You don't have to look far to find Nynas

Annual Report 2018

Contents

2018 highlights

Sales

- Nynas decreased its total product sales volume by 10 per cent compared to the previous year.
- Naphthenics' 2018 sales volume was heavily impacted by crude supply constraints which together with sanctions resulted in a volume decrease of 8 per cent.
- Bitumen volumes in 2018 decreased drastically by 11 per cent mainly due to strong competition in the UK and an overall difficult supply situation.

Supply

- Against the background of the uncertainty prevailing in Venezuela, Nynas is continuing to increase the quantity of crude that it purchases from non-Venezuelan sources.

New credit facility agreements

- In June 2018 Nynas redeemed the unsecured four-year corporate bond of SEK 1,100 million and at the same time Nynas´ shareholders each provided a three-year shareholder loan of EUR 55 million.

Sanctions

- Given the Petróleos de Venezuela S.A. (PdVSA) shareholding, Nynas is affected by the US sanctions against Venezuela issued by the U.S. Department of the Treasury.
- The sanctions target new financial debt where a US person or USD are involved. They do not target any commercial purchases of crude oil from Venezuela or the sale of any product derived thereof, but indirectly the US sanctions on Venezuela are causing non-recurring costs for both bitumen and naphthenics supply and higher product costs from alternative more expensive external sourcing.
- On January 28, 2019, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), designated PDVSA as a Specially Designated National (SDN). Concurrently, OFAC issued a General, License (No 13), authorising all transactions and activities where the only PDVSA entities involved are Nynas AB or any of its subsidiaries, enabling Nynas to continue its business. At the time of publishing this Annual Report, the authorization of transactions and activities under General License 13 is valid through 12.01 a.m. eastern daylight time, July 27, 2019.

Financial overview

MSEK	**2018**	2017	2016	2015	2014
Net sales	**16,863**	14,990	12,525	16,248	22,522
EBITDA [1]	**805**	1,218	1,009	1,265	1,336
Net income before tax	**-592**	15	105	464	466
Net income	**-793**	9	75	346	279
Cash flow from operating activities	**-963**	2	-464	1,763	534
Cash flow after financing activities	**-1,391**	-462	-1,625	279	-11
Cash Capital expenditures	**426**	428	1,055	1,483	546
Net debt	**6,953**	5,471	4,895	3,117	3,421
Working capital	**4,853**	3,341	3,163	2,474	3,654
Return on average capital employed (12 months rolling), %	**1.4**	6.5	6.2	11.7	13.2
Return on average capital employed, %	**-2.2**	3.4	3.3	8.4	9.8
Return on equity, %	**-23.4**	0.3	2.0	9.5	8.4
Net debt/equity ratio, %	**214**	155	134	82	100
Equity to assets ratio, %	**23**	29	31	37	30
Number of full-time employees	**1,003**	1,016	1,013	817	854

1) Excluding non-recurring items

Definitions, see page 123

Nynas is an oil company **unlike any other.**

Most oil companies turn their crude oil into fossil fuels, which are then burned. Nynas **burns as little oil as possible.**

Nynas transforms precious crude oil into **high quality bitumen and naphthenic** specialty oils that bring value to our customers in a wide variety of applications.

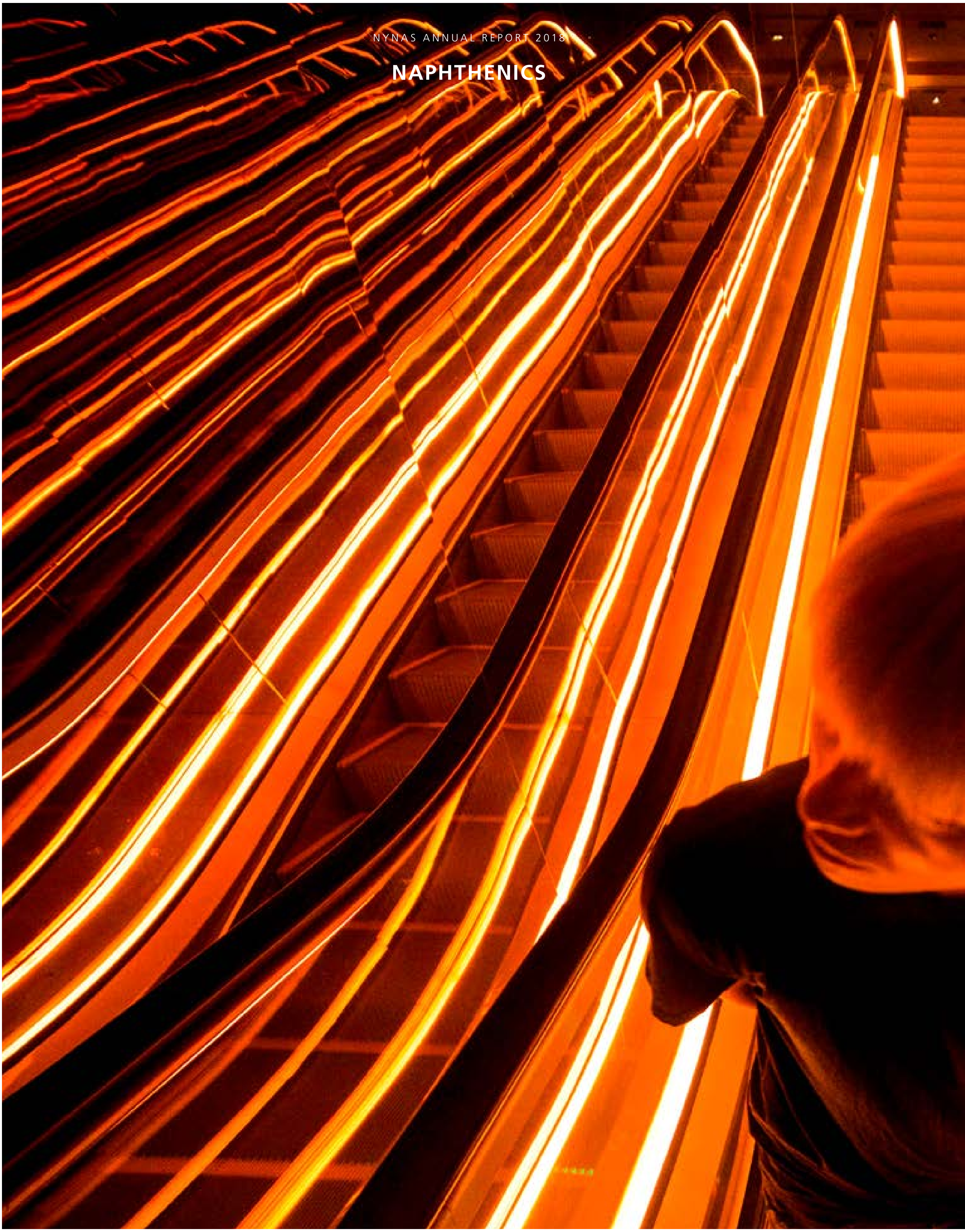
Nynas oils can be found **in millions** of applications around the world.

Our products play an **important role** in everything from consumer items such as newspapers, toys and sunglasses – to industrial products including wind turbines, asphalt and power transformers.

Simply put, **Nynas takes oil further.**

THIS IS NYNAS

Nynas high performance oils are used in all types of products that surround us. From paint and glasses to roads and roofing.



1.25

billion people use Nynas oil-assisted electricity, every day

NAPHTHENICS

Nynas is the global market leader in **naphthenic specialty oils,** with a wide range of oils that can lubricate, dissolve, or insulate and cool in countless applications. Our highly refined oils comply with stringent environmental requirements and contribute to longer lifetime and enhanced environmental performance for end users.

Lubricating

Nynas base oils are used as a main component in cutting fluids for metalworking, greases and other industrial lubricants. Our NYBASE® oils have been specifically engineered to provide a high-performance alternative to the dwindling supply of Group I oils and also contribute to longer lifetime in our customers' products.

Dissolving and plasticising

The high solubility of Nynas oils is an advantage when manufacturing inks, various types of synthetic rubber, compounds used to make tyres, and more. Our naphthenic tyre oils lead to lower rolling resistance, improved fuel economy and a reduction in CO_2 emissions, while at the same time having very low PAH levels.

Insulating and cooling

Transformer oils are used in electrical applications for the insulation and cooling of power and distribution transformers. Nynas offers a variety of transformer oils, including Super Grade oils used for Ultra-High Voltage (UHV) equipment. Selecting the right transformer oil for each application ensures longer transformer life with less maintenance required.

NAPHTHENICS

50%

Up to 50 per cent lower lithium content is required to manufacture lubrication grease when using Nynas naphthenic base oils. This is good news as lithium prices rise with higher demand.

18

million cars are manufactured every year with Nynas base oil in their grease.

1

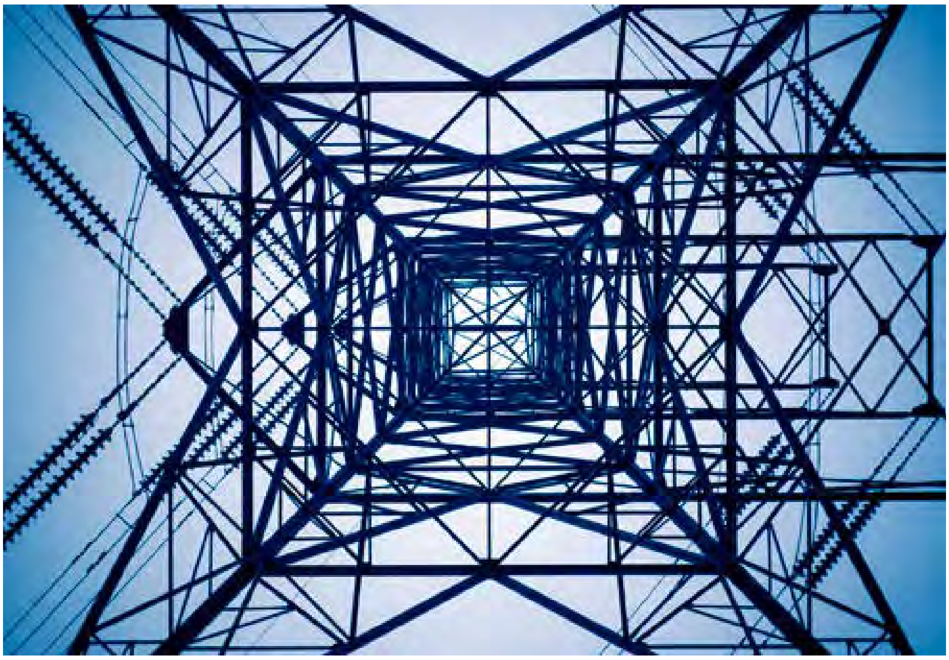
Nynas has the number one position, with the world's widest range of transformer oils.

Naphthenic tyre oils reduce rolling resistance and improve traction in tyres, which leads to better vehicle fuel efficiency.

NAPHTHENICS

25%

About 25 per cent of the electricity in the world passes through a transformer that uses Nynas oils.

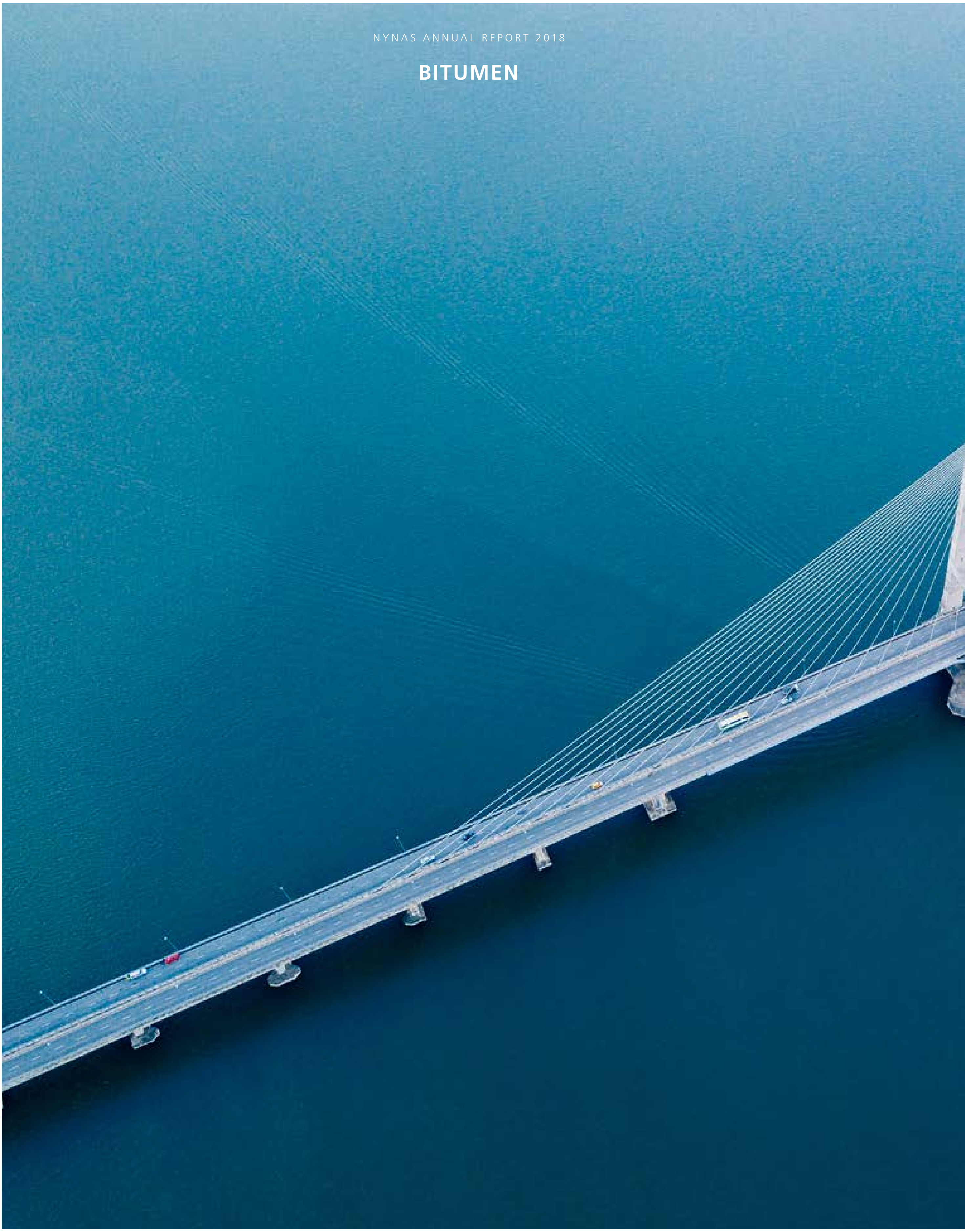


Nynas process oils can be found throughout a vehicle – from the rubber seals to tyres and fabrics and coatings in the interior.

4

Nynas has 4 Super Grade oils, which offer higher thermal protection than most other fluids on the market, to insulate and cool the equipment used in modern transmission systems.

BITUMEN



2.7 km

Nynas bitumen paves the way in the 2.7 km long Queensferry Crossing bridge

BITUMEN

Nynas continues to develop high quality, high performing bitumen products that lead to increased safety, reduced noise and lower CO_2 emissions on roads, bridges and runways. Our bitumen products are also used in applications such as roofing felt and pipe insulation. All this has resulted in our well-earned reputation as "the bitumen specialist".

Binding

Bitumen binders are used for asphalt applications in the construction and maintenance of roads, runways and bridges. Nynas high quality binders help extend service life and improve our customers' sustainable performance.

Protecting

Our bitumen products work as protective insulation against moisture, heat, sound and vibrations in many industrial applications. They have fire-retardant properties and are ideal for use in roofing felt and various anti-corrosion applications such as pipe coating.

BITUMEN

90

With 90 years in the business, Nynas understands how to supply long-term, cost-effective and functional solutions.

300

million square metres of roofs are protected by Nynas bitumen every year.

360

million square metres of road are resurfaced with Nynas bitumen every year.

Nytherm products and solutions are designed for warm-mix asphalt applications, which have a lower impact on the environment than traditional hot-mix solutions.

100%

Asphalt is 100% reusable. Nygen 910 makes it possible to use a higher proportion of recycled asphalt pavement in new asphalt mixtures.

7.8 km

Nynas polymer-modified binders are extending the lifetime of a number of high-profile bridges, including the nearly eight-kilometre Öresund Bridge that links Sweden and Denmark.

Operations and supply

Nynas offers high quality sourcing and manufacturing along with a supply network that is strategically located around the world. This ensures that customers receive prompt and reliable deliveries, regardless of their location.

Gothenburg Refinery, Sweden
The refinery produces bitumen for the Nordic market. It was established in 1956 close to the Gothenburg harbour, in western Sweden.

- The refinery is an important producer of bitumen and specialty products such as polymer modified bitumen, bitumen emulsions and oxidised bitumen
- The refinery also produces a range of distillates

Eastham Refinery, UK
The refinery is operated as a 50/50 joint venture between Nynas and Shell. It is located on the River Mersey in northwestern England.

- The refinery produces bitumen for the UK market
- At the site, Nynas operates an upgrading plant (Special Products Plant or SPP) producing polymer modified binders and emulsions

Sales network

1

An established network of salespeople, offices and supply points around the world ensures that customers have a personal contact that can focus on providing efficient and reliable deliveries.

Refineries

4

Our products are mainly manufactured at our four state-of-the-art refineries. Nynas also has access to additional production at partner refineries and through other long-term supply agreements.

OPERATIONS

Nynäshamn Refinery, Sweden
The refinery produces all Nynas product categories for the Nordic market and for export. It was established in 1928 in Nynäshamn, close to Stockholm, Sweden.

- The largest refinery in the Nynas Group
- The largest supplier of bitumen for roads in Sweden and the Nordic countries
- One of the largest producers of naphthenic specialty oils in the world

Harburg Refinery, Germany
The refinery produces all Nynas product categories for the German market and for export. It is situated on both the north and south sides of the Elbe river in Hamburg, Germany.

- The second largest oil refinery in the Nynas Group
- One of the largest suppliers of bitumen for roads in Germany and Europe
- One of the largest manufacturers of naphthenic specialty oils in the world

Naphthenic oil hubs

3

The naphthenic oil hubs are located in Houston, Antwerp and Singapore and operate as central storage facilities and blending stations.

Naphthenic oil depots

22

Naphthenic oils are distributed to our customers via 22 depots strategically located around the world.

Bitumen supply points

30

Nynas has an extensive network of bitumen supply points in Northern Europe including third-party supply points.

Trying times

In 2018 we made a number of positive breakthroughs in areas such as manufacturing and product development, but uneven supply of crude oil from Venezuela restricted our business performance.

Financially, 2018 was extremely disappointing with a net loss of SEK 793 million. We were greatly impacted by US sanctions against the Venezuelan government, which affected Venezuela's state-run oil company, Petróleos de Venezeula S.A. (PdVSA), a 50 per cent shareholder in Nynas. The sanctions affected PdVSA's ability to supply Nynas with the agreed volumes of crude oil that we rely on to make our products.

Naphthenics disappointing

The unstable and unpredictable supply of Venezuelan crude was coupled with crude oil price hikes. To compensate, Nynas in turn raised prices on naphthenic specialty products, something that was not well received in a competitive market. A weaker automotive sector in the second half of the year also affected our bottom line as demand for naphthenic oils dropped. All this resulted in much lower sales volumes than anticipated, which had a dramatic impact on our earnings.

We are working to mitigate the supply problem through a crude oil flexibility plan with the aim to further increase purchases of crude oil from non-Venezuelan sources. During the year we increased the use of alternative feedstocks by qualifying other crude oils, including a heavy residue for use in our Gothenburg refinery.

Fortunately, we have reasons for optimism. The overall market demand for naphthenic specialty oils continues to grow along with increasing electrification, urbanisation and many other activities that rely on naphthenic specialty oils. We have also been reaching out to new markets, for example India, where we have been strengthening our presence. In 2018 we had excellent sales in tyre oils and a high market share in greases.

Bitumen brighter

Our bitumen business in the Nordics and Western Europe fared well despite the difficult supply challenges. By rerouting shipments and improving our production efficiency through manufacturing investments at our Harburg and Nynäshamn refineries, we were able to meet most of our delivery commitments. A long line of sustainable products, such as our warm-mix ReSolution portfolio, continues to be well received by customers.

The UK market has experienced increasing competition and price pressure. Due to this we restructured our UK operations in early 2019, in an effort to drastically reduce our fixed costs.

We expect strong market demand for bitumen heading into 2019 due to continued growth in infrastructure and road maintenance projects. The International Maritime Organization's (IMO) 2020 sulphur directive, to lower the sulphur content on marine fuels, we believe will impact pricing and the overall availability of bitumen in Europe.

Efficiency measures

In light of the company's poor financial performance, a program to improve efficiency is being launched. This is combined with support from the owners of Nynas, as demonstrated in the summer of 2018 by them providing a shareholder loan of SEK 1,100 million. The board also decided on a change of management, with Gert Wendroth, Nynas' president and CEO since 2014, leaving the company. I became acting president and CEO in January 2019.

Nynas is taking further steps to get the company through these challenging times. In January 2019 we announced a restructuring of our naphthenics sales organisation involving the closures of three sales offices to improve cost efficiency. Further efficiency measures will have to follow throughout the company.

I want to thank in particular our employees on behalf of the entire executive committee, for all their hard work during very trying times as this has not been an easy year for Nynas. I would also like to thank our customers and suppliers, for their understanding and cooperation.

90 years

Nynas has a very long history and during our 90 years in business there have been plenty of ups and

MESSAGE FROM THE PRESIDENT

downs. Through it all, Nynas has remained a technology leader, with competence and expertise that are not found everywhere. This continues to give us the competitive edge. We recently developed a unique range of bio-based naphthenic products, which we expect to launch in 2019.

Despite a tough 2018, Nynas remains strong and agile. We will continue to develop our business and product offering to meet increasing demands from our customers with the full support from our shareholders.

BO ASKVIK
President and CEO, acting

Deliver and grow

Nynas' vision is to strengthen its position as the global leader in naphthenic products and as the premier bitumen partner in Europe. Our strategy for achieving this vision is aligned with key global trends and comprises activities to improve operational excellence and expand our product and service offerings.

Five key industry trends continued to have a strong impact on our business in 2018. These trends affect not only the demand for our naphthenic and bitumen products, but also the types of products we develop.

Infrastructure growth
Road freight transport is expected to increase in the coming decades and governments in a number of European countries have promised to increase their investments in road infrastructure. Many markets are also catching up after a previous lag in overall maintenance investments. These activities are stimulating demand for bitumen, where Nynas has the competitive edge with sustainable bitumen solutions and a wide service offering.

Growing middle class
Higher disposable incomes among a growing middle class are leading to economic growth, particularly in emerging markets. Nynas is expanding in these markets, for example by further strengthening its presence in Asia.

Environment and health
We believe in using oil in a sustainable manner and this is reflected in our range of sustainable products. Nynas is committed to ensuring the highest standards of health and safety with regards to its operations and products and has adopted the Greenhouse Gas (GHG) Protocol standards.

Electrification
Nynas offers a variety of oils to insulate and cool transformers that transfer electrical power. The potential for such oils is enormous as demand for electric systems rises. This is due to the growth of renewable energy and smart electricity grids, the replacement of old transformers and growing investments in electric systems, particularly in emerging countries.

Digitalisation
Digitalisation is providing opportunities for Nynas, our customers and our partners, for example through greater supply chain integration and transparency. Digital simulation tools are being used to evaluate new crude oils and identify problems within operations. Our ambition is to use digitalisation to help Nynas reduce maintenance costs and unplanned stoppages in our operation processes.

Our workplace
Nynas continues to work on achieving higher levels of operational excellence at all of its sites. In 2018, the Harburg Operational Excellence programme was underway with the objective of reducing costs and increasing performance through some 20 initiatives. Cross-site technical networks have also been established for sharing and driving best practices. These further the efforts contributing to turnarounds, inspections, hydrotreating, and digital tools.

We recognise the importance of providing an attractive workplace both to retain current employees and to attract the necessary talent for our future success. Initiatives include trainee and apprenticeship programmes in many of the locations where we operate.

Secure the supply
Nynas has a supply network that is strategically located around the world to facilitate prompt and reliable customer deliveries. This supports us as we expand into growing markets. It is more important than ever for Nynas to be situated close to customers as shipping costs rise and emission limits fall.

In 2018, Nynas met with many customers to review the effects the International Maritime Organisation's (IMO) 2020 regulations will have on, for example, regional supplies, availability of different types of bitumen, and transport costs.[1]

Moving forward
Nynas believes that teaming up with customers and other partners to share knowledge and expand our product and service offerings will keep us at the forefront of the industry. We are focused on developing sustainable, next-generation solutions to meet new demands influenced by the strong global trends identified. During 2018 we continued our development work on several new bio-based solutions to add to our naphthenics product portfolio. These are further steps in a journey of sustainability and responsible use of our oils that Nynas started many years ago.

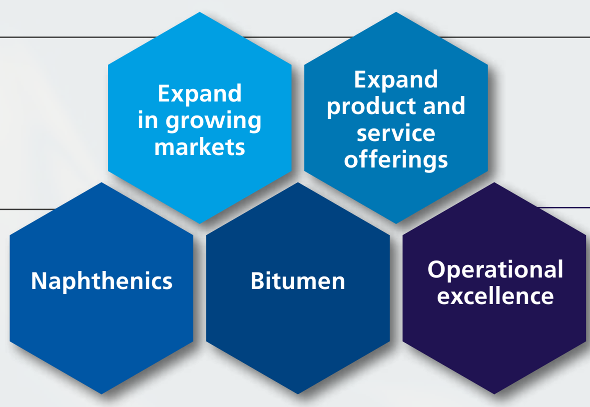
1) The IMO regulations put a 0.5 per cent cap on marine fuel sulphur emissions from 1 January 2020.

STRATEGY

Vision

Nynas' vision is to **strengthen its position as the global leader** in naphthenic products and as the premier bitumen partner in Europe. We do so by developing next-generation solutions for our customers, ensuring profitable growth and providing an attractive workplace.

Grow



Nynas is a leader in bitumen and naphthenic products and we team up with customers and other partners to share knowledge and expand our product and service offerings.

Deliver

Nynas has set an objective of achieving higher levels of operational excellence. This is about improving the output, quality, cost and safety of our operations.

