans in SEK	4,149	4,953
Loans in USD	6,027	5,111
Total long-term loans	**10,176**	**10,064**
Transaction expenses	–586	–745
Total long-term loans, net	**9,589**	**9,320**
Short-term borrowing		
Loans in SEK	754	139
Loans in USD	673	300
Total short-term loans	**1,428**	**439**
Total borrowing	**11,603**	**10,503**
Total borrowing, net	**11,017**	**9,758**

Repayment plan	2013	2014	2015	2016	2017-	Total
	1,428	1,168	1,168	7,840	–	**11,603**

Loan conditions, effective interest rate and maturity structure

			Maturity structure (in SEK million)	
Non-current liabilities, credit institutions	**Nominal value local currency**	**Effective interest**	**Less than 1 year**	**1–5 years**
– SEK, floating interest	4,149	5.55	–	4,149
– USD, floating interest	925	3.52	–	6,027
Current liabilities, credit institutions				
– SEK, floating interest	754	5.88	754	–
– USD, floating interest	103	3.92	673	–
Total loans			**1,428**	**10,176**
Transaction expenses			–	–586
Total borrowing incl. transaction expenses			**1,428**	**9,589**

The remaining average fixed-interest period as of December 31, 2012 was approx. 0.5 months.

Compliance with special loan conditions

Borrowing totalling SEK 11,603 million in both SEK and USD consist of a syndicated loan and are subject to a clause requiring compliance with the terms of the minimum level of equity, maximized amount of investments, interest coverage ratio and adjusted net debt in relation to adjusted EBITDA. All conditions have been met as at December 31, 2012.

This Note also refers to the Parent Company

Notes on the consolidated financial statements

Note 30. Bank overdraft facilities etc.

	2012	2011
Authorized credit limit, current account	20	20
Unutilized element	20	20
Unutilized credit	**–**	**–**
Other unutilized credit		
Authorized credit limit	952	3,492
	952	**3,492**
Total unutilized credit	**972**	**3,512**

This Note also refers to the Parent Company

Note 31. Derivatives

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Oil derivatives	0	0	11	1

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

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

Oil derivatives

These oil derivative contracts are held primarily to hedge price changes in petroleum products. The nominal amount outstanding for oil derivative contracts were sold net SEK 498 (purchased net 78) million. The total nominal amount for these oil derivative contracts is SEK 1,915 (1,622) million as of December 31, 2012.

Note 32. Other liabilities

	2012	2011
VAT	512	580
Excise duties 1)	808	835
Other liabilities	285	274
	1,605	**1,689**

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

Note 33. Accrued expenses and prepaid income

	2012	2011
Purchases of crude oil and products	586	2,706
Personnel	283	196
Interest	6	4
Other	120	153
	995	**3,060**

Note 34. Pledged assets and contingent liabilities

Pledged assets	2012	2011
Property mortgages	4,000	4,000
Floating charges	8,000	8,000
Deposits	74	93
Inventories	7,570	5,601
Trade receivables	3,058	3,212
	22,702	**20,906**
Contingent liabilities		
Sureties in favor of associates	78	79
Guarantees FPG/PRI	2	2
	80	**81**

Pledging of property mortgages, floating charges, inventories and trade receivables relating to security in 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. These amounts fall due for payment if the Group does not meet its commitments.

Other contingent liabilities

Any future decommissioning of operations within the Group may involve a requirement for decontamination and restoration works. This is, however, considered to be a matter for the distant future, and the potential expenditure involved cannot be calculated reliably.

Preem AB has received a review decision from the Swedish Tax Agency relating to tax year 2010. The decision increased Preem AB's income from business activities by SEK 239 million, and imposed a tax surcharge of SEK 6 million. The case relates to the valuation of an internal Group transfer of real estate. Preem AB has appealed the case to the Administrative Court. Preem AB has made no provision for the tax surcharge of SEK 6 million in the financial statements for 2012. If the tax assessment is raised by SEK 239 million, this would give the company the right to a deduction of a corresponding amount in the future.

