2016

ANNUAL REPORT 2016 • ST1 GROUP OY

Contents

NET SALES 2016, M€

1,967.7

PROFIT FOR THE PERIOD 2016, M€

90.5

RETURN ON EQUITY 2016, %

50.4

St1 Group

- St1 Group focuses on developing and refining liquid fuels.
- Located in Gothenburg in Sweden, our oil refinery employs some 200 oil industry experts.
- The refinery's products include petrol, the sulphur-free MK-1 diesel and other middle distillates as well as liquid gas – most of which are sold through St1's own network in Sweden, Finland and Norway.
- We systematically develop our operations to ensure low-emission production. Furthermore, we are aiming at developing new fuel products that reduce fossil CO_2 emissions in traffic.
- The St1 refinery is the first in Europe to acquire ISO14001 environmental management certification, and was registered according to the EMAS (Eco Management and Audit Scheme) about 20 years ago. The refinery's EMAS environmental statement is published annually.
- The sister group, St1 Nordic, focuses on the marketing activities for fuels in Finland, Sweden and Norway, as well as on renewable energy solutions such as waste-based ethanol fuels, industrial wind power production, and geothermal energy.

We have found just the right product range for our refinery. Together with strong refinery margins, solid performance, efficiency investments and an entrepreneurial mindset among employees, this has resulted in the best ever financial result under St1's ownership.

Mika Anttonen
Chairman of the Board of Directors

The best ever financial result at the refinery

The St1 refinery in Gothenburg operated at an excellent utilisation rate in 2016 and reached a record-high financial result in its history. We acquired a depot in Gothenburg harbour to expand our capacity for storage and handling of products. A new pipeline system was installed to improve our ability to import larger cargoes of aviation fuel for further distribution to our business in Norway. Furthermore, we initiated the production of 1st Renewable fuels for the Swedish market.

> We achieved all our annual environmental objectives and targets by 100%.

In 2016, the St1 refinery refined 28.1 million barrels of crude oil. Our utilisation rate was as high as 98.8%. The refinery operations continued at an excellent level in terms of safety and emissions to the environment – we achieved all our annual environmental objectives and targets by 100%.

Investments in storage capacity

In 2016, we acquired a depot from another oil company at the Port of Gothenburg. This acquisition will enable the trade of larger product volumes per year – which we require today, but this also creates further opportunities for future projects. The depot will be connected to the refinery operations as well as with the jetties at the Port of Gothenburg via a new pumping station and pipeline system, currently under construction.

A project has been launched to treat contaminated water that has been stored, thereby occupying space in part of our crude oil storage facilities. The resulting increased crude oil storage capacity will improve our flexibility and profitability in connection with crude oil purchases.

Production of renewable fuels

In the autumn of 2016, we started to produce two new fuels for St1's retail station network in Sweden. The new products, branded 1st REnewable, offer the highest guaranteed bio content available for standard diesel and gasoline cars on the Swedish fuel market.

The first Etanolix® plant in Sweden is integrated with the refinery. It produces advanced bioethanol for transport from local bakery waste and process residues. The Etanolix plant and especially its integration into the existing refinery operation, has been awarded support from the Life+ programme of the European Commission. This programme is focusing on projects on energy, the climate, environmental management, industry and production, waste management and environmental policy. As part of the Life+ programme, the ethanol production process is currently being monitored and evaluated.

The plant is based on technology developed by St1 Biofuels Oy and it is owned by North European Bio Tech Oy (NEB) – an associated company of St1 and SOK Corporation. The production capacity of the plant, 5 million litres of bioethanol per year, is leased to North European Oil Trade (NEOT), a sister company of NEB, which engages in oil and bioproduct wholesale trade. ■

Financial statements 2016

Report for 1 January 2016–31 December 2016

1. Business operations and financial performance of St1 Group Oy

St1 Group Oy is the parent company to a group that manufactures, develops, refines and distributes liquid fuels in Sweden. The group's oil refinery is located in Gothenburg, Sweden. The oil refinery has an annual refining capacity of approximately 30 million barrels of crude oil. The majority of the refinery's production is sold in Sweden through the retail network and other channels of St1 Sverige AB which is part of the sister group, St1 Nordic. The rest of the production is exported, for the most significant part to associated company North European Oil Trade's operations.

In 2016, the group's net sales were EUR 1,967.7 million, which is a decrease of EUR 277.6 million compared to the previous year. The group's operating profit increased to EUR 117.6 million from operating profit of EUR 93.1 million in the previous year.