Trends

Infrastructure growth

Growing middle class

Environmental and health concerns

Electrification

Digitalisation

SUSTAINABLE DEVELOPMENT

"Securing the future and creating value" is how we sum up our sustainable development ambition, which is closely linked to the Nynas vision. We are continuously working to improve the functionality of our specialty oils and bitumen and support our customers in their sustainability efforts towards longer life, better energy efficiency and recyclability.

Putting every drop to good use

The Nynas commitment to sustainable development is reflected in our business governance and through the group-wide sustainable development policy. This policy is linked to a number of other policies that address the environmental, economic and social aspects of sustainable development.

A sustainable development network, consisting of representatives from all major businesses and functions within Nynas, has been established to drive the sustainability ambitions further throughout the company and to advise the Nynas Executive Committee on matters of sustainable development. The Nynas Executive Committee is ultimately responsible for sustainable development.

Safety always in focus

Nynas promotes a strong health and safety culture, supported by a number of policies related to Health, Safety, Security, Environment and Quality (HSSE&Q). Line management is responsible for promoting this culture and all employees and contractors must contribute to a safe work environment.

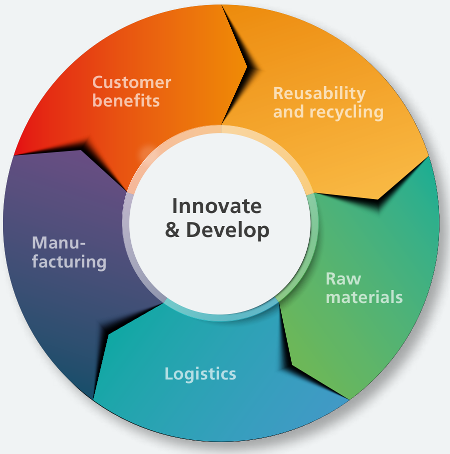
Nynas' health and safety culture is maintained through many efforts, including the Observe, Think and Act programme, which is compulsory for all employees and contractors. It focuses on safety behaviour, being observant of potential risks and acting to mitigate them. In 2018, the focus was to further strengthen activities regarding contractor safety and to raise awareness to act against inappropriate behaviour and harassment. Transparency and reporting of incidents is encouraged through a "no blame" approach that contributes to learning and improvements.

Our impact

Nynas performed its first materiality assessment in 2016 with stakeholders including customers, shareholders, authorities and the communities close to Nynas operations. We have outlined our ambitions for the coming years based on the main sustainability issues – Environment, Products & Supply Chain, People & Safety, Ethics and Community.

Addressing our climate and environmental impact throughout the value chain

Nynas innovates and develops products and processes that bring value to customers and end users and lower the environmental impact, both in our own value chain and that of our customers where our products are applied.



Raw materials
Evaluating raw materials, including non-fossil alternatives, that meet the demand for high quality and support end-user requirements

Logistics
Optimising supply chain management and improving fuel efficiency for transports

Manufacturing
Energy optimisation management to improve resource utilisation and decrease climate impact

Customer benefits
Improving service life, durability and energy efficiency of end products

Reusability and recycling
Developing products that can be reused and recycled

SUSTAINABLE DEVELOPMENT

Innovate and develop
We recognise the need to continue innovating and developing products that lower the environmental impact particularly for end users, as this is where the biggest environmental impact lies. Today there are many examples of how Nynas is producing products that increase our customers' energy efficiency, enable longer service life and reduce greenhouse gas emissions.

Raw materials
Nynas relies heavily on securing the right crude oil to meet the need for high quality and be able to support end-user requirements. Nynas also strives to upgrade the crude oil to its maximum to achieve the highest possible yield of non-fuel products. Both the Naphthenic and Bitumen businesses are evaluating renewable alternatives and non-fossil raw materials to assess their potential in certain applications going forward.

Logistics
In our efforts to use energy more efficiently and reduce transport emissions, it is more important than ever for Nynas to optimise the supply chain with naphthenic and bitumen supply points situated close to customers. We are also working to reduce CO_2 emissions by using non-fossil fuels in our road transports. Since 2017, for example, all road tankers transporting products from Nynas Bitumen's Swedish depots have been running almost exclusively on biofuel.

Manufacturing
We continue to work with energy optimisation and routinely measure the carbon footprint within our operations, based on the GHG Protocol. All Nynas refineries carried out measures in 2018 in accordance with environmental legislation, including continued implementation of the Industrial Emissions Directive (IED) and submission of a report on Best Available Techniques (BAT) compliance.

Improving our environmental performance and reducing emissions in our operations is an on-going task. In 2018 a bitumen vapour treatment project was underway at the Harburg refinery to reduce emissions with a strong odour. Measures were taken to reduce chemical oxygen demand (COD) in wastewater treatment at the Gothenburg refinery, while sulfur dioxide emissions were decreased at the Nynäshamn refinery.

We also optimise the use of our raw materials and energy to reduce waste. The Nynäshamn refinery, for example, works with a local energy company to recover waste heat. (Case study on page 25).

Customer benefits
We help boost our customers' sustainability efforts by developing products that reduce climate impact, increase durability and help extend service life. Our ReSolution family of products, for example, includes Nytherm binders, which make it possible to reduce mixing temperatures for asphalt. This results in better energy efficiency and reductions in greenhouse gas emissions. Our bitumen products can also contribute to longer road life.

Nynas transformer oils, with their excellent oxidation stability, help ensure long service life. Nynas tyre oils, such as the newly launched NYTEX® 846, contribute to lower rolling resistance of tyres, which translates into better fuel efficiency and lower emissions. In 2018 we launched the NYNAS T600 base oil, which enables grease formulators to lower their lithium soap content considerably. This is significant in light of the increasing demand for lithium that is resulting in a tight supply and demand balance for this limited resource.

Reusability and recycling
Bitumen itself is a material that can be reused and Nynas also offers products that increase the customer's ability to reuse and recycle. An example of this is Nygen 910, a regeneration agent that can be added to old asphalt, enabling it to regain its vital properties lost through aging. This means that asphalt producers can use a higher proportion of recycled asphalt in their mixtures without any loss of quality. Our mineral oil-based transformer oils are fully recyclable at the end of their long service life through a re-refining or regeneration process.

See the Sustainable Development Report on page 39 for further information related to the environment, products and supply chain, people and safety, ethics and community.

CASE STUDY

Making the most of waste

Operating more energy efficiently is nothing new for Nynas. Already back in 2004, the refinery in Nynäshamn, Sweden became the first refinery in the world powered mainly on biofuel. The switch from oil and electricity to biofuel and waste heat recovery has resulted in a reduction of nearly 100,000 tonnes in carbon dioxide (CO_2) emissions per year. Emissions of nitrogen oxides (NOx), sulfur dioxide (SO_2) and particulate emissions have also been lowered substantially.

This has all been achieved thanks to a long-term, win-win collaboration with energy company Värmevärden. The energy company supplies the Nynas refinery with process steam from a biofuel-powered combined heat and power plant, as well as water for steam generation. At the same time, Nynas supplies Värmevärden with waste heat that has been generated at the refinery. This waste heat is recovered and used for the region's district heating network. In 2018, the two companies extended their original agreement to 2029 and a decision was taken to construct a new water facility to improve the steam generation process.

The new water facility will help further the efforts to become more energy efficient and sustainable, resulting in savings that include a reduction of electricity consumption by about 3,200 MWh per year and further reductions of CO_2 (8,400 tonnes), SO_2 (3,200 kg) and NOx (5,700 kg) emissions annually.

The continued efforts to close the loop benefit the local Nynäshamn community too. The latest project will save drinking water corresponding to the annual needs of about 600 homes, while the energy savings from the waste heat recovery correspond to approximately half the annual requirements for Nynäshamn's district heating network.

Board of Directors' Report

The Board of Directors and President of Nynas AB (publ), Corp. Reg. No. 556029-2509, hereby submit the Annual Report and the consolidated financial statements of the 2018 fiscal year.

OPERATIONS, STRATEGY AND ECONOMIC CONDITIONS

Nynas is a global company with a strong position in niche markets. The specialisation in NSP (naphthenic specialty products) and bitumen sets Nynas apart from most other oil companies, which offer oil as a source of energy.

Nynas' core competence is to refine heavy crude oil into a balanced mix of long lasting, high performance specialty products for sustainable use. Nynas is a leading brand and global market leader in NSP and a market leader in bitumen in the European market where it operates. Nynas' products support growth in infrastructure and touch the lives of nearly everyone every day through their presence in roads, roofs, running shoes, adhesives, rubber, paint, magazines and lubricants, which are just some of the thousands of everyday objects that contain Nynas oils.

The products are sold in markets worldwide. Nynas has approximately 1,000 employees at four production facilities and 27 sales offices. Sales in 2018 amounted to SEK 16.9 billion.

Nynas strategy and vision

Nynas' vision is to strengthen its position as the global leader in naphthenic products and as the premier bitumen partner in Europe. Our strategy for achieving this vision is aligned with key global trends and comprises activities to improve operational excellence and expand our product and service offerings.

Five key industry trends continued to have a strong impact on our business in 2018; infrastructure growth, a growing middle class, environment and health, electrification and digitalisation. These trends affect not only the demand for our naphthenic and bitumen products, but also the types of products we develop.

Market and economic development

Nynas sales are dependent on the economic development in a broad range of industrial sectors as well as infrastructure investments. Naphthenic specialty oils are sold worldwide and used by industrial customers representing different stages of the business cycle in both leading and lagging sectors. Bitumen sales are regional and mainly dependent on investments in road construction and maintenance.

In 2018 the Eurozone GDP growth rate was 1.8 per cent and the Purchasing Managers' Composite Index (PMI) decreased to its lowest in four years ending at 51.1 in 2018, a decrease from 56.4 in 2017. The manufacturing boom in the beginning of 2018 completely lost its momentum and faded away during the year. In December new orders placed fell for the third consecutive month and confidence about the future hit a six-year low.

The US PMI 53.6 in 2018 was down from 54.3 in 2017. A slowdown in the end of 2018 was foremost caused by a weak service sector expansion confirmed with the manufacturing PMI at a 15 month low. GDP growth rate was signaling weaker growth at close to 2 per cent at year end. Business confidence slipped towards the end of the year, indicating fading momentum moving into 2019.

Although the global economy ended 2018 at a disappointingly 27-month low, the BRIC countries growth was showing only a smaller dip in December from November's nine-month high. Strongest expansion was seen in Russia and India. The relative gap between the developed world and emerging markets is now smaller than seen in the past five years.

Brent prices increased and peaked above 85 USD/bbl in October followed by a dramatic drop in prices in both November and December to end of year values close to 50 USD/bbl.For the full year 2018 the average Brent crude price was approximately 31 per cent higher at 71 USD/bbl compared to 54 USD/bbl the year before.

The US dollar strengthened versus the Swedish krona quarter by quarter during 2018 from 8.05 in January to 9.04 in the fourth quarter. For the full year 2018, the US dollar was on average 2 per cent stronger compared to last year. The euro was on average 6 per cent stronger than the previous year but fairly stable against the Swedish krona from April to December. The British pound was on average 5 per cent stronger than in 2017.

BOARD OF DIRECTORS' REPORT

SIGNIFICANT EVENTS DURING THE FISCAL YEAR

New credit facility agreements

In June 2018 Nynas redeemed the unsecured four-year corporate bond of SEK 1,100 million and at the same time Nynas´ shareholders each provided a three-year shareholder loan of EUR 55 million.

Sanctions

Given the Petróleos de Venezuela S.A. (PDVSA) shareholding, Nynas is affected by the US sanctions against Venezuela issued by the US Department of the Treasury. The sanctions target new financial debt where a US person or USD are involved. They do not target any commercial purchases of crude oil from Venezuela or the sale of any product derived thereof, but indirectly the US sanctions on Venezuela are causing non-recurring costs for both bitumen and naphthenics supply and higher product costs from alternative more expensive external sourcing.

On January 28, 2019, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), designated PDVSA as a Specially Designated National (SDN). Concurrently, OFAC issued a General, License (No 13), authorising all transactions and activities where the only PDVSA entities involved are Nynas AB or any of its subsidiaries, enabling Nynas to continue its business. At the time of publishing this Annual Report, the authorization of transactions and activities under General License 13 is valid through 12.01 a.m. eastern daylight time, July 27, 2019.

PERFORMANCE OF THE GROUP'S OPERATIONS, EARNINGS AND POSITION

Net sales

Net sales during the year amounted to SEK 16,863 million (14,990) as a consequence of higher oil prices. Total product sales volume decreased by 10 per cent compared to last year. This was mainly an effect of Venezuela's crude supply constraints in the early second quarter and late third quarter. The Naphthenic 2018 sales volume decreased by 8 per cent. Bitumen volumes in 2018 decreased by 11 percent.

EBITDA

EBITDA excluding non-recurring items amounted to SEK 805 million (1,218). The large drop in EBITDA during 2018 mainly relates to crude supply constraints, sanctions, and an increased price competition in the market.

Research and development

Nynas has its own R&D unit and laboratories supporting the company's long-term strategic goals through product development and optimisation of Nynas refineries and processes. Within the naphthenic and bitumen product areas, Nynas engages in research and development of products, solutions and applications. Sustainable development, addressing our climate and environmental impact both in our own value chain and that of our customers where our products are applied, is one of the main driving forces for Nynas' R&D work and innovation priorities. Health and safety, quality, performance, and extending the lifetime of products, are other key drivers in the company's R&D efforts.

Research and development expenses were below 1 per cent (1) of net sales in 2018.

Seasonal variations

Nynas operations in bitumen show seasonal variations particularly in the Nordic area. The majority of net sales and operating result is generated in the second and third quarters. During a rolling twelve-month period ending 31 December 2018, average working capital amounted to SEK 4,602 (4,103) million. Year-end working capital as of 31 December 2018 of SEK 4,853 million, impacted by peak crude oil price in October.

Non-recurring items

Non-recurring items affecting the result totalled SEK -323 million (-266). This amount is mainly related to the US sanctions on Venezuela, causing non-recurring costs for both bitumen and naphthenics supply and higher product costs from more expensive external sourcing.

Net financial items

Net financial items for the year amounted to SEK -414 million (-329) of which SEK -342 million (-228) is related to net interest expenses. The higher net interest costs are largely explained by the 27 per cent higher average gross debt during 2018.

BOARD OF DIRECTORS' REPORT

Taxes

The effective tax rate including non-deductible and non-recurring items was -34 per cent (34). The effective tax rate for 2018 has been negatively affected by non capitalised tax losses of approximately SEK 360 million due to the current result level in the parent company.

Returns

Return on average capital employed (12 months rolling) was 1.4 per cent (6.5) and return on equity was -23.4 per cent (0.3).

PERFORMANCE OF BUSINESS SEGMENTS

Naphthenics

For 2018, naphthenics sales revenues and margins were well below the level seen in 2017. Overall 2018 sales volumes were heavily impacted by crude supply constraints as a result of sanctions which resulted in volumes decreasing by 8 per cent. The region most affected was Americas. Although in general there were lower sales, a few channels exceeded the previous year.

EMEIA, Poland, Russia and India all increased sales volumes and in APAC, Indonesia and Australia/New Zealand increased their sales volumes compared to 2017.

2018 full year net sales increased to SEK 8,306 million (7,686) primarily because of a higher oil price and stronger US dollar. Operating result before depreciation (EBITDA) decreased to SEK 328 million (807).

Bitumen

Volumes in 2018 decreased compared to last year, by 11 per cent, impacted by crude supply constraints.

The Nordic region had a good year in sales, despite a very difficult supply situation. During the peak season after summer, bitumen inventory was at record low volumes. External bitumen had to be purchased to fulfill the market demand. Despite the supply disturbances, good demand and positive contribution from currency offset the negative supply impact.

In the UK region, strong competition kept sales prices low. Very low throughput in the Eastham refinery increased the cost per tonne, which negatively impacted the year's result.

Sales in the Western Europe region increased compared to last year, and combined with the weak Swedish krona improved the financial result of the region.

Sales of upgraded products decreased somewhat, with a slow season for polymer modified bitumen. Sales of products with enhanced properties to contribute to sustainable customer applications increased this year, continuing a positive trend.

2018 full year net sales increased to SEK 8,611 million (7,305) as a consequence of the higher crude oil price and the weak Swedish krona. Operating result before depreciation (EBITDA) was SEK 462 million (550).

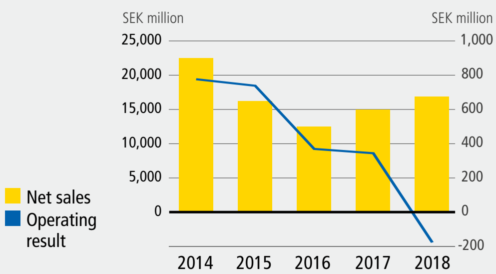
FINANCIAL POSITION

Working capital

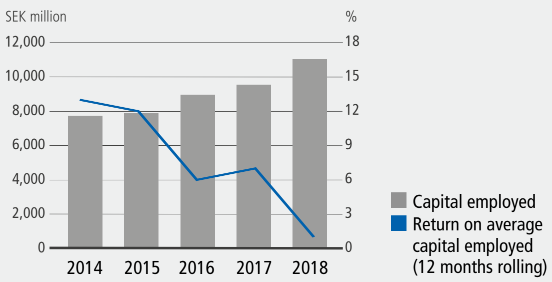
The seasonal pattern of Nynas' bitumen business is normally reflected in the development of the financial position during the fourth quarter, with an expected reduction in working capital compared, to previous quarters during the year. Working capital is also impacted by changes in the crude oil price, quoted in US dollars, and by currency when reported in Swedish krona. Working capital at the end of December 2018 was at SEK 4,853 million, an increase of SEK 1,512 million compared to last year. Inventory net of crude payable was SEK 1,470 million higher compared to the end of December 2017. The higher net inventory is explained by a SEK 770 million higher inventory value due to the higher oil price and by 217 kton higher volumes in inventory, an increase of SEK 700 million.

Current receivables at the end of December 2018 reached SEK 2,559 million, which is an increase of SEK

NET SALES AND OPERATING RESULT



CAPITAL EMPLOYED AND RETURN ON AVERAGE CAPITAL EMPLOYED



BOARD OF DIRECTORS' REPORT

322 million compared with last year. The increase is mainly due to higher unrealised oil derivatives due to the higher oil price level in the market.

Capital expenditures

In combination with the investment in the Harburg refinery in Hamburg, Nynas has, during the past few years, undertaken investments to increase the reliability, productivity and flexibility of its manufacturing operations. Going forward Nynas has a strong platform to increase its supply of NSP volumes.

During 2018 cash capital expenditures totalled SEK 426 million (428) for the full year, with the main portion relating to maintenance investments.

Financing

Net debt increased by SEK 1,482 million at the end of December compared with last year, primarily reflecting the higher working capital level. Long-term interest-bearing liabilities includes defined pension obligations of SEK 929 million (838). Due to the minor increase in discount rates an actuarial loss has been accounted for of SEK -9 million (61) against other comprehensive income (equity) less deferred tax of SEK 4 million (-13).

Equity

Equity at year end amounted to SEK 3,250 million (3,539). The equity ratio was 22.9 per cent (28.9).

Cash Flow

Full year cash flow from operating activities amounted to SEK -963 million compared to last year's SEK 2 million. Operating cash flow in 2018 was negatively affected by the lower earnings as well as the higher working capital levels by the end of the year.

Employees

As a global company, Nynas comprises a diverse group of employees from different countries and cultural backgrounds. What they all share is a strong Nynas culture with its three core values: Dedication, Cooperation and Proactivity.

The average number of employees during 2018 was 1,003 (1,013).

PARENT COMPANY

Net sales during the year amounted to SEK 15,056 million (13,006), with the increase mainly explained by the higher oil price level. Operating result amounted to SEK -303 million (-105). The parent company's total assets increased by SEK 1,842 million (from 10,822 million SEK to SEK 12,664 million). Capital expenditures totalled SEK 248 million (200) for the full year. The number of employees in the parent company on 31 December 2018 was 460 (467).

RISK MANAGEMENT

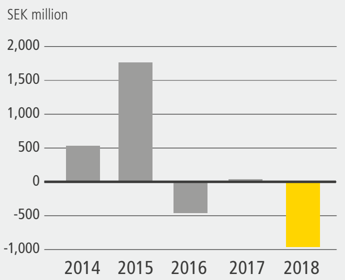
All business operations are exposed to various risks. The purpose of Nynas' risk management activities is to limit, control and manage the risks involved in a proactive manner, to best secure the company's objectives and to ensure optimal leveraging of potential opportunities.

The main components of risk management are identification, evaluation, mitigation, monitoring and reporting. Nynas continuously strives to increase awareness and to reduce risks in all areas of operations. Risks that are managed correctly can create opportunity and lead to value creation, while risks that are handled incorrectly can result in negative financial consequences.

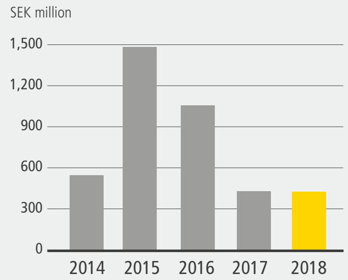
Enterprise Risk Management

The purpose of ERM at Nynas Group is to support the Group's strategic priorities by managing and mitigating risks to achieving objectives, support wider risk management initiatives across the Group and to further foster the risk aware culture within the organisation. The Group risk register, identifies, describes and evaluates Nynas' specific risk profile from a

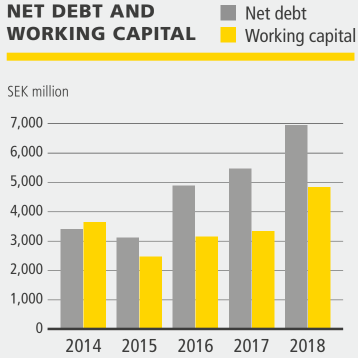
CASH FLOW FROM OPERATING ACTIVITIES



INVESTMENTS



NET DEBT AND WORKING CAPITAL

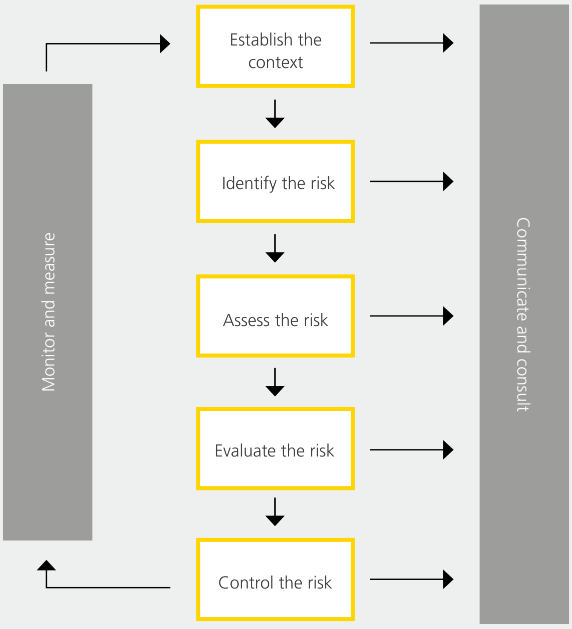


high-level perspective. In 2018, the Group risk register was updated after a risk workshop, where identified risks were assessed against two criteria; impact and likelihood, and the status of improvement plans were reviewed. These plans contain specific actions, success measures and responsible parties for improving Nynas' risk mitigation strategies. The risk register is a living document and subject to constant review and evaluation as Nynas develops its business activities in the ever-changing risk landscape.

As part of the ERM programme, the Nynas Enterprise Risk Forum (the Risk Forum) is responsible for alignment of all risk management strategies and acts as the coordination point for enterprise-level direction setting regarding risk management issues.

The different steps in the Nynas Enterprise Risk Management process are briefly described below:

- **Establish the context.** The first step in the enterprise risk management plan is to establish the context of the environment within which the organisation, programme area or department operates. The environment in which Nynas operates is complex and a number of factors need to be considered when determining the parameters within which risks must be managed. Key considerations include Nynas' vision, mission, corporate values, strategic priorities, and business plan.
- **Identify the risk.** The identification of risk may occur in a retrospective manner, i.e. looking back over completed work, tasks and activities. Identifying potential risks before they present challenges is the ideal method of minimising risk; this is known as prospective risk identification.



- **Assess the risk.** Once risks have been identified, they are to be analysed to determine the overall level of each risk and establish priorities. Identified risks are assessed against two criteria: impact and likelihood. The overall level of risk is determined by multiplying the likelihood rating and the impact rating to produce the Gross Risk Score (GRS).
- **Evaluate the risk.** The aim of this step is to decide whether the level of risk is acceptable or not. Risk may be accepted if, for example, there are sufficient controls in place.
- **Control the risk.** Control over risk can be obtained through different methods, for example transferring the risk to insurance or modifying the risk through appropriate risk mitigation strategies.

Risks are also monitored continuously in order to determine if the level of risk (i.e. likelihood or impact) has been reduced and whether other measures could be implemented.

Risk Governance

Nynas Board of Directors has the ultimate responsibility for risk oversight. Practical implementation, development and monitoring of the risk management process are based on the three lines of the defense model.

1st Line of Defense

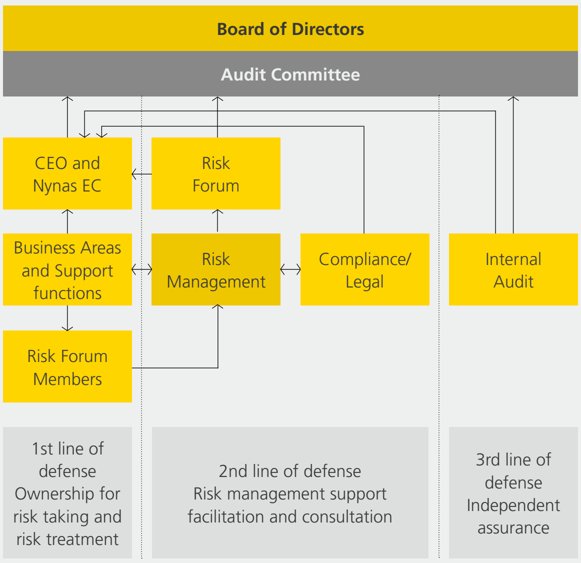
Nynas' CEO and Executive Committee have the overall responsibility for proper risk management. A risk management responsibility is also delegated to the site and business unit level. Each manager with operational responsibilities is expected to ensure that risks associated with the operations are appropriately identified, evaluated, managed, mitigated and, as appropriate, escalated to the Group level.