This Note also refers to the Parent Company

Note 35. Supplementary information for cash flow statement

Interest paid/received	2012	2011
Interest received	18	16
Interest paid	–450	–448
Adjustment for items not included in cash flow, etc.		
Depreciation and impairment of non-current assets	993	989
Inventory write-down	242	35
Unrealized exchange rate losses (+) / exchange rate gains (–)	–174	117
Unrealized losses (+) /gains (–) on oil derivatives	12	–9
Element of capitalized borrowing costs recorded as expenses	158	157
Cash interest not received	–157	–157
Provisions	0	25
Capital gain from the sale or disposal of non-current assets	30	311
Other	2	13
	1,106	**1,481**

Note 36. Financial instruments

Financial instruments by category

2012 Assets in the balance sheet	Loan, trade and other receivables	Assets measured at fair value through profit for the year	Available for sale	Carrying amount	Fair value
Financial assets available for sale	–	–	27	27	27
Derivatives	–	0	–	0	0
Loans to affiliates	3,653	–	–	3,653	3,653
Trade and other receivables	5,761	–	–	5,761	5,761
Cash and cash equivalents	634	–	–	634	634
	10,047	**0**	**27**	**10,075**	**10,075**

Liabilities in the balance sheet	Liabilities measured at fair value through profit for the year	Other financial liabilities	Carrying amount	Fair value
Borrowing	–	11,017	11,017	11,017
Derivatives	0	–	0	0
Other liabilities	–	4,167	4,167	4,167
	0	**15,184**	**15,184**	**15,184**

2011 Assets in the balance sheet	Loan, trade and other receivables	Assets measured at fair value through profit for the year	Available for sale	Carrying amount	Fair value
Financial assets available for sale	–	–	25	25	25
Derivatives	–	11	–	11	11
Loans to affiliates	3,496	–	–	3,496	3,496
Trade and other receivables	5,753	–	–	5,753	5,753
Cash and cash equivalents	343	–	–	343	343
	9,593	**11**	**25**	**9,629**	**9,629**

Liabilities in the balance sheet	Liabilities measured at fair value through profit for the year	Other financial liabilities	Carrying amount	Fair value
Borrowing	–	9,758	9,758	9,758
Derivatives	1	–	1	1
Other liabilities	–	6,838	6,838	6,838
	1	**16,596**	**16,597**	**16,597**

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 in active markets for similar instruments or measurement techniques where all variables are based on quoted market prices. This level includes oil derivatives in the form of swaps and options and interest rate swaps.
Level 3: Fair value is based on valuation techniques and the essential variables are not based on quoted market prices.

2012	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	–	0	–
	–	**0**	**–**
Liabilities in the balance sheet			
Oil derivatives	–	0	–
	–	**0**	**–**

2011	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	–	11	–
	–	**11**	**–**
Liabilities in the balance sheet			
Oil derivatives	–	1	–
	–	**1**	**–**

Note 37. Transactions with affiliates

Relationships with affiliates involving control

The Group is under the control of Corral Petroleum Holdings AB. In addition to the affiliate relationships described for the Group below, the Parent Company has affiliate relationships that involve control with its subsidiaries, see Note 112.

2012

Group companies	Sales	Purchase	Trade receivables Dec 31	Liabilities Dec 31
Corral Petroleum Holdings AB	–	–	–	6

Associates	Sales	Purchase	Trade receivables Dec 31	Liabilities Dec 31
AB Djurgårdsberg	1	1	–	0
Göteborgs smörjmedelsfabrik (Scanlube) AB	3	161	1	4
SunPine AB	23	668	2	30

Affiliates	Sales	Purchase	Trade receivables Dec 31	Liabilities Dec 31
Capital Trust Management Ltd.	–	0	–	–
Constellation Ltd	–	17	–	–
Corral Morocco Gas and Oil AB	–	–	3,653	–
Huda Trading AB	441	752	–	–
Midroc Group in Scandinavia	2	166	0	23

2011

Group companies	Sales	Purchase	Trade receivables Dec 31	Liabilities Dec 31
Corral Petroleum Holdings AB	–	–	–	6

Associates	Sales	Purchase	Trade receivables Dec 31	Liabilities Dec 31
AB Djurgårdsberg	0	1	–	0
Göteborgs smörjmedelsfabrik (Scanlube) AB	3	168	1	7
SunPine AB	21	391	4	49

Affiliates	Sales	Purchase	Trade receivables Dec 31	Liabilities Dec 31
Capital Trust Management Ltd.	–	17	–	–
Constellation Ltd	–	16	–	–
Corral Morocco Gas and Oil AB	–	–	3,496	–
Huda Trading AB	1,558	2,028	4	–
Midroc Group in Scandinavia	2	219	0	27