Key financial indicators of St1 Group Oy´s financial position and results of operations:

	2016	2015	2014
Net sales, MEUR	**0.0**	0.0	0.0
Operating profit/loss, MEUR	**-0.5**	-0.1	-0.2
Operating profit, % of net sales	**-**	-	-
Profit for the period, MEUR	**10.7**	23.2	-0.8
Return on equity %	**45.1%**	63.8%	-
Equity ratio	**99.5%**	42.6%	99.7%

Key financial indicators of the St1 Group consolidated financial position and results of operations:

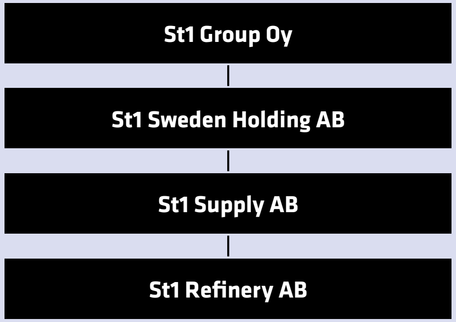
	2016	2015	2014
Net sales, MEUR	**1,967.7**	2,245.2	4,406.8
Operating profit/loss, MEUR	**117.6**	93.1	85.1
Operating profit, % of net sales	**6.0%**	4.1%	1.9%
Profit for the period, MEUR	**90.5**	72.5	64.1
Return on equity %	**50.4%**	56.2%	71.1%
Equity ratio	**50.9%**	21.8%	19.7%

2. Group structure

St1 comprises two sister groups: St1 Group Oy and St1 Nordic Oy. St1 Nordic focuses on fuel retail and marketing operations in Finland, Sweden and Norway, while St1 Group's main activity is oil refining at its refinery in Gothenburg, Sweden.

St1 Group Oy is the parent company of a group consisting of the subsidiaries St1 Sweden Holding AB, St1 Supply AB and St1 Refinery AB. In addition, St1 Refinery AB bought a company called Liotat AB in Gothenburg in October 2016. The company owns oil storage capacity close to St1 Refinery's own storage area. The name of the company was changed to St1 Färjestaden AB and the process to merge it into St1 Refinery AB has been started in spring 2017.

St1 Group Oy sold its 50% share in the associated company Aviation Fuelling Services Norway AS to sister company St1 Nordic Oy in April 2016.



3. Company shares

	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Share capital	**50,000.00**	50,000.00	50,000.00	50,000.00
Number of shares	**100,000**	100,000	100,000	100,000

4. Investments

The most significant investment during the accounting period was the above mentioned acquisition of St1 Färjestaden AB. The company's storage capacity improves logistical efficiency in Gothenburg. Other investments, totalling 21,3 MEUR focused on maintenance and improvements at the refinery and oil terminals.

5. Assessment of the most significant risks and uncertainties

5.1 Risk management policy and arranging risk management

In St1 Group, risk management refers to a systematic and proactive approach to analyse and manage the opportunities and threats related to operations, rather than solely eliminating the risks. For this purpose, the group's risk management is based on awareness of the key threats, including strategic, operational and financial risks as well as risk of loss or damage, which have the potential to prevent the group from achieving its objectives.

The Board of Directors is responsible for the company's and group's risk management policy and monitors its implementation. Risk management has been integrated into the daily business operations and decision-making of business units and the group's support functions. Thus, each employee shares a responsibility to identify risks that might threaten the achievement of the group's objectives.

5.2. Strategic and operational risks

The group has defined a number of potential risks that could affect its future profitability and development:

- Refining margins on petroleum products may turn out to be insufficient to cover the costs related to refining
- The group may incur considerable costs due to environmental legislation and regulations, affecting the group's financial performance.
- Political, financial and legislative changes may affect demand for the group's products.

The price risks related to petroleum products and refining margins can be managed with derivatives.

The group's business operations are based on functional and reliable information systems. The group seeks to manage the risks related to information systems through measures such as duplicating critical information systems and data communications links, paying attention to the selection of partners and standardising the work station models, software and information security practices used in the group.

Principles used for the measurement of trade receivables and inventories in the financial statements are consistent and based on the principle of prudence.

The group's core competencies are related to business processes comprising oil refining, sales and procurement as well as to the requisite support functions, such as information management, finance, human resources, real estate services, logistics and communications. Unexpected and significant weakening of the group's core competencies would present a risk. The group continuously seeks to improve the core competencies and other significant competencies of its personnel by offering opportunities for in-work learning and training, as well as by recruiting competent new employees, as needed.

The most significant portion of the group's revenue comes from the export and wholesale trade of oil products. Historically, the demand for these products has not been subject to sudden, drastic changes. Taking the group's line of business and products into account, factors that might affect the group's revenue include decisions by the government or the authorities on how different forms of energy are combined, subsidised or taxed, as well as general economic trends which may influence demand across the whole sector.

5.3. Risks of loss or damage

The group seeks to protect itself from significant risks to its assets by regularly reviewing its insurance policies as part of the overall risk management process. The group strives to cover with insurance all risks for which an insurance is financially or otherwise reasonable. There are no pending trials or any other legal risks that the Board is aware of, which would materially affect the results of the group's operations.

5.4. Financial risks

Management of financial risks: The parent company manages the financing operations for the whole group.

To ensure liquidity, the group has a bank overdraft facility.

Interest rate risk: At the end of the financial year, the group utilized EUR 14.2 million of the interest rate-sensitive overdraft facility (EUR 31.9 million at the end of the previous year). Derivative agreements can be used to help in the management of interest rate risks. At the end of the financial year there were no outstanding interest rate derivative agreements.

Currency risk: The majority of the group's cash flows are denominated in SEK and USD. The group's exposure to currency risk (financial risk and transaction risk) is mostly limited to the inventory, denominated in USD, and currency receivables from and liabilities to the group's Swedish subsidiaries, along with the equity items of the Swedish subsidiaries denominated in SEK. Currency risks can be managed through forward agreements.

5.5. Environmental risks

In order to eliminate the risk of human casualties or oil spills and the related costs, attention must be paid to safe and environmentally sound operating methods in the group's operations. St1 Group Oy has systematically evaluated and monitored its environmental obligations, as well as the obligations arising at group operating sites. Environmental protection obligations have been defined within the scope of legislation and in the quality programmes applied by the group. The financial statements include a provision for environmental liabilities, reviewed for each financial period.

6. An estimate of probable future development

In the view of the group management, the business environment will remain volatile for the next financial period. The group aims to further improve its competitiveness by rationalising business processes, making carefully selected investments and through margin hedging when feasible.

7. Significant events after the end of the financial period

There has been no significant events after the end of the financial period.

8. Personnel

Key figures describing the group's personnel

	2016	2015	2014	2013
Average number of personnel during the financial period	**206**	201	297	312
Wages and salaries during the financial period, MEUR	**11.8**	12.0	18.0	-

9. Organisation

The company's Board of Directors consisted of Mr Mika Anttonen and deputy board member Mr Kim Wiio. Mr Kim Wiio was the company's Chief Executive Officer. The company's auditor was PricewaterhouseCoopers Oy.

10. Profit distribution proposal

The Board of Directors proposes that the company will distribute a dividend of EUR 7,000,000.00 for the financial year ended.

Consolidated income statement

€	Notes	31.12.2016	31.12.2015
NET SALES	1.	**1,967,658,481.65**	2,245,234,181.98
Other operating income	2.	**12,630,370.82**	8,728,446.03
Materials and services			
Materials, supplies and products			
Purchases during the period		**-1,757,732,411.62**	-2,088,076,377.89
Change in inventories		**-37,938,114.01**	-20,580,622.20
		-1,795,670,525.63	-2,108,657,000.09
Personnel expenses			
Wages and salaries		**-11,802,359.81**	-12,248,563.37
Social security costs			
Pension costs		**-243,796.85**	-244,451.81
Other social security costs		**-6,050,874.45**	-5,411,477.54
		-18,097,031.11	-17,904,492.72
Depreciation and amortisation			
Depreciation and decrease in value	4.	**-13,688,763.01**	-13,049,313.82
		-13,688,763.01	-13,049,313.82
Other operating expenses	5.	**-35,218,658.31**	-21,257,537.98

€	Notes	31.12.2016	31.12.2015
OPERATING PROFIT		**117,613,874.41**	93,094,283.40
Finance income and costs	6.		
Income from shares in associated companies		**370,814.86**	990,134.22
Other interest and finance income			
From others		**0.00**	19,513.79
Other interest and finance cost			
To others		**-1,481,374.47**	-4,343,541.22
		-1,110,559.61	-3,333,893.21
PROFIT BEFORE TAXES		**116,503,314.80**	89,760,390.19
Current income tax		**-20,937,106.86**	-1,725,591.82
Deferred tax		**-5,088,427.30**	-15,489,072.97
		-26,025,534.16	-17,214,664.79
PROFIT FOR THE PERIOD		**90,477,780.64**	72,545,725.40

Consolidated balance sheet

€	Notes	31.12.2016	31.12.2015
Assets			
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	8.	**0.00**	7,239,354.88
Goodwill on consolidation	8.	**5,090,193.31**	0.00
		5,090,193.31	7,239,354.88
Tangible assets			
Land and water areas	9.	**75,933,497.56**	73,629,677.98
Buildings and structures	9.	**12,190,082.71**	13,236,874.92
Machinery and equipment	9.	**96,535,983.82**	101,539,304.51
		184,659,564.09	188,405,857.41
Investments			
Investments in associated companies	10.	**317,927.24**	22,110,245.64
		317,927.24	22,110,245.64

€	Notes	31.12.2016	31.12.2015
CURRENT ASSETS			
Inventories			
Materials and supplies		**96,425,119.05**	**134,363,233.06**
Receivables			
Current receivables			
Trade receivables		**76,659,249.41**	**49,461,378.36**
Receivables from Group companies	11.	**49,305,792.83**	**36,194,555.03**
Other receivables		**8,272,833.90**	**32,990,892.42**
Deferred tax assets		**493,074.66**	**0.00**
Prepayments and accrued income	12.	**6,955,855.09**	**17,065,244.24**
		141,686,805.89	**135,712,070.05**
Cash and cash equivalents		**8,873,867.03**	**9,062,553.90**
		437,053,476.62	**496,893,314.94**

€	Notes	31.12.2016	31.12.2015
Equity and liabilities			
EQUITY			
Share capital	13.	**50,000.00**	50,000.00
		50,000.00	50,000.00
Retained earnings (loss)	13.	**131,870,114.89**	65,483,868.13
Profit (loss) for the period		**90,477,780.64**	72,545,725.40
		222,347,895.53	138,029,593.53
Total equity		**222,397,895.53**	138,079,593.53
PROVISIONS			
Provisions of pensions	14.	**6,860,441.35**	7,188,643.89
Other provisions	14.	**3,447,204.17**	2,750,012.29
		10,307,645.52	9,938,656.18

€	Notes	31.12.2016	31.12.2015
LIABILITIES			
Non-current			
Deferred tax liabilities	15.	**13,838,208.55**	13,838,208.18
		13,838,208.55	13,838,208.18
Current			
Loans from financial institutions		**14,329,540.28**	31,929,560.86
Trade payables		**120,444,923.68**	123,920,104.78
Liabilities to group companies	16.	**1,860,164.67**	2,360,461.30
Deferred tax liabilities	15.	**27,559,278.78**	20,328,513.44
Other liabilities		**15,899,012.43**	39,543,356.80
Accruals and deferred income	17.	**10,416,807.17**	116,954,859.88
		190,509,727.01	335,036,857.05
		437,053,476.62	496,893,314.94

Consolidated cash flow statement

€	31.12.2016	31.12.2015
Cash flow from operating activities:		
Profit (loss) before taxes	**116,503,314.80**	89,760,390.19
Adjustments:		
Depreciation and amortisation according to plan	**13,688,763.01**	13,049,313.82
Unrealized gains and losses from exchange rate changes	**-3,107,983.19**	-2,524,935.20
Other income and expenses with non-cash transactions	**6,102,927.42**	-1,416,619.24
Other finance income and costs	**1,110,559.61**	3,333,893.21
Other adjustments	**-78,375,638.19**	-22,633,483.39
Cash flow before change in working capital	**55,921,943.46**	79,568,559.39
Change in working capital		
Increase (-)/ decrease (+) in current non-interest bearing receivables	**-5,729,839.03**	-1,503,156.69
Increase (-)/ decrease (+) in inventories	**37,938,114.01**	20,580,622.20
Increase (+)/ decrease (-) in current non-interest bearing payables	**-29,139,618.81**	-27,403,454.42
Cash flow from operating activities before financial items and taxes	**58,990,599.63**	71,242,570.48
Interest paid and charges on other finance costs	**-1,532,869.92**	-1,818,606.02
Interest received	**0.00**	19,513.79
Taxes paid (received)	**-12,512,137.09**	-924,180.92
Net cash generated from operating activities (A)	**44,945,592.62**	68,519,297.34

€	31.12.2016	31.12.2015
Cash flow from investing activities		
Purchases of tangible and intangible assets	**-7,008,602.92**	-39,299,419.76
Investment in subsidiary	**-12,265,585.40**	-19,959,629.51
Other investments	**0.00**	-20,963,866.22
Proceeds from other investments	**20,963,866.22**	0.00
Net cash used in investing activities (B)	**1,689,677.90**	-80,222,915.49
Cash flow from financing activities:		
Proceeds from short-term loans	**0.00**	58,153,497.67
Repayment of short-term loans	**-43,823,957.39**	0.00
Dividends paid and other profit distribution	**-3,000,000.00**	-56,000,000.00
Net cash used in financing activities (C)	**-46,823,957.39**	2,153,497.67
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	**-188,686.87**	-9,550,120.48
Cash and cash equivalents at beginning of period	**9,062,553.90**	18,612,674.38
Cash and cash equivalents at end of period	**8,873,867.03**	9,062,553.90

Parent company income statement

€	Notes	31.12.2016	31.12.2015
NET SALES	1.	**0.00**	0.00
Other operating income	2.	**0.00**	0.00
Other operating expenses	5.	**-460,127.70**	-109,978.10
OPERATING PROFIT		**-460,127.70**	-109,978.10
Finance income and costs	6.		
Income from shares in group companies		**10,892,890.21**	21,445,421.40
Other interest and finance income			
From group companies		**1,130,107.08**	2,162,243.59
From others		**0.00**	146,510.91
Interest expenses and other finance costs			
To others		**-879,719.10**	-274,466.82
		11,143,278.19	23,479,709.08

€	Notes	31.12.2016	31.12.2015
PROFIT BEFORE APPROPRIATIONS AND TAX		**10,683,150.49**	23,369,730.98
Income tax		**-602.27**	-218,083.62
PROFIT FOR THE PERIOD		**10,682,548.22**	23,151,647.36

Parent company balance sheet

€	Notes	31.12.2016	31.12.2015
Assets			
NON-CURRENT ASSETS			
Investments			
Shares in Group companies		**5,447.49**	5,447.49
Investments in associated companies		**0.00**	20,963,866.22
		5,447.49	20,969,313.71
CURRENT ASSETS			
Receivables			
Current receivables			
Receivables from Group companies	11.	**27,219,921.27**	19,928,758.03
Other receivables		**387,864.15**	4,747,864.42
		27,607,785.42	24,676,622.45
Cash and cash equivalents		**15,516.00**	893,922.57
		27,628,748.91	46,539,858.73

€	Notes	31.12.2016	31.12.2015
Equity and Liabilities			
EQUITY			
Share capital	13.	**50,000.00**	50,000.00
Retained earnings	13.	**16,771,024.49**	-3,380,622.87
Profit for the period		**10,682,548.22**	23,151,647.36
		27,453,572.71	19,771,024.49
TOTAL EQUITY		**27,503,572.71**	19,821,024.49
LIABILITIES			
Current			
Other liabilities		**0.00**	26,223,936.81
Trade payables		**4,876.92**	2,464.77
Liabilities to Group companies	16.	**120,249.19**	0.00
Other liabilities		**50.09**	274,398.61
Accrued expenses	17.	**0.00**	218,034.05
		125,176.20	26,718,834.24
TOTAL LIABILITIES		**125,176.20**	26,718,834.24
		27,628,748.91	46,539,858.73

Parent company cash flow statement

€	31.12.2016	31.12.2015
Cash flow from operating activities:		
Profit (loss) before appropriations	**10,683,150.49**	23,369,730.98
Adjustments:		
Unrealized gains and losses from exchange rate changes	**-603,993.64**	146,146.95
Finance income and costs	**-10,867,552.73**	-23,205,242.26
Cash flow before change in working capital	**-788,395.88**	310,635.67
Change in working capital:		
Increase (-)/ decrease (+) in current non-interest bearing receivables	**4,747,864.42**	-3,716,813.22
Increase (+)/ decrease (-) in current non-interest bearing payables	**122,711.43**	118,910.52
Cash flow from (used in) operating activities before finance items and taxes	**4,082,179.97**	-3,287,267.03
Interest paid and other financial expenses	**-275,725.46**	-274,466.82
Dividends received from operating activities	**10,892,890.21**	21,445,421.40
Interest received from operating activities	**579,983.01**	568,077.58
Taxes received (paid)	**-606,500.47**	-44,809.58
Net cash generated from operating activities (A)	**14,672,827.26**	18,406,955.55

€	31.12.2016	31.12.2015
Cash flow from investing activities:		
Other investments	**0.00**	-20,963,866.22
Proceeds from other investments	**20,963,866.22**	0.00
Loans granted	**-7,291,163.24**	0.00
Repayment of loan receivables	**0.00**	32,781,948.27
Net cash used in investing activities (B)	**13,672,702.98**	11,818,082.05
Cash flow from financing activities:		
Proceeds from short-term loans	**0.00**	26,223,936.81
Repayment of short-term loans	**-26,223,936.81**	0.00
Proceeds from long-term loans	**0.00**	0.00
Repayment of long-term loans	**0.00**	0.00
Dividends paid and other profit distribution	**-3,000,000.00**	-56,000,000.00
Net cash used in financing activities (C)	**-29,223,936.81**	-29,776,063.19
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	**-878,406.57**	448,974.41
Cash and cash equivalents at beginning of period	**893,922.57**	444,948.16
Cash and cash equivalents at end of period	**15,516.00**	893,922.57

Notes to the financial statement 31 December 2016

ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS

Financial period

The company's financial period is from 1 January to 31 December. The company has been formed through a full demerger on 31 December 2013.

Consolidated financial statements

The new parent company of the group, St 1 Group Oy ("St1 Group Oy") (business ID 2567301-7) and a new group St1 Group "St1 Group", was incorporated through the full demerger of the old St1 Group Oy (business ID 2358367-5) on 31 December 2013. St1 Group consolidated financial statements have been prepared at historical cost based on the net assets transferred through demerger from the old St1 Group.

The subsidiaries St1 Sweden Holding Ab, St1 Supply Ab, St1 Refinery Ab and its subsidiary St1 Färjestaden AB are consolidated to the financial statements of St1 Group Oy. POL Transport Ab, an associated company, has not been consolidated, as it does not have material impact on the results of the operations or the financial position of the group.

Copies of the consolidated financial statements are available at St1 Group Oy, Purotie 1, 00380 Helsinki, Finland.

St1 Group Oy's parent company is Keele Oy. The consolidated financial statements of Keele Oy include St1 Group. Copies of the consolidated financial statements are available at: Keele Oy, Purotie 1, 00380 Helsinki, Finland.

The group's inter-company transactions, receivables and payables have been eliminated. Ownership in group companies has been eliminated using the acquisition method. The application of the historical carrying amounts of the acquired net assets of the subsidiaries of the demerged (old) St1 Group Oy (business ID 2358367-5) has continued, thus no new acquisition occurred in the new St1 Group Oy group (business ID 2567301-7). The difference between the acquisition value and equity associated with the acquired share has been shown in fixed assets. Such items amounted to 74.496.484,92 euros in land areas on December 31, 2016.

The income statements of foreign group companies have been converted into euros at the average foreign exchange rate during the financial period as confirmed by the Bank of Finland. The balance sheet has been converted into the Finnish currency using the closing date exchange rate. Translation differences resulting from the currency conversions, as well as translation differences in foreign subsidiaries' equity arising from conversion, have been presented in 'retained earnings'.

The translation differences in equity have been included in group´s retained earnings (loss).

Valuation of inventories

Liquid fuel inventories are valued at the last day's purchase price in the group companies. If inventory would be valued using the fifo method, the difference would not be material. The group's compulsory storage obligation inventory is valued using the lifo method. Other inventories are valued according to the fifo principle using cost of purchase, or cost of repurchase, or likely sale price, if lower.

Measurement of non-current assets

Intangible and tangible assets have been capitalised at cost. Depreciation and amortisation according to plan have been recognised on a straight-line basis during the economic life of the assets. Depreciation and amortisation starts in the month when the assets have been taken into use.

Depreciation and amortisation periods in the group

intangible rights and other long-term capitalised expenditure	4–10 years
buildings and structures	20–50 years
machinery and equipment	3–20 years
other tangible assets	10–30 years
goodwill	5–20 years

Deferred tax liabilities in the group

A deferred tax liability has been recognised for the fair value allocations of goodwill on consolidation by applying the following years' tax rate as confirmed on the closing date. Additionally, a deferred tax liability has been recognised from appropriations and temporary tax differences by applying the following years' tax rate as confirmed on the closing date.

Notes to the income statement

1. Net sales

	Consolidated		Parent company	
M€	**2016**	2015	**2016**	2015
Liquid fuels	1,967.7	2,245.2	**0.0**	0.0
	1,967.7	2,245.2	**0.0**	0.0
Foreign	1,967.7	2,245.2	**0.0**	0.0
	1,967.7	2,245.2	**0.0**	0.0

2. Other operating income

	Consolidated		Parent company	
M€	**2016**	2015	**2016**	2015
Gains on sale of non-current assets	**2.2**	0.0	**0.0**	0.0
Other operating income	**10.4**	8.7	**0.0**	0.0
	12.6	8.7	**0.0**	0.0

3. Personnel expenses and average number of personnel

	Consolidated		Parent company	
	2016	2015	**2016**	2015
Personnel on average	**206**	201	**0**	0
	206	201	**0**	0

Wages and salaries paid to the members of the board and the managing director during the financial period amounted to EUR 248,814.54 and during the financial period 1 January to 31 December, 2015 to EUR 264,115.22.

4. Depreciation, amortisation and impairment charges

€	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
Depreciation and amortisation according to plan				
Tangible assets				
Buildings and structures	**657,626.56**	1,156,623.44	**0.00**	0.00
Machinery and equipment	**12,900,618.67**	11,718,449.70	**0.00**	0.00
	13,558,245.23	12,875,073.14	**0.00**	0.00
Depreciation and amortisation according to plan, total	**13,558,245.23**	12,875,073.14	**0.00**	0.00
Amortisation of goodwill on consolidation	**130,517.78**	174,240.68	**0.00**	0.00
Depreciation and amortisation according to plan total	**13,688,763.01**	13,049,313.82	**0.00**	0.00

5. Other operating expenses

€	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
Rents	**1,108,942.65**	1,714,863.13	**0.00**	0.00
Advertising and sales promotion	**3,213.67**	4,130.00	**0.00**	0.00
Operating and maintenance expenses	**25,398,938.66**	10,980,559.47	**0.00**	0.00
Other operating expenses	**8,707,563.33**	8,557,985.38	**460,127.70**	109,978.10
	35,218,658.31	21,257,537.98	**460,127.70**	109,978.10

6. Finance income and expenses

€	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
Income from investments in other fixed assets				
From group companies	**0.00**	0.00	**10,892,890.21**	21,445,421.40
From associated companies	**370,814.86**	990,134.22	**0.00**	0.00
	370,814.86	990,134.22	**10,892,890.21**	21,445,421.40
Other interest and finance income				
From group companies	**0.00**	0.00	**1,130,107.08**	2,162,243.59
From others	**0.00**	19,513.79	**0.00**	363.96
Exchange rate profits (net)	**51,495.45**	0.00	**0.00**	146,146.95
	51,495.45	19,513.79	**1,130,107.08**	2,308,754.50
Interest costs and other finance costs				
To group companies	**0.00**	0.00	**0.00**	0.00
To others	**-1,532,869.92**	1,818,606.02	**-275,725.46**	-274,466.82
Exchange rate losses (net)	**0.00**	2,524,935.20	**-603,993.64**	0.00
	-1,532,869.92	4,343,541.22	**-879,719.10**	-274,466.82
Finance income and expenses, total	**-1,110,559.61**	-3,333,893.21	**11,143,278.19**	23,479,709.08

Notes to the balance sheet

Intangible and tangible assets, the group

8. Intangible assets

€	Intangible rights	Goodwill	Total
Acquisition cost 1 January, 2016	7,239,354.88	0.00	7,239,354.88
Additions	15,186,166.64	5,220,711.08	20,406,877.72
Disposals	-22,425,521.52	0.00	-22,425,521.52
Acquisition cost 31 December, 2016	0.00	5,220,711.08	5,220,711.08
Accumulated amortisation	0.00	0.00	0.00
Amortisation during the financial period	0.00	-130,517.78	-130,517.78
Accumulated amortisation 31 December, 2016	0.00	-130,517.78	-130,517.78
Net book value 31 December, 2016	0.00	5,090,193.31	5,090,193.31

9. Tangible assets

€	Land	Buildings and structures	Machinery and equipment
Acquisition cost 1 January, 2016	73,629,677.98	19,062,090.47	149,003,255.40
Additions	2,345,499.13	639,141.94	26,570,473.22
Disposals	0.00	-530,383.63	-14,919,138.05
Translation difference	-41,679.55	-497,923.96	-3,754,037.33
Acquisition cost 31 December, 2016	75,933,497.56	18,672,924.82	156,900,553.24
Accumulated depreciation	0.00	-5,825,215.55	-47,463,950.89
Depreciation during the financial period	0.00	-657,626.56	-12,900,618.53
Accumulated depreciation 31 December, 2016	0.00	-6,482,842.11	-60,364,569.42
Net book value 31 December, 2016	75,933,497.56	12,190,082.71	96,535,983.82

€	Total
Acquisition cost 1 January, 2016	241,695,023.85
Additions	29,555,114.29
Disposals	-15,449,521.68
Translation difference	-4,293,640.84
Acquisition cost 31 December, 2016	251,506,975.62
Accumulated depreciation	-53,289,166.44
Depreciation during the financial period	-13,558,245.09
Accumulated depreciation 31 December, 2016	-66,847,411.53
Net book value 31 December, 2016	184,659,564.09

10. Investments

	Group ownership	Parent ownership
Group companies		
St1 Sweden Holding AB	100%	100%
St1 Supply AB	100%	
St1 Refinery AB	100%	
St1 Färjestaden AB	100%	
Associated companies		
POL Transport AB – SOLNA	50%	
Company's latest published financial statements refers to period 1.1.2015–31.12.2015		
Equity EUR 723,894.27 and profit for the period EUR 0.00		

St1 Group Oy sold its 50% share in the associated company Aviation Fuelling Services Norway AS to sister company St1 Nordic Oy in April 2016. In addition, St1 Refinery AB bought a company called Liotat AB in Gothenburg in October 2016. The name of the company was changed to St1 Färjestaden AB and the process to merge it into St1 Refinery AB has been started in spring 2017.

Shares

Investments in the parent company

€	Group companies	Associated companies	Total
Acquisition cost 1 January, 2016	5,447.49	20,963,866.22	20,969,313.71
Additions	0.00	0.00	0.00
Disposals	0.00	-20,963,866.22	-20,963,866.22
Acquisition cost 31 December, 2016	5,447.49	0.00	5,447.49
Net book value 31 December, 2016	5,447.49	0.00	5,447.49

Investments in the group

€	Associated companies	Others
Acquisition cost 1 January, 2016	22,110,245.64	22,110,245.64
Additions	0.00	0.00
Disposals	-21,792,318.40	-21,792,318.40
Acquisition cost 31 December, 2016	317,927.24	317,927.24
Net book value 31 December, 2016	317,927.24	317,927.24

11. Receivables from group companies

	Consolidated		Parent company	
	2016	2015	**2016**	2015
Current				
Trade receivables	**49,305,792.83**	36,194,555.03	**0.00**	0.00
Loan receivables	**0.00**	0.00	**27,219,921.27**	19,928,758.03
	49,305,792.83	36,194,555.03	**27,219,921.27**	19,928,758.03

12. Prepayments and accrued income

	Consolidated		Parent company	
€	**2016**	2015	**2016**	2015
Delivered, uninvoiced sales	**4,270,285.41**	12,464,970.82	**0.00**	0.00
Other adjusting entries	**2,685,569.68**	4,600,273.42	**387,864.15**	4,747,864.42
	6,955,855.09	17,065,244.24	**387,864.15**	4,747,864.42

13. Equity

€	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
Share capital January 1	**50,000.00**	50,000.00	**50,000.00**	50,000.00
Share capital December 31	**50,000.00**	50,000.00	**50,000.00**	50,000.00
Reserve for invested unrestricted equity January 1	**0.00**	39,622,068.33	**0.00**	39,622,068.33
Dividend from reserve for invested unrestricted equity	**0.00**	-39,622,068.33	**0.00**	-39,622,068.33
Retained earnings January 1	**138,029,593.52**	80,618,895.41	**16,771,024.49**	13,042,068.81
Dividend distribution	**-3,000,000.00**	-16,377,931.67	**0.00**	-16,377,931.67
Correction to retained earnings	**0.00**	-29,971.20	**0.00**	-44,760.01
Translation differences of foreign subsidiaries	**-3,159,478.63**	1,272,875.59	**0.00**	0.00
Retained earnings December 31	**131,870,114.89**	65,483,868.13	**16,771,024.49**	-3,380,622.87
Profit for the period	**90,477,780.64**	72,545,725.39	**10,682,548.22**	23,151,647.36
Distributable earnings 31.12.	**222,347,895.53**	138,029,593.52	**27,453,572.71**	19,771,024.49

14. Provisions

€	Consolidated 2016	Consolidated 2015
Certain early retirement pensions for which company is liable	**6,860,441.35**	7,188,643.89
Other provisions	**3,447,204.17**	2,750,012.29
Total provisions	**10,307,645.52**	9,938,656.18

Environmental obligations: The total liability cannot be reliably determined. A provision has been recognised for known liabilities, for which the company is likely to be responsible for in the near future. These liabilities relate mainly to the environmental obligations concerning soil decontamination. Change in the provision has been recognised in other operating expenses against actual costs.

15. Deferred tax liabilities

€	Consolidated 2016	Consolidated 2015
Deferred tax liabilities		
From appropriations	**27,559,278.78**	20,328,513.44
From consolidation	**13,838,208.55**	13,838,208.18
	41,397,487.33	34,166,721.62

16. Liabilities to group companies

€	Consolidated 2016	2015	Parent company 2016	2015
Current loans	**1,860,164.67**	2,360,461.30	**120,249.19**	0.00
	1,860,164.67	2,360,461.30	**120,249.19**	0.00

17. Accruals and deferred income

€	Consolidated 2016	2015	Parent company 2016	2015
Deferred income	**0.00**	113,515,018.98	**0.00**	0.00
Personnel cost accruals	**2,880,784.63**	2,943,039.31	**0.00**	0.00
Other accrued expenses	**7,536,022.56**	496,801.59	**0.00**	218,034.05
	10,416,807.19	116,954,859.88	**0.00**	218,034.05

Guarantees given, contingent liabilities and other obligations

€	Consolidated 2016	2015	Parent company 2016	2015
Liabilities for which business mortgage, real estate mortgage, shares or inventory have been given as collateral				
Loans from financial institutions	**14,329,540.28**	31,929,560.86	**0.00**	0.00
Other liabilities	**0.00**	26,223,936.81	**0.00**	26,223,936.81
Total	**14,329,540.28**	58,153,497.67	**0.00**	26,223,936.81
Mortgages, security and guarantees given as collateral				
Business mortgages	**630,022,085.43**	614,869,670.59	**200,000,000.00**	200,000,000.00
Real estate mortgages	**58,416,016.75**	60,723,543.17	**0.00**	0.00
Shares	**57,783,458.65**	78,747,324.87	**0.00**	20,969,313.71
Total	**746,221,560.83**	754,340,538.63	**200,000,000.00**	220,969,313.71

Loan to financial institution was guaranteed by inventories. In addition, trade payables and bank accounts in the group have been pledged as collateral for the obligations of the group companies.

€	Consolidated 2016	2015
Future leasing payments:		
No later than one year	**31,196.02**	22,144.27
Later	**82,289.49**	20,320.78
Total	**113,485.51**	42,465.04

In addition, guarantees have been given for environmental obligations related to the lease agreements of the subsidiaries.

Derivative agreements

Price hedging of compulsory storage obligation

Hedges include long-term commodity derivatives which the group can use to hedge against price risk associated with inventory kept for the compulsory storage obligation in Sweden. Price of compulsory storage obligation inventory is thus fixed with a commodity hedge. The hedge has been assessed efficient. The hedged part of compulsory storage obligation inventory and the commodiry derivatives hedging it have been handled with the net practice according to KILA 1912/2014 opinion. Information on valid contracts is given below.

	Consolidated		Parent company	
€	**2016**	2015	**2016**	2015
Volume, crude oil, mill. bbl	**1.5**	1.5	**0**	0
Volume, fuel oil, tn	**50**	50	**0**	0
Value applied in accounting, corresponding to hedged level, MEUR	**25.8**	61.1	**0**	0

At the time of closing of the books the company did not have long-term price hedges.

In addition, and in accordance with its risk management policies, the company hedges the variations in inventory levels of operating activities with short-term commodity derivatives in different oil products. The changes in the value of the short-term commodity derivatives are reconciled daily against the counterparty, and they are recognised as income or expense in the income statement.

Refinery margin hedges

Part of the future refining margins consisting of the price difference between refined end products and crude oil price have been hedged for 2017, 2018 and 2019. There are contracts with several counterparties. Unrealized positive fair value changes of the portfolio are not booked to the income statement.

	Consolidated		Parent company	
€	**2016**	2015	**2016**	2015
Volume, mill. tn	**1.8**	3.0	**0**	0
Fair value, MEUR	**28.7**	121.2	**0**	0

Signatures to the financial statements and the report of operations

In Helsinki, 13 April 2017

Mika Anttonen Board member	Kim Wiio CEO

Auditor's Note
Our auditor's report has been issued today.

In Helsinki, 20 April 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Weckman
Authorised Public Accountant

Auditor's Report

(Translation of the Finnish Original)

To the Annual General Meeting of St1 Group Oy

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of St1 Group Oy (business identity code 2567301-7) for the year ended 31 December 2016. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

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

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENTS

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of the information included in the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 20 April 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Weckman
Authorised Public Accountant (KHT)

Board of Directors

ST1 GROUP

Mika Anttonen

Member of the Board of Directors
St1 Group Oy
Chairman of the Board of Directors
St1 Nordic Oy

Kim Wiio

Deputy Member of the Board of Directors
CEO
St1 Group Oy, St1 Nordic Oy

Management

ST1 GROUP

Bo-Erik Svensson

Managing Director
St1 Refinery AB, St1 Supply AB

Kim Wiio

CEO
St1 Group Oy, St1 Nordic Oy

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