Representatives from different Nynas departments, e.g. Legal, Human Resources, Sustainability, ISIT, HSSEQ, Treasury, Manufacturing, Supply Chain and the Businesses are Risk Forum members. The role of the Risk Forum Members is to review assessment information and work with functional areas and risk owners to accept responsibility for developing pro-active risk mitigation plans according to significant risks identified, and to provide regular reporting against established mitigation plans. Furthermore, the members actively engage in forum discussions for the purpose of "issue spotting" within the field of responsibility and for other areas as well.

2nd Line of Defense

The role of the second line of defense is to provide risk management support, facilitation, and consultation.

The Risk Forum, chaired by the Chief Financial Officer (CFO), uses the ERM process pro-actively as a method to reduce uncertainty and support achievement of Nynas' goals and objectives, and in addition,



actively identify opportunities for upsides and revenue enhancement. The Risk Forum is responsible for reporting on the management status of high level and significant risk management information to the Nynas Executive Committee at least semi-annually and annually to the Board of Directors/Audit Committee.

The risk management function is located in Nynas AB and the Group Risk Manager supports local sites, business units and the Executive Committee in strategic decisions concerning risk and insurance issues. The Group Risk Manager acts as "thought leader" for the ERM process, manages and coordinates all Group insurance programmes and internal captive. Furthermore, the Group Risk Manager prepares reports and acts as liaison between risk owners and the Risk Forum and ensures that significant risks are addressed and significant opportunities for pro-actively reducing uncertainty are advocated. The Group Risk Manager is part of the Nynas Finance department and reports directly to the CFO.

Nynas General Counsel ascertains Group compliance and oversees compliance related issues within the Group. The General Counsel also ascertains adequacy of mitigation actions in higher risk compliance areas.

3rd Line of Defense

Internal Audit evaluates the effectiveness and efficiency of the Group's risk governance model and related risk management processes, including the effectiveness of internal controls and other risk treatment actions. Internal Audit also provides recommendations for improvement areas.

Insurance

Nynas transfers certain and specific risk exposures to the commercial insurance and reinsurance markets. Further actions are also taken to reduce these insurable risks as part of Nynas' loss prevention strategy. This is done to reduce the potential for significant losses and to ensure the Group's ability to deliver to its customers without interruptions. The insurance and reinsurance capacity is purchased by way of using international insurance brokers and the insurance and reinsurance policies placed are tailor-made to Nynas specific demands and risk exposures. Part of the Group's property damage insurance programme is provided by the in-house insurance company Nynas Insurance Company Ltd. Nynas' Finance Policy puts strict demands on the financial security of insurance and reinsurance companies that Nynas elects to transfer risk to. Nynas' minimum financial security demand is equal to a Standard & Poor A- rating or equivalent AM Best.

Risk Surveys

Every third year, risk surveys are performed at the Group's refineries by risk consultants. The main purpose is to prevent potential property losses and business interruption by means of loss prevention and control recommendations. Further, Nynas Blue for depots is a specific risk management project concerning Nynas' depot network and was launched in 2015. The project aims to harmonise and implement common Group standards regarding risk management, loss prevention measures, management of change and emergency procedures among other topics. The Group's depots are surveyed every third year by risk consultants and new targets are set for each round of audits.

NYNAS GROUP'S RISKS

Strategic Risks

Strategic risks are changes in the business environment with potential significant effects on operations and business objectives. The Group is affected by international, national and regional economic conditions. Strategic risks are market uncertainties and geopolitical tensions in oil-producing countries, turbulence on the oil market and swings in crude and feedstock prices. Other strategic risks include competitor actions, customer behaviour and reputational risk. Nynas Executive Committee monitors the development in the key markets and proactively assess macroeconomic risks and political risks but also opportunities that may influence the Group's strategies.

Market risks

The market prices for crude oil and other feedstock, as well as refined petroleum products, are subject to significant fluctuations resulting from a variety of factors affecting demand and supply. It is inherently difficult to make accurate predictions as to how the oil markets will develop, as the oil markets are impacted by factors over which the Group has no control.

BOARD OF DIRECTORS' REPORT

NYNAS RISKS		
Changes in the business environment with potential significant effects on business objectives and operations	Risks directly attributable to business operations with potential significant impact on financial position and performance	Financial risks with a potential impact on financial position and performance
Strategic Risks	**Operational Risks**	**Financial Risks**
Market risks	Production risks	Currency risks
Customer behaviour	Supply Chain risks	Commodity risks
Competitor actions	Products and Services risks	Interest rate risks
Reputational risks	Health and Safety risks	Financing risks
Competition and Anti-trust	Environmental risks	Liquidity risks
	Legal and Regulatory risks	Credit risks
	Information Systems and Technology risks	Tax risks
	Human Resources risks	Financial reporting risks
	Human and Labour Rights risks	
	Political risks	
	Anti-bribery and Anti-corruption risks	

Competitor actions
The Group faces domestic and international competition in the markets in which it participates. There is a risk of technical development in the Group's markets, including the risk of substitution, where some of the Group's products can be formulated by competitors with other components, that may eventually be more competitive than the Group's production. Nynas strives to be ahead of competition in terms of product development in close collaboration with our customers. To protect Nynas return on investments in marketing, research and development, the Group actively safeguards its marketing and technical achievements against trademark/patent infringements and copying. Nynas enforces its intellectual property rights through legal proceedings when necessary.

Customer behaviour
Nynas sales are dependent on the economic development in a broad range of industrial sectors as well as infrastructure investments. Naphthenic specialty oils are sold worldwide and used by industrial customers in both leading and lagging sectors. Periods of economic slowdown or recession can have a negative impact on demand for specialty oil products in the markets and industries which may be affected by a financial downturn. Bitumen sales are regional and mainly dependent on investments in road construction and maintenance. Countries with declining economic growth can decrease their governmental and state spending on infrastructure, which can affect the Group's bitumen business. Nynas is spreading its activities into several regions to mitigate local variations in demand.

Reputational risk
The Group constantly strives to perform in accordance with certain ethical, environmental, health, quality and sustainability standards. Activities to maintain and further strengthen Nynas Group's strong brand and good reputation are constantly ongoing. These activities include ensuring compliance with Nynas' Code of Conduct which define the Group's values with regards to business ethics, human rights, environment, health and safety. Nynas activities in sustainability are further described in the Sustainable Development Report on page 39.

Competition & Anti-trust
The Group's operations are subject to EU, US and local anti-trust regulations, in particular since the Group could be considered to have a dominant position within certain sectors and territories. Breaching competition and anti-trust legislation could render substantial fines and penalties but also reputational damage. Nynas has a compliance programme which includes a competition and compliance policy, e-learning courses for all employees as well as regular mandatory training for certain identified employees on how to comply with competition and anti-trust legislation. Nynas business ethics activities are further described in the Sustainable Development Report section about Ethics on page 42.

Operational Risks
The operational risks in Nynas Group are risks directly attributable to business operations with a potential significant impact on financial performance. These are risks mainly associated with Nynas' business operations

such as refinery production, supply chain, products and services and include the effectiveness of processes and operations. Other operational risks are commodity price volatility, dependence on information technology and systems, insurance risks and political risks. Risks relating to compliance with laws and regulations are also included in this category. Operational risks also include certain sustainability risks, e.g. health & safety, environmental risks, dependence on human resources, business ethics and human rights risks. Nynas' sustainability activities are further described in the Sustainable Development Report on page 39-44.

OPERATIONAL RISKS	CONTEXT	MITIGATING ACTIVITIES
Production risks	The company's products are mainly produced at its own refineries at three locations. Damages to the facility by fire, explosion, leakages or mechanical failure during operations or maintenance turnarounds, can result in property damage and business interruption. This may influence deliveries or the quality of products. Reduction in capacity, financial impact on sales, lack of product and reputational impact are other potential consequences.	Production units are subject to continuous inspection programmes and risk management surveys to prevent incidents. Extensive procedures and controls are in place and are audited regularly, in line with refinery industry standards. Third-party sourcing and supply chain management can mitigate supply interruptions and lack of certain products. Property damage and business interruption risks are to a large extent transferred to the insurance and reinsurance markets.
Products and Services risks	The Group is exposed to risk for product liability claims where the Group's refined products are claimed to be defective and/or are claimed to have caused property damage or personal injury. This could have an adverse effect on the Group's financial position and results and could cause reputational damage.	The Group has extensive quality control including sampling throughout the entire supply chain and testing performed by independent inspectors. Nynas is actively participating in international bodies, setting global standards such as IEC and ASTM. The Group has extensive worldwide product liability and professional liability insurance programmes in place.
Supply Chain risks	The availability of suitable crude oil and other feedstock for production of refined petroleum products at Nynas refineries is a critical factor enabling Nynas to deliver its strategy. The Group is further dependent on a number of important suppliers of certain materials and utilities to ensure un-interrupted and high-quality production at its refinery facilities. Interruption in such supplies can influence the quality of products and/or cause business interruption which may result in, e.g., limited production capacity, lack of product and reputational impact.	The Group is continuously monitoring the crude and feedstock markets to ensure flexibility and availability of feedstock supply. Nynas supply chain management works continuously with mitigating activities to minimise the consequences of lack of certain materials and utilities e.g. third-party sourcing of finished products to mitigate supply interruptions. Business interruption at Nynas due to damage at key suppliers are to a large extent transferred to the insurance and reinsurance markets.

BOARD OF DIRECTORS' REPORT

OPERATIONAL RISKS	CONTEXT	MITIGATING ACTIVITIES
Environmental risks	The refineries and depots could have a risk of damaging the environment through operations, e.g., spills and emissions. Nynas is dependent on certain licenses to operate its refineries, e.g., individual environmental permits are required for the refinery sites. Failure to meet environmental regulations, e.g., REACH, environmental directive, SEVESO, etc. can result in loss of license, negative reputational impact, loss of business and customers. Shipping vessels are the best way to transport Nynas' products and the Group charters a significant number of voyages per year for crude oil and manufactured products. Damages to or sinking of a vessel could cause environmental pollution and could potentially damage Nynas' brand.	The Group's production facilities are designed and constructed in accordance with well-established international technical standards in the refining industry. Nynas ensures adherence to these standards through a system of internal technical standards and minimum requirements that are systematically internally and externally audited. There is a Group Health, Safety, Security and Environment (HSSE) Director available to support the operations, and all large sites have appointed local HSSE resources. Nynas has representatives in international organisations in the HSE field such as CONCAWE, SPBI & IKEM, SQAS and CEFIC and monitors new regulations. Nynas refineries are certified in accordance with the ISO 14001 standard. Nynas charters a modern fleet with guidelines for third party shippers. Nynas further charters and monitors all ships chartered through its own shipping department Nyship. External vetting is utilised to assess the vessel's suitability. Nynas is a member of the International Tanker Owners Pollution Federation. Nynas purchases marine owner's and charterer's P&I insurance, as well as environmental impairment liability insurance worldwide.
Health and Safety risks	Refinery operations, maintenance activities and the handling of hazardous products can cause personal injury if safety procedures are not followed and safety equipment not used correctly. The nature of Nynas' worldwide business requires employees to travel to countries exposed to social and political unrest. Such business travel could negatively affect the health and safety of individual employees.	There is a Group Health, Safety, Security and Environment (HSSE) Director available to support the operations, and all large sites have appointed local HSSE resources. The Group HSE Network has semi-annual meetings. Nynas refineries are certified in accordance with ISO 9001 and OSHAS 18001 standards. Nynas has a network for Dangerous Goods Safety Advisors to ensure compliance with rules and regulations on the safe handling and transport of dangerous goods. Safety walks and safety talks are conducted regularly on site by both refinery and company management. Contractors, drivers and temporary personnel receive regular health and safety training and it's mandatory to use Personal Protection Equipment (PPE) in certain areas on site. Nynas has a Group travel policy constantly monitored by the Group's Travel Manager and HR. Travel safety training for employees travelling to high-risk countries is mandatory.

BOARD OF DIRECTORS' REPORT

OPERATIONAL RISKS	CONTEXT	MITIGATING ACTIVITIES
Legal and Regulatory risks	Nynas is engaged in many different areas at a global level and conducts its business within the framework of rules and regulations that apply in various countries, markets and industry sectors. Non-compliance with import and export regulations, trade compliance rules, transfer pricing, excise duty and VAT could result in fines and penalties, trade restrictions, personal liability on behalf of Directors and reputational impact. The Group's business includes sales in territories subject to international sanctions. Non-compliance with international sanctions could result in fines and penalties, personal liability on behalf of Directors and reputational impact. There is a risk that present US and/or EU sanctions targeting Venezuela and/or their state-owned oil company PDVSA are further extended and affect Nynas' business which could have an adverse effect on the Group's operations, financial position and result.	The Group has an established governance framework including Group policies, Group procedures and other steering documents. The scope of the governance framework, including the controls implemented, is partly based on legal requirements and risk exposure. At Group level, Nynas has several functions monitoring legal and regulatory risks such as Legal, HSSE and Product HSE to ensure compliance. The Group has implemented a Trade Compliance Policy including a policy document, training of relevant employees and third-party security screening. Nynas works together with leading international legal advisors and other specialists on analysing and addressing issues to ensure compliance with international sanctions and understanding and mitigating the impact on Nynas. Nynas is in continuous dialogue with authorities to prevent and mitigate unreasonable actions impacting Nynas.
Information Systems and Information Technology (ISIT)	The Group relies on IT systems in its daily operations including production. Disruptions or faults in critical systems can affect production and cause business interruption. Errors in the handling of financial systems can affect the Group's reporting of results. Modification or theft of Intellectual Property constitutes a risk to the Group's competitive edge and future business success. Cyber security risks are increasing globally and can have a significant impact on the Group's operations, financial position and result.	Nynas has a Group IT & Security Policy including quality assurance procedures that govern IT operations. Nynas' global network is designed on a fallback redundancy to minimise operational disruption. The system landscape is based on well-proven products and market leading and established service providers. Cyber security is regularly discussed and monitored by the ISIT department. Employees are continuously reminded about cyber risks and encouraged to report all cyber-related threats and attempts, and the IT security function reports on the trend monthly to the Executive Committee.

BOARD OF DIRECTORS' REPORT

OPERATIONAL RISKS	CONTEXT	MITIGATING ACTIVITIES
Human Resources risks	There is strong competition for qualified employees in high hazard industries where production sites are in geographically remote areas. The oil & gas industry is also becoming less attractive to new recruits. Nynas is dependent on technical experts and engineers for its production facilities as well as its Research & Development departments. Difficulties in recruiting and retaining qualified personnel could result in loss of productivity, loss of competitive edge, increased employee turnover, increased costs and inability to compete effectively.	Nynas offers competitive salaries, career opportunities, international work experiences and training and other career incentives to recruit and retain qualified employees.
Human and Labour Rights risks	Risks related to human and labour rights can arise in the entire supply chain, both at Nynas' suppliers and Nynas' own production facilities as well as anywhere else in the workforce worldwide. Breach of human and labour rights could result in reputational impact, fines and penalties and personal liability on behalf of Directors.	The Group has implemented a Code of Conduct and a People and Human Rights Policy which complies with the UN Declaration of Human Rights, to establish a standard the employees should adhere to worldwide. Meetings and collaboration with safety committees, local trade unions and executive management on a regular basis mitigates the risks of breaching human and labour rights.
Political risks	The Group has varying commercial interests in emerging markets and countries which may be exposed to political risks. This could have an adverse effect on the Group's financial position and result.	Nynas takes proactive steps to assess the risks and opportunities in its business environment and manage them accordingly.
Anti-bribery and Anti-corruption risks	Corruption could exist in markets where the Group conducts business. Monitoring and ensuring compliance with anti-bribery and anti-corruption legislation in the worldwide workforce, requires comprehensive procedures and processes. There is a risk that the Group fails in its measures to prevent bribery and corruption. Non-compliance can result in fines and penalties, personal liability on behalf of Directors and reputational impact.	Nynas has an Anti-bribery and Anti-corruption Policy requiring its employees and counterparties to comply with applicable anti-bribery and anti-corruption legislation including the UK Bribery Act and the Foreign Corrupt Practices Act. Nynas conducts regular mandatory training of its employees on how to comply with anti-bribery and anti-corruption laws.

Financial Risks
Through its comprehensive and international operations, Nynas is exposed to financial risks. The Board of Directors is responsible for establishing the Group's Finance Policy, which comprises guidelines, objectives and limits for financial management and the managing of financial risks within the Group. Financial risks comprise currency risk, commodity risk, interest rate risk, financing risk, liquidity risk, credit risk, tax risk and financial reporting.

The Nynas Group Treasury department has been established as the functional organisation in the parent company where most of the Group's financial risks are handled. The function conducts internal banking activities, with the primary task to control and manage the financial risks to which the company is exposed as part of the company's normal business activities, and to optimise the Group's financial net. The Treasury department supports the subsidiaries with loans, cash management, currency and hedge transactions. The

BOARD OF DIRECTORS' REPORT

internal bank also operates the company's netting system and handles the Group's cash management. Treasury operations also conduct payment advisory services and handle the Group's credit insurance.

During 2018 risk management efforts were continuously focused on risks associated with the globally increasing attempts on cyber-related crime.

Internal control & Financial reporting

Operating companies within the Nynas Group present reports on their financial performance and economic status on a regular basis in accordance with internal reporting rules and the accounting policies applied by Nynas, the International Financial Reporting Standards (IFRS). The Group's Finance function validates and analyses the financial information as part of the quality control of financial reporting. Please see Corporate Governance for further information.

Tax risks

Nynas is a multinational Group with many cross-border transactions. Therefore, transfer pricing and indirect taxes comprise two main areas that are the subject of investigations by the tax authorities of various countries.

At times, Nynas is involved in discussions with the tax authorities concerning transfer pricing issues, meaning the prices applied to transactions between Nynas companies globally. The Group maintains detailed transfer pricing documentation to support the transfer prices applied. If the tax authorities' opinion in a transfer pricing matter differs from Nynas' position, this may have implications for the Group's revenue recognition among countries.

When deemed necessary, a provision for disputed taxes is recognised in accordance with the applicable financial accounting policies. For further information on current tax disputes, see Note 29. For further information regarding financial risks see Note 27.

ENVIRONMENTAL LEGISLATION

During 2018 Nynas had three refineries under its own management – in Nynäshamn and Gothenburg in Sweden, and in Harburg Germany. The refining activities require continual investments and environmental initiatives in order to reduce emissions to air and water as much as possible, and to eliminate the risk of accidents. The operations require permits and are subject to local environmental legislation. In Sweden the environmental permits are regulated by the Land and Environment Court.

In Harburg operations are regulated by an environmental contract between Nynas and the environmental authority of the city of Hamburg. Nynas' permits cover the production of bitumen, distillates and naphthenic specialty oils. Bitumen and distillates are produced at all Nynas refineries, while naphthenic specialty oils are produced at the Nynäshamn refinery as well as the Harburg refinery.

In the process of implementing the Industrial Emissions Directive (IED), BAT (Best Available Techniques) conclusions for refineries were published in October 2014 and the associated BREF (BAT reference document) was published in 2015. Nynas must demonstrate compliance with the BAT conclusions within the four-year time limit from publication. Another IED requirement is to produce a status report on pollutants in the ground and groundwater in the areas in which the operations are located. The status report will subsequently serve as a benchmark on the day that operations are closed down. Status reports have been submitted for all refineries.

Nynäshamn refinery, Sweden

Compliance and changes to environmental permits in 2018 were as follows:

- Dredging of the P (safety dam) area was completed in line with the permission granted by the Land and Environment Court and will be reported in 2019.
- E2 is a well-defined area with contaminated sediments on the seabed outside the refinery. The Land and Environment Court has decided that Monitored Natural Recovery is to be applied on the deeper parts of E2 and that the shallower parts are to be capped. Capping requires another decision by the Land and Environment Court which has not yet been applied for.
- The County Administrative Board has granted permission to unload bitumen.

Gothenburg refinery, Sweden

Compliance and changes to environmental permits in 2018 were as follows:

- Nynas must demonstrate compliance with the Best Available Techniques (BAT) conclusions and the associated BREF (BAT reference document) in October 2018. In this regard Nynas in Gothenburg has under 2018 rebuilt the leak water treatment and installed a new carbon filter.
- Environmental permit investigation reports including characterisations and emissions of the effluent water from the refinery are prolonged and have been presented to the Land and Environment Court, pending final conditions.
- All conditions stated in the environmental permit were complied with during 2018.

Harburg refinery, Germany

Compliance and changes to environmental permits in 2018 were as follows:

- Preparation work for a new environmental contract for the next 10 years has been finalised and a first proposal was sent to the authority at the end of 2017 as a first basis for the start of the negotiations regarding content and necessary budget. Due to

BOARD OF DIRECTORS' REPORT

time constraints and other priorities by the authority no negotiations took place in 2018.

- Harburg applied for a new permit for the allocation of cost free CO_2 allowances for the rest of the third trading period to get more allowances as a result of the transfer from a main stream refinery (cwt approach) to a speciality refinery (fallback approach with heat/fuel factors). The new permit was granted by the competent authority after approval from the EU in mid 2018. Compared to the old approach Harburg received ~ 15,000 allowances more.
- A new monitoring concept for measurement of the CO_2 emissions has been prepared and submitted to the authority. The monitoring concept was approved by the authority mid year.
- The permits for the installation of additional fixed fire-fighting installations and the reduction of the staff of the fire brigade were received in December 2018. Within collateral clauses a recalculation of the capacity of the fire water system has been fixed. After modulation of the system, additional technical changes in the system are required. The changes require an additional permit process. The application documents for this permit process are still under preparation.
- The due date for an update of the safety reports and the emergency response plan has been prolonged by the authority to the end of the first quarter of 2019.

The transfer of BAT into German law was finished in 2018. As a result of the BAT implementation the continuous emission measurement system in the large combustion plants has been adopted to the new requirements. Wastewater effluent parameters ("Abwasserverordnung Anhang 45") which have been fixed in the water related permit came into force in 2018.

- Application documents for the permit process of the bitumen vapour treatment project was prepared and submitted to the authority.
- Permit for the ammonia dosing systems (corrosion prevention) in the overhead section of vacuum section of the crude distillation unit has been granted by the authority.
- First permit for the prolongation of inner inspection of distillate tanks from 5 to 10 years has been received from the authority. Application documents for the next tanks are being prepared.

Depots and emulsion plants

Nynas operates several bitumen depots and emulsion plants in Sweden. The handling of bitumen takes place in rigorously controlled and contained systems and to minimise any possibility for leakage and/or injury an extensive HSSE&Q system including a crisis management plan is in place. Nynas has its own depots in Sweden and based on the volumes of bitumen handled, most of the depots have been assessed either as B-facilities, which require permits under the Swedish environmental code, or as C-facilities, which are only subject to a notification requirement. Outside Sweden Nynas has bitumen or emulsion plants in countries such as Denmark, Estonia, Norway, Poland and the UK. In most cases, Nynas is responsible for ensuring compliance with environmental legislation in these locations as well.

FUTURE DEVELOPMENT

Future outlook

Nynas will rely on continued support from its shareholders for its financing, as the impact from US sanctions against Venezuela restricts new financing options. The short to medium term impact on Nynas financing and business from sanctions is dependent on a renewal in 2019 by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) of the issued General License (No 13), authorizing all transactions and activities where the only PDVSA entities involved are Nynas AB or any of its subsidiaries. Further improved operational performance is key to restore financial profitability that has been negatively impacted by sanctions. On the condition that no significant changes take place in the business environment in 2019, demand for Nynas products is expected to remain.

Significant events after the fiscal year

Bo Askvik was appointed interim President and CEO in January 2019.

On January 28, 2019, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), designated PDVSA as a Specially Designated National (SDN). Concurrently, OFAC issued a General, License (No 13), authorising all transactions and activities where the only PDVSA entities involved are Nynas AB or any of its subsidiaries, enabling Nynas to continue its business. At the time of publishing this Annual Report, the authorization of transactions and activities under General License 13 is valid through 12.01 a.m. eastern daylight time, July 27, 2019.

A decision was taken in January 2019 to close the South Korea office in Seoul and the Russian office in Moscow.

Forecast

Nynas does not present a financial forecast.

PROPOSED DISTRIBUTION OF PROFIT

The Board proposes that the available profits of SEK 1,786,526,208 in the Parent Company be distributed as follows:

Total dividend	0
Carried forward	1,786,526,208
SEK	1,786,526,208

Sustainable Development Report

This report addresses the requirements regarding non-financial reporting as specified in the Swedish Annual Accounts Act (Årsredovisningslagen). The report covers all Nynas entities which are wholly owned by Nynas Group. For further information regarding Nynas Group companies, see note 14.

SECURING THE FUTURE AND CREATING VALUE

Nynas' sustainable development ambition is formulated as "securing the future and creating value," with the goal to protect and create long-term economic and brand value for the company and its stakeholders. Nynas aims to do this through proactively contributing to sustainable development by demonstrably improving the impact of its economic, environmental and social activities.

Nynas' commitment to sustainable development is reflected in the company's business governance and through the group-wide sustainable development policy.

Policies driving our sustainable development approach

The sustainable development policy is linked to a number of policies that address the environmental, economic and social aspects of sustainable development. These policies collectively steer Nynas' corporate responsibility approach and include:

- The Code of Conduct
- Competition Compliance
- Global Anti-bribery and Anti-corruption
- Health, Safety, Security, Environment and Quality (HSSE&Q)
- People and Human Rights
- Procurement

Nynas subscribes to the International Chamber of Commerce (ICC) Business Charter for Sustainable Development and is certified according to ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001 in the UK and Germany.

Sustainable development governance

Nynas' sustainable development governance aims to manage sustainability matters in an integrated way across the company. Sustainable development is the responsibility of the Director Strategy and Transformation, who is also a member of the Nynas Executive Committee. A sustainable development network, consisting of representatives from all major businesses and functions within Nynas, has been established to help realise the sustainability ambitions throughout the company. Its role is to advise the Nynas Executive Committee on matters of sustainable development and communicate on these matters to the Nynas organisation. The Sustainable Development Network meets formally four times per year.

Materiality assessment including stakeholder dialogue

Nynas performed its first materiality assessment in 2016 to understand the views and expectations of our stakeholders, including internal stakeholders and external key stakeholder groups – primarily customers, shareholders, authorities and the communities close to Nynas operations. The result of the materiality assessment is presented in a matrix, where the material topics are identified (illustration page 40).