Note 38. Number of employees

Average number of employees	2012 Number of employees	2012 Of which men percent	2011 Number of employees	2011 Of which men percent
Parent Company				
Sweden	1,259	76%	1,306	76%
Group companies				
Sweden	13	85%	13	85%
Ireland	–	–	–	–
Group total	**1,272**	**76%**	**1,319**	**77%**

Note 39. Gender distribution in Company management

	2012 Share of women	2011 Share of women
Board of Directors	0%	0%
Other Senior Executives	17%	17%

This Note also refers to the Parent Company

Note 40. Events after the balance sheet date

In February, 2013 the refinery in Lysekil was forced to shut down its CDU (Crude Distillation Unit) and VDU (Vacuum Distillation Unit) units for approximately 8 days in order to replace leaking heat exchanger bundles in the crude preheat train. The shutdown and repair works were successfully implemented, without any incidents. The decrease in operating income from the shutdown has been estimated at approximately SEK 75 million.

This Note also refers to the Parent Company

INCOME STATEMENT.

Amounts in SEK millions

		2012	2011
Net sales		114,864	101,645
Excise duties	(Note 5)	–9,803	–10,128
Sales revenue	(Note 102)	105,062	91,517
Cost of goods sold		–101,500	–89,434
Gross profit	(Note 6)	**3,561**	**2,083**
Selling expenses		–686	–709
Administrative expenses		–547	–459
Other operating income	(Note 107)	443	406
Other operating expenses	(Note 14)	–	–306
Operating profit	(Notes 38–39, 103–106)	**2,772**	**1,014**
Result from participations in Group companies	(Note 108)	4	2
Financial income	(Note 109)	164	170
Financial expenses	(Note 109)	–330	–892
Net financial items		**–162**	**–719**
Profit before tax		**2,610**	**295**
Tax on profit for the year	(Note 110)	–497	–82
PROFIT FOR THE YEAR*		**2,112**	**213**

* Profit for the year corresponds to comprehensive income for the year

BALANCE SHEET.

Amounts in SEK millions

ASSETS		2012	2011
Non-current assets			
Property, plant and equipment			
Land and buildings	(Note 111)	1,077	1,003
Plant and machinery	(Note 111)	5,964	6,348
Capitalized turnaround costs	(Note 111)	323	449
Equipment, tools, fixtures and fittings	(Note 111)	421	442
Constructions in progress	(Note 111)	693	691
		8,479	**8,933**
Financial non-current assets			
Participations in Group Companies	(Note 112)	85	10
Receivables at Group Companies	(Note 113)	2	2
Participations in associates	(Note 114)	103	103
Receivables from affiliates	(Notes 21, 122)	3,653	3,496
Financial assets available for sale	(Notes 22, 122)	27	25
Other non-current receivables		0	0
		3,871	**3,638**
Total non-current assets		**12,350**	**12,570**
Current assets			
Inventories			
Raw materials and consumables	(Note 23)	4,221	4,789
Finished products	(Note 23)	5,846	6,347
		10,068	**11,136**
Receivables			
Trade receivables	(Notes 115, 122)	4,957	5,060
Receivables at Group Companies		48	30
Derivatives	(Notes 31, 122)	0	11
Other receivables		738	643
Prepaid expenses and accrued income		220	312
		5,963	**6,056**
Cash and bank balances	(Notes 121, 122)	483	185
Total current assets		**16,514**	**17,377**
TOTAL ASSETS		**28,864**	**29,948**

BALANCE SHEET.

Amounts in SEK millions

EQUITY, PROVISIONS AND LIABILITIES		2012	2011
Equity	(Note 116)		
Restricted equity			
Share capital (610,258 shares)		610	610
Statutory reserve		266	266
		877	**877**
Non-restricted equity			
Profit brought forward		8,136	7,668
Profit for the year		2,112	213
		10,249	**7,881**
Total equity		**11,125**	**8,757**
Provisions			
Provisions for pensions	(Note 117)	112	118
Provisions for deferred tax	(Note 110)	1,000	1,257
Other provisions	(Note 28)	3	2
		1,115	**1,378**
Total provisions		**1,115**	**1,378**
Liabilities			
Non-current liabilities			
Liabilities to credit institutions	(Notes 29, 122)	9,589	9,320
Liabilities to Group companies		1	1
Other non-current liabilities		22	182
		9,613	**9,502**
Current liabilities			
Liabilities to credit institutions	(Notes 29, 122)	1,428	439
Advance payments from customers		5	7
Trade payables	(Note 122)	2,494	4,903
Liabilities to Group companies		204	134
Liabilities to associates		32	52
Current tax liabilities		285	59
Derivatives	(Notes 31, 122)	0	1
Other liabilities	(Notes 118, 122)	1,602	1,685
Accrued expenses and deferred income	(Note 119)	960	3,029
		7,011	**10,310**
Total liabilities		**16,623**	**19,812**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**28,864**	**29,948**

Pledged assets and contingent liabilities (Note 34)

CHANGES IN EQUITY.

Amounts in SEK millions

	Restricted equity		Non-restricted equity		
	Share capital	Statutory reserve	Profit brought forward	Profit for the year	Total equity
OPENING EQUITY 01/01/2011	**610**	**266**	**4,241**	**1,335**	**6,452**
Appropriation of profits	–	–	1,335	–1,335	–
Profit for the year	–	–	–	213	213
Shareholders' contribution received	–	–	2,410	–	2,410
Group contribution paid	–	–	–431	–	–431
Tax effect of Group contribution	–	–	113	–	113
CLOSING EQUITY 12/31/2011	**610**	**266**	**7,668**	**213**	**8,757**
Appropriation of profits	–	–	213	213	–
Profit for the year	–	–	–	2,112	2,112
Shareholders' contribution received	–	–	981	–	981
Group contribution paid	–	–	–984	–	–984
Tax effect of Group contribution	–	–	259	–	259
CLOSING EQUITY 12/31/2012	**610**	**266**	**8,136**	**2,112**	**11,125**

CASH FLOW STATEMENT.

Amounts in SEK millions

		2012	2011
Operating activities			
Profit before tax		2,610	295
Adjustment for items not included in cash flow	(Note 120)	1,099	1,457
		3,709	**1,752**
Tax paid		–270	–198
Cash flow from operating activities before changes in working capital		**3,439**	**1,554**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in inventories		827	–2,955
Increase (–)/Decrease (+) in operating receivables		56	–307
Increase (+)/Decrease (–) in operating liabilities		–4,461	129
Cash flow from operating activities		**–140**	**–1,580**
Investment activities			
Capital expenditures of property, plant and equipment		–572	–947
Disposal of property, plant and equipment		8	16
Increase in financial assets		–77	–13
Cash flow from investing activities		**–641**	**–943**
Financing activities			
New loans		8,622	6,099
Repayment of loans		–7,418	–5,293
Expenses in connection with arrangement of loans		–122	–515
Shareholders' contribution received		–	1,982
Group contribution paid		–3	–
Cash flow from financing activities		**1,079**	**2,272**
Cash flow for the year		298	–251
Opening cash and bank balances		185	436
CLOSING CASH AND BANK BALANCES	(Note 121)	**483**	**185**

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 of the Preem AB Group (Preem) 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 prepared its annual report in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities", along with the statements issued by the Swedish Financial Reporting Board that apply to publicly listed companies. Under RFR 2, a Parent Company whose consolidated financial statements comply with IFRS must prepare its financial statements in accordance with 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 and the Swedish Pension Obligations Vesting Act, taking account of the association between accounting and taxation. The recommendation specifies which exemptions from and additions to IFRS are to 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

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 recording 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 recorded in the Parent Company using the cost method.

Leased assets

In the Parent Company, all lease agreements are recorded 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 provisions of the Swedish Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations, since this is a prerequisite for entitlement to tax deductions. The most significant differences compared with the rules in IAS 19 are primarily the determination of the discount rate, the calculation of the defined benefit obligation on the basis of the current wage level with no assumptions about future wage increases and the practice of recording all actuarial gains and losses in the income statement as 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, in 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 shareholder contributions for legal entities

The Company records Group contributions and shareholder contributions in accordance with RFR 2. Shareholder contributions are recorded directly in equity with the recipient and are capitalized in shares and participations with the donor, to the extent that impairment is not required. Group contributions that the Parent Company receives from subsidiaries are recorded in the Parent Company's income statement, and Group contributions paid by the Parent Company to a subsidiary are recorded in the same manner as shareholder contributions. Group contributions paid by a subsidiary to the Parent Company are recorded as a transfer of assets at the subsidiary, in other words directly in equity after the recorded tax effect.

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 previously represented by the shares. This affects the equity of the recipient company, as the recipient company receives the profit/loss for the year plus the profit/loss brought forward for the previous year accumulated after the acquisition of the Company.

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; the provisions on amortization in chapter 4 section 4 of the Swedish Annual Accounts Act are applied instead. This means that goodwill is amortized in the Parent Company in contrast to the Group, where goodwill is subject only to impairment testing.

Skarsvikshamnen.
The Preemraff port in Gothenburg.


TBS
TBS
BIT OKLAND
SKÄRHAMN

Note 102. Segment reporting

Sales revenue per segment	Supply & Refining	Marketing	Elim	Total
Sales revenue 2012	103,593	20,284	–18,815	105,062
Sales revenue 2011	90,048	20,213	–18,745	91,517

By geographical area	Sweden	Oth. Nordic	Oth. countries	Total
Sales revenue 2012	36,603	11,980	56,479	105,062
Sales revenue 2011	37,122	12,284	42,110	91,517

Note 103. Auditors' fees

KPMG	2012	2011
Audit assignments	2	2
Audit in addition to the audit assignment	–	–
Tax advice	1	1
Other services	1	2
	4	**5**
SET		
Audit assignments	0	0
Audit in addition to the audit assignment	–	–
Tax advice	–	–
Other services	–	–
	0	**0**

Note 104. Depreciation

Allocation of depreciation	2012	2011
Buildings and land installations	67	70
Plant and machinery	693	704
Capitalized turnaround costs	132	119
Equipment, tools, fixtures and fittings	97	90
	988	**984**

Allocation by function	2012	2011
Cost of goods sold	898	891
Selling expenses	86	88
Administrative expenses	3	4
	988	**984**

Note 105. Leasing

Leasing charges in respect of operational leasing	2012	2011
Minimum lease charges	102	96
Variable charges	20	35
Total leasing expenses	**123**	**132**
Agreed future minimum lease charges		
Within one year	117	92
Between one and five years	329	382
More than five years	86	52

Leasing income in respect of operational leasing	2012	2011
Minimum lease charges	68	71
Variable charges	20	21
Total leasing income	**88**	**92**
Agreed future minimum lease charges		
Within one year	68	72
Between one and five years	352	368
More than five years	–	–

Note 106. Expenses broken down by type of cost

	2012	2011
Cost of materials	98,443	86,633
Costs for employee remuneration	1,054	999
Depreciation	988	984
Other expenses	2,248	1,986
	102,733	**90,602**
Reconciliation with income statement		
Cost of goods sold	101,500	89,434
Selling expenses	686	709
Administrative expenses	547	459
	102,733	**90,602**

Note 107. Other operating income

	2012	2011
Heating deliveries	75	80
Rental income	88	92
Harbor income	58	52
Storage certificates	183	133
Service compensation	20	20
Other	19	29
	443	**406**

Note 108. Result from participations in Group companies

	2012	2011
Dividend	3	2
Received group contributions from subsidiaries	0	0
	4	**2**

Note 109. Net financial income/expenses

	2012	2011
Interest income from instruments measured at accrued cost	172	170
Net exchange differences	–8	0
Financial income	**164**	**170**
Net loss		
- Instruments measured at fair value	–	–
- Financial liabilities measured at accrued cost	–	–
Total net loss	**–**	**–**
Interest expenses from defined benefit unfunded pension obligation	–5	–5
Interest expenses from instruments measured at accrued cost 1)	–603	–603
Interest expenses from instruments measured at fair value	–	–
Net exchange differences	360	–238
Other	–82	–46
Financial expenses	**–330**	**–892**

1) Of which interest expenses from accrued transaction expenses SEK 158 (157) million.

Note 110. Tax

Current tax expense(–)/ tax income(+)	**2012**	**2011**
Tax expense for the period	–753	–113
Tax attributable to previous years	–2	–10
	–755	**–124**
Deferred tax expense(–)/ tax income(+)		
Deferred tax in respect of temporary differences	257	42
Total recorded tax expense	**–497**	**–82**
Reconciliation of effective tax		
Profit before tax	2,610	295
Income tax calculated according to the prevailing tax rate for the Parent Company	–686	–78
Adjustment related to change in tax rate	195	–
Other non-deductible expenses	–6	–5
Non-taxable income	1	1
Tax attributable to previous years	–2	0
Recorded tax	**–497**	**–82**
Tax items recorded directly in equity		
Current tax in Group contribution paid	–259	–113

The weighted average tax rate was 19.1 (27.7) percent.

2012 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Buildings and land	7	–2
Machinery and equipment	–	–1,000
Other	–	–5
Net assets/liabilities		**–1,000**

2011 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Buildings and land	9	–1
Machinery and equipment	–	–1,263
Other	–	–2
Net assets/liabilities		**–1,257**

Change in deferred tax in temporary differences	Amount at beginning of year	Recorded in profit for year	Other changes	Amount at end of year
Buildings and land	8	–2	–	5
Machinery and equipment	–1,263	263	–	–1,000
Other	–2	–3	–	–5
Total temporary differences	**–1,257**	**257**	**–**	**–1,000**

Note 111. Property, plant and equipment

Buildings and land	2012	2011
Opening cost	2,229	2,189
Sales/Disposals	–25	–29
Completion of constructions in progress	145	69
Closing accumulated cost	**2,349**	**2,229**
Opening depreciation	1,226	1,178
Sales/Disposals	–20	–22
Depreciation for the year	67	70
Closing accumulated depreciation	**1,272**	**1,226**
Carrying amount	**1,077**	**1,003**

Plant and machinery 1)	2012	2011
Opening cost	16,579	16,269
Sales/Disposals	–28	–26
Completion of constructions in progress	318	336
Re-classification	21	–
Closing accumulated cost	**16,889**	**16,579**
Opening depreciation	10,231	9,546
Sales/Disposals	–19	–20
Depreciation for the year	693	704
Re-classification	21	–
Closing accumulated depreciation	**10,925**	**10,231**
Carrying amount	**5,964**	**6,348**

1) Planned residual value includes platinum and palladium at SEK 138 (139) million.

Capitalized turnaround costs	2012	2011
Opening cost	754	793
Sales/Disposals	–	–342
Completion of constructions in progress	6	303
Closing accumulated cost	**760**	**754**
Opening depreciation	305	528
Sales/Disposals	–	–342
Depreciation for the year	132	119
Closing accumulated depreciation	**437**	**305**
Carrying amount	**323**	**449**

Equipment, tools, fixtures and fittings	2012	2011
Opening cost	1,339	1,320
Sales/Disposals	–63	–118
Completion of constructions in progress	80	137
Re-classification	–21	–
Closing accumulated cost	**1,334**	**1,339**
Opening depreciation	897	920
Sales/Disposals	–60	–113
Depreciation for the year	97	90
Re-classification	–21	–
Closing accumulated depreciation	**913**	**897**
Carrying amount	**421**	**442**

Constructions in progress	2012	2011
Opening cost	691	898
Capital expenditure during the year	572	947
Sales/Disposals	–21	–309
Completion of constructions in progress	–549	–844
Carrying amount	**693**	**691**

Note 112. Participations in Group companies

Swedish companies	Corp. ID no.	Reg. office	Number of shares	Participating interest %	Carrying amount
Operating					
Bs V. Hindbyvägen AB *)	556909-4633	Stockholm	1,000	100	0
ODAB Svensk Oljedistribution AB	556264-6835	Stockholm	2,000	100	0
Preem Försäkrings AB *)	516406-0930	Stockholm	75,000,000	100	75
Preem Gas AB	556037-2970	Stockholm	1,750	70	6
Preem Technology AB	556117-6610	Lysekil	4,000	100	0
Svensk Petroleum Förvaltning AB	556067-8459	Stockholm	664	66	0
Dormant					
Svenska Petroleum AB	556046-4819	Stockholm	1,000	100	0
Såifa Drivmedel AB	556039-7001	Stockholm	5,000	100	1
					82
Foreign companies					
Preem Insurance Company Ltd., Ireland		Dublin	7,500	100	3
					3
					85

*) Acquired 2012

Accumulated cost	2012	2011
At beginning of year	13	13
Acquisition during the year	75	–
	88	**13**
Accumulated depreciation		
At beginning of year	–3	–3
Retirements	–	–
	–3	**–3**
Carrying amount at end of period	**85**	**10**

Note 113. Receivables from Group companies

	2012	2011
Opening cost	2	2
Change for the year	0	0
Closing accumulated cost	**2**	**2**

Note 114. Participations in Associates

Swedish companies	Corp. ID no.	Reg. office	Number of shares	Participating interest %	Carrying amount
AB Djurgårdsberg	556077-3714	Stockholm	366	37	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	556287-6481	Gothenburg	50,000	50	5
SunPine AB	556682-9122	Piteå	16,685	28	98
					103

2012	Assets	Liabilities	Equity	Income	Net profit/loss
AB Djurgårdsberg	2	2	0	4	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	152	142	10	537	0
SunPine AB	564	478	86	877	–13

2011	Assets	Liabilities	Equity	Income	Net profit/loss
AB Djurgårdsberg	2	2	0	4	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	180	170	10	523	0
SunPine AB	547	447	99	598	–19

The information above is 100 percent of the companies' assets, liabilities, equity, income and net profit/loss.

	2012	2011
Opening balance	103	93
Investment during the year	–	10
Closing balance	**103**	**103**

Note 115. Trade receivables

	2012	2011
Trade receivables	4,981	5,104
Reserve for doubtful debts	–24	–44
Fair value of trade receivables	**4,957**	**5,060**

No impairment for trade receivables due for payment for less than three months is normally considered necessary. As of December 31, 2012, trade receivables of SEK 607 (338) 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:

	2012	2011
Less than 10 days	479	292
Between 10 and 20 days	79	9
Between 21 and 30 days	33	0
More than 30 days	16	37
	607	**338**

The reserve for doubtful trade receivables totaled SEK SEK 24 (44) million as of December 31, 2012. Receivables are recorded as doubtful debts when objective information exists, e.g., in the form of canceled payments or receivables not being settled after being due for three months.

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

	2012	2011
At beginning of period	44	16
This year's reserve for doubtful receivables/reversed unutilized amounts	–4	34
Confirmed losses during the year	–16	–6
At end of period	**24**	**44**

The accounting policies applied are described in Note 24 for the Group.

Note 116. 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.

Non-restricted equity

Non-restricted equity comprises the previous year's non-restricted equity plus the profit for the year, received unconditional shareholder 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 for either 2012 or 2011. The conditions of the Group's borrowing prevent the payment of a dividend to shareholder.

Conditional shareholders' contributions

Preem AB has received a conditional shareholder contribution of SEK 2,482 (1,982 million in 2011 and SEK 500 million in 2010) from Corral Petroleum Holdings AB (publ).

Note 117. Provisions for pensions

	2012	2011
Net liability in the balance sheet		
Present value of obligation (calculated acc. Swedish principles) relating to unfunded pension plans	112	118
Net amount recorded in respect of pension obligations	**112**	**118**
Changes in net liability		
Net liability at the beginning of the year in respect of pension obligations	118	115
Retirement cost recorded in the income statement under own auspices excl. taxes	5	5
Pension payments	–10	–10
Other receivables	–1	8
	112	**118**
Expenses in respect of retirement under own auspices		
Interest expenses	5	5
	5	**5**
Of which covered by credit insurance via FPG/PRI	112	118

Note 118. Other liabilities

	2012	2011
VAT	513	581
Excise duties 1)	804	831
Other liabilities	285	274
	1,602	**1,685**

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

Note 119. Accrued expenses and prepaid income

	2012	2011
Purchases of crude oil and products	586	2,706
Personnel	281	195
Interest	6	4
Other	87	124
	960	**3,029**

Note 120. Supplementary information for cash flow statement

Interest paid and dividend received	2012	2011
Dividend received	3	2
Interest received	16	17
Interest paid	–453	–451
Adjustment for items not included in cash flow, etc.		
Depreciation and impairment of non-current assets	988	984
Inventory write-down	242	35
Unrealized exchange rate losses (+)/exchange rate gains (–)	–174	117
Unrealized losses (+) /gains (–) on oil derivatives	12	–9
Element of capitalized borrowing costs recorded as expenses	158	157
Cash interest not received	–157	–157
Capital gain from the sale or disposal of non-current assets	30	311
Other	1	19
	1,099	**1,457**

Note 121. Cash and bank balances

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

	2012	2011
Short-term investments	–	–
Cash and bank balances	483	185
	483	**185**

Preemraff Gothenburg.
View over Preemraff Gothenburg.

Note 122. Financial instruments

Financial instruments by category

2012 Assets in the balance sheet	Loan, trade and other receivables	Assets measured at fair value through profit for the year	Available for sale	Carrying amount	Fair value
Financial assets available for sale	–	–	27	27	27
Derivatives	–	0	–	0	0
Loans to affiliates	3,653	–	–	3,653	3,653
Trade and other receivables	5,745	–	–	5,745	5,745
Cash and bank balances	483	–	–	483	483
	9,881	**0**	**27**	**9,908**	**9,908**

Liabilities in the balance sheet	Liabilities measured at fair value through profit for the year	Other financial liabilities	Carrying amount	Fair value
Borrowing	–	11,017	11,017	11,017
Derivatives	0	–	0	0
Other liabilities	–	4,362	4,362	4,362
	0	**15,379**	**15,379**	**15,379**

2011 Assets in the balance sheet	Loan, trade and other receivables	Assets measured at fair value through profit for the year	Available for sale	Carrying amount	Fair value
Financial assets available for sale	–	–	25	25	25
Derivatives	–	11	–	11	11
Loans to affiliates	3,496	–	–	3,496	3,496
Trade and other receivables	5,736	–	–	5,736	5,736
Cash and bank balances	185	–	–	185	185
	9,417	**11**	**25**	**9,453**	**9,453**

Liabilities in the balance sheet	Liabilities measured at fair value through profit for the year	Other financial liabilities	Carrying amount	Fair value
Borrowing	–	9,758	9,758	9,758
Derivatives	1	–	1	1
Other liabilities	–	6,962	6,962	6,962
	1	**16,720**	**16,721**	**16,721**

Financial instruments valued 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 in active markets for similar instruments or measurement techniques where all variables are based on quoted market prices. This level includes oil derivatives in the form of swaps and options and interest rate swaps.
Level 3: Fair value is based on valuation techniques and the essential variables are not based on quoted market prices.

2012	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	–	0	–
	–	**0**	**–**
Liabilities in the balance sheet			
Oil derivatives	–	0	–
	–	**0**	**–**

2011	Level 1	Level 2	Level 3
Assets in the balance sheet			
Oil derivatives	–	11	–
	–	**11**	**–**
Liabilities in the balance sheet			
Oil derivatives	–	1	–
	–	**1**	**–**

Stockholm den 13 mars 2013

Mohammed H. Ali Al Amoudi
Chairman

Bassam Aburdene

Richard Öhman

Michael G:son Löw

Per Höjgård

Jason T. Milazzo

Malin Larsson
Employees' representative

Lars Nelson

Lennart Sundén

Cristian Mattsson
Employees' representative

Petter Holland
CEO

Our audit report was submitted on March 13, 2013

Cronie Wallquist
Authorized Public Accountant
KPMG AB

Willard Möller
Authorized Public Accountant

AUDITOR'S REPORT.

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Preem AB (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 46–108.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Account Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows in accordance with International Financial Reporting Standard, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and income statement and balance sheet for the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Preem AB (publ) for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditors' responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director are discharged from liability for the financial year.

Stockholm 13 March 2013

Cronie Wallquist
Authorized Public Accountant
KPMG AB

Willard Möller
Authorized Public Accountant

Summary

The Preem group's operations in summary

	2012	2011	2010	2009	2008 2)
Sales revenue, SEK million	105,089	91,554	77,256	63,813	87,375
Profit/loss before tax, SEK million	2,610	260	1,822	3,828	–3,150
Return on capital employed, %	17	5	15	27	Neg
Return on adjusted equity, %	20	2	19	72	Neg
Capital expenditure in equipment 1), SEK million	575	948	710	641	726
Self-financing ratio, multiple	Neg	Neg	5.06	2.56	0.08
Total assets, SEK million	29,262	30,433	27,679	26,827	24,534
Capital employed, SEK million	22,921	19,433	16,658	18,241	16,689
Average adjusted equity, SEK million	10,750	8,706	6,239	3,910	4,807
Equity/assets ratio, %	40	30	25	18	7
Debt/equity ratio	0.92	1.06	1.30	2.56	7.51
Average number of employees	1,272	1,319	1,329	1,396	1,407

1) Excluding facilities acquired through corporate acquisitions

2) After merger with Corral Petroleum Holdings AB

DEFINITIONS

Capital employed
Total assets minus interest-free operating liabilities.

Adjusted equity
Equity including non-controlling interest.

Return on capital employed
Profit/loss before borrowing expense as a percentage of average capital employed.

Self-financing ratio
Net financing from the year's operations in accordance with the consolidated cash flow statement in relation to capital expenditure in equipment.

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

Equity/assets ratio
Adjusted equity as a percentage of total assets.

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