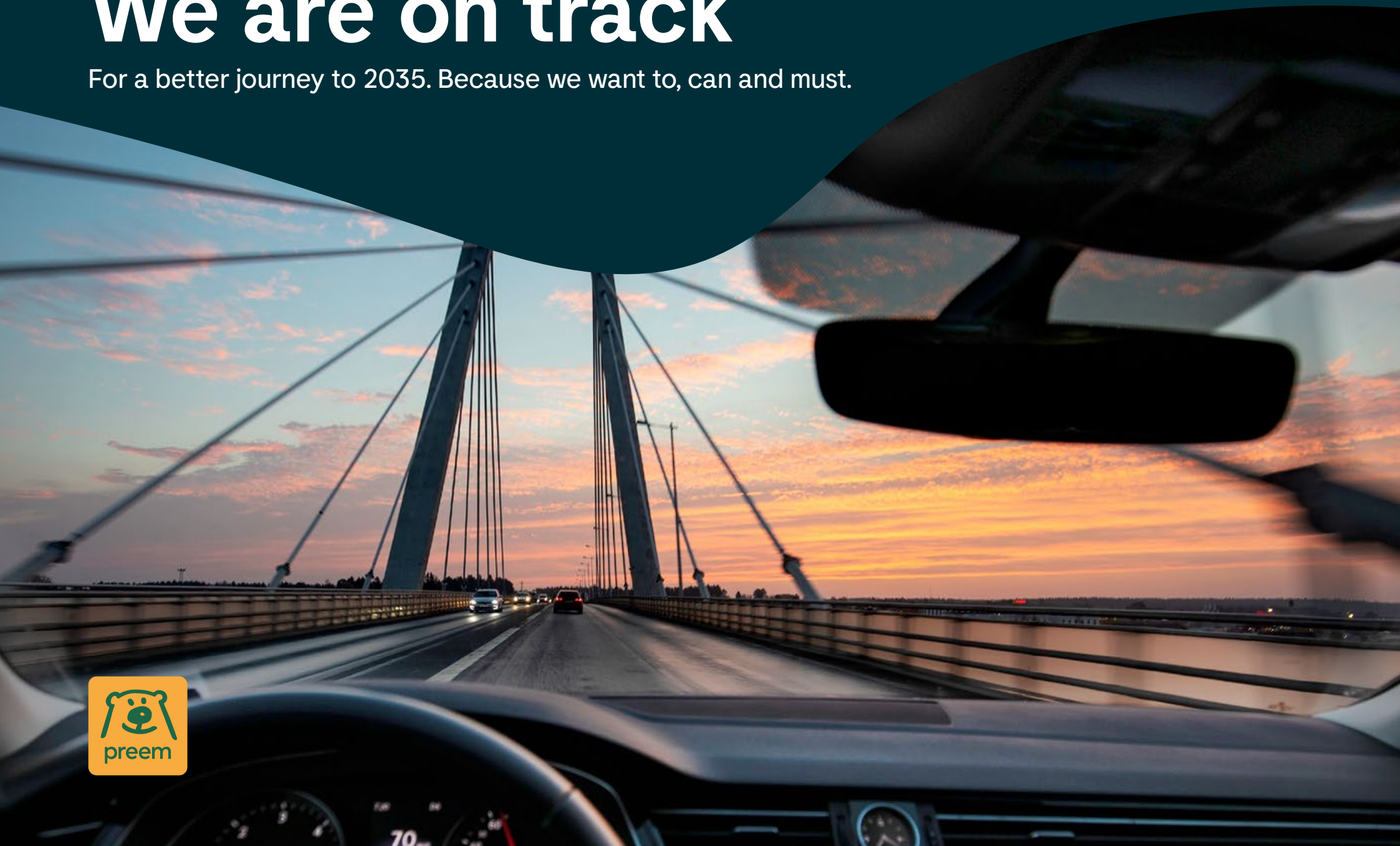
Annual and Sustainability Report 2023

We are on track

For a better journey to 2035. Because we want to, can and must.



Preem enables the journey a to better future

Preem continues the transition toward large-scale renewable production and a climate-neutral value chain by 2035.

Global challenges such as climate change require the acceleration of the transition to a more sustainable society. For Preem, which has both a large fossil production and an ambitious sustainability agenda, the transition is a major challenge that requires the business to change fundamentally.

Preem is carrying out large investments to achieve a climate-neutral value chain by 2035. At the same time, Preem contributes to the important security of fuel and energy supply in Sweden and Northern Europe.

Preem's transition from fossil to renewable sources is occurring through research and development, through the establishment of new renewable value chains and through the conversion of refineries, logistics and sales channels.

Sustainability Report

Annual Report

About this report

This report contains Preem's Annual Report and Preem's Sustainability Report for the period January 1 to December 31, 2023. The Sustainability Report focuses on the Group's most material sustainability topics and constitutes Preem's statutory Sustainability Report in accordance with the Swedish Annual Accounts Act. The Sustainability Report has not been subject to review or audit by an external party beyond the auditor's statutory review. Instances where reported data from previous years has been corrected are commented on in connection with the relevant information. Read more about the report on page 71. The Annual Report has been prepared separately and has been reviewed by the auditors. The Annual Report and the Sustainability Report are available at www.preem.com.

Stronger than ever before

During 2023, Preem delivered good profitability and cash flow, which makes the company better equipped than ever before.

2023 was a difficult year for many. Russia's invasion of Ukraine continued with no clear signs of stopping. At the same time, we saw that new regional conflicts flared up. Geopolitical unrest fueled the already negative sentiment in the world economy. The increased uncertainty in the global economy, with challenging macroeconomic conditions, created an increased financial burden for households and businesses during the year.

When times are challenging, Preem's mission is put to the test. As Sweden's largest fuel producer, we have a responsibility to maintain a reliable and secure fuel supply to our customers – consumers and commercial customers – in Sweden, Norway and on our export markets.

Fuel is a critical resource in society, and as we now enter the new year and look back at 2023, I can happily conclude that we once again delivered on our mission to enable both critical transports and long-awaited holiday trips.

Safety first

At Preem, safety comes first. Our work to improve safety never ends. We can always learn more, and become better at preventing incidents and harm to people, property and the environment. Therefore, we continuously work to strengthen our safety culture, for example through training, communication and support for the business. Our ambition, that no one should be injured at work, and our continuous improvement work, encourage us to set ambitious targets. Targets that we do not always manage to achieve. This was the case in 2023 for our target for lost-time accidents per million hours worked, where we aimed for a maximum of 1.0, but ended up at 1.4.

During the year, we carried out an audit shutdown in Gothenburg, which was a very large project with approximately 1,500 contractors that worked together with our employees to ensure a safe and efficient implementation. On the whole, the shutdown

was carried out according to plan. It involved intensive and sometimes risky work, and as always, comprehensive planning.

The goal regarding absence accidents during the maintenance shutdown was achieved, where no serious injury occurred that resulted in work absence.

Continued market volatility at home and internationally

Despite the global economy slowing down in 2023, demand for our products remained strong in Sweden, Norway and our export markets.

International market prices for crude oil were relatively high. The price of crude oil has moved between about USD 72/barrel and USD 98/barrel, with an average of just under USD 83/barrel for the full year 2023. The year closed at about USD 78/barrel which was no more than USD 3/barrel lower than at the start of the year.

The Swedish krona traded at historically low levels compared to the US dollar, until the last two months when the krona strengthened.

The price of crude oil and the exchange rate between SEK and USD are the factors that most significantly affect prices on the Swedish fuel market, which was reflected in fuel prices. The price of gasoline decreased from just over SEK 19/l at the beginning of the year to just over SEK 18/l in December. For diesel, the price fell from 24 SEK/l to just over 22 SEK/l during the same period.

2022 was a record year for Preem in terms of financial performance, and although performance declined in 2023, we have shown that we can maintain a strong performance over time. Our turnover decreased as expected in 2023, to almost SEK 138 billion, from almost SEK 161 billion in the previous year. The operating profit was SEK 7.9 billion in 2023, to be compared with SEK 14.8 billion in 2022. Historically, a very good result.

Continued investments in renewables

Preem's fossil climate emissions are decreasing. Since 2018, we have reduced emissions throughout our entire value chain by a fifth – from roughly 60 million tonnes of carbon dioxide equivalents, to roughly 48 million tonnes in 2023. The most important measure for further reduced emissions is our ability to phase out fossil fuels by investing in the conversion of our refineries and thereby increasing our offering of renewable products with lower climate emissions.

Our strong financial position is a prerequisite for our transition. For us, profitability and sustainability go hand in hand. This means that the better our financial performance, the more we can allocate to our transition projects. Thanks to our good financial situation, we were able to invest SEK 3,030 million in 2023 in expanding renewable production and phasing out fossil fuels. This can be compared with 2022, which was the previous record year when SEK 1,333 million was invested.

Perhaps the most important announcement in Preem's history came when, in the fall, we took the decision to invest in another large-scale refinery reconstruction – the so-called ICR project. The project concerns a facility at the Lysekil refinery that is being converted for the production of sustainable aviation fuel and renewable diesel – an investment totaling approximately SEK 5.5 billion.

This project is an important milestone in our work to reduce emissions in our value chain. When the facility is completed, we will have the opportunity to reduce climate emissions from the use of sold fuel by approximately 3 million tonnes.

At the same time, the conversion of the Synsat revamp project is underway, and should be completed in the summer of 2024. Together, these facilities will increase Preem's total renewable production capacity to just over 2.5 million cubic meters in 2027, making Preem one of Europe's largest producers of renewable fuels.

New market conditions contribute to development

Preem is constantly developing through interaction with the wider world. A historic moment occurred in the fall when we produced our own entirely renewable diesel, HVO100, at the refinery in Gothenburg. This was the result of many years of

Events during the year

January

- Collaboration began with the company RedLocker to equip all fuel stations and offices with machines offering free menstrual products.
- Preem submitted the environmental permit application for the ICR project.

February

- Preem established fast chargers in Malmö. Later in the year, fast chargers were also established in Borås, Örebro, Kalmar, Grums, Söderhamn, Halmstad, Falun and Uddevalla.

April

- Preem's part-owned company Pyrocell received ISCC sustainability certification for the renewable pyrolysis oil produced at its facility in Gävle.
- Major training in self-leadership launched for Preem's employees. The training is designed as a learning journey that continues throughout the year.

August

- The insurance company AON names Preem the most sustainable company in the industry.

CEO statement

development work, and is fantastic proof that the transition is taking place here and now. Just as positive and historic was our subsequent initial sales of HVO100 to the European market. In one move, Preem took the step from being a net importer of renewable fuels to being an exporter – something that we will see more of as the demand for biofuels decreases in Sweden, while increasing in the European market.

Electrifying commercial road transport

Alongside our significant steps in liquid renewable fuels, we also took important steps to electrify our customer offering. The roll-out of charging points throughout our fuel station network continues at set pace, with several new installations in 2023. Demand is greatest in the consumer segment, but we also see a growing interest in commercial road transport. Preem's strategy is to continue to be the market leader in commercial road transport, and electrification will be an important piece of the puzzle going forward. It is therefore particularly exciting that we are already planning for, and developing, our offering through new charging options for commercial road transport at several strategic locations around Sweden.

Thank you to all our committed employees

Last but not least, I would like to thank all our employees for their hard work, dedication and outstanding professionalism. Preem is undergoing the biggest transition in the company's history, and development and change is happening almost everywhere in our organization. For this reason, it is very gratifying that for the second year in a row, we continue to see high employee engagement figures in our employee survey. We are moving rapidly step-by-step toward our strategic goal of a climate-neutral value chain in 2035. 2023 was a very eventful year with several good examples of how we are aligned with our transition plans. We are better equipped than ever before, and I look forward to another exciting and eventful year for Preem.

Magnus Heimburg
President and CEO

Events during the year

September

- An audit shutdown is carried out according to plan at the refinery in Gothenburg – the largest shutdown at the refinery in six years. During the shutdown, maintenance work and preparations for the renewable conversion were carried out.
- On September 4 at 05:00, Preem produces the first liter of HVO100 at its refinery in Gothenburg. This was a symbolically significant step in the renewable transformation of Preem's production.
- A landslide occurs unexpectedly next to the E6 at Stenungsund. One of Preem's fuel stations is affected by the landslide. It was quickly established that no leak had occurred and neither staff nor customers at the fuel station were injured.

October

- The parent company, Corral Petroleum Holdings AB, began a strategic review of potential sales of Preem. The process took place throughout the fall and continues in 2024.

November

- Preem announces the largest renewable investment in the company's history. SEK 5.5 billion will be invested in rebuilding the refinery in Lysekil for the annual production of 1.2 million cubic meters of renewable aviation fuel and diesel.
- Microsoft selects Preem as one of 600 companies in the world, and about ten in Sweden, to participate in Microsoft's pilot project for an AI-based digital assistant, Copilot.

December

- The Swedish Land and Environmental Court grants Preem permission to establish facilities for carbon dioxide capture and for the pretreatment of renewable raw materials at the refinery in Gothenburg.

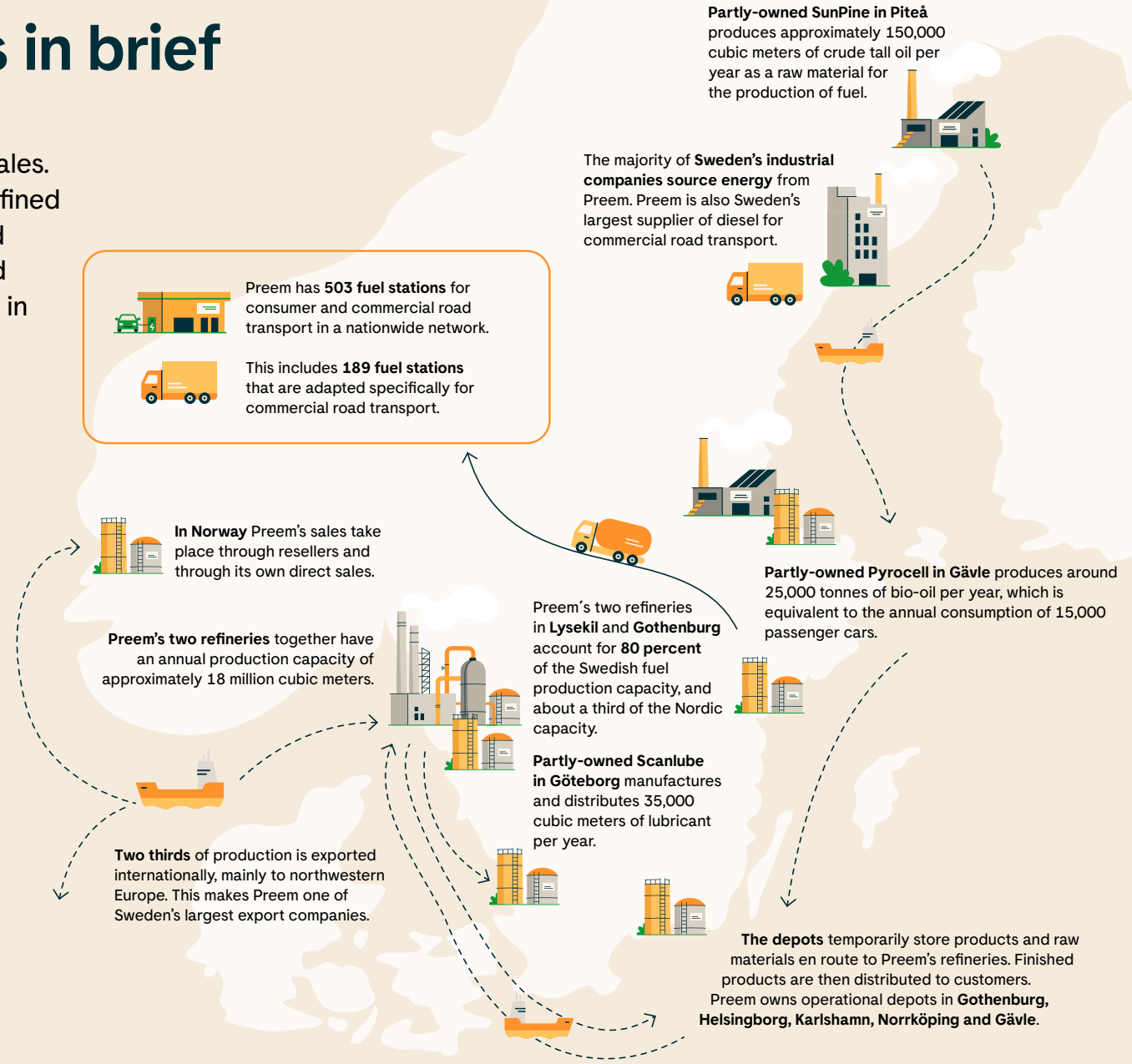
Preem's operations in brief

Preem's operations include purchase of raw material, production, depot operations and sales. Crude oil and renewable raw materials are refined at Preem's two refineries and sold as fuel and other products to commercial customers and consumers. About 50 percent of all fuel used in Sweden each year is produced by Preem.

Two Business Segments

Preem's sales take place through the two Business Segments Supply & Refining and Marketing & Sales. Supply & Refining purchases and refines crude oil and renewable raw materials into finished products. The majority of the products are exported, mainly to northwestern Europe.

Marketing & Sales buys products from Supply & Refining and is responsible for the sale of these on the Swedish and Norwegian markets. Sales take place through Preem's own market channels, fuel stations (under the brands Preem and Såifa) and through resellers.



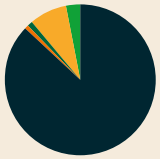
Preem in figures 2023

Turnover
SEK 138 bn

Investments
3 bn SEK
for reduced climate impact

Operating profit
7.9 bn SEK

Distributed economic value

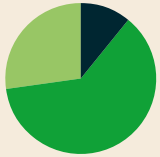


- **Operating costs to suppliers:** 87%
- **Wages and benefits for employees:** 1%
- **Payments to financiers:** 1%
- **Payments to government:** 8%
- **Retained profit:** 3%

Crude oil – by country of origin
Geographic distribution (%) based on volume

- Norway: 70%
- Nigeria: 7%
- USA: 8%
- Other: 15%

Renewable raw materials and products – by country of origin
Geographic distribution (%) based on volume



- Sweden: 11%
- Europe: 62%
- Rest of world: 27%

Fossil fuel production, m³
16,523,200

Renewable fuel production, m³
381,000

Emissions savings
2.7 M tonnes
savings in carbon dioxide equivalents through sold renewable volumes compared to fossil alternatives

Emissions
–70%
lower emissions of **carbon dioxide equivalents at raw material extraction** (scope 3) compared to base year 2018, through different crude oil selections and the availability and use of more specific emission factors

Emissions
–12%
emissions of **carbon dioxide in refining** (scope 1 and 2) compared to base year 2018

Emissions
–12%
emissions of **carbon dioxide equivalents during the use of sold products** (scope 3) compared to base year 2018

Employees
~1,500
of which approximately 1,100 work at the refineries

Customer service staff
~3,000
who meet customers on a daily basis under Preem brand via resellers and partners

Work attendance rate
97%
Target 2023: 97%

The figures on this page are in most cases rounded to give an overview, for exact figures and more information on the calculations, please see the Sustainability notes on page 72.

Value chain

From raw material to tank

Preem sources crude oil and renewable raw materials from all over the world and transports them to its refineries in Gothenburg and Lysekil. The raw materials are then refined into finished products that are sold in Sweden and Norway, and exported to the international market.

Deliveries

Preem procures an average of 300,000 barrels of raw materials every trading day from suppliers worldwide. Crude oil is by far the largest raw material for Preem's fuel production and is delivered by tankers. As Preem expands renewable production, the raw materials are transported with smaller ships as well as trucks and containers.

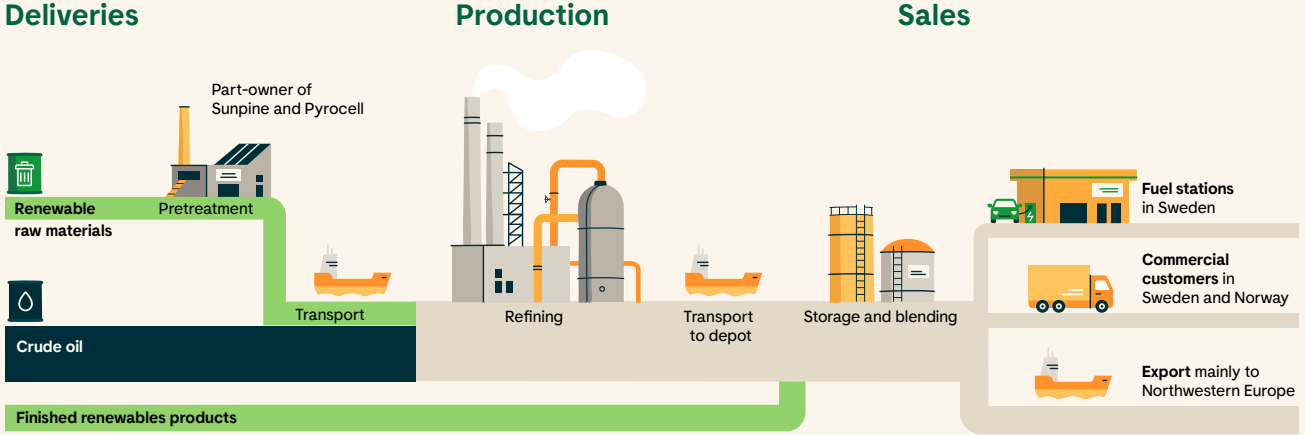
Production

Preem's two refineries in Lysekil and Gothenburg account for 80 percent of the domestic refining capacity in Sweden, and a third of the Nordic capacity. Each year, Preem produces approximately 18 million cubic meters of fuel. Preem also operates depots in Gothenburg, Helsingborg, Karlshamn, Norrköping and Gävle.

Sales

Around two thirds of Preem's production is exported to the international market, mainly to countries in northwest Europe. A third is allocated to the Swedish and Norwegian markets, either through Preem's own fuel station network, through bulk sales to commercial customers or through resellers.

Preem's value chain



Process volumes

Raw material breakdown for refineries:

98% fossil raw materials
2% renewable raw materials

Preem's facilities can process approximately 18 million cubic meters of fuel per year with:

2 refineries **1** port **5** depots

Approximately **2,000 ships** annually dock at the ports of Preem's refineries in Gothenburg and Lysekil to drop off raw materials or pick up products.

Distribution of fuels 2023:

67% for export
6% via Preem's fuel stations
27% via other domestic sales

In 2023, Preem produced approximately:
- 16,523,200 cubic meters of **fossil** fuels
- 381,000 cubic meters of **renewable** fuels

Climate impact – distribution of carbon dioxide emissions throughout the value chain in 2023

5% during extraction – more than **2** million tonnes CO_2e 2023

4% during refining, – around **2** million tonnes CO_2e 2023

91% during use of sold products – around **44** million tonnes CO_2e 2023

Strategy and targets

External factors are driving the change

Preem's ability to conduct its daily operations and develop in the future is directly affected by external trends. Preem continuously follows global developments and adapts its operations in response to challenges and opportunities on its journey to a more sustainable future.

Accelerating climate change

As the world's climate changes, various climate risks increase. Sea levels are rising, ice is melting faster and extreme weather such as heat waves, cyclones and extreme rainfall have become more common.

The environment and the society are affected by climate change, and biodiversity is threatened by the extinction of animals and plants. Everyday life for people is being affected and many may be forced to relocate from areas where climate change worsens living conditions.

For companies, climate change also means adjusting to the risks that arise if business models do not adapt to changing needs and requirements. Physical climate risks can also affect a company's value chains, operations and facilities.

Preem's response

Preem takes responsibility for reducing climate impact and has adopted the target of a climate-neutral value chain by 2035. The target will be achieved through a large-scale conversion of operations where fossil raw materials and facilities are replaced by renewable alternatives. Products such as HVO100 and electric vehicle charging are already offered today. Investments in the large-scale production of sustainable aviation fuel are targeted and the production of electrofuels is being evaluated.

Preem conducts risk assessments that include transition risks and physical climate risks throughout the entire value chain to secure a sustainable and resilient business in the future.

Preem's ports and coastal facilities can be affected by the effects of climate change, and may need to adapt to increased sea levels. Heavy rainfall in the future may place new demands on tanks and facilities for product storage. Preem also monitors how the availability of various renewable raw materials can be affected.

Increased focus on sustainability

Climate change and other global sustainability challenges, such as threats to biodiversity and social injustice, place higher demands on responsible business.

Knowledge and consideration of different objectives is becoming increasingly important and stakeholders' demands for sustainability and transparency throughout the entire value chain are increasing.

Regulations and targets are being tightened in the area of sustainability, especially in the EU through Fit for 55 and the Corporate Sustainability Reporting Directive (CSRD) where all sustainability aspects must be taken into account throughout a company's value chain.

Preem's response

Preem has since many years refrained from using renewable raw materials with an increased risk of negative impact on biodiversity and other sustainability aspects – for example refraining from using palm oil. The development of Swedish value chains for fuel raw materials based on residual products from forestry and agriculture is an area where Preem is very active. Preem also advocate for greater transparency in the industry and in its own reporting, in accordance with current and future accounting directives.

Preem's strategy is to meet the market's need for renewable liquid fuels by increasing renewable production and gradually phasing out fossil fuels. An investment decision in November 2023 on a large-scale conversion of the refinery in Lysekil will enable an additional 1.2 million cubic meters of production capacity of renewable fuels for road and air transport. Total production capacity is also being adapted to meet the needs of a more electrified future.

External trends

Increased geopolitical uncertainty

The last few years have been characterized by increased geopolitical uncertainty, high inflation, rising interest rates, volatile financial markets and increased financial stress on companies and households.

The sanctions against Russia have had a major impact on energy markets and the global economy. Continued relatively high inflation and high interest rates drive costs and create uncertainty around the economy and the demand for fuel. In addition, there is increased tension in the Middle East as a result of the conflict between Hamas and Israel.

Safety and security are becoming increasingly important for governments, businesses and consumers.

Preem's response

Preem has an important role when it comes to contributing to the secure supply of fuel and energy. Preem's facilities are safety-classified and crucial for society's emergency preparedness. Preem works systematically to strengthen information security and maintain appropriate physical security at the refineries.

Preem reviews and assesses all new suppliers based on various criteria, including security risks. The day after Russia's invasion of Ukraine in 2022, Preem ceased all trade with Russian and Belarusian raw materials, products and suppliers.

Preem's significant investments in renewable production and local, renewable raw materials give more influence over the value chain and enable a reduced dependence on the outside world. Preem's stable finances and good liquidity create favorable conditions for managing uncertainty related to economic development.

Digitalization and new technology

The rapid development of technology is changing the way people consume, work, communicate and socialize. The digitalization and application of new technologies enable new ways of working, new business models, product development and new processes to meet the needs of customers and society in new ways.

Technological innovation is becoming increasingly important to optimize and streamline operations and manage complex logistics flows. Digitalization also enables a flexible work environment and remote working.

Preem's response

Following technological developments and effectively applying new technology are key abilities for Preem's ongoing operations and transition. At its refineries, Preem has worked with advanced process controls to optimize processes for many years. Machine learning tests are also conducted to increase automation and efficiency in the production and handling of complex raw material flows. In administration, Preem has streamlined processes with the help of software bots. Preem also works actively to build competence and evaluate the possibilities of artificial intelligence (AI). In 2023, Preem was among 600 companies worldwide to participate in Microsoft's pilot project for an AI-based digital assistant (Copilot).

During the year, work continued on a new payment solution that will give Preem customers access to its partner Recharge's entire electric vehicle charging network – work that will continue in the coming years.

Transitioning towards an electrified future

The European vehicle fleet is still dominated by vehicles with internal combustion engines, but the transformation to electric vehicles is proceeding rapidly.[1] Every year, sales of electric vehicles break new records, particularly for light vehicles. The number of electric vehicles sold in Europe is forecast to have increased by 26 percent between 2022 and 2023 to 3.4 million cars.[2]

The EU will phase out new sales of vehicles with internal combustion engines by 2035, and vehicle manufacturers are acting accordingly. Shipping and aviation are more difficult to electrify and the industry, as well as EU legislation for these sectors, is pushing towards renewable fuels, such as Sustainable Aviation Fuels (SAF) and electrofuels.

The electrification of the transport sector is the main reason why the liquid fuel market is shrinking. The trend is most evident in northwestern Europe.

Preem's response

Preem is expanding its portfolio of renewable products and offering to meet customer needs.

Among other things, Preem collaborates with the company Recharge to equip manned stations with fast chargers for electric vehicles. By the end of 2023, 11 fuel stations had fast chargers, and many more are planned. Preem is also investing in expanding the charging infrastructure for commercial road transport and heavy duty trucks.

In parallel, Preem follows the developments in biogas, electrofuels and fossil-free hydrogen.

1) Source: International Energy Agency.

2) In 2023, 59.8 percent of the passenger cars that were newly registered in Sweden were rechargeable according to Mobility Sweden.

Focus on the sustainable transition

Preem's strategy aims to transition its operations to become a climate-neutral refinery and fuel company by 2035. The transition must be carried out with continued good profitability.

The strategy consists of four priorities that are essential for the transition. Preem's success is based on competent and committed employees, leadership that is adapted to an ever-faster pace of change, and a value chain that is efficient and reliable without compromising safety.

Strategic priorities

Offer sustainable mobility solutions

Preem is determined to be part of the fuel market of the future. This requires Preem to expand its portfolio of renewable products and offering to meet customers' needs - today and in the future. Particular focus is placed on renewable offerings for road transport and aviation, as well as on partnerships and strategic customers.

Transform fossil production to renewable

The market for liquid fuels is changing. Fossil fuels are being phased out in favor of renewables. Preem accelerates the transition with the goal of having the capacity to produce 2.5 million cubic meters of renewable fuel by 2027 and double that by 2035. At the same time, Preem will adapt its total production capacity to society's reduced need. This work is crucial to achieving the goal of a climate-neutral value chain by 2035.

Expand the portfolio of renewable raw materials

When phasing out fossil raw materials in favor of renewables, it is important to ensure both good availability of renewable raw materials and that the new raw material value chains are sustainable in the long term. Preem deepens collaborations with selected suppliers and develops internal competence around sustainability evaluations in procurement and production. Preem also focuses on targeted R&D programs and partnerships.

Undergo a digital transformation for profitable growth

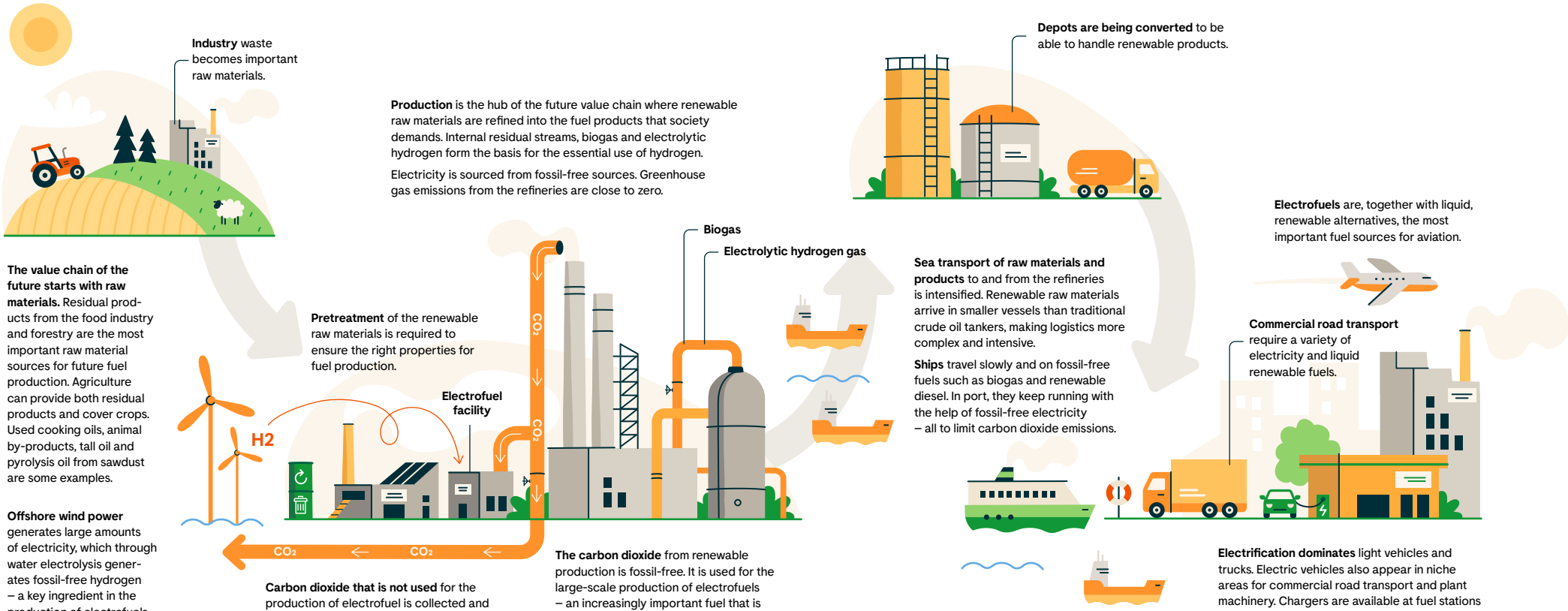
The ongoing digitalization and access to new technology affects the whole of society. For Preem, digitalization is a necessity, but also an opportunity to meet the future needs of customers and society. Preem's digital transformation affects procurement, production and how the company meets customers in the market. It also contributes to more flexible operations and a more efficient Preem.

Current initiatives that contribute to Preem's strategic goals

- **The rollout rate of fast chargers** for passenger cars has increased and the establishment of charging points for commercial road transport is planned.
- **The Synsat-revamp project in Lysekil** continues and is planned to be operational in the second half of 2024. The production of renewable diesel will be increased by approximately one million cubic meters.
- **Investment decisions have been made** for the reconstruction of the ICR facility in Lysekil, and with the aim to increase renewable fuel production to 1.2 million cubic meters by 2027, of which half can become sustainable aviation fuel.
- **Preem started to produce HVO100,** a renewable diesel that can be sold under tax reduction in Sweden.
- **In 2023, an in-depth collaboration began** with LIPSA for deliveries of renewable raw materials based on various vegetable oils and animal fats.
- **Pilot study with Vattenfall** for the development of a new value chain where offshore wind power and fossil-free hydrogen are connected with Preem's refineries for the production of electrofuels.
- **Development of new, digital payment solutions** within fuel stations.
- **Pilot tests of automation and machine learning** in order to contribute to more efficient production and planning have been conducted and are ongoing.
- **Preem has participated in Microsoft's pilot project** for an AI-based digital assistant (Copilot), from 2023.

Value chain of the future

Preem is undergoing its greatest transition ever. By 2035, the value chain shall be climate neutral. This means building a completely new value chain with renewable raw materials, low-carbon production and products that provide the most benefit to society.



6 challenges in Preem's transition

The transition to a more sustainable society involves great risks and opportunities. Preem meets these with a clear strategy and conducts extensive activities and significant investments with the aim of achieving the goal: a climate-neutral and profitable value chain by 2035. Along the way, Preem needs to deal with several major challenges, both as a company and in relation to the outside world and societal development. Within each challenge, Preem works to manage the risks and seize the opportunities in the best possible way.

1 Financing

Preem's transition is the biggest in the company's history and significant investments are required to achieve the target of climate neutrality in the entire value chain by 2035. New financing solutions and a good dialogue with investors are crucial to succeed in the transition.
Read more on page 16.

2 Technological advances

The transition requires major technological advances in a short period of time. The rapid technological development increases the demands and challenges for companies to adopt new technology and apply it in their operations.
Read more on page 17.

3 Increasing energy demand

The transition greatly increases the need for fossil-free energy and the expansion of fossil-free alternatives requires significant investment and takes time. A major challenge for actors is to secure a sufficient amount of fossil-free energy, at the right time and at a competitive price.
Read more on page 18.

4 Raw material supply

The demand for renewable raw materials is high and supply is limited. With fierce competition, securing the supply of the raw materials necessary to achieve a climate-neutral value chain by 2035 is challenging.
Read more on page 19.

5 Need for competence

Access to the right skills creates the conditions for Preem's future competitiveness – and is one of the greatest challenges to succeed in the transition. The availability of relevant skills is limited and the competition for the right skills is high.
Read more on page 20.

6 Unpredictable regulation

Stable political and regulatory developments create predictability and minimize risk related to large-scale investments and strategic decisions. Long-term regulation is a prerequisite for the transition.
Read more on page 21.

Challenge – Financing

The transition requires new financing solutions

In order to realize the transition, capital must be increasingly directed toward projects that contribute to climate change mitigation efforts and sustainability. In order to contribute to the EU's climate targets and the objectives of the European Green Deal, among other things, the EU Taxonomy has been adopted as a tool. Preem's transition is its greatest undertaking yet, and significant investments are required to achieve the target of a climate neutral value chain by 2035. New financing solutions and a good dialogue with investors are essential.

During 2023, Preem invested SEK 3,030 million in renewable fuel production such as, the Synsat-revamp project at Lysekil and feasibility studies for further conversions. Future projects also require significant amount of capital, thus more financing is required for the transition while delivering on the owners' financial targets. Here, Preem is dependent on both internal and external funding. New financing solutions, such as green and sustainable bonds present additional opportunities for Preem.

Strategic work to procure capital and attract investors

Preem's objective is for all profitability investments to be made in projects that promote renewables and drive the development toward a more sustainable value chain. Profits are reinvested and in addition capital markets are used to attract capital from financial institutions, government authorities and other investors. To secure the need for external capital, Preem works strategically to build long-term relationships with different types of financiers. Preem has established a green financing framework according to the Green Bond Principles, under which a Green Bond has been issued in Preem Holding AB. The framework ensures the continuous review and follow-up of activities financed. Read more about Preem's financing solutions on page 26.

Increased demands on sustainability and transparent communication

Investors have a high level of competence and place increasingly high demands on sustainability and transparent communication in companies they choose to invest in. In investor meetings, the transparent communication of Preem's concrete transition plans, sustainability work and targets is of great importance to create confidence in Preem's transition journey. Read more about the transition on page 14.

Activities in 2023

- Preem applied for financing of a major conversion for renewable fuel production, which includes aviation fuel, through a project loan with a green credit guarantee.
- Preem invested 75 percent of total CAPEX, corresponding to SEK 3,030 million, in renewable fuel production during 2023.
- Preem has in 2023 applied for and was granted new funding, such as investment support from the Swedish Energy Agency of nearly SEK 64 million for the expansion of electric vehicle charging infrastructure for commercial road transport.

Challenge – Technological advances

Keeping up with rapid technological development

The transition requires major technological advances in a short period of time. Digitalization is happening faster than ever and new technologies, such as AI, are quickly established and developed at an unprecedented pace. The rapid technological development increases demands on companies to adopt new technology at a higher rate and apply it in the business.

Keeping up with the rapid technological development is a prerequisite for Preem's continued competitiveness and for succeeding in the transition - the shift from fossil to renewable. This places new demands on the entire value chain and involves changes in both raw material and product handling as well as in logistics and production processes. Innovation and technological development are therefore crucial for creating new solutions, services and products in a short period of time.

New technology allows the processing of more complex renewable raw materials

The handling and production of renewable raw materials requires new and modified technology throughout the value chain, which until now has been adapted for processing crude oil. A high rate of innovation in the development of production and process technology is a key issue, which can, for example, increase flexibility when choosing raw materials.

Through collaborations with other actors, Preem secures access to new technologies and competence. For example, Preem has together with Setra in Pyrocell, developed and industrialized new technology for converting sawdust into pyrolysis oil, which can be further refined into renewable fuels. Electric vehicle charging infrastructure is being rolled out in collaboration with Recharge. Preem also conducts research and development with research institutes and universities, such as Chalmers, for technology that enables the processing of more residual and waste products. Read more about how Preem works with competence development on page 20.

Technological development makes efficient and flexible production possible

The application of new technology creates opportunities for more efficient and flexible operations. Preem automates and uses, among other things, machine learning to streamline production, warehouse management and the management of complex raw material streams. Software bots are used to automate routine work tasks, and to date, Preem has introduced about 30 such bots.

Activities in 2023

- Large-scale production test with pyrolysis oil from end-of-life tires, with partially renewable raw material, for the production of renewable fuel.
- Project initiated to future-proof communication infrastructure for connecting sensors and other technology at refineries.
- Pilot tests of an AI language model for handling internal documentation, of an AI assistant for IT support as well as of sensors for the early detection of moisture during pipe insulation.
- Participation in Microsoft's pilot project for an AI-based digital assistant (so-called Copilot).

Challenge – Increasing energy demand

Great need for fossil-free energy

The sustainability transition greatly increases the need for fossil-free energy. Fossil energy such as coal, crude oil and fossil gas needs to be quickly replaced by fossil-free alternatives. The expansion of fossil-free energy requires large investments and takes time. The challenge for all actors that make that switch is to ensure sufficient amounts of fossil-free energy, at the right time and at a competitive price.

Large-scale fuel production is fundamentally very energy efficient. However, the production of fuels based on renewable raw material is more energy-intensive than if crude oil is used as raw material. This is because renewable raw materials require more pre-treatment before being refined as well as the relative hydrogen demand being higher when they are processed at refineries. To some extent, the increased energy demand can be met by electrification – which is more energy efficient compared to thermal processes.

Hydrogen – a strategically important raw material that requires significant energy

Renewable liquid fuels are particularly important for sectors that are more challenging to electrify. In addition to fuels based on renewable residual products, Preem is investigating the potential to produce electrofuels. These are based on fossil-free hydrogen and captured renewable carbon dioxide, and require large amounts of electrical energy.

Focus on energy efficiency

Preem carries out strategic and systematic work to increase energy efficiency, and regularly carries out energy follow-ups to identify additional potential savings. Preem also draws up long-term plans for prioritized measures with the support of energy managers and energy committees throughout the company.

Strategic collaboration accelerates and secures access to renewable energy

The transition means that Preem's need for electrical energy will indicatively double in the next five years, and then continue to increase significantly, most likely driven by large-scale electrofuel production.

Strategic collaborations and cooperation are therefore crucial to securing access to renewable energy. Preem has an ongoing dialogue with politicians, social actors and suppliers on how these together can accelerate and secure access. Preem also collaborates directly with individual actors, and works, for example, with Vattenfall with the aim of developing a value chain where offshore wind power could contribute electricity production and renewable hydrogen to the refinery industry on the Swedish west coast.

Activities in 2023

- Collaboration with Vattenfall on how offshore wind power and renewable hydrogen can be connected to the refinery industry on the Swedish west coast.
- Participation in initiatives for regional collaboration around hydrogen gas in western Sweden together with the climate-leading process industry, Rise, Chalmers and others.
- More energy efficient fuel stations, for example through more efficient ventilation, upgraded refrigerators and LED lighting.

Challenge – Raw material supply

Secure the supply of renewable raw materials

The transition to climate neutrality requires replacing the fossil crude oil used for fuel production with renewable raw materials. Securing the supply of the raw materials required to achieve a climate-neutral value chain by 2035 is a major challenge due to high demand and limited supply. Competition for the renewable raw materials is already fierce, and will increase. In Europe and the in rest of the world crude oil refineries are being rebuilt to fully or partially process renewable raw materials in addition to the new completely renewable facilities. To secure the raw material supply, Preem collaborates strongly with local European suppliers, but also on a global scale to develop supply chains. This requires a great focus on assessing sustainability risks and conducting supplier audits. By investing in collaborations, and research and development, new raw materials can be produced closer to market, which creates competitive advantages and secures sustainable energy both for Preem and the Nordics.

Climate change has the potential to reduce the amount of arable land in the world. This places even greater demands on renewable raw materials not to compete with food and feed cultivation as much as possible. Preem therefore focuses on residual streams that have lower sustainability risks.

Strategic activities secure the supply of renewable raw materials

Preem works strategically to secure the supply of renewable raw materials. Long-term partnerships on raw material procurement in Sweden and internationally are being forged, and research and development is conducted with the aim of establishing new value chains. Preem sees great opportunities to secure the supply of raw materials and create more secure energy supply through an increased supply of Swedish sustainable raw materials.

One example is the continued development of wild-growing field cress into a hardy crop whose oily seeds can be used to produce renewable fuels. As a cover crop, the field cress has positive soil properties and can be grown significantly further north and in drier climates due to its hardiness compared with other oil crops.

With new value chains, new sustainability risks arise and the supply of local raw materials still means that Preem has to consider sustainability challenges related to the use of land and forests. By conducting strategic collaborations and working closely with Preem's suppliers, the ability to prevent and reduce sustainability risks in new supply chains increases. Read more on page 43.

Activities in 2023

- Pilot project to produce a fuel based on used tires, which is a residual stream that partially contains renewable raw material.
- 100 percent of the raw material requirement for Preem's facilities for 2024 has been secured through strategic collaborations.
- Strengthened network of suppliers of European waste-based fats and oils, including LIPSA.
- Project applications for the development of field cress together with the Swedish University of Agriculture.

Challenge – Need for competence

High competition for competence

Access to the right competencies and skills is one of the most important enablers to secure future competitiveness, but also constitutes one of the greatest risks of not succeeding in the sustainability transition. More and more companies that are transitioning demand engineers and other technical skills. But supply is limited and the competition for the right competencies and resources is getting tougher.

The transition of Preem's operations and production requires new skills and strengthened competence in several areas. The rapid pace of change also increases demands on flexibility and the ability to change and adapt. Attracting, retaining and developing relevant competence is therefore an important success factor for Preem's transition.

Securing the supply of future competence

With the aim of retaining and attracting the right competencies, Preem works both in the short and long term to be an attractive employer and to strengthen its employer brand. Developing a workplace where people thrive, feel included and can develop is of the highest priority.

A review of both resource and competence needs based on a longer perspective is carried out annually. Preem's business is knowledge-intensive and many roles require long training, which requires good foresight.

During the year, Preem invested in and launched a digital "learning journey" as well as workshops for all of Preem's employees on the theme of "Self-leadership". The investment aims to strenghten all the employees' ability to make use of their own capabilities by taking own initiatives and a high degree of responsibility for developing both themselves and the business. An ability which Preem has identified as very important to suceed with the transition.

Increased focus on attracting new competence and increased diversity

During 2023, several initiativies were held to attract new employees, with a strong focus on students and young professionals in technology--related occupations or educations. During 2024, Preem will, among other things, through "Teknikspranget" offer internships at Preem's refinery in Gothenburg and begin a collaboration with Female Engineering Network as an initiative to increase gender diversity at Preem.

Activities in 2023

- Employer branding initiatives and campaigns to strengthen Preem's employer brand.
- Increased participation in labor market fairs and events.
- Strategic workforce planning for the period 2023 to 2030.
- Competence development efforts in self-leadership for all employees to strengthen the ability to lead oneself, make decisions and navigate in a changing environment.

Challenge – Unpredictable regulation

Unpredictable regulation is a serious threat to the transition

Long-term regulations are a prerequisite for the transition. Stable political and regulatory developments create predictability and minimize the risk related to large-scale investments and strategic decisions. The EU has taken note of this and has set clear requirements for reduced emissions in the long and short term. In Sweden, however, during 2023, several regulatory changes have been implemented that lead in the opposite direction.

When policy changes direction, and the regulations alter, unfavorable investment conditions are created. In practice, uncertainty and unpredictability pose a serious threat to the transition.

Sweden out of step

Since 2018, the Swedish reduction mandate has provided a clearly defined plan to reduced climate impact from road traffic, through increased blending levels of renewable fuel. The situation has now changed, with increase in reduction requirements suspended in 2023, reduced requirements for the period 2024 to 2026, and requirements scrapped for the period 2027 to 2030. In contrast, the EU has increased the pace and tightened the sustainability requirements in a number of areas within the transition plan Fit for 55. Unless new national requirements are added, this means that Sweden's EU emission commitments risk not being met by 2030.

The importance of clear regulations

Reduced demand for renewable fuels in Sweden is a likely consequence of the suspended reduction mandate and could affect the societal benefit assessment when applying for an environmental permit. This is an example of how unstable regulation can affect the ability to maintain and develop a competitive business and Preem's long term transition.

Preem therefore works for regulation that promotes renewable fuels and their use. Preem works strategically and long-term to create an understanding of the importance of clear long-term regulations for the transition, and for ongoing dialogue with the government, politicians and other social actors.

More renewable exports

Preem's investments in renewable fuels form the basis for the company's long-term transition strategy. It intends to balance the effects of the suspended reduction mandate and the greatly reduced Swedish demand for biofuels by adapting its product offering, such as increased focus on aviation and shipping. In parallel, Preem is increasing its focus on the export of biofuels to other geographic markets.

Activities in 2023

- Dialogue with politicians and other stakeholders on the importance of clear and predictable regulation.
- Active participation in debates with the aim of maintaining ambitious climate targets and an appropriate reduction mandate for Sweden.
- Preparedness for change through the active monitoring of both political and regulatory developments.
- Changed sale patterns of renewable products from Sweden to the northern European market where demand is growing.

Sustainability framework

Prioritization of Preem's sustainability agenda

Preem's materiality analysis helps to define its most important sustainability issues, and is the basis for the priorities and focus in its ongoing sustainability work. The analysis forms an important basis for Preem's strategic work, where sustainable strategies create long-term competitiveness and ensure that responsibility is taken for impacts in the entire value chain.

Materiality analysis

Preem's materiality analysis is updated annually, and consists of the following:

- An impact analysis to determine the company's impact on various sustainability topics.
- A stakeholder analysis to include stakeholder values and expectations of Preem.
- An analysis to define what is strategically important for Preem's business.

The analysis is based on a gross list of aspects from regulations and global objectives such as the UN Sustainability Development Goals and the Paris Agreement. In addition, benchmarks and reporting standards such as the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD) are used as starting points for the analysis as well as industry-specific topics. Input from stakeholder dialogue that is carried out continuously is also key together with more targeted initiatives such as interviews and surveys.

The materiality analysis provides input for the strategic process, while the strategic work helps to understand the connection between sustainability topics and the business. It can therefore be described as an iterative process.

Preem's nine stakeholder groups

Understanding stakeholder sustainability expectations and demands contributes to Preem's development. The company has identified nine stakeholder groups that are important in different ways for its operations and priorities. The frequency and manner in which Preem interacts with stakeholders differs, but they are all subject to regular and ongoing dialogue throughout the year.

Continuous stakeholder dialogue mainly takes place in the line organization, where there is a function that has the main responsibility for each stakeholder group. Those responsible collect and document input from stakeholder groups. The Sustainable Management unit then compiles the information from the line organization and systematizes the input to the materiality analysis. More extensive data collection from Preem's stakeholders takes place primarily with the help of questionnaire surveys.

Preem's stakeholder groups

Government and authorities
Set rules for the market and price levels. *Government and authorities as well as politicians and legislators.*

Employees
Enable competitiveness. *Employees, management, trade unions.*

Financiers/banks
Finance necessary investments.

Cooperation bodies
Create tomorrow's market together with Preem. *Universities and institutes, interest groups, agricultural and forestry actors.*

Local communities
Enable Preem's "license to operate". *Lysekil and other local communities.*

Customers
Make product purchasing decisions. *Private customers, consumers and B2B (retailer, transport, export, industry etc).*

Media/opinion leaders
Affect customers, authorities and other stakeholders. *Media, NGOs and environmental organizations.*

Owners
Manage and finance the business.

Suppliers and business partners
Provide access to raw materials and expertise. *Suppliers, franchisees and business partners.*

Materiality analysis

Materiality analysis 2023

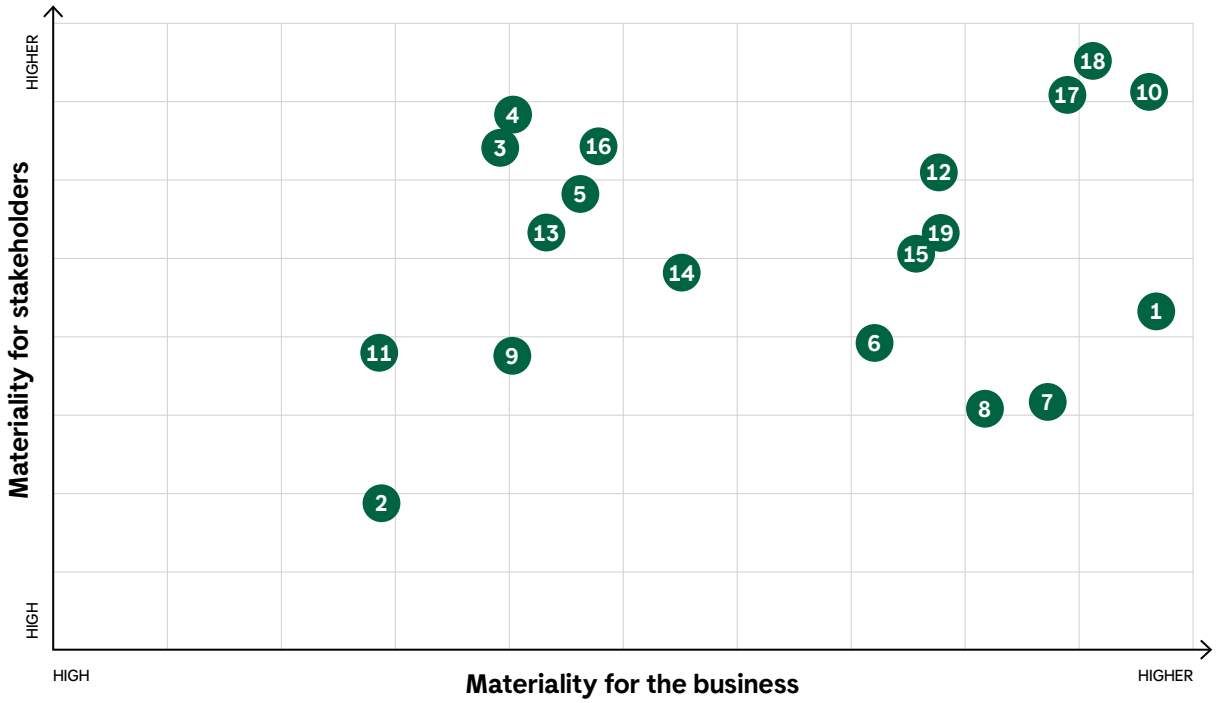
In 2023, no full update of the materiality analysis was made as the method development for a double materiality assessment according to the EU's Corporate Sustainable Reporting Directive (CSRD) criteria and requirements was prioritized. However, through ongoing dialogues with stakeholder groups, it became clear that there were no major changes to their views on Preem's material sustainability topics during the year. The climate focus remains strong, and the business community took an increasingly leading role in the sustainability transition in Sweden during the year. Here, Preem has a central role to play and important work to do in order to live up to the high expectations placed on the company.

Russia's invasion of Ukraine brought renewed focus on energy security in Sweden. Preem also saw a growing interest in transparency on the origin of procured raw materials and fuels. In this sense, topics such as business ethics, environment and social impact in the supply chain are becoming increasingly important for Preem as a company.

The government's decision to reduce the reduction mandate was another topic that received a lot of attention during the year. The mandate relates to the legal requirement for fuel operators to sell renewable fuels and thereby reduce climate emissions. The reduced Swedish demand for renewable fuels leads to increased international opportunities for Preem, which will result in increased value chain complexity.

Politically, the EU is pushing for extended and quality assured sustainability reporting according to the Corporate Sustainable Reporting Directive (CSRD). As part of this, traceability and transparency throughout the value chain will increase through the Corporate Sustainability Due Diligence Directive (CSDDD). Preem is positive to the development of comparable, transparent and digitally accessible sustainability information that covers broader topics. Preem will be covered by CSRD from the financial year 2025.

Preem's material sustainability topics



Sustainable economy
1 Sustainable profitability and value creation

Responsible business
2 Local communities
3 Business ethics
4 Product responsibility
5 Energy security in local markets
6 Communication and impact on society

People and safety
7 Health and safety
8 Employee well-being and development
9 Chemical management

Sustainable offering
10 Renewable fuels
11 Sustainable assortment

Sustainable value chains
12 Environment and social impact in the supply chain

Environment
13 Emissions to air, soil and water
14 Use of resources
15 Energy use
16 Biodiversity

Climate
17 Climate impact from the use of sold products
18 Climate impact from operations
19 Climate impact from the supply chain

Preem's sustainability framework for a sustainable future

The sustainability topics defined as material for Preem in the materiality analysis are summarized in a framework, which facilitates the management and communication of the company's sustainability work. The seven focus areas included in the framework, as well as the work carried out within each area, are described in more detail on the following pages.

The sustainability framework includes seven focus areas: Sustainable economy, Climate, Environment, Sustainable value chains, Sustainable offering, People and safety, and Responsible business. The focus area Sustainable economy creates the conditions for long-term sustainable business, and forms a foundation for the other areas. Within the framework, risks, opportunities, progress and goals within each focus area and their underlying sustainability issues are described.

Preem's focus areas and most material sustainability issues

Focus area: Sustainable economy

Material sustainability topics

- Sustainable profitability and value creation

Events in 2023

- The year's financial result was very strong and the operating profit amounted to SEK 7,908 million, compared to the record year 2022 of SEK 14,838 million.
- SEK 3,030 million was invested in renewable fuel production and reduced climate impact.
- An application for financing through green credit was made, in order to secure financing for the planned investments in expanded renewable production at the ICR facility.
- Process initiated to evaluate strategic options including a potential sale of Preem Holding AB/Preem AB.

Focus area: Sustainable economy

Economic stability facilitates the transition

The transition to a sustainable society requires significant investments. A stable economy is therefore a prerequisite for the transition to be realized. For Preem, the transition requires ensuring both long-term competitiveness and profitability as well as access to external financing for conversion projects.

Profitability is a prerequisite for Preem's transition and ensures that it can simultaneously deliver the high-quality products and services that today's society needs. However, in order to enable the production and sale of products and services that promote the more sustainable and circular society of the future, a significant capital injection is required to finance the necessary conversion projects.

Through investments to reduce climate impact together with increased responsibility for environmental and social conditions throughout the value chain, Preem creates better conditions for attracting financiers, as well as customers and employees.

Strategic long-term goals

A sustainable economy means that capital is managed efficiently to generate the best possible return. Preem monitors a number of key figures to ensure a long-term sustainable economy:

- Solvency indicates a company's long-term ability to pay and financial strength. Preem's target is to have an equity ratio of over 30 percent over time.
- ROCE (return on working capital) is used to measure profitability. Preem's target is to have a ROCE of 15 percent over time.
- A central goal for Preem's transformation is that 100 percent of investments in production facilities and associated logistics chains should contribute to increasing and managing renewable production, as well as to projects that reduce climate impact.

Focus area: Sustainable economy

Management of capital and investments for sustainable activities

Private and public capital flows are to an increasing extent directed to sustainable investments. At the same time, a regulatory framework is being developed that aims to facilitate sustainable financing. The EU's taxonomy for sustainable investments is one example, and one of the main purposes of the EU's Corporate Sustainable Reporting Directive (CSRD) is to direct capital flows toward sustainable investments. The revision of the Renewable Energy Directive also works to achieve this. Increased demands are being placed on companies to integrate sustainability risks into their financial risk management.

Preem directs investments to the transition more clearly through the decision that 100 percent of profitability investments in production facilities and associated logistics chains shall contribute to increasing and managing renewable production and projects that reduce climate impact. Only essential maintenance investments are carried out on fossil fuel processes.

In 2022, Preem established a green financing framework in accordance with the Green Bond Principles (GBP). The framework ensures that the capital issued thereby is directed to only finance sustainable conversion projects and that they are carried out according to the criteria specified. The framework made it possible for Preem Holding AB to issue a green bond in 2022, which forms an important part of the financing of Preem's transformation. Read more at preem.com.

Financial management and control in the business

The board is responsible for Preem's financial situation and for ensuring that the organization is managed in an efficient and correct manner. Preem's CEO leads and oversees the day-to-day management. A Group Finance function assists the CEO to design and follow up financial management. Preem's framework for internal control regarding financial reporting aims to provide reasonable assurance that Preem's targets are achieved in terms of reliable financial reporting and protection of the company's assets (read more on page 64). Financial targets are drawn up in connection with the strategic plan, which is updated annually and determined by the board. The targets are then broken down into more short-term financial targets in a business plan, which is then concretized in a budget for each Business Segment and Group Function, broken down organizationally as well as by project.

Large focus on financing during 2023

To be able to secure future financing, Preem must have good profitability and be attractive to financiers. Profits are reinvested, but in addition the capital markets must be utilized for the acquisition of capital.

Preem's long-term debt at the end of 2023 consisted of Preem's loan from Swedish Export Credit Corporation. The loan from SEK finances most of the Synsat-revamp project at the refinery in Lysekil, which will produce renewable fuels. The new plant is to be completed in 2024. During the year, Preem also applied for a new project loan with green credit to secure the financing of another plant conversion with the aim of increasing the production of renewable fuels. Read more about this project on page 30.

Targets and progress 2023

The financial year 2023 continued to be characterized by the effects of the Russian invasion of Ukraine and by challenging market conditions, which were further reinforced by volatile crude oil prices.

Preem's turnover decreased to SEK 137,711 million in 2023 compared to the record year 2022 of SEK 160,548 million. The operating result remained very strong but decreased to SEK 7,908 million from SEK 14,838 million in 2022. Adjusted EBITDA[1] decreased during the year to SEK 12,454 million from SEK 15,343 million in 2022. Adjusted EBITDA for the Marketing & Sales Business Segment in 2023 amounted to SEK 1,159 million, compared with SEK 1,052 million in 2022. For the Supply & Refining Business Segment, adjusted EBITDA amounted to SEK 12,255 million, compared to 15,155 million the previous year.

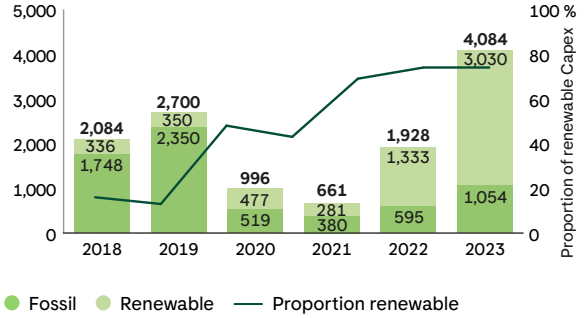
During 2023, the leverage ratio decreased to 0.05, from 0.31 the previous year. This resulted in an equity ratio of 58 percent, compared to the target of over 30 percent. ROCE 2023 amounted to 27 percent, meaning the target of over 15 percent was achieved.

A number of strategic decisions were made in the fall of 2023. Preem's board took the decision to convert another facility at the refinery in Lysekil to be able to produce fully renewable diesel and aviation fuel, which will involve an invest-

1) Adjusted EBITDA – defined as EBITDA adjusted for inventory gains/losses, exchange rate translation differences and for net gain/loss on oil derivatives valued at fair value and excluding the write off of a unit in Lysekil (VDU) which has been made to make room for Preem's new renewable ICR facility.

Preem's investments over time

million SEK



Only essential maintenance investments are now carried out on fossil fuel processes.

Focus area: Sustainable economy

ment of approximately SEK 5.5 billion. Furthermore, Preem's owners initiated a process aimed at evaluating strategic alternatives including a potential sale of Preem Holding AB/Preem AB. Since Preem's facilities are considered critical infrastructure in Sweden, the sales process falls under the new law on the examination of foreign investments, which aims to prevent foreign direct investment in Swedish protection-worthy activities.

This year's profitability contributes to Preem's continued transition and facilitates the company's growth strategy. Preem's commitment to the transition is reflected in the investments in projects for increased renewable fuel volumes. During the year, they amounted to approximately 75 percent of the company's total investments. In total, Preem invested SEK 3,030 million in 2023 to increase renewable fuel production and/or to reduce climate impact. The investments include:

- Rebuilding to be able to produce fuel with a proportion of renewables, so-called co-processing, at two units in Lysekil and one in Gothenburg.
- The Synsat-revamp project in Lysekil to produce fuel with a high renewable proportion.
- Preparatory studies to build a new facility to manufacture renewable diesel and aviation fuel in Gothenburg.
- Preparatory study to rebuild the ICR facility in Lysekil to be able to use a greater proportion of renewable raw materials and produce fully renewable diesel and aviation fuel.
- Electric charging at fuel stations where Preem and Recharge share the investment costs.
- Conversion of depots in Helsingborg and Norrköping.

Looking ahead: planned activities in 2024

During 2024, Preem plans to invest SEK 2.7 billion in the handling and production of renewable fuels. The investments will be mainly driven by the renewable fuel conversion projects of the Synsat-revamp project and the ICR project in Lysekil. Investments will also be aimed directly at customers. This will include continuing the rollout of fast electric vehicle chargers together with Recharge. By upgrading and building new "do-it-yourself car washes", Preem will be able to prevent toxins from being released into drains when customers wash their cars.

In the coming years, Preem will continue the implementation of the regulations for sustainable corporate governance and reporting as per new EU directives. Among other things, this means that Preem will report more clearly how various sustainability topics affect the company financially. This includes, for example, clarification of how operations and business models are affected by climate change, as well as what measures Preem takes to reduce potential negative financial impacts.

Preem is positive to this development. The company's values, strategy and climate roadmap are in line with increasing regulations for sustainable investments. An increased interest in sustainable financing and a clearer regulatory framework are deemed to create better conditions for securing the type of external financing that Preem requires for its transition.

Sustainable profitability – key figures[1]	2023	2022	2021
Adjusted EBITDA[1], million SEK	12,454	15,343	4,204
Return on capital employed (ROCE)[2], %	27	48	20
Equity ratio, %	58	46	36
Investments for reduced climate impact (CAPEX)[3], MSEK	3,030	1,333	281

Created and distributed economic value

The table below illustrates how the value that Preem's operations generate has been created and distributed between different stakeholder groups.

Economic value	Where the impact occurs	2023	2022	2021
Generated value, million SEK				
Revenue[4]	From customers, etc.	150,040	172,194	100,353
Distributed value, million SEK				
Operating expenses	To suppliers	130,411	146,218	85,082
Employee wages and benefits	To employees	1,851	1,617	1,491
Payments to financiers	To banks and financiers	1,470	3,800	998
Payments to the state	To society	11,959	11,260	10,346
Economic value retained	To the company	4,348	9,298	2,436

1) Adjusted EBITDA – defined as EBITDA adjusted for inventory gains/losses, exchange rate translation differences and for net gain/loss on oil derivatives valued at fair value and excluding the write off of a unit in Lysekil (VDU) which has been made to make room for Preem's new renewable ICR facility.

2) Return on capital employed measures how efficiently a company uses its capital.

3) All investments that create the conditions for renewable fuel production and carbon dioxide reduction.

4) Net sales including excise duties plus other operating income and income from financial investments..

With regards to financial information, adjustments have been made to historical information so that they are consistent with the Annual Report.

See the Sustainability notes on page 76 for more details.

Renewable aviation fuel and diesel take off

In November 2023, Preem took one of the most important decisions in the company's history by approving the next major conversion project at the Lysekil refinery. Approximately SEK 5.5 billion are to be invested in building Scandinavia's largest facility for sustainable aviation fuel and renewable diesel.

Existing facility phases out fossil fuels in favor of renewables

The investment is made with the aim of expanding Preem's renewable production, reducing fossil and gradually bringing the company closer to the strategic objective of a climate-neutral value chain by 2035. This is made possible by converting the so-called ICR facility, which is currently used to mainly produce diesel from fossil crude oil. In practice, the restructuring means that Preem continues the transition by phasing out fossil fuels in favor of increased renewable production.

Boosting renewables

The reconstruction, which will be one of the largest in the world in terms of converting an existing facility from fossil to renewable production, will begin in 2024 with the aim to be completed by 2027 at the latest. The annual renewable production capacity of the facility will increase to 1.2 million cubic meters.

Preem's largest investment in aviation to date

Road transport has long been Preem's main final market. Through the converted facility, Preem's role in society will be broadened by creating opportunities to produce up to 600,000 cubic meters of sustainable aviation fuel – which corresponds to approximately half the aviation fuel sold annually in Sweden.

Progress of the ICR project in 2023

- Environmental permit application submitted.
- Preparatory design study produced.
- Investment decision made.

Focus area: Climate

Material sustainability topics

- Climate impact from the supply chain
- Climate impact from operations
- Climate impact from the use of sold products

Events in 2023

- Decision to switch to HVO100 for Preem's Swedish land transportation of fuel, which will mean significantly lower greenhouse gas emissions from land transportation.
- Investment decisions were made to significantly increase renewable production (aviation fuel and diesel) at the ICR project in Lysekil.
- Reduced emissions for maritime transport by switching from marine gas oil to liquefied natural gas on three of six time chartered vessels.
- Mapping of Preem's most relevant climate risks for its own operations and in the value chain.

Focus area: climate

Preem's journey toward a climate-neutral value chain

As Sweden's largest fuel producer, Preem works to take responsibility for reducing its climate impact. Preem's objective is to have a climate-neutral value chain by 2035, and during 2023, the work continued to develop milestones along the way. The implications of Preem's greenhouse gas emissions were further investigated during the year and the understanding of how the emissions, despite a non-linear reduction pattern, can live up to the objectives of the Paris Agreement.

Reducing climate impact is Preem's most important sustainability focus area. The total emissions throughout Preem's value chain, primarily when sold fuel is used, is on a par with all of Sweden's annual domestic emissions. In other words, Preem and the industry in general have a significant detrimental climate impact. However, Preem also has a great opportunity to contribute to the largest emission reductions in Sweden, by transitioning to the production of renewable fuels, and away from fossil fuels.

Preem's ambition is to reduce emissions at the rate needed to achieve the Paris Agreement's 1.5 degree target. Emission reductions must take place throughout the entire value chain – from the extraction of raw materials, to the production, distribution and final use of sold products.

In order to achieve climate neutrality, Preem's business needs to fundamentally change. By switching to the production of renewable fuels, combined with a reduction in fossil production, a significant reduction in the company's greenhouse gas emissions can be achieved. At the same time, Preem can secure the supply of highly demanded fuels that are critical to a wide range of societal functions. However, it is important to note that renewable products also involve sustainability risks. Read more about Preem's risk management of renewable products on page 43.

Milestones to achieve a climate-neutral value chain

In order to create the conditions to achieve Preem's overall objective of a climate-neutral value chain by 2035, two milestones have been defined:

1. Reduce direct greenhouse gas emissions by 50 percent by 2030 (scope 1 & 2).
2. Reduce greenhouse gas emissions throughout the value chain by 30 percent by 2030 (scope 3).

The milestones identify where action is needed and contribute to clarifying governance. Milestone 1 is set higher because it includes Preem's own operations, where the greatest control, overview and influence over the emissions is possible. Preem also needs to reduce indirect emissions throughout the entire value chain. Efforts to reduce emissions, while simultaneously securing access to renewable resources, can contribute to achieving Sweden's goal of reducing greenhouse gas emissions from domestic transportation. The national target is to reduce emissions by at least 70 percent by 2030 compared to 2010.

Management and division of responsibilities

Preem's board has ultimately made decisions about the company's climate targets and the strategies that exist to reduce climate impact. The CEO is responsible for integrating these into Preem's development and daily operations. However, climate action influences the entire company and all Business Segments

Focus area: climate

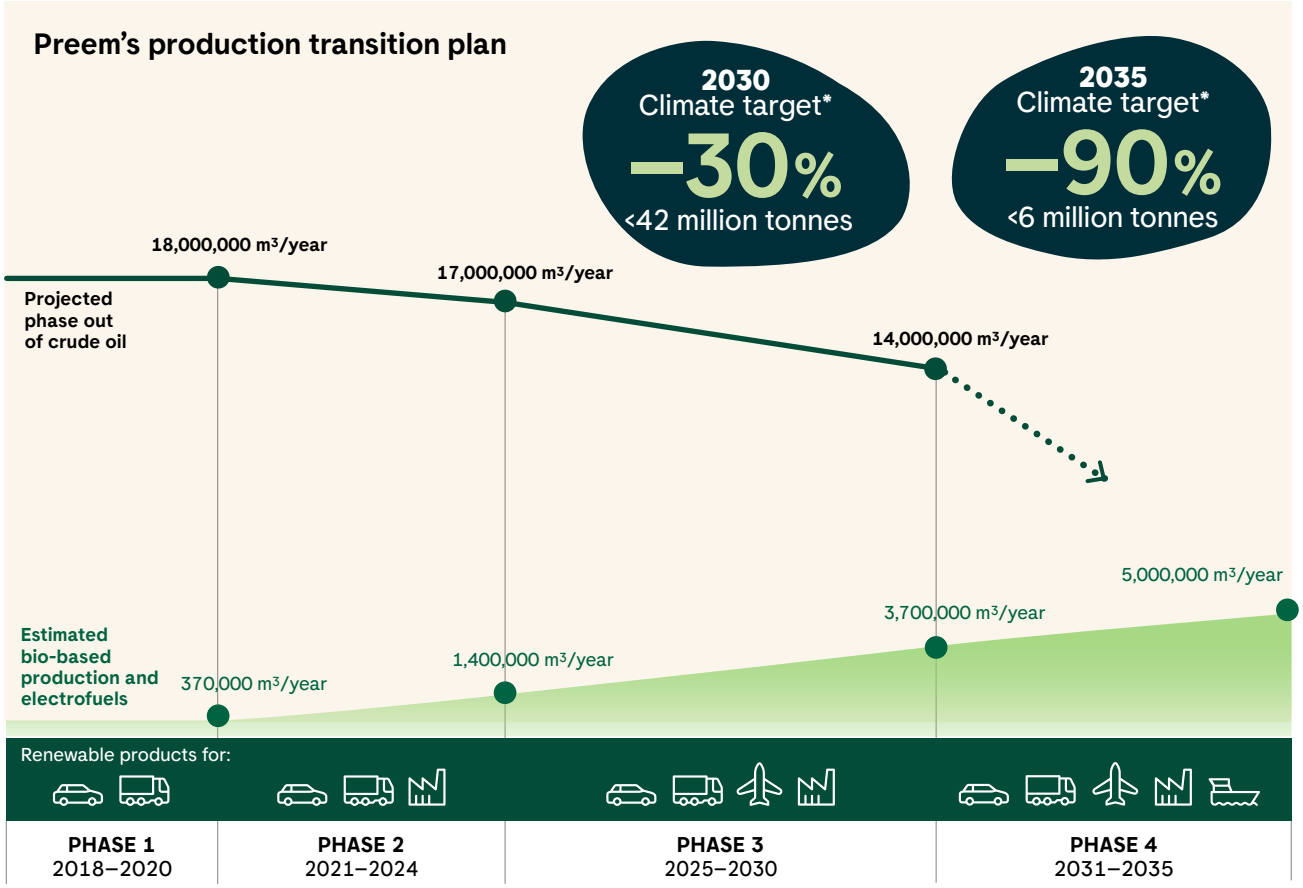
have targets or metrics that are followed up on a monthly or quarterly basis. The fact that the entire company is involved in climate action is a prerequisite for the value chain to be covered by the efforts that the transition entails. Read more about Preem's management and follow-up on page 63.

Emission reductions

Reducing greenhouse gas emissions is one of the most crucial issues for Preem's continued competitiveness. Preem's climate target is integrated into the company's strategy and follows a concrete action plan, Preem's production transition plan, which is divided into four different phases. The emission reduction will not be linear, but will be affected by internal and external factors such as technological shifts, restructuring and societal need. The transition is also affected by the pace of the permit processes, by financing and by political decisions necessary for Preem to make the investment decisions required to maintain momentum in the work towards climate neutrality by 2035.

The four phases in the transition plan began in 2018, which is the base year for Preem's climate transition, and end in 2035 with climate neutrality. Within each phase, there are a number of conversion projects in the refineries to expand the production capacity of renewable fuels in accordance with the plan. As Preem's refineries are converted to produce renewable fuels, the fossil production capacity will be phased out. Read more about the most recently approved reconstruction project, the ICR project, on page 30. From phase three, carbon dioxide capture is also included in the transition plan, which should reduce the refineries' emissions of greenhouse gases significantly, read more on page 37. Preem's product portfolio of renewable products is also expected to change during the transition plan, for example to include aviation and shipping in the future.

Preem's operations have both direct and indirect emissions. The direct emissions (scope 1) are generated primarily from the production at Preem's two refineries and from the operation of depots and fuel stations under Preem's management. The indirect emissions are generated partly from the energy that Preem buys in the form of electricity and district heating (scope 2), and partly from, raw material extraction, transport, distribution, use of fuels and business trips (scope 3).

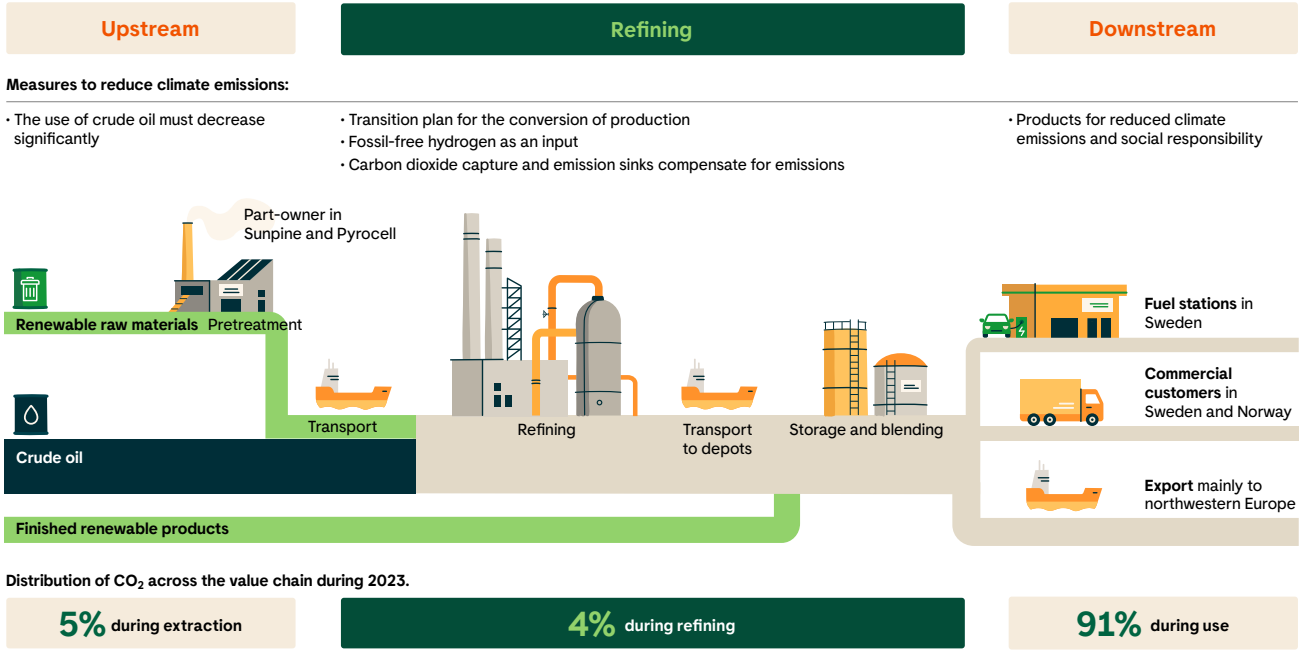


* CO_2e across the value chain in comparison to the base year 2018

Preem's definition of climate neutrality is based on the Science Based Targets Net-Zero standard and involves a reduction of at least 90 percent of the emissions in the entire value chain from the base year 2018 to the target year 2035. The remaining emissions that cannot be reduced or eliminated must be compensated for through various projects, such as carbon capture and storage (CCS).

Focus area: climate

Preem's value chain – planned and implemented efforts to reduce emissions



Upstream:

The use of crude oil must be reduced significantly

Emissions from Preem's upstream supply chain are mainly generated from the purchase of crude oil and raw materials that are refined in its own refineries. Raw material extraction for renewables is different to crude oil, with emission generally being lower. The emissions from raw material extraction are counted as indirect and are included in scope 3. In order to achieve Preem's climate targets, the use of crude oil as an input raw material must be significantly reduced and replaced with renewable alternatives. Examples of renewable raw materials are bio-oils that are extracted from sustainable residual products from forestry, agriculture and the food industry. During the transition to renewable production, however, Preem will still have to process fossil inputs. Still, there is an opportunity to make active choices of fossil crude oils by choosing crude oil that generate a lower climate impact during their extraction and have a shorter transport distance to the company's refineries. This is something Preem already prioritizes where possible.

Refining:

Transition plan for the conversion of production

Preem's most important measures to achieve its climate targets are to convert its refineries to increase renewable fuel production while reducing fossil fuel production. Preem's current refineries, which are adapted for large-scale fuel production based on fossil raw materials, are now facing a transition to future demand for renewable liquid fuels. Production volumes will also be much lower than today. The phasing out of fossil fuel production will therefore be greater than the increase in renewables. Over the last decade, Preem has developed good technologies to convert former fossil fuel production units so they can produce renewable fuels. These capabilties are now being scaled up as Preem converts its refineries and the capacity for renewable production is planned to increase to at least 2.5 million cubic meters at the beginning of 2027, and double that by 2035 at the latest. In parallel, the fossil fuel production and the total the production capacity will be adapted to lower demand for fuels in the future. The projects are extensive and their completion according to plan depends largely on permit processes not being delayed.

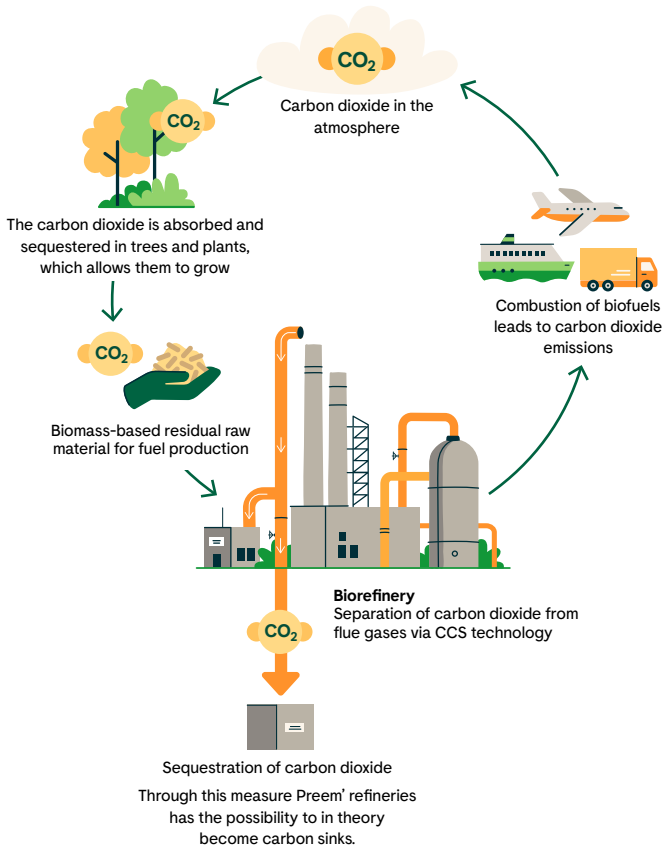
Read more about challenges regarding long-term and predictable regulations on page 21.

Refining:

Fossil-free hydrogen as an input

Hydrogen is an essential input in fuel production. Hydrogen is currently produced primarily from fossil gas and is one of the major sources of carbon dioxide emissions at refineries. Preem is investigating the possibility to shift to fossil-free hydrogen production that uses biogas and renewable residual streams from internal production. Preem's strategy for the coming years shows how significant quantities of fossil gas can be replaced with biogas. Alternatively, fossil-free hydrogen can be produced through the electrolysis of water and fossil-free electricity, which requires collaboration with external parties to ensure sufficient transmission capacity. To secure fossil free electricity, Preem currently has agreements with Telge energi and Vattenfall for large parts of its operations. The ambition is also to be able to ensure that partners that operate fuel stations as well as all facilities and fuel stations under Preem's own brands source certified fossil free electricity.

The carbon cycle of biofuels.



Refining:

Carbon dioxide capture and carbon sinks compensate for emissions

Preem's refineries are some of Sweden's largest emission sources. Fossil emissions will decrease as fossil raw materials are replaced with fossil-free alternatives, and Preem also plans to install Carbon Capture and Storage (CCS) technology. Preem estimates to be able to capture 900,000 tonnes CO_2e/year once CCS at both refineries is installed and available. When CCS is combined with emissions from renewable raw materials, carbon in the carbon cycle will be reduced. By driving operations toward negative emissions, Preem's biorefineries can in theory become carbon sinks - see the illustration on the left. Preem continues to identify and evaluate other efficient and robust ways to sequester carbon dioxide in the company's value chain, where the work on CCS in recent years has focused on creating efficient logistics chains for the capture of carbon dioxide. In addition, the technology and conditions for CCS at the refinery in Gothenburg have been studied in more detail in order to eventually scale up. This work continued in 2023. For Lysekil, a study was also carried out into which technologies are most relevant for different parts of the value chain.

Downstream:

Products for a sustainable transport sector and sustainable society

Most of Preem's emissions are emitted during the use phase, i.e. when sold products are combusted. These emissions account for the vast majority of Preem's total emissions (91 percent in 2023) and are counted as indirect emissions (scope 3). In line with the phase-out of fossil fuels, the fossil emissions from combustion will also decrease.

Preem's product offering follows the developments in the automotive sector and its needs. The ambition is to offer and provide renewable fuels that are in demand. In addition to renewable liquid fuels, the demand for a charging infrastructure for electric vehicles is an area of strong growth. Preem was early to offer charging points at its fuel stations and is now increasing its offering. In 2023, 52 new fast charging points were installed around Sweden. The ambition is to annually equip 15 to 25 stations with fast chargers in collaboration with the charging operator Recharge. Preem also follows developments in hydrogen as a vehicle fuel. What these solutions have in common is that they generally involve substantially lower green house gas emissions compared to fossil alternatives.

Preem will broaden its offering to include more products required by a sustainable society, such as renewable products that could be refined further in the petrochemicals or plastics industries. The refineries of the future can thereby become part of more sustainable value chains through circular solutions and material flows. The development of these new value chains means increased opportunities to contribute to Preem's climate target as the products are not intended for combustion and thus involve other emission cycles.

Upstream and downstream:

Sea and land logistics – Preem should live its transition

Logistics takes place at several points in the value chain, from the raw material's place of origin to the refineries, and from the refineries on ships or trucks to depos, customers and fuel stations. All logistics are a source of emissions in Preem's value chain and an important step to reduce emissions is to set requirements in the procurement of logistics. For example, Preem has begun using HVO100 – a fuel that releases significantly less into the carbon cycle than the fossil alternative – for the distribution of Swedish fuels by road. For sea transport, Preem actively searches for fuels that can reduce emissions. One such option is liquefied natural gas (LNG), and in December 2023, three of Preem's six long-term chartered vessels switched from marine gas oil to LNG. In general, this switch equates to an estimated 25 percent reduction in emissions, and Preem's assessment is that this is the case for these three ships. When Preem then produces its own renewable fuel for ships, the ambition is for long-term leased ships to run on this fuel instead.

Targets and progress 2023

Preem's total climate emissions were slightly higher in 2023 compared to the previous year. The higher emissions in 2023 were due to an increased sale of fossil products for export, which increased emissions from use of sold products. Production at Preem's largest refinery was also greater than the previous year, in which an audit shutdown occurred, which decreased the direct emissions from the refinery in Lysekil 2022. Refinery emissions vary according to production quantities and

Focus area: climate

emissions decrease in years when audit shutdowns are conducted. During 2024, no refinery shutdowns are planned. However, emissions in 2024 are expected to be lower than the last year with full production – in 2021 – as the throughput of fossil crude oil will be lower and renewable production higher when the Synsat project in Lysekil begins production in the summer.

2022 and 2021 emission data was updated with more accurate emission factors for crude oil that resulted in a reduction in the estimated emissions from raw material extraction compared to the base year.

Preem's ambition is that all climate data should be transparent, comparable and follow the guidelines of the GHG protocol. Currently, biogenic emissions are not included in the calculations, but Preem closely follows the development of methods for calculating greenhouse gas emissions from land use and biogenic emissions.[a)]

In addition to the reporting in this Sustainability Report, Preem is a member of the Haga initiative, a business network that promotes climate responsibility. The initiative's framework includes climate accounting where Preem, together with other member companies, transparently reports its annual climate data according to the Haga initiative's guidelines. Preem plans one of the largest emission reductions in Sweden according to the Haga initiative's report "Sweden's biggest emitters – together become negative emitters" (2022).

a) Biogenic emissions are counted as zero in accordance with the guidelines of the Renewable Energy Directive.

Climate-related risks and climate adaptation

In addition to reducing its climate impact, Preem also needs to adapt to the effects of climate change. Such adaptation must be based on risk analysis and may involve measures such as property adaptations, crisis plans and updated insurance policies. In 2022, for example, the Lysekil refinery established a precipitation plan to be able to manage future changes in precipitation and water levels. In 2023, Preem began a company-wide climate risk analysis that covers Preem's entire value chain and its own operations. Risks have been mapped and the identified risks will be validated and prioritized to integrate them into the management of the business. To map and assess climate-related risks, Preem has used the Task Force on Climate-related Financial Disclosures (TCFD) framework and a TCFD framework index can be found on page 81.

Emissions of carbon dioxide equivalents[1)] million tonnes CO_2e	Base year comparison	2023	2022	2021	Base year 2018
Indirect CO_2e emissions from raw material extraction (scope 3)	–70.5%	2.3	2.6	3.0	7.7
Refining (scope 1, 2)	–11.8%	2.0	2.0	2.1	2.3
Use of sold products (scope 3)	–12.3%	43.9	43.2	43.2	50.1
Other scope 3 emissions[2)]	–13.2%	0.1	0.1	0.1	0.1
Total (scope 1, 2, 3)[2)]	–19.8%	48.3	47.9	48.4	60.2

1) Preem's calculation and reporting of carbon dioxide emissions is done according to the guidelines of the GHG protocol. Preem has chosen the "Operational control" method, which means that emissions from operations that Preem operationally controls are included in scope 1 or 2.

2) Preem has updated its emission factors for the use of fuels. This is an updated version of the same source – which may affect the outcome of the amount of carbon dioxide equivalents the categories use, other scope 3 emissions and total emissions.

See the notes on page 77 for a more detailed breakdown of Preem's climate emissions.

Looking ahead: planned activities 2024

In 2024, several projects will be implemented with the aim to reduce Preem's climate impact:

- The Synsat-revamp project in Lysekil will be completed. The conversion will allow fuels to be produced with renewable raw materials instead of fossil crude oil. An estimated emission reduction of 5 to 10 percent can be achieved throughout the value chain due to the conversion.
- Preem aims for all road logistics for transportation of fuel in Sweden to use renewable HVO100 fuel from the second half of 2024.
- The review and identification of Preem's climate calculations and emission sources will continue. Ensuring that calculations are made based on all greenhouse gases and for all emission sources in the value chain, where available, is essential to prioritize work on future emission reductions.
- The evaluation of Preem's climate risks will continue based on the recommendations of the TCFD framework. This will be an important and significant risk assessment for the entire business, which will form the basis for future decisions and strategic priorities.

Management of captured carbon dioxide

Carbon Capture and Storage (CCS), can help to greatly reduce Preem's carbon dioxide emissions at the refineries in Lysekil and Gothenburg. The technical solutions to capture, transport and store carbon dioxide already exist, but a number of challenges remain. In the long term, more storage capacity and agreements are needed that enable the export of carbon dioxide to storage sites in other countries. In addition, a more developed and commercial and sustainable system is required for the entire management process. Today, the total cost of capturing and storing carbon dioxide is still significantly higher than the price of emission rights.

Preparing the refineries

In order to prepare for CCS and contribute to capacity building, Preem has implemented a number of initiatives. This includes collection techniques that have been tested on a larger scale in a refinery environment. For Preem's planned ICR project, consideration must be given to the possibility of carbon dioxide capture within the framework of the project.

Reduced emissions

Preem's target is to reduce its direct carbon dioxide emissions by 50 percent by 2030 compared with the base year 2018, such as through carbon dioxide capture. If CCS is used in combination with renewable raw materials and inputs, in theory there is also the potential for so-called negative carbon dioxide emissions, read more about this in the illustration on page 35. The separated carbon dioxide can also be used as a raw material, for example in the production of electrofuels, which is known as Carbon Capture and Utilization (CCU).

Activities in 2023

- Continuing to create efficient logistics chains for captured carbon dioxide.
- Detailed studies and technology choices for carbon dioxide capture for conversion and new construction projects at the refineries in Gothenburg and Lysekil.
- Conversion permit according to the Environmental Code granted for the capture and liquefaction of carbon dioxide in the upcoming conversion at the refinery in Gothenburg.

Negative carbon dioxide emissions

Negative emissions are created by capturing and sequestering biogenic carbon dioxide to mitigate climate impact. This can be done through tree planting to capture carbon dioxide directly from the atmosphere, or capturing and storing carbon dioxide that has a biogenic origin (Bio-CCS). The one most relevant to Preem is using biomass based raw materials in fuel production in combination with the resulting carbon dioxide being captured and stored.

Focus area: Environment

Material sustainability topics

- Emissions to air, soil and water
- Use of resources
- Energy use
- Biodiversity

Events in 2023

- Mapping of nature-related risks and opportunities within Preem's entire value chain related to biodiversity began.
- Extended measurement of air emissions at the refinery in Lysekil.
- Pilot projects for groundwater purification of persistent PFAS substances were completed and the results showed a high degree of purification of 99.6–99.9 percent.
- Energy efficiency improvement at the depot in Helsingborg. District heating instead of electric heating at nine tanks.
- Preem strengthened its organization with the addition of a new resource for land and waste management.

Focus area: Environment

Initiatives for reduced environmental impact

Preem is subject to strict environmental requirements and, as for the fuel industry in general, the business involves risks of serious harmful environmental impact throughout the entire value chain. The environment is therefore an important focus area for Preem and the company is making progress in reducing emissions and protecting the environment. Emissions to air, land and water, resource use, energy use and biodiversity are prioritized environmental topics for Preem.

In the fuel industry, there are risks of environmental impact throughout the value chain. Preem's operations include processes and products that have an environmental impact, and there is also a risk of incidents and accidents that can cause serious damage to the environment. Systematic work to reduce risks and follow up on any incidents is crucial, and Preem annually evaluates the risks of environmental impact and incidents throughout the value chain. Preem's operations are certified according to the ISO 14001 environmental management system, which supports the work to gradually reduce the environmental impact.

The overall environmental objective for Preem is to perform better in relation to the strict legal environmental requirements regarding emissions to air, land and water that the company is obliged to follow. In addition, Preem must maintain good energy efficiency.

Environmental requirements are the basis for limiting emissions

Preem's operations at refineries, depots and fuel stations produce emissions to air, land and water. Air emissions consist of sulfur oxides (SOx), nitrogen oxides (NOx), dust and volatile organic compounds (VOC). Despite extensive treatment, wastewater from facilities contains small concentrations of nitrogen and phosphorus compounds and hydrocarbons. Emissions are regulated in environmental permits, which have been tightened over the years. Moreover, Preem's emissions have decreased significantly over time, as demonstrated in the annual environmental reports submitted to the authorities. VOC emissions are covered by the environmental permits and are measured annually. Calculations show that the conversion to storing renewable materials at the depots in Helsingborg and Norrköping results in a net reduction in emissions of VOCs of approximately 4.5 tonnes per year. Follow-up of emissions is conducted daily through the production management system, monthly through

Focus area: Environment

scorecards, and reporting to the refineries' environmental committees. Emissions are reported to the authorities monthly and annually through environmental reports and Preem's Sustainability Report.

Biodiversity

Protecting natural assests such as ecosystems, sensitive environments and vulnerable species is an increasingly important part of Preem's environmental work. Preem's operations can have an impact on biodiversity in all parts of the value chain. Preem manages the impact from the raw materials by selecting raw materials and suppliers that meet the requirements set by Preem's code of conduct. Preem also excludes renewable raw materials for production when assessments conclude they pose major risks for negative consequences on biodiversity, the environment and humans, such as palm oil and soybeans. Read more on page 43.

Preem's refineries are large industrial facilities where changes in land use and physical interventions during the expansion of the operation can have an impact on local biotopes and species as well as on natural areas worthy of protection. The refinery in Gothenburg, for example, is adjacent to a Natura 2000 area with a high conservation value. Biodiversity is also a central aspect of Preem's environmental permit processes. When planning projects at Preem's refineries, four steps in the so-called damage mitigation hierarchy are taken into account – avoiding, minimizing, restoring and compensating damage to nature and the environment. Preem develops restoring measures for the case where impact has occurred. Before an environmental permit review, Preem makes inventories of which animals and plants are in the area, how they may be affected by the project, how they can be protected or how Preem's impact can be compensated.

Increased control and reporting of nature and biodiversity according to TNFD

Loss of biological diversity and disturbances of ecosystems are growing challenges for our planet and our society. The well-being of nature plays a major role in Preem's future opportunities for access to renewable raw materials. In Preem's work to manage the impacts on nature and biodiversity and to better understand risks related to biodiversity, the Task Force on Nature-related Financial Disclosures (TNFD)[1] reporting framework and LEAP[2] method have been used. The framework and method have provided inspiration while at the same time an assurance of transparency and comparison. Preem's intention is to investigate which relevant indicators and targets related to biodiversity bring the greatest benefit to the environment and the business. Read more on page 81.

Emissions to air, soil and water

Prior to the planned conversion of the refinery in Lysekil to renewable fuel production, Preem intensified air quality mapping in the neighboring area. In 2023, the measurement of VOCs, nitrogen oxides and sulfur oxides was extended at 12 different locations during three winter months between December 2022 and February 2023. The result showed limited impact on the surrounding environment.

Energy use

Fuel production is an energy-intensive process and Preem works systematically to improve energy efficiency. Preem's energy management system is managed as a part of Preem's ISO 14001 environmental management system. The appointed energy managers at the refineries at Gothenburg and Lysekil implement and constantly seek new opportunities for energy efficiency improvements. The refineries also have energy committees that work with comprehensive and long-term energy efficiency actions. In 2023, an energy survey was carried out where future measures and actions were mapped.

Preem's main biodiversity impacts

Priority	Impact category on biodiversity	Status 2023
1	**Climate change**	Greenhouse gas emissions are identified as Preem's greatest impact on biodiversity, both for Preem's direct emissions and through the use of the company's products. Preem has an ambitious strategy to reduce its greenhouse gas emissions. See page 31: Climate and page 43: Sustainable value chains.
2	**Changes in usage of land and water**	Preem's direct impact is managed within the framework of the environmental permits that exist for Preem's operations. Land and water use issues are conducted in line with Preem's Environmental Policy and set targets. Preem's governing sustainability criteria are used to reduce its indirect impact through the purchase of raw materials, see page 47: Sustainable value chains. Preem is a member of Bohuslän's water protection association. The association's purpose is primarily to monitor the water quality in the water body and to quantify impact over time.
3	**Pollution and emissions**	Refining raw materials to fuel generates emissions to air, land and water. Preem has strict requirements that are reviewed annually by the regulatory authority.
4	**Spread of alien species**	When importing oil to Preem's refineries, foreign species can be unintentionally transported on ship hulls and in ballast water. Preem adheres to MARPOL's regulations regarding ballast water, which aim to regulate the management of ballast water to reduce the risk of spreading invasive species. Preem carried out a species inventory in 2022 to ensure that no invasive vascular plants were present at the Gothenburg refinery.
5	**Overuse of species through hunting and fishing**	In fuel production, Preem uses large amounts of water. Preem works actively to reduce its impact. No identified impact on overexploitation of species. Preem adheres to MARPOL's regulations regarding ballast water, which aim to regulate the management of ballast water to reduce the risk of spreading invasive specie.

1) Task Force on Nature-related Financial Disclosures (TNFD) helps companies to identify, manage and report on nature-related financial risks and opportunities.

2) TNFD's integrated assessment approach designed to help organizations identify and assess nature-related issues (Locate, Evaluate, Assess, Prepare).

Focus area: Environment

Recovering waste heat
Preem annually delivers approx 520 GWh of district heating from its refineries. This corresponds to meeting the heating needs of approximately 25,000 Swedish family houses.

Resource usage

Preem's facilities and refining processes are designed to ensure that the production is performed as resource-efficiently as possible. Gas formed during refining is used as fuel in the process and the burning of excess gas, so-called flaring, occurs only as a safety measure. Waste heat is captured and used for district heating and in 2023 Preem delivered a total of 516 GWh of waste heat in district heating.

When Preem's depot in Helsingborg was converted in 2023 from being a depot that stores fossil products to only storing renewable raw materials and products, sustainability aspects were taken into account from a resource use perspective. The focus was on energy efficiency and the recycling and reuse of existing equipment. By converting and reusing pipelines and valves that would otherwise have been dismantled and scrapped, a saving of 1,700 kg of carbon dioxide emissions was made. Furthermore, the method for removing old paint was switched from sandblasting to heating, which saved 450 tonnes of blasting sand that would otherwise be destroyed as hazardous waste.

Finally, upgrading tanks with insulation resulted in savings of approximately 10–12 GWh per year.

Waste disposal

Every year, Preem handles large amounts of waste. Some of that is hazardous waste that can pose risks to people and the environment. Preem is certified according to the SS-EN ISO 14001 environmental management system. The system regulates that waste must be considered an environmental aspect, how waste laws and regulations must be monitored and considered, and documentation and competence requirements. The goal is to achieve a sustainable waste management and minimize risks. Based on current legal requirements, Preem has drawn up a waste plan. The plan includes instructions and waste sorting manuals to guide how Preem will achieve sustainable waste management. Industry-specific waste includes sludge oil, oil sludge residues, biosludge, activated carbon, discarded absorbent materials and catalysts. Relatively small amounts of sulfur and coke are also included in this category. Such waste is specific to refineries and require special handling. The ambition is that less than 10 percent of the total amount of waste to go to landfill or disposal. In 2023, a total of 13,273 tonnes of waste was generated in Preem's operations. The increase in waste compared to the previous year was mainly due the audit shutdown and the large conversion projects generated waste such as excavated material. Of the total amount of waste from the refineries of 12,598 tonnes, 65 percent went to material recycling, 15 percent to energy production, 18 percent to landfill and 2 percent was disposed. 675 tonnes of waste were generated from Preem's fuel station operations, where work on sorting waste continues. The goal is for all fuel stations to at least sort corrugated cardboard, plastic film, plastic packaging, food waste and hazardous waste (depending on their assortment). Other waste is sorted as combustible. In order to reduce the consumption of disposable items, Preem introduced the option of choosing reusable options at a selected number of stations.

Focus area: Environment

Targets and outcomes 2023

An overall objective for Preem is to perform better than what is stipulated in the strict environmental permits that it is obliged to follow. Another objective is to maintain good energy efficiency.

The refinery in Lysekil increased production in 2023 compared to 2022, which resulted in higher energy consumption. The opposite occurred at the refinery in Gothenburg, where both production and energy consumption decreased. Overall, good energy efficiency was maintained during the year.

Sulfur oxide and nitrogen oxide emissions remained low in 2023 – significantly lower than set targets and environmental permits. This is particularly clear for sulfur oxides, where the effect is largely related to the refining of low-sulfur crude oil.

Preem works to ensure that no environmental incidents occur in its operations. Serious incidents are those that may involve breaches of terms and conditions or legislation. During 2023, no serious environmental incidents occurred, in line with target.

As an effect of Preem suffering a couple of operational disruptions in 2023, which generated additional air emissions, the target of planned flaring could not be achieved.

Overall, emissions from volatile organic compounds decreased by approximately 3 percent compared to the previous year. The ambition that the disposal of waste from Preem in Lysekil should be below 10 percent was not achieved as it amounted to approximately 20 percent.

Environment	2023	2022	2021
Emissions to air, soil and water			
Emission of nitrogen oxides (NOx) to air from production, tonnes	776	801	795
Emission of sulfur oxides (SOx) to air from production, tonnes	217	324	399
Emissions of volatile organic compounds (VOCs) from production, tonnes	5,816	5,994	5,802
Release of hazardous substances[1] to water, tonnes	0.92	0.72	1.05
Serious environmental incidents[2], number	0	0	0
Energy use			
Energy use within Preem[3], GWh	8,966	8,490	9,255
Energy use outside Preem, GWh	282	262	319
Energy use land transport, GWh	22	21	20
Energy use sea transport, GWh	223	210	262
Energy use fuel stations[4], Gwh	37	33	36
Resource use for fuel production			
Fossil raw materials, thousand tonnes	13,771	14,233	14,526
Renewable raw materials, thousand tonnes	333	310	295
Water consumption during refining, 000 m^3	3,629	3,003	3,666
General waste[5]			
Hazardous waste, tonnes	5,516	2,123	1,434
Non-hazardous waste, tonnes	7,757	7,423	4,110

1) The reading shows total extractables, which is the total content of the aliphatic organics containing CH2 and CH3 groups that can be extracted with tetrachloroethylene and then determined by IR spectrophotometry.

2) The measurement includes major environmental incidents that during the year led to violations of permits or legislation (where Preem is convicted of crimes), or damage to the brand.

3) The total energy use within Preem includes Preem Refinery Gothenburg and Preem Refinery Lysekil as well as our depots. Deductions are made for residual heat that is sold as district heating.

4) Energy use for fuel stations includes electricity and heating consumption. The energy use is based on data from approximately 50 percent of Preem's Swedish stations. Based on this data, a total value has been extrapolated.

5) Generated waste increased in 2023 due to the audit shutdown in Gothenburg and the ongoing conversion project in Lysekil.

See the Sustainability notes on page 78 for more details.

Looking ahead: planned activities 2024

In 2024, Preem plans to carry out a nature inventory on and around the refinery in Lysekil. The inventory will mainly focus on vascular plants that are included on the EU's list of invasive species and are therefore covered by the regulation on invasive alien species. Furthermore, a nature inventory with a focus on bird species and specifically on eagle owls must also be carried out.

A plan for energy efficiency in accordance with the performed energy mapping will be determined.

During the year, Preem began a survey of its impact on biodiversity along the value chain, in line with the Task Force on Nature-related Financial Disclosures (TNFD). The mapping will continue in 2024 with the aim of designing a strategy and objectives for how systematic work can be carried out to identify, assess and manage nature-related dependencies, effects, risks and opportunities.

Focus area: Sustainable value chains

Material sustainability topics

- Environment and social impact in the supply chain

Events in 2023

- Began analyzing and clarifying social and environmental risks throughout the value chain to increase transparency according to the EU's due diligence directive, CSDDD.
- Pyrolysis oil made from used tires purchased in 2022 was tested at the refinery in Lysekil in 2023 with good results. This is a possible new source of renewable raw material.
- New purchasing system for supplier registration implemented that enables improved evaluation and management of supplier sustainability.

Sustainable raw materials and suppliers

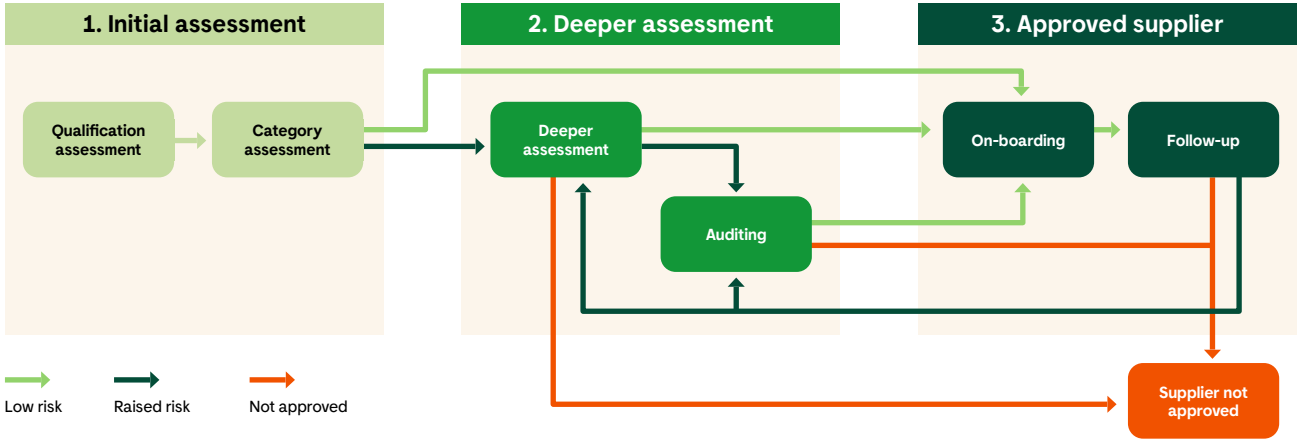
Annually, Preem buys considerable quantities of products and services from the global market. The purchases come with significant sustainability risks that must be evaluated and managed. Preem's systematic work with supplier assessments also provides opportunities to influence working conditions and environmental impact outside of Preem's own direct operations.

The risks in Preem's supply chain that have been the main focus are related to the large quantities of input goods purchased annually, mainly raw materials for refineries. The increased need for conversion projects on the transition journey will increase the need for construction materials and expertise. With increased purchases of other types of materials and services, Preem will have to put more effort into assessing and mitigating new supply chain risks.

Clear supplier requirements are fundamental

In order to manage the risks, Preem's management of suppliers is crucial. Clear requirements for, and follow-up of, suppliers provide the opportunity to reduce negative social and environmental impact, to work for good business ethics and minimize the risk of corruption. The starting point for the work is Preem's code of conduct in combination with a risk-based evaluation and follow up of suppliers. However, the opportunities to

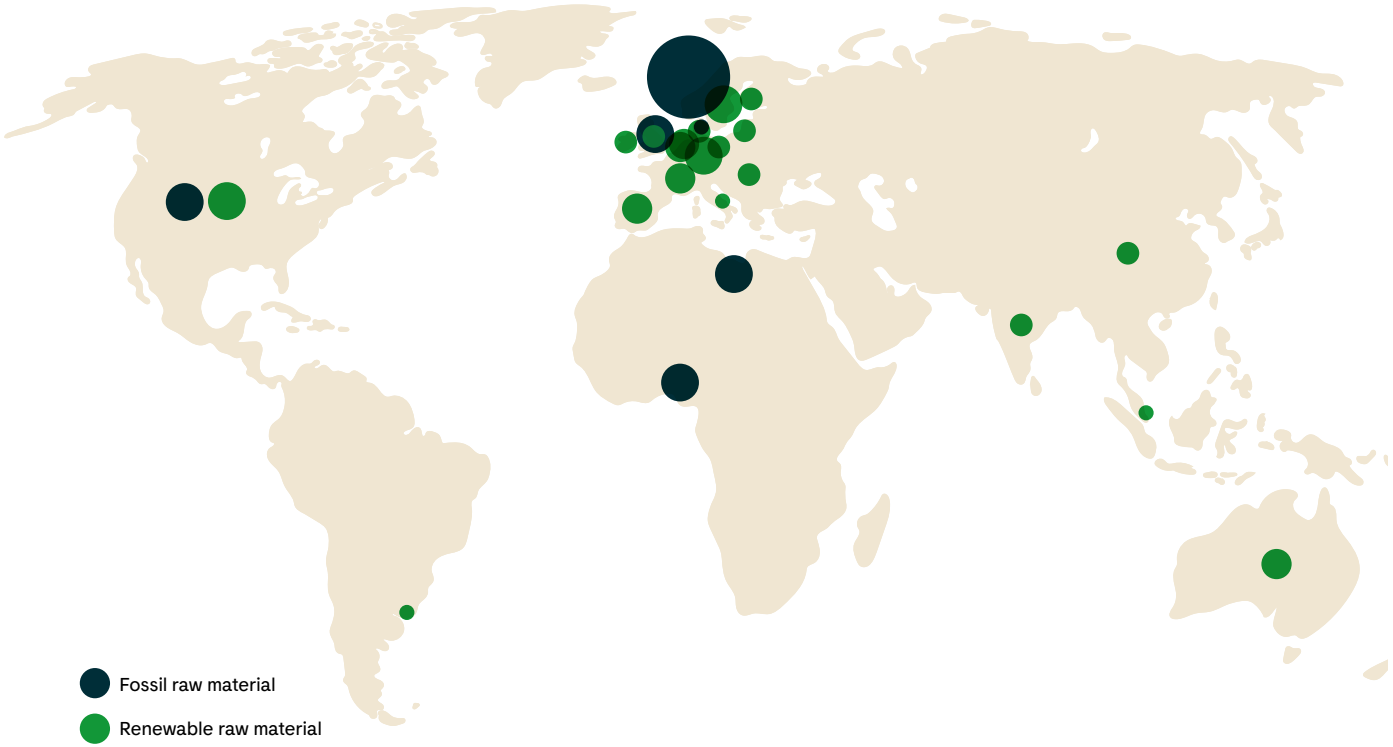
Supplier review process



The process is risk based. In the process, suppliers are reviewed in several stages and in cases where an increased risk is detected, the assessment is extended. If a supplier is not approved or deviates, the collaboration is terminated. This can occur at any step of the process.

Focus area: Sustainable value chains

Geographic overview of Preem's purchases of fossil and renewable raw materials



Note that fossil and renewable volumes use different scales, and can thus not be compared. Moreover, the sizes of the circles within each raw material category are not proportional but give a rough estimate of the volumes from each country.

influence suppliers vary between different purchasing categories. Preem's long-term goal is to identify risks in all types of value chains and manage them in a systematic way.

Preem requires that all suppliers, regardless of category, accept Preem's code of conduct, or alternatively have their own that at least corresponds to Preem's requirements. During the year, a goal was introduced that Preem's code of conduct should be included in agreements for so-called indirect purchases. Indirect purchases include all materials that are not used as input materials in Preem's refining. The goal is for the code of conduct to be included in all supplier agreements (100 percent) with suppliers that supply indirect materials to Preem by 2024.

In 2023, Preem also began a survey of sustainability risks for the food assortment in the stores at its fuel stations. The aim is to offer a more sustainable product range and to be able to set clearer sustainability requirements for food suppliers.

EU directive promotes human rights and the environment

Legislators and institutions increasingly demand the management and follow-up of supply chain risks. At the end of the year, the Council and the European Parliament reached a provisional agreement on the Corporate Sustainability Due Diligence Directive (CSDDD), aimed at enhancing the protection of the environment and human rights within the EU and globally.

The purpose of the directive is to promote human rights and environmental considerations in businesses, including entire value chains within and outside Europe. The directive requires companies to identify and report negative impacts on human rights and the environment in their operations, subsidiaries and value chains. Preem is already affected by the EU directive through the Norwegian operations of Preem AS, as Norway has previously implemented legislation based on CSDDD, the Norwegian Transparency Act. CSDDD strengthens and supplements the EU's Corporate Sustainability Reporting Directive (CSRD), which is applicable to Preem in the financial year 2025 with increased requirements to report risks and how they are managed in the value chain.

By making demands on and collaborating with suppliers, Preem can influence and minimize sustainability risks outside of its own operations. Risk-based working methods, as required by the new legislation, have already been implemented in Preem's processes for the purchase and evaluation of suppliers of renewable raw materials and products, as well as for the purchase of crude oil to some extent. The starting point is a risk-based working method that is described on page 44.

At management level, supplier follow-up is conducted in the form of an annual review of Preem's suppliers. During the due diligence, the management team reviews strategic and high-risk suppliers, such as raw material suppliers. In addition to sustainability aspects, the criteria for transparency also include quality aspects, such as service level. Read more about Preem's governance on page 63.

Focus area: Sustainable value chains

The fossil supply chain

Each trading day, Preem buys an average of 300,000 barrels of crude oil and other raw materials from suppliers worldwide. Crude oil is the company's largest raw material for fuel production. The production and transport of crude oil must be handled professionally and with a focus on safety so that no accidents occur that harm people or the environment. Preem is dependent on special oil qualities and therefore buys crude oil from different parts of the world – the North Sea, the USA and West Africa. Lower investment in crude oil extraction for many years has begun to affect the ability of refiners, such as Preem, to procure crude oil. At the same time, the international volatile situation means that production patterns and supply chains are changing. Sweden's strict environmental requirements, Preem's finances and prevailing market conditions govern which type of crude oil Preem uses to optimize the company's production.

Historically, the crude oil industry has been associated with serious risks that vary greatly depending on the origin and actors involved. The most significant risks are spills and leaks during extraction and transport that impact on natural environments and biological diversity, greenhouse gas emissions during extraction, water use and human rights, and corruption. Monitoring how people and the environment are considered throughout the crude oil supply chain is a challenge Preem shares with all the world's refiners and fuel distributors.

The available volume of crude oil from the North Sea is decreasing, which means that Preem will have to source crude oil from areas with higher sustainability risks, until the transition is completed and fossil raw materials are no longer required. This will also involve longer shipping times and increased environmental risks in crude oil sourcing. Another challenge is that a more limited supply of crude oil makes it more difficult as a relatively small customer to make demands in a more supplier-driven market.

Unlike the renewable supply chain, there has historically been no legislation or international requirements for traceability in the fossil supply chain, which operates in a global market. Information on the country or region of origin of the crude oil purchased is available, but tracing the product to its actual source is challenging due to a lack of traceability. When purchasing finished products, the traceability is even lower. This has made it difficult to know what conditions and situations prevail at specific production sites, and what extent environmental issues or human rights are being disregarded. CSDDD will help drive increased traceability and sustainability in the crude oil supply chain, and Preem's work to analyze and follow up on these risks will intensify in the coming years.

The climate footprint of different crude oils

Historically, the crude oil market has lacked reliable data on its emissions, which has made it difficult to choose suppliers based on climate footprint. In recent years, however, there has been an improvement and more actors have started to follow up and report emissions related to crude oil extraction. Preem's ambition is to systematically follow this with the aim of continuously increasing the transparency of climate impact in purchasing decisions. For more information on the raw material's impact on Preem's emissions upstream, see page 34.

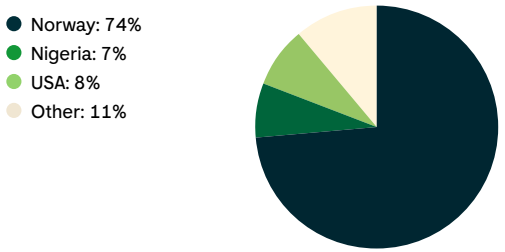
Companies that are open and transparent on their climate impact and targets often conduct active sustainability work.

Preem's ambition is to make conscious crude oil partner choices. This will involve building close collaborations with a smaller number of actors that are based on trust. Most of Preem's crude oil suppliers are companies Preem has worked and developed strong mutual trust with for a long time. Preem has worked with its largest suppliers for over 30 years.

In 2022, Preem stopped buying Russian crude and replaced it with crude oil from the United States and the North Sea. The crude oil Preem has purchased since is therefore to a larger extent sourced from countries with lower sustainability risks. In 2023, 86 percent of crude oil came from Europe and the United States. However, Preem sees this pattern as potentially changing in the future with lower volumes of North Sea crude oil available due to depleting sources and lower investment.

Purchase of crude oil 2023

Geographical distribution in %, based on volume



Focus area: Sustainable value chains

The renewable supply chain

Access to renewable raw materials as well as new suppliers and collaborations is a prerequisite for Preem's transition to a fully renewable value chain. Preem wants to create new sustainable value chains and promote the use of domestic renewable raw materials. Increasing the use of residual products from the food industry and forestry is an important part of the work.

Demand for renewable raw materials and products is high and continues to increase. However, the availability of renewable and circular raw materials that can meet the requirements of a sustainable transition is limited and competition for the raw materials will increase. There are risks of goal conflicts in the value chains for renewable raw materials, which are mainly linked to human rights, the global access to food or the depletion of natural resources. Economic incentives to produce raw materials for renewable fuels in poorer countries can increase the risk of restricting people's right to food, as well as contributing to the deterioration of the global food supply. Other effects that can occur are that the water supply is depleted or that biodiversity is threatened.

Tougher regulation for renewable fuels

As a way to counteract sustainability risks, the supply chain for renewable fuels is more tightly regulated than that for crude oil, with strict requirements for traceability and fulfillment of sustainability criteria. Preem is positive to the high requirements, as certification and traceability make it easier to take responsibility throughout the supply chain and reduce the risk of the existing goal conflicts.

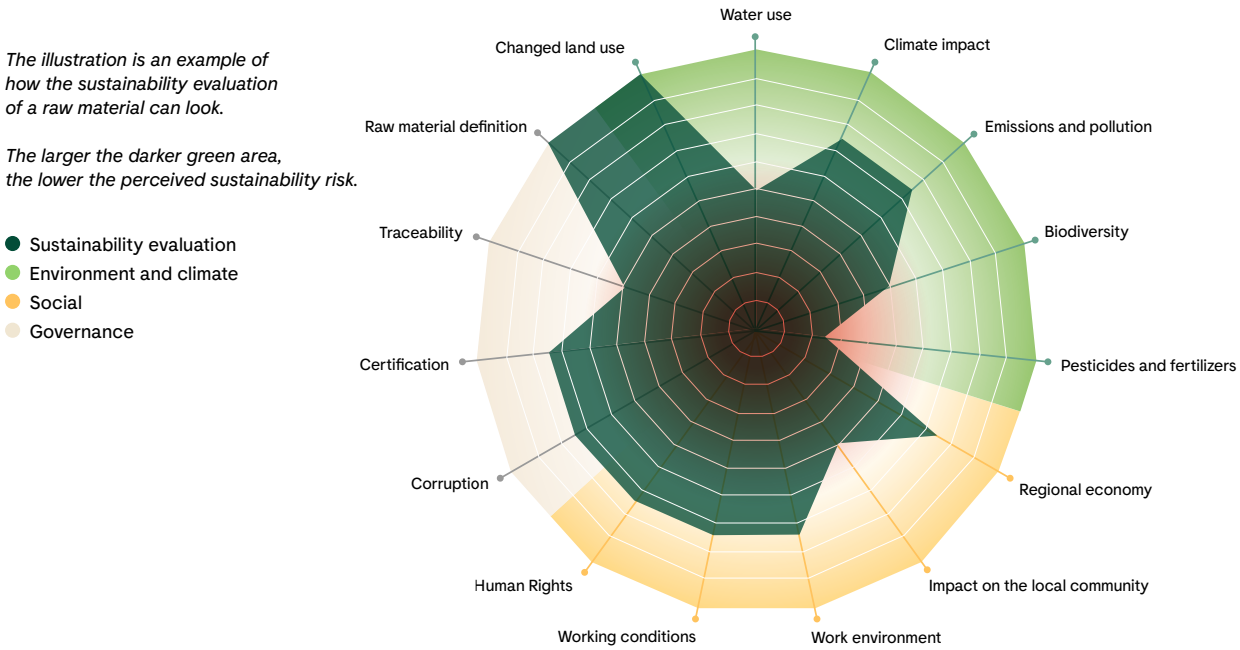
For many years, Preem has assessed the origin of raw materials and products, and supplier sustainability work including policies, certifications and codes of conduct. Preem also carries out a continuous follow-up of selected suppliers based on aspects such as quality, health and safety, environment, human rights and corruption.

The renewable supply chain is further managed by Preem's control system for renewable fuels. This system is part of the company's management system and controls the processes for renewable raw materials and products. Preem prefers that suppliers are certified according to one of the EU's certification systems within the framework of the Renewable Energy Directive, or alternatively has a Swedish sustainability decision. Preem's existing suppliers live up to this. Should the supplier lack certification or a sustainability decision, third-party audits are carried out to investigate whether the supplier meets the requirements of the EU's Renewable Energy Directive.

Aspects in the sustainability evaluation of renewable raw materials

The illustration is an example of how the sustainability evaluation of a raw material can look.

The larger the darker green area, the lower the perceived sustainability risk.



Selection and evaluation of sustainable raw materials

When selecting raw materials, traceability and the fulfillment of Preem's sustainability criteria as well as the EU's Renewable Energy Directive are crucial to managing value chain risks. Sustainability performance is continuously evaluated and Preem selects raw materials with good efficiency and sustainability performance. The sustainability governance criteria Preem uses to reduce negative impact in the supply chain include:

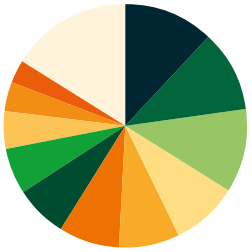
- Renewable fuels must be energy efficient and have a low climate impact.
- Renewable fuel production must not lead to violations of human rights according to UN conventions.
- Renewable fuel production must not lead to restrictions on people's right to food or to the deterioration of the global food supply.
- Renewable fuel production must not deplete water supply or threaten biodiversity.

Focus area: Sustainable value chains

Renewable raw materials and products by origin

Distribution in percentage based on volume

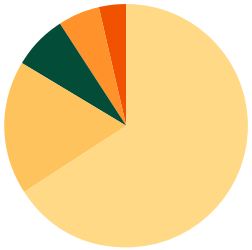
- Germany: 12%
- Sweden: 11%
- France: 11%
- USA: 9%
- Netherlands: 8%
- Belgium: 8%
- Australia: 7%
- Spain: 6%
- China: 5%
- Malaysia: 4%
- Poland: 3%
- Other: 16%



Renewable raw materials for refining

Distribution in percentage based on volume

- Animal fatty acids: 66%
- Tall oil: 18%
- Vegetable oils: 7%
- Used cooking oil: 6%
- Other: 4%



Raw materials marked in the orange color scale meet the definition of waste residual products under the law on sustainability criteria for biofuels, bioliquid and biobased fuels.

Collaboration and research create opportunities to secure raw materials and develop sustainable supply chains

Preem's need for renewable raw materials will increase sharply in the coming years due to the transition, which means that new types of raw materials need to be procured. These raw materials not only have to meet sustainability requirements but also other regulations such as waste legislation and a variety of environmental requirements. Increased volumes and new raw materials also mean new logistics flows and new types of value chains and suppliers.

Preem works actively to secure access to renewable raw materials for the future, through cooperation agreements with suppliers but also through research and development to find new raw material streams. By placing demands on and collaborating with suppliers, Preem can influence and minimize sustainability risks outside of its own operations and together with suppliers develop sustainable value chains, both locally and globally.

Targets and outcomes 2023

In 2023, Preem reviewed its agreements to strengthen governance through the code of conduct. A decision was made to initially include it in three contract types within indirect purchasing.

A new purchasing system was introduced in 2023 with better opportunities to follow up supplier risks.

A first report according to the Norwegian Transparency Act was made for 2022 and published in 2023.

Analysis prior to implementation of the Corporate Sustainability Due Diligence directive (CSDDD) began during the year.

In 2023, 99 percent of Preem's crude oil purchases came from crude oil suppliers that have approved Preem's code of conduct or have been able to demonstrate their own, equivalent one. This is an improvement compared to previous years, which has been made possible through active efforts to consolidate purchases from fewer and more transparent suppliers. In this way, sustainability risks can be reduced and synergies made possible in other areas. Resources have not been sufficient to evaluate sustainability performance in 2023 to the desired extent. This means that the goal of sustainability evaluations has not been fully achieved, despite an improvement compared to the previous year.

In 2023, Preem's suppliers of renewable raw material and fuel were evaluated with regard to the environment, human rights and corruption. Only one supplier, whose deliveries account for 0.5% of Preem's total renewable procurement volume, was not evaluated in 2023 due to an error.

In 2023, a third-party audit was carried out at one of Preem's suppliers, where no deficiencies were identified.

All renewable raw materials purchased during 2023 were evaluated based on Preem's sustainability criteria, see the illustration on the previous page.

Environment and social impact in the supply chain	2023	2022	2021
Fossil			
Suppliers that have approved Preem's code of conduct[1] (proportion of volume), %	99	89	95
Suppliers evaluated based on sustainability[2] (proportion of volume), %	96	85	81
Renewables			
Suppliers that have approved Preem's code of conduct[1] (proportion of volume), %	100	100	100
Suppliers evaluated based on sustainability[2] (proportion of volume), %	100	100	100
Proportion of renewable raw materials evaluated by Preem based on sustainability, %	100	100	100

1) Suppliers that have approved Preem's code of conduct or submitted their own code of conduct that has been approved by Preem.

2) Evaluation based on the sustainability areas of human rights, working conditions, corruption and the environment.

See the Sustainability notes on page 79 for more details.

Looking ahead: planned activities in 2024

Preem will complete the analysis of the CSDDD requirements as well as implement processes for reporting according to CSRD. During 2024, the work will include mapping risks for value chain human rights violations.

Greater transparency of sustainability risks in terms of suppliers and countries in the value chain for crude oil is planned. In addition, site visits and audits of high-risk suppliers and partners for renewable raw materials will be carried out.

During the latter part of 2023, Preem began mapping sustainability risks in the value chain for the food offering in its stores at fuel stations. During 2024, the work will continue with a deeper analysis, setting targets for the coming year and governance in the area.

Focus area: Sustainable offering

Material sustainability topics

- Renewable fuels
- Sustainable assortment

Events in 2023

- Greater opportunities for charging electric vehicles through 52 new charging points for fast charging for light traffic. At the end of the year, 11 fuel stations were equipped with fast chargers.
- The proportion of renewable fuels in total fuel sales decreased from 7 to 6 percent due to lower renewable export sales.
- Through investments at the Gothenburg refinery, the opportunity has been created to produce so called HVO100. This is a renewable product that is not co-processed and can be sold in Sweden as well as to various European countries.

Future offering

Preem is determined to be part of the fuel market of the future. A prerequisite is that Preem can provide sustainable energy in various forms as well as other offerings that meet customer needs. Different types of fuels have particular sustainability challenges and Preem's long experience with liquid fuels facilitates the transition to renewables.

Preem's business has a broad customer base that ranges from large global energy companies to consumers that buy something to eat at a fuel station. This means that a number of different sustainability risks related to the company's offering need to be managed. Liquid fuels must be safe for both the environment and people, while consideration must be given to production conditions in other countries and threats to biodiversity where the raw materials are produced. Read more about sustainability risks in the supply chain on page 43.

Even Preem's offering in station stores involves sustainability-related risks, such as that the sale of products like cigarettes and sweets that can negatively affect people's health. In the value chain for the food that Preem offers in its station stores, risks related to food waste, the potential impact of raw materials on climate and biodiversity, and animal husbandry need to be managed. Services such as car washing can involve risks related to water supply and exposure to hazardous chemicals.

Sustainability management of Preem's offering largely takes place through its work with value chains. Read more about this work on page 43.

A legislation and rule-driven market for renewable fuels

The EU's Renewable Energy Directive (RED) and its implementation in national legislation governs the market for liquid renewable fuels in Europe. The directive requires that actors can demonstrate that they have a control system that ensures the requirements for raw materials, traceability, carbon dioxide reduction, storage and administration are met. Preem's control system is part of its management system, certified according to ISCC[1)], and is audited annually by both internal and external parties.

In Sweden, legal compliance is demonstrated through a sustainability decision from the Swedish Energy Agency, which shows that Preem's renewable products and operations meet the requirements. This means that the products may be used to meet the requirements for lower carbon dioxide emissions, which is regulated through the reduction mandate. Alternatively, it may be sold with tax exemption as high blend products, i.e. fuel with a high proportion of renewable content.

In Sweden, there are two parallel systems to promote the use of renewable fuels: the reduction mandate and tax relief for products with a high proportion of renewable content. The tax relief for high blend fuels requires an EU-approved exemption from state aid rules which has been approved until 2026. The reduction mandate was discussed in 2023 and from 2024 the levels will be greatly reduced in Sweden. As part of responding to this at the end of 2023, Preem began manufacturing HVO100, which is a renewable diesel that may be sold at a reduced tax rate on the Swedish market, as well as to countries that do not approve the co-processing of renewable fuels together with fossil raw materials.

The EU's increased demand for reduced emissions through renewable fuel will lead to increased demand in Europe, not only in road traffic, but also in maritime transport and aviation. In combination with reduced demand in Sweden as a result of the lowered reduction mandate, this has the effect that Preem will be focusing more on the European market and other types of fuel.

In 2023, Preem resumed its Product Council. This is a cross-functional forum with the aim of analyzing and priori-

1) The International Sustainability and Carbon Certification (ISCC-EU) is a voluntary certification system that demonstrates compliance with the EU's Renewable Energy Directive.

Focus area: Sustainable offering

tizing potential offerings, where aspects such as the sustainability of the offering are analyzed and controlled. In addition, the management of Preem's sustainable offering is affected by the work carried out within the framework of Preem's value chains and suppliers. Read more on page 43.

Long-term targets

Preem's long-term goal is to produce five million cubic meters of renewable liquid fuel per year by 2035, with a potential annual production of 2.5 million cubic meters already at the beginning of 2027. This will involve decreasing the amount of fossil production and increasing the amount of renewable fuels offered. Preem's ICR project means that sustainable aviation fuel will also be offered in the future. A large proportion of the renewable production will from 2024 be exported, unlike previously when the majority of Preem's renewable production was sold on the Swedish market. This is due to the greatly reduced reduction mandate from 2024 in Sweden together with stricter climate targets within EU.

Read more about the challenge of changing regulations on page 21.

From liquid fuel to electricity

Although parts of the transport sector are likely to be difficult to electrify, electrification will play an important role in reducing sustainability risks in the sector.

The energy station of the future can be expected to provide a mobility hub that offers many sustainable energy solutions for both cars and people. In Sweden today, there are a total of around 32,000 charging points and over half a million chargeable cars.[1)] Preem has been offering electric car charging at selected stations for several years. There are charging points at about 30 fuel stations and new charging point installations will be added at a rapid pace.

Within the framework of the agreement with Recharge, Preem's ambition is to annually establish charging points for light traffic at an additional 15–25 stations. In 2024, together with Recharge, Preem will also establish charging points at two fuel stations for commercial road transport. Additionally, from 2025 Preem plans to install charging points at fuel stations under its own brand, with an ambition of around 10–20 stations per year from 2026, followed by an increased pace.

Sustainable offering at fuel stations

To reduce the sustainability risks in Preem's station stores, Preem prioritizes organic and/or Swedish produce where possible. A plant-based protein is always offered and the assortment will be continuously developed.

Reducing food waste is a work in progress. When selecting a new assortment in stores, it is important not to have ingredients with too short dates and to offer the stores several frozen options.

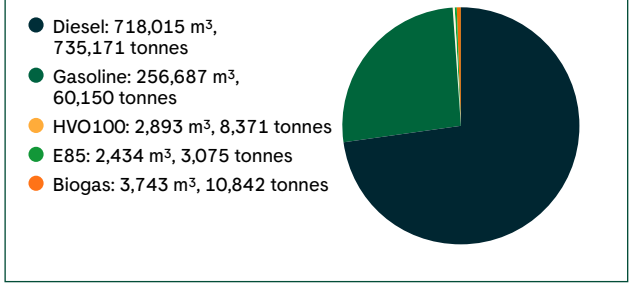
To reduce the risks within Preem's car wash services, oil separators are used.

1) Read more in Teknikens Värld, https://teknikensvarld.expressen.se/nyheter/bil-och-trafik/elbil-laddhybrid/kraftig-okning-av-laddstolpar-men-fortfarande-for-fa/

Focus area: Sustainable offering

Renewable fuels sold at Preem's fuel stations 2023

Volume/Saved tonne emissions of CO_2e through renewable fuel compared to fossil alternatives.



Sustainability – the way to success in Norway

Preem's renewable fuels and sustainability ambitions have been fundamental for Preem to establish itself as one of the major players in the Norwegian market in just a few years. The Norwegian mandate for road traffic has many similarities with the Swedish reduction mandate in terms of requirements on fuel suppliers. The mandate was expanded in 2023 through a higher requirement for a minimum proportion of advanced renewable fuels. A new mandate was also introduced and a separate renewable blending requirement was established for non-road vehicle fuel and for marine fuel. For 2023, Preem's turnover of renewable fuels was almost exclusively from what is defined in Norway as advanced fuels.

Targets and progress 2023

In 2023, 2.3 percent of Preem's production was renewable. This is a small increase compared to the previous year. In 2023, Preem started to blend small quantities of renewables in more production units than previously, but the total volume was negatively affected by the fact that the refinery in Gothenburg was shutdown for maintenance during the fall.

In line with the goal of fulfilling the reduction mandate, the proportion of renewable fuels in sales in Sweden remains at 14 percent in 2023. However, the proportion of renewables in Preem's total sales decreased slightly, to 6 percent. The climate benefit, i.e. the carbon dioxide savings offered to Preem's customers through the use of renewable fuels compared to the use of fossil fuels, amounted to 2.7 million tonnes.

At the end of 2023, Preem started producing a renewable-diesel, HVO100, which meets the requirements to be sold with tax relief in Sweden.

	2023	2022	2021
Production of fossil fuels, 000m³	16,523	16,788[3]	17,243
Renewable fuels			
Production of renewable fuels, 000m³	381	341	341
Proportion of produced volume renewable fuels, %	2.25	1.99[3]	1.94
Proportion of renewable fuel sold in Sweden, %	14	14	20
Proportion of renewable fuel in total sales, %	6	7	6
Number of installed charging infrastructure (number of fuel stations)[2]	9	2	-
Number of installed charging points (number of charging points)[2]	52	8	-
Climate benefit through the use of sold renewable fuels			
CO_2e-savings compared to fossil fuels alternatives (WTW), ktonne	2,707	3,116	2,664
CO_2e-savings compared to fossil fuels alternatives (WTW), %	89	88	88
Sustainable assortment			
Proportion of sustainable of items sold, %[1]	5	6	9

1) Proportion of sustainable items sold based on the previous year's management and targets, new management and goals will be developed in 2024.
2) The charging points are only built in collaboration with the company Recharge.
3) The figures for 2022 have been updated due to a previous calculation error, which slightly underestimated total fossil production.

See the Sustainability notes on page 79 for more details.

Looking ahead: planned activities 2024

Preem's target is to establish charging points at 15 to 25 fuel stations in collaboration with Recharge during 2024. Preem will also continue to invest in its own production of HVO, which is a Swedish-made renewable diesel with low-climate impact.

Preem plans to develop and expand certifications for renewable fuels that are required in addition to ISCC for new markets, as well as to expand the export of renewable fuels with the reduced reduction mandate in Sweden.

In the latter part of 2023, a sustainability mapping of Preem's food assortment in the stores at fuel stations began. During 2024, the work will continue with a deeper analysis and the setting of clearer goals and management of the food assortment.

From fuel station to energy station

Preem aims to become climate neutral by 2035, and this requires sustainablity management throughout the entire value chain. At Preem's fuel stations there is a lot to do, from switching the fuels sold to renewable alternatives, to reducing sustainability risks in the food and drink assortment in stores.

Preem's vision is a future energy station where both vehicles and people can be energized in a more sustainable way. By giving customers more options, the energy station of the future can enable a more sustainable journey for everyone.

Energy-efficient fuel stations

- No oil heating in Preem-owned stores in fuel stations.
- Replacement of lighting in signage, shops and outdoor areas with 60 percent more energy efficient LED lighting. 60 such projects are planned in 2024.
- Replacement of central cooling for chilled and freezer rooms with an energy efficiency improvement of 40 percent per switch. 50 such replacements are planned in 2024.
- New agreements with franchisees to demand renewable electricity.
- All Preem's own fuel stations have fossil free electricity.

Transport with HVO100

By the second half of 2024 at the latest, all Preem's Swedish road fuel distribution to stations and commercial customers must be made with HVO100 fuel. This will save 3,800 tonnes of CO_2e annually.

Safe places

The energy station must be well-lit and safe. A pilot station with a new-look electric charging point is being rolled out during 2024.

Electric charging

Expansion of electric charging for light traffic with 15 to 25 new fuel stations equipped annually, with the establishment of charging stations for heavy duty trucks from 2024.

Car wash

The goal is for 80 percent of the water in Preem's car washes to be recycled to reduce resource use.

Free menstrual protection

Red Locker has been offered for free at all staffed Preem fuel stations.

HVO100

The number of fuel stations that offer HVO100 increases.

Recycling

Work is being done to review opportunities to add more waste sorting.

Food

Sustainability mapping of the food assortment with clear objectives and management.

Focus area: People and safety

Material sustainability topics

- Employee well-being and development
- Health and safety
- Chemical management

Events in 2023

- Activities to strengthen the safety culture were implemented throughout the organization. Training for employees, managers and entrepreneurs with the aim of increasing safety awareness.
- Implemented a training initiative in self-leadership for all Preem employees.
- Activities to strengthen employee engagement.
- Employer branding efforts and campaigns with the aim of strengthening Preem's employer brand.
- New system for mapping and analyzing gender pay gaps to increase equality.

Focus area: People and safety

Engagement, competence, safety and the well-being of colleagues build Preem's success

Preem strives to be a workplace that is safe, inclusive and open, where all employees can develop and thrive. Employee safety is Preem's highest priority. Engagement, diversity, continuous learning and internal mobility are fundamental elements of the business, where common values guide the actions.

Every day, approximately 1,500 employees, in around 200 different job roles, work to drive Preem's business forward. Preem's employees are the company's most important asset, and their engagement is directly linked to the company's productivity and profitability. One of Preem's highest priorities is to ensure that employees work in a safe, healthy and inspiring work environment, where the risk of work-related accidents and injuries is minimized. Preem has a zero vision when it comes to such incidents and constantly works to improve safety procedures and raise awareness of work environment topics.

Preem's goal is to be perceived as an attractive employer, since a strong employer brand is essential to both retaining existing and attracting future employees. Attracting and developing the right competencies is one of Preem's biggest challenges related to the company's transition, read more on page 20. Preem therefore puts a lot of focus on strategic workforce-planning as well as on building a good understanding of factors driving employee engagement.

Length of employment 2023
Employees

Age distribution 2023
Employees

Focus area: People and safety

Employee well-being and development

Employee engagement is a key success factor

Preem continuously evaluates the levels of employee engagement, which is followed up regularly by managers and Group management. Despite high engagement within the company, the eNPS (employee Net Promoter Score) levels have declined in some parts of the organization over the past three years. This poses a potential risk to Preem's long-term stability and ability to attract and retain competent staff. Preem takes this development very seriously and has, among other things, strengthened the communication on Preems result, goals and transition plans to increase employee engagement.

Actions in 2023 aimed to increase awareness of and pride in Preem's purpose, operations and transition plans. This included quarterly staff meetings, information through internal communication channels, in-depth articles and film reports on the Intranet. Self-leadership is critical to increasing employee engagement, improving competitiveness and promoting change. Preem therefore carried out a learning journey in self-leadership for all employees in 2023 to promote individual development and collaboration between colleagues. The goal is for all employees, who were employed when the training was released, to have completed the training by the first quarter of 2024 at the latest.

Good organizational and social work environment

The results from Preem's employee surveys show that the investments in good working environments are paying off. Preem's organizational and social work environment index strengthened during the year and is above the external benchmark, according to Preem's supplier of the employee survey. Important components of Preem's continuous work environment actions are frequent conversations between managers and employees, mandatory work environment training for managers and safety rounds. During the year, interactive training was also provided for leaders with a focus on alcohol and substance misuse. Close collaboration with Preem's occupational healthcare facilitates the work of identifying and dealing with signs of ill health at an early stage. Preem also offers all employees health examinations with a focus on work environment and lifestyle-related health problems.

Leadership that supports change

Compliance with Preem's leadership profile is continuously evaluated. The results are followed up both on a Group level and in all teams. The compliance with Preem´s leadership profile is continuously evaluated through the employee survey. The result is presented in a leadership index which is included in Preem´s scorecard and also followed up in each team. In order to strengthen Preem's managers in their leadership role, various training initiatives are carried out. Besides the already existing training programme for new leaders, a leadership programme adressing experienced leaders was launched during the year. In addition to this, digital and physical lectures, so called "leadership boosts" were held, focusing on various aspects of the leadership profile such as how to increase self-leadership and initiatives within the organisation.

Diversity and inclusion strengthen the power of innovation

Increased diversity and inclusion is important for innovation, performance and profitability. Inclusion is one of Preem's values and for several years the company has had a strategic and long-term goal of achieving a more even gender distribution in all parts of the business. Unfortunately, these equality targets were not reached for 2023, but there was some improvement in management positions and blue-collar employees compared to the previous year. However, there was a negative trend for white-collar employees as the proportion of men increased in relation to the proportion of women. Since the gender balance can mainly be addressed by recruitment, the strategic goal is broken down into a recruitment goal that is followed up and reported to managers after a recruitment has been completed. In order to increase the amount of female applicants Preem has during 2023 entered into a framework agreement with a recruitment company profiled for this target group. In 2024, a cooperation will also be initiated with Female Engineering Network, a network adressing and focusing on female engineers.

Employee well-being and development[1]	2023	2022	2021
Engagement Index (EI)[2]	82	81	79
Organizational and Social Work Environment Index (OSI)[3]	79	78	78
Sick leave, %	3	4	3
Net Promoter Score (eNPS)	6	3	2
Number of new hires, number	175	145	39
Staff turnover, %	7	10	9
Gender balance (men/women), %			
Board	100/0	100/0	100/0
Management team	71/29	71/29	71/29
Management positions (all)	71/29	73/27	71/29
White collar	64/36	63/37	64/36
Blue collar	88/12	90/10	90/10

1) Preem's strategy is to have partner-operated fuel stations. During a transition period, however, stations are sometimes operated under Preem's own brand, before a partner is appointed that can take over. Such fuel stations are run through Preem's wholly owned subsidiaries Drivmedelsstation AB and Bensinstation AB. These two companies currently have a total of 125 employees, but since it is only temporary, as an interim solution, sustainability data about employees is not collected or monitored in the same way as described in the report. For this reason, Drivmedelsstation AB and Bensinstation AB are excluded from this reporting.

2) The EI shows the commitment of Preem's employees based on the dimensions of energy and clarity.

3) OSI measures the social and organizational work environment in order to pick up signals at an early stage that can lead to ill health and to follow up the effect of measures taken.

See the sustainability notes on page 80 for more details.

Health and safety has the highest priority

In 2023, a further breakdown of the gender equality targets was made and they are now followed up at the Business Area and Group Function level, which gives further focus to the issue.

Preem's annual salary mapping aims to detect and remedy gender-related pay gaps. The work with salary mapping is carried out in collaboration with trade unions. During the year, the working method was further developed and a new system was implemented with the aim of generating more accurate analyses.

Competence development and education for the future

Preem's employees have a wide range of skills and experience. Going forward, the transition will place further demands on competence development and to some extent also competence shifts. Read more about the "Competence challenge" on page 20.

Through company-wide processes, Preem regularly reviews which strategic competencies and resources will be required for the future, and develops plans to ensure these. On an individual level so called "one to one conversations" are regulary held between the employees and their closest manager. Development meetings are also held where the employee´s need for competence development in both the short and long term is discussed and documented in a development plan. In addition to this Preem offers a wide range of physical and digital trainings related to areas and competencies that are important to develop and maintain.

Safety always comes first

Preem has a zero vision that forms the foundation of its work with health and safety. The zero vision means that no one should be injured or fall ill as a result of their work, and that no incidents that cause harm to people, the environment or property should occur. Preem's zero vision applies to all aspects of the business and includes suppliers and consultants that work under the Preem brand. Putting safety first is a given, considering the operations involve handling large quantities of flammable raw materials and products that may be heated and under high pressure. To prevent work-related accidents, Preem works systematically to identify safety risks and take measures to minimize risk. At the refineries, depots and during transport there is risk of explosions, fires and spills. When working with chemicals, there is a risk that they will cause harm if handled in the wrong way. All chemicals used at Preem undergo a review process where the properties of the product are assessed from an environmental and health perspective and where the handling of the product is assessed for risk. Within the business, there are also employees and contractors who work at great heights, with heavy lifting or advanced tools.

Preem's working methods at refineries are certified according to the ISO 45001 occupational health and safety standard. The overall targets to achieve the zero vision are to continuously reduce the number of lost-time accidents and process safety deviations.

A strong safety culture is an important step toward an injury-free working environment

For systematic and responsible safety work, it is of great importance that Preem's employees and contractors have a high risk awareness and always prioritize safety. Preem works continuously to strengthen the safety culture through training, communication and practical support in areas where improvements are needed.

A concrete example is the creation of films that clearly communicate the greatest risks during audit shutdowns and emphasize the importance of strong cooperation to avoid accidents.

Focus area: People and safety

The safety culture is reinforced through annual safety days that cover the entire company. During the 2023 safety days, the focus was on the individual's self-leadership and team safety. All managers held safety discussions within their teams to identify necessary improvements that could strengthen the safety culture. Key improvements that emerged from the dialogues were discussed in safety meetings with Preem's top management and integrated into the continuous work to promote a strong safety culture.

Preem also actively collaborates with large contractors to strengthen their work in ensuring a safe and healthy working environment.

Strict requirements on suppliers

Preem has a strict code of conduct that covers safety and working environments that applies to both employees and partners, including contractors and suppliers such as logistics companies. These partners must also comply with laws and safety requirements for their vehicles and vessels. To ensure safe facilities, Preem requires both its own employees and contractors to undergo documented and tailored safety training before they are allowed site access. In 2023, Preem also implemented a new and improved safety system at its depots.

The reporting of deviations, including incidents that affect people, facilities or the environment, is central to Preem's safety culture. Particularly during large projects and audit shutdowns, the collaboration between contractors and Preem's specialists for health, safety and environment is intensified. Targets are set and followed up to reduce accidents and process incidents during these periods.

Targets and progress 2023

Preem's zero vision for health and safety, with the goal of avoiding injuries and accidents affecting people, the environment and property, was not reached in 2023. To follow up personal injuries, Preem uses key figures, including lost-time accidents (LWIF). The target for 2023 was a maximum of 1.0 lost-time accidents per million hours worked. The result was 1.4, which was an improvement from the previous year, but the target was still not achieved. All personal injuries have been investigated, and measures have been developed to prevent the recurrence of similar accidents. The total number of lost-time accidents, accidents that led to limited work ability and accidents that required medical treatment (All Injury Frequency – AIF) were also exceeded. The target regarding AIF was a maximum of 2.8 per million working hours, but the outcome was 4.4.

In order to improve plant safety, Preem monitors the Process Safety Event Rate (PSER), which measures the frequency of fires, explosions and uncontrolled discharges. The target for 2023 was a maximum of 1.0 per million working hours, and the outcome was 0.7 regarding PSER. Preem managed to achieve the goal of lost-time accidents during the audit shutdown, where no serious personal injury occurred that led to absence from work. The results of Preem's employee survey confirmed that the company's investments in good working environments are yielding positive results, and its organizational and social work environment index improved compared to 2022.

Health and Safety	2023	2022	2021
Lost Workday Injury Frequency (LWIF)[1], per million hours worked	1.4	1.8	1.1
All injury Frequency (AIF)[2], per million hours worked	4.4	5.6	3.0
Process Safety Event Rate (PSER)[3]			
Tier 1 and 2, per million hours worked	0.7	1.6	2.1

1) LWIF shows the frequency of lost-time accidents per million hours worked (LWI = accidents resulting in absence from work for at least one work shift).
2) AIF shows the frequency of serious incidents per million hours worked (AI = absenteeism incidents, which are accidents that led to limited work ability and accidents that required medical treatment).
3) PSER frequency of plant safety incidents per million hours worked (PSE = events categorized as tier 1 or tier 2 according to API754).

See the sustainability notes on page 80 for more details.

Looking ahead: planned activities 2024

Preem will continue to strengthen leadership and self-leadership in the organization. The focus will also be on maintaining high employee engagement and strengthening Preem's attractiveness as an employer, both internally and externally. This is to be done through a continued focus on leadership and competence development, employer branding initiatives and commitment-raising and knowledge-building communication through various channels. Further initiatives in 2024 will include developing the employee survey and introducing so-called "stay conversations" as a supplement to EXIT interviews, in order to gain a greater understanding of what makes Preem's employees feel comfortable and want to stay with the company. The plan also includes a review of Preem's diversity and inclusion strategy in order to ensure that strategy, goals and action plans drive the work to strengthen diversity within Preem.

In 2024, mapping of work processes within work environment and plant safety at Preem is planned. The process mapping will link parts of the management systems and provide an educational tool to use for communication, training and the planning of continued safety strengthening activities.

In the coming year, further work will continue to strengthen both Preem's own and the contractors' safety culture and safety awareness.

Focus area: Responsible business

Material Sustainability topics

- Business ethics, anti-corruption and preventive training
- Energy security in local markets
- Product responsibility
- Local communities
- Communication and impact on society

Events in 2023

- E-learning on anti-corruption "Bribery or permitted gift" and GDPR, were further strengthened through workshops.
- Energy security in Sweden and Norway in the wake of Russia's invasion of Ukraine was maintained.
- Additional information on the updated whistleblower system was made available to both internal and external stakeholders, and the process for monitoring statistics and management was strengthened.
- Intensive societal engagement to promote continued high levels of ambition regarding the reduction mandate in Sweden.

Focus area: Responsible business

Preem's role and responsibilities in society

As Sweden's largest fuel producer, Preem is an important societal actor. With domestic fuel production, Preem is essential for both energy security and the transformation of the transport sector, which requires efficient operations. Good relations with all levels of society are essential. Preem also contributes through high ambitions on climate change, good business ethics and transparency.

Preem is a societal actor with a multifaceted social responsibility. Fundamental to Preem's social responsibility is to act responsibly throughout the value chain and conduct business according to sound business principles and in accordance with applicable legislation, regulations and international standards.

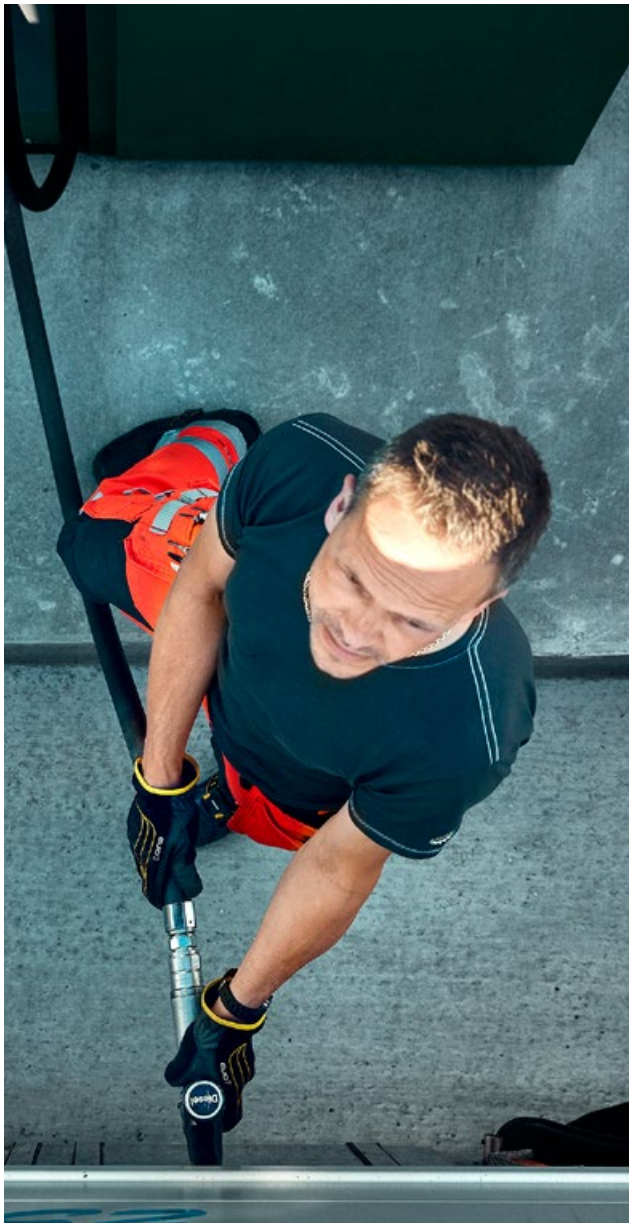
Preem's refineries account for 80 percent of the domestic refining capacity in Sweden, which makes Preem's products crucial for transport in Sweden to function – both in everyday life and in times of crisis. At the same time, the value chain gives rise to large emissions of greenhouse gases. Preem therefore has a responsibility to transition its operations, and reduce emissions in line with global climate targets.

A lack of social responsibility risks eroding trust in Preem and the strategic transition that is underway. Weakened trust can hurt important relationships with politicians and the authorities, which are essential for the ongoing company's operations and their future development. A lack of trust in Preem also risks making it more difficult to attract new talent or retain existing employees, to attract investments and partnerships, and to secure environmental permits. Financial performance and sales can also be negatively affected.

Preem acts by investing in renewable fuel production based on renewable raw materials. This can make an important contribution to securing Sweden's sustainable economic growth and strengthening the country's fuel self-sufficiency.

Preem's role in energy self-sufficiency and security

Many important societal functions are dependent on a well-functioning production and distribution of fuel. This applies to everything from public transport to goods transport and the emergency services. In the event of a crisis, Preem's social mission is put to the test. Through Preem's domestic production facilities, energy security in Sweden and Norway is secured through the crucial supply of fuels for reserve power.



Business ethics and transparency

Preem carries out extensive work to ensure ethical behavior throughout the business and throughout the value chain. Preem's work with business ethics and transparency includes anti-corruption, fair competition, avoidance of conflicts of interest and whistle-blowing. In cases where business ethics violations occur, despite the code of conduct, policies, guidelines, controls and preventive training, it is Preem's responsibility to ensure that robust processes are in place to be able to quickly detect this and take relevant measures. The overall ambition with business ethics is also reflected in Preem's long-term vision of having zero serious incidents related to ethics and product liability.

The foundations of business ethics

Preem's business ethics policy and code of conduct form the basis of the proactive work to ensure ethical business relationships. The business ethics policy includes business principles that are compatible with good business ethics such as fair competition, correct marketing and avoidance of conflicts of interest. The code of conduct makes it clear that Preem opposes all forms of corruption, bribery, fraud and anti-competitive measures that are contrary to competition legislation. All employees must commit to perform their work in accordance with the code of conduct and other applicable guidelines upon employment with the company. Business partners are also expected to follow Preem's code of conduct and more information about follow-up at the supplier level can be found on page 43.

Anti-corruption work and preventive training

When purchasing raw materials and fuel products, Preem carries out sustainability risk assessments. These assess the inherent risk of corruption in the process of producing the raw material, the level of risk in the country of origin, as well as the suppliers' risks and history related to ethics, read more on page 43. To ensure that Preem is a responsible actor, that risks are identified and managed, it is essential that employees have knowledge of current legislation and regulations. The basis for preventive management regarding business ethics is therefore mandatory training of employees in current legislation with regular follow-ups. All employees must also have good knowledge of the policies and guidelines that apply in the various areas.

In terms of anti-corruption, the personnel categories exposed to corruption risks undergo a mandatory e-training "Bribery or permitted gift" at least every two years. This e-training was also reinforced during the year with physical workshops on the subject with a focus on the management teams in the Group Functions. This was done to further strengthen knowledge on anti-corruption, and for employees to have the opportunity to discuss, reflect and exemplify to a larger extent.

During the year, enhanced GDPR training was also developed for all data controllers at the company, who must assist the data protection officer. In addition to this, Preem has e-training courses in competition law, security protection, GDPR and information security, which in many cases are mandatory for all Preem employees. Furthermore, ongoing training in marketing law is carried out for employees who are responsible for marketing and communication.

Whistleblower system to identify suspected violations

Through the whistleblower system, Preem's employees can securely and anonymously report suspected violations of laws as well as of the company's internal rules, the code of conduct and the business ethics policy. The system is administered by an external party and the ultimate recipient is Preem's Audit Committee, which is a committee of the board. The whistleblower system is also available to external stakeholders via Preem's website. In 2023, Preem further strengthened and formalized the follow-up process of whistleblower cases within the audit committee, and ensured that whistleblower systems are available in current wholly-owned subsidiaries in accordance with new legal requirements.

Focus area: Responsible business

Correct, relevant and transparent company information

Preem's ambition is that all company information must be correct, relevant and transparent. For many years, the company has worked according to an internal governance and control framework for financial reporting and the protection of assets. Preem's processes include internal controls that are improved annually and reduce the risk of errors and irregularities. Audits of the internal control are carried out every year and are reported to the board's Audit Committee.

The materiality analysis of sustainability issues is an important tool, not only to ensure that Preem's goals and strategies deal with the company's most material sustainability topics, but also to ensure the relevant and transparent prioritization of the company's sustainability work. Read more about the materiality analysis on page 23. The Sustainability Management unit constantly works to develop the governance and the reporting of relevant sustainability indicators. Work to implement the EU's Corporate Sustainability Reporting Directive (CSRD) began in 2023 and will be an important focus area in the coming years.

Responsible product marketing

Preem's products are necessary and fulfill important societal functions. At the same time, the products entail risks for those who handle them, and the products also have a negative impact on the environment and people. When Preem sells and markets products, it is important that the negative effects that the products have on the environment and people are not downplayed. All marketing and communication should accurately reflect the risks associated with the products Preem sells. To ensure the correctness of Preem's marketing, the company conducts thorough checks and reviews of messages and concepts before launching them.

Local dialogue and collaboration

Today, Preem employs approximately 1,500 people and significantly more indirectly. This makes Preem a significant employer locally in Bohuslän. In the municipality of Lysekil, the company is the largest private employer. Preem's dialogue with society is important, and the company regularly invites stakeholders to consultations in the local area and maintains a close collaboration with municipalities, authorities, civil society and other companies.

Preem is also active locally through sponsorship and supports events in sports, culture, sustainability and research. Since 2007, Preem has collaborated with Chalmers University of Technology in Gothenburg to strengthen knowledge and research around renewable fuels.

Openness and accessibility are two key words in Preem's social commitment. Being visible and accessible to the public and to media, increases the transparency of Preem's operations. Preem also actively participates in the public debate by maintaining an ongoing dialogue with politicians, authorities, interest groups, and industry organizations, particularly in the areas of environment and climate. Moreover, Preem engages in societal impact together with others. Examples of organizations where Preem is active as a member are Drivkraft Sverige, IKEM, Hagainitiativet, Svebio, Svensk sjöfart and Power Circle.

Preem's role in the debate on the reduction mandate

Preem has always been an active proponent of an ambitious reduction mandate. In recent years, Preem has argued openly in the media, and in dialogue with politicians, for continued high levels of ambition within the reduction mandate.

Targets and progress 2023

Preem's long-term vision is to have zero serious incidents in ethics and product liability.

Employee training is a central part of the work to promote sustainable business relationships, and Preem's target is to ensure that relevant employees annually complete anti-corruption training. In 2023, 100 percent of these completed the training, which was a sharp increase from the previous year.

No cases of corruption involving Preem came to the company's attention during the year. Furthermore, Preem received a whistleblower case in 2023, which was investigated according to current guidelines. Read more about targets and outcomes in the supply chain on page 48.

Trust in Preem as a company is important and the company aspires for high level of trust in measurements that show the perception of Preem's brand. The target was to achieve over 21 percent in the Brand Trust Index, which is a measurement made by an external party to measure Preem's trust and credibility as a brand and company. However, this goal was not achieved.

Business ethics	2023	2022	2021
Proportion of relevant employees who have completed the training "Bribery or permitted gift", %	100	85	73
Number of whistleblowing cases received, Preem AB	1	0	-
Brand Trust Index	18.8	19.3	20.2

Looking ahead: planned activities 2024

The demands on business ethics, governance, responsible communication and transparent reporting are increasing. This is driven not least by the EU's clear agenda in the area, such as CSRD and the EU taxonomy for sustainable activities. During 2024, Preem will further develop and adapt new internal working methods and internal controls to guide and follow up the company's work in these areas.

Furthermore, Preem's transition journey requires new skills, resources and raw materials that may not always be available in Sweden, which may expose the company to new sustainability risks in business ethics. For example, China will become an increasingly important country in the near future as a supplier of used cooking oil. It is an important part of Preem's feedstock mix for renewable fuels and is an area that requires extra follow-ups and audits. In light of this, Preem is currently conducting a review of the work with controls regarding, among other things, sanctions, money laundering and anti-corruption. The work will continue in 2024 and aims to strengthen these processes, read more about the work on page 43.

Governance and risk management

Preem's Corporate governance

The governance within Preem aims to ensure a responsible business that is conducted in accordance with external and internal rules and requirements. Governance secures Preem's commitments to owners and investors while helping the company to meet expectations from other stakeholders and to contribute to value creation in the society.

Shareholders and Annual General Meeting

Preem is a private company that is 100 percent owned by Preem Holding AB (publ), which is fully owned by Corral Petroleum Holdings AB (publ). An Annual General Meeting is held every year.

The board

The board consists of six members and four employee representatives (two regular and two deputies), presented on page 67. The board has the overall responsibility for the company's organization and administration. That responsibility includes continuously following up the business, ensuring that guidelines and internal controls are appropriate and complied with. The board establishes goals and strategies and makes decisions on, among other things, major investments.

Audit Committee

The board has established an Audit Committee consisting of two members from the board. The purpose of the Audit Committee is mainly to create a closer contact between the board and the company's auditors. The Audit Committee's primary role is to monitor the company's financial position and the effectiveness of internal control, internal audit and risk management. The Audit Committee works according to the board's instructions.

CEO and group management

Preem's CEO leads the day-to-day management of the company. Together with the Group management, the CEO ensures the direction of the day-to-day operations. They are supported by a company-wide management system that includes management at different levels in the company. Based on the monitoring of global trends, follow-up of stakeholder requirements, target management, risk analysis, results from internal and external audits and deviation management, Group management makes decisions about priorities. Group management's governance takes place through regular management meetings where, among other things, the work with safety and environment is followed up. Governance is mainly implemented in the line organization, but cross-functional forums and committees for specific issues are set up, for example the climate governance forum with the CEO as chairman and where Preem's climate work is driven and targets are followed up.

Preem's Group management is led by the CEO and includes managers for the Business Segments and Group Functions – Supply & Trading, Marketing & Sales, Refining, Economy & Finance, Sustainable Development and Communication & HR.

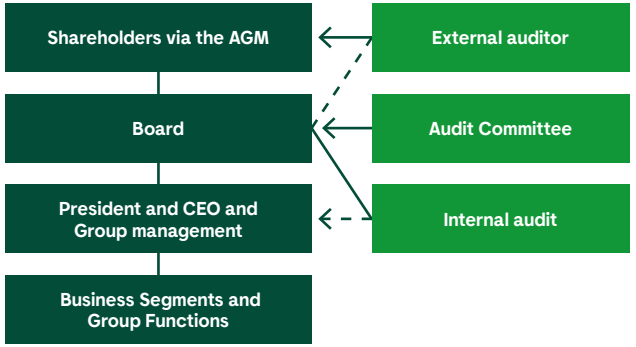
Internal audit for review, quality assurance and consultancy

Internal audit is an internal function that reviews the company on behalf of the Audit Committee, and is an independent quality assurance and advisory function for the company's operational activities. Internal auditing evaluates and aims to improve the company's governance, risk management and control by working closely with the business as an advisor. The internal auditor reports to the CEO.

Internal control over financial reporting

Preem's framework for internal control of financial reporting aims to provide reasonable assurance that Preem's objectives are achieved in terms of reliable financial reporting and compliance with applicable laws and regulations. The board has decided that Preem's framework for internal control of financial reporting should be based on the framework COSO Internal Control over Financial Reporting – Integrated framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission. Within Preem, internal controls over financial reporting are continuously updated. In 2023, a project was carried out with the aim of analyzing Preem's IT General Controls. Work to strengthen and harmonize internal controls over sustainability reporting has also been initiated and will be a focus area in the coming years.

Preem's governance structure



Management system supports the business

The objective of the management system is for Preem to conduct safe, effective and efficient operations. The management system covers the entire operation: all Business Segments and Group Functions, the physical facilities and internal as well as outsourced processes. It supports the entire business operations as well as systematic improvement work and learning. Preem uses a Group-wide deviation management system for reporting and the follow-up of incidents, improvement work and prevention of unwanted events. The management system has a particular focus on safety, environment, quality and energy. It ranges from a strategic level based on the vision, values, strategy and policies, to an operational level with instructions that show how different work steps should be carried out. The management system includes support to ensure that the company meets external and internal requirements. Compliance is verified through internal and external inspections and audits. Employee awareness of the applicability of the management system, for example knowledge of policies and other important governance documents, is strengthened through various information, training and follow-up efforts.

Preem has chosen to certify its management systems according to external standards in several areas. The entire business is certified according to ISO 9001 (quality) and ISO 14001 (environment). The operations at the refineries are also certified in accordance with ISO 45001 (occupational health and safety). In addition, Preem is certified according to ISCC-EU[1)] and ISCC PLUS and has a Swedish Sustainability decision for the management system regarding the handling of renewable fuels.

1) ISCC stands for International Sustainability and Carbon Certification and is a voluntary certification system that demonstrates compliance with the EU's Renewable Energy Directive (ISCC-EU) as well as ISCC's requirements for sustainability and traceability (ISCC PLUS).

Preem's governance model for sustainability

Preem's governance model for sustainability is part of the company's overall management system and follows the same structure. The governance model contributes to more effective sustainability work that reduces risks and ensures governance toward set targets. The governance is adapted for each sustainability topic based on its materiality, which means the degree of impact Preem has on its surroundings through this topic, as well as the impact the topic has or may have on Preem's business.

Decision-making bodies, roles and responsibilities

The direction and targets for material sustainability topics are determined by the CEO and Group management during the annual process of developing the strategy and business plan, which is approved by the board.

The CEO has the main responsibility for the sustainability targets, including the climate targets. Group management has the overall responsibility for the work with Preem's material sustainability topics and for driving the improvement work toward the targets. It also oversees strategic matters and monitors target follow-up and risk management.

The sustainability work within Preem is partly organized centrally with a competence center via the Group Function Sustainable Development, and partly distributed in processes and in the line organization for specialist functions in various areas. To secure ownership of sustainability issues, Preem defines roles and responsibilities within the sustainability work. Responsibility clarifies who is the process owner or is responsible for results, targets and follow-up, who convenes meetings and which decision-making mandate comes with each role.

Preem has cross-functional forums at different levels to manage, develop, follow up and decide on sustainability topics. In order to further enhance climate governance, Preem, with the CEO ultimately responsible, has established a strategic and tactical climate governance forum, which consists of, among others, representatives from Group management with a direct impact on Preem's climate targets. During 2023, the forum met on four occasions and the agenda included forecasting, follow-up and scenario planning on the climate targets as well as identifying the need for additional activities and governance.

Other forums, under the leadership of the Sustainability Management unit, deal with issues of a more tactical and operational nature like, for example:

- Sustainability requirements for raw materials as well as suppliers' adherence to the company's code of conduct.
- Preem's control system for renewable products and production (part of the management system).
- Forums to ensure that Preem is and remains a safe and inclusive workplace where employees develop and thrive.
- Environmental forum to follow up and develop governance regarding environmental work.
- Business ethics forum to follow up that Preem works in a responsible, ethical and transparent manner.

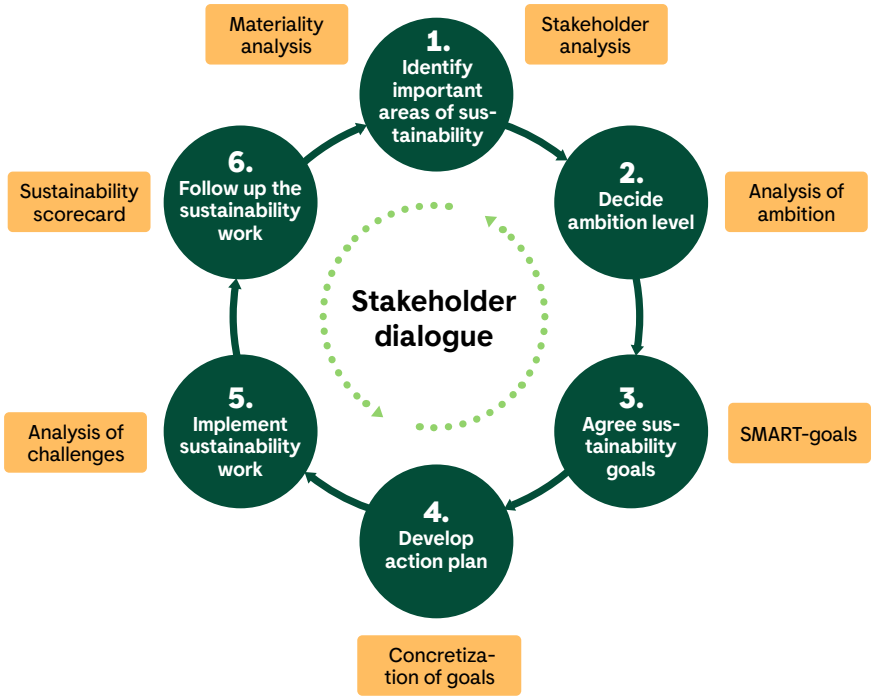
Objectives, follow-up and reporting

Follow-up and reporting of results is an important part of the governance. The development of material sustainability topics is followed up through long and short term performance indicators (KPIs). Preem's board regularly follows up the development of the overall climate targets, as well as the targets related to occupational safety. Sustainability topics that are part of Preem's strategy are followed up by Group management as part of the overall balanced scorecard. Other material sustainability topics are followed up by Group management through a sustainability scorecard.

Preem reports sustainability performance externally in various contexts, for example through the annual Sustainability Report, authority reporting and through the external Haga initiative's climate statement.

Corporate governance

Materiality analysis forms the basis for setting targets



Investment analysis and financing framework

Large investments can have a significant impact on Preem's sustainability targets. Before major investments, a sustainability analysis is carried out to identify potential impacts. The focus of the analysis is primarily on climate, where Preem through scenario analyzes identifies the impact on the climate targets of various investments and changes within, for example, production, while Preem ensures that this does not occur at the expense of other sustainability aspects. The governance model was supplemented during the year by Preem's framework for green finance (for more information visit Preem.com). This includes a more systematic integration of sustainability in the decision-making process for larger investments, which are to be financed via the framework. A green financing committee decides which investments, by meeting the framework's criteria, can be financed through green funds. The green financing committee met on three occasions during the year.

Summary of Preem's Code of Conduct

Environmental responsibility	Social responsibility	Responsible business
• Emissions • Resource use • Production responsibility • New technology • Systematic environmental work • Sustainability criteria for renewable fuels	• Human rights • Working environment • Discrimination and diversity • Working conditions • Forced labor • Freedom of association • Child labor	• Corruption • Bribery • Fraud • Competition

Policies and Standards

Preem has several policies that form part of the management system and guide the sustainability work. These policies are approved by the CEO or group management and include:

- Preem's code of conduct
- Safety, Health and Environmental Policy
- Quality Policy
- Information Security Policy
- Business Ethics Policy
- Alcohol and drug policy

Preem's Code of Conduct

Preem's code of conduct describes the values and ethical guidelines that Preem stands for and that all employees and business partners must follow. In this way, the code contributes to ethical business and sustainable development for employees, customers, suppliers and partners – and to a sustainable society.

The code of conduct is based on Preem's values (responsibility, innovation and inclusion), internal policies, Global Compact principles, the UN Declaration on Human Rights, the UN Convention on the Rights of the Child, the UN Convention on Indigenous Peoples, the OECD's guidelines for companies and the ILO's eight basic conventions and other conventions on work environment and chemical products.

Board

Jason T. Milazzo
Chairman of the Board

BORN: 1962
NATIONALITY: British
ELECTED: 2009
WORK EXPERIENCE: Senior positions within Morgan Stanley, Investment Banking Division.
CURRENT BOARD ASSIGNMENTS:
Chairman of Preem Holding AB.

Magnus Heimburg
Board member

BORN: 1967
NATIONALITY: Swedish
ELECTED: 2020
President and CEO of Preem AB.

Michael G:son Löw
Board member, Chair of Audit Committee

BORN: 1951
NATIONALITY: Swedish
ELECTED: 2003
WORK EXPERIENCE: President and CEO of Preem 2003-2012, 26 years of leading positions in Conoco Inc/Conoco Phillips.
CURRENT BOARD ASSIGNMENTS: Board member of Stena Bulk AB, Chairman Fightcotwo AB, Vice Chairman the Swedish Energy and Economic Association, fellow member of the Royal Academy of Engineering Sciences.

Laura Leinikka
Employee representative

BORN: 1986
NATIONALITY: Swedish
ELECTED: 2021
ROLL WITHIN PREEM:
Sales – back office at the headquarters in Stockholm.
EMPLOYED SINCE: 2017

Cristian Mattsson
Employee representative

BORN: 1968
NATIONALITY: Swedish
ELECTED: 2003
ROLL WITHIN PREEM: Production technician at Preem Refinery Lysekil.
EMPLOYED SINCE: 1988

Petter Holland
Board member

BORN: 1956
NATIONALITY: Norwegian
ELECTED: 2014
WORK EXPERIENCE: CEO and President for Preem between 2012–2020. 27 years in various positions at ExxonMobil.
CURRENT BOARD ASSIGNMENTS: Preem Holding AB, Corral Petroleum Holdings AB and Svenska Petroleum Exploration AB.

Lennart Sundén
Board member

BORN: 1952
NATIONALITY: Swedish
ELECTED: 2005
WORK EXPERIENCE: President and CEO of Sanitec Corporation, President and CEO of Swedish Match AB as well as a number of different positions within Electrolux.
CURRENT BOARD ASSIGNMENTS: Board member of Setra Group AB and Mellanskog.

Richard Öhman
Board member, Member of Audit Committee

BORN: 1951
NATIONALITY: Swedish
ELECTED: 1994
WORK EXPERIENCE: President and CEO of Corral Petroleum Holdings, CEO and President of Midroc Scandinavia, responsible for management and business development at ABV Rock Group KB, based in Riyadh, International project financing at ABV AB/ NCC AB in Stockholm.

Eva Lind Grennfelt
Employee representative and deputy

BORN: 1973
NATIONALITY: Swedish
ELECTED: 2008
ROLL WITHIN PREEM: Development Engineer at Preem Refinery Gothenburg.
EMPLOYED SINCE: 2003

Robert Techel
Employee representative and deputy

BORN: 1982
NATIONALITY: Swedish
ELECTED: 2021
ROLL WITHIN PREEM: Production technician at Preem Refinery Gothenburg.
EMPLOYED SINCE: 2014

Preem's risk management

Preem works with a systematic and proactive model for risk management where risks are identified, quantified, managed and followed up according to a common method framework and principles. Risk management takes place on an ongoing basis at all levels in the company and forms an important part of Preem's governance.

Successful risk management creates competitive advantages, resource optimization and new business opportunities. Understanding and managing risks in a structured and proactive way builds trust with customers, suppliers, employees, owners and in the communities where Preem operates. The understanding of the significance of risks and whether they can be tolerated or whether they require mitigating actions is important in the company's decision-making. Risk management is therefore integrated into critical business activities, functions and processes. This is done on an ongoing basis at all levels in the company and forms an important part of Preem's governance. Risk management in operational activities includes Preem's continuous improvement work through internal audits and rounds, as well as the investigation and documentation of deviations and improvement proposals. Assessments of risks are also included in Preem's work with health and safety and the environment. Identified risks also form a core part of the analysis of Preem's material sustainability topics.

Preem's model for systematic risk management

Preem is a highly regulated fuel company, which places high demands on how risks are identified and managed in the business in various respects. Systematic and proactive Group-wide risk management supports the company's decision-making based on an appropriate balance between cost and benefit, and supports prioritization of resources between different risks. Preem's risk management ensures:

- that preventive work takes place with the aim of preventing risks from materializing
- that an action plan and preparedness are in place to minimize negative consequences if risks materialize
- that well-founded business decisions can be made
- that strategic goals are achieved.

Management Team workshops

As part of Preems Enterprise Risk Management process (ERM), annual workshops are carried out with the Management Teams for all Business Segments and Group Functions as well as for Preem's Group management. Their purpose is to identify and quantify risks and incidents that potentially threaten the fulfillment of Preems business objectives or the strategic direction of the company. Risks and threats are identified, the likelihood of them occurring is assessed and the underlying causes are documented. The potential consequences of the risks for health and safety, the environment, revenue and costs on the brand are then quantified. The risks are analyzed and updated before action is taken in connection with strategy and business planning. Risk management is also a starting point for identifying new business opportunities that may arise depending on how the risks are managed.

Identification of actions

Related to the risk analyses, measures are identified to lower the probability that a risk will materialize and to reduce the negative consequences if it does. Major risks are followed up on two occasions each year and reported to the board through the Audit Committee. To avoid risks being overlooked, each risk has a designated responsible person who is either in the line organization or in Group management, depending on how strategic the risk is. The Management Teams for Preem's Business Segments and Group Functions receive continuous reporting on risk status, incidents and the effectiveness of existing barriers and controls. Group management makes decisions regarding strategic risks, the division of responsibilities and schedules. Risk reduction measures, which are of a more tactical and operational nature, are managed in the line organization.

Preems model for risk management

1. **Identify risks** through risk workshops, internal/external information and audits.
2. **Quantify** likelihood and consequences.
3. **Respond.** Develop damage prevention and mitigation measures.
4. **Follow up and monitor** the effectiveness of risk controls.
5. **Report** risk status and trends regularly.

For further information on significant risks and opportunities and Preem's management and control of these, see section:

- External trends: page 11
- Governance and risk management: page 63
- UN SDGs: page 73
- Sustainability focus areas: page 22 to 62.

Sustainability risks and the Annual Accounts Act

The Swedish Annual Accounts Act's disclosure requirements regarding sustainability risks and their management are covered in Preem's sustainability framework and Sustainability Report as follows:

- **Environment** – Climate: page 31, and Environment: page 38
- **People topics and social topics** – People and safety: page 54
- **Human rights** – Sustainable value chains: page 43, and People and safety: page 54
- **Anti-corruption** – Responsible business: page 59.

Significant sustainability risks

Examples of risks linked to the Focus areas of Preem's sustainability framework

Sustainability focus area	Risk (threat)	Consequence	Management
Sustainable economy	Lack of funding for the green transition.	• The transition will not be completed in time, which could negatively affect both Preem's profitability and brand. • Reduced ability to achieve Sweden's and the EU's climate targets.	• Ensure internal prioritization of renewable investments. • Identify new sources and structures to access external capital (e.g. green loans and green bonds). • Green Finance Framework and strengthened sustainability reporting.
Climate	Political governance and regulations around renewable fuels are eroded and do not provide sufficient support for the transition, for example the change in the Swedish reduction mandate.	• Profitability of the renewable business deteriorates. • Reduced opportunities to carry out investments in accordance with Preem's transformation plan. • Reduced opportunities to achieve Preem's climate targets.	• Preem carries out advocacy work to push for regulations and conditions that support a sustainable transition. • Preparations to enable the sale of renewable production on other markets when demand decreases in Sweden as the reduction mandate is lowered. • High monitoring and participation linked to new regulations to ensure proactivity.
	Environmental permit processes are lengthy, unpredictable and risk time-limited conditions.	• Conversion and new construction projects run the risk of being delayed, becoming more expensive and more difficult to finance. • Reduced opportunities to carry out investments in accordance with Preem's transition plan. • Reduced opportunities to achieve Preem's climate targets.	• Preem responds to the environment courts' queries in a relevant way and helps to build competence around refining operations. • Preem ensures high transparency, openness and dialogue with authorities and society. • Preem carries out lobbying work for development towards clearer environmental permit processes.
	Physical risks linked to more frequent extreme weather with disruptions to Preem's operations at refineries, depots or stations as well as in the supply chain.	• Production disruptions. • Costs linked to production disruptions, clean-up and restoration.	• Risk analyses are carried out, for example, on the impacts at strategic facilities as a result of rising sea levels in the event of extreme weather. • Action program to manage the identified risks. • Initiated systematic evaluation of climate risks across the entire value chain using scenario analyses in accordance with the Task Force on Climate-related Financial Disclosure (TCFD) framework.
Environment	Uncontrolled leak of raw material or product into land, air or water, for example by ship running aground or leakage occurring during loading/unloading.	• Environmental damage. • Cleaning costs. • Production disruptions. • Possible investigation into environmental crimes and prosecution. • Negative publicity and brand impact.	• Risk analyses. • Continuity and crisis plans as part of Preem's management system. • High demands on ships. • Requirements towards the supplier, training and follow-up of requirements.

Risk management

Sustainability focus area	Risk (threat)	Consequence	Management
Sustainable value chains	Partners and suppliers do not comply Preem's sustainability requirements.	• Negative impact and possible goal conflicts linked to human rights, global food supply or depletion of natural environments for example. • Damage to Preem's brand. • Lost deliveries and deteriorated business relationships. • Lost "sustainability characteristics" of renewable raw materials, and thereby lower product revenue.	• Clear criteria for purchases and requirements for suppliers to comply with Preem's code of conduct before entering into an agreement. • Assessment, review and follow-up of new and existing suppliers. • Supplier dialogue.
	Lack of renewable raw materials for fuel production.	• Possible need to source raw materials with lower sustainability performance. • Preem finds it difficult to fulfill requirements in, for example, reduction mandates. • Increased costs for purchases and to cover possible penalties linked to reduction mandates and similar matters. • Reduced ability to achieve Preem's, and potentially even Sweden's, climate targets.	• Systematic work to find and develop new raw materials for renewable production. • Development of the refineries for greater flexibility in raw material supply. • Formation of joint venture companies for the development of renewable raw materials from the forest industry, for example within Swedish companies such as Sunpine and Pyrocell.
Sustainable products	Incorrect administrative handling by Preem or supplier in relation to regulations for renewable fuels.	• Reduced sustainability performance can mean: – Excluded from the reduction mandate or tax exemptions. – Lost financial value. – If discovered afterwards – risk of penalty charges.	• Preem's processing of renewable fuels is certified in accordance with the Swedish Sustainability Decision and ISCC based on a control system for biofuels. It includes, for example: – Requirements for renewable purchases. – Documented responsibilities and routines. – Internal and external audits.
People and safety	Serious workplace accident or property damage.	• Short-term or long-term sick leave, in the worst case death. • Loss of production in the event of plant damage. • Costs and possible legal consequences. • Negative impact on brand.	• Systematic safety work, for example safety walks, exercises, routines, protective equipment, training, alcohol and drug tests. • Continuity plans and preparedness.
Responsible business	Fraud or financial crime among employees, partners or customers.	• Costs and possible legal consequences. • Negative impact on brand.	• Business ethics policy. • Training such as in business ethics and fair competition legislation. • Anonymous whistleblower system. • Framework for internal control over financial reporting and protection of assets. • Internal audits.

About the Sustainability Report

Preem's Board of Directors and CEO hereby submit Preem's Sustainability Report for 2023 according to the Swedish Annual Accounts Act.

The Sustainability Report covers Preem AB as well as wholly owned subsidiaries, which corresponds to the financial reporting. For some of these subsidiaries, it is not always possible to report sustainability data in all sustainability areas, and in the event that information from a subsidiary is missing, this is clearly stated. Partly owned associated companies and joint ventures are excluded from the Sustainability Report.

The basis for the report is Preem's sustainability framework, which is based on a materiality analysis where Preem's most material sustainability topics have been identified. Read more about Preem's materiality analysis and sustainability framework on pages 23 to 25.

The report includes the parts of the business that have the greatest impact on each area of sustainability. For example, the Environment chapter focuses primarily on refinery operations and transport, where the impact of emissions and spills is greatest. The chapter dealing with Climate includes the entire value chain, and the same applies to Sustainable offering and Sustainable value chains as well as People and safety, which all have a large impact outside of Preem's own operations.

Measurement and calculation methods are described where necessary in connection with the respective key figures. Target figures and comparative figures are reported where applicable. Basic data for Preem's key figures and statistics are mainly taken from Preem's internal business system. The data reported refers to the calendar year 2023 unless otherwise stated.

The Sustainability Report has not been subject to review or audit by an external party, other than the auditor's statutory review regarding the preparation of a Sustainability Report. However, Preem's operations are regularly reviewed by internal and external parties based on different perspectives, for example in connection with the company's certifications in the areas of environment, quality and working environment, control systems for renewable fuels and the EU's Emissions Trading System (EU ETS) for carbon dioxide.

Sustainability notes

UN Sustainable Development Goals

Contribution and impact on the UN SDGs

The UN has formulated the Sustainable Development Goals (SDGs) as part of its Agenda 2030. Preem's operations and value chain make both positive and negative contributions to the fulfillment of these goals. The goals detailed below are where Preem's impact or potential impact is considered to be most significant and how they relate to the company's sustainability framework.

SDG 7 Affordable and clean energy

Relevant sub targets:

7.1 Universal access to modern energy.
7.2 Increase substantially the share of renewable energy in the global energy mix by 2030.
7.3 Double the improvement in energy efficiency.
7.A Enhance research, technology and investments in clean energy.

381 thousand m³
Production of renewable fuels – Outcome 2023

5 million m³
Production of renewable fuels – Target 2035

Preem's contribution and impact:

+ By investing in renewable fuels and sustainable supply chains on a large scale, Preem contributes to the increased production of energy with a lower climate impact. This contributes to sub-goals 7.1 and 7.2.
+ Preem has a responsibility for energy security in Sweden and Norway by maintaining obligatory stocks of fuel. This contributes to sub target 7.1.
+ To enable the investment in renewable fuels, Preem carries out its own development work as well as research and development together with partners in academia, institutes and development companies. This contributes to sub target 7.A.
– Refining is an energy-intensive activity that affects sub targets 7.1 and 7.2. However, energy efficiency is essential, particularly at the refineries.

Preem's progress:

+ During 2023, work continued with the conversion of the Synsat facility in Lysekil. The Synsat facility will have a total renewable production capacity of close to one million cubic meters by 2024, which will greatly reduce fossil climate emissions.
+ Through a collaboration agreement with Vattenfall, Preem has completed a study on how offshore wind power and fossil-free hydrogen can be connected with the refinery industry on the Swedish west coast.
+ During the fall, the decision was made to invest in another large-scale refinery conversion – the so-called ICR project. This upgrade will enable Preem to annually produce an additional 1.2 million cubic meters renewable fuel.

SDG 8 Decent work and economic growth

Relevant sub targets:

8.1 Sustainable economic growth.
8.2 Promote economic productivity through diversification, technical innovation and upgrading.
8.4 Improve resource efficiency in consumption and production.
8.5 Full employment and decent working conditions with equal pay for work of equal value.
8.7 Eradicate forced labour, slavery and child labour.
8.8 Protect labour rights and promote safe and secure working environments for all.

1.4 LWIF[1)]
– Outcome 2023

12 billion SEK
Tax to the Swedish and the Norwegian governments
– Outcome 2023

1) LWIF shows frequency of lost-time accidents per million hours worked (LWI = accidents resulting in absence from work for at least one work shift).

Preem's contribution and impact:

+ Preem contributes to growth by being one of Sweden's largest export companies but is also of great national importance. Preem is one of Sweden´s largest taxpayers and produces 50 percent of the fuel used in the country. Preem is gradually switching to new innovative production of renewable fuels. This contributes to sub targets 8.1 and 8.2.
+ Preem has a strong focus on safety in its operations and always puts safety first. This contributes to sub target 8.8.
+ Through Preem's code of conduct, demands are placed on decent working conditions in its own operations and at suppliers, which reduces the risk of forced labor, human trafficking and child labor – to promote sub target 8.7.
+ Preem is an important employer, mainly in Lysekil, and thereby contributes to new job opportunities in the value chain, which contributes to sub targets 8.1 and 8.5.
+ Preem conducts an annual gender pay gap survey to investigate inequalities to be addressed. This contributes to sub target 8.5.
– Preem procures raw materials from different parts of the world where there are challenges in terms of working conditions and human rights in the supply chain. This can negatively affect sub targets 8.7 and 8.8.

Preem's progress:

+ Preem's refineries and investments in new value chains, for example for fuel raw materials based on residual products from the forest industry, create jobs and local economic growth.
+ Preem follows up high risk raw material suppliers separately and evaluates the suppliers with the highest sustainibility risks additionally, including decent working conditions and respect for human rights and the environment. This will be stepped up to meet future legislations.
+ A new purchasing system for supplier registration has been implemented, which enables improved evaluation and management of supplier sustainability performance.

UN Sustainable Development Goals

SDG 9 Industry, innovation and infrastructure

Relevant sub targets:

9.1 Develop sustainable, resilient and inclusive infrastructure.

9.2 Promote inclusive and sustainable industrialisation.

9.4 Upgrade all industries and infrastructures for sustainability.

9.5 Enhance research and upgrade industrial technologies.

3,030 MSEK
Investments to reduce climate impact – Outcome 2023

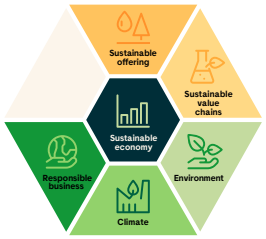
74%
Proportion of investments that reduce climate impact, by total investments – Outcome 2023

Preem's contribution and impact:

+ Preem's investment in renewable fuels contributes to innovative solutions to reduce climate impact. Investments such as Carbon Capture and Storage can also lead to reduced climate impact from the company's refineries, which contributes to sub targets 9.1, 9.2 and 9.4.
+ Preem has dedicated resources that, in collaboration with others, work to make it technically feasible to use sustainable raw materials to produce sustainable fuels, which contributes to sub target 9.5.
+ Preem has a dedicated researcher working to develop renewable fuels in collaboration with several prestigious universities. This contributes to sub targets 9.4 and 9.5.
+ Preem takes responsibility for energy security in Sweden by maintaining a reliable and stable emergency stock of fuel. This can contribute to intermediate sub target 9.1.

Preem's progress:

+ Preem ensures essential societal services and infrastructure are safeguarded through Preem's obligatory stock of fuel. The company accounts for 80 percent of the Swedish refinery capacity. The refineries will be gradually converted from fossil to renewable production. In 2023, roughly SEK 3 billion was invested to reduce climate impact, mainly through conversions to reposition the refineries.
+ Preem drives innovation and the development towards a more sustainable production of renewable fuels. Together with part-owned SunPine and Pyrocell, Preem continues to produce crude tall oil and pyrolysis oil from sawdust for Preem's refineries in Gothenburg and Lysekil to create renewable fuel. Preem is also working on being able to use end-of-life tires in the production of renewable fuels.
+ Preem is working to create a full-scale solution for carbon capture, transport and storage. Preem has tested the technology to capture carbon dioxide in a pilot project, which is working well. The next step is to secure the rest of the chain for transport and storage. Preem's Carbon Capture and Storage projects and collaborations continue.



SDG 13 Climate action

Relevant sub targets:

13.1 Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries.

13.2 Integrate climate change measures in politics and planning.

13.3 Improve education and capacity to manage climate change.

–19.8%
Emission reduction throughout the value chain – Outcome 2023

–90%
Emission reduction throughout the value chain – Target 2035

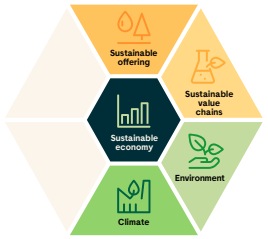
Preem's contribution and impact:

+ Preem's investments in renewable fuels means great opportunities to improve the transport sector's overall climate impact. This contributes to sub targets 13.2 and 13.3.
+ Preem's investments in capturing and storing carbon dioxide is expected to lead to reduced climate impact from the company's operations. This contributes to indicator 13.2.2, total amount of greenhouse gas emissions per year, within the sub target 13.2.
+ Preem has conducted climate risk analyzes on its refineries via its environmental impact assessments, which is something Preem intends to continue in the coming years. This contributes to sub target 13.1.
– Preem's value chain entails large greenhouse gas emissions during raw material extraction, production and especially during the use of fossil fuels.

Preem's progress:

+ Preem's strategy aims to make Preem a climate-neutral fuel company throughout the value chain by 2035. Preem shall use the company's competence and technological innovation to be a leader in the shift from fossil fuels to renewables. To guide this work in a positive direction, Preem links plans and investments to the impact on carbon dioxide emissions. The strategic goal, to produce five million cubic meters of renewable fuel by 2035 at the latest, will be of great importance in meeting targets for both direct and indirect emissions.
+ In 2023, Preem began and completed the majority of a climate risk analysis in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations for the entire value chain.
+ During 2023, 3 out of 6 of Preem's long-term leased ships switched from marine gas oil to liquefied natural gas, which will reduce greenhouse gas emissions from the affected ships by around 25 percent.

UN Sustainable Development Goals



SDG 14
Life below water

Relevant sub targets:

14.1 Prevent and significantly reduce marine pollution.

14.3 Reduce ocean acidification.

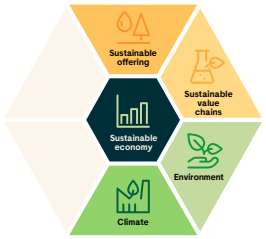
0
Serious environmental incidents (number) 2023

0.92 tonnes
Emissions of total extractable substances to water
– Outcome 2023

Preem's contribution and impact:

– Preem continuously measures and follows up the company's impact on the surrounding water and marine environments through a control program and through set environmental conditions. This reduces the company's negative impact on the sub target 14.1.

– In maritime transport, there is the risk of chemical contamination. Preem uses vessels that are powered by alternative fuels, which have a lower sulfur emission. This affects sub target 14.3.



SDG 15
Life on land

Relevant sub targets:

15.1 Preserve, restore and ensure sustainable use of ecosystems on land and in fresh water.

15.2 Promote sustainable forestry, stop deforestation and restore depleted forests.

15.8 Prevent invasive alien species in land and water ecosystems.

100%
Proportion of renewable raw materials as Preem evaluated based on sustainability
– Outcome 2023

Additional targets for biodiversity will be developed

Preem's contribution and impact:

+ A nature inventory was carried out, which is typically conducted in connection with permit applications for projects or other authority requirements. The most recent nature inventory was carried out at the refinery in Gothenburg in 2022 to ensure that no vascular plants included on the EU's list of invasive species were present. No invasive species were found. This contributed to sub target 15.8.

+ Preem evaluates renewable raw material suppliers based on sustainability. The evaluations are based on the fact that the production of renewable raw materials for fuel should not deplete water supply or threaten biodiversity locally. This work contributes to sub targets 15.1 and 15.2.

+ Preem does not procure renewable raw materials for fuels based on palm oil or soybeans due to their associated negative environmental impact. This contributes to sub targets 15.1 and 15.2.

– Preem's procurement of crude oil and renewable raw materials has a major impact on the environment. Preem has the opportunity to influence suppliers in their extraction of materials/raw materials. Preem strives for all suppliers to sign its code of conduct.

Preem's progress:

+ Mapping of Preem's impact on biodiversity throughout the value chain is underway to evaluate Preem's impact, dependencies, risks and opportunities in line with the Taskforce on Nature-related Financial Disclosures (TNFD) framework. Preem's intention is to investigate which relevant indicators and targets related to biodiversity bring the greatest benefit to the environment and the business.

Targets and outcomes

Sustainable economy

Sustainable profitability and value creation	Unit	2023	2022	2021	Targets
Key figures for sustainable profitability					
Adjusted EBITDA[1)]	million SEK	12,454	15,343	4,204	Target 2023: SEK 6,120 million
Return on Capital Employed (ROCE)[2)]	%	27	48	20	Target 2023: >15%
Equity ratio	%	58	46	36	Target 2023: >30%
Investments to reduce climate impact (CAPEX)[3)]	million SEK	3,030	1,333	281	Target 2023: SEK 2,806 million

Created and distributed economic value	Where impact occurs	Unit	2023	2022	2021	Comments
Economic value – generated:						
Income from customers[4)]	From customers	million SEK	150,040	172,194	100,353	Net sales plus income from financial investments
Financial value – shared:						
Operating expenses	To suppliers	million SEK	130,411	146,218	85,082	Payments for materials, energy, machinery, other operating costs and external services
Employees' salaries and benefits	To employees	million SEK	1,851	1,617	1,491	Total wages and benefits including employee taxes and social security contributions
Payments to financiers	To banks and financiers	million SEK	1,470	3,800	998	Interest paid to banks and financiers
Payments to the state	To society	million SEK	11,959	11,260	10,346	Taxes, for example energy tax and carbon tax
Economic value retained	To the company	million SEK	4,348	9,298	2,436	Reinvestments or reserves

1) Adjusted EBITDA – defined as EBITDA adjusted for inventory gains/losses, exchange rate translation differences and for net gain/loss on oil derivatives valued at fair value and excluding the write off of a unit in Lysekil (VDU) which has been made to make room for Preem's new renewable ICR facility.

2) Return on capital employed measures how efficiently a company uses its capital.

3) All investments that create the conditions for renewable production and reduced climate impact.

4) Net sales including excise duties plus other operating income and income from financial investments.

Concerning financial information, adjustments have been made for the years 2021 and 2022 so that they are consistent with the Annual Report.

Targets and outcomes

Climate

	Unit	2023	2022	2021	Base year 2018	Targets
Total (scope 1–3)						
Total CO_2e emissions (scope 1, 2, 3)[1) 12)]	thousand tonnes	48,376	47,883	48,436	60,231	90% reduction 2035
Total CO_2e reduction (compared with base year 2018)	%	–19.8	–20.5	–19.6	N/A	30% reduction 2030
Climate impact in operations (scope 1)						
Direct CO_2 emissions from production[2)]	thousand tonnes	2,056	1,971	2,123	2,305	50% reduction 2030
Direct CO_2 emissions from production, Lysekil (LYR)	thousand tonnes	1,568	1,384	1,595	1,769	
Direct CO_2 emissions from production, Göteborg (GOR)	thousand tonnes	488	587 [13)]	528	536	
CO_2e emissions from business travel with car[3)]	thousand tonnes	0.28	0.14	0.19	0.35	
CO_2e emissions from heating of manned fuel stations (scope 1)[4)]	thousand tonnes	0.00	0.08	0.06	0.14	
Indirect CO_2e emissions (scope 2)						
Indirect CO_2e emissions, from purchased electricity, heating and cooling[5)] (market based)	thousand tonnes	14.7	10.4	11.2	9.4	
Indirect CO_2e emissions, from purchased electricity, heating and cooling[6)] (location based)	thousand tonnes	51	50	56	46	
Other indirect CO_2e emissions (scope 3)						
Indirect CO_2e emissions from raw material extraction[7)]	thousand tonnes	2,282	2,633	2,966	7,737	
CO_2e emissions from business travel (train, air and hire car)[8)]	thousand tonnes	0.34	0.42	0.34	1.15	
CO_2e emissions from logistics (land, sea, quayside)[9)]	thousand tonnes	83	95	92	95	
CO_2e emissions from land transport (not reduced)[10) 12)]	thousand tonnes	6.0	7.2	6.9	10.8	
CO_2e emissions from land transport (reduced)[10) 12)]	thousand tonnes	4.0	5.0	4.5	N/A	
CO_2e emissions from sea transport	thousand tonnes	79	90	88	84	
CO_2e emissions from the use phase (TTW), total[11)12)]	thousand tonnes	43,939	43,173	43,243	50,083	

1) Preem calculates greenhouse gas emissions in accordance with the GHG protocol. The GHG Protocol's Corporate Standard classifies companies' greenhouse gas emissions into three different 'scopes'. Scope 1 is direct emissions from owned or controlled emission sources. Scope 2 is indirect emissions from purchased energy. Scope 3 is all indirect emissions (not included in scope 2) that occur in the value chain, both upstream and downstream. The total emissions have been adjusted retroactively. See detailed description in footnote 7. The base year has been updated as a result of previous errors in summarizing year 2022.
2) The emission calculations from production only include carbon dioxide. The outcome of calculated emissions during production is determined for official reporting after the publication of this report. Hence, the information provided is preliminary and may vary slightly from the official reporting.
3) Includes company car and mileage adjusted private cars.
4) Fuel stations are no longer heated by heating oil.
5) Includes electricity use at the refineries as well as electricity, district heating and district cooling at depots, stations and offices. The calculations are based on supplier-specific and average emission factors. Where data is missing, extrapolation has taken place based on consumption statistics. The 2022 emission factors have been used where the 2023 emission factors have not been published.
   Preem has stations where electricity agreements have not been procured centrally, which means that these emissions must be calculated on the residual mix, and the emissions for these stations increased significantly in 2023 compared to 2022. The increase is partly due to the fact that the residual mix calculated for 2023 (2022) had a higher emission factor than the one used for the previous year (2021), and partly due to the increased use of electricity at these stations.
6) Includes electricity use at the refineries as well as electricity, district heating and district cooling at depots, stations and offices. The calculations are based on average emission factors for Sweden and the Nordic countries.
7) Includes both renewable raw materials and fossil crude oil. Updates with more supplier-specific emission factors have been used for 2022 and 2021 data.
8) The distribution of emissions from business travel has been revised between scope 1 and scope 3 for 2021 and 2020 but had no impact on the total amount of emissions. Emission factors used are supplier-specific, which means that the type of greenhouse gases included vary.
9) Total emissions from transport calculates the emissions from land transport (reduced and not reduced) and from sea transport. Reduced emissions with certificate.
10) The calculation method for calculating land transport has been updated and now calculates based on tank to wheel, which becomes more accurate because all Preem land transport uses fuel at its own stations and well to tank is included in the other categories. This means that the reduction in emissions for the years 2022 and 2023 seems larger than it actually was.
11) Corresponds to scope 3 category "Use/combustion of sold product". Including produced products from the refineries. Other sold products such as food from the fuel stations are not included.
12) Preem has updated its emission factors for the use of fuels, from Swedish Standard SS-EN 16258:2012 to Swedish Standard SS-EN ISO 14083:2023. This may affect the outcome of the amount of carbon dioxide equivalents under the categories user phase, land transport and total emissions.
13) Historical values have been updated according to new information added after the publication of previous reports. However, the calculation basis has remained unchanged over the years.

Targets and outcomes

Environment

	Unit	2023	2022	2021	Targets
Emissions to air, soil and water					
Emissions of nitrogen oxides (NOx) to air from production	tonnes	776	801	795	Target 2023: <886 tonnes (below environmental permit)
Emissions of sulfur oxides (SOx) to air from production	tonnes	217	324	399	Target 2023: <900 tonnes (below environmental permit)
Emissions of volatile organic compound (VOC) from production	tonnes	5,816	5,994 [8]	5,802	
Discharge of hazardous substances into water[1]	tonnes	0.92	0.72	1.05	
Severe environmental incidents[2]	number	0	0	0	
Energy use					
Energy use within Preem[3]	GWh	8,966	8,490	9,255	
Sold heat Preem Refinery	GWh	516	654	615	
Energy use outside Preem	GWh	282	262	319	
Energy use land transport	GWh	22	21	20	
Energy use sea transport	GWh	223	210	262	
Energy use fuel stations[4]	GWh	37	33 [8]	36	
Resource use for fuel production					
Raw material use					
Fossil raw materials	thousand tonnes	13,771	14,233	14,526	
Renewable raw materials	thousand tonnes	333	310	295	
Water consumption at refineries[5]	000 m^3	3,629	3,003	3,666	
Waste[6]					
Hazardous[7]	tonnes	5,516	2,123	1,434	
Non-hazardous	tonnes	7,757	7,423	4,110	

Responsible Business[1]

	Unit	2023	2022	2021	Targets
Business ethics					
Percentage of employees that have completed the course "Gift or Bribe"	%	100	85	73	Target 2023: 100% of relevant employees must complete the training every two years
Number of whistleblowing cases received, Preem AB		1	0	–	
Brand Trust Index		18.8	19.3	20.2	Target 2023: >21%

1) Total extractable substances are the total content of the aliphatic organic substances containing CH2 and CH3 groups that can be extracted with tetrachlorethylene and then determined by IR spectrophotometry.

2) The measurement of serious environmental incidents includes the measurement of major environmental incidents that during the year led to violations of conditions or laws (where Preem is convicted of crimes) or damage to the brand.

3) Total energy use within Preem includes the refineries in Gothenburg and Lysekil, offices and depots. Deduction for residual heat sold as district heating. Sum presented as "Sold heat Preem Refinery".

4) Energy use for fuel stations includes electricity and heat consumption for Swedish fuel stations. The energy use is based on data from approximately 50 percent of Preem's Swedish fuel stations. Based on this data, a total value has been extrapolated.

5) For the refinery in Lysekil, drinking water consumption and raw water consumption are included. For the refinery in Gothenburg, consumption of municipal water is included.

6) Waste relates to all objects or substances that the owner wants to dispose of or is obliged to dispose of. Hazardous waste contains or consists of substances that have dangerous properties. Generated waste increased in 2022 due to the maintenance shutdown in Lysekil.

7) The audit shutdown in Gothenburg and ongoing major conversion projects have contributed to an increased amount of waste in 2023. For 2023, hazardous waste from oil separators at the stations has also been included, which also partially explains the increased amount.

8) Historical values have been updated according to new information added after the publication of previous reports. However, the calculation basis has remained unchanged over the years.

1) Data only related to Preem AB.

Targets and outcomes

Sustainable value chains

	Unit	2023	2022	2021	Targets
Renewable fuels					
Suppliers that have approved Preem's code of conduct[1)]	% volume	100	100	100	Target 2023: 100%
Suppliers evaluated on the basis of sustainability[2)]	% volume	100	100	100	Target 2023: 100%
Proportion of renewable raw materials that Preem has evaluated from a sustainability perspective	%	100	100	100	Target 2023: 100%
Fossil fuels					
Suppliers that have approved Preem's code of conduct[1)]	% volume	99	89	95	Target 2023: 100%
Suppliers evaluated on the basis of sustainability[2)]	% volume	96	85	81	Target 2023: 100%

1) Suppliers that have approved Preem's code of conduct, or alternatively submitted their own code of conduct approved by Preem.
2) Evaluation based on sustainability work within the areas: human rights, working conditions, corruption and the environment.

Sustainable offering

	Unit	2023	2022	2021	Targets
Fossil fuels					
Fossil fuel production[1)]	000 m³	16,523	16,788[6)]	17,243	–
Renewable fuels					
Renewable fuel production[1)]	000 m³	381	341	341	Target 2035: 5,000,000 m³ renewable production
Proportion of produced volume – renewable fuels[1)]	%	2.25	1.99[6)]	1.94	
Proportion of renewable fuels in sales, Sweden	%	14	14	20	
Proportion of renewable fuels in sales, total	%	6	7	6	
Number of installed charging points at fuel stations[5)]	Number of fuel stations	9	2	–	
Number of installed charging points[5)]	Number of charging points	52	8	–	
Climate benefit through the use of sold renewable fuels[2)]					
CO_2e saving compared to fossil alternative (WTW)[3)]	thousand tonnes	2,707	3,116	2 664	
CO_2e saving compared to fossil alternative (WTW)[3)]	%	89	88	88	Long-term target: meet the EU's RED[2)] and Swedish reduction mandate
Sustainable offering					
Proportion of sustainable items sold[4)]	%	5.1	5.8	9.1	Target 2023: >12%

1) Produced volume differs between the Annual Report and the Sustainability Report, as the financial report also includes product put through again, which is excluded here.
2) The year 2021 has been recalculated due to access to more reliable emission factors.
3) Well to wheel – includes the emissions from raw material extraction, transport, production and use of the products.
4) Reduced number of sustainable items sold corresponds to the switch to a coffee that does not have a sustainable certification.
5) Only refers to the charging points that are built in collaboration with the company Recharge.
6) The figures for 2022 have been updated due to a previous calculation error, which slightly underestimated total fossil production.

Targets and outcomes

People and safety[1)]

	Unit	2023	2022	2021	Targets
Employee wellbeing and development					
Number of employees[2)]	number	1,516	1,443	1,375	
Engagement Index (EI)[3)]		82	81	79	Target 2023: >81
Organizational and Social Work Environment Index (OSI)[4)]		79	78	78	Target 2023: >78
Sick leave	%	2.9	3.6	2.8	Target 2023: ≤3%
Net Promotor Score (eNPS)		6	3	2	
Number of new employees	number	175	145	39	
Employee turnover	%	7	10	9	
Gender distribution (men/women)					
Board	%	100/0	100/0	100/0	
Management group	%	71/29	71/29	71/29	
Managers	%	71/29	73/27	71/29	Target 2023: > 50% women when recruiting Long-term: gender division 50/50
White collar workers	%	64/36	63/37	64/36	Target 2023: > 50% women when recruiting Long-term: gender division 50/50
Blue collar workers	%	88/12	90/10	90/10	Target 2023: > 30% women when recruiting Long-term: gender division 70/30
Age distribution of employees					
Under 30 years	%	11	10	9	
30–50 years	%	49	49	55	
51–60 years	%	29	29	29	
Over 60 years	%	11	11	7	
Length of employment					
0–5 years	%	39	38	39	
6–10 years	%	22	20	17	
11–15 years	%	9	10	11	
16–20 years	%	9	9	11	
Over 20 years	%	21	22	21	
Health and safety					
Lost Workday Injury Frequency (LWIF)[5)]	per million hours	1.4	1.8	1.1	Target 2023: <1.0
All Injury Frequency (AIF)[6)]	per million hours	4.4	5.6	3.0	Target 2023: <2.8
Process Safety Event Rate (PSER)[7)] 5 Tier 1 and 2	per million hours	0.7	1.6	2.1	Target 2023: <1.0

1) The data only refers to Preem AB. In addition to these employees, Preem has 125 employees that work for wholly owned subsidiaries (based on the average number of employees during the year).
2) The figure is based on the average number of employees during the year.
3) EI shows the commitment of Preem's employees based on the dimensions of motivation and clarity.
4) OSI measures the social and organizational work environment in order to detect signals that may lead to ill health at an early stage and to follow up the effect of measures taken.
5) LWIF shows the frequency of lost-time accidents per million hours worked (LWI = accidents resulting in absence from work for at least one work shift).
6) AIF shows the frequency of serious incidents per million hours worked (AI = absenteeism accidents, accidents leading to limited work ability and accidents requiring medical treatment).
7) PSER shows the frequency of plant safety events per million hours worked (PSE = events categorized as tier 1 or tier 2 according to API754).

Index for TCFD/TNFD reporting

In its mapping and assessment of climate-related risks, opportunities and dependencies, Preem has begun the work of applying the Task Force on Climate-related Financial Disclosures (TCFD) framework. Preem's nature-related risks and opportunities are reported with inspiration from the Task Force on Nature-related Financial Disclosures (TNFD) framework. Preem intends to set relevant indicators and targets related to biodiversity.

TCFD Reporting

Index for TCFD reporting		TCFD reporting	Page reference	Chapter
Governance Report on the organization's management of climate-related issues and opportunities.	1	The board's and management team's review of climate-related risks and opportunities.	31–37	Climate
			64–66	Preem's Corporate governance
			68–70	Risk management
	2	The CEO's and Group management's role in evaluating and managing climate-related risks and opportunities.	31–37	Climate
			64–66	Preem's Corporate governance
			68–70	Risk management
Strategy Account for the actual and potential impacts of material climate-related risks and opportunities on the organization's operations, strategy and financial planning.	3	Identified climate-related risks and opportunities in the short, medium and long term.	31–37	Climate
			38–42	Environment
			49–53	Sustainable offering
			64–66	Preem's Corporate governance
	4	Impact of climate-related risks and opportunities on Preem's business, strategy and financial planning.	26–30	Sustainable economy
			31–37	Climate
			49–53	Sustainable offering
			68–70	Risk management
	5	Describe the resilience of the organization's strategy, with respect to different scenarios.		Preem has carried out a scenario analysis in line with TCFD recommendations and plans to report the outcome externally.
Risk management Report how the organization identifies, assesses and manages climate-related risks.	6	Describe the organization's processes for identifying and assessing climate-related risks.	23–24	Materiality analysis
	7	Describe the organization's processes for managing climate-related risks.	64–66	Preem's Corporate governance
			31–37	Climate
			68–70	Risk management
	8	Describe how processes to identify, assess and manage climate-related risks are integrated into the organization's overall risk management.	68–70	Risk management
			23–24	Materiality analysis
			31–37	Climate
Metrics and Targets Report the metrics and targets used to assess and manage significant climate-related risks and opportunities.	9	Report the metrics the organization uses to assess material climate-related risks and opportunities in line with its strategy and risk management process.	43–48	Sustainable value chains
			31–37	Climate
			73–75	UN Sustainable Development Goals
	10	Describe scope 1, scope 2 and scope 3 emissions of greenhouse gases, and related risks.	31–37	Climate
			76–80	Targets and outcomes
	11	Describe the goals the organization uses to manage climate-related risks and opportunities and performance against goals.	26–30	Sustainable economy
			31–37	Climate
			73–75	UN Sustainable Development Goals
			76–80	Targets and outcomes

TCFD/TNFD

TNFD Reporting

Index for TNFD reporting		TNFD Reporting	Page reference	Chapter
Governance Report the organization's management of nature-related dependencies, effects, risks and opportunities.	1	The board's and management team's review of nature-related risks and opportunities.	38–42 64–66 68–70	Environment Preem's Corporate governance Risk management
	2	The CEO's and Group management's role in evaluating and managing nature-related dependencies, impacts, risks and opportunities.	38–42 64–66	Environment Preem's Corporate governance
	3	Describe the company's human rights policy and how the board and management monitor and engage with indigenous peoples, local communities and other stakeholders in assessing and responding to nature-related dependencies, impacts, risks and opportunities.	43–48	Sustainable value chains
Strategy Report the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.	4	Identified nature-related risks and opportunities in the short, medium and long term.	38–42 43–48	Environment Sustainable value chains
	5	The impact of nature-related risks and opportunities on Preem's operations, strategy and financial planning.	38–42 43–48 68–70	Environment Sustainable value chains Risk management
	6	Describe the resilience of the organization's strategy, with respect to different scenarios.		Preem plans to supplement with scenario analysis in line with TNFD recommendations.
	7	Describe the organization's interactions with ecosystems of low integrity, ecosystems of high importance, or areas of water stress.		Preem plans to complete the mapping of the operations' impact on ecosystems within the value chain.

Index for TNFD reporting		TNFD Reporting	Page reference	Chapter
Risk and Impact management Report how the organization identifies, assesses and manages nature-related dependencies, effects, risks and opportunities.	8	Describe the organization's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities.	43–48 68–70 23–24	Sustainable value chains Risk management Materiality analysis
	9	Describe the organization's processes for monitoring nature-related dependencies, impacts, risks and opportunities.	68–70 23–24	Risk management Materiality analysis
	10	Describe how processes for identifying, assessing and managing nature-related risks are integrated into and inform the organization's overall risk management processes.	43–48 68–70 23–24	Sustainable value chains Risk management Materiality analysis
Metrics and Targets Report the measures and objectives used to assess and manage relevant nature-related dependencies, impacts, risks and opportunities when such information is material.	11	Disclose the metrics the organization uses to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	38–42 68–70 73–75 76–80	Environment Risk management UN Sustainable Development Goals Targets and outcomes
	12	Disclose the metrics the organization uses to assess and manage direct, upstream and, if appropriate, downstream dependencies and impacts on nature.	38–42 43–48	Environment Sustainable value chains
	13	Describe the targets and goals the organization uses to manage nature-related dependencies, impacts, risks and opportunities, and performance against these.	38–42 43–48	Environment Sustainable value chains

Board signatures

The board of directors and the CEO of Preem AB (publ) hereby approve the Preem Sustainability Report 2023. The Sustainability Report outlines the Group's work in terms of economic, environmental and social aspects. The report has been prepared in accordance with the requirements of the Swedish Annual Accounts Act.

Stockholm, March 27, 2024

Jason T. Milazzo
Chairman

Magnus Heimburg
CEO

Michael G:son Löw
Board member

Petter Holland
Board member

Lennart Sundén
Board member

Richard Öhman
Board member

Laura Leinikka
Employee representative

Cristian Mattsson
Employee representative

Auditor's report on the statutory Sustainability Report

To the Annual General Meeting for Preem AB (publ),
Corporate Identity Number 556072-6977

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report for the financial year 2023, presented on pages 23–83 and that it has been prepared in accordance with the Annual Accounts Act.

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

Opinion
A statutory sustainability report has been prepared.

Stockholm, March 27, 2024
Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant
Auditor in charge

Anna Rozhdestvenskaya
Authorized Public Accountant

Sustainability definitions

The sustainability definitions describe how Preem interprets various terms that may not be obvious to all readers or that lack an established definition.

AIF
All Injury Frequency (AIF) measures the frequency of serious incidents per million hours worked (AI = absenteeism accidents, accidents that lead to limited work ability and accidents that require medical treatment).

Bio-CCS
Carbon Capture and Storage and involves the separation and storage of carbon dioxide. The technology is used as a complement to other emission-reducing efforts such as energy efficiency and reduced use of fossil energy. Bio-CCS means capture and storage of renewable sources.

Biogenic emissions
Greenhouse gas emissions that occur when biological material is broken down, consumed by animals or plants or alternatively combusted.

Carbon dioxide equivalents (CO_2e)
Carbon dioxide equivalents describe the amount of a certain greenhouse gas, in the quantity of carbon dioxide that has the same greenhouse effect over a certain time.

CCS
Carbon Capture and Storage and involves the separation and storage of carbon dioxide. The technology is used as a complement to other emission-reducing efforts such as energy efficiency and the reduced use of fossil energy.

CCU
Carbon Capture and Utilization involves the separation and use of carbon dioxide. The technology is used as a complement to other emission-reducing efforts such as energy efficiency and reduced use of fossil energy.

Climate neutrality
Relates to a company's net-zero impact on the climate. How climate neutrality is defined depends on which organization uses the term. Preem's definition of climate neutrality is as follows: "Preem's definition of climate neutrality is based on the Science Based Targets Net-Zero standard and involves a reduction of at least 90 percent of Preem's emissions throughout the value chain from the base year 2018 to the target year 2035. The remaining emissions must be compensated for, through various projects, such as through carbon capture and storage (CCS)".

Co-processing
Fuel produced through the combination of fossil and renewable raw materials.

CSDDD
The Corporate Sustainability Due Diligence Directive and is an EU directive that imposes responsibility on companies to identify and manage their impact on the environment and human rights throughout the value chain.

CSRD
The Corporate Sustainability Reporting Directive is an EU directive on broadened and quality-assured sustainability reporting for companies that comes into force in 2024.

Electrofuels
Fuels produced synthetically by reacting captured carbon dioxide (or nitrogen gas) and hydrogen gas from the electrolysis of water. In order to ensure the durability of the electrofuel, demands are placed on the electricity used in the electrolysis and that the greenhouse gas savings for the finished fuel must be at least 70%.

Fast charger
Is a charger for electric vehicles that have the possibility to charge the vehicle for over 150 kW per hour.

Fossil gas
Also called natural gas, is a gas that mostly consists of methane. Fossil gas can be formed in two ways: either when organic material breaks down in an oxygen-free environment, or deep in the earth's crust where high temperatures and pressure convert decayed organic material into fossil gas.

GHG protocol
The Greenhouse Gas (GHG) Protocol is a global standardized framework for measuring and tracking greenhouse gases from public and private sectors and value chains.

GRI
The Global Reporting Initiative (GRI) and is an independent organization that has compiled the GRI standards. The GRI standards are the most widely used standard for sustainability reporting and are based on how organizations affect the economy, people and the environment.

HVO
is a renewable diesel produced from renewable raw materials such as vegetable and animal fats, including waste and residues.

HVO100
is a form of HVO that meets the requirements of 98 percent biomass and can be sold with a tax reduction under Swedish legislation.

ICR facility & ICR project
The IsoCracker facility (ICR) at the Lysekil refinery is currently used to produce diesel. After a conversion, the facility will produce sustainable aviation fuel (biojet/SAF) and renewable diesel (HVO).

The "ICR project" refers to the project linked to the conversion of the ICR facility.

ISCC
or International Sustainability and Carbon Certification, is a global sustainability certification system that covers all sustainable raw materials, including agricultural and forest biomass, bio-based and circular materials and renewables. Certification to the ISCC standard ensures a fully transparent and deforestation-free supply chain and the protection of high-biodiversity, high-carbon land.

ISCC EU
is a certification system to demonstrate compliance with the legal sustainability requirements set out in the Renewable Energy Directive (RED) II.

ISCC PLUS
is a certification system for all markets and sectors not regulated by RED II, such as food, feed or energy markets and for various industrial applications.

Liquefied natural gas (LNG)
is a gas (usually methane with a small amount of ethane) that has been cooled down to liquid form for easier handling, safety, storage and transport.

LWIF
Lost Workday Injury Frequency (LWIF) measures the rate of absenteeism accidents per million hours worked (LWI = accidents resulting in absenteeism from work for at least one work shift).

PSER
Process Safety Event Rate (PSER) measures the frequency of plant safety events per million hours worked (PSE = events categorized as tier 1 or tier 2 according to API754).

SAF
Sustainable Aviation Fuel (SAF) is an aviation fuel produced from renewable raw materials.

Scope 1
Direct emissions from owned or controlled sources. These emissions are generated by sources owned or controlled by the reporting organization.

Scope 2
Indirect greenhouse gas emissions resulting from energy purchased and used, but not generated by the reporting organization. Most often, these emissions are related to purchased electricity, heating and cooling.

Scope 3
Scope 3 emissions refer to all indirect emissions that occur in a company's value chain, both upstream and downstream, excluding scope 2 emissions. This includes emissions from activities such as raw material extraction, transport and the use of sold products.

SDGs
The Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

Synsat facility
Preem is converting the Synsat facility in Lysekil to produce diesel from renewable raw materials. In the converted facility, 40 percent of the raw material will be renewable instead of fossil.

TCFD
The Task Force on Climate-related Financial Disclosures is a framework that organizations can use to publicly report the climate-related risks and opportunities for their operations. TCFD guidelines are based on governance, strategy, risk management, metrics and target images.

TNFD
The Taskforce on Nature-related Financial Disclosures has developed a set of recommendations and guidance for organizations to report and act on evolving nature-related dependencies, impacts, risks and opportunities.

Directors' Report

Directors' Report Preem AB

Facts
Preem AB (publ)
Corporate ID number 556072-6977

Business: Preem AB (publ) and its subsidiaries together form Sweden's largest fuel group. Preem AB is based in Stockholm, Sweden.

Owner: Preem AB (publ) is wholly owned by Preem Holdings AB (publ).

Figures in parentheses refer to the previous year.

General information about the business

Preem is Sweden's largest fuel company. It refines and sells fossil and renewable fuels, heating and lubricating oil and other products to companies and private individuals. Preem's two refineries in Gothenburg and Lysekil are among the most energy efficient and modern in Europe. Together, they account for around 80 percent of the Swedish refinery capacity and around a third of that of the Nordics. The refineries have a total refining capacity of over 18 million cubic meters of crude oil and renewable raw materials per year. Preem has produced renewable fuels since 2010 and has begun a large-scale transition from fossil fuels to renewables.

A large proportion of production is exported to the international market, mainly to northwestern Europe. This makes Preem one of Sweden's largest export companies. In Sweden and Norway, Preem sells fuel, heating and lubricating oil and other products to both companies and private individuals. The sale of the company's products on the Swedish market take place through Preem's nationwide station network with approximately 503 fuel stations for consumer and commercial traffic and via certified dealers. In Norway, Preem's products are mainly sold through retailers and its own direct sales. Preem's operations are conducted through two business areas, Supply & Refining, Marketing & Sales.

The Group's results

2023 has been marked by volatility and uncertainty on the global energy market, which has kept international refining margins on a historically high level. The market has not been quite as exceptional as 2022, but the year is still strongly affected by the Russian invasion of Ukraine. Energy prices have continued to be volatile but with lesser extremes than in 2022. During 2023, the price of crude oil has moved between about USD 72/barrel and USD 98/barrel with an average of just under USD 83/barrel for the full year. The year closed at about USD 78/barrel which was USD 3/barrel lower than what 2023 started. In this turbulent market situation, Preem continues to report a very strong result.

Sales revenue decreased in 2023 to SEK 137,711 million from SEK 160,548 million the previous year, a decrease of 14 percent. Preem's total production amounted to 18.6 million cubic meters (18.9)[1)], a decrease of just over 1 percent compared to 2022. The proportion of products sold outside Sweden amounted to 65 (60) percent, with a value of SEK 89,608 million (96,832).

The gross profit for the business decreased by SEK 5,954 million to SEK 10,225 million (16,179). Refining margins have continued to be strong during the year with a peak in the third quarter. The average refining margin for the full year did decrease from USD 13.86/bbl in 2022 to USD 11.52/bbl in 2023 but from a historical perspective is still very high. The result was negatively affected by price losses on inventory and a write-down of the inventory value totaling SEK –1,515 million, driven by falling market prices.

The operating profit fell to SEK 7,908 million (14,838). The operating result has been affected by a cost of SEK –833 million for disposal of a VDU plant at the refinery in Lysekil to make room for the new renewable plant ICR.

Oil price trend 2023
USD/barrel North Sea Oil

Net financial items amounted to SEK –377 million (–1,823). The change in financial net compared to the previous year is due to lower leverage. Interest expenses have decreased by SEK 212 million, from SEK –534 million to SEK –322 million. The reduced leverage is related to a USD loan and the exchange rate effects have decreased to SEK -30 million from SEK –1,211 million. A positive effect of SEK 1,181 million.

The profit before tax amounted to SEK 7,532 million (13,015). Profit after tax to SEK 7,175 million (10,356).

A key figures table including definitions is presented on page 136 of this report.

Business Segment Supply & Refining

Supply & Refining's operations consist predominantly of refining crude oil in the refineries in Lysekil and Gothenburg. Most of the crude oil that Preem buys in comes from the North Sea. Other crude oil comes mainly from West Africa and USA. In 2023, total production amounted to 18.6 million cubic meters (18.9). As part of the production, 350,000 cubic meters of renewable raw material were processed for the production of HVO. The raw materials used for the production of HVO are mainly tall oil and animal fats.

1) Preem's definition of production includes products produced at its refineries, where certain volumes may be produced first as a component and later as a refined product.

Supply & Refining reported an operating profit for 2023 of SEK 8,700 million, compared to SEK 15,999 million the previous year. Despite the decrease, this is historically a very strong result and is still driven by the market situation after Russia's invasion of Ukraine. The lack of Russian crude oil and Russian petroleum products in large parts of the European market has continued to hold up margins on petroleum products of non-Russian origin. The result in 2023 is negatively affected by price and currency effects. The negative price effects and inventory write-down occurred during the month of December when prices turned down again. Seen over the whole year, the difference in price between the time of purchase of crude oil and the price of products at the time of sale has contributed negatively by approximately SEK 600 million.

During the fall, a planned audit shutdown was carried out at the refinery in Gothenburg. The shutdown lasted for most of September and October, and as a whole followed the set schedule with good results. Otherwise, operational availability for the refineries during the year was very good, which has meant that we were able to take advantage of the continued high refining margins that prevailed in 2023.

Business Segment Marketing & Sales

Despite a market marked by high inflation and declining consumption where the total fuel market in Sweden shrank by 4 percent, according to preliminary figures from Statistics Sweden, Marketing & Sales reported a strong result with a continued stable market share. Strengthened margins within the entire business segment compensated for reduced volumes. 2023 was a more stable year for bulk sales in Sweden compared to the previous year's volatile market where concerns about product availability and the energy crisis periodically contributed to a greatly increased demand and significantly increased volumes. In the Norwegian bulk market, the business segment continued to strengthen its market share with new customer volumes.

A continuing challenging global situation with high inflation and increased interest rates has had a tangible impact on customer purchasing power, which has meant reduced sales volume within Preem's fuel station network. During the year, the operating margin recovered and strengthened from the previous year's unstable price development, which compensated for declining demand and a historically high cost inflation that was reflected in increased overhead costs within Preem's fuel station network. With focus on a broad competitive customer offering and a build-up of e-mobility, Preem will maintain its long-term strategic direction where the rollout of its first super-fast chargers was a milestone during the year. During the year, 60 charging points were established at 11 Preem facilities together with its partner Recharge, and it created good prospects for increasing the roll-out rate in 2024. During the year, Preem was also granted support from the Swedish Energy Agency to establish charging points adapted to commercial road transport at 22 of its facilities. The investment and support is a very important piece of the puzzle for developing the future energy stations for commercial road transport. The first charging points adapted for commercial road transport is expected to become operational in 2025.

During the year, consumer prices have gradually decreased after the previous year's record high levels. The year began with consumer prices at the pump for gasoline and diesel which were SEK 19.35/liter and SEK 23.61/liter respectively, but have been lowered during the year and recorded in December at SEK 18.44/liter and SEK 22.16/liter respectively.

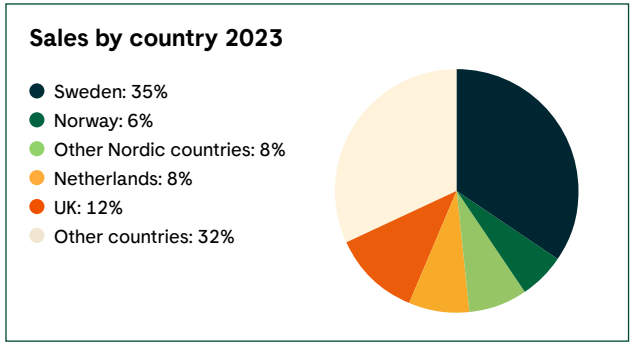
With a strong position in the market, the Marketing & Sales business segment continues to deliver good profitability and reported an operating profit for 2023 of SEK 924 million, compared to SEK 807 million the previous year.

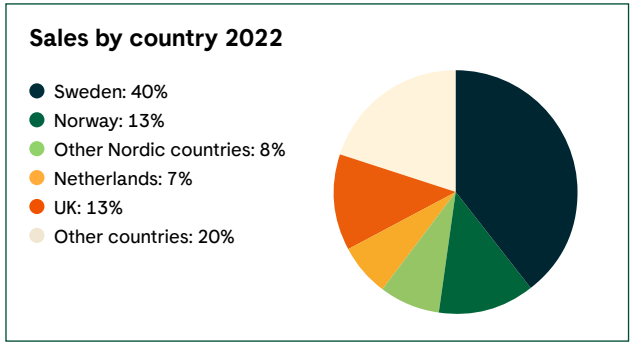
Cash flow and financing

Cash flow from current operations amounted to SEK 8,821 million (9,995). The reduction was mainly due to lower refining margins and negative price effects. Changes in inventory negatively affected cash flow by SEK −1,159 million (−6,039), which excludes the effects of inventory write-downs. Changes in operating receivables affected the cash flow positively by SEK 1,960 million (−1,675), driven by lower market prices for the outstanding trade receivables. The operating payables produced a negative cash flow of SEK −3,097 million (3,759), driven by lower market prices and fewer outstanding raw material payments.

Cash flow used in investment activities increased to SEK −3,998 million (−1,976). Cash flow from financing activities amounted to SEK −2,889 million (−6,958).

At the end of the period, the Group had a Net debt equity ratio of SEK −1,353 million, which is to be compared with SEK 2,056 million as of December 31, 2022. The Net debt equity ration includes lease liabilities. Liabilities to credit institutions amounted to SEK 123 million (3,264). Loan from Swedish Export Credit Cooperation, which finances reconstruction of the SynSat facility, amounted to SEK 3,000 million (1,300).





Liquidity

Cash and cash equivalents at the end of the year amounted to SEK 5,184 million (3,241). As of the end of December 2023, Preem had SEK 13,842 million (11,491) in unused credit lines.

Investments

Investments in tangible fixed assets during the year amounted to SEK 4,084 million (1,928). It was divided into investments of SEK 958 million in shutdowns and maintenance, SEK 3,051 million in profitability-improving measures and SEK 75 million in environmental and safety-improving measures. Borrowing costs of SEK 101 million are included. Investments in financial assets amount to SEK 16 million and consist of the purchase of emission rights.

Employees

The average number of employees in the group amounted to 1,641 (1,557), of which 1,516 (1,443) were employed by the parent company. Of these, roughly 1,100 people work at the refineries. Everything we do is based on our values: responsibility, innovation and inclusion.

The market

Market development – crude oil

For most of the year, the price of crude oil traded around USD 80/barrel. The year began with China's post-pandemic re-opening and Russian sanctions as driving forces but they ebbed pretty soon. The year began at the USD 81 level and ended around USD 78/barrel. In between, a low of USD 70 was reached in March and a peak of close to USD 98 in September.

There were strong macroeconomic and political forces at play in 2023 and the price of oil exhibited a strong correlation with US interest rates. US wanted to keep the price low into the election year of 2024 while OPEC was aiming for USD 90 and thus it was not unreasonable that the average for the year landed at USD 82 per barrel. The crude oil balance is and remains delicate and when US strategic reserve disappeared from the market during the summer, a strong rally began that lifted the price USD 25; the narrative of a soft landing in the world economy took hold and funds took long positions in gasoline spilling over into the crude oil market. In October the trend reversed and in December the market was back in the low 70s again. When the US Federal Reserve began to signal in the fall that the interest rate peak had been reached, funds began to buy bonds and sell oil. Geopolitical unrest in the Middle East and disturbances in the Red Sea finally broke the downward trend in December. The market is currently reasonably balanced but vulnerable to geopolitical disturbances and macroeconomic surprises in the form of, for example, stronger global growth.

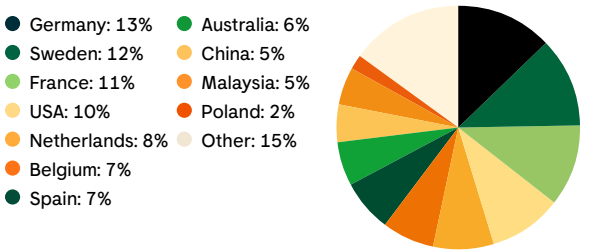
The product market in Europe was torn in 2023 between low product stocks and geopolitical events on the upside, and declining economic activity on the downside. Although volatility was not on par with 2022, price fluctuations were very large during the year. Crack spreads (the difference between product price and crude oil) for diesel and gasoline, respectively, reached a high of 50 and 36 USD/barrel during the year, and was noted as a low of 13 and 1.5 USD/barrel, respectively. Refining margins remained high during the year with a peak in Q3.

The EU's extended embargo against Russian oil products entered into force in February 2023. This has redrawn the map for product flows in our immediate area, primarily for diesel, as the EU is structurally short of this product (approximately 1.85 million tonnes per month) and is thus dependent of imports for their livelihood. Imports to the EU now primarily take place on large ships from the US Gulf Coast and even larger ones from the Arabian Gulf or India, which usually transit the Suez Canal. With increased tension in the area, many are forced to sail around Africa instead, which increases the cost and length of the logistics chains and increases the volatility of delivered prices. Another aspect is increased bunker consumption, which toward the end of the year was reflected in higher prices for marine fuels.

Market development
– renewable raw material and products

The total production of vegetable oils has been very high during the year with good weather conditions in most places and functioning logistics without major disruptions. There have been record harvests of soybeans in Brazil and the US, as well as rapeseed in Ukraine, while Argentina suffered from a drought that almost halved their production of soybeans. Inventories at the turn of the year was high and the price of primarily soy and rapeseed has gradually been lowered and at the end of 2023 was lower than the price of palm oil, which is unusual.

Purchase of renewable products 2023
By geographic origin, % of volume



The availability of raw materials based on waste and residual products has also been good during the year, but demand has been uneven and, not least, the market for used cooking oil (UCO) has been negatively affected by the high imports into Europe of biodiesel from China, which took off in late 2022 and continued through much of 2023. China has exported more UCO to the US than Europe for the first time ever. In December, the EU Commission started an anti-dumping investigation of these biodiesel volumes, which is expected to be completed in the second half of 2024. The demand for animal fats has decreased gradually and one reason is believed to be the reduced mandate in Sweden, which was largely fulfilled by HVO based on animal fat. The price of both used frying oil and animal fat, like the vegetable oils, has gone down.

The demand for renewable products such as FAME (fatty acid methyl esters), HVO (hydrogenated vegetable oil) and ethanol has been strongly affected by the aforementioned imports from China. Although imports moderated somewhat in the last quarter, they have strongly affected margins for domestic Euro-

pean production. Europe's lower diesel consumption has also contributed to a lower need for mixed FAME. Prices have fallen in all segments of renewable products.

Environment

Preem conducts a number of activities which, according to the Environmental Code, are subject to permission or notification. The main environmental impact occurs through air emissions of carbon dioxide, nitrogen oxides, sulfur oxides and volatile hydrocarbons, emissions to water and noise.

The overall direction of Preem's work with health, safety and environment is described in Preem's Health, Safety and Environment Policy. Compliance with the policy is achieved through the application of routines and instructions in the company's management system. Control and compliance with the management system takes place, through internal and external audits, security rounds and reporting and handling of deviations.

The refineries in Lysekil and Gothenburg have permits for so-called A operations. The permits are subject to conditions and control programs. In 2023, Preem passed all conditions.

An application to change the environmental permit for the refinery in Lysekil was submitted to the Land and Environment Court in 2023. The change is about adapting the ICR plant so it can process renewable raw materials, thereby replacing part of the fossil production. The change also includes a facility for the pre-treatment of renewable raw materials. The court announced the application in October 2023, and a hearing will take place in February 2024.

For the refinery in Gothenburg, an application was submitted to change the permit that Preem received in June 2022, but has not yet been used. The change means that a different pre-treatment technology than the licensed one, with a lower environmental impact, is planned, as well as the installation of carbon dioxide capture (CCS). Permission was granted in November 2023, but Preem has appealed one condition of the ruling concerning the formulation of permit requirements for downstream handling of the captured carbon dioxide. Processing of the appeal has begun, but no announcement has been made.

Carbon dioxide emissions from Preem's refineries are included in the EU trading system with emission rights. For the current trading period 2021–2025, the number of freely allocated emission rights is decided based on the respective refinery's activity level/production during the previous two years. Allocation decisions are made annually by the Swedish Environmental Protection Agency. During the year, the allocation to both of Preem's refineries has been adjusted, which means an increased allocation than before. The system is structured so that the proportion of freely allocated emission rights decreases continuously and the difference between free allocation and need increases steadily. Any deficit is covered by the purchase of emission rights on the market.

Preem's depots, with the exception of the Halmstad depot, have a permit for so-called B operations with associated conditions and control programs. The depot in Halmstad is not subject to a permit. Conditions for releasing hydrocarbons into water were exceeded on a few occasions during 2023 at the depots in Norrköping and Skarvik (Gothenburg). The regulatory authorities were notified of these exceedances and action was taken. The application for a change permit for the depots in Helsingborg and Norrköping was submitted to the Environmental Assessment Delegation at the County Administrative Board in Skåne and Östergötland during the year.

The majority of Preem's fuel stations handle fuel in excess of 1,000 cubic meters per calendar year, and are then subject to notification for so-called C operations. Such notification is made to the relevant municipality. Preem has continuous communication with the supervisory authority regarding environmental matters at our fuel stations. Remediation of contaminated land at closed depots, fuel stations and Såifa stations takes place continuously, including throughout 2023.

Sustainability Report

Preem has submitted a Sustainability Report in line with the requirements of the Swedish Annual Accounts Act chapter 6. The Sustainability Report can be found on pages 1–85 of this report.

Product development

For many years, Preem has had a vision of leading the transformation toward a sustainable society. The company has had a production of renewable diesel at the refinery in Gothenburg for over ten years. The vision is manifested through its strategy and the target for Preem to become climate neutral throughout the value chain by 2035.

Preem is gradually increasing its renewable production capacity. In addition to production in Gothenburg, which has quadrupled, Preem now also has renewable production at the refinery in Lysekil. During 2023, two more facilities in Lysekil and one in Gothenburg were adapted to low-blend renewables. In total, the renewable capacity is now up to around 500,000 cubic meters per year.

After a few years of operation with low interference to Synsat in Lysekil, a major reconstruction of the facility is now underway in order to achieve a renewable production capacity of 950,000 cubic meters per year in 2024. This will provide a total capacity of around 1.4 million cubic meters of renewable fuel per year. In 2023, investment decisions were also made for the next major reconstruction project. This project, will rebuild the ICR facility in Lysekil to renewable production on a large scale, up to 1.2 million cubic meters per year. This facility will be adapted to produce a large proportion of aviation fuel. In addition, a pre-treatment facility will be built in order to thereby broaden the raw material base. The intention is for the facility to be put into operation at the beginning of 2027.

In Gothenburg, the expansion of renewable production capacity is planned by an additional one million cubic meters per year with start-up in 2029. This is planned to take place in a completely new facility designed to produce renewable vehicle fuels and aviation fuels with great flexibility. The project will include a pretreatment plant and a carbon dioxide capture plant.

Outlook

2023 saw a continued high rate of inflation both in Sweden and globally. However, there was a gradual decline toward the end of the year, with inflation figures returning to more normal levels

in December. This high inflation had a dampening effect on the global economy. Although a deep recession did not occur, the demand for goods, services and energy products gradually decreased over the course of the year.

Russia's invasion of Ukraine in 2022 continues to affect international trade, particularly due to the sanctions that limit Russia's access to several Western markets. One consequence is that refined products are exported from Russian Black Sea ports to the Middle East, where they are either resold or mixed with other products and then returned to Europe under a different label. This parallel export has led to higher prices, especially for diesel in Europe, while gasoline prices have been less affected. As a result, Europe's dependence on trade via the Suez Canal and access to the Red Sea increased.

In addition, there is increased tension in the Middle East as a result of the conflict between Hamas and Israel. This has spread unrest to the Gulf of Aden, where attacks on merchant ships have led to ships choosing to navigate around Africa rather than passing through the Suez Canal. The overall consequences of this are not yet completely clear, but are expected to lead to higher oil prices and fuel costs, especially for diesel, as a result of increased shipping costs. As long as shipping is forced to take this detour, this effect will persist.

For 2024, the outlook for oil prices appears to be affected by several important events. There is a general expectation of a marginal increase in demand for refined products, but the uncertainty surrounding the state of the Chinese economy may negatively affect demand. The price increase in early 2024 can largely be attributed to risk premiums related to conflicts in the Horn of Africa and continued uncertainty in the Middle East. The election in the US later in the year may also have an impact oil prices. Historically, high fuel prices have tended to reduce the popularity of the incumbent president, which could tempt President Joe Biden to try to lower prices by releasing crude oil from the US strategic reserve. It is likely that the price of oil will initially rise during the first months of the year, and then possibly fall back after the summer. New refineries, such as the Dangote refinery in Nigeria, are expected to begin production in 2024 and will affect the European refineries. When Dangote reaches full capacity in the second quarter, it is expected to increase competition in the gasoline market in Europe, which in turn could reduce refinery margins and the demand for crude oil.

The changes in Sweden's reduction mandate from January 2024, which are now among the lowest in the EU, have resulted in a reduced demand for renewable fuels in Sweden. However, this is partially offset by increased demand from other European countries which have raised their obligations. This has led to lower prices for HVO in the region. In addition, new production capacity in renewable fuels in Sweden and the Netherlands is expected to have a dampening effect on prices.

Finally, for electricity prices, which are a key input factor for refineries, forecasts look similar to the start of 2023. Gas stocks in Germany have been maintained over the winter, and the relatively mild winter in northern and central Europe has contributed to a moderate consumption. A significant number of large wind farms are expected to be completed during the year in Europe. This significant expansion of wind power increases the amount of variable power in the European electricity system. These developments could potentially increase volatility in electricity prices, but are still expected to keep price levels slightly lower than in previous years.

Parent company result

Sales revenue for Preem AB (publ) decreased in 2023 to SEK 136,697 million (163,509), which is a decrease of 16.4 percent caused by lower oil prices. The gross profit for the business decreased by SEK 5,910 million to SEK 9,704 million (15,614). Profit after tax amounted to SEK 2,903 million (7,954).

Proposed allocation of profit

Unrestricted equity in the Parent Company amounts to SEK 19,777,928,945. The Board proposes that it be allocated as follows:

Dividend	1,174,162,955 SEK
Carried forward	18,603,765,990 SEK
Total	**19,777,928,945 SEK**

Consolidated financial statements

Notes to the consolidated financial statements

Parent Company notes

Consolidated financial statements AMOUNTS IN MILLION SEK

Consolidated income statement and Statement of other comprehensive income

Consolidated Income statement	Note	2023	2022
Sales including excise duties		149,125	171,688
Excise duties[1)]		-11,415	-11,140
Net sales	4, 14	**137,711**	**160,548**
Cost of goods sold	8, 9, 14	-127,486	-144,369
Gross profit	5	**10,225**	**16,179**
Selling expenses		-981	-862
Administrative expenses		-1,227	-1,024
Shares in associated company's profit after tax	17	36	94
Other operating income	10	768	460
Other operating costs	11	-913	-9
Operating profit	4, 6–9, 33, 34	**7,908**	**14,838**
Financial income		145	41
Financial expenses		-522	-1,864
Financial items, net	4, 12, 14	**-377**	**-1,823**
Profit before tax	4	**7,532**	**13,015**
Income taxes	13	-357	-2,659
Profit for the year		**7,175**	**10,356**
Profit for the year attributable to:			
Parent Company shareholders		7,175	10,356
Non-controlling interests		–	0
		7,175	**10,356**

Consolidated Statement of comprehensive income	Note	2023	2022
Profit for the year		**7,175**	**10,356**
Other comprehensive income			
Items that may be reclassified to the income statement:			
Translation difference	23	-33	11
Gains on cash flow hedges	23	-478	1,241
Hedging result reclassified to profit for the year	23	-93	-444
Tax attributable to items that may be reclassified	13, 23	118	-164
Items that will not be reclassified to the income statement:			
Actuarial gains/losses on defined benefit pension plans	24	-93	180
Tax attributable to the item that will not be reclassified	13, 24	19	-37
Other		–	-1
Total other comprehensive income for the year, net of tax		**-561**	**786**
Total comprehensive income for the year		**6,614**	**11,142**
Total comprehensive income for the year attributable to:			
Parent Company shareholders		6,614	11,142
Non-controlling interests		–	0
		6,614	**11,142**

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

Consolidated financial statements AMOUNTS IN MILLION SEK

Consolidated Statement of Financial Position

Assets	Note	2023-12-31	2022-12-31
Fixed assets			
Intangible assets	15	373	670
Property, plant and equipment	16, 30, 34	14,537	12,537
Shares in associated companies	17	391	394
Long-term receivables from related companies	32	181	–
Long-term derivatives	27, 32	19	411
Other long-term receivables	18, 32, 33	345	565
Total fixed assets		**15,847**	**14,577**
Current assets			
Inventory	19	18,876	19,281
Trade receivables	20, 30, 32	3,927	6,129
Derivatives	27, 32	209	444
Receivables from related parties	32, 33	58	55
Other receivables	32	1,005	1,335
Prepaid expenses and accrued income	21	3,069	2,737
		27,144	**29,981**
Cash and cash equivalents	22, 32	5,184	3,241
Total current assets		**32,327**	**33,222**
Total assets		**48,174**	**47,799**

Equity and liabilities	Note	2023-12-31	2022-12-31
Equity			
Equity attributable to Parent Company shareholders			
Share capital		610	610
Other paid-in capital		3,344	3,344
Reserves		155	642
Profit brought forward including profit for the year		23,845	17,510
		27,954	**22,106**
Non-controlling interests		–	0
Total equity	23	**27,954**	**22,106**
Liabilities			
Non-current liabilities			
Pension obligations	24	180	156
Deferred tax liabilities	13	1,474	1,716
Other provisions	25	154	158
Borrowings	26, 32	2,844	4,272
Long-term lease liabilities	26, 32, 34	445	420
Other interest-bearing liabilities	26, 32	57	52
		5,153	**6,773**
Current liabilities			
Provisions	25	147	140
Liabilities to credit institutions	26, 32	111	–
Short-term lease liabilities	26, 32, 34	206	261
Advance payments from customers		317	626
Account payables	32, 33	5,119	7,213
Liabilities to associates	32, 33	269	10
Current tax liabilities	13	1,599	2,149
Derivatives	27, 32	3	3
Other liabilities	28, 32	1,586	2,488
Accrued expenses and deferred income	29	5,708	6,030
		15,067	**18,919**
Total liabilities		**20,220**	**25,692**
Total equity and liabilities		**48,174**	**47,799**
Pledged assets and contingent liabilities	30		

Consolidated financial statements AMOUNTS IN MILLION SEK

Consolidated Statement of Changes in equity

	Attributable to Parent Company shareholders						
Note 23	Share capital	Other paid-in capital	Reserves	Retained earnings incl. profit for the year	Total	Non-controlling interests	Total equity
Opening equity 2022-01-01	**610**	**3,344**	**-2**	**9,249**	**13,202**	**0**	**13,202**
Profit for the year	–	–	–	10,356	10,356	0	10,356
Other comprehensive income	–	–	644	142	786	–	786
Total comprehensive income for the year	**–**	**–**	**644**	**10,498**	**11,142**	**0**	**11,142**
Received group contribution 2021, tax[1)]	–	–	–	276	276	–	276
Submitted group contributions 2022, net tax[2)]	–	–	–	238	238	–	238
Dividend	–	–	–	-2,752	-2,752	–	-2,752
Closing equity 2022-12-31	**610**	**3,344**	**642**	**17,510**	**22,106**	**0**	**22,106**
Opening equity 2023-01-01	**610**	**3,344**	**642**	**17,510**	**22,106**	**0**	**22,106**
Profit for the year	–	–	–	7,175	7,175	–	7,175
Other comprehensive income	–	–	-487	-74	-561	–	-561
Total comprehensive income for the year	**–**	**–**	**-487**	**7,101**	**6,614**	**–**	**6,614**
Group contributions 2022, tax[3)]	–	–	–	226	226	–	226
Group contributions 2023, tax[4)]	–	–	–	332	332	–	332
Divestiture subsidiary with minority	–	–	–	–	–	-0	-0
Dividend	–	–	–	-1,324	-1,324	–	-1,324
Closing equity 2023-12-31	**610**	**3,344**	**155**	**23,845**	**27,954**	**–**	**27,954**

1) During 2022, Group contributions have been made to the Parent Company Preem Holding AB (publ) for a total of SEK –1,340 million for the income tax year 2021. This includes tax of SEK 276 million. A Group contribution of SEK –2,004 million was provided but did not result in any tax effect. Shareholder contributions have since been received with a total of SEK 3,344 million.

2) For the income tax year 2022, Group contributions of a total of SEK –1,156 million were submitted to the Parent Company Preem Holding AB (publ). Tax amounted to SEK 238 million. Shareholder contributions have since been received with the corresponding amount.

3) During 2023, a Group contribution of a total of SEK 1,099 million was provided to the Parent Company Preem Holding AB (publ) for the income tax year 2022. Tax amounted to SEK 226 million. The Parent Company submitted a shareholder contribution of SEK 1,099 million.

4) During 2023, a Group contribution of a total of SEK 1,611 million Was provided to the Parent Company Preem Holding AB (publ) for the income tax year 2023. Tax amounted to SEK 332 million. The Parent Company submitted a shareholder contribution of SEK 1,611 million.

Consolidated financial statements AMOUNTS IN MILLION SEK

Consolidated Cash flow statement

	Note	2023	2022
Operating activities			
Profit before tax		7,532	13,015
Adjustments for non-cash items	31	4,130	1,055
		11,662	**14,070**
Tax paid		-545	-120
Cash flow from operating activities before changes in working capital		**11,117**	**13,950**
Cash flow from changes in operating activities			
Increase (–)/Decrease (+) in inventories		-1,159	-6,039
Increase (–)/Decrease (+) in operating receivables		1,960	-1,675
Increase (+)/Decrease (–) in operating payables		-3,097	3,759
Cash flow from operating activities		**8,821**	**9,995**
Investing activities			
Acquisition of intangible assets	15	-16	-123
Acquisition of tangible assets	16	-3,983	-1,855
Sale of tangible assets		0	6
Investment in financial assets	17	0	-3
Cash flow from investing activities		**-3,998**	**-1,976**
Financing activities			
Borrowings	31	5,407	7,959
Transaction costs		–	-375
Amortization of loans	31	-6,848	-11,587
Amortization of lease liabilities	31	-300	-204
Dividends/group contribution paid		-1,148	-2,752
Cash flow from financing activities		**-2,889**	**-6,958**
Cash flow for the year		**1,934**	**1,061**
Opening cash and cash equivalents		3,241	2,158
Exchange rate difference in cash and cash equivalents		9	21
Closing cash and cash equivalents	22	**5,184**	**3,241**

Notes to the consolidated financial statements

Note 1. Significant accounting policies

On March 27, 2024, the Board of Directors and the CEO approved these annual and consolidated accounts for publication and to be submitted to the annual general meeting for approval on March 27, 2024.

The most important accounting principles applied when these consolidated accounts were prepared are stated below. These principles are applied consistently unless otherwise stated.

Basis on which the financial statements have been prepared

The consolidated accounts for the Preem AB group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. IAS 33 is not applied as the shares in Preem AB are not subject to public trading. Furthermore, RFR 1 "Supplementary accounting rules for groups" issued by the Swedish Corporate Reporting Board, has been applied.

Assets and liabilities are reported at historical acquisition costs, except for certain financial assets and liabilities and other shares and participations that are reported at fair value.

The financial reports are presented in Swedish kronor, which is also the parent company's functional currency. Unless otherwise stated, all amounts are rounded to the nearest million. Due to the rounding of amounts in tables to the nearest million kroner, in some cases it may occur that the sum of total amounts is not exactly equal to the sum of all sub-amounts.

Preparing reports in accordance with IFRS requires the use of some important estimates for accounting purposes. Furthermore, management is required to make certain judgments when applying the group's accounting principles. The areas which involve a high degree of assessment, which are complex or such areas where assumptions and estimates are of significant importance for the consolidated accounts, are reported in Note 3.

The accounting principles stated below have been consistently applied to all periods presented in the group's financial reports.

Standards, amendments and interpretations that have entered into force in 2023

None of the changes in IFRS that the IASB has published and the EU has approved (Changes in IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 12 Income Taxes) have had any significant effect on the Group's financial reports.

Standards, Amendments and Interpretations Adopted of the EU but which has not yet entered into force and has not yet been applied by the Group

A number of new or amended IFRS will only come into force in the coming financial year and have not been applied yet in the preparation of these financial statements. These new or amended IFRS will not have any material effect on the Group's financial statements.

Classification in the statement of financial position

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

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

Consolidation Principles and business combinations

Business combinations

The Group assesses for each transaction whether a business combination or an asset acquisition exists when the company obtains controlling influence over a business. Transactions where, in all essentials, the fair value of the acquired assets consists of an asset or a group of similar assets, are accounted for through a simplified assessment as an asset acquisition.

Subsidiaries

Subsidiaries are companies that are under a controlling influence from Preem AB (publ.). Control means, directly or indirectly, a right to shape a company's financial and operational strategies for the purpose of obtaining financial benefits. When assessing whether a controlling influence exists, potential voting shares that can be exercised or converted without delay are taken into account. Subsidiaries are included in the consolidated accounts from and including the day when the controlling influence is transferred to the group. They are excluded from the consolidated accounts from and including the day when the controlling influence ceases.

The acquisition method is used to account for the Group's acquisition of subsidiaries. The acquisition value in an acquisition consists of the fair value of assets given as compensation, equity instruments issued and liabilities incurred or taken over as of the date of transfer. Transaction expenses attributable to acquisitions are expensed when the expense is incurred. Identifiable acquired assets and assumed liabilities and contingent liabilities in a business combination are initially valued at fair value on the acquisition date, regardless of the extent of any non-controlling interest. The surplus consisting of the difference between the acquisition value and the fair value of the group's share of identifiable acquired assets, liabilities and contingent liabilities is reported as goodwill. When the difference is negative, it is reported directly in the year's results.

Intra-group transactions and balance sheet items as well as unrealized profits on transactions between group companies are eliminated. Unrealized losses are also eliminated, but any losses are considered an indication of impairment of the ceded asset. The accounting principles for subsidiaries have been changed where applicable to guarantee a consistent application of the Group's principles.

Associated companies

Associated comapanies are all companies in which the Group has significant but not controlling influence, which mainly applies to shareholdings comprising between 20 percent and 50 percent of the votes. From the time when the significant influence is obtained, shares in associated companies are reported according to the equity method in the consolidated accounts and are initially valued at acquisition value. The Group's reported value of holdings in associated companies includes goodwill identified at the time of acquisition, net of any write-downs.

Any difference during the acquisition between the acquisition value of the holding and the owner company's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is reported according to the same principles as when acquiring subsidiaries.

The Group's share of profit that arose in the associated company after the acquisition is reported in the year's profit. Accumulated changes after the acquisition are reported as a change in the holding's reported value. When the group's share in an associated company's losses amounts to or exceeds its holding in the associated company, including any unsecured claims, the group does not report additional losses, unless the group has assumed obligations or made payments on behalf of the associated company.

Unrealized profits on transactions between the Group and its associated companies are eliminated in relation to the Group's holdings in associated companies. Unrealized losses are also eliminated, unless the transaction constitutes evidence that an impairment requirement exists for the transferred asset.

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

Notes to the consolidated financial statements

Note 1. cont.

Joint ventures
Joint ventures, usually conducted in company form, are cooperative arrangements where the Group and one or more cooperation partners are entitled to all financial benefits related to the assets of the operation. Furthermore, the settlement of the business's debts is dependent on the parties' purchase of output from the business or capital contributions to it. Joint ventures are recognized according to the "proportional consolidation principle", which means that each party in a joint operation reports its share of assets, liabilities, income and expenses. The Group reports one of its holdings in associated companies in this way.

Segment reporting
An operating segment is a part of the Group that carries on activities from which it can generate income and incur costs and for which there is independent financial information available. An operating segment's results are further followed up by the company's top executive decision maker to evaluate the results and to be able to allocate resources to the operating segment. See Note 4 for further description of division and presentation of the segments.

Foreign currency
Transactions and balance items in foreign currency
Transactions in foreign currency are converted to the functional currency at the exchange rate prevailing on the day of the transaction. Monetary assets and liabilities in foreign currency are converted to the functional currency at the exchange rate prevailing on the balance sheet date. Exchange rate gains/losses arising from the payment of such transactions and from the translation of monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are reported in the year's profit. Exchange rate differences on operating receivables and operating liabilities are included in operating profit. Other exchange rate changes affect the group's financial net. The Group does not hedge transactions or investments in foreign currency to any great extent. Non-monetary assets and liabilities are recorded at the exchange rates valid on the transaction date.

Foreign operations' financial reports
Assets and liabilities in foreign operations, including group-related undervalues and surpluses, are converted from the foreign operations' functional currency to the Group's reporting currency, Swedish kronor, at the exchange rate prevailing on the balance sheet date. Income and expenses are converted to the average exchange rate. Translation differences arising from currency translation of foreign operations are reported in other comprehensive income and accumulated in a separate component of equity called the translation reserve.

When selling a foreign operation, in whole or in part, the translation differences reported in the translation reserve in equity are transferred to the profit for the year and reported as part of the capital gain/loss.

Revenue recognition
Revenue is valued based on the remuneration specified in the agreement with the customer. The Group reports the revenue when control over a product or service is transferred to the customer. Revenues are reported excluding value added tax, returns and discounts and after the elimination of intra-group sales. Invoicing to certain customers includes excise taxes, net sales are therefore reported both including and excluding excise taxes.

Sale of goods
The Group's main income derives from the sale of goods in the form of petroleum products. The products are sold to oil companies operating in Sweden and on the international market, mainly in north-western Europe. The sale of gasoline, diesel, heating oils and lubricating oils on the Swedish market takes place through Preem's nationwide network of fuel stations, through certified dealers and in bulk through own direct sales. In Norway, Preem's products are mainly sold through retailers and in bulk through its own direct sales.

A large proportion of the group's sales of products takes place through shipping. These sales usually take place with the transport terms CIF (Cost Insurance Freight) and FOB (Free on Board), which means that these revenues are normally reported on the day the goods are loaded onto the boat, i.e. on the B/L day (Bill of Lading). In the case of other sales, the revenue is reported in connection with delivery to the customer.

Government grants
For 2023, government grants have been received for electricity and electric vehicle charging infrastructure. A total of SEK 59 million. The Group did not receive any material government support during 2022.

Financial income and expenses
Financial income consists of interest income on invested funds, dividend income, and profit from changes in value of financial assets valued at fair value via profit for the year.

Interest income on financial instruments is reported in accordance with the effective interest method. Dividend income is reported when the right to receive dividends has been established. The result from the disposal of a financial instrument is reported when the risks and benefits associated with the ownership of the instrument have been transferred to the buyer and the group no longer has control over the instrument.

Financial costs consist of interest costs on loans including the year's expensed portion of transaction expenses in connection with taking out loans, the effect of dissolution of present value calculations of provisions, loss in the event of a change in value of financial assets valued at fair value through profit and loss.

As a general rule, borrowing costs are charged to the result for the period to which they relate. Borrowing costs that are directly attributable to the purchase, construction or production of an asset that necessarily takes a significant amount of time to complete for intended use or sale must be included in the acquisition value of the asset.

Intangible assets
Goodwill
Goodwill consists of the amount at which cost exceeds the fair value of the Group's share of the acquired subsidiary's/associate's net identifiable assets on the acquisition date. Goodwill on acquisition of subsidiaries is recognized as an intangible asset. Goodwill on the acquisition of associated companies is included in the carrying value of shares in associated companies. The useful life of goodwill is indefinite. Goodwill is instead tested at least on an annual basis to identify any impairment requirements and is recognized at cost minus the accumulated impairment losses. Impairment of goodwill is not reversed. Gains or losses on the disposal of a unit include the remaining carrying amount of the goodwill relating to the disposed unit.

Goodwill is allocated among cash-generating units in connection with impairment testing. This allocation is applied to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination that gave rise to the goodwill item. The Group allocates goodwill among segments. The Group's carrying amount of goodwill of SEK 308 million (308) is allocated in its entirely to the business segment Supply & Refining. See Note 15.

Internally generated computer software
The assets are valued at acquisition value less depreciation and write-downs. Borrowing costs are included in computer software in the same way as for tangible fixed assets. Depreciation is made on a straight-line basis over the useful life of the intangible fixed asset and begins when it is brought into use. The useful life has been estimated to be five years. The value is tested at least annually and written down if such a test shows that the value in use is less than the accounted value.

Emission rights
Emission rights are reported at acquisition value, emission rights obtained at no cost are reported at nominal value, i.e. at zero value. Emission rights that do not have a fixed useful period are tested quarterly to identify any need for write-downs.

The Group has no other capitalizable intangible assets. Thus, for example, expenses for internally generated goodwill and trademarks are expensed when they arise.

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

Notes to the consolidated financial statements

Note 1. cont.

The acquisition value includes expenses that can be directly attributed to the acquisition of the asset. Additional expenses are added to the asset's carrying amount or accounted for as a separate asset, whichever is applicable. The expenses are added to the asset's reported value only when it is likely that the future financial benefits associated with the asset will benefit the Group and the acquisition value of the asset can be reliably measured. Book value for the replaced part is removed from the balance sheet. All other forms of repairs and maintenance are reported as costs in the period they arise. The acquisition value includes estimated expenses for dismantling and restoration of land or area in cases where provisions for such expenses have been made. Depreciation of this takes place as restoration takes place.

Depreciation of other assets, to distribute their acquisition value down to the estimated residual value over the estimated useful life, is done on a straight-line basis as follows:

Buildings and storage chambers	10–50 years
Land improvements	10 or 20 years
Plant and machinery	5–30 years
Capitalized turnaround costs for refineries	6 years
Equipment, tools, fixtures and fittings	3–20 years

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

Electrical installations and instruments	5–25 years
Heat exchangers	15 years
Steam boilers	20 years
Steel structures	30 years
Pressure vessels	6 or 30 years

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

The residual values and useful life of the assets are reviewed every balance sheet date and adjusted if necessary. An asset's reported value is immediately written down to its recovery value if the asset's reported value exceeds its assessed recovery value. This is tested when indicated.

The reported value of a tangible fixed asset is removed from the balance sheet upon retirement or disposal or when no future financial benefits are expected from the use or retirement/disposal of the asset. Gains and losses on disposal are determined through a comparison between the sales revenue and the reported value and are reported net in the statement of comprehensive income depending on which function the asset belongs to.

Borrowing costs attributable to the construction of so-called qualifying assets are capitalized as part of the acquisition value of the qualifying asset. A qualifying asset is an asset that necessarily takes a significant amount of time to complete. In the first instance, the borrowing costs incurred on loans that are specific to the qualified asset is capitalized. Alternatively, borrowing costs incurred on general loans, which are not specific to any other qualified asset, are capitalized.

Impairment

Property, plant and equipment that are depreciated are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment is recorded with the amount by which the asset's reported value exceeds its recoverable value. Impairment is recorded in profit and loss. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. When assessing the need for impairment, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash-generating units). For tangible fixed assets that have previously been impaired, an assessment is made on each balance sheet day as to whether a reversal should be made. Reported value after the reversal of impairment losses may not exceed the reported value that would have been reported if no impairment had been recorded.

Leases

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

If an agreement contains several components – lease or non-lease components – the group distributes the remuneration according to the agreement to each component based on the stand-alone price.

Lease agreements where the group is the lessee

The group reports a right-of-use asset and a lease liability at the beginning of the lease agreement. The right-of-use asset is initially valued at acquisition value, which consists of the initial value of the lease liability with additions for prepaid lease fees and any direct fees. The right-of-use asset is depreciated on a straight-line basis throughout the lease period.

The lease liability is initially valued at the present value of remaining lease payments during the assessed lease period. There are no variable lease fees linked to an index or price. The lease period consists of the non-cancellable period with additions for additional periods in the agreement if it is deemed reasonably certain at the commencement date that these will be used.

The lease fees are discounted with the agreements' implicit interest rate. If there is no such interest rate, the lease fees are discounted to the group's marginal borrowing rate.

The value of the lease liability is increased by interest costs for the respective period and reduced by the lease payments. The interest cost is calculated as the value of the debt multiplied by the discount rate.

Certain lease agreements contain extension options and termination options, respectively, which the group can exercise or not exercise, respectively, up to three months before the end of the non-cancellable lease period. Whenever possible, the group tries to include such options in new leasing agreements as it contributes to operational flexibility. The options can only be exercised by the Group, not by the lessor. Whether it is reasonably certain that an extension option will be exercised is determined on the start date of the lease agreement. The Group reassesses whether it is reasonably certain that an extension option will be exercised if an important event or significant changes in circumstances that are within the group's control occur.

For lease agreements that have a lease period of 12 months or less or with an underlying asset of low value, less than approximately SEK 50,000, no right-of-use assets and lease liabilities are reported. Lease fees for these lease agreements are reported as an expense linearly over the lease period.

Leasing agreements where the group is the lessor

A leasing agreement is an agreement according to which a lessor, according to agreed terms, during an agreed period, gives a lessee the right to use an asset in exchange for payments. Assets that are leased out, according to an operational leasing agreement, are reported in the balance sheet as an asset. The leasing fee is recognized as revenue linearly over the leasing period. The Group only has operational leasing agreements.

When a leased asset is sub-leased, the main lease agreement and the sub-lease agreement are reported as two separate agreements. The Group classifies the sublease agreement based on the right of use arising from the head lease agreement, not based on the underlying asset.

Inventories

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

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

For crude oil, recoverable amount is used as the best available measure of net realizable value. In cases where the net realizable value is less than the aquisition cost of crude oil and impairment loss is recognized, the impairment amount is reduced in cases where the net realizable value of the products exceeds cost. The reduction in the impairment amount for crude oil consists of the difference between the net realizable value of the products and cost.

Notes to the consolidated financial statements

Note 1. cont.

Income taxes

Income taxes consist of current and deferred tax. Current tax is tax that must be paid or received for the current year. This also includes adjustment of current tax attributable to previous periods. Taxes are reported in the profit for the year except when the underlying transaction is reported in other comprehensive income or directly against equity, in which case the associated tax effect is reported in other comprehensive income or in equity.

The current tax expense is calculated on the basis of the tax rules that are decided or in practice decided on the balance sheet date in the countries where the parent company's subsidiaries and associated companies operate and generate taxable income. Management regularly evaluates the claims made in income tax returns regarding situations where applicable tax rules are subject to interpretation and, when deemed appropriate, makes provisions for amounts that are likely to be paid to the tax authorities.

Deferred tax is calculated according to the balance sheet method, based on temporary differences between reported and tax values of assets and liabilities. However, the deferred tax is not recognized if it arises as a result of a transaction that constitutes the first recognition of an asset or liability that is not a business combination and that, at the time of the transaction, affects neither reported nor tax profit. Deferred income tax is calculated using tax rates (and laws) that have been decided or announced as of the balance sheet date and that are expected to apply when the relevant deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is likely that future tax surpluses will be available, against which the temporary differences can be utilized. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be utilized.

Provisions

Provisions for environmental restoration measures and legal requirements are accounted for when the Group has a legal or informal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are valued at the present value of the amount expected to be required to settle the obligation. Here, a pre-tax discount rate is used that reflects a current market assessment of the time-dependent value of money and the risks associated with the provision. The provision is reported as additional acquisition cost for the asset.

Emission rights

Preem participates in the EU's emissions trading system. The allocation of emission rights within the period takes place at no cost to the company and neither allocation nor consumption has therefore affected the year's results and statement of financial position to any greater extent. A provision is made if a deficit is identified between allocated/acquired rights and the rights that will have to be delivered due to emissions made. See Note 15 for current holdings and Note 25 for provisions. Divestments and acquisitions of emission rights are reported in the Consolidated income statement under the headings net sales and cost of goods sold, respectively.

Contingent liabilities

Information on contingent liability is provided when there is a possible obligation arising from events that have occurred and the existence of which is confirmed only by one or more uncertain future events or when there is an obligation that is not recognized as a liability or provision because it is not likely that an outflow of resources will be required or that the outflow cannot be calculated with sufficient reliability.

Employee benefits

Short-term benefits to employees are calculated without discounting and recognized as an expense when the related services are obtained.

Profit sharing plans

The Group reports a liability and an expense for profit shares, based on the return on working capital. The Group reports a provision when there is a legal obligation or an informal obligation due to past practice.

Pension obligations

The Group has defined benefit and defined contribution pension plans. A defined contribution pension plan is a pension plan according to which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay additional fees if this legal entity does not have sufficient assets to pay all employee benefits related to the employees' service during the current or previous periods. A defined benefit pension plan is a pension plan that is not defined contribution. Characteristic of defined benefit plans is that they state an amount for the pension benefit an employee receives after retirement based on length of service and salary at retirement. Pension plans are usually financed through payments to insurance companies or nominee-managed funds, according to periodic actuarial calculations. The pension commitments have been secured through occupational pension insurance, indebtedness to an account set aside for pensions (PRI) or payment to a pension foundation (KP-stiftelsen) in accordance with the provisions of the Social Security Act. The defined benefit pension plans are both funded and unfunded. In cases where the plans are funded, assets have been separated in the pension foundation (KP-stiftelsen). These plan assets can only be used to pay benefits under the pension agreements. Fixed assets are valued at fair value as of the reporting date.

The liability that is recognized in the balance sheet under defined benefit pension plans is the present value of the defined commitment at the balance sheet date. The defined benefit pension obligation is calculated annually by independent actuaries who apply the projected unit credit method. The present value of the defined benefit obligation is determined by the discounted cash flow method using the interest rate for first class mortgage bonds issued in the same currency as the payments will be made in and with maturities comparable to the relevant pension liability.

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

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

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

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

Severance pay

Severance pay is paid when notice is served by the group to terminate an employee's employment before the normal retirement age or when an employee accepts voluntary termination in exchange for such compensation. The group recognizes severance payments when it is documented that the group either is obliged to terminate employees in accordance with a detailed, formal plan that cannot be revoked, or to pay severance pay because of an offer made to encourage voluntary termination.

Financial instruments

Recognition and initial measurement

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

A financial asset (with the exception of trade receivables that do not have a significant financing component) or financial liability is measured at initial recognition at fair value plus, in the case of financial instruments not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is valued at the transaction price.

Classification and subsequent measurement

At the first reporting date, a financial asset is classified as valued at: amortized cost or fair value through profit and loss.

Notes to the consolidated financial statements

Note 1. cont.

Financial liabilities are classified in the following categories: financial liabilities valued at fair value trough profit and loss, or other financial liabilities valued at amortized cost.

Financial assets measured at amortized cost
A financial asset shall be measured at amortized cost if it fulfills both of the following conditions and is not identified as measured at fair value trhough profit or loss for the year:

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

The Group has classified trade receivables, other receivables and cash and cash equivalents as financial assets valued at amortized cost. They are valued at first reporting date at accrued acquisition value. Any impairment needs are estimated at subsequent valuations.

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

Financial assets and liabilities at fair value through profit/loss for the year
Financial assets and liabilities valued at fair value through profit and loss for the year are financial assets that are not classified as being valued at amortized cost or fair value through other comprehensive income.

The Group uses oil derivatives and derivative contracts regarding emission rights. The contracts are short-term and are classified in the Statement of financial position as either current assets or short-term liabilities under the heading derivative instruments and in the Consolidated income statement and other comprehensive income under the heading cost of goods sold, unlike the result of other financial instruments which are reported within the financial net. Derivative contracts that have contractual terms for physical delivery have not been deemed to meet the conditions for own use, and are therefore reported at fair value. The Group has classified other shares and shares that are valued at fair value via the year's profit.

Hedge accounting
The Group uses derivatives to hedge against electricity price risk. The Group has identified these derivatives as hedging instruments to secure the price of the electricity that will most likely be consumed within the business. The Group has defined these derivatives as cash flow hedges.

When the Group initially identifies hedging conditions, the objectives of risk management and the hedging strategy are documented. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether changes in value of the hedged item and the hedging instrument are expected to offset each other.

When a derivative is identified as a hedging instrument, the effective part of the change in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. The effective part of changes in fair value of derivatives that are reported in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Ineffective parts of changes in the fair value of the derivative are reported immediately in the profit and loss.

The accumulated amount in the hedging reserve is reclassified to the result in the same period that the hedged item affects the result. If the hedged item is no longer expected to occur, the hedging reserve is immediately reclassified to profit or loss.

The contracts are both short-term and long-term and are classified in the statement of financial position as financial fixed assets, current assets or short-term liabilities under the heading derivative instruments.

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

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

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

Other liabilities are initially recognized at fair value and subsequently at amortized cost.

Impairment of financial assets
The Group only has trade receivables that are within the scope of the model for expected credit losses. The Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. The method means that expected losses during the entire term of the receivable are used as a starting point for trade receivables. Provisions for trade receivables are described in Note 20.

Note 2. Financial risk management

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

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

All operations associated with managing financial instrument risks are handled by Preem's Treasury Department, except for oil and energy derivatives, which are handled by the Supply & Refining segment. Management of financial risks is governed by Group-wide policies established by the Board of Directors or Group-wide committees. The aim of the company's trading in derivatives is to ensure that financial risks are kept within limits determined by the Board of Directors.

Credit risk
Credit risks arise through investments in cash and cash equivalents, derivative instruments as well as credit exposures to the large number of customers to whom sales are made on credit. To limit these exposures, there are Group-wide credit policies, which, among other things, mean that only banks and financial institutions are accepted as having the lowest credit rating "BBB+" (long-term) by Standard and Poor's or equivalent independent appraisers. Individual risk limits are established based on internal or external credit assessments. The Group also works with collateral in the form of e.g. Letter of Credits, bank guarantees, deposits and the parent company guarantee. The use of credit limits is monitored regularly. The credit risk is controlled at group level by a credit committee.

Most of the credit exposure in terms of amount is toward financially strong oil companies. Based on the analysis that the Group continuously makes of its customers, the credit quality is assessed as good. The Group has estimated the value of expected credit losses at SEK 14 million (22), to be compared with sales revenue of SEK 137,711 million (160,548). For further information see also Note 20.

Regarding trading in oil derivatives, the other oil companies, banks and trading companies act as counterparties. To limit counterparty risks with derivatives trading, the company enters into so-called ISDA agreements. When signing agreements regarding electricity derivatives, OTC contracts are used with counterparties with a high credit rating, as well as use of ISDA agreements or standardized trade agreements.

Liquidity risk
Liquidity risk is the risk that the Group does not have the opportunity to conduct its business due to a lack of liquidity. Liquidity risk is managed by the group holding sufficient cash and short-term investments with a liquid market and available financing through agreed credit facilities. The Group pays approximately SEK 2,100 million monthly in the form of excise taxes and VAT, which in combination with fluctuations in purchasing and sales patterns can place demands on the availability of short-term loans.

The table below analyzes the Group's financial liabilities and derivative instruments that constitute financial liabilities, broken down by the time remaining on the balance sheet date until the contractual maturity date.

Notes to the consolidated financial statements

Note 2. cont.

The amounts stated in the table are the contractual, undiscounted cash flows and thus these do not correspond to the amounts found in the balance sheet. The amounts due within 12 months are consistent with book amounts, as the discounting effect is immaterial. Derivatives are reported at fair value.

The Group's policy is that renegotiation of loans must take place no later than 12 months before maturity. In the Group, there are syndicated bank loans that are subject to a clause on requirements for the fulfillment of a number of key figures (so-called covenants). See Note 26 Financial liabilities, fulfillment of special conditions.

As of 31/12/2023, the Group has SEK 13,842 million (11,491) in undrawn committed facilities. Available cash and cash equivalents amounted to SEK 5,184 million (3,241).

As of December 31, 2023	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions	21	20	56	67
Liability to Swedish Export Credit corporation	294	610	1,668	1,143
Lease liability	206	174	252	19
Other interest bearing-liabilities	–	–	–	57
Derivatives	3	–	–	–
Accounts payable	5,119	–	–	–
Other liabilities	1,586	–	–	–
Total	**7,229**	**804**	**1,976**	**1,285**

As of December 31, 2022	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions	304	572	3,983	24
Liability to Swedish Export Credit corporation	61	672	794	–
Lease liability	262	118	96	204
Other interest bearing-liabilities	–	–	–	52
Derivatives	3	–	–	–
Accounts payable	7,213	–	–	–
Other liabilities	2,488	–	–	–
Total	**10,330**	**1,361**	**4,873**	**280**

Capital risk management

The Group's goal regarding the capital structure is to secure its access to capital markets and to maintain an optimal capital structure to keep the costs of capital down and to balance the company's business risk with the cost of capital.

The Board continuously monitors the Group's financial position and net debt against expected future profitability and cash flow, investment and expansion plans and developments in the fixed income and credit markets.

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

	2023	2022
Total borrowings	3,830	5,296
Less cash and cash equivalents	-5,184	-3,241
Net cash/net debt	**-1,353**	**2,056**
Total equity	**27,954**	**22,106**
Net debt equity/ratio	**-0.05**	**0.09**

Total borrowing includes liabilities to credit institutions, leasing liabilities and other interest-bearing liabilities. Total borrowing is excluding capitalized transaction costs of SEK 167 million (291).

Market risk

Market risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in market prices. Market prices are divided into three types; currency risk, interest rate risk and other price risks.

Currency risk

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

Transaction risk

Transaction exposure means a risk that profitability is negatively affected by changing exchange rates, mainly in USD, without the possibility of obtaining comparable compensation through its commercial activities. Preem's transaction exposure arises when a sale or purchase of crude oil and refined products takes place in foreign currency and when it affects the income statement.

Translation risk

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

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

The table below reports the Group's net exposure on the balance sheet date per currency converted to SEK regarding monetary assets and liabilities in the form of trade receivables, cash and cash equivalents, accounts payable and other loans taken out in foreign currency. In addition to trade receivables and accounts payable, working capital also includes the group's inventory value. The size of the net exposure to the monetary items must therefore be put in relation to the stock's value in USD as of the balance sheet date. As the inventory is a non-monetary asset, the inventory is not translated to the exchange rate on the balance sheet date, but is recorded at the exchange rate at the time of purchase. A change in the exchange rate does not normally affect the inventory value and thus this has an effect on the year's profit only when the item is sold. If a change in the exchange rate would lead to the inventory's net sales value in SEK being lower than the acquisition value due to the exchange rate falling, however, a write-down of the inventory will take place and have a direct effect on profit and loss.

All amounts in SEK million

Net exposure at balance sheet date	2023	2022
EUR	-246	526
NOK	697	1,063
USD	-2,518	-7,472
Other	88	98
Total	**-1,978**	**-5,785**

If the Swedish krona had been stronger/weaker by 10 percent in relation to the US dollar at the balance sheet date while all other variables remained constant, profit/loss for the year after tax as of December 31 would have been SEK 792 million (578) higher/lower as a consequence of gains/losses on translation of monetary assets and liabilities according to the table above, taking into account the indirect currency effect on the Group's risk position for inventories

Interest risk

The Group's interest rate risk for negative change as a result of interest rate fluctuations of interest-bearing assets and liabilities.

Loans with variable interest rates expose the group to interest rate risk regarding cash flow. Loans that run at a fixed interest rate expose the group to interest rate risk regarding fair value. As of December 31, 2023, the remaining fixed interest period amounted to approximately 3 months. During 2023, the group's borrowing mainly consisted of variable interest of

Notes to the consolidated financial statements

SEK. The Group's interest-bearing assets are in the form of loans to related companies and, to a lesser extent, short-term investments in cash and cash equivalents.

The Group's outstanding borrowing as of the balance sheet date for loans taken out from credit institutions amounts to SEK 3,123 million (4,564). The Group's loan terms, effective interest rate and the maturity structure of the loans are shown in Note 26.

If the interest rates on borrowing USD and SEK during the year had been 1.0 percent higher/lower with all other variables constant, the profit after tax for the financial year would have been SEK 16 million (36) lower/higher.

Price risk of crude oil and refined products

The Group is exposed to price risk regarding the inventory of crude oil and refined products. Price changes in crude oil and refined oil products respectively affect the Group's sales revenue, cost of goods sold, gross profit and operating profit. The Group has a defined risk position in inventory, which is the volume of priced oil[1)] that the Board has accepted is exposed to price risk. The risk position is defined as 1,840,000 m^3 for fossil products and 240 000 m^3 for bio-oil products. The price risk on this volume is the company's business risk accepted by the Board. To counteract the price risk that arises when a priced stock deviates from the risk position, the Group trades in oil derivatives. In addition to the above price risk management, the group has in the past year used oil derivatives to also hedge parts of the risk position.

Sensitivity analysis price risk crude oil and refined products

The Board of Directors has established risk limits that define the extent to which volume exposure may deviate from the risk position, as well as the maximum risk expressed in USD that the Group is prepared to accept in volume deviations from the risk position. The volume deviation may be +240 000 m^3 or −190,000 m^3. Preem uses the value at risk method to measure the raw material price risk on the deviation position divided by product line. Using this method, the maximum potential loss is calculated with a certain probability during a set period of time.

Year	Change in price	Physical position	Derivative position	Total position	Of which risk position
2023	+10%	1,616	-184	1,432	-1,244
2023	-10%	-1,616	184	-1,432	1,244
2022	+10%	1,598	-101	1,496	-1,475
2022	-10%	-1,598	104	-1,494	1,475

Changes in the value of the derivative position will always have a direct effect on profit and loss for the year, as the derivatives are valued at market as of the balance sheet date and the gain/loss is reported through profit and loss.

Change in the value of the physical position in some cases has a direct impact on the result and in other cases the result is affected only in subsequent periods. This is because inventory is valued on the lower of cost basis, i.e. at the lower of cost and net realizable value.

In the event of a price rise, the profit is normally only affected at the time of sale, that is, the price gains are only reported in the year's profit when they are realized. However, if the original net sales value is less than the acquisition value, a price increase can have a direct effect on the year's results. However, this effect can amount to a maximum of the previously written down value of the stock.

In the event of a price drop, the result is normally directly affected, which means that an inventory write-down is made and a cost of goods is reported in the report on the comprehensive income. However, the write-down will only take place to the amount that the changed net sales value will fall below the inventory's previously reported value as of the balance sheet date.

In addition to price risk management of the stock position, there is room for speculative trading with oil derivative instruments determined by the board. These transactions are limited by maximum loss limits for such trades.

Electricity price risk

The Group consumes a large amount of electricity in its operations. Price changes in electricity affect the Group's cost of goods sold, gross profit and operating profit. Electricity is purchased at spot prices in the relevant electricity region in Sweden. The prices vary based on both the Nordpool system price and EPAD (electricity price area differential). To minimize the price risk for the electricity the group uses in its operations, financial hedges are used. The company's credit policy regulates how electricity consumption is to be secured. Hedging of the system price is initiated when market prices rise. The position may vary but never outside 0–100 percent compared to forecasted actual consumption.

The Group's purchase of electricity in 2023 amounted to 663,232 MWh. Volume levels secured per year amount to:

	2024	2025	2025
Hedged proportion %	86	–	–

The impact of hedge accounting on the Group's financial reports

Preem classifies its future contracts used to hedging forecasted transactions as cash flow hedges. The impact of hedge accounting of electricity price risk on the Group financial statements and profit/loss is shown below.

Electricity derivatives	2023	2022
Reported amount in the balance sheet	226	797
Volume MWh	392,878	449,030
Hedge ratio	1:1	1:1
Change in outstanding hedge instruments carrying value since inception of the hedge	226	797
Change in value to determine inefficiency	-226	-797

No inefficiency existed at the time of closing the accounts. The electricity derivatives are reported in the statement of financial position as a long-term receivable of SEK 19 million (411) and a short-term receivable of SEK 207 million (386). For information on hedging reserve and its changes, see Note 23.

Calculation of fair value

The fair value of derivatives traded on an active market is based on listed market prices on the balance sheet date. The listed market price used for the group's financial assets is the current bid price. The fair value of oil derivatives is determined using listed prices of oil futures on the balance sheet date.

The fair value of financial instruments not traded on an active market (e.g. OTC derivatives) is determined using measurement techniques. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. Other unlisted holdings are measured at cost where fair value cannot be measured reliably.

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

The carrying amount, after any impairment losses, of trade receivables and account payables is considered to correspond to their fair values, as these items are current by nature. The fair value of financial liabilities is calculated, for the purposes of disclosure, by discounting the future contracted cash flow to the current market interest rate available to the Group for similar financial instruments.

1) Only the priced inventory is exposed to a price risk. Purchases of crude oil and products are only included in the position when the purchased oil is priced. Products move out of position as they are priced in conjunction with sales. If an item is priced for several days, a percentage of the load will be taken into or out of the position in relation to the number of days the load is priced. This means that the Group's physical inventory may differ to some extent from the company's physical position.

Note 3. Critical accounting estimates and judgments

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

Critical accounting estimates and assumptions

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

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

Goodwill

Among the Group's assets is a goodwill item that is not amortized on an ongoing basis but is tested at least annually with regard to any need for impairment. Impairment tests includes important assumptions and estimates. In 2023, no write-down were made. Even if the assumptions is changed as follow: Refining margin 20 percent lower, growth rate of –1 percentage and a discount rate before tax 2 percent higher than management's assessment, the Group would not have recognized any impariment in the goodwill. For further details on the impairment test, see Note 15.

Inventories

Inventories are reported at the lower of cost and net realizable value. Inventories are sensitive to fluctuations in market prices. If market prices fall compared with the acquisition value at the end of the reporting period, the group may need to write down the carrying amount of the inventory during the coming period. Note 2 contains information on price risk and sensitivity analysis.

Pensions

The pension obligations are based on actuarial calculations based on assumptions about the discount rate, inflation and life expectancy.

The expected return on investment assets is determined at the same percentage as the discount rate, in accordance with the IAS19 regulations. Actual outcome may differ from the estimated values and result in an adjustment of the liability, for further information on the calculation of the value of the pension liability, see Note 24.

Provisions for environmental obligations

Provisions are made for environmental obligations for known and planned remediation works. Book value is based on estimates of cost. The management's estimate is based on the opinion of external experts or, if this is not possible, the outcome of previous similar clean-up works. See Note 25 for current provisions.

A possible future closure of operations within the Group may require clean-up and restoration work. However, this is deemed to be far in the future and the possible future expenses for this are deemed not to be able to be calculated reliably. Such potential environmental commitments are not included in the Group's provisions in the balance sheet, nor as contingent liabilities.

Significant judgments on application of the company's accounting policies

Functional currency

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

Note 4. Segment reporting

Operating segments

The Group consists of two operating segments:

Supply & Refining

To the two refineries Preem Refinery Lysekil and Preem Refinery Gothenburg, crude oil is bought which is refined into finished oil products. About 65 (60) percent of the production is sold abroad, mainly to the northern European market. The part of the production that is sold in Sweden is sold partly through its own market channels and partly through other oil companies.

Marketing & Sales

This segment sells refined oil products, which are purchased from the Supply & Refining segment. Sales take place to consumers through the company's network of fuel stations and to commercial customers and consumers through direct sales.

Internal pricing

Prices are set on commercial terms and at prices based on official listings in the oil market.

Profit/loss per segment

Segment reporting takes place in a way that is consistent with the internal reporting submitted to Group management. Group management is the highest executive decision-maker that is responsible for allocating resources and assessing the results of the operating segments as well as making strategic decisions.

2023 Net Sales per operating segment	Supply & Refining	Marketing & Sales	Total by segment
Net sales	132,241	35,291	**167,532**
Sales between segments	-29,822	–	**-29,822**
Net external sales	**102,420**	**35,291**	**137,711**

Operating profit per operating segment	Supply & Refining	Marketing & Sales	Total by segment
Operating profit	8,700	924	**9,624**
of which depreciation	-1 310	-235	**-1,545**

2022 Net Sales per operating segment	Supply & Refining	Marketing & Sales	Total by segment
Net sales	154,900	41,647	**196,547**
Sales between segments	-35,999	–	**-35,999**
Net external sales	**118,900**	**41,647**	**160,548**

Operating profit per operating segment	Supply & Refining	Marketing & Sales	Total by segment
Operating profit	15,999	807	**16,806**
of which depreciation	-1,235	-246	**-1,481**

Reconciliation against the Group's profit before tax	2023	2022
Operating profit for reported segments	9,624	16,806
Exchange rate differences when buying and selling oil products	188	-1,013
Depreciation Corporate Center	-110	-91
Other[1)]	-1,794	-864
Total operating profit	**7,908**	**14,838**
Interest income	145	41
Interest expense	-322	-534
Exchange rate gains/losses	-30	-1,211
Other financial items	-170	-120
Profit before tax	**7,532**	**13,015**

1) Mainly refers to Corporate Center.

Notes to the consolidated financial statements

Note 4. cont.

Other sales information

Revenue from sales comes largely from sales of petroleum products.

	2023	2022
Sales of petroleum products	137,563	160,401
Other	148	147
Total external sales	**137,711**	**160,548**

During 2023, the Group generated revenue from a single customer of a total of SEK 14,039 million. The revenue is reported in the operating segment Supply & Refining.

2023 Investments	Supply & Refining	Marketing & Sales	Other[1)]	Group
Investments in tangible fixed assets	3,900	184	–	**4,084**
Investments in intangible fixed assets	16	–	–	**16**

2022 Investments	Supply & Refining	Marketing & Sales	Other[1)]	Group
Investments in tangible fixed assets	1,715	140	–	**1,855**
Investments in intangible fixed assets	123	–	–	**123**
Investments in associated companies	3	–	–	**3**

1) Mainly refers to Corporate Center.

Distribution by geographic area

The information presented regarding revenue refers to the geographical areas grouped according to where the customer is located. The information regarding the segments' assets is based on geographical areas grouped according to where the assets are located. In the table below, the other Nordic countries refer mainly to Denmark and to other countries mainly Germany, France and North America.

	External sales			
2023	Supply & Refining	Marketing & Sales	Total	Intangible and tangible fixed assets
Sweden	15,310	32,793	**48,103**	14,864
Norway	5,656	2,498	**8,154**	47
Other Nordic countries	11,394	–	**11,394**	–
Netherlands	10,598	–	**10,598**	–
UK	15,970	–	**15,970**	–
Other countries	43,492	–	**43,492**	–
Group	**102,420**	**35,291**	**137,711**	**14,911**

	External sales			
2022	Supply & Refining	Marketing & Sales	Total	Intangible and tangible fixed assets
Sweden	24,644	39,076	**63,720**	13,141
Norway	17,507	2,571	**20,078**	67
Other Nordic countries	12,324	–	**12,324**	–
Netherlands	11,174	–	**11,174**	–
UK	21,487	–	**21,487**	–
Other countries	31,765	–	**31,765**	–
Group	**118,901**	**41,647**	**160,548**	**13,208**

Note 5. Gross profit

The purchase and sale of oil products on the market is essentially dollar-based. Exchange rate differences on sales are reported under net sales and exchange rate differences on purchases are reported under cost of goods sold. The Group's gross profit includes exchange rate differences on purchases and sales of oil products to the net SEK 188 million (–1,013).

Net loss on oil derivatives valued at fair value, reported as an expense for goods sold in profit for the year, amounted to SEK –145 million compared to the previous year's profit of SEK –804 million.

Note 6. Note 6. Auditors' fees

	2023	2022
PwC		
Audit fees	5	4
Other fees	1	5
	6	**9**

1. Audit fees consist of fees for the annual audit engagement and other audit services of a nature that can only be performed by the external auditor, and include review of the consolidated financial statements and statutory audit.
2. "Other fees" include fees for other services.

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

	2023		2022	
	Salaries and other benefits	Social security expenses (of which pension costs)	Salaries and other benefits	Social security expenses (of which pension costs)
Parent Company	1,104	571	1,005	494
		(162)[1)]		(168)[1)]
Subsidiaries	87	28	59	16
		(3)		(2)
Group total	**1,190**	**599**	**1,065**	**510**
		(165)[2)]		**(169)[2)]**

1) Of the Parent Company's pension costs, SEK 11.5 million (17.1) relates to the group CEO, Board of Directors and other senior executives.

2) Of the Group's pension costs, SEK 11.5 million (17.1) relates to the Group CEO, Board of Directors and other senior executives.

	2023		2022	
Average number of employees	Number of employees	Of which percentage men	Number of employees	Of which percentage men
Parent company				
Sweden	1,516	73%	1,443	74%
Group				
Sweden	105	46%	95	40%
Norway	20	70%	19	74%
Group total	**1,641**	**71%**	**1,557**	**72%**

Notes to the consolidated financial statements

Note 7. cont.

Salaries and other remuneration split by senior executives and other employees

	2023		2022	
	Board of Directors, CEO and other senior executives	Other employees	Board of Directors, CEO and other senior executives	Other employees
Parent Company	47	1,056	44	961
Subsidiaries in Sweden	–	68	–	42
Subsidiaries abroad	2	17	2	16
Group total	**49**	**1,141**	**46**	**1,019**

Senior executives

Senior management refers partly to top management and partly to other senior management.

The top management group includes the Chairman of the Board, other board members who receive remuneration from the company and who are not employees of the company, as well as the CEO. A total of 6 people.

The group of other senior executives includes 6 (6) executives, they are part of Preem's management team together with the CEO, all are employed by Preem AB (publ).

Remuneration of senior executives

Remuneration is paid to the Chairman and members of the Board in accordance with the decision of the Annual General Meeting. For board members in the Audit committee additional board fee is paid for committe work. Remuneration to the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and a pension. The distribution between basic salary and variable remuneration shall be in proportion to the executive's responsibility and authority. For other senior executives, the variable remuneration amounts to a fixed maximum percentage of the basic salary. Pension benefits and other benefits to the CEO and other senior executives are paid as part of the total remuneration. Other benefits mainly consist of a company car.

Pensions

As a pension solution, the general pension plan and, where applicable, individual solutions for the CEO and other senior executives apply. All pension benefits are untouchable, i.e. not conditional on future employment. See also note 24 on Pension obligations.

Severance pay

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

There is a mutual notice period between the Company and other senior executives of a maximum of 12 months and 6 months, respectively. There is a paid notice period of a maximum of 24 months for termination by the Company. Upon resignation by the senior executive, no severance pay is paid.

Gender distribution in company management	2023 Percentage of women	2022 Percentage of women
Board of Directors	0%	0%
Other senior executives	29%	29%

This table also refers to the Parent Company.

2023 Renumeration and benefits	Base pay/ Board fees	Variable remuneration	Other remuneration	Other benefits	Pension costs	Total
Chairman of the Board Jason T. Milazzo	0.8	–	–	–	–	0.8
Board member Richard Öhman[1)]	0.6	–	–	–	–	0.6
Board member Michael G:son Löw[1)]	0.6	–	–	–	–	0.6
Board member Lennart Sundén	0.5	–	–	–	–	0.5
Board member Petter Holland	0.5	–	–	–	–	0.5
CEO	7.7	8.2	–	0.2	4.7	20.8
Other senior executives (6 executives)	16.3	11.3	0	0.9	6.8	35.2
	26.9	**19.5**	**0**	**1.0**	**11.5**	**58.9**

2022 Renumeration and benefits	Base pay/ Board fees	Variable remuneration	Other remuneration	Other benefits	Pension costs	Total
Chairman of the Board Jason T. Milazzo	0.8	–	–	–	–	0.8
Board member Richard Öhman[1)]	0.5	–	–	–	–	0.5
Board member Michael G:son Löw[1)]	0.5	–	–	–	–	0.5
Board member Lennart Sundén	0.4	–	–	–	–	0.4
Board member Petter Holland	0.4	–	–	–	–	0.4
Board member Per Höjgård	0.3	–	–	–	–	0.3
CEO	7.4	10.7	–	0.2	10.9	29.2
Other senior executives (6 executives)	15.6	6.8	0	0.8	6.1	29.3
	25.8	**17.4**	**0**	**1.0**	**17.1**	**61.2**

1) Apart from ordinary board fee, fees for work in the Audit Committé is included (SEK 0.1 million).

The tables above are for the Parent Company.

Notes to the consolidated financial statements

Note 8. Depreciation

Breakdown of depreciation	2023	2022
Intangible assets	189	214
Buildings and land improvements	274	229
Plant and machinery	658	677
Capitalized turnaround costs	321	297
Equipment, tools, fixtures and fittings	185	154
	1,627	**1,571**
Breakdown by function		
Cost of goods sold	1,310	1,237
Selling expenses	234	248
Administrative expenses	83	86
	1,627	**1,571**

Note 9. Expenses by nature

	2023	2022
Cost of goods	122,600	139,764
Freight costs	1,397	1,358
Cost of employee benefits	1,789	1,572
Impairment of financial fixed assets	28	–
Depreciation	1,627	1,571
Disposal of equipment and tools	873	9
Other expenses	2,293	1,990
	130,606	**146,264**
Reconciliation against Consolidated income statement		
Cost of goods sold	127,486	144,369
Selling expenses	981	862
Administration expenses	1,227	1,024
Other operating expenses	913	9
	130,606	**146,264**

Note 10. Other operating income

	2023	2022
Heating deliveries	90	135
Rental income	96	106
Port income	76	59
Storage certificates	434	119
Other	72	40
	768	**460**

Note 11. Other operating expenses

	2023	2022
Disposal of equipment and tools	873	9
Other	40	–
	913	**9**

Note 12. Financial items, net

	2023	2022
Interest income from instruments measured at amortized cost	145	41
Financial income	**145**	**41**
Interest expenses from defined benefit unfunded pension obligation	-3	-3
Interest expenses from instruments measured at amortized cost[1)]	-278	-506
Interest expense from lease liabilities	-41	-25
Net exchange rate differences	-30	-1,211
Other	-170	-120
Financial expenses	**-522**	**-1,864**
Financial items, net	**-377**	**-1,823**

1) Of which interest costs from accrued transaction costs related to new loan agreements, reported according to the effective interest method SEK –125 million (–162).

Note 13. Income tax

	2023	2022
Current tax expenses (–)/tax revenue (+)		
Tax expense for the period	-1,645	-2,053
Tax attributable to previous year[1)]	1,182	2
	-462	**-2,052**
Deferred tax expenses (–)/ tax income(+)		
Deferred tax on temporary differences	107	-608
Deferred tax on tax loss carryforwards	-1	1
	105	**-607**
Total reported tax expenses	**-357**	**-2,659**
Reconciliation of effective tax		
Profit/loss before tax	7,532	13,015
Tax calculated at national tax rates applicable for profits in the respective countries	-1,553	-2,684
Other non-deductible expenses	-43	-12
Non-taxable income	29	19
Tax attributable to previous year[1)]	1,182	2
Activation of previously unactivated tax carry loss forwards	-1	2
Other tax adjustments	28	14
Reported effective tax amounts to	**-357**	**-2,659**
Tax attributable to other comprehensive income		
Tax on changes in value of hedging instruments	118	-164
Revaluation of defined benefit pension plans	19	-37
Tax items recognized directly in equity		
Current tax in Group contributions paid (received)[2)]	-558	-514

1) For the financial year 2023, a tax appeal decision in Preem AB for income tax year 2021 has resulted in tax revenue of SEK 410 million. For the income tax year 2022, additional group contributions were submitted to the parent company Preem Holding AB before the income tax return was submitted. This resulted in an amended tax liability for income tax year 2022 of SEK 758 million. Other amounts to SEK 14 million.

2) Further information on group contributions and taxes reported directly against equity can be found in Consolidated Statement of Changes in Equity.

Reported effective tax rate amounts to –4.7 (20.4) percent. The low tax rate is due to tax attributable to previous years, which reduces the tax cost by –15.7 percent. Reported tax for the current period amounts to 20.4 percent.

Notes to the consolidated financial statements

Note 13. cont.

Global minimum top-up tax

The Group is established in Sweden. Sweden has adopted a Global minimum top-up tax act on the basis of OECD's Pillar Two model rules. The new act will enter into force on 1 January 2024. According to the new regulation, large multinationals with revenues exceeding EUR 750 million will be liable to pay a top-up tax on the difference between the effective tax rate calculated according to the rules in each jurisdiction where it is present and a minimum tax rate of 15 percent.

The Group is a sub-Group to the Moroncha Group with Moroncha Holdings Co. Limited, Cyprus, as the ultimate parent company. The Moroncha Group is subject to OECD's Pillar Two model rules and is currently analyzing its exposure to the new regulation in relation to all jurisdictions where it is established. If the regulation had been implemented and in force in 2023, the Moroncha Group would have been exempt from top-up tax in accordance with the exception rule for multinationals still in the initial phase of their international activity. In case the Global minimum top-up tax act would have been implemented and in force in Sweden in 2023, the Moroncha Group's profit for its Swedish activities as per 31 December would have amounted to SEK 6,577 million, with an average effective tax rate on these profits in 2023 of 22,5 percent.

2023 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	–	0
Land and buildings	1	-18
Machinery and equipment	–	-770
Derivatives	–	-46
Tax loss carry forward	1	–
Tax allocation reserve	–	-664
Other	23	-1
Total asset/liability	**25**	**-1,499**
Net liability		**-1,474**

2022 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	–	0
Land and buildings	–	-51
Machinery and equipment	–	-924
Derivatives	–	-169
Tax loss carry forward	1	–
Tax allocation reserve	–	-587
Other	13	–
Total asset/liability	**15**	**-1,731**
Net liability		**-1,716**

Change in deferred tax in temporary differences and tax loss carryforwards in 2023	Opening amount	Reported profit for the year	Reported in other total profit	Closing amount
Intangible assets	0	–	–	0
Land and buildings	-51	33	–	-17
Machinery and equipment	-924	154	–	-770
Derivatives	-169	5	118	-46
Tax allocation reserve	-587	-78	–	-664
Other	13	-10	19	23
Total temporary differences	**-1,717**	**105**	**137**	**-1,475**
Tax loss carry forward	1	–	–	1
Total	**-1,716**	**105**	**137**	**-1,474**

There are no unactivated tax loss carryforward in the Group. The balance of tax carry loss forward amounting to SEK 1 million belongs to the associated company Pyrocell AB.

Note 14. Exchange differences in profit/loss for the year

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

	2023	2022
Net sales	-153	463
Cost of goods sold	342	-1,476
Financial items, net	-30	-1,211
	158	**-2,224**

Note 15. Intangible assets

Goodwill	2023	2022
Opening cost	308	308
Closing accumulated cost	**308**	**308**
Carrying amount	**308**	**308**

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

The recoverable amount of a CGU is defined on the basis of calculations of value in use. These calculations are based on estimated future cash flows before tax based on financial budgets that have been approved by Group 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	2023	2022
Average refining margin in USD per barrel for the period	7.86–12.37	6.30–9.52
Average rate of growth for extrapolation beyond the budget period	1%	1%
Discount rate before tax	12.1%	11.5%

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

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

Internally developed computer software	2023	2022
Opening cost	958	959
Investments for the year	0	–
Sales/disposals	–	-2
Exchange rate differences for the year	-2	1
Closing accumulated cost	**957**	**958**
Opening depreciation	719	530
Depreciation for the year	189	190
Sales/disposals	–	-2
The year's exchange rate differences	-1	0
Closing accumulated depreciation	**907**	**719**
Carrying amount	**51**	**239**

Notes to the consolidated financial statements

Note 15. cont.

Other intangible assets	2023	2022
Opening cost	–	155
Disposals/retirements	–	-159
Exchange-rate differences for the year	–	4
Closing accumulated cost	–	–
Opening depreciation	–	131
Depreciation for the year	–	24
Disposals/retirements	–	-159
Exchange-rate differences for the year	–	3
Closing accumulated depreciation	–	–
Carrying amount	–	–

Emission rights	2023	2022
Opening cost	123	–
Disposal	-123	–
Investments during the year	15	123
Carrying amount	**15**	**123**
Total reported intangible assets	**373**	**670**

Emission rights

Opening balance 2023	581,199
Number of allocated rights for 2023	1,448,230
Number of used rights for 2022 which were canceled in 2023	-1,970,982
Number of allocted rights (adjustment activity) 2023	350,668
Purchase of emission rights in 2023	15,000
Closing balance 2023	**424,115**
Number of allocated rights for 2024	1,798,898
Balance before cancellation in 2024	**2,223,013**
Prel. number of used rights for 2023 which will be canceled on 30 September 2024	-2,018,562
Prel. balance after 30 September 2024	**204,451**

Note 16. Property, plant and equipment

Land and buildings	2023	2022
Opening cost	4,395	4,182
Increase in right of use asset	140	127
Investments during the year	–	1
Disposals/retirements	-135	-48
Completion of construction in progress	167	131
Exchange-rate differences for the year	-6	2
Closing accumulated cost	**4,560**	**4,395**
Opening depreciation	2,384	2,194
Disposals/retirements	-125	-40
Depreciation for the year	274	229
Exchange-rate differences for the year	-3	1
Closing accumulated depreciation	**2,530**	**2,384**
Carrying amount	**2,030**	**2,011**

Plant and machinery[1)]	2023	2022
Opening cost	20,194	19,898
Disposals/retirements	-1,355	-61
Completion of construction in progress	820	357
Closing accumulated cost	**19,658**	**20,194**
Opening depreciation	13,330	12,708
Disposals/retirements	-498	-55
Depreciation for the year	658	677
Closing accumulated depreciation	**13,490**	**13,330**
Carrying amount	**6,168**	**6,863**

1) The carrying amount includes precious metals at SEK 141 million (141).

Capitalized turnaround costs	2023	2022
Opening cost	2,405	2,186
Investment during the year	–	3
Completion of construction in progress	566	216
Closing accumulated cost	**2,971**	**2,405**
Opening depreciation	1,676	1,380
Depreciation for the year	321	297
Closing accumulated depreciation	**1,997**	**1,676**
Carrying amount	**974**	**729**

Equipment, tools, fixtures and fittings	2023	2022
Opening cost	1,959	1,830
Increase right of use asset	107	290
Investments during the year	8	4
Disposals/retirements	-68	-216
Completion of construction in progress	89	51
Exchange-rate differences for the year	–1	0
Closing accumulated cost	**2,094**	**1,959**
Opening depreciation	1,418	1,479
Disposals/retirements	-62	-216
Depreciation for the year	185	154
Exchange-rate differences for the year	0	0
Closing accumulated depreciation	**1,542**	**1,418**
Carrying amount	**552**	**540**

Construction in progress	2023	2022
Opening cost	2,394	1,269
Disposals/retirements	-16	0
Investments during the year	3,975	1,849
Capitalized borrowing costs	101	32
Completion of construction in progress	-1,642	-756
Carrying amount	**4,813**	**2,394**
Total reported tangible assets	**14,537**	**12,537**

Capitalized interest costs for the year amount to SEK 101 million (32) and mainly refer to the balance sheet item "Construction in progress". The average interest rate is 3.7 (3.7) percent.

Impairment testing of tangible fixed assets is included in the testing that is done for goodwill. See Note 15 for more information.

Notes to the consolidated financial statements

Note 17. Participations in associated companies

Swedish companies	Corp. ID no.	Reg. Office	Number of shares	Partici-pating interest, %	Carrying amount
AB Djurgårdsberg	556077-3714	Stockholm	366	37	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	556287-6481	Gothenburg	50,000	50	40
SunPine AB	556682-9122	Piteå	16,685	25	351
RenFuel K2B Lignolproduktion AB	559095-1116	Stockholm	249,999	25	0
					391[1)]

1) Pyrocell AB is classified as an associated company in the Parent Company but is reported according to the proportionate consolidation method in the Group. Therefore not included here. For more information, see Note 114. Goodwill is included in the acquisition value with a total of SEK 54 million for Sunpine.

2023	Assets	Liabilities	Equity	Sales	Net profit/ loss
AB Djurgårdsberg	3	2	1	4	1
Göteborgs Smörjmedelsfabrik, Scanlube AB	284	194	91	799	2
SunPine AB	1,831	651	1,180	3,958	154
RenFuel K2B Lignolproduktion AB	43	42	1	1	-2

2022	Assets	Liabilities	Equity	Sales	Net profit/ loss
AB Djurgårdsberg	2	2	0	3	0
Göteborgs Smörjmedelsfabrik, Scanlube AB	280	221	59	720	-10
SunPine AB	1,701	564	1,137	3,065	375
RenFuel K2B Lignolproduktion AB	48	44	3	1	-2

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

	2023	2022
Opening cost	394	321
Dividends	-25	-25
Shareholder contribution	15	3
Impairment	-28	–
Profit share	36	94
Carrying value	**391**	**394**

Note 18. Other long-term receivables

	2023	2022
Long-term receivables from the Parent Company Preem Holding AB (publ)	251	434
Long-term receivables from associated companies	–	15
Other shares and participations	0	0
Endowment insurance	90	77
Net assets in defined benefit pension plans	–	33
Other long-term receivables	5	5
	345	**565**

For pensions see also Note 24. Other shares and participations consist of:

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

Notes to the consolidated financial statements

Note 19. Inventories

	2023	2022
Raw materials	9,992	9,103
Finished products	8,884	10,178
	18,876	**19,281**

Cost of goods sold for the Group includes a write-down of inventory of SEK −1,515 million to be compared with a write-down of SEK −21 million year 2022.

The acquisition value of the inventory in the Group includes the equivalent of SEK 197 million (83) regarding loaned inventory volumes. Borrowed inventory volumes corresponding to a total inventory value of SEK 0 million (35) are not included in the inventory value. The value is net per counterparty.

Note 20. Trade receivables

	2023	2022
Trade receivables	3,941	6,151
Reserves for expected credit losses	-14	-22
Fair value of trade receivables	**3,927**	**6,129**

A provision is made for expected credit losses. A claim that is overdue by more than 90 days is reserved in its entirety. As of the end of December 2023, there is a receivable in the Parent Company of SEK 96 million that is overdue by more than 90 days. On the balance sheet date, there was a payment agreement and the claim has been paid at the beginning of 2024. No reservation was made for this. The age analysis of trade receivable is shown below:

	2023	2022
Not due	3,712	5,728
Less than 5 days	87	297
Between 6 and 30 days	37	42
Between 31 and 60 days	4	64
Between 61 and 90 days	2	3
More than 90 days	98	17
	3,941	**6,151**

Changes in the provision for expected credit losses are as follows:

	2023	2022
At the beginning of the period	22	48
This year's provision for credit losses/ reversed unused amounts	8	-23
Confirmed losses for the year	-15	-3
Exchange rate differences during the year	-1	–
At the end of the period	**14**	**22**

Provisions for respective reversals of expected credit losses are included in the functions to which they are attributable in the income statement and other comprehensive income. Amounts reported in the impairment account are usually written off when the Group is not expected to recover additional cash and cash equivalents. Other categories within accounts receivable and other receivables do not include any assets for which there is a need for impairment. The maximum exposure to credit risk at the balance sheet date is the fair value of each category of receivables mentioned above.

Note 21. Prepaid expenses and accrued income

	2023	2022
Accrued income	2,223	2,277
Prepaid catalyst	557	323
Prepaid expenses	49	28
Other	241	110
	3,069	**2,737**

Note 22. Cash and Cash equivalents

Cash and cash equivalents in the balance sheet and cash flow analysis include the following with a maturity date shorter than three months after acquisition.

	2023	2022
Short-term investments	251	–
Cash and cash equivalents[1)]	4,933	3,241
	5,184	**3,241**

1) Of which SEK 61 million (60) is in a restricted bank account and belongs to the deposits reported as other long-term debt, see Note 26.

Note 23. Equity

Share capital

The Group's share capital amounts to SEK 610,258,000. The number of shares amounts to 610,258 and refers in its entirety to share class A. The shares are fully paid and the number of shares is the same at both the beginning and the end of the year. Quota value amounts to SEK 1,000/share.

Other paid-in capital

Preem AB has received conditional shareholder contributions of a total of SEK 3,344 million, of which SEK 863 million from Preem Holding AB (publ) in 2020, SEK 1,982 million in 2011 and SEK 500 million in 2010 from Corral Petroleum Holdings AB (publ).

Reserves

Reserves include both hedge and translation reserves. The hedge reserve includes a cash flow hedge reserve. The cash flow hedge reserve is used to account for the effective part of the fair value change on the derivatives that is identified and qualifies as a cash flow hedge; this is explained in note 2. In subsequent periods, the amounts are reclassified to cost of goods sold in the income statement.

The translation reserve consists of exchange rate differences that arise when translation of foreign companies is reported in other comprehensive income and accumulated within equity.

	2023		2022	
	Hedge reserve	Translation reserve	Hedge reserve	Translation reserve
Opening balance	633	9	–	-2
Translation differences during the period	–	-33	–	11
Fair value changes on hedging instruments reported in other comprehensive income	-478	–	1,241	–
Tax attributable to fair value changes on hedging instruments reported in other comprehensive income	99	–	-256	–
Reclassified for the income statement	-93	–	-444	–
Tax attributable to items reclassified to the income statement	19	–	91	–
Closing balance	**179**	**-25**	**633**	**9**

Retained earnings

Retained earnings includes profit and loss for the year and the part of other comprehensive income that refers to actuarial gains and losses attributable to the group's defined benefit pension plans. Unconditional shareholder contributions are also reported here.

Note 24. Post employment benefits

Defined benefit pension plans

The Group and the Parent Company have defined benefit plans that are no longer active. They are both funded and unfunded.

Wholly or partly funded obligations	2023	2022
Present value of defined benefit obligation	569	494
Fair value of plan assets	-566	-527
Endowment insurance	122	102
Net wholly or partially funded obligations and fair value of plan assets	**125**	**69**
Unfunded obligations:		
Present value of unfunded defined benefit obligations	55	53
Net amount in the balance sheet (obligation +, asset –)	**180**	**122**
The net amount is recognized in the following balance sheet items:		
Pension obligations	180	156
Other long-term receivables	–	-33
Net amount in the statement of financial position	**180**	**122**
The net amount is divided among the following countries:		
Sweden	180	122
Cost reported in profit for the year		
Defined benefit plans		
Interest expenses	22	12
Interest income on plan assets	-21	-11
Total cost of defined benefit plans	**1**	**2**
The amount that is recognized in other comprehensive income is as follows:		
Actuarial gains (-)/losses (+) on defined benefit pension plans	93	-180
Tax attributable to items in other comprehensive income	-19	37
Total other comprehensive income for the year, net of tax	**74**	**-143**

The change in the defined benefit obligation during the year is as follows:	2023	2022
Opening value of defined benefit obligation	548	777
Payment of benefits	-33	-30
Interest expenses	22	12
Actuarial gain (–) or loss (+) on the obligation for the year:		
Changed demographic assumptions	7	-7
Actuarial gains and losses on changed financial assumptions	48	-248
Experience-based adjustments	26	60
Special payroll tax	7	-16
Closing balance for defined benefit obligation	**624**	**548**

The present value of the obligation is divided by plan members as follows:

Active members: 0% (0%)
Vested beneficiaries: 47% (49%)
Old-age pensioners: 53% (51%)

Change in fair value of plan assets during the year is as follows:	2023	2022
Opening balance plan assets	-527	-671
Payment of benefits	27	124
Fees from the employer	-39	-21
Interest income	-21	-11
Return on plan assets excluding interest income	-7	50
Closing fair value of plan assets	**-566**	**-527**

Actuarial assumptions	2023	2022
Discount rate	3.15%	4%
Future wage increases	Not applicable	Not applicable
Staff turnover	Not applicable	Not applicable
Inflation	1.65%	1.80%
Expected average remaining period of service of employees	Not applicable	Not applicable
Life expectancy assumption	DUS23 tjm	DUS21 tjm
Duration of obligation	12	12
Plan assets consist of the following:		
Interest-bearing securities	51%	51%
Shares	35%	32%
Real estate	12%	15%
Other	2%	2%
	100%	**100%**

Sensitivity analysis	Present value of the obligation	Percentage change
Discount rate +1,0%	541	-13%
Discount rate –1,0%	726	16%
Inflation/Pension indexing +0.5%	673	8%
Inflation/Pension indexing –0.5%	579	-7%
Life expectancy +1 year	673	8%

Defined contribution plans

Since 2008, there has been no new accrual of pension debt for employees at Preem, and the defined benefit pension plans reported in the balance sheet have been added to "fribrev", free letters. For white-collar workers in Sweden, the ITP-2 plan's defined benefit pension commitments for old-age pension are secured through an insurance in Alecta. According to a statement from the Swedish Financial Reporting Board, UFR10 Accounting for ITP-2 which is financed through the purchase of insurance in Alecta, this is a defined benefit plan that covers several employers. For the financial year 2023, the company does not have access to information to be able to report its proportional share of the plan's obligations, management assets and costs, which meant that the plan was not possible to report as a defined benefit plan. The pension plan is therefore reported as a defined contribution plan. The premium for the defined-benefit old-age and family pension is calculated individually and depends, among other things, on salary, previously earned pension and expected remaining service time.

Notes to the consolidated financial statements

Note 24. cont.

Expected fees in the next reporting period for ITP-2 insurance policies taken out in Alecta amount to SEK 25 million (18). The collective consolidation level consists of the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS19. The collective consolidation level must normally be allowed to vary between 125–175 percent. If Alecta's collective consolidation level falls below 125 percent or exceeds 175 percent, measures must be taken to create conditions for the consolidation level to return to the normal range. In case of low consolidation, one measure may be to raise the agreed price for new insurances and expansion of existing benefits. In the event of high consolidation, one measure may be to introduce premium reductions or refunds, where premium reductions may occur if consolidation exceeds 150 percent. Alecta estimates that the collective consolidation level as of December 31, 2023, provisionally amounts to 157 percent.

	Group		Parent Company	
million SEK	2023	2022	2023	2022
Costs for defined contribution plans[1)]	156	159	154	157

1) This includes SEK 18 million (23) regarding ITP plans financed in Alecta, see above.

Note 25. Other provisions

	Environmental restoration[1)]	Other[2)]	Total
Opening balance 2023	174	123	298
Provisions for the year	25	106	132
Amounts utilized	-5	-123	-128
Closing balance 2022	**195**	**106**	**302**
Of which:			
Long-term provision	154	–	154
Short-term provision	41	106	147

	Environmental restoration[1)]	Other[2)]	Total
Opening balance 2022	191	619	810
Provisions for the year	–	123	123
Amounts utilized	-17	-614	-630
Unutilized amounts that have been reversed	–	-6	-6
Closing balance 2022	**174**	**123**	**298**
Of which:			
Long-term provision	158	–	158
Short-term provision	17	123	140

1) The closing balance for environment restoration for the decontamination of closed depots of SEK 142 million (120) and for contamination at refineries of SEK 53 million (54).

2) Closing balance for the item other in 2023 consists of provision for disputes SEK 42 million, provision after fire SEK 24 million, claimed guarantee commitment SEK 40 million.

Note 26. Borrowings

Long-term borrowings	2023	2022
Syndicated bank loan in USD	–	3,131
Loans in SEK	3,011	1,433
Lease liabilities	445	420
Total long-term loans	**3,456**	**4,984**
Capitalized transaction costs	-167	-291
Total long-term borrowing, net	**3,289**	**4,692**
Deposits	57	52
Total interest bearing	**3,345**	**4,745**
Short-term borrowings		
Loans in SEK	111	–
Lease liabilities	206	261
Total short-term net borrowing	**317**	**261**
Total Group borrowings	**3,830**	**5,296**
Total borrowing the group, net	**3,663**	**5,005**

Repayment plan	2024	2025	2026	2027	2028–	Total
	333	634	595	531	1,738	**3,830**

Loan terms and conditions, effective interest rate and maturity structure

			Maturity structure (in million SEK)		
Non-current borrowings credit institution	Nominal value, local currency	Effective interest, %	Less than 1 year	1–5 years	>5 years
– USD, variable interest	0	–	–	0	–
– SEK, fixed interest	123	5.30%	15	76	31
– SEK, variable interest	3,000	6.13%	111	1,778	1,111
Total borrowings			**126**	**1,854**	**1,143**
Capitalized transaction cost			–	-167	–
Deposits			–	–	57
Lease liabilities long- and short-term			206	426	19
			333	**2,112**	**1,219**
Total Group borrowings, net					**3,663**

The remaining average fixed interest period as of 31 December 2023 amounted to approximately 3 months.

Fulfillment of special loan conditions

The Parent Company Preem AB has a syndicated loan facility amounting to USD 1,490 million. As of the end of December 2023, this facility was not utilized. The loan facility contains special requirements regarding leverage ratio and tangible net worth. Both conditions are met as of December 31, 2023.

Loans of SEK 3,000 million against Svensk Exportkredit are earmarked for investment at the refinery in Lysekil. The loan is covered by the National Debt Office's program for green credit guarantees.

For information on pledged collateral, see Note 30.

Notes to the consolidated financial statements

Note 27. Derivatives

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Electricity derivatives/ hedge accounting	226	–	797	–
Currency derivatives that are not hedged	2	–	–	0
Emission rights that are not hedged	–	3	58	3
Closing balance	**227**	**3**	**855**	**3**

Derivative instruments held for trading are classified as financial assets or financial liabilities. The entire fair value of a derivative instrument is classified as a non-current asset or non-current liability if the remaining maturity of the item is greater than 12 months, and as a current asset or current liability if the remaining maturity of the item is less than 12 months.

The maximum exposure to credit risk per balance sheet date is the fair value of the derivative instruments that are reported as assets in the balance sheet.

See Note 2 for further information on the derivative instruments.

Note 28. Other liabilities

	2023	2022
VAT	733	1,228
Excise duties[1)]	753	1,079
Other liabilities	100	182
	1,586	**2,488**

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

Note 29. Accrued expenses and deferred income

	2023	2022
Purchases of crude oil and products	4,507	5,145
Personnel	472	415
Other	729	470
	5,709	**6,030**

Note 30. Pledged assets and contingent liabilities

Pledged assets	2023	2022
Property mortgages	4,000	4,000
Floating charges	10,000	10,000
Deposits	168	157
Trade receivables	5,330	5,688
	19,498	**19,845**
Contingent liabilities		
Sureties for associated companies	70	72
Guarantee commitments for the Swedish Environmental Protection Agency regarding Climate support	–	75
Guarantee commitments Swedish Customs	41	–
Parent company guarantee for Preem AS	22	21
Guarantee commitments for Pyrocell AB	160	159
Guarantee obligations FPG/PRI	1	1
	294	**328**

The deposits refer to primary collateral issued in connection with the trading of derivatives. The amounts are due in cases where the Group does not fulfill its commitments.

Pledged securities and pledges as above are pledged in connection with the fulfillment of the obligation of the Group's syndicated bank loan.

Pledged assets without specified amount

Following pledged assets have been issued without any specified amount:

Norwegian pledged assets of trade receivables, inventory and insurances in Norway. Swedish pledged assets of insurances. Dutch pledge asset for inventory in Netherlands. English surety for some bank accounts.

Other contingent liabilities

A future closure of operations within the group may mean a requirement for clean-up and restoration works. However, this is considered to be far in the future and the future expenses cannot be reliably calculated.

This note also refers to the Parent Company.

Note 31. Supplementary disclosures to the cash flow statement

Interest paid and dividends received	2023	2022
Interest received	88	22
Interest paid	-291	-390
Adjustment for non-cash items		
Depreciation of property, plant and machiner	1,627	1,571
Impairment of financial fixed assets	28	–
Write-down of inventory/reversal of previous write-down of inventory	1,515	21
Unrealized exchange rate losses (+) / exchange rate gains (–)	-169	1
Unrealized exchange rate losses (+) / exchange rate gains (–), financial items,net	-6	45
Unrealized gains (–) / losses (+) on derivatives	27	-243
Expensed portion of capitalized transaction costs	125	162
Provisions	172	-414
Gains/loss from sale/disposal of fixed assets	889	7
Shares in associated company's profit	-11	-69
Other	-68	-25
	4,130	**1,055**
Transactions that do not involve payments		
Acquisition of assets via financial lease	248	417

Notes to the consolidated financial statements

Note 31. cont.

Reconciliation of liabilities arising from financing activities

	Opening balance 2023	Cash flows	Non-cash changes: Exchange rate, unrealized	Non-cash changes: Other	Closing balance 2023
Liabilities to credit institutions[1)]	3,264	-3,145	4	–	123
Liability to Swedish Export Credit Corporation	1,300	1,700	–	–	3,000
Other interest-bearing liabilities	52	5	–	–	57
Lease liabilities	680	-300	-10	281	651
Total liabilities arising from financing activities	**5,296**	**-1,741**	**-6**	**281**	**3,830**

1) Excluding capitalized transaction costs.

	Opening balance 2022	Cash flows	Non-cash changes: Exchange rate, unrealized	Non-cash changes: Other	Closing balance 2022
Liabilities to credit institutions[1)]	8,175	-4,937	27	–	3,264
Liability to Swedish Export Credit Corporation	–	1,300	–	–	1,300
Other interest-bearing liabilities	41	11	–	–	52
Lease liabilities	435	-204	18	432	680
Total liabilities arising from financing activities	**8,651**	**-3,830**	**45**	**432**	**5,296**

1) Excluding capitalized transaction costs.

Other unused credit lines	2023	2022
Approved credit lines	13,842	11,491
Total unused lines	**13,842**	**11,491**

Note 32. Financial instruments

Financial instruments by category

2023 Assets in the balance sheet	Assets measured at fair value through profit	Derivatives in a hedged relation	Financial assets measured at amortized cost	Carrying amount	Fair value
Other shares and participations	0	–	–	0	0
Long-term receivables related companies	–	–	181	181	181
Other long-term receivables	–	–	345	345	391
Derivatives	2	226	–	227	227
Receivables from related parties	–	–	57	57	57
Trade receivables and other receivables	–	–	4,931	4,931	4,931
Cash and cash equivalents	–	–	5,184	5,184	5,184
	2	**226**	**10,698**	**10,925**	**10,971**

Liabilities in the balance sheet	Liabilities valued at fair value through profit for the year	Derivatives in a hedged relation	Liabilities measured at amortized cost	Carrying amount	Fair value
Borrowings	–	–	3,123	3,123	3,123
Lease liabilities	–	–	651	651	651
Other interest-bearing liabilities	–	–	57	57	57
Derivatives	3	–	–	3	3
Other liabilities	–	–	6,706	6,706	6,706
	3	–	**10,536**	**10,539**	**10,539**

2022 Assets in the balance sheet	Assets measured at fair value through profit	Derivatives in a hedged relation	Financial assets measured at amortized cost	Carrying amount	Fair value
Other shares and participations	0	–	–	0	0
Other long-term receivables	–	–	532	532	532
Derivatives	58	797	–	855	855
Receivables from related parties	–	–	55	55	55
Trade receivable and other receivables	–	–	7,464	7,464	7,464
Cash and cash equivalents	–	–	3,241	3,241	3,241
	58	**797**	**11,292**	**12,147**	**12,147**

Notes to the consolidated financial statements

Note 32. cont.

Liabilities in the balance sheet	Liabilities valued at fair value through profit for the year	Derivatives in a hedged relation	Liabilities measured at amortized cost	Carrying amount	Fair value
Liabilities to credit institutions	–	–	4,564	4,564	4,564
Lease liabilities	–	–	680	680	680
Other interest-bearing liabilities	–	–	52	52	52
Derivatives	3	–	–	3	3
Other liabilities	–	–	9,701	9,701	9,701
	3	**–**	**14,997**	**15,000**	**15,000**

Financial instruments measured at fair value in the balance sheet

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

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

Level 2: Fair value is based on quoted market prices on an active market for similar instruments or measurement techniques where all variables are based on quoted market prices.

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

2023	Level 1	Level 2	Level 3
Assets in the balance sheet			
Electricity derivatives	–	226	–
Emission rights	2	–	–
	2	**226**	–
Liabilities in the balance sheet			
Emission rights	3	–	–
	3	–	–

2022	Level 1	Level 2	Level 3
Assets in the balance sheet			
Electricity derivatives	–	797	–
Emission rights	58	–	–
	58	**797**	**–**
Liabilities in the balance sheet			
Currency derivatives	0	–	–
Emission rights	3	–	–
	3	**–**	**–**

Note 33. Transactions with related parties

Relationships with related parties involving control

The Group is under a controlling influence from Preem Holding AB (publ). In addition to the related party transactions listed for the Group below, the Parent Company has related party relationships that include a controlling influence with its subsidiaries, see Note 114.

2023 Relationships with related parties	Sales/ interest	Purchases	Receivables 31 Dec	Liabilities 31 Dec	Other (accrued)
Parent Company	6	–	251	–	51
Associated companies	7	2,680	–	274	–
Other affiliates	2	286	238	31	2

2022 Relationships with related parties	Sales/ interest	Purchases	Receivables 31 Dec	Liabilities 31 Dec	Other (accrued)
Parent Company	21	–	434	–	45
Associated companies	7	2,341	15	10	–
Other affiliates	2	215	55	24	–

The cost to other related companies includes a compensation of SEK 53.9 million (51.4) to Sparrow Winds Ltd.

The company is related to the chairman of the board of Preem AB, Jason T. Milazzo.

Another claim is on the related company Corral Marocco Gas & Oil (CMGO). The claim amounts to SEK 4,626 million (original claim SEK 3,136 million and capitalized interest SEK 1,490 million). The entire value is written down to 0. From 2019, no interest is payable. There is no security for the claim. CMGO's ability to repay funds to Preem on this claim is dependent on the success of a legal process, regarding the ownership of the Moroccan company SAMIR. This process was initiated against Morocco at the ICSID (International Center for Settlement of Investment Disputes) in Washington in 2018. The legal process has entered its final phase and a decision is expected in 2024. Provided that the ICSID decision is then in favor of Corral Morocco Holdings AB then enforcement measures against Morocco remain.

Notes to the consolidated financial statements

Note 34. Lease agreement

Leaseholder

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

	2023	2022
Tangible fixed assets owned	13,885	11,865
Right-of-use assets	652	673
	14,537	**12,537**

Right-of-use assets	Buildings and land	Equipment and tools	Total
Opening balance January 1, 2023	364	309	673
Additional rights-of-use assets added during the year	141	107	248
Depreciation	-141	-124	-265
Disposal/retirements	0	0	0
Exchange rate differences	-3	–	-3
Closing balance December 31, 2023	**360**	**292**	**652**

Right-of-use assets	Buildings and land	Equipment and tools	Total
Opening balance January 1, 2022	339	105	444
Additional rights-of-use assets added during the year	127	290	417
Depreciation	-101	-86	-187
Disposal/retirements	-2	0	-2
Exchange rate differences	2	–	2
Closing balance December 31, 2022	**364**	**309**	**673**

Lease liabilities	2023	2022
Short term	445	420
Long term	206	261
Lease liabilities included in the report over financial position	**651**	**680**

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

Amounts recognized in profit or loss	2023	2022
Depreciation rights-of-use assets	-265	-187
Interest on lease liabilities	-41	-25
Exchange rate differences	10	-18
Variable leasing fees not included in the lease liability	-80	-99

Amounts reported in the cash flow report	2023	2022
Total cash outflows attributable to lease agreements	300	204

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

Property leasing

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

Leasing of time-share boats

The Group leases boats for shipping crude oil and finished products. The leasing contracts normally have a term of two years. All leasing agreements contain an option to renew the lease agreement at the end of the lease period with another period with the same term. Those options are included in the calculation of the value of the right-of-use asset.

Other leasing agreements

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

Lessors

Operational leases

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

IFRS 16	2023	2022
Within a year	155	106
Between one year and five years	379	356
More than five years	–	–
Total undiscounted leasing fees	**534**	**463**

Note 35. Subsequent events

On February 29 2024, Preem AB*s borrowing base facility agreement wass extended to December 30, 2026. No other significant events have occurred after the balance sheet date.

This note also applies to the Parent Company.

Parent Company financial statements AMOUNTS IN MILLION SEK

Income statement for the Parent Company

	Note	2023	2022
Sales including excise duties		147,453	173,868
Excise duties[1)]		-10,756	-10,359
Net Sales	102	**136,697**	**163,509**
Cost of goods sold	106	-126,993	-147,894
Gross profit	5	**9,704**	**15,614**
Selling expenses		-859	-762
Administrative expenses		-1,266	-909
Other operating income	107	892	718
Other operating costs	108	-913	-9
Operating profit	7, 103–106	**7,558**	**14,652**
Profit from participations in Group companies		-6,256	14
Financial income		149	40
Financial expenses		-525	-1,852
Financial items, net	109	**-6,632**	**-1,798**
Profit before tax		**926**	**12,854**
Appropriations	121	1,227	-2,848
Profit before tax		**2,153**	**10,006**
Tax expenses for the year	110	750	-2,053
Profit for the year		**2,903**	**7,954**

The Parent Company's Report on results and other comprehensive income

	Note	2023	2022
Profit for the year		**2,903**	**7,954**
Other comprehensive income			
Items that may be reclassified to the income statement:			
Fair value changes on hedging instruments	120	-478	1,241
Hedging result reclassified to profit for the year	120	-93	-444
Tax attributable to the items above	110, 120	118	-164
Total other comprehensive income for the year, net after tax		**-454**	**633**
Total comprehensive income for the year		**2,449**	**8,587**

1) The excise taxes refer to energy tax, carbon dioxide tax, sulfur tax and alcohol tax.

Parent Company financial statements AMOUNTS IN MILLION SEK

Balance sheet for the Parent Company

Assets	Note	2023-12-31	2022-12-31
Non-current assets			
Intangible assets	111	63	357
Property, plant and equipment	30, 112	13,700	11,653
Shares in Group companies	113	232	259
Shares in associated companies	114	189	203
Derivatives	27, 127	19	411
Receivables from related companies	33, 127	181	–
Other long-term receivables	115, 127	348	556
Total non-current assets		**14,732**	**13,439**
Current assets			
Inventory	116	18,551	18,447
Receivables			
Trade receivables	30, 117, 127	3,471	5,038
Receivables from related parties	33, 127	58	55
Receivables from Group companies	127	940	2,997
Receivables from associated companies	33, 127	0	0
Derivatives	27, 127	209	444
Other receivables	127	996	1,329
Prepaid expenses and accrued income	118	3,019	2,533
		8,693	**12,397**
Cash and bank balances	119, 127	5,182	3,240
Total current assets		**32,427**	**34,083**
Total assets		**47,159**	**47,522**

Parent Company financial statements AMOUNTS IN MILLION SEK

Balance sheet for the Parent Company

Equity, provisions and liabilities	Note	2023-12-31	2022-12-31
Equity			
Restricted equity			
Share capital (610,258 shares)		610	610
Statutory reserve		266	266
Other restricted equity		–	127
		877	**1,003**
Non-restricted equity			
Reserve for fair value		179	633
Retained earnings		16,695	9,392
Profit for the year		2,903	7,954
		19,778	**17,978**
Total equity	120	**20,654**	**18,981**
Untaxed reserves	121	**1,621**	**2,848**
Provisions			
Provisions for pensions	122	178	157
Provisions for deferred tax	110	834	1,144
Other provisions	25	154	158
Total provisions		**1,166**	**1,459**

Equity, provisions and liabilities	Note	2023-12-31	2022-12-31
Liabilities			
Non-current liabilities			
Liabilities to credit institutions	123	2,722	4,140
Liabilities to Group companies	127	1	–
Other non-current liabilities	123, 127	57	52
		2,779	**4,193**
Current liabilities			
Provisions	25	147	140
Liabilities to credit institutions	123	111	–
Advance payments from customers		317	626
Accounts payables	127	5,030	7,151
Liabilities to Group companies	127	7,537	1,980
Liabilities to associated companies	33, 127	274	10
Derivatives	27, 127	3	3
Current tax liabilities		595	2,105
Other liabilities	124, 127	1,248	2,022
Accrued expenses and deferred income	125	5,677	6,004
		20,939	**20,041**
Total liabilities		**23,718**	**24,234**
Total equity, provisions and liabilities		**47,159**	**47,522**
Pledged assets and contingent liabilities	30		

Parent Company financial statements AMOUNTS IN MILLION SEK

Statement of changes in equity for the Parent Company

	Restricted equity			Non-restricted equity			
Note 120	Share capital	Statutory reserve	Other restricted equity	Reserve for fair value	Retained earnings	Profit for the year	Total equity
Opening equity 2022-01-01	**610**	**266**	**313**	**–**	**8,479**	**2,965**	**12,633**
Profit for the year	–	–	–	–	–	7,954	7,954
Other comprehensive income for the year, net after tax	–	–	–	633	–	–	633
Total profit for the year	**–**	**–**	**–**	**633**	**–**	**7,954**	**8,587**
Allocation of profits	–	–	–	–	2,965	-2,965	–
Received Group contribution 2021, net after tax and shareholder contribution[1)]	–	–	–	–	276	–	276
Received Group contribution 2022, net after tax and shareholder contribution[2)]	–	–	–	–	238	–	238
Dividend	–	–	–	–	-2,752	–	-2,752
Fund for internally generated development expenditure	–	–	-186	–	186	–	–
Closing equity 2022-12-31	**610**	**266**	**127**	**633**	**9,391**	**7,954**	**18,981**
Opening equity 2023-01-01	**610**	**266**	**127**	**633**	**9,391**	**7,954**	**18,981**
Profit for the year	–	–	–	–	–	2,903	2,903
Other comprehensive income for the year, net after tax	–	–	–	-454	–	–	-454
Total comprehensive income for the year	**–**	**–**	**–**	**-454**	**–**	**2,903**	**2,449**
Allocation of profits	–	–	–	–	7,954	-7,954	–
Received Group contribution 2022, net after tax and shareholder contribution[3)]	–	–	–	–	226	–	226
Received Group contribution 2023, net after tax and shareholder contribution[4)]	–	–	–	–	332	–	332
Dividend	–	–	–	–	-1,324	–	-1,324
Merger of subsidiaries	–	–	–	–	–10	–	–10
Fund for self-generated development expenses	–	–	-127	–	127	–	–
Closing equity 2023-12-31	**610**	**266**	**–**	**179**	**16,695**	**2,903**	**20,654**

1) During 2022, Group contributions have been submitted for a total of SEK –1,340 million for income tax year 2021. Tax on this amounts to SEK 276 million. A Group contribution of SEK –2,004 million has been provided but has had no tax effect. Shareholder contributions have since been received with the corresponding amount.

2) For income tax year 2022, Group contributions have been submitted for a total of SEK –1,156 million. Tax on it amounts to SEK 238 million. Shareholder contributions have since been received with the corresponding amount.

3) For income tax year 2022, additional Group contributions of a total of SEK –1,099 million have been provided to the Parent Company. Preem Holding AB (publ). Tax amounts to SEK 226 million. Shareholder contributions have since been received from the Parent company with the corresponding amount.

4) For income tax year 2023, Group contributions have been provided to the Parent Company Preem Holding AB (publ) for a total of SEK –1,611 million. Tax on it amounts to SEK 332 million. Shareholder contributions have since been received from the Parent company with the corresponding amount.

Parent Company financial statements AMOUNTS IN MILLION SEK

Cash flow statement for the Parent Company

	Note	2023	2022
Operating activities			
Profit before tax		926	12,854
Adjustments for non-cash items[1)]	126	3,834	755
		4,760	**13,610**
Tax paid		-490	-65
Cash flow from operating activities before changes in working capital		**4,270**	**13,545**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in inventories		-1,614	-5,741
Increase (–)/Decrease (+) in operating receivables		3,332	-3,594
Increase (+)/Decrease (–) in operating payables		2,522	5,580
Cash flow from operating activities		**8,510**	**9,790**
Investing activities			
Acquisition of intangible assets	111	-15	-123
Acquisition of tangible fixed assets	112	-3,975	-1,840
Sale of tangible fixed assets		0	6
Investment in financial assets	114	–	-3
Cash flow from investing activities		**-3,990**	**-1,960**
Financing activities			
Proceeds from borrowings	126	5,402	7,827
Repayment of loans	126	-6,833	-11,461
Dividend paid		-1,148	-2,752
Transaction costs		0	-375
Cash flow from financing activities		**-2,579**	**-6,760**
Cash flow for the year		1,941	1,070
Opening cash and bank balances		3,240	2,157
Exchange gains/losses on cash and bank balances		2	13
Closing cash and bank balances	119	**5,182**	**3,240**

1) Impairment of shares in subsidiaries SEK 6,282 million has been netted against the additions of SEK 6,282 that were made to the subsidiaries. See Note 113. Nothing had an impact on cash flow.

Notes to the Parent Company financial statements

Note 101. Significant accounting policies for the Parent Company

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

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". In addition, statements issued by the Swedish Financial Reporting Board, which apply to listed companies, apply. In accordance with RFR 2, parent companies whose financial statements for the Group comply with IFRS, must prepare their financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), adopted by the European Union, insofar as these accounting principles interpretations are in accordance with the Swedish Annual Accounts Act, the Social Security Act and with regard to the connection between accounting and taxation. The recommendation states which exceptions from and additions to IFRS are to be made.

The financial reports are presented in Swedish krona, rounded to the nearest million.

Differences between Group and Parent Company accounting policies

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

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

Classification and presentation methods

The parent company's profit and loss account and balance sheet are drawn up according to the Annual Accounts Act's schedules. The difference to IAS 1 "Preparation of financial reports" which is applied in the preparation of the group's financial reports is primarily reporting of financial fixed assets, current assets, equity, the presence of provisions as a separate heading in the parent company's balance sheet.

Subsidiaries and associates

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

Leases

Lessees

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

Lessors

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

Employee benefits

In the Parent Company, different bases for calculating defined benefit plans are applied than those specified in IAS 19. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations, as this is a prerequisite for tax deduction rights. The most significant differences compared to the rules in IAS 19 primarily concern how the discount rate is determined and that the calculation of the defined benefit obligation is based on the current salary level without assumptions about future salary increases, and that all actuarial gains and losses are recognized in the income statement when they arise.

Income taxes

In the parent company, untaxed reserves including deferred tax liabilities are reported in the balance sheet. In the consolidated accounts, however, untaxed reserves are divided into deferred tax liability and equity. In the parent company's income statement, no allocation of part of the end-of-year appropriations to deferred tax expense is made.

Group contributions and shareholder contributions for legal entities

The company reports group contributions and shareholder contributions in accordance with RFR 2. Shareholder contributions are entered directly against the equity of the recipient and are capitalized in shares and shares of the donor, to the extent that impairment is not required. For group contributions, the main rule is used. Group contributions that the parent company receives from subsidiaries are reported as income in the parent company's income statement, and group contributions that the parent company makes to a subsidiary are reported against shares in subsidiaries in the same way as shareholder contributions. Group contributions that Preem makes to/receives from its parent company are reported as dividends/contributions at Preem, i.e. directly against equity.

Development expenditure fund

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

Branch in Norway

When recalculating the Norwegian branch's profit and loss account and balance sheet, the exchange rate on the reporting day is used, which means that the balance sheet is translated to the closing exchange rate and the profit and loss account is translated to an average exchange rate.

Note 102. Segment reporting

Sales by segment	Supply & Refining	Marketing & Sales	Sales between segments	Total
2023	133,731	32,753	-29,787	136,697
2022	160,340	39,040	-35,871	163,509

Sales by geographical area	2023	2022
Sweden	47,881	63,129
Norway	7,362	23,626
Other Nordic countries	11,394	12,324
Netherlands	10,598	11,174
UK	15,970	21,487
Other countries	43,492	31,769
Parent Company	**136,697**	**163,509**

Parent Company notes

Note 103. Auditor's fees

	2023	2022
PwC		
Audit fees	4	4
Other fees	1	5
	5	**9**

1. Audit fees consist of fees for the annual audit engagement and other audit services of a nature that can only be performed by the external auditor, and include review of the consolidated financial statements and statutory audit.
2. Other fees include fees for other services.

Note 104. Depreciation

Breakdown of depreciation	2023	2022
Intangible assets	186	186
Buildings and land improvements	128	121
Plant and machinery	651	670
Capitalized turnaround costs	321	297
Equipment, tools, fixtures and fittings	58	66
	1,343	**1,339**

Breakdown by function	2023	2022
Cost of goods sold	1,109	1,102
Selling expenses	174	175
Administrative expenses	60	61
	1,343	**1,339**

Note 105. Leases

Lease payments for operating leases	2023	2022
Minimum lease payments	195	203
Variable payments	80	99
Total lease expenses	**275**	**302**
Contracted future minimal lease payments		
Within a year	95	243
Between one and five years	267	324
Later than five years	85	87

Lease revenue from operating leases	2023	2022
Minimum lease payments	106	217
Variable payments	57	22
Total lease revenue	**163**	**239**
Contracted future minimum lease payments		
Within a year	155	227
Between one and five years	379	367
Later than five years	–	–

Note 106. Expenses by nature

	2023	2022
Cost of goods	122,296	143,417
Freight costs	1,378	1,336
Cost of employee benefits	1,731	1,404
Depreciation	1,343	1,339
Scrapping of plant, equipment and tools	873	–
Impairment of financial fixed assets	28	–
Other expenses	2,382	2,078
	130,031	**149,574**
Reconciliation with income statement		
Cost of goods sold	126,993	147,894
Selling expenses	859	762
Administrative expenses	1,266	909
Other operating costs	913	9
	130,031	**149,574**

Note 107. Other operating income

	2023	2022
Heating deliveries	90	135
Rental income	116	116
Charter rent	95	246
Port income	76	59
Storage certificates	434	119
Other	82	42
	892	**718**

Note 108. Other operating expenses

	2023	2022
Scrappring of plant, equipment and tools	873	9
Other	40	–
	913	**9**

Note 109. Financial items, net

	2023	2022
Impairment of shares in subsidiaries	-6,282	-13
Profit from divestment of shares in associated companies	–	1
Dividend from associated companies	25	25
Profit divestment shares in subsidiaries	0	–
	-6,256	**14**
Interest income from instruments measured at amortized cost	149	40
Financial income	**149**	**40**
Interest expenses from defined benefit unfunded pension obligation	-2	-2
Interest expenses from instruments measured at amortized cost [1)]	-305	-514
Net exchange differences	-49	-1,217
Other	-169	-119
Financial expenses	**-525**	**-1,852**
Financial items, net	**-6,632**	**-1,798**

1) Of which accrued transaction costs in connection with refinancing the loans reported according to the effective interest method SEK 125 million (162).

Parent Company notes

Note 110. Tax

Current tax expense (–)/tax revenue (+)	2023	2022
Tax expenses for the period	-628	-1,998
Tax attributable to previous years[1]	1,182	2
	555	**-1,996**
Deferred tax expenses (–)/tax income (+)		
Deferred tax on temporary differences	195	-57
	195	**-57**
Total reported tax expenses	**750**	**-2,053**

Reconciliation of effective tax	2023	2022
Profit before tax	2,153	10,006
Income tax calculated according to the prevailing tax rate for the Parent Company	-444	-2,061
Other non-deductible expenses	-44	-12
Non-taxable income	27	19
Tax attributable to previous years[1]	1,182	2
Standard interest rate tax allocation fund	-6	–
Other tax adjustments	34	–
Reported tax expenses	**750**	**-2,053**
Tax attributable to other comprehensive income		
Tax on changes in value of hedging instruments	118	-164
Tax items recognized directly in equity		
Current tax in Group contributions paid[2]	-558	-514

1) For financial year 2023, an appeal decision for income tax year 2021 has resulted in tax revenue of SEK 410 million. For income tax year 2022, additional group contributions were submitted to the Parent company before the income tax return was submitted. This resulted in a changed tax liability for income tax year 2022 of SEK 758 million. Other amounts to SEK 14 million.

2) Further information on Group contributions and taxes reported directly against equity can be found in Report on changes in equity for the Parent Company.

Reported effective tax rate amounts to –35 (21) percent. The tax rate in 2023 is affected by tax attributable to previous years, +55 percent. Adjusted for that effect, the parent company reports a tax of 20 percent for the financial year 2023.

2023 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Derivatives	–	-46
Land and buildings	–	-18
Machinery and equipment	–	-770
Other	1	–
Total asset/liability	**1**	**-834**
Net liability		**-834**

2022 Deferred tax assets and tax liabilities	Deferred tax assets	Deferred tax liabilities
Derivatives	–	-169
Land and buildings	–	-52
Machinery and equipment	–	-924
Other	1	–
Total asset/liability	**1**	**-1,145**
Net liability		**- 1,144**

Change in deferred tax in temporary differences in 2023	Amount at beginning of year	Recognized in profit/ loss for the year	Recognized in OCI	Amount at year end
Derivatives	-169	5	118	-46
Land and buildings	-52	33	–	-18
Machinery and equipment	-924	154	–	-770
Other	1	0	–	1
Total temporary differences	**-1,144**	**193**	**118**	**-834**

The Company has no tax loss carryforward.

Note 111. Intangible assets

Internally generated computer software	2023	2022
Opening cost	935	937
Disposals	–	-2
Closing accumulated cost	**935**	**935**
Opening depreciations	702	518
Disposals	–	-2
The year's depreciations	186	186
Closing accumulated depreciation	**887**	**702**
Carrying amount	**48**	**233**

Emission rights[1]	2023	2022
Opening cost	123	0
The year's investments	15	123
The year's depreciations	-123	–
Carrying amount	**15**	**123**
Total reported value of intangible assets	**63**	**357**

1) For further information see note 15.

Note 112. Tangible fixed assets

Land and buildings	2023	2022
Opening cost	3,630	3,571
Sales/Disposals	-37	-12
Merger/Acquisition from subsidiaries	32	13
Completion of construction in progress	167	61
Other changes	–	-4
Closing accumulated cost	**3,791**	**3,630**
Opening depreciation	2,080	1,956
Sales/Disposals	-27	-10
Merger/Acquisition from subsidiaries	15	13
The year's depreciations	128	121
Closing accumulated depreciation	**2,196**	**2,080**
Carrying amount	**1,595**	**1,549**

Machinery and other technical facilities[1]	2023	2022
Opening cost	20,088	19,840
Sales/Disposals	-1,355	-27
Acquisitions from subsidiaries	–	26
Completion of construction in progress	820	248
Closing accumulated cost	**19,552**	**20,088**
Opening depreciation	13,327	12,652
Disposals/Retirements	-498	-20
Acquisitions from subsidiaries	–	26
The year's depreciations	651	670
Closing accumulated depreciation	**13,480**	**13,327**
Carrying amount	**6,072**	**6,760**

1) The reported value includes precious metals of a value SEK 141 million (141).

Parent Company notes

Note 112. cont.

Audit inspection	2023	2022
Opening cost	2,405	2,186
Completion of construction in progress	566	216
Investments	–	3
Closing accumulated cost	**2,971**	**2,405**
Opening depreciation	1,677	1,380
The year's depreciation	321	297
Closing accumulated depreciation	**1,997**	**1,677**
Carrying amount	**974**	**729**

Equipment, tools and installations	2023	2022
Opening cost	1,477	1,456
Sales/Disposals	-60	-30
Completion of construction in progress	89	51
Closing accumulated cost	**1,506**	**1,477**
Opening depreciation	1,256	1,220
Sales/Disposals	-54	-30
The year's depreciation	58	66
Closing accumulated depreciation	**1,260**	**1,256**
Carrying amount	**246**	**221**

Construction in progrress	2023	2022
Opening cost	2,394	1,102
Disposals	-16	0
This year's investments	4,076	1,869
Completion of construction in progress	-1,642	-576
Carrying amount	**4,812**	**2,394**
Total reported value tangible fixed assets	**13,700**	**11,653**

Note 113. Participation in Group companies

	Corp. ID no.	Reg. Office	Number of shares	Owned portion %	Carrying value
Swedish companies					
Operating					
Bensinstation Preem AB	556909-4633	Malmö	1,000	100	1
Preem Shipping AB	559110-9052	Stockholm	50,000	100	0
Preem Technology AB	556117-6610	Lysekil	4,000	100	1
Drivmedelstation Preem AB	556955-3117	Stockholm	1,000	100	0
Tibblemarken 3 AB	556915-2571	Stockholm	500	100	0
Dormant					
Svenska Petroleum AB	556046-4819	Stockholm	1,000	100	0
Såifa Drivmedel AB	556039-7001	Stockholm	5,000	100	1
					2
Foreign companies					
Operating					
Preem Norge AS	919 502 193	Bærum	75,048	100	230
					230

Accumulated cost	2023	2022
Cost of acquisition	288	276
Divestment	0	–
Mergers	-27	–
Group Contribution	6,282	13
	6,543	**288**
Accumulated impairment losses		
At start of the year	29	17
Impairment	6,282	13
	6,311	**29**
Carrying value	**232**	**259**

During 2023, the subsidiary Celkirk AB was merged into the Parent Company and the subsidiary Svensk Petroleum Förvaltning AB has been sold.

Parent Company notes

Note 114. Participation in associated companies

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	40
SunPine AB	556682-9122	Piteå	16,685	25	98
RenFuel K2B Lignolproduktion AB	559095-1116	Stockholm	249,999	25	0
Pyrocell AB	559167-3784	Gävle	500	50	51
					189

	2023	2022
Opening cost	203	199
Shareholder contribution	15	3
Impairment	-28	–
Carrying value	**189**	**203**

For information on the companies' income, assets and liabilities, see Note 17.

Note 115. Other long-term receivables

	2023	2022
Receivable Parent Company	251	434
Receivable Group company	3	25
Receivable associated companies	–	15
Other shares and participations	0	0
Endowment insurance	90	77
Other items	5	5
	348	**556**

For information on other shares and shares, see Note 18.

Note 116. Inventories

	2023	2022
Raw materials	9,992	9,103
Finished goods	8,559	9,344
	18,551	**18,447**

Cost of goods sold includes a write-down of inventories of SEK –1,510 (–) million.

The acquisition value of the inventory in the group includes the equivalent of SEK 254 million (83) regarding loaned inventory volumes. Borrowed inventory volumes corresponding to a total inventory value of SEK 0 million (35) are not included in the inventory value. The value is net per counterparty.

Note 117. Trade receivables

	2023	2022
Trade receivables	3,478	5,043
Provision for expected credit losses	-8	-5
Fair value of trade receivables	**3,471**	**5,038**

Provision for bad debts is made based on expected credit losses for the remaining term. A claim that is overdue by more than 90 days is reserved in its entirety. As of the end of December 2023, there is a receivable of SEK 96 million that is overdue by more than 90 days. On the balance sheet date, there was a payment agreement and the claim has been paid at the beginning of 2024. No reservation was made for this. The age analysis of trade receivable is shown below:

Age analysis:	2023	2022
Not due	3,256	4,653
Less than 5 days	87	282
Between 6 and 30 days	35	40
Between 31 and 60 days	2	62
Between 61 and 90 days	2	3
More than 90 days	96	3
	3,478	**5,043**

Changes in the reserve for expected credit losses are as follows:	2023	2022
At start of period	5	32
Provision for credit losses / unused amounts reversed for the year	7	-24
Confirmed losses for the year	-4	-3
At end of period	**8**	**5**

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

Note 118. Prepaid expenses and accrued income

	2023	2022
Accrued income	2,222	2,093
Prepaid catalyst	557	323
Prepaid expenses	50	53
Other	189	64
	3,019	**2,533**

Parent Company notes

Note 119. Cash and bank balances

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

	2023	2022
Short-term investments	251	–
Cash and bank balance[1)]	4,931	3,240
	5,182	**3,240**

1) Of which SEK 61 million (60) is in a restricted bank account and belongs to the deposits reported as other long-term debt, see Note 123.

Note 120. Equity

Share capital

The company's share capital amounts to SEK 610,258,000. The number of shares amounts to 610,258 and refers in its entirety to share class A. The shares are fully paid and the number of shares was the same at both the beginning and the end of the year. Quota value amounts to SEK 1,000/share.

Reserve fund

The reserve fund constitutes restricted equity and is set aside according to the previously valid Swedish Companies Act (1975:1385).

Other restricted equity

Other restricted equity consists of the transfer of an amount that corresponds to internally accrued development costs.

Reserve for fair value fund

The fair value fund includes a cash flow hedge reserve. The cash flow hedge reserve is used to account for the effective part of the fair value change on the derivatives that are identified and qualifies as a cash flow hedge; this is explained in note 2. In subsequent periods, the amounts are reclassified to the income statement.

	2023	2022
Carrying value at the beginning of the year	633	–
Fair value changes on hedging instruments reported in other comprehensive income	-478	1,241
Tax attributable to fair value changes on hedging instruments reported in other comprehensive income	99	-256
Reclassified to cost of goods sold in the income statement	-93	-444
Tax attributable to items reclassified to the income statement	19	91
Carrying value at the end of year	**179**	**633**

Unrestricted equity

Non-restricted equity consists of the previous year's non-restricted equity with additions for the year's profit and received shareholder contributions.

Conditional shareholder contributions

Preem AB has received conditional shareholder contributions of a total of SEK 3,344 million, including SEK 863 million from Preem Holding AB (publ) in 2020, SEK 1,982 million in 2011 and SEK 500 million in 2010 from Corral Petroleum Holdings AB (publ).

Note 121. Untaxed reserves

	2023	2022
Tax allocation reserve		
Carrying value at the beginning of the year	2,848	–
Provision for taxation in 2022	–	2,848
Returned part of the 2022 allocation reserve	-1,227	–
Carrying value at the end of the year	**1,621**	**2,848**

Note 122. Provisions for pensions

	2023	2022
Provision in the balance sheet		
The present value of the obligation (calculated according to Swedish principles) regarding unfunded pension plans	56	55
The present value of the obligation for partially funded plans	122	102
Provision for pension obligations	**178**	**157**
Changes in provision		
Net debt at the beginning of the year regarding pension commitments	157	144
Interest portion of the year's pension costs	2	2
Provision	29	16
Pension payments	-11	-6
Carrying value at the end of the year	**178**	**157**
Of which credit insured via FPG/PRI	56	55

Alecta make a decision regarding indexation of the PRI debt every year. The level of value hedging as of 01/01/2024 was decided to amount to 6.48 (10.84) percent. The high indexation will affect the company's debt by roughly SEK 4 million in 2024.

Note 123. Liabilities to credit institutions

	2023	2022
Long-term liabilities		
Loan in SEK	2,889	1,300
Syndicated bank loan in USD	0	3,131
Deposits	57	52
Total long-term liabilities	**2,946**	**4,483**
Capitalized transaction costs	-167	-291
Total long-term liabilities, net	**2,778**	**4,192**
Short-term liabilities		
Loans in SEK	111	–
Total short-term liabilities	**111**	**–**
Total liabilities, net	**2,889**	**4,192**
Total liabilities, excluding transaction costs	**3,057**	**4,483**

	2024	2025	2026	2027	2028–	Total
Amortization schedule	111	444	444	444	1,556	3,000

Loan terms, effective interest rate and maturity structure

			Maturity structure (in million SEK)			
Liabilities to credit insitutions	Nominal value local currency	Effective interest, %	Less than 1 year	1–5 years	More than 5 years	Total borrowing
– SEK, variable interest rates	3,000	6.13	111	1,778	1,111	3,000
– USD, variable interest rates	0		–	0	–	0
Total liabilities to credit institutions			**111**	**1,778**	**1,111**	**3,000**
Capitalized transaction cost			–	-167	–	-167
Deposits			–	–	57	57
Total liabilities, net			**111**	**1,610**	**1,168**	**2,889**

The remaining average fixed interest period as of December 31, 2023, amounted to 3 months.

Parent Company notes

Note 123. cont.

Fulfillment of special loan terms
Preem has a syndicated creditfacility of USD 1,490. As of the end of December 2023, this facility was not utilized. The credit facility contains a clause on debt ratio and requirements for meeting conditions for a minimum level of equity. Both conditions are fulfilled as of December 31, 2023. Loans of SEK 3,000 million against Swedish Export Credit Cooperation are earmarked for investment at the refinery in Lysekil. The loan is covered by the Swedish National Debt Office's program for green credit guarantees. For information on pledged collateral, see the Group Note 30.

Note 124. Other liabilities

	2023	2022
VAT	468	844
Excise duties[1)]	692	1,006
Other liabilities	88	172
	1,248	**2,022**

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

Note 125. Accrued expenses and deferred income

	2023	2022
Purchase of crude oil and products	4,499	5,130
Personnel	469	412
Interest	1	2
Other	707	459
	5,677	**6,004**

Not 126. Supplementary disclosures to the cash flow statement

	2023	2022
Interest paid and dividends received		
Dividends received	25	25
Interest received	117	22
Interest paid	-276	-371
Adjustment for non-cash items		
Depreciation of property, plant and machinery	1,343	1,339
Impairment of financial fixed assets	28	–
Write-down of inventory (+) / Reversal of write-down of inventory (-)	1,510	–
Unrealized exchange rate losses (+) / exchange rate gains (–)	-211	26
Unrealized exchange rate losses (+) / exchange rate gains (–), financial net	4	27
Unrealized loss (+) / gain (–) on derivatives	27	-242
Expensed portion of transaction costs	125	162
Provisions / reversal of provisions	183	-511
Result from sale/disposal of tangible fixed assets	889	3
Other	-64	-50
	3,834	**755**

Reconciliation of liabilities arising from financing activities	Opening balance 2023	Cash flows	Non-cash changes Exchange rate, unrealized	Closing balance 2023
Loan in SEK	1,300	1,700	–	3,000
Syndicated bank loans in USD	3,132	-3,136	4	–
Deposits	52	5	–	57
Total liabilities arising from financial activities	**4,484**	**-1,431**	**4**	**3,057**

	Opening balance 2022	Cash flows	Non-cash changes Exchange rate, unrealized	Closing balance 2022
Loan in SEK	–	1,300	–	1,300
Syndicated bank loans in USD	8,049	-4,944	27	3,132
Deposits	41	11	–	52
Total liabilities arising from financial activities	**8,090**	**-3,633**	**27**	**4,484**

Other unused credit lines	2023	2022
Undrawn committed facilities	13,842	11,491
Total Unused lines	**13,842**	**11,491**

Parent Company notes

Note 127. Financial instruments

Financial instruments by category

2023 Assets in the balance sheet	Assets measured at fair value through profit for the year	Derivatives in a hedging relationship	Assets measured at amortized cost	Carrying amount	Fair value
Long-term receivables from related companies	–	–	181	181	181
Other long-term receivables	–	–	348	348	391
Derivatives	2	226	–	227	227
Receivables from related companies	–	–	57	57	57
Receivables from Group companies	–	–	493	493	493
Receivables from associated companies	–	–	0	0	0
Accounts receivables and other receivables	–	–	4,467	4,467	4,467
Cash and bank balances	–	–	5,182	5,182	5,182
	2	**226**	**10,728**	**10,955**	**10,998**

2022 Assets in the balance sheet	Assets measured at fair value through profit for the year	Derivative instruments in a hedging relationship	Financial assets measured at amortized cost	Carrying amount	Fair value
Other shares and participations	0	–	–	0	0
Other long-term receivables	–	–	556	556	556
Derivatives	58	797	–	855	855
Receivables from related companies	–	–	55	55	55
Receivables from Group companies	–	–	1,941	1,941	1,941
Receivables from associated companies	–	–	0	0	0
Accounts receivable and other receivables	–	–	6,367	6,367	6,367
Cash and bank balances	–	–	3,240	3,240	3,240
	58	**797**	**12,159**	**13,014**	**13,014**

Liabilities in the balance sheet	Assets measured at fair value through profit for the year		Assets measured at amortized cost	Carrying amount	Fair value
Liabilities to credit institutions	–		3,000	3,000	3,000
Other long-term liabilities	–		57	57	57
Liabilities to group companies	–		7,492	7,492	7,492
Liabilities to associated companies	–		274	274	274
Derivatives	3		–	3	3
Other liabilities	–		6,595	6,595	6,595
	3		**17,417**	**17,420**	**17,420**

Liabilities in the balance sheet	Liabilities measured at fair value through profit for the year	Liabilities measured at amortized cost	Carrying amount	Fair value
Liabilities to credit institutions	–	4,431	4,431	4,431
Liabilities to Group companies	–	1,237	1,237	1,237
Liabilities to associated companies	–	10	10	10
Derivatives	3	–	3	3
Other liabilities	–	9,800	9,800	9,800
	3	**15,478**	**15,480**	**15,480**

Parent Company notes

Note 127. cont.

Financial instruments measured at fair value in the balance sheet

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

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

Level 2: Fair value is based on quoted market prices on an active market for similar instruments or measurement techniques where all variables are based on quoted market prices.

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

2023	Level 1	Level 2	Level 3
Assets in the balance sheet			
Currency	2	–	–
Electricity derivatives	–	226	–
	2	**226**	**–**
Liabilities in the balance sheet			
Emission rights	3	–	–
	3	**–**	**–**

2022	Level 1	Level 2	Level 3
Assets in the balance sheet			
Electricity derivatives	–	797	–
Emission rights	58	–	–
	58	**797**	**–**
Liabilities in the balance sheet			
Currency derivatives	0	–	–
Emission rights	3	–	–
	3	**–**	**–**

Note 128. Proposal for allocation of profits

Unrestricted equity in the parent company amounts to (SEK):	2023
Non-restricted equity	16,874,695,223
Profit for the year	2,903,233,723
Total	**19,777,928,945**

The board proposes that the amount be allocated as follows (SEK):	2023
Dividend	1,174,162,955
Retained earnings to be carried forward	18,603,765,990
Total	**19,777,928,945**

Board signatures

Stockholm, March 27, 2024

Richard Öhman
Board member

Michael G:son Löw
Board member

Magnus Heimburg
Chief Executive Officer

Jason T. Milazzo
Chairman of the Board

Lennart Sundén
Board member

Petter Holland
Board member

Cristian Mattsson
Employee representative

Laura Leinikka
Employee representative

Our audit report was submitted on March 27, 2024

Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant
Auditor in Charge

Anna Rozhdestvenskaya
Authorized Public Accountant

Auditor's Report

To the general meeting of the shareholders of Preem AB (publ), corporate identity number 556072-6977

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Preem AB (publ) for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 87–132 in this document.

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 parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and income statement and statement of other comprehensive income as well as statement of financial position for the group.

Basis for Opinions

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

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–86 and 136-137. Company's sustainability report can be found on pages 23-83 of the document. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Auditor's Report

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Preem AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Stockholm, 27 March 2024

Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant
Auditor in Charge

Anna Rozhdestvenskaya
Authorized Public Accountant

Financial figures in summary

	2023	2022	2021	2020	2019
Key figures					
Net Sales, million SEK	137,711	160,548	89,592	58,190	84,694
Profit/loss before tax, million SEK	7,532	13,015	3,838	–461	922
Return on capital employed, %	27	48	20	1	8
Return on adjusted equity, %	29	59	32	–4	5
Adjusted EBITDA, million SEK	12,454	15,343	4,204	1,960	3,330
Capital expenditures in facilities[1)], million SEK	4,084	1,973	715	964	2,576
Total assets, million SEK	48,174	47,799	36,950	30,559	37,617
Equity ratio, %	58	46	36	35	28
Average number of employees	1,641	1,557	1,457	1,564	1,536

1) Excluding facilities acquired through company acquisitions.

Financial Definitions

Capital employed
Total assets minus interest-free operating liabilities.

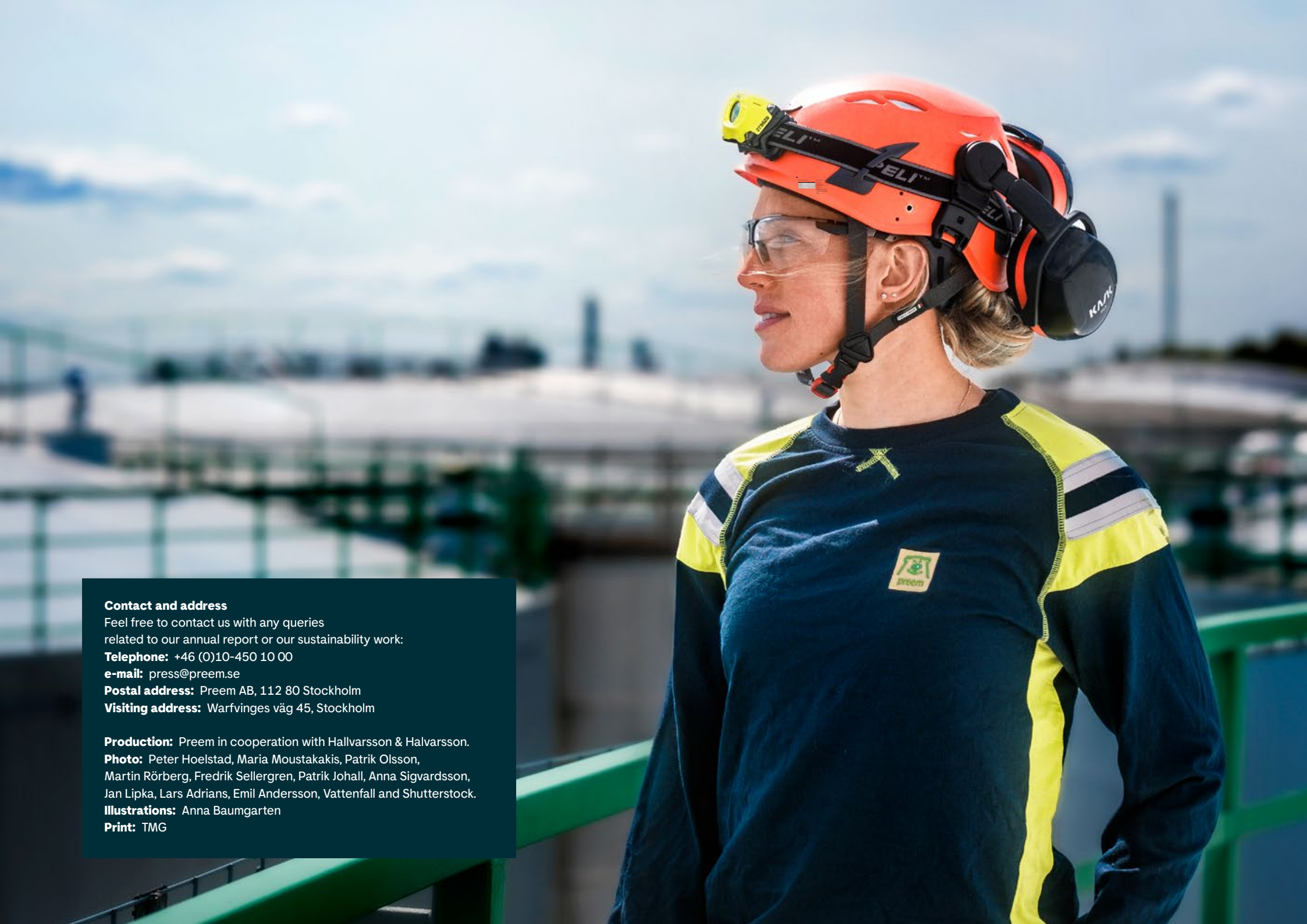
Average adjusted equity
Equity including non-controlling interests
(no non-controlling interests exist from 2023).

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

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

Adjusted EBITDA
Operating profit/loss before amortization of intangible assets and depreciation of property, plant and equipment excluding price effects on inventory, exchange rate differences when buying and selling oil products and net gain/ loss on derivatives valued at fair value. Disposal of a VDU unit in Lysekil is also exkluded in adjusted EBIDTA for 2023.

Equity ratio
Adjusted equity as a percentage of total assets.



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