Nynas has outlined its ambitions for the coming years based on the main sustainability topics. These ambitions include developing a roadmap for Product Quality and Performance, Renewables and Climate Change.

This sustainability report focuses on the most material topics for Nynas and our stakeholders.

SUSTAINABLE DEVELOPMENT FOCUS AREAS

Environment

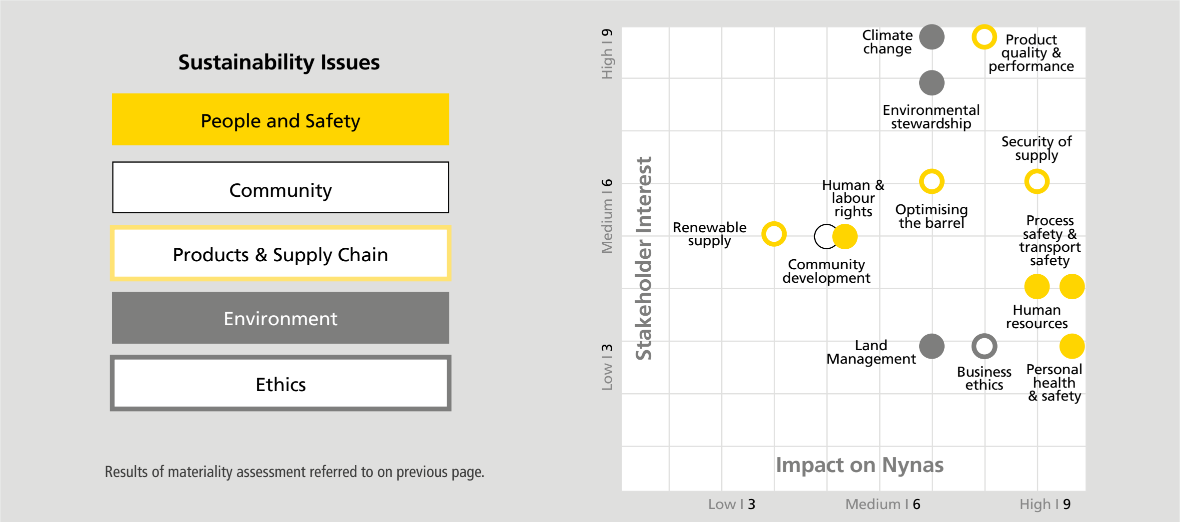
Risks related to the environment are described in the Risk Management section in the Board of Directors' report.

Nynas is consistently working to improve environmental performance and secure compliance with all legal and other demands. Below are the main measures taken during 2018.

Climate change

Climate change was identified as an area of high impact/high interest in the 2016 materiality assessment. Nynas has started tracking its organisational carbon footprint with an operational control footprint boundary, scope 1 and 2, to establish the baseline from which progress can be measured.

SUSTAINABLE DEVELOPMENT REPORT



Results of materiality assessment referred to on previous page.

Nynas is addressing all areas in the matrix while prioritising those that require additional focus, for instance climate change and product quality and performance.

We have adopted the Greenhouse Gas (GHG) Protocol, Corporate Standard for evaluating Nynas' organisational carbon footprint and developed a company-wide procedure to routinely measure the carbon footprint within the Nynas organisation, based on the GHG Protocol.

Impact of environmental legislation
Implementation of the Industrial Emissions Directive (IED) continued during the year in order to demonstrate full compliance with BAT conclusions for refineries in October 2018. Work on the status report for groundwater and soil, with a deadline for submission in late October 2018, was completed in 2018 for all refineries.

The BAT conclusions for refineries in Germany were transferred into different German laws in 2018. Due to the delay in in the transformation process, several new due dates for full compliance have been set in accordance with the different legislations. The implementation of the most relevant issues requires a formal act by the authorities (legal order), which has not yet been granted by the authority. Additionally, a revised legislation "TA Luft" (Clean Air Act) is expected to be issued next year, which will have a significant impact on all German industrial units.

The Gothenburg and Nynäshamn refineries have both submitted energy mapping reports according to the Energy Efficiency Directive (EED) during 2017. The energy management system for both refineries has been included in the ISO 14001 certificate and energy audits were performed within the ISO 14001 environmental auditing programme during 2018.

Preparations regarding the forthcoming period of free allocation regarding CO_2 within the EU Emission Trading Scheme (ETS) Carbon Market, has started in order to submit applications for the fourth period 2021–2030, with applications due by 30 April 2019.

Environmental measures at the Nynäshamn refinery in Sweden
The refinery in Nynäshamn manufactures bitumen and naphthenic specialty oils. The following initiatives and actions were taken in 2018:

- Dredging of contaminated sediments in the area P (safety dam) was finalised during the year, in line with the decision by the Land and Environment Court. Sediments are being dewatered before further treatment is performed. The choice of methodology for treatment of the sediments as well as for the remediation of the contaminated area of J3/J4 is ongoing in line with the legally binding decision in the Land and Environment Court.
- The plan for final covering of the Landfarmen landfill is under consultation with the County Administrative board.
- The parole period regarding the contaminated area with sediments, called E2, was finalised and processed in the Land and Environmental Court. The Court decision from November 2018 implies covering of the contaminated sediments in the shallower area. For the contaminated sediments in the deeper parts of the sea, the applied method will be Monitored Natural Recovery (MNR).
- In recent years, relining of process waste pipes was performed in the process area and bitumen area, to strengthen barriers protecting the environment.
- Significant upgrades to a pump station for sanitary water were made following an accidental spill to the recipient.

- Preventive maintenance took place with the upgrading of the wastewater treatment plant.
- Sulphur dioxide emissions to air were decreased through a more reliable recovery of sulphur in one minor sour gas stream through the bypass of an older sour gas compressor.

Environmental measures at the Gothenburg refinery in Sweden
The refinery in Gothenburg manufactures bitumen and distillates. The following initiatives and actions were taken in 2018:

- A new floating-roof tank was established to replace an old tank. This will reduce volatile organic compound (VOC) emissions to air from the storage of volatile liquid hydrocarbon compounds.
- Measures were taken to reduce chemical oxygen demand (COD), in the treatment of wastewater leakage in the rock cavern.
- To reduce the risk of external environmental impact, new embankments have been established to divert any overfill of oil or fire extinguisher foam from tanks to a collection basin.
- The installation of a new tank to improve the gravimetric separation in the wastewater treatment plant was completed. This will reduce the risk of environmental non-compliance and environmental impact.
- The water drainage from the tank park was connected to improve the treatment of drainage water.

Environmental measures at the Harburg refinery in Germany
The refinery in Harburg manufactures bitumen and naphthenic specialty oils. In 2018, Nynas received confirmation from the environmental authority that the company had fulfilled all of its duties in the environmental contract, which expired at the end of 2017. Nynas is in negotiations with the environmental authority over a new contract for the next 10 years, but that process has not been finalised at the time of writing this report.

Despite the lack of an actual environmental contract in place, the following measures were implemented in 2018 to mitigate the risks regarding soil and groundwater protection:

- The installation of a vacuum-controlled double bottom Tank Tk-04 was finalised.
- Further measures for liquid-tight surfaces were implemented in the CD-3 distillation unit.
- Planning took place for further refurbishment of the sewer system.

The following measures outside the scope of the environmental contract were also taken:

- A feasibility study was started for the remediation of PFC contamination in the groundwater that is expected to be finalised at the end of Q1 2019.
- Additional monitoring wells were installed in the second aquifer for PFC investigation.
- A bitumen vapour treatment project, to reduce emissions with a strong odour from the bitumen area, was underway with implementation of the first step planned for Q1 2019.

Environmental data for the Nynas refineries can be found on the Nynas website.

Products and Supply Chain
The risks related to the area of Products and Supply Chain are mainly related to environment, health and product safety. These risks are described in the Risk Management section in the Board of Directors' report.

Products and Supply Chain covers the areas outlined by the material topics of Product quality and performance, Renewables, Optimising the barrel and Security of supply.

Product quality and performance and Renewables
Product quality and performance is strongly linked to the Nynas motto "Taking oil further" and was identified as one of the main topics in the materiality assessment. The Nynas product benefits and their contribution to sustainable development through different applications, in both Bitumen and Naphthenics, can largely be captured in six key areas: lifetime, efficiency, recyclability, social, product H&S and renewables..

The three first aspects are connected to lifecycle value and linked to resource and energy efficiency and a circular economy. When looking at any product, it is important to not only look at the impact from its production, but also the lifecycle impact it contributes to while in use, which can be a significant share depending on the application. This impact can be reduced further if the product, after being in service, can be reused or fully recycled.

Social value is mainly contributed through products that are used in infrastructure such as roads, construction and electricity grids, as well as products contributing to improved living standards.

Nynas adheres to laws and regulations for our products and monitors legislation related to intended main applications.

Renewables has been identified as an area to be further investigated to establish what potential developments could be of interest. Nynas has decided to merge the topic with product quality and performance. This further signals the expectation that any renewable solution should also contribute to quality and performance in the intended application.

Some examples of product developments in 2018
Continuing a positive trend over the years, the Nynas Bitumen business can this year note some highlights for products that enable customers to reduce temperatures. Celebrating a ten-year anniversary, a trunk

SUSTAINABLE DEVELOPMENT REPORT

road in Scotland using cold mix, continues to maintain a high standard. Another important event is that warm mix technology has been recognised through a customer asphalt plant that is fully transitioning to using binders aimed at this application. Further development efforts are ongoing with the warm mix Nytherm product portfolio. Both the cold and warm mix technologies can contribute to substantial energy savings in road construction and decrease exposure to bitumen fumes. Focus has also been put on Nygen 910, which enables regeneration of the bitumen in reclaimed asphalt and, as such, allows for increased reuse of asphalt. Both developments fall within the framework of ReSolution, aiming to highlight products that allow our customers to reduce temperatures, reinforce durability and reuse material. Nynas has also led the Eurobitume Taskforce updating the bitumen LCI (Life Cycle Inventory).

Naphthenics launched a new tyre oil, Nytex®846, for which tests indicate very good wet and dry traction properties while it maintains the tradition of Nynas tyre oils' contribution to excellent rolling resistance. The launched base oil NynasTM T600 shows good performance in lubricating greases where it appears to enable resource efficiency gains through reductions in lithium soap content compared to formulations with oils of a similar viscosity grade. Furthermore, in the lubricating grease application, Nynas conducted a joint pilot scale study with Stratco, an American industrial grease kettle producer. The study indicates substantial energy and formulation efficiency savings when combining the grease formulation with Nynas naphthenic oil and conducting the cooking in a pressurised ContactorTM reactor. The study was presented at the National Lubricating Grease Institute (NLGI), conference.

Both the Naphthenics and the Bitumen businesses have also evaluated renewable feedstocks to assess the potential these could have in certain applications.

Recognising that sustainable development impacts all stakeholders and is generating increased interest and focus from our customers, we will continue to integrate it as an aspect in our knowledge and product development work in parallel with technical and other performance demands.

Optimising the barrel and security of supply

Nynas' operational stability is dependent on securing the availability of the right feedstocks and ensuring that the crude processed is utilised to the maximum in high-value products, while waste and fuel streams are minimised. This means available crudes and other feedstock options are continuously monitored and assessed in accordance with the Nynas product slate quality requirements. Pilot and full-scale test runs are conducted when motivated. In 2018, for example, a visbreaker residue was successfully tested, and found to be covering performance requirements in all parts of the operations value chain.

People and Safety

Risks related to the area of People and Safety are mainly related to health, safety, human resources and human and labour rights. These risks are described in the Risk Management section in the Board of Directors' report.

Health and Safety

Nynas promotes a strong health and safety culture. Line management is responsible for promoting this culture and all employees and contractors are responsible for contributing to health and safety in their work activities. These policies are applicable within this area:

- Health, Safety, Security, Environment and Quality (HSSE&Q) policy
- Preventive Health Care policy
- Travel & Security policy
- Alcohol and Drugs policy

Nynas has also implemented a number of Group minimum requirements. During 2018 a new Group minimum requirement for Personal Protective Equipment (PPE) was implemented.

Nynas' health and safety culture is maintained through many efforts, including the Observe, Think and Act programme, preventive health care, regular safety reporting, and safety tools. The Observe, Think and Act safety programme is compulsory for all employees and contractors. It focuses on safety behaviour, being observant of potential risks and knowing how to mitigate them. The programme includes Health, Safety, Security, Environment (HSSE) meetings at all levels, safety workshops and newsletters translated into local languages. In 2018, the focus was to further strengthen the activities on contractor safety and to raise awareness to act against all kinds of inappropriate behaviour and harassment.

Health and Safety monitoring

Transparency and reporting of incidents is encouraged through a "no blame" approach that contributes to learning and making improvements regarding safety.

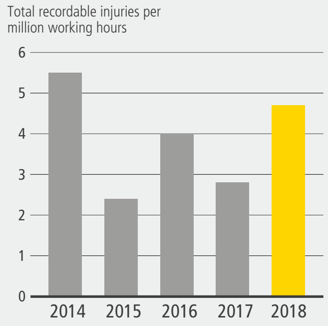
Nynas monitors its safety performance monthly to help with continuous improvement. Three main areas – Personal Injuries, Process Safety Accidents and Transport Accidents – are monitored. Each incident is recorded, and serious accidents are investigated so corrective and preventive actions can be taken.

In 2018 Nynas deployed a new IT tool for incident reporting and handling, with the clear aim of facilitating even more and better reporting as well as improved case handling and better means of analysis. Nynas also follows up through regular safety walks and inspections, sick leave statistics, random drug tests, ergonomic inspections and an annual report on employee health checks.

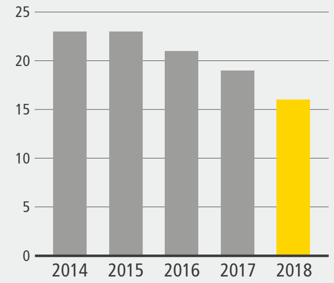
In 2018, the Total Recordable Injury Frequency (TRIF) score for Personal Injuries did not meet the target. In response to this negative development, Nynas

SUSTAINABLE DEVELOPMENT REPORT

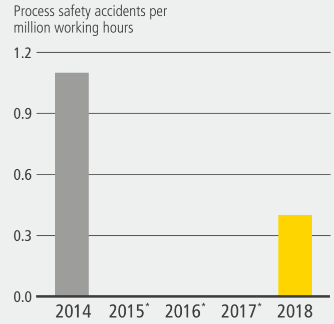
TOTAL RECORDABLE INJURY FREQUENCY (TRIF)



TRANSPORT ACCIDENTS



PROCESS SAFETY ACCIDENTS RATE (PSA)



*Zero PSAs 2015, 2016 and 2017

implemented a number of measures towards the end of the year, including extra safety meetings, updates of minimum safety requirements and the sharing of information and learning from best practices. During the year there was one Process Safety Accident Tier 1 and one Tier 2 which was better than target. As a result of Nynas' strong commitment to working intensely on best practices, for example related to the loading and filling of bitumen and oils in transport vehicles, the trend towards fewer Transport Accidents continued in 2018 but the result fell just short of the target level.

Nynas benchmarks its Transport Accidents with figures from the European Chemical Transport Association (ECTA). It benchmarks its Personal Injuries and Process Safety Accidents with the European downstream oil industry safety performance reported in Concawe and its ambition is to be better than the industry average.

Human Resources

Nynas aims to be an attractive employer by offering competitive salaries, career opportunities, international work experiences and training. A part of the Nynas strategy is to attract and retain talent and ensure the company has the right competence long-term. Nynas works with apprentice programmes in the communities where it operates and offers on-the-job training for recent graduates and others, to ensure the company will have enough technical competence now and into the future.

Career incentives are offered to employees through various career ladder programmes such as the specialist career programme, leadership development programmes, and other training opportunities. Nynas has several global procedures in place to ensure we follow Nynas values, policies and legal requirements throughout the employee lifecycle. New employees are introduced to the company through an onboarding process including an introduction programme at the company's head office to meet up and get acquainted with all business areas and functions. The exit process includes assessment of feedback from employees who leave the company. Nynas monitors employee progress through an annual performance appraisal process. It monitors the company's attractiveness and employee satisfaction through a biannual employee survey. Ninety-one per cent of all employees participated in the most recent (2017) employee survey, indicating a high level of engagement within the company. Nynas follows up on the feedback from each survey through workshops and action plans.

An important part of the strategy to attract talent includes different programmes to bring in students at various levels to the company. The Nynäshamn refinery runs a programme called Nyex to prepare and attract young chemical engineers. In 2018, the third round of the programme was started and three new graduates had the opportunity to try working within Process Technology, Engineering and Process Technical Services, and gain broad knowledge about the operations. Onsite training for operators has also been developed and Ny Tech, an apprentice programme for operators, started in 2018.

The Harburg refinery runs its own trainee programme, named Berufsausbildung, to offer professional training and new opportunities for young people. Nynas is thus able to secure qualified staff for its highly technical chemical operations and be perceived as an attractive employer. Nynas has received an award for its excellent apprentice trainee programme (Ausgezeichneter Ausbildungsbetrieb 2017) from the Hamburg Chamber of Commerce. Nynas also offers opportunities for university students and graduates such as internships through a collaboration with the nearby Hamburg University of Technology (TUHH).

In Gothenburg, Sweden, Nynas collaborates with Chalmers University of Technology and its Chemical Engineering Programme. An apprentice programme for operators was started in 2018 to ensure the availability of well-trained operators.

SUSTAINABLE DEVELOPMENT REPORT

Human and Labour Rights Risks
The Nynas Code of Conduct clearly states: "We shall never be influenced in our decisions, actions or recommendations by issues of gender, race, creed, colour, age, political views or any other areas of possible discrimination." Nynas' People and Human Rights policy, which complies with the UN Declaration of Human Rights, supports this. As a global company, Nynas has a diverse workforce, with employees from different countries and backgrounds. Nynas encourages diversity in its policies and programmes, such as leadership training for women, to improve the gender balance and improve the company's competitive edge, knowledge and capacity to tailor products to customer needs.

Nynas works to mitigate risk through regular meetings and collaboration with safety committees, local trade unions and executive management. New employees are introduced to the Nynas Code of Conduct in the employee onboarding process, which addresses human and labour rights and the prevention of human rights abuses such as discrimination and harassment in the workplace. In 2018 a workshop on how to handle harassment was developed and implemented through HSSE groups within the Nynas Group.

Issues related to human resources, including human and labour rights, are monitored partly through our bi-annual employee survey. Those areas with low scores are addressed and followed up on with an action plan for improvement.

Ethics
Risks related to the area of Ethics are mainly related to anti-trust, anti-bribery and anti-corruption. These risks are described in the Risk Management section in the Board of Directors' report.

The Nynas Code of Conduct clearly establishes the rules of ethical business behaviour for Nynas employees and partners in relation to bribery, corruption, conflicts of interest and other areas where the company could be at risk. The Code of Conduct has supporting policies for competition, procurement, anti-bribery, anti-corruption and trade, among others.

Nynas aims to comply with laws and regulations in every jurisdiction where it operates, including:

- Anti-bribery and anti-corruption laws, including the UK Bribery Act and the Foreign Corrupt Practices Act;
- Competition laws, including EU and US competition laws;
- EU, US and UN sanction regimes.

Nynas conducts regular mandatory training for certain identified employees, on how to comply with anti-bribery, anti-corruption, competition and trade regulations, along with other policy compliance training.

The identified employees are also required to sign a yearly undertaking confirming they will comply with the Nynas Code of Conduct and its underlying policies. Nynas does continuous monitoring to ensure that the identified employees have received training and signed the compliance undertaking.

Nynas has an informal whistle-blowing process with an external party for cases of possible non-compliance. Suppliers are expected to comply with the Nynas Code of Conduct and policies, as stated in the terms and conditions of their agreements.

Community
Risks related to the area of Community are mainly related to the environment and human resources. These risks are described in the Risk Management section in the Board of Directors' report.

Nynas is involved in community activities as part of its ambition to "secure the future and create value." Being a good corporate citizen is of the highest importance for every Nynas production site and Nynas promotes transparency and encourages open dialogue and engagement with all stakeholders, especially its neighbours.

Nynas has been operating a refinery in Nynäshamn, Sweden, since 1928, and is the largest private employer in the area. With the initiative "Good Neighbour" Nynas aims for transparency by establishing a dialogue with politicians, municipality officials, teachers and others living in Nynäshamn through regular information, invitations to visit the refinery, and participation in different councils and meetings. Nynas is also a member of the local Nynäshamn business committee. In 2018 Nynas arranged an Open House activity at the refinery. The event was well-attended with 850 visitors taking the opportunity to see the otherwise closed refinery. Nynas fully met its objectives to meet potential new employees and provide an opportunity to deepen knowledge about its operations.

The Gothenburg refinery collaborates with Chalmers University of technology through a programme focusing on chemical products from a sustainability perspective. Study visits and support to student projects are also in focus. The refinery takes an active part in external networks, focusing on sharing best practices related to personal and process security.

The Nynas Harburg refinery is located in an industrial area of Hamburg, Germany. Nynas began its takeover of the former Shell Harburg refinery in 2014, providing a long-term commitment for many employees and suppliers. The refinery works with neighbouring companies on flood protection in the Hamburg harbour area and supports community efforts in fire protection and emergency response in the case of flooding or storms.

Corporate Governance

Corporate Governance at Nynas comprises guidelines, structures and processes, through which the Group is managed and controlled. The aim is to ensure efficient and value-creating decision making by clearly specifying the division of roles and responsibilities between the Shareholders, the Board and the Group Executive Committee. Corporate Governance is based on the Swedish Companies Act, applicable parts of the Nasdaq Stockholm Stock Exchange Rules, and in all material respects the Swedish Corporate Governance Code.

Shareholders

Nynas AB, company reg. no, 556029-2509, domiciled in Stockholm, is owned 49.999 per cent by Neste AB, company reg. no. 556232-3906, domiciled in Stockholm, Sweden, and 50.001 per cent by PDV Europa B.V., company reg. no. 27133447 domiciled in The Hague, the Netherlands.

Neste AB is part of a Group in which Neste Oyj, company reg. no. FI 18523029, Espoo, Finland, is the Parent Company. PDV Europa B.V, is part of a Group in which Petróleos de Venezuela S.A., company reg. no. 73023, Caracas, Venezuela, is the Parent Company.

Governance structure of Nynas AB

Shareholders via the Annual General Meeting

The Company's supreme decision-making authority. Adopts the approval of the Annual Report, discharge of responsibility, distribution of profit, changes to Articles of Association and elects Board of Directors and Auditors.

Auditor

Audits the Company's Annual Report, bookkeeping, management and internal controls.

Board Of Directors

Considers and adopts decisions on overall issues concerning the Group and oversees the work of the CEO.

Audit Committee

Monitors the Company's financial accounting and reporting. Reviews the internal control system.

Incentive Compensation Committee

Monitors the terms of compensation and employment of the CEO and senior executives. Reviews proposed major personnel and organisational changes.

Project Review Committee

Prepares decisions of the Board of Directors concerning major strategic and structural projects and thereafter monitors the implementation and achieved results of the projects.

CEO

Manages the Company on the basis of the internal and external corporate governance instruments.

Business areas / functions

Important external instruments
- Swedish Companies Act
- Swedish Bookkeeping Act
- Swedish Annual Accounts Act
- IFRS
- Environmental permits

Important internal instruments
- Articles of Association
- Working procedures for the Board of Directors
- Internal management system

Policies adopted by the Board of Directors
- Finance policy
- HSSE&Q policy
- IP policy
- Information policy

CORPORATE GOVERNANCE

The total number of shares issued is 67,532, of which 33,765 are Class A shares and 33,767 are Class B shares. The share capital is SEK 67.5 million and the listed value is SEK 1,000 per share. One share entitles one vote at Annual and Extraordinary General Meetings. There are no restrictions to the number of votes that each shareholder may cast at General Meetings. No share may be transferred to any entity that is not already a shareholder in the company. The share must immediately be offered to shareholders for redemption by written notice to the Company's Board of Directors. In the same way, the shareholders' agreement stipulates that each shareholder may as a maximum exercise the voting rights for 33,765 shares.

The shareholders' Annual General Meeting is the Company's highest decision-making authority where the shareholders right to adopt decisions concerning Nynas' affairs is exercised. The Annual General Meeting is usually held in the second quarter of the financial year. If necessary, Extraordinary General Meetings may be convened. The Annual General Meeting adopts the Articles of Association and the shareholders elect the members of the Board of Directors at the Annual General Meeting.

The Annual General Meeting also elects the auditors and makes decisions regarding their remuneration. The Annual General Meeting adopts the resolutions to approve the Income Statement and Statement of Financial Position, the distribution of the Company's profits, and the responsibilities of the members of the Board of Directors and the CEO.

Board of Directors

The composition of the Board of Directors

The Board of Directors consists of a minimum of four up to a maximum of eight ordinary members, and two employee representatives (with two deputies). Of the ordinary members and deputy members, who shall all be elected at a Shareholders' Meeting, owners of class A shares shall be entitled to appoint half the number and the owners of class B shares half the number. The CEO is not a member of the Board of Directors.

The work and responsibility of the Board of Directors

The Board of Directors is responsible for the organisation of the company and the administration of the company's affairs. The framework for the work of the Board of Directors is the documented working procedures of the Board which are adopted annually by the Board of Directors.

Working procedures govern the work of the Board of Directors, as well as the division of responsibility between the Board of Directors and the CEO. The Board of Directors monitors the work of the CEO via on-going follow-up of the activities during the year. It is the responsibility of the Board of Directors to ensure that effective systems are in place for follow-up and control of the Company's activities, that there are satisfactory internal control procedures, and that internal Corporate Governance instruments have been determined. The responsibility also includes determining the objectives and strategy, deciding on major acquisitions and divestments of companies, or other major investments, deciding placements and loans, and to adopt the Company's Finance Policy. In addition to the constituent meeting the Board of Directors holds at least three ordinary meetings per year. In 2018, five Board meetings were held. In addition to approval of budgets and major investment projects, the work in 2018 focused on refinancing as well as continued work on strategic and structural issues.

The CEO presents issues to the Board of Directors and states the grounds for the proposed decisions. Other Group officers attend meetings of the Board of Directors as required in order to present particular issues. In order to fulfil its obligations more effectively the Board of Directors has established three committees from among its members: the Audit Committee, the Incentive Compensation Committee and the Project Review Committee.

- The objective of the Audit Committee is to represent the Board of Directors and to monitor the Company's financial reporting, and to monitor the effectiveness of the Company's internal controls, internal audit and risk management. The Committee must keep itself informed of the audit of the Annual Report and the Consolidated Annual Report, review and monitor the impartiality and independence of the auditors, and assist in the preparation of proposals for the Annual General Meeting's decision on the election of auditors. The Audit Committee must also represent the Board of Directors by supporting and monitoring the Group's work on the overall coordination of the Group's risk management. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures must be reported to the Board of Directors on an on-going basis. During 2017 the internal audit function was reorganised and a new full-time position as internal auditor reporting to the Audit Committee was established. In 2018, four meetings were held.
- The objective of the Incentive Compensation Committee is to represent the Board of Directors in matters concerning the terms of compensation and employment of the CEO, and the executives reporting directly to the CEO, on the basis of the principles adopted by the Annual General Meeting and the policies adopted. The Committee also reviews proposed major personnel or organisational changes. The Incentive Compensation Committee must report on its work to the Board of Directors on an on-going basis. In 2018, two meetings were held.

CORPORATE GOVERNANCE

- The objective of the Project Review Committee is to review proposals from the Company's management concerning major strategic and structural projects. The Committee also follows up and approves the implementation of specific projects as determined by the Board of Directors. The Project Review Committee must report on its work to the Board of Directors on an ongoing basis. In 2018, three meetings were held.

Auditors

External auditor

At the 2018 Annual General Meeting the authorised public accounting firm Ernst & Young AB was elected as the Company's external auditor up to and including the 2019 Annual General Meeting. The auditor in charge is Rickard Andersson, Authorised Public Accountant.

The audit is reported to the shareholders as an Auditors' Report. This constitutes a recommendation to the shareholders for their decision at the Annual General Meeting whether to adopt the Income Statements and Statements of Financial Position of the Parent Company and the Group, the distribution of the profit of the Parent Company, and whether to discharge the members of the Board of Directors and the CEO from their responsibilities for the financial year. The audit is conducted in accordance with the Swedish Companies Act and good auditing practice, which means that the audit is planned and performed on the basis of knowledge of the activities, current development and strategies of the Nynas Group. The audit services, among other things, include inspection of compliance with the Articles of Association, the Companies Act and the Annual Accounts Act, as well as the International Financial Reporting Standards (IFRS).

The audit is furthermore reported on an ongoing basis in the course of the year to the Board of respective company and to the CEO and Executive Committee of the Group. See Note 7 concerning the remuneration paid to the auditors.

CEO and Group Executive Committee

The Managing Director of Nynas AB, who is also the Group President and CEO, manages Nynas' activities in accordance with the external and internal Corporate Governance instruments. The framework consists of the annually stated working procedures for the Board of Directors, which also defines how responsibilities are divided between the Board and the Chief Executive Officer. The CEO is responsible for and reports on the development in the Company to the Board of Directors on an on-going basis. The CEO is assisted by a Group Executive Committee that consists of the executives responsible for the business areas and staff functions. Nynas has a structure with strong focus on business responsibility, combined with support from shared Group functions and processes. The CEO leads the work of the Group Executive Committee and adopts decisions in consultation with the other executives. At the close of 2018 there were ten members of the Group Executive Committee. The Group Executive Committee meets one to two times per month to consider the Group's financial development, Group development projects, management and competence provision, and other strategic issues.

Group Treasury

Group Treasury is established as the functional organisation in the Parent Company where most of the Group's financial risks are handled. The function's primary task is to contribute to value creation by managing the financial risks to which the Company is exposed in its normal business activities. To support the work of handling risk exposure the CEO has appointed a Hedging Committee. The Committee is chaired by Nynas' CFO and also includes other members with knowledge and understanding of Nynas' business model.

External Corporate Governance instruments

The external Corporate Governance instruments that determine the framework for Nynas' Corporate Governance consist of the Swedish Companies Act, Annual Accounts Act and other relevant acts. The Swedish Corporate Governance Code must be applied by Swedish limited liability companies whose shares are listed in a regulated market. Nynas' ownership structure therefore does not require the Company to observe the Code. Good Corporate Governance is fundamental to Nynas, and the objective is to ensure solid and adequate Corporate Governance of the Company.

Nynas AB is not a listed public limited company and therefore not required to comply with the Swedish Corporate Governance Code, however in all material aspects Nynas adheres to the Code with the following exceptions in section III, Rules for Corporate Governance:

The shareholders' meeting

Sub sections 1.3 and 1.4: Nynas does not have a nomination committee as the two sole shareholders independently nominate their respective Board members. Both shareholders have internal processes in their own Boards and provide Nynas with their respective nominees. The two shareholders participate with their appointed representatives at the Annual General Meeting.

Sub section 1.7: Minutes of the Annual General Meeting and subsequent Extraordinary Meetings are not posted on Nynas' website as the two shareholders agree they have sufficient access to all minutes and further relevant information.

CORPORATE GOVERNANCE

Appointment and remuneration of the Board and the statutory auditor
Sub section 2: Nynas does not have a nomination committee since the two sole shareholders have agreed to discuss nominations and related matters directly between themselves thereby performing the same function.

The size and composition of the Board
Sub section 4.6: As a consequence of the fact that Nynas does not have a nomination committee it cannot technically comply with this section that describes which information is to be provided to the nomination committee.

Evaluation of the Board of Directors and the Chief Executive Officer
Section 8: Regular and systematic evaluation of the performance of the Board is not done. The evaluation of Board members is carried out independently by the respective shareholder as each shareholder has its internal processes for performance evaluation of their respective Board members. Subsequently, the chairman or the vice chairman of the Board discusses the outcome with the individual Board members.

Remuneration of the Board and Executive Management
Sub sections 9.7 and 9.8 are not applicable since Nynas does not have a share incentive scheme.

Information on Corporate Governance
The rules in sub section 10 regarding information on Corporate Governance are only relevant to companies whereby the shares are listed; hence the rules are not applicable to Nynas.

Internal Corporate Governance instruments
The binding internal Corporate Governance instruments are the Articles of Association adopted by the Annual General Meeting and the Working procedures for Nynas' Board of Directors adopted by the Board of Directors, the instructions for the CEO of Nynas, instructions for the financial reporting to the Board of Directors, the instructions for the committees nominated by Nynas' Board of Directors, as well as the Finance Policy.

In addition to these Corporate Governance instruments there is also an internal management system that includes a number of policies and binding rules stating guidelines and instructions for the Group's activities and employees. The most important policy document is the Nynas Code of Conduct, which for instance includes regulations for compliance with competition legislation, policies that prohibit bribery and corruption, policy on people and human rights, policy on information management and policy on health, safety, security, environment and quality.

Internal control of financial reporting
The financial statements are established in accordance with prevailing legislation, International Financial Reporting Standards (IFRS) as adopted by the EU and the listing agreement with Nasdaq Stockholm. This description of internal control over financial reporting has been prepared in accordance with the Annual Accounts Act and constitutes an integrated part of the Corporate Governance Report.

Control environment
The CEO of Nynas regulates the governance of the Nynas Group. It includes the Nynas Code of Conduct, delegation of responsibilities, including signatory and authorisation principles for decision making and cost approvals, and request and approval procedures in regards to investments and acquisitions, among other items.

The Nynas Financial Reporting Manual and Procedures govern control over financial reporting. These documents contain detailed instructions regarding accounting policies and financial reporting procedures to be applied by all Nynas reporting entities. In the major countries where Nynas operates, Finance or Accounting Managers are appointed to support local management and the finance organisation and to provide a link between reporting entities and Group Finance. At group level, Group Financial Control manages the reporting process to ensure the completeness and accuracy of financial reporting and compliance with IFRS requirements. Group Business Control performs business analysis and compiles reports on operational performance. Both statutory and management reporting is conducted in close cooperation with business areas and specialist functions such as tax, treasury and legal to ensure the correct reporting of the income statement, balance sheet, equity and cash flow.

Control activities
Internal Control activities have been affected in all areas that impact upon financial reporting. The internal control activities follow the logic of the reporting process and the finance organisation. In each reporting entity, the finance staff is responsible for accurate accounting and the closing of books. Finance staff adheres to the Nynas Financial Reporting Manual and Procedures and validates and reconciles local accounts before submitting them to business area management and Group Finance for consolidation.

Controllers in the business areas and functions perform analytical reviews and investigations, conduct business trend analyses and update forecasts and budgets. They investigate certain issues related to the financial information as and when needed. All business areas present their financial performance in written reports to the Group Executive Management on a monthly basis. Group Financial Control and Group Business Control have key responsibilities for control activities regarding financial reporting.

CORPORATE GOVERNANCE

Information and communication
Financial reports setting out the Group's financial position and the earnings trend of operations are submitted regularly to the Nynas Board. The Board deals with the Annual Report prior to publishing and monitors the audit of internal control and financial statements conducted by external auditors.

Major subsidiaries in the form of legal entities also have a system of internal Board meetings with a formal agenda, including financial information, monitoring and decisions related to financial and accounting matters.

Steering documents, such as policies and procedures and instructions, are updated regularly on the company's intranet and are available to all Nynas employees.

Information to external parties is communicated on the Nynas website, which contains news and press releases. The Annual Report is made available to shareholders and the general public, both as a printed version and electronically on Nynas' website, nynas.com.

Monitoring and follow-up
Each business entity manager and their respective finance organisation are ultimately responsible for continuously monitoring the financial information of the various entities. The information is also monitored at a business area level, by group staff functions, the Group Executive Management and by the Board.

The quality of the financial reporting process and internal controls is assessed by Group Finance every month as part of the quality assurance of reporting.

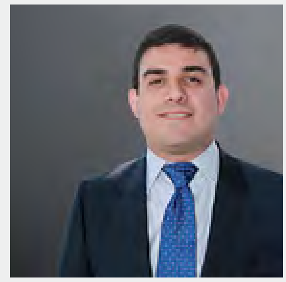
Internal Audit is an independent and objective function that systematically evaluates and proposes improvements for more effective governance, internal control and risk management processes throughout the Nynas Group. The function reports directly to the Audit Committee, and performs its work in accordance with a risk-based internal audit plan. Opportunities for improvements identified in the internal audits are reported to responsible business area management for actions. The Head of Internal Audit reports administratively to the CFO and informs the management team about audit activities that have been performed.

The external auditors continuously examine the level of internal control over financial reporting. They review internal control procedures during the autumn including a more detailed examination of the operations. Finally, the external auditors perform a standard examination of the annual accounts of almost all legal entities in the Group, as well as the Annual Report.

BOARD OF DIRECTORS

JYRKI MÄKI-KALA
Born 1961. Chairman of the Board.
CFO, Neste Corporation.
Board member since 2018.
Nationality: Finnish.

FERNANDO DE QUINTAL
Born 1985. Vice Chairman of the Board.
VP of Commerce & Supply, PDVSA.
Board member since 2018.
Nationality: Venezuelan.



HENRY ARDILA
Born 1980.
Manager of Legal Affairs in Commerce & Supply, PDVSA.
Board member since 2018.
Nationality: Venezuelan.

HANNELE JAKOSUO-JANSSON
Born 1966.
Senior Vice President, Human Resources and Safety, Neste Corporation.
Board member since 2018.
Nationality: Finnish.

SHEILA RIVAS PUERTA
Born 1974.
General Manager Product Operations, PDVSA.
Board member since 2018.
Nationality: Venezuelan.

MIKA RYDMAN.
Born 1965.
Vice President and Group Treasurer, Neste Corporation.
Board member since 2018.
Nationality: Finnish.

CHRISTIAN STÅHLBERG
Born 1974.
General Counsel, Neste Corporation.
Board member since 2018.
Nationality: Finnish.

ARYENIS TORREALBA
Born 1981.
General Manager of Crude Oil, PDVSA.
Board member since 2019.
Nationality: Venezuelan.

ROLAND BERGVIK
Born 1967.
Employee Representative.
Board member since 2010.
Nationality: Swedish.

PIA OVRIN
Born 1966.
Employee Representative.
Board member since 2013.
Nationality: Swedish.

Auditor
RICKARD ANDERSSON
Born 1973. Authorised Public Accountant at Ernst & Young AB.
Auditor in charge of the Nynas Group since 2015.
Present customer assignments include Hexagon, Alimak Group and Pricer.

GROUP EXECUTIVE COMMITTEE

BO ASKVIK
Born 1958. Interim President and CEO.
Education: MBA in Business Administration and Finance, Stockholm School of Economics.
Previous experience: CFO at Sapa, Intrum Justitia, Sanitec, PA Resources, and various finance positions in Nordstjernan, Östgöta Enskilda Bank, Neste, Borealis and TeliaSonera.
Employed since 2014.
In current position since 2019.
Nationality: Swedish.

ROLF ALLGULANDER
Born 1962. Vice President Manufacturing.
Education: MSc Chemistry, MBA.
Previous experience: Site Manager, Borealis, Kallo, Cracker Manager, Borealis Portugal, Production Manager, Borealis Stenungsund.
Employed since 2007.
In current position since 2007.
Nationality: Swedish.

EWA BESKOW
Born 1957. Director Human Resources.
Education: MSc Metallurgy.
Previous experience: Director Human Resources, SVP Worldwide, Director Human Resources, VSM Group, Vice President Human Resources, Volvo Car Corporation, Engine Division, Director Human Resources Uddeholm Tooling.
Employed since 2006.
In current position since 2006.
Nationality: Swedish.

PETER BÄCKLUND
Born 1956. Business Area Director Bitumen Nordic.
Education: University degree in Economics, Business Administration & Marketing. Previous experience: Managing Director, Nynas GmbH, Market Manager, Electrical Industry/Lubricant Industry, Manager Nynas Insulating Oil Management.
Employed since 1986.
In current position since 2008.
Nationality: Swedish.

JIM CHRISTIE
Born 1960. Business Area Director Bitumen UK and Western Europe.
Education: HND Civil Engineering.
Previous experience: Sales Director Nynas UK, various commercial roles within Nynas, Sales Manager Colas.
Employed since 1994.
In current position since 2008.
Nationality: British.

SIMON DAY
Born 1967. Vice President Naphthenics.
Education: MSc Chemistry, MBA.
Previous experience: Director Supply Chain, CEO, Nynas US Inc, Head of Marketing, Electrical Industry Naphthenics, Head of Business Development and Planning Naphthenics, Head of Planning, Eastham, Nynas Bitumen UK, Refinery Engineer, Stanlow Refinery, Shell UK.
Employed since 1996.
In current position since 2014.
Nationality: British.

ANDERS NILSSON
Born 1968. Director Supply Chain.
Education: MSc Mathematics, MBA Industrial & Financial Economics.
Previous experience: Sales Director Europe, Naphthenics Supply Chain Manager, Naphthenics, Swedish Railways, Lecturer in Mathematics, Technical University Luleå.
Employed since 2000.
In current position since 2014.
Nationality: Swedish.

HANS ÖSTLIN
Born 1961. Director Communication.
Education: Berghs School of Communication. IHM Business School.
Previous experience: Various positions in marketing and communications at ITT Flygt and Nynas, Senior Consultant at Rita Platzer PR.
Employed since 2006.
In current position since 2006.
Nationality: Swedish.

Multi-year overview

GROUP

SEK million	2018	2017	2016	2015	2014
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME					
Net sales	16,863	14,990	12,525	16,248	22,522
Operating expenses	-16,415	-14,071	-11,696	-15,155	-21,368
Depreciation	-647	-591	-481	-384	-404
Share of profit/loss of joint ventures	21	14	21	28	24
OPERATING RESULT	**-178**	**343**	**368**	**737**	**775**
Net financial items	-414	-328	-264	-273	-308
NET INCOME BEFORE TAX	**-592**	**15**	**105**	**464**	**466**
Tax	-202	-5	-30	-118	-188
NET INCOME FOR THE YEAR	**-793**	**10**	**75**	**346**	**279**
STATEMENT OF FINANCIAL POSITION					
Fixed assets	5,784	6,088	5,868	5,189	4,265
Inventories	5,004	3,352	3,234	2,311	3,548
Current receivables	2,559	2,277	2,330	2,027	2,828
Cash & cash equivalents and short-term investments	845	546	416	950	898
ASSETS	**14,192**	**12,262**	**11,848**	**10,477**	**11,538**
Equity	3,250	3,539	3,661	3,823	3,425
Long-term interest-bearing liabilities	7,497	4,667	4,897	990	4,303
Long-term non-interest-bearing liabilities	421	386	345	385	633
Current interest-bearing liabilities	301	1,350	414	3,078	16
Current non-interest-bearing liabilities	2,723	2,320	2,531	2,202	3,161
EQUITY AND LIABILITIES	**14,192**	**12,262**	**11,848**	**10,477**	**11,538**
STATEMENT OF CASH FLOWS					
Cash flow from operating activities	-8	415	298	644	692
Changes in working capital	-955	-413	-762	1,119	-158
CASH FLOW FROM OPERATING ACTIVITIES	**-963**	**2**	**-464**	**1,763**	**534**
Cash flow from investing activities	-428	-464	-1,161	-1,484	-545
CASH FLOW AFTER INVESTING ACTIVITIES	**-1,391**	**-462**	**-1,625**	**279**	**-11**
Proceeds from borrowings, repayment of borrowings	1,690	592	1,091	-227	-29
Dividend	0	0	0	0	0
CHANGE IN CASH & CASH EQUIVALENTS	**299**	**130**	**-534**	**52**	**-40**
CASH & CASH EQUIVALENTS AT END OF YEAR	**845**	**546**	**416**	**950**	**898**
KEY FINANCIAL RATIOS[1]					
Operating result before depreciation (EBITDA)[2]	805.0	1,218.0	1,009.0	1,265.0	1,336.0
Net debt	6,953.0	5,471.0	4,895.0	3,117.0	3,421.0
Working capital	4,853.0	3,341.0	3,163.0	2,474.0	3,654.0
Return on average capital employed (12 months rolling), %[2]	1.4	6.5	6.2	11.7	13.2
Return on average capital employed, %	-2.2	3.4	3.3	8.4	9.8
Return on equity, %	-23.4	0.3	2.0	8.0	8.3
Net debt/equity, %	213.9	154.6	133.7	81.5	99.9
Equity to assets ratio, %	22.9	28.9	30.9	36.5	29.7
Number of full-time employees	1,003.0	1,016.0	1,013.0	817.0	854.0

1) Definitions, see page 121
2) Excluding non-recurring items

Income statement and statement of comprehensive income

		GROUP	
SEK million	**Note**	**2018**	**2017**
INCOME STATEMENT			
Net sales	2	16,863.1	14,990.5
Cost of sales	3	-14,151.8	-11,710.0
GROSS RESULT		**2,711.3**	**3,280.5**
Other income and value changes	3	46.1	77.4
Distribution costs	3	-2,911.1	-2,909.2
Administrative expenses	3	-74.5	-100.3
Share of profit/loss of joint ventures	15	21.5	13.8
Other operating income	4	349.8	427.7
Other operating expenses	4	-320.8	-446.8
OPERATING RESULT	2, 3, 4, 5, 6, 7, 8	**-177.7**	**343.2**
Finance income	9	21.2	76.1
Finance costs	9	-435.1	-404.6
NET FINANCIAL ITEMS		**-413.8**	**-328.5**
NET INCOME BEFORE TAX		-591.6	14.7
Tax	10	-201.7	-5.0
NET INCOME FOR THE YEAR		**-793.3**	**9.7**
STATEMENT OF COMPREHENSIVE INCOME			
Net income for the year		-793.3	9.7
Items that will be reclassified to the income statement:			
Translation differences		139.6	-2.2
Currency hedges of net investments	28	-190.6	-67.8
Income tax associated with currency hedges of net investments		41.9	14.9
Cash flow hedges	28	663.0	-151.2
Income tax associated with cash flow hedges		-151.4	26.8
TOTAL AMOUNT THAT WILL BE RECLASSIFIED TO THE INCOME STATEMENT		**502.5**	**-179.5**
Items that will not be reclassified to the income statement:			
Actuarial loss/gain pensions		-8.9	61.4
Income tax associated with actuarial loss/gains pensions		3.6	-13.5
Inflation adjustment Argentina according to IAS 29		6.8	–
TOTAL AMOUNT THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT		**1.5**	**47.9**
Other comprehensive income for the year, net after tax		504.0	-131.6
COMPREHENSIVE INCOME		**-289.3**	**-121.9**
Attributable to shareholders of the Parent Company		**-289.3**	**-121.9**

Earnings per share

The calculation of earnings per share is based on profit attributable to equity holders of the Parent Company.
The average number of shares in 2018 and 2017 was 67,532.

	2018			2017		
	Profit for the year	**Numbers of shares**	**Per share**	**Profit for the year**	**Numbers of shares**	**Per share**
Earnings per share	-793.3	67,532	-11,747	9.7	67,532	143

As Nynas does not have, and did not have during the year, any outstanding convertible and subscription warrant programmes, no dilution effects arose during calculation of earnings per share.

Statement of financial position

		GROUP	
SEK million	**Note**	**2018-12-31**	**2017-12-31**
ASSETS			
FIXED ASSETS			
INTANGIBLE ASSETS			
Goodwill	12	8.1	8.1
Supply contracts/customer lists	12	0.0	0.0
Computer software	12	66.1	70.3
TOTAL INTANGIBLE ASSETS		**74.2**	**78.4**
TANGIBLE ASSETS			
Land and buildings	13	276.2	289.0
Plant and machinery	13	4,503.7	4,630.1
Equipment	13	132.8	124.6
Construction in progress	13	362.7	375.5
TOTAL TANGIBLE ASSETS		**5,275.4**	**5,419.2**
FINANCIAL ASSETS			
Investments in associates and joint ventures	15	129.8	93.9
Derivative instruments		1.9	0.0
Other long-term receivables	16	3.9	3.6
Deferred tax assets	10	299.1	492.8
TOTAL FINANCIAL ASSETS		**434.7**	**590.3**
TOTAL FIXED ASSETS		**5,784.2**	**6,087.9**
CURRENT ASSETS			
Inventories	17	5,004.1	3,351.7
Accounts receivable	18, 26	1,323.8	1,344.2
Receivables from joint ventures	30	0.3	0.3
Derivative instruments	26 , 27, 28	550.0	108.5
Tax receivables		78.0	42.7
Other current receivables	26	450.0	611.0
Prepayments and accrued income	19, 26	156.8	170.1
Cash and cash equivalents	20, 26	844.5	546.1
TOTAL CURRENT ASSETS		8,407.6	**6,174.6**
TOTAL ASSETS		**14,191.8**	**12,262.5**

Statement of financial position

		GROUP	
SEK million	**Note**	**2018-12-31**	**2017-12-31**
EQUITY AND LIABILITIES			
EQUITY, GROUP	21		
Share capital		67.5	67.5
Reserves		-103.6	-607.5
Retained earnings, incl. net income for the year		3,286.1	4,079.4
TOTAL EQUITY		**3,250.1**	**3,539.4**
INTEREST-BEARING LIABILITIES			
Shareholder loan	24, 26	1 ,137.1	–
Liabilities to credit institutions	24, 26	5,430.7	3,829.7
Provisions for pensions	22	929.3	837.7
TOTAL LONG-TERM INTEREST-BEARING LIABILITIES		**7,497.0**	**4,667.4**
NON-INTEREST-BEARING LIABILITIES			
Other long-term liabilities		70.5	73.7
Derivative instruments	26, 27, 28	3.5	0.7
Deferred tax liability	10	186.5	111.1
Provisions for pensions	22	4.7	3.6
Other provisions	23	155.7	196.3
TOTAL LONG-TERM NON-INTEREST-BEARING LIABILITIES		**420.9**	**385.5**
TOTAL LONG-TERM LIABILITIES		**7,917.9**	**5,052.9**
INTEREST-BEARING LIABILITIES			
Liabilities to credit institutions	24, 26	300.9	1,349.6
TOTAL CURRENT INTEREST-BEARING LIABILITIES		**300.9**	**1,349.6**
NON-INTEREST-BEARING LIABILITIES			
Accounts payable	26	794.6	607.7
Liabilities to joint ventures	30	11.9	4.8
Derivative instruments	26, 27, 28	86.2	347.3
Tax liabilities		51.7	93.2
Other current liabilities	26	550.9	161.7
Accrued liabilities and deferred income	25, 26	1,215.0	1,071.9
Other provisions	23	12.5	33.4
TOTAL CURRENT NON-INTEREST-BEARING LIABILITIES		**2,722.9**	**2,320.0**
TOTAL CURRENT LIABILITIES		**3,023.8**	**3,669.6**
TOTAL EQUITY AND LIABILITIES		**14,191.8**	**12,262.5**

For information on the Group's pledged assets and contingent liabilities, see Note 29.

Statement of changes in equity

GROUP

SEK million	Share Capital	Defined Benefit Pension Plans	Cash Flow Hedges	Currency Hedges of Net Invest-ments	Translation Reserve	Retained Earnings	Total Equity
OPENING BALANCE JAN 1, 2017	67.5	-257.8	-73.5	-109.2	-35.5	4,069.8	3,661.4
Net income for the year	–	–	–	–	–	9.7	9.7
Other comprehensive income	–	47.9	-124.4	-52.9	-2.2	–	-131.6
COMPREHENSIVE INCOME	0.0	47.9	-124.4	-52.9	-2.2	9.7	-121.9
CLOSING BALANCE DEC 31, 2017	67.5	-209.9	-197.8	-162.1	-37.7	4,079.4	3,539.4
Net income for the year	–	–	–	–	–	-793.3	-793.3
COMPREHENSIVE INCOME	–	1.5	511.6	-148.7	139.5	-793.3	-289.3
Dividend paid	–	–	–	–	–	–	–
CLOSING BALANCE DEC 31, 2018	67.5	-208.4	313.7	-310.8	101.8	3,286.1	3,250.1

Cash flow statement

		GROUP	
SEK million	**Note**	**2018**	**2017**
OPERATING ACTIVITIES			
Profit after financial items		-591.6	14.7
Reversal of non-cash items	31	694.4	579.8
Taxes paid		-111.2	-179.4
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		-8.4	415.1
WORKING CAPITAL			
Operating receivables		559.2	-2.6
Inventories		-1,629.9	-143.0
Operating liabilities		115.9	-267.4
CHANGES IN WORKING CAPITAL		-954.7	-413.1
CASH FLOW FROM OPERATING ACTIVITIES		-963.1	2.0
INVESTING ACTIVITIES			
Acquisition of intangible assets		-20.9	-48.8
Acquisition of tangible fixed assets		-405.2	-378.9
Investment in financial assets and environmental liabilities		-1.8	-37.3
Disposal/reduction of financial assets		0.1	0.8
CASH FLOW FROM INVESTING ACTIVITIES		-427.8	-464.2
FINANCING ACTIVITIES	31		
Proceeds from borrowings		2,994.8	1,103.5
Amortisations of borrowings		-1,304.9	-413.8
CASH FLOW FROM FINANCING ACTIVITIES		1,688.9	689.7
CASH FLOW FOR THE YEAR		298.0	227.5
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR		546.1	415.8
Exchange differences		0.4	-97.2
CASH & CASH EQUIVALENTS AT END OF YEAR	20	844.5	546.1

NOTES TO THE CASH FLOW STATEMENT

The Group received interest of SEK 76.1 (21.0) million and paid interest of SEK 303.4 (173.8) million during the year.

Income statement and statement of comprehensive income

		PARENT COMPANY	
SEK million	**Note**	**2018**	**2017**
INCOME STATEMENT			
Net sales	33	15,056.2	13,006.2
Cost of sales	34	-13,588.5	-11,235.7
GROSS RESULT		**1,467.7**	**1,770.5**
Other income and value changes	34	42.2	57.7
Distribution costs	34	-1,810.7	-1,786.0
Administrative expenses	34	-19.1	-80.1
Other operating income	35	289.7	335.2
Other operating expenses	35	-272.9	-402.1
OPERATING RESULT	33, 34, 35, 36, 37, 38, 39	**-303.2**	**-104.8**
Finance income	40	232.3	1,221.1
Finance costs	40	-673.7	-448.1
NET FINANCIAL ITEMS		**-441.3**	**773.1**
PROFIT/LOSS AFTER FINANCIAL ITEMS		**-744.5**	**668.2**
Appropriations	41	-0.1	0.0
NET INCOME BEFORE TAX		**-744.6**	**668.2**
Tax	42	-134.0	111.6
NET INCOME FOR THE YEAR		**-878.6**	**779.8**
STATEMENT OF COMPREHENSIVE INCOME			
Net income for the year		-878.6	779.8
Other comprehensive income:			
Items that will be reclassified to the income statement:			
Cash flow hedges		547.9	-153.0
Income tax associated with cash flow hedges		-124.5	27.0
TOTAL AMOUNT THAT WILL BE RECLASSIFIED TO THE INCOME STATEMENT		**423.4**	**-126.0**
Items that will not be reclassified to the income statement:			
Acquisition / pensions		0.0	0.0
TOTAL AMOUNT THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT		0.0	0.0
Other comprehensive income for the year, net after tax		423.4	-126.0
COMPREHENSIVE INCOME		-455.2	653.8

Balance sheet

		PARENT COMPANY	
SEK million	**Note**	**2018-12-31**	**2017-12-31**
ASSETS			
FIXED ASSETS			
INTANGIBLE ASSETS			
Computer software	43	65.5	69.6
TOTAL INTANGIBLE ASSETS		**65.5**	**69.6**
TANGIBLE ASSETS			
Land and buildings	44	201.0	215.0
Plant and machinery	44	2,184.3	2,290.2
Equipment	44	99.1	101.5
Construction in progress	44	220.5	233.8
TOTAL TANGIBLE ASSETS		**2,704.9**	**2,840.4**
FINANCIAL ASSETS			
Investments in Group companies	45	2,876.9	2,876.9
Derivative instruments		1.9	0.0
Other long-term receivables		2.1	2.1
Deferred tax assets	42	56.1	239.6
TOTAL FINANCIAL ASSETS		**2,937.0**	**3,118.7**
TOTAL FIXED ASSETS		**5,707.4**	**6,028.6**
CURRENT ASSETS			
Inventories	46	4,044.4	2,636.9
CURRENT RECEIVABLES			
Accounts receivable	47, 55	710.7	648.8
Receivables from Group companies	55	909.7	867.5
Derivative instruments	27, 28, 55	550.0	108.5
Tax receivables		20.0	19.5
Other current receivables	55	176.4	324.3
Prepayments and accrued income	48, 55	81.3	100.2
TOTAL CURRENT RECEIVABLES		**2,448.1**	**2,068.8**
CASH & CASH EQUIVALENTS	49, 55	**463.7**	**87.7**
TOTAL CURRENT ASSETS		**6,956.2**	**4,793.4**
TOTAL ASSETS		**12,663.7**	**10,822.0**

Balance sheet

SEK million	Note	PARENT COMPANY 2018-12-31	PARENT COMPANY 2017-12-31
EQUITY AND LIABILITIES			
EQUITY	50		
Share capital		67.6	67.6
Statutory reserve		96.0	96.0
TOTAL RESTRICTED EQUITY		**163.7**	**163.7**
Retained earnings		2,665.1	1,461.9
Net income for the year		-878.6	779.8
TOTAL UNRESTRICTED EQUITY		**1,786.6**	**2,241.7**
TOTAL EQUITY		**1,950.2**	**2,405.3**
UNTAXED RESERVES	41	**4.2**	**4.4**
LONG-TERM LIABILITIES			
INTEREST-BEARING LIABILITIES			
Shareholder loan	53, 55	1,137.1	–
Liabilities to credit institutions	53, 55	5,430.7	3,829.7
Liabilities to Group companies		0.2	0.2
Provisions for pensions	51	190.5	177.3
TOTAL LONG-TERM INTEREST-BEARING LIABILITIES		**6,758.5**	**4,007.3**
NON-INTEREST-BEARING LIABILITIES			
Other long-term liabilities		22.4	23.4
Derivative instruments	27, 28, 55	3.5	0.7
Provisions for deferred taxes	42	97.6	22.5
Other provisions	52	141.1	142.7
TOTAL LONG-TERM NON INTEREST-BEARING LIABILITIES		**264.6**	**189.2**
TOTAL LONG-TERM LIABILITIES		**7,023.1**	**4,196.5**
CURRENT LIABILITIES			
INTEREST-BEARING LIABILITIES			
Liabilities to credit institutions	53, 55	256.4	1,309.3
Liabilities to Group companies		808.5	1,034.2
TOTAL CURRENT INTEREST-BEARING LIABILITIES		**1,064.9**	**2,343.4**
NON-INTEREST-BEARING LIABILITIES			
Accounts payable	55	612.4	428.0
Liabilities to Group companies	55	365.7	145.2
Derivative instruments	27, 28, 55	86.2	347.3
Tax liabilities		15.0	13.9
Other current liabilities	55	488.5	89.9
Accrued liabilities and deferred income	54, 55	1,042.2	841.5
Other provisions	52	11.4	6.5
TOTAL CURRENT NON-INTEREST-BEARING LIABILITIES		**2,621.3**	**1,872.4**
TOTAL CURRENT LIABILITIES		**3,686.2**	**4,215.8**
TOTAL EQUITY AND LIABILITIES		**12,663.7**	**10,822.0**
MEMORANDUM ITEMS			
Pledged assets	56	–	–
Contingent liabilities	56	801.8	165.6

Statement of changes in equity

PARENT COMPANY

SEK million	Share Capital	Statutory Reserves	Cash Flow Hedges	Acqui-sition	Retained Earnings	Total Equity
OPENING BALANCE JAN 1, 2017	67.5	96.0	-10.4	32.9	1,565.9	1,751.9
Net income for the year	–	–	–	–	779.7	779.7
Other comprehensive income	–	–	-126.3	–	–	-126.3
COMPREHENSIVE INCOME	0.0	0.0	-126.3	0.0	779.7	653.4
CLOSING BALANCE DEC 31, 2017	67.5	96.0	-136.7	32.9	2,345.6	2,405.3
Net income for the year	–	–	–	–	-878.6	-878.6
Other comprehensive income	–	–	423.4	–	–	423.4
COMPREHENSIVE INCOME	–	–	423.4	–	-878.6	-455.2
CLOSING BALANCE DEC 31, 2018	67.5	96.0	286.7	32.9	1,467.1	1,950.2

Share capital at 31 Dec 2018 consisted of 67,532 shares, including 33,765 Class A shares and 33,767 Class B shares.
This is unchanged from the previous year.
The Board proposes a dividend of SEK 0 (0) per share for the year 2018.

Statement of cash flow

		PARENT COMPANY	
SEK million	**Note**	**2018-12-31**	**2017-12-31**
OPERATING ACTIVITIES			
Profit after financial items		-744.6	668.2
Reversal of non-cash items	58	403.8	391.5
Taxes paid		0.9	-1.9
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		**-339.9**	**1,057.8**
WORKING CAPITAL			
Operating receivables		277.7	-270.0
Inventories		-1,407.5	-121.6
Operating liabilities		641.1	-403.9
CHANGES IN WORKING CAPITAL		**-488.7**	**-795.5**
CASH FLOW FROM OPERATING ACTIVITIES		**-838.6**	**262.3**
INVESTING ACTIVITIES			
Acquisition of intangible assets		-20.9	-48.3
Acquisition of tangible fixed assets		-226.9	-152.0
Investment in financial assets		–	-58.7
CASH FLOW FROM INVESTING ACTIVITIES		**-247.8**	**-259.1**
FINANCING ACTIVITIES	58		
Proceeds from borrowings		2,994.5	2.9
Amortisations of borrowings		-1,535.0	–
CASH FLOW FROM FINANCING ACTIVITIES		**1,459.5**	**2.9**
CASH FLOW FOR THE YEAR		**383.2**	**6.1**
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR		**87.7**	**150.0**
Exchange differences		-7.1	-68.5
CASH & CASH EQUIVALENTS AT END OF YEAR	49	**463.7**	**87.7**

NOTES TO THE CASH FLOW STATEMENT

The Parent Company received dividends of SEK 214.5 (1,147.2) million and interest income of SEK 17.0 (73.4) million, while interest expenses amounted to SEK 361.4 million (299.6).

Accounting policies

General information

Nynas Group comprises the Parent Company Nynas AB (publ), its subsidiaries, holdings in joint ventures and associates. The Parent Company is incorporated in Sweden and its registered office is in Stockholm. The address of the Head Office is Lindetorpsvägen 7, SE-121 63 Johanneshov.

Nynas AB is 49.999 per cent owned by Neste AB, reg. no. 556232-3906, registered office Stockholm, Sweden, and 50.001 per cent owned by PDV Europa B.V., reg. no. 27133447, registered office The Hague, Netherlands. Neste AB is part of a group in which Neste Oyj, reg. no. FI 18523029 with registered office in Espoo, Finland, is the ultimate parent. PDV Europa B.V. is part of a group in which Petróleos de Venezuela S.A., reg. no. 73023, registered office Caracas, Venezuela is the ultimate parent.

Nynas AB has issued a parent company guarantee pursuant to Section 479(C) of the UK Companies Act 2006 for the financial year 2018 on behalf of the subsidiaries companies registered in England, see below. The parent company guarantee applies to all outstanding liabilities for the subsidiaries at the balance sheet date until the obligations have been fulfilled. The subsidiaries have applied the exemption from statutory audit provided for in Section 479(A) of the UK Companies Act 2006.

Subsidiaries:
– Nynas Ltd (CRN 02359113)
– Nynas Naphthenics Ltd (CRN 2450786)

The annual accounts and consolidated annual financial statements were approved for issue by the Board on 23 April 2019. The consolidated income statement and statement of financial position and the Parent Company's income statement and balance sheet will be presented for adoption at the Annual General Meeting to be held on 23 April 2019.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) as adopted by the EU. In addition, RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, have been applied.

The Parent Company applies the same accounting policies as the Group, except in the cases described below in the section entitled "The Parent Company's Accounting Policies".

The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. Consequently, the financial statements are presented in Swedish kronor. All amounts are stated in SEK millions unless otherwise indicated.

Assets and liabilities are measured at historical cost, apart from certain financial assets and liabilities, which are measured at fair value. Financial assets and liabilities measured at fair value consist of derivative instruments classified as financial assets at fair value through profit or loss and available-for-sale financial assets.

Preparation of financial statements in compliance with IFRS requires management to make critical judgments, accounting estimates and assumptions which affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expense. The actual outcome may differ from these estimates and assumptions.

Estimates made by management during the application of IFRS which have a significant effect on the financial statements, and assumptions that may result in material adjustments to the following year's financial statements are described in more detail in Note 1 Significant accounting estimates.

The accounting estimates and assumptions are reviewed regularly. Changes in accounting estimates are recognised in the period of the change if the change only affects that period. Changes are recognised in the period of the change and future periods if the change affects both.

The policies below have been applied consistently for all presented years unless otherwise stated.

Changes in accounting principles

Changed accounting policies as a result of new amended IFRSs
Nynas applies IFRS 15 starting on 1 January 2018 and IFRS 9 from 2017. Other changes in IFRS with application as from 2018 have not had any significant effect on the Group's accounting.

IFRS 9 Financial Instruments
Nynas applied the new standard IFRS 9 Financial instruments from 1 January 2017 which was one year earlier than the effective date. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement and provides a logical model for classification and measurement, a single, forward-looking expected loss' impairment model and a substantially-reformed approach to hedge accounting. The new standard has had no effect on the classification and measurement of Nynas' current financial assets and liabilities. The impairment model of IFRS 9 has had a minor impact on the provisioning for impairment of trade receivables balances. The new hedge accounting model allows Nynas to apply hedge accounting to all derivative contracts used in the economic risk management activities of the business. Previously this was only achievable on bitumen-related risk management activities.

IFRS 15 Revenue from contracts with customers – the standard replaces IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfer of assets from customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The new standard provides a five-step model to determine when to recognise revenue. According to the now present standards, revenues are to be recognised when the essential risk and rewards associated with the goods or services are transferred to the buyer. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is then recognised. The standard is applied as of 1 January 2018. Nynas' revenues come from the sale of bitumen and naphthenic products and are normally recognised

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when goods are delivered to the customers, which is basically in line with IFRS 15. During 2017, Nynas finalised the review of Nynas revenue streams, including review of a number of standard contracts used, to check possible implications of the new standard. The conclusion of the assessment is that Nynas has no material differences affecting the numbers and no restatements will be made.

IFRS 16 Leases
Nynas will apply IFRS 16 Leases, starting on 1 January 2019. IFRS 16 introduces a uniform lease recognition model for lessees. A lessee recognises a right-of-use asset, which represents a right to use the underlying asset, and a lease liability, which represents an obligation to make lease payments. Exceptions are made for short-term leases and low value leases. For lessors, recognition is similar to the current standard, i.e. the lessor continues to classify leases as finance or operating leases. IFRS 16 replaces IAS 17 Leases.

During 2018 a project group worked with preparations ahead of application of the new standard together with external accounting specialists. The project involved compiling and reviewing the Group's leases, updating systems, and workshops and training for employees affected by IFRS 16.

- Leases where Nynas is lessee
  Nynas will report new assets and liabilities for operating leases for depots, tank rentals, vessels and offices and Nynas lease portfolio included almost 200 contracts. The costs for these leases will change, since Nynas will recognise depreciation of the right-of -use assets and interest expenses for the lease liabilities.

  Previously Nynas recognised operating lease expenses on a linear basis over the lease term and recognised assets (prepaid lease payments) and liabilities (accrued lease payments) only to the extent that there was a difference between the actual lease payments and the recognised cost.

- Leases where Nynas is lessor
  No significant effect is expected for leases where Nynas is lessor. All leases are classified as operating leases.

- Transition and relief rules
  Nynas has chosen to perform the transition in line with the Cumulative catch-up approach and has applied the expedient to not restate any comparative information. Right-of-use assets have been determined as an amount equal to the lease liabilities as identified. Leases with a lower value (<5000 USD) will not be included in the lease liability but will continue to be reported with a linear expensing over the lease term. The existence of leases with an original lease term of no more than 12 months, so-called short-term leases, is considered to be insignificant and they will also continue to be reported with linear expensing over the lease term.

- Estimated effects 1 January 2019
  Nynas expects that operating profit for 2019 will increase compared with the use of the previous accounting policies on account of the fact that part of the lease expenses will be recognised as an interest expense. Cash flow from operating activities is expected to increase, and cash flow from financing activities is expected to decrease on account of the fact that the amortisation portion of lease payment will be recognised as payments in the financing activities. The estimated effects on the balance are presented in the table below.

MSEK	Estimated adjustments due to Transition to IFRS 16 Leases	Estimated adjusted opening balance 1 January 2019
Right-of use assets	1,435	1,435
Lease liabilities, interest bearing	1,435	1,435

Basis of consolidation
The consolidated financial statements cover the Parent Company and all subsidiaries. Subsidiaries are entities in which the Parent Company directly or indirectly owns more than 50 per cent of the voting power or has some other form of control.

The consolidated financial statements are prepared using the acquisition method, which means the acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. Identifiable acquired assets and assumed liabilities in a business acquisition are measured initially at their fair value on the acquisition date. Transaction costs attributable to the acquisition are recognised as incurred. With effect from the acquisition date, the acquiree's income and expenses, identifiable assets and liabilities, and any intangible assets, such as supply contracts, customer lists and goodwill, are included in the consolidated accounts. Subsidiaries are deconsolidated from the date on which control ceases.

The accounting policies for subsidiaries have been adapted where necessary, in order to ensure consistent application of the Group's policies.

Joint ventures
Holdings in joint ventures, in which the Group has joint control, are accounted for using the equity method. This means that the carrying amount of the investment in a joint venture corresponds to the Group's share of the joint venture's equity, and any residual value of fair value adjustments. The Group's share of the joint venture's profit after financial items, adjusted for any amortisation or reversals of fair value adjustments, is reported under Share of profit/loss of joint ventures in the consolidated income statement. Dividends from joint ventures are not included in the Group's profit for the year.

Foreign branches
The functional currency is the local currency of the country in which the branch operates. Translation into Swedish kronor takes place in accordance with IAS 21. Balance sheet items are translated using the closing rate, while income statements items are translated using the average rate for the period in which the item occurred.

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Foreign currency
Functional currency and reporting currency Items included in the financial statements of the various entities in the Group are reported in the currency used in the economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Swedish kronor, which is the Group's reporting currency.

Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign currency monetary assets and liabilities are translated at the closing rate. Exchange gains and losses on translation of these transactions are recognised in profit or loss. Exchange gains and losses on operating receivables and liabilities are reported under operating result, while gains and losses on financial receivables and liabilities are reported under financial items.

Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the foreign operation's functional currency to the Group's reporting currency, SEK, at foreign exchange rates prevailing at the balance sheet date. Revenues and expenses of foreign operations are translated to SEK at average rates that approximate the foreign exchange rates prevailing at each of the transaction dates. Translation differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income and are accumulated in a separate component of equity, a translation reserve. When the foreign operation is divested, the accumulated translation differences attributable to the divested foreign operation are reclassified from equity to profit or loss for the year as a reclassification adjustment at the date on which the profit or loss on the divestment is recognised.

Net investments in foreign currency
The Parent Company has taken positions in foreign currencies in order to hedge the majority of its net investments in foreign subsidiaries against exchange rate changes. Exchange differences on these positions have been recognised directly in the Group's other comprehensive income for the year, taking into account the tax effect, to the extent that they correspond to translation differences recognised during the year.

Reporting of operating segments and geographical market

Reporting of operating segments
Nynas's business is organised in a manner that allows the Group's chief operating decision maker, meaning the CEO, to monitor results and capital employed generated by the various products in the Group. Each operating segment has a Business Area Manager that is responsible for day to-day activities and who regularly reports to the CEO regarding the results of the operating segment's work and the need for resources. Since the CEO monitors the business' result and decides on the distribution of resources based on the products the Group manufactures and sells and the services it provides, these constitute the Group's operating segments.

The Group's operations are organised in two business areas, Bitumen and Naphthenics based on products. The market organisation also reflects this structure. Segment results, assets and liabilities include only those items that are directly attributable to the segment and the relevant portions of items that can be allocated on a reasonable basis to the segments.

Group staff functions and Group-wide functions are allocated based on those items that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segments, unallocated items for functions are reported under Other. Items where the accounting method differs between the Business Areas and the Group are also reported under the heading Other. The market to market valuation of some financial derivative instruments used to manage oil and currency risks are reported under Other, until such time as the underlying flows are reflected in the Income Statement and distributed between the respective segments.

Unallocated items comprise interest and dividend income, gains on disposal of financial investments, interest expense, losses on the disposal of financial investments, and income tax expense.

Reporting of geographical market
Sales figures are based on the country in which the customer is located. Assets and investments are reported in the location of the asset.

Revenue recognition

Recognised revenue is the fair value of the consideration received or receivable from goods sold or services rendered in the course of the Group's ordinary activities, excluding VAT, discounts and returns, and after elimination of intra-group transactions. Revenue is classified as follows:

Sale of goods
Revenue is recognised when control passes to the customer. A customer obtains control when they have the ability to direct the use of the asset (goods/products) and to obtain substantially all of the benefits embodied in the same. In most cases this will be the same point in time as when risks and rewards passes and therefore there will be no change in the timing of revenue recognition.

Interest income
Interest income is recognised over the relevant period using the effective interest method.

Dividend
Dividend income is recognised when the right to receive payment is established.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss for the year except when the under-

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lying transaction is recognised in other comprehensive income. In these cases, the associated tax effects are recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax liabilities are offset against current tax receivables and deferred tax assets are offset against deferred tax liabilities when the entity has a legal right to offset these items. Deferred tax is recognised based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their value for tax purposes. Deferred taxes are measured at their nominal amount and based on the expected manner of realisation or settlement of the carrying amount of the underlying assets and liabilities, using tax rates and fiscal regulations enacted or substantively enacted at the balance sheet date. Deferred tax assets relating to deductible temporary differences and tax loss carry-forwards are recognised only to the extent that it is probable they can be utilised against future taxable profits.

Tangible assets

Tangible fixed assets are recognised as an asset in the balance sheet when it is probable that future economic benefits associated with the asset will flow to the Company and the cost can be measured reliably. Tangible fixed assets are recognised at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the asset. Parts of tangible fixed assets with different useful lives are treated as separate components of tangible fixed assets. The carrying amount of a tangible fixed asset is derecognised on its disposal, or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the disposal of a tangible fixed asset is the difference between the selling price and the asset's carrying amount less direct costs to sell.

Basis of depreciation for tangible fixed assets

Depreciation of tangible fixed assets is based on original cost less any residual value. Depreciation takes place on a straight-line basis over the useful life of the asset. The Group applies component depreciation, which means depreciation is based on the estimated useful lives of components. The residual values and useful lives of assets are reviewed annually.

- Buildings over 20–50 years
- Land improvements over 20–25 years
- Plant & machinery and equipment
  - Processing facilities over 10–20 years
  - Tanks over 10–40 years
  - Plant & machinery and equipment over 5–20 years
- Equipment
  - Office equipment and computers over 3–10 years
  - Other equipment over 5–10 years

Repair and maintenance, major inspection and overhauling expenses, spare parts in investments

Expenditure on major maintenance or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to Nynas, the expenditure is capitalised. Maintenance, inspection and overhaul costs, associated with regularly scheduled major maintenance programmes planned and carried out at recurring intervals, are capitalised and amortised over the period to the next scheduled inspection and overhaul. All other maintenance costs are expensed as incurred.

Leases

The Group applies IAS 17 when classifying leases as finance leases or operating leases. A lease is classified as an operating lease when it does not transfer substantially all the risks and rewards incidental to ownership. Payments made under operating leases are recognised as an expense on a straight-line basis over the lease term. The Group does not have any significant finance leases.

Intangible assets

Goodwill

Goodwill arises when the cost of a business combination exceeds the fair value of the acquired identifiable assets and liabilities according to the acquisition analysis. Goodwill has arisen from business combinations, resulting in increased profitability on integration into the Nynas Group. Goodwill has an indefinite useful life and is tested for impairment annually and when required. For impairment testing, goodwill is allocated to the cash generating units expected to benefit from the business combination in which the goodwill item arose.

Supply contracts/customer lists

Supply contracts and customer relationships acquired in a business combination is recognised at the acquisition date fair value. Supply contracts and customer relationships have a finite useful life and are recognised at cost less accumulated amortisation and impairment. Amortisation takes place on a straight-line basis over the life of the supply contract or customer relationship.

Computer software

A number of production and information systems have been capitalised. Direct external and internal expenditure on the development of software for internal use is capitalised. Expenditure on pilot studies, training and regular maintenance is recognised as an expense as it is incurred. The value of intangible assets is reviewed at least once a year. If an asset's carrying amount exceeds its recoverable amount, it is written down to the recoverable amount immediately.

The useful life of information systems developed internally is between five and ten years. Software relating to production planning and logistics optimisation has an estimated useful life of ten years.

Basis of amortisation for intangible assets

Amortisation of intangible assets is based on original cost less any residual value. Depreciation takes place on a straight-line basis over the useful life of the asset.

ACCOUNTING POLICIES

- Goodwill
- Supply contracts/customer lists over 7–10 years
- Trademarks over 5 years
- Computer software over 3–10 years

Impairment of tangible fixed assets and intangible assets

The carrying amounts of the Group's goodwill and depreciable assets are tested for impairment annually or whenever there is an indication that a particular asset may be impaired. The Group's depreciable assets are reviewed at each reporting date to establish whether there is any indication of impairment. If any such indication exists, the asset is tested for impairment.

An impairment loss is recognised if the asset's recoverable amount, i.e. the higher of value in use and net realisable value, is lower than the carrying amount.

When calculating value in use, future cash flows are discounted using a pre-tax discount rate that reflects the current market view of risk-free interest and risk specific to the asset.

Reversal of impairment losses

Impairment losses recognised for assets are reversed if there is no longer an indication of impairment and there has been a change in the assumptions on which the estimate of recoverable amount was based. However, goodwill impairment is never reversed.

An impairment loss is only reversed to the extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset.

Financial instruments

Financial instruments reported under assets in the statement of financial position include cash & cash equivalents, accounts receivable, shares, loan receivables and derivative instruments. Financial instruments reported under liabilities and equity includes accounts payable, loan liabilities and derivative instruments.

Recognition of financial assets and liabilities

A financial asset or liability is recognised in the statement of financial position when the Company becomes a party to the instrument's contractual terms. Accounts receivable are recognised when an invoice has been sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognised when invoices are received.

A financial asset is derecognised when the rights to receive benefits have been realised, expired or the Company loses control over them. The same applies to a component of a financial asset. A financial liability is derecognised when the contractual obligation has been settled or extinguished in some other way. The same applies to a component of a financial liability. A financial asset and a financial liability may be offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Purchases and sales of financial assets are recognised on the trade date (the commitment date).

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. IFRS9 contains three principal classification categories for financial assets: measured at amortised costs, FVOCI and FVTPL. The standard eliminates the existing IAS39 categories of held to maturity, loans and receivables and available for sale. Based on assessment, Nynas does not have any impact on the new classification requirements. See Note 26 for details about each type of financial asset.

Impairment

IFRS 9 replaces the incurred loss model in IAS39 with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised costs (trade receivables). Nynas applies the simplified approach for trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Loans

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost. Amortised cost is calculated based on the effective interest method used at initial recognition. At each reporting date, Nynas assesses whether there is any objective indication that a loan is impaired. Loans are assessed individually. Objective evidence may include significant financial difficulties experienced by the issuer or debtor, a breach of contract, such as a default or delayed payment of interest or principal, and/or the probability that the borrower will enter into bankruptcy or some other financial reconstruction. Impairment losses on loans are recognised in operating expenses under distribution costs.

Cash and cash equivalents

Cash & cash equivalents consist of cash, demand deposits with banks and similar institutions and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

Other financial liabilities

Accounts payable and loan liabilities are classified as other financial liabilities. Accounts payable have short expected settlement terms and are measured at nominal amounts with no discounting. Loan liabilities are classified as other financial liabilities, which mean they are recognised at amortised cost using the effective interest method.

ACCOUNTING POLICIES

Hedge accounting
Nynas documents its risk management objective and strategy for undertaking various hedge transactions. Nynas designates their derivatives as hedges of foreign exchange risk and oil price risk associated with the cash flows of highly probable forecast transactions (cash flow hedges). Nynas documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 28. Movements in the hedging reserve in shareholders' equity are shown in Note 28. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges that qualify for hedge accounting
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within operating income. When forward contracts are used to hedge forecast transactions, the company generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income in the costs of hedging reserve within equity.

Hedging of net investments
Investments in foreign subsidiaries (net assets including goodwill) have been partially hedged by means of foreign exchange forward contracts. The effective portion of changes in the fair value of derivative instruments designated as hedges of a net investment is recognised in other comprehensive income and accumulated in the translation reserve in equity. The ineffective portion is recognised directly under financial items. Cumulative gains and losses in equity are recycled into profit or loss through other comprehensive income on disposal of the foreign operation.

Inventories
Inventories are stated at the lower of cost and net realisable value, with due consideration of obsolescence. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the first-in/first-out (FIFO) principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Employee benefits
Post-employment benefits
The Group has defined contribution and defined benefit pension plans. Pension costs for defined contribution plans are recognised in the income statement as employees render service. Pension obligations are measured on an undiscounted basis, as all these plans fall due within twelve months. The Group's net defined benefit obligation is determined separately for each plan, based on company-specific actuarial assumptions. These include assessments of future salary increases, rate of inflation, mortality, attrition rate and changes in the income base amount. Pension obligations are discounted to their present value. The calculation of defined benefit pension plans has been done in accordance with the "Project Unit Credit method" by an independent external actuary. The discount rate on first-rate corporate bonds is used in those countries where there is a functional market for such bonds (in Sweden the rate is determined based on the market rate of mortgaged-backed bonds as this is comparable with high quality corporate bonds). Other countries use government bonds as a basis for the rate. Net actuarial gains and losses and the difference between the actual return and the discount rate for pension plan assets will be recognised in Other comprehensive income. The financing cost of the net pension liability is calculated using the discount rate for the pension liability. The financing cost, the cost of service during the current period and any previous periods, losses from settlements and costs in connection with special payroll tax are all reported in the income statement. Special payroll tax is regarded as part of total net pension liability.

The obligation for retirement pension and family pension for employees in Sweden is covered partly by insurance with Collectum. In accordance with the statement of the Swedish Financial Reporting Board, UFR 10, this is a multi-employer defined benefit plan. For the 2017 financial year, the Company did not have access to sufficient information to enable it to report this plan as a defined benefit plan. Consequently, the ITP pension plan insured through Collectum is reported as a defined contribution plan.

Provisions
A provision is recognised in the statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount. Where the effect of the

ACCOUNTING POLICIES

time value of money is material, the amount of a provision shall be calculated as the present value of the expenditures required to settle the obligation. The provisions are mainly related to restructuring and environmental obligations.

Restructuring
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. No provision is posted for future operating costs.

Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Group are lower than the unavoidable cost of meeting its obligations under the contract.

Contingent liabilities
A contingent liability is a potential undertaking that derives from events which have occurred and whose incidence is only confirmed by one or more uncertain future events. A contingent liability can also be an existing undertaking that has not been reported in the Balance Sheet because it is unlikely that an outflow of resources will be required or because the size of the undertaking cannot be calculated. See Note 29.

Accounting policies – Parent Company
The Parent Company prepares its financial statements in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. RFR 2 requires the Parent Company, as a legal entity, to prepare its annual financial statements in compliance with all the IFRS and IFRIC interpretations adopted by the EU, to the extent possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and taking into account the relationship between tax income/expense and accounting profit. Nynas AB applies the same recognition criteria and accounting policies as the Group, apart from the exceptions described below.

Employee benefits/defined benefit plans
When calculating the defined benefit pension plans, the Parent Company applies the rules contained in the Swedish Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations to the extent that they are required for tax deductibility. The main differences from IAS 19 relate to determination of the discount rate and the fact that the defined benefit obligation is based on the present salary level, without taking into account future salary increases, and that all actuarial gains and losses are recognised immediately in profit or loss.

Taxes
Untaxed reserves are recognised including of deferred tax liability in the Parent Company. In the consolidated financial statements, untaxed reserves are divided into deferred tax liability and equity.

Group contributions and shareholder contributions
Shareholder contributions are recognised directly in the recipient's equity and capitalised in the contributor's shares and participating interests, to the extent that no impairment has been identified.

Group contributions received from subsidiaries are recognised under finance income in the income statement. Group contributions paid to subsidiaries are recognised as an investment.

Investments in group companies
Investments in Group companies are recognised at cost less any impairment losses. Dividends received are recognised as income, while repayments of contributed capital reduce the carrying amount.

Financial guarantees
The Parent Company's financial guarantees consist mainly of sureties in favour of subsidiaries. Financial guarantees mean that the Company has an obligation to reimburse the holder of a debt instrument for losses it incurs because a specified debtor fails to make payment when due under the contractual terms. When reporting financial guarantees, the Parent Company applies an exemption from the provisions of IAS 39 permitted by the Swedish Financial Reporting Board. The exemption relates to financial guarantees issued in favour of subsidiaries, associates and joint ventures. The Parent Company reports financial guarantees as a provision in the balance sheet when the Company has an obligation, and an outflow of resources is likely to be required to settle the obligation.

Contents Notes

Notes to the financial statements – Group

(Amount in tables in SEK million unless otherwise stated)

Note 1. Significant accounting policies and accounting estimates

Provision for future environmental programmes
Nynas has two refineries and a number of bitumen terminals requiring operating permits under Swedish environmental law. The refinery in,Eastham – jointly owned with another party – and the bitumen terminal in Dundee are operated under the United Kingdom's national environmental laws. Operation of the refinery in Harburg is regulated between Nynas and the environmental authority of the city of Hamburg.

Future restoration costs associated with the operations' environmental impacts may be difficult to establish, both in terms of size and timing. Changes in environmental legislation and the emergence of new cleaning up technology are factors that may affect the size of the provision. Consequently, the provision may need to be adjusted in the future, which may have a material effect on future financial results. See also Note 23.

Income tax
Significant estimates are made to determine both current and deferred tax liabilities/assets, not least the value of deferred tax assets. The company must then determine the possiblilty that deferrd tax assets will be utilized and offset against future taxable profits. The actual results may differ from these estimates, for instance due to changes in the business climate, changed tax legislation, or the outcome of the final review by tax authorities and tax courts of tax returns. In Belgium and Sweden tax losses carry forwards are only to a minor part recognised since utilisation of these losses is very small. For values see Note 10.

Nynas has tax litigation cases mainly in South America and ongoing tax audits/questions in other countries. Management consults with legal experts on tax litigation cases and tax audits. It is management's assessment that the tax litigations may have a negative effect on the financial position or on the financial statement but the size and timing is difficult to predict. See Note 29.

Assumptions in the calculation of pension provisions
The actuarial assessment of pension obligations and pension costs is based on the actuarial assumptions which are specified in Note 22. A change to any of these assumptions may have a considerable effect on the estimated retirement benefit obligation and pension costs. The discount rate is determined by reference to the return on a mortgage bond of a term consistent with the Group's average remaining term of the obligation, which for Nynas is 30 years.

Disputes
Nynas conducts domestic and international operations and is occasionally involved in disputes and legal proceedings arising in the course of these operations. These disputes and legal proceedings are not expected, either individually or collectively, to have any significant negative impact on Nynas' operating profits, profitability or financial position. See Note 29.

Note 2. Segment information

2.1 Information on business segments

For additional information, please refer to "General accounting principles" for segment reporting.

	Naphthenics		Bitumen		Other		Elimination		Group	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
NET SALES										
External sales	8,305.4	7,686.4	8,572.3	7,276.9	-14.7	27.2	–	–	16,863.1	14,990.5
Internal sales	0.0	0.0	39.1	27.6	5,991.5	5,254.4	-6,030.6	-5,282.0	0.0	0.0
NET SALES TOTAL	**8,305.5**	**7,686.4**	**8,611.4**	**7,304.5**	**5,976.9**	**5,281.6**	**-6,030.6**	**-5,282.0**	**16,863.1**	**14,990.5**
Operating result before depreciation and non-recurring items	328.3	806.5	461.9	550.3	15.0	-138.9			805.2	1,217.9
Non recurring items	0.0	0.0	0.0	0.0	-322.8	-265.7			-322.8	-265.7
OPERATING RESULT BEFORE DEPRECIATION	**328.3**	**806.5**	**461.9**	**550.3**	**-307.8**	**-404.6**			**482.4**	**952.2**
Depreciation/amortisation and impairment	-513.6	-461.8	-80.5	-77.6	-53.1	-51.2			-647.2	-590.6
Depreciation joint ventures	–	–	-10.3	-10.9	–	–			-10.3	-10.9
OPERATING RESULT	**-185.3**	**344.7**	**371.1**	**461.8**	**-360.9**	**-455.8**			**-175.2**	**350.6**
Net financing costs									-413.8	-328.4
Net financing costs and income tax relating to joint venture									-2.7	-7.5
Income tax for the year									-201.7	-5.0
NET INCOME FOR THE YEAR									**-793.4**	**9.7**
OTHER DISCLOSURES										
Fixed assets	4,593.6	4,666.5	816.9	821.7	373.7	599.7			5,784.2	6,087.9
Inventory and Current Receivables	6,275.3	4,630.8	1,278.5	960.2	9.3	37.5			7,563.1	5,628.5
Assets in capital employed	10,868.9	9,297.3	2,095.4	1,781.9	383.0	637.2			**13,347.3**	**11,716.4**
Other liabilities incl provisions	-2,071.7	-1,709.5	-1,041.5	-879.1	-30.6	-116.9			-3,143.8	-2,705.5
TOTAL CAPITAL EMPLOYED	**8,797.2**	**7,587.8**	**1,053.9**	**902.8**	**352.4**	**520.3**			10,203.5	9,010.9

NOTES

Con't. Note 2

2.2 Infomation by geographical market and sales revenues by category

SALES REVENUES BY GEOGRAPHICAL MARKET	2018	2017
Sweden	1,899.9	1,598.0
Rest of Nordics	3,789.1	3,098.7
Rest of Europe	7,879.5	7,067.0
Americas	384.0	466.6
Other	2,910.6	2,760.3
TOTAL	**16,863.1**	**14,990.5**

TOTAL ASSETS BY GEOGRAPHICAL MARKET	2018	2017
Sweden	7,172.2	5,364.0
Rest of Nordics	127.7	105.7
Rest of Europe	5,321.9	5,319.0
Americas	654.9	638.7
Other	915.2	835.1
TOTAL	**14,191.8**	**12,262.5**

INVESTMENTS BY GEOGRAPHICAL MARKET	2018	2017
Sweden	247.8	205.4
Rest of Nordics	24.5	45.1
Rest of Europe	152.9	177.1
Americas	0.5	0.1
Other	0.3	0.2
TOTAL	**425.9**	**427.7**

SALES REVENUES BY CATEGORY	2018	2017
Sale of goods, external	16,838.1	14,956.2
Revenue from services	25.0	34.3
TOTAL	**16,863.1**	**14,990.5**

Note 3. Costs itemised by nature of expense

	2018	2017
Raw materials	11,619.1	9,494.2
Transport and distribution costs	2,089.0	2,066.7
Manufacturing expenses	1,231.0	1,049.1
Costs for employee benefits (Note 5)	1,066.0	1,003.2
Depreciation, amortisation, impairment (Notes 12, 13)	647.4	590.6
Other income and value changes	-46.1	-77.4
Other expenses	463.4	501.8
TOTAL	**17,069.8**	**14,628.2**

Other income and value changes consists of unrealised gain and losses from oil and currency derivatives of 46.1 (77.4)

NOTES

Note 4. Other operating income and expenses

OTHER OPERATING INCOME	2018	2017
Exchange gains on operating receivables/liabilities	287.6	367.2
Other service revenue	62.2	60.6
TOTAL	**349.8**	**427.7**

OTHER OPERATING EXPENSES	2018	2017
Exchange losses on operating receivables/liabilities	-320.8	-446.8
TOTAL	**-320.8**	**-446.8**

Note 5. Employees, personnel expenses and remuneration of senior executives

The average number of employees, with wages, salaries, other remuneration, social security contributions and pension costs, is shown in the tables below.

	2018			2017		
AVERAGE NUMBER OF EMPLOYEES	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
PARENT						
Sweden	329	138	467	322	136	458
TOTAL PARENT	**329**	**138**	**467**	**322**	**136**	**458**
GROUP						
Sweden	329	138	467	322	136	458
TOTAL SWEDEN	**329**	**138**	**467**	**322**	**136**	**458**

	2018			2017		
AVERAGE NUMBER OF EMPLOYEES	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
United Kingdom	57	24	81	59	24	83
Belgium	8	9	17	8	9	17
Poland	12	4	16	12	4	16
Estonia	14	3	17	14	3	17
Spain	3	2	5	3	2	5
Germany	251	30	281	254	33	287
France	4	4	8	5	4	9
Denmark	4	2	6	4	2	6
Finland	3	2	5	3	3	6
USA	2	3	5	2	3	5
Other countries	43	52	95	56	49	105
TOTAL OUTSIDE SWEDEN	**401**	**135**	**536**	**420**	**136**	**556**
TOTAL GROUP	**730**	**273**	**1,003**	**742**	**272**	**1,014**

NOTES

Con't. Note 5

EMPLOYEE BENEFIT COSTS, GROUP	2018	2017
Wages, salaries and other benefits	744.4	710.8
Pension costs, defined benefit (see also Note 22)	107.3	80.0
	38.5	46.5
Social security contributions	175.8	165.9
TOTAL GROUP	1,066.0	1,003.2

	2018			2017		
REMUNERATION AND OTHER BENEFITS, SENIOR EXECUTIVES, GROUP	President and CEO*	Other senior executives	Total	President and CEO	Other senior executives	Total
Basic salary	4.8	15.2	20.0	4.5	14.6	19.2
Variable pay	1.6	1.8	3.4	1.1	0.8	1.9
Other benefits	0.1	0.5	0.6	0.1	0.4	0.5
Social security contributions	2.2	5.3	7.5	1.8	5.2	7.0
Pension costs	1.5	5.4	6.9	1.4	4.7	6.1
TOTAL	10.2	28.2	38.4	8.9	25.8	34.7

*) Refers to Gert Wendroth.

Nynas Group Management 2018 (not including CEO): Rolf Allgulander, Simon Day, Bo Askvik, Anders Nilsson, Ewa Beskow, Jim Christie, Peter Bäcklund, Hans Östlin, Pieter Godderis.

Nynas Group Management 2017 (not including CEO): Rolf Allgulander, Simon Day, Bo Askvik, Anders Nilsson, Ewa Beskow, Jim Christie, Peter Bäcklund, Hans Östlin. In 2018 0.2 MSEK (0.4) was paid in fees to one board member.

Group president and CEO

Termination of employment in relation to the President requires 6 months notice by either party.

In the event of involuntary termination of employment, the President is entitled to termination benefits corresponding to 6 months' salary.

GENDER DISTRIBUTION IN SUBSIDIARIES BOARD	2018	2017
Female representation, %		
Board	28.1	23.2
Group Management	10.0	11.1

Note 6. Depreciation and amortisation of tangible and intangible assets

	Intangible		Tangible	
DEPRECIATION AND AMORTISATION BY FUNCTION	2018	2017	2018	2017
Cost of sales	3.3	4.6	561.2	515.8
Distribution costs	0.8	0.8	41.3	40.1
Administrative expenses	21.1	18.7	19.7	10.6
TOTAL	25.2	24.1	622.2	566.5

DEPRECIATION AND AMORTISATION BY TYPE OF ASSET	2018	2017
Computer software	25.2	24.1
Buildings	16.0	11.4
Land improvements	7.0	7.7
Plant and machinery	566.5	510.1
Equipment	32.7	37.3
TOTAL	647.4	590.6
TOTAL RECOGNISED DEPRECIATION	647.4	590.6

NOTES

Note 7. Auditors' fees and other remuneration

AUDIT FEES	2018	2017
ERNST & YOUNG AB		
Annual audit	6.1	5.9
Other audit services	0.4	0.6
Tax advisory services	2.6	1.6
Other services	0.1	0.3

Note 8. Fees for operating leases

PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	2018	2017
Payments during the financial year	485.0	479.2
AGREED FUTURE PAYMENTS		
Within one year	328.3	366.5
2–5 years	809.9	851.4
6 years and thereafter	418.2	465.4

In 2018 Nynas AB had two bitumen carriers on bareboat charters and two special oil carriers on time charters.

The leases have different conditions and include a right of extension. Other operating leases relate mainly to tanks and leased premises. The Group does not have any material agreements classified as finance leases.

Note 9. Net financial items

	2018	2017
Interest income, bank deposits	5.7	2.9
Interest income, associates	0.4	0.4
Interest income, derivative instruments (actual interest rates)	15.1	72.8
TOTAL FINANCIAL INCOME	**21.2**	**76.1**
Of which total interest income attributable to items carried at amortised cost	6.1	3.3
Interest expense, loans and bank overdrafts	-337.9	-280.7
Interest expense, derivative instruments (actual interest rates and changes in value)	-17.5	-15.8
Interest expense, PRI pension obligations	-7.3	-6.9
Net exchange differences	11.1	-12.6
Other finance costs*	-83.5	-88.6
TOTAL FINANCIAL COSTS	**-435.1**	**-404.6**
Of which total interest expense attributable to items carried at amortised cost	-345.2	-287.6
TOTAL NET FINANCIAL ITEMS	**-413.9**	**-328.5**

* Mainly relates to up front fee.

Note 10. Taxes

	2018	2017
Current tax	-113.3	-114.6
Current tax, prior years	33.4	-51.9
Deferred tax	-121.8	161.4
TOTAL	**-201.7**	**-5.0**

Tax on the Group's profit before tax differs from the theoretical figure that would have resulted from a weighted average rate for the results in the consolidated companies as follows:

	2018	2017
Result before tax	-591.6	14.7
Tax according to Parent Company's applicable tax rate	130.2	-3.2
Effect of different tax rates for foreign subsidiaries	-10.6	-3.8
TAX EFFECT OF:		
Other non-deductible expenses	-13.7	-10.7
Other non-taxable income	14.8	15.0
Adjustment of current tax in respect of prior years	33.4	-51.9
Increase/decrease in tax carry forwards without corresponding capitalisation of deferred tax	-208.1	3.4
Change in valuation of tax carry forwards	-150.1	40.3
Tax attributable to Joint Venture	2.6	3.0
Currency	0.0	0.8
Other	-0.2	2.1
RECOGNISED TAX EXPENSE	**-201.7**	**-5.0**
Standard rate of income tax, %	22	22
Effective tax rate, %	-34	34

DEFERRED TAX ASSETS AND LIABILITIES	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Land and buildings	0.0	0.0	9.7	7.4	-9.7	-7.4
Machinery and equipment	10.2	11.5	57.3	76.7	-47.1	-65.2
Inventories	1.7	0.1	0.0	4.5	1.7	-4.4
Other operating receivables/liabilities	46.7	93.4	115.5	23.8	-68.8	69.6
Pension liabilities	169.5	179.1	0.0	0.0	169.5	179.1
Tax loss carry forwards	66.9	209.9	0.0	0.0	66.9	209.9
TOTAL	**295.0**	**494.1**	**182.5**	**112.4**	**112.5**	**381.7**
Offsets	4.0	-1.3	4.0	-1.3	–	–
TOTAL	**299.0**	**492.8**	**186.5**	**111.1**	**112.5**	**381.7**

NOTES

Con't. Note 10

CHANGE IN DEFERRED TAX ON TEMPORARY DIFFERENCES DURING YEAR 2018	Opening Balance	Recognised in income statement	Recognised directly in equity	Acquisition	Exchange differences	Closing Balance
Land and buildings	-7.4	-2.3	–	–	–	-9.7
Machinery and equipment	-65.2	18.1	–	–	–	-47.1
Inventories	-4.4	6.1	–	–	–	1.7
Other operating receivables/liabilities	69.6	13.0	-151.4	–	–	-68.8
Pension liabilities	179.1	-13.6	3.6	0.0	0.4	169.5
Tax loss carry forwards	209.9	-143.0	0.0	0.0	–	66.9
	381.7	**-121.8**	**-147.8**	**0.0**	**0.4**	**112.5**
2017						
Land and buildings	-8.4	1.0	–	–	–	-7.4
Machinery and equipment	-81.1	15.9	–	–	–	-65.2
Inventories	-8.2	3.8	–	–	–	-4.4
Other operating receivables/liabilities	63.6	-20.4	26.4	–	–	69.6
Pension liabilities	177.1	13.8	-12.6	0.0	0.8	179.1
Tax loss carry forwards	62.5	147.4	0.0	0.0	–	209.9
TOTAL	**205.5**	**161.4**	**13.8**	**0.0**	**0.8**	**381.7**

The Group did not recognise deferred tax assets of 514 (183) million in respect of losses amounting to SEK 2,334 (732) million, which can be used against future taxable profit. All of the SEK 2,334 million is available for use in the future indefinitely.

Note 11. Earnings per share

The calculation of earnings per share is based on profit attributable to equity holders of the Parent Company.
The average number of shares in 2018 and 2017 was 67,532.

	2018			2017		
	Profit for the year	**Number of shares**	**Per share**	**Profit for the year**	**Number of shares**	**Per share**
Earnings per share	-793.3	67,532	-11,747	9.7	67,532	143

As Nynas does not have, and did not have during the year, any outstanding convertible and subscription warrant programmes, no dilution effects arose during calculation of earnings per share.

Note 12. Intangible assets

2018	Goodwill	Supply contracts/ Customer lists	Computer software	Other intang. assets/ Trademarks	Total Intangible Assets
Opening cost	275.4	354.5	464.4	1.6	1,095.9
Acquisitions	–	–	-0.6	–	-0.6
Disposals	-78.3	–	-12.0	–	-90.2
Reclassifications	–	–	21.5	–	21.5
Translation differences	1.6	9.5	0.6	0.0	11.7
CLOSING COST	**198.7**	**364.0**	**473.9**	**1.6**	**1,038.3**
Opening regular depreciation	-264.0	-227.5	-369.6	-1.6	-862.7
Disposals	78.3		11.8		90.1
Translation differences	-4.3	-9.5	-0.6	0.0	-14.4
Amortisation for the year	–	0.0	-25.2	0.0	-25.2
CLOSING REGULAR DEPRECIATION	**-190.0**	**-237.0**	**-383.6**	**-1.6**	**-812.2**
Opening impairment	-3.3	-127.0	-24.5	–	-154.8
Translation differences	2.7	–	0.3	–	3.0
CLOSING IMPAIRMENT	**-0.6**	**-127.0**	**-24.2**	–	**-151.8**
CARRYING VALUE	**8.1**	**0.0**	**66.1**	**0.0**	**74.2**

2017	Goodwill	Supply contracts/ Customer lists	Computer soft-ware	Other intang. assets/ Trademarks	Total Intangible Assets
Opening cost	275.4	361.0	416.1	1.6	1,054.1
Acquisitions	–	–	11.4	–	11.4
Reclassifications	–	–	37.4	–	37.4
Translation differences	–	-6.5	-0.4	0.0	-6.9
CLOSING COST	**275.4**	**354.5**	**464.4**	**1.6**	**1,095.9**
Opening regular depreciation	-264.0	-234.0	-345.9	-1.6	-845.5
Translation differences	–	6.5	0.4	0.0	6.9
Depreciation for the year	–	0.0	-24.1	0.0	-24.1
CLOSING REGULAR DEPRECIATION	**-264.0**	**-227.5**	**-369.6**	**-1.6**	**-862.7**
Opening impairment	-3.3	-127.0	-24.5	–	-154.8
Translation differences	0.0	–	0.0	–	-0.1
CLOSING IMPAIRMENT	**-3.3**	**-127.0**	**-24.5**	–	**-154.8**
CARRYING VALUE	**8.1**	**0.0**	**70.3**	**0.0**	**78.4**

NOTES

Con't. Note 12

Impairment testing of goodwill and customer lists/ supply contracts

Goodwill, customer lists and supply contracts are allocated to the Group's cash generating units (CGUs) identified for each country in which the Group operates.

Goodwill, customer lists/supply contracts are allocated as follows:

	2018	2017
United Kingdom	0.0	0.0
Austria	3.7	3.7
Estonia	4.4	4.4
TOTAL	8.1	8.1

The recoverable amount for cash-generating units is determined by calculating the value in use. These calculations use estimated future cash flows, which are based on financial budgets/ long-term plans that have been approved by management and which cover a five-year period.

The cash-flows after this five-year period are extrapolated using an estimated growth rate. Beyond the forecast period, Nynas estimates a residual value:

Gordon's formula is used for projects over SEK 10 million, while for smaller projects a standard factor of six times the unrestricted cash flow for the final year of the forecast period is used.

Significant assumptions used to calculate the value in use:

	2018	2017
Gross margin, %*	2.5	2.5
Rate of growth, %**	2.0	2.0
Discount rate, %***	8.5	9.4

* Budgeted gross margin.
** Weighted average rate of growth used to extrapolate cash flows outside budget period.
*** Pre-tax discount rate used in present value calculation of projected future cash flows.

These assumptions have been used to analyse each CGU. Management has determined the budgeted gross margin based on previous results and their expectations of market development. The weighted average rate of growth used corresponds to the forecasts in sectoral reports. The discount rates used are pre-tax rates and reflect business-specific risks.

NOTES

Note 13. Tangible assets

2018	Buildings	Plant and machinery	Equipment	Construction in progress	Total tangible assets
Opening cost	554.1	9,271.2	549.2	411.5	10,786.1
Acquisitions	5.2	1,645.4	20.9	-1,272.6	398.9
Disposals	-25.0	-16.2	-42.5	0.0	-83.8
Reclassifications and adjustment prior year	2.4	-1,298.0	18.8	1,253.0	-23.8
Translation differences	7.4	121.4	5.1	7.2	141.1
CLOSING COST	**544.1**	**9,723.7**	**551.6**	**399.0**	**11,218.5**
Opening regular depreciation	-253.0	-4,566.5	-421.8	–	-5,241.3
Depreciation adjustment	0.0	0.0	0.0	–	0.0
Disposals	25.0	16.0	42.2	–	83.2
Depreciation reclassifications	–	–	2.5	–	2.5
Translation differences	-4.4	-27.1	-6.2	–	-37.7
Depreciation for the year	-23.0	-566.5	-32.7	–	-622.2
CLOSING REGULAR DEPRECIATION	**-255.4**	**-5,144.1**	**-416.0**	**0.0**	**-5,815.5**
CLOSING RESIDUAL VALUE	**288.7**	**4,579.7**	**135.6**	**399.0**	**5,403.0**
Opening impairment	-12.2	-74.6	-2.8	-36.0	-125.7
Impairment for the year	–	–	–	–	0.0
Translation differences	-0.4	-1.6	0.0	0.0	-2.0
CLOSING IMPAIRMENT	**-12.6**	**-76.2**	**-2.8**	**-36.0**	**-127.7**
CARRYING VALUE	**276.1**	**4,503.4**	**132.8**	**363.0**	**5,275.4**
Of which carrying amount, Sweden	201.0				

2017	Buildings	Plant and machinery	Equipment	Construction in progress	Total tangible assets
Opening cost	541.6	8,775.1	593.3	478.1	10,388.1
Acquisitions	3.5	41.8	6.1	313.1	364.5
Disposals	-16.1	-100.4	-90.7	-0.4	-207.5
Reclassifications	22.2	485.1	42.1	-380.8	168.6
Translation differences	2.9	69.6	-1.5	1.4	72.3
CLOSING COST	**554.1**	**9,271.2**	**549.2**	**411.5**	**10,786.1**
Opening regular depreciation	-245.6	-4,149.1	-475.8	–	-4,870.6
Depreciation adjustment	0.1	0.6	0.5	–	1.2
Disposals	14.2	100.1	89.2	–	203.6
Depreciation reclassification	–	–	–	–	0.0
Translation difference	-2.5	-8.0	1.5	–	-9.0
Depreciation for the year	-19.1	-510.1	-37.3	–	-566.5
CLOSING REGULAR DEPRECIATION	**-253.0**	**-4,566.5**	**-421.8**	**0.0**	**-5,241.3**
CLOSING RESIDUAL VALUE	**301.1**	**4,704.7**	**127.5**	**411.5**	**5,544.8**
Opening impairment	-12.4	-74.9	-2.8	-36.0	-126.2
Impairment for the year	–	–	–	–	0.0
Translation differences	0.3	0.3	0.0	0.0	0.5
CLOSING IMPAIRMENT	**-12.2**	**-74.6**	**-2.8**	**-36.0**	**-125.7**
CARRYING VALUE	**289.0**	**4,630.1**	**124.6**	**375.5**	**5,419.1**
Of which carrying amount, Sweden	215.0				

Note 14. Shares in Group companies

	2018	2017
Opening cost	2,876.9	2,836.6
Contribution in cash [1]	–	40.3
Impairment of shares in subsidary	–	–
CLOSING COST	**2,876.9**	**2,876.9**

1) No contribution has been made during 2018 (contribution in 2017 was made to Nynas A/S, Norway)

GROUP COMPANIES: (SEK thousands)	**Reg. no**	**Reg'd office**	**Number of shares**	**% Holding**	**Currency**	**Carrying amount**
Nynas UK AB, Sweden	556431-5314	Stockholm	1,000	100	SEK	625,176
Nynas Oil Import AB	556726-8841	Stockholm	1,000	100	SEK	100
Nynäs AB [1]	556366-1957	Stockholm	1,000	100	SEK	100
Nynas Ltd, UK	02359113	London	7,647,888	100	GBP	92,323
Nynas Insurance Company Ltd, Bermuda	#11005	Hamilton	91,800	100	SEK	8,349
Nynas A/S, Denmark	A/S 66679	Copenhagen	1,000	100	DKK	36,461
Nynas A/S, Norway	962022316	Drammen	5,400	100	NOK	50,017
AS Nynas, Estonia	10028991	Tallinn	13,600	100	EEK	5,891
Nynas SA, France	328o31232oo049	Bobigny	10,994	99.95	EUR	2,872
Nynas Petroleo SA, Spain	esa78474475	Madrid	49,916	100	EUR	4,534
Nynas Srl, Italy	1249541	Milan	50,000	100	EUR	1,850
Nynas GmbH, Germany	121304433	Düsseldorf	1	100	EUR	2,105
Nynas Pty Ltd, Australia	ACN076.139.029	Brisbane	10,000	100	AUD	54
Nynas Sp. z o.o., Poland	KRS:0000106219	Szczecin	430	100	PLN	1,614
Nynas (South Africa) (Pty) Ltd, South Africa	97/13041-07	Johannesburg	100	100	ZAR	0
Nynas do Brasil Ltda, Brazil	02331563/0001	Sao Paolo	10,000	100	BRL	584
Nynas Canada Inc, Canada	870209335	Toronto	10,000	100	CAD	1,001
Nynas Naphthenics Yaglari Ticaret Ltd Sti, Turkey	632 011 3964	Istanbul	38,489	100	TRL	4,808
Nynas Mexico SA, Mexico	NME010316RF1	Mexico City	50,000	100	MXN	2,910
Nynas Servicios SA, Mexico	NSE010316NM1	Mexico City	50,000	100	MXN	115
Nynas Argentina SA, Argentina	30707778209	Buenos Aires	15,000	100	ARS	181
Nynas Technol Handels GmbH, Austria	FN219950	Graz	1	100	EUR	323
Nynas Petroleum Shanghai Co., Ltd., China	315137	Shanghai	1	100	CNY	2,071
Nynas Baltic Sweden AB, Sweden	556625-4511	Stockholm	1,000	100	SEK	37
Nynas Belgium AB, Sweden	556613-4473	Stockholm	1,000	100	SEK	0
Nynas NV, Belgium	893.286.262	Zaventem	1	0.01	EUR	0
Nynas PTE. Ltd, Singapore	200723567N	Singapore	36,720	100	SGD	217
Nynas AG, Switzerland	CH-170.3.025.994-5	Zug	79,998	99.99	CHF	0
Nynas Inc, USA	800197875	Delaware	100	100	USD	36,693
Nynas OY, Finland	1834987-6	Vantaa	100	100	EUR	125
PT Nynas Indonesia, Indonesia	21.069.383.4-417.000	Jakarta	150,000	100	IDR	1,258
Nynas Naphthenics Private Ltd, India	US1109MH2009FTLI95149	Mumbai	1,000,000	100	INR	753
Nynas Korea Co., Ltd	110111-4222173	Seoul	10,000	100	KRW	314
Nynas Colombia S.A.S	NIT 901.011.627-3	Bogotá	1,000,000	100	COP	2,770
Nynas Germany AB	556858-4170	Stockholm	500	100	SEK	1,991,297
TOTAL INVESTMENTS IN GROUP COMPANIES						**2,876,904**

1) Dormant

NOTES

Con't. Note 14

INDIRECT HOLDINGS IN OPERATING GROUP COMPANIES	Reg. no	Reg'd office	Number of shares	% Holding	Currency
Nynas Naphthenics Ltd, UK	2450786	Guildford	10,000	100	GBP
Nynas Limited Liability Company	1087746838464	Moscow	10,000	100	SEK
Nynas NV, Belgium	893.286.262	Zaventem	11,090	99.99	EUR
Nynas Bitumen Limited	982640	Cheshire	1,000,000	100	GBP
Highway Emulsions Limited	2643238	Cheshire	2	100	GBP
Nynas Verwaltungs GmbH	HRA 117766	Hamburg	25,000	100	EUR
Nynas GmbH & Co KG	HRA 114916	Hamburg	1	100	EUR

Nynas UK AB has a branch in the UK. During 2017 Nynas NV closed its branches in Germany and France.

Note 15. Investments in associates and joint ventures

GROUP	Reg. no	Reg'd office	Number of shares	Holding %	Currency	Carrying amount
Eastham Refinery Ltd, UK	2205902	London	5,000,000	50	GBP	93.9
Share in equity of Eastham Refinery Ltd						
accounted for using equity method						35.9
TOTAL INVESTMENTS IN ASSOCIATES AND JOINT VENTURES						129.8

GROUP'S INTEREST IN THE ASSOCIATES AND JOINT VENTURES ERL	Assets	Liabilities	Income	Profit
Eastham Refinery Ltd, UK	210.9	86.7	145.2	20.2

	2018	2017
Opening balance	93.9	81.7
Profit for the year	21.5	16.2
Dividend	-1.4	-1.1
Translation differences	15.8	-2.9
CLOSING BALANCE	**129.8**	**93.9**

Note 16. Other long-term receivables

	2018	2017
Opening balance	3.6	3.7
Amounts to be received	0.4	-0.2
CLOSING BALANCE	**3.9**	**3.6**

Note 17. Inventories

	2018	2017
Raw materials	1,508.8	891.6
Semi-finished products	517.9	356.5
Finished products	2,977.4	2,103.5
TOTAL	**5,004.1**	**3,351.7**

Amounts relating to impairment losses on inventories are reported under costs of goods sold and are SEK 0 (0) million.

Inventories are stated at the lower of cost and net realisable value, with due consideration of obsolenscence.

Impairment of inventory value per end of 2018 have been done, no need for write down exists.

NOTES

Note 18. Accounts receivable

	2018			2017		
	Gross	Loss allowance	Net carrying amount	Gross	Loss allowance	Net carrying amount
Current receivables	861.2	-0.9	860.3	908.0	-1.1	906.9
Past due 1–30 days	263.5	-0.6	262.9	293.4	-0.9	292.5
Past due 31–90 days	87.5	-0.6	86.9	89.8	-0.8	89.0
Past due 91–180 days	61.4	-2.7	58.7	4.1	-0.7	3.4
Past due 181–360 days	55.6	-2.2	53.5	18.3	0.0	18.3
Past due over 360 days	9.4	-6.2	3.2	42.6	-4.6	38.0
Bankrupcy	0.0	-1.7	-1.7	0.0	-3.8	-3.8
TOTAL ACCOUNTS RECEIVABLES	**1,338.6**	**-14.8**	**1,323.8**	**1,356.1**	**-11.9**	**1,344.2**

Performance obligation

Revenue is recognised when control passes to the customer. A customer obtains control when they have the ability to direct the use of the asset (goods / products) and to obtain substantially all of the benefits embodied in the same. In most cases this will be the same point in time as when risks and rewards passes and therefore there will be no change in the timing of revenue recognition.

Factoring

The Group has applied factoring for a limited part of the invoicing.

At year-end 2018, the part used as Factoring is approximately 10 per cent and has been accounted for as off balance sheet.

Loss allowance

Nynas has moved from an incurred loss model to an expected loss model with an earlier recognition of impairment. Nynas applies the simplified approach for trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date.

The average credit period on sales of goods is 37.1 days. No interest is charged on outstanding trade receivables. Nynas always measure the loss allowance for trade receivables at an amount equal to lifetime ECL. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over 365 days past due, whichever occurs earlier.

Accounts receivable not covered by insurance amounted to 28 per cent at the end of 2018 (20 %). Since approx. 72 per cent of all sales in the Group during the year are covered by the credit insurance, Nynas will only determine an expected credit loss model on sales that are uninsured.

Note 19. Prepayments and accrued income

	2018	2017
Rent	6.3	4.3
Charter hire	38.7	40.6
Pension premiums	5.5	5.1
Software licences	11.2	13.9
Other prepayments	95.1	106.2
TOTAL	**156.8**	**170.1**

Note 20. Cash and cash equivalents

	2018	2017
Cash and bank balances	844.5	546.1
Restricted cash account	0.0	0.0
CASH AND CASH EQUIVALENTS RECOGNISED	**844.5**	**546.1**

The Group's cash & cash equivalents comprise its deposits in the Group's common bank accounts and other bank accounts, including currency accounts and funds in transit.

Note 21. Equity

SPECIFICATION OF EQUITY ITEM 'RESERVES', TRANSLATION RESERVE AND CURRENCY HEDGES OF NET INVESTMENTS	2018	2017
Opening translation reserve and currency hedges of net investments	-199.8	-144.7
Translation reserve and currency hedges of net investments for the year	-9.2	-55.1
CLOSING TRANSLATION RESERVE AND CURRENCY HEDGES OF NET INVESTMENTS	**-209.0**	**-199.8**
TOTAL RESERVES		
Opening reserves	-607.5	-475.9
Changes in reserves during the year	504.0	-131.6
CLOSING RESERVES	**-103.5**	**-607.5**

Reserves

Translation reserve

The translation reserve covers all exchange differences arising on the translation of the financial statements of foreign entities which are presented in a currency other than the Group's presentation currency.

The Parent Company and Group present their financial statements in Swedish kronor.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of a cash flow hedging instrument attributable to hedged transactions that have not yet occurred.

Retained earnings

Retained earnings and net profit for the year include accumulated net profits of the Parent Company and its subsidiaries and associates.

Share capital

In accordance with Nynas AB's articles of association, share capital shall amount to a minimum of SEK 52,000,000 and a maximum of SEK 208,000,000. All shares are fully paid and carry equal voting power and an equal share in the Company's assets.

Two classes of shares are issued - A shares, maximum SEK 103,999,000 and B shares, maximum SEK 104,001,000.

Share capital comprises SEK 33,765,000 in A shares and SEK 33,767,000 in B shares. For more information see page 45, Corporate Governance.

The par value per share is SEK 1,000.

DISTRIBUTION OF SHARE CAPITAL	2018	2017
CHANGE IN TOTAL NUMBER OF SHARES		
Opening number	67,532	67,532
Change during the year	0	0
CLOSING NUMBER	**67,532**	**67,532**

	2018		2017	
Class of share	**Number of shares**	**%**	**Number of shares**	**%**
Class A	33,765	50	33,765	50
Class B	33,767	50	33,767	50
TOTAL	**67,532**	**100**	**67,532**	**100**

Con't. Note 21

A dividend is proposed by the Board in accordance with the Swedish Companies Act and is adopted at the annual general meeting. The proposed, but not yet adopted, dividend for 2018 is SEK 0 (0) per share. Based on the number of shares at 31 December 2018, this represents a total dividend of SEK 0 million.

Capital management

The Group's equity, which is defined as total recognised equity, amounted to SEK 3,250 (3,539) million at the end of the year. The return on equity was -23.4 (0.3) per cent.

Nynas has defined a financial goal of securing long-term growth and maximising the value of its assets. The Board has given the Nynas management group scope for growth and development according to Nynas' strategy by means of self-financing and payment of dividends to shareholders as adopted at the annual general meeting.

Note 22. Provisions for pensions

The Group's employees, former employees and their survivors may be covered by defined contribution and defined benefit plans relating to post-employment benefits. The defined benefit plans cover retirement pension and survivors' pension.

For the defined contribution plans, continous payments to the authority and to independent bodies is done therefore they take over the obligations towards the employees.

The obligation reported in the balance sheet is derived from the defined benefit plans. The largest plans are in Sweden, the United Kingdom, Belgium and Germany. The plans are covered by a re-insured provision in the balance sheet and by pension benefit plans and funds. The calculations are based on the projected unit credit method using the assumptions shown in the table on page 89.

Calculations of defined benefit plans have been done by an independent external actuary.

Nynas' forecast payment of pensions in relation to defined benefit plans, both funded and unfunded, amounts to SEK 42.5 (46.2) million for 2018.

The pension cost and other defined benefit remunerations are to be found in the income statement under the headings Cost of Goods Sold 55.4 MSEK (25.1), sales cost 22.0 MSEK (18.8) and administration cost 30.0 MSEK (36.1). The interest part in the pension cost together with the part of the return on plan assets that is not accounted for in Other Comprehensive Income will be shown in the financial income/expenses.

Sweden

Labourer comprise by the SAF/LO plan which is a defined contribution pension plan based on collective agreements and is comprehended by several employers within several brances. White-collar workers are included in the ITP plan, which also is based on collective agreements and comprises several employers within several branches.

The ITP plan has two parts, the ITP1, a defined contribution pension plan which is valid for employees born 1979 or later, as well as ITP2, a defined contribution pension plan which is valid for employees born before 1979. The major part of the ITP2 plan is managed by Nynas in its own management within the FPG/ PRI system.

The financing take place through a provision which is safeguarded by a credit insurance in Försäkringsbolaget PRI Pension guarantee. One part of the ITP2 plan is safeguarded through an insurance within Alecta (see below).

In Nynas AB, there is in excess of above obligations other defined benefit obligations applied to individual pension agreements to earlier employees and pensions to senior executives.

Some of the white-collar workers in Sweden are safeguarded by the ITP2 plan defined benefit pension obligations for age- and family pension (alternative family pension) through an insurance by Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 the classification for ITP plans, which is financed by insurance from Alecta, is a defined benefit plan that comprises several employers. For the financial year 2018 (as in 2017) the company did not have access to all information to be able to disclose their proportional share of the obligation of the plan, the plan assets and the cost of adminstration, which result in that it has not been possible to account for the plan as a definded benefit plan. The pension plan ITP2 which is safeguarded through an insurance by Alecta is therefore accounted as a defined contribution plan. The premium for the defined benefit age- and family pension is individual and calculated based on salary, earlier earned pension and expected remaining period of service.

Expected fee for next reporting period for ITP2 insurances that is effected in Alecta amount to SEK 11.7 million (9.0 MSEK).

The collective consolidation level consists of the market value on the assets in Alecta, in per cent of insurance obligations calculated in accordance with the insurance technical methods and assumptions by Alecta, which not correspond with IAS 19. The collective consolidation level shall normally be allowed to vary between 125 and 155 per cent.

If the collective consolidation level in Alecta will be below 125 per cent or exceed 155 per cent action shall be taken in purpose to make assumptions so the consolidation level will revert to the normal interval. At low consolidation level one action can be to increase the agreed fee for new take out and / or increase of existing benefits.

At high consolidation level one action can be to implement premium reductions.

At the end of the year, Alecta's surplus, in the form of a collective consolidation level, was 142 (154) per cent.

UK

The Nynas UK Pension Scheme is a career average defined benefit plan which is a registered pension scheme under the Finance Act 2004.

The Scheme operates under trust law and is administered by the Trustees on behalf of the members in accordance with the terms of the Trust Ded and Rules and relevant legislation. The Scheme´s assets are held by the trust.

Annual increases on benefits in payment are dependent on inflation so the main uncertainties affecting the level of benefits payable under the Scheme are future inflation levels (including the impact of inflation on future salary increases) and the actual longevity.

The main risk the Company runs in respect of the Scheme

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is that additional contributions are required if the investment returns are not sufficient to pay for the benefits (which will be influenced by the factors mentioned above). The level of equity returns will be a key determinant of overall investment return; the investment portfolio is also subject to a range of other risks typical of the asset classes held, in particular credit risk on bonds.

Germany

For Nynas Germany there are five pension plans in place, all closed for new entrants.

The claim is not funded externally in any way, all claims go against the company directly.

The present value of the whole liability is calculated according to German/International actuarial standards and shown as such in the balance sheets.

Plan DSPR

Pensionable incidents: Pension for old age, early retirement according to social security regulations, in case of invalidity and for spouses in case of death (60 per cent).

Claim depends on years of service and final pay – per year of service a determined percentage is granted (between 1.9 and 2.5 per cent). The sum of all percentages at the pensionable incident determines along with the last salary the total claim.

In case of invalidity all theoretical years until reaching the pension age are granted for determining the claim at any given time of invalidity.

The total claim thereby amounts to up to 75 per cent of the last salary. Social security pension lessens the claim flush.

Plan DSPS

Pensionable incidents: Pension for old age, early retirement according to social security regulations, in case of invalidity and for spouses in case of death (60 per cent).

The claim depends on years of service and final pay - per year of service determined percentages are granted for the parts of the salary below (0.65 per cent) and above the social security ceiling (1.7 per cent).

The sum of all percentages at the pensionable incident determines along with the last salary the total claim.

In case of invalidity all theoretical years until reaching the pension age are granted for determining the claim at any given time of invalidity.

The total claim thereby amounts to up to 22.75 per cent for the part of the salary below the social security ceiling and up to 59.5 per cent beyond.

Plan RO 1979

Pensionable incidents: Pension for old age, early retirement according to social security regulations, in case of invalidity and for spouses in case of death (60 per cent).

To get a claim, the pensionable incident has to be at least 10 years after receiving the pension promise.

The claim depends on years of service and final pay - per year of service determined percentages are granted for the parts of the salary below (0.5 per cent) and above the social security ceiling (1.7 per cent). The sum of all percentages at the pensionable incident determines along with the last salary the total claim.

In case of invalidity all theoretical years until reaching the age of 60 are granted for determining the claim at any given time of invalidity.

The total claim is limited to 75 per cent of the last salary.

Plan RO 1989

Pensionable incidents: Pension for old age, early retirement according to social security regulations, in case of invalidity and for spouses in case of death (60 per cent).

To get a claim, the pensionable incident has to be at least 10 years after receiving the pension promise.

The claim depends on years of service and final pay - per year of service determined percentages are granted for the parts of the salary below (0.5 per cent) and above the social security ceiling (1.7 per cent). The sum of all percentages at the pensionable incident determines along with the last salary the total claim.

In case of invalidity all theoretical years until reaching the age of 60 are granted for determining the claim at any given time of invalidity.

The total claim thereby amounts to up to 17.5 per cent for the part of the salary below the social security ceiling and up to 59.5 per cent beyond.

DSPO

Pensionable incidents: Pension for old age, early retirement according to social security regulations, in case of invalidity and for spouses in case of death (60 per cent).

Per each year of service a determined claim is granted. The amount of the claim depends on each year's salary and a conversion table.

Every individual claim is saved per year to accumulate to the final claim when a pensionable incident happens.

In case of invalidity all theoretical years until reaching the pension age are granted for determining the claim at any given time of invalidity.

					2018
REPORTED AS PROVISIONS FOR PENSIONS IN THE STATEMENT OF FINANCIAL POSITION	**Sweden**	**UK**	**Belgium**	**Germany**	**Total**
Present value of funded obligations	14.3	952.7	62.4	–	1,029.4
Fair value of plan assets	-22.9	-1,031.8	-59.2	–	-1,113.8
Deficit/(surplus)of funded plans	-8.5	-79.1	3.2	–	-84.4
Present value of unfunded obligations	456.4	–	0.1	557.1	1,013.7
Total deficit/(surplus) in defined benefit plans	447.9	-79.1	3.4	557.1	929.3
Effects of minimum funding requirements/asset ceiling	–	–	–	–	0.0
NET LIABILITY RECOGNISED IN STATEMENT OF FINANCIAL POSITION	**447.9**	**-79.1**	**3.4**	**557.1**	**929.3**
Portion of pension liability recognised as provisions for pensions	447.9	–	3.4	557.1	1,008.4
Portion recognised as financial fixed asset	–	-79.1	–	–	-79.1

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					2017
	Sweden	UK	Belgium	Germany	Total
Present value of funded obligations	15.3	984.1	59.7	–	1,059.1
Fair value of plan assets	-24.2	-1044.0	-56.2	–	-1,124.4
Deficit/(surplus)of funded plans	-9.0	-59.9	3.5	–	-65.3
Present value of unfunded obligations	396.0	–	0.2	494.5	890.8
Total deficit/(surplus) in defined benefit plans	387.1	-59.9	3.8	494.5	825.5
Effects of minimum funding requirements/asset ceilieng	–	12.2	–	–	12.2
NET LIABILITY RECOGNISED IN STATEMENT OF FINANCIAL POSITION	**387.1**	**-47.7**	**3.8**	**494.5**	**837.7**
Portion of pension liability recognised as provisions for pensions	387.1	–	3.8	494.5	885.4
Portion recognised as financial fixed asset	–	-47.7	–	–	-47.7

CHANGE IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION	2018	2017
Present value of defined benefit obligation at beginning of year	1,949.9	1,858.7
Current service cost	58.0	55.3
Interest cost/(credit)	49.8	47.0
(Gain)/loss on part service cost, curtailment and settlement	2.3	0.0
Special payroll tax in income	6.4	5.7
(Gain)/loss on changes in demograpic assumptions	-57.5	-25.3
(Gain)/loss on changes in financial assumptions	17.9	50.8
Experience (gain)/loss	-7.5	-12.9
Acquisition	0.0	0.0
Special payroll tax related to remeasurements	7.6	6.4
Employee contributions	2.7	2.5
Benefits paid	-38.5	-46.5
Payments of special payroll tax	-4.6	-3.6
Exchange rate (gain)/loss	56.6	11.7
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT END OF YEAR	**2,043.1**	**1,949.9**

COSTS RECOGNISED IN INCOME STATEMENT	2018	2017
Defined benefit pension plans:		
Current service cost	58.0	55.3
Interest cost/(credit)	16.9	19.1
(Gain)/loss on part service cost, curtailment and settlement	2.3	0.0
Special payroll tax	6.4	5.7
Other	2.3	2.2
TOTAL COST OF DEFINED BENEFIT PAYMENTS RECOGNISED IN INCOME STATEMENT	**86.0**	**82.3**
Defined contribution pension plans:		
Costs for defined contribution plans	38.5	46.5
TOTAL PENSION EXPENSE RECOGNISED IN INCOME STATEMENT	**124.5**	**128.8**

EXPENSES RECOGNISED IN OTHER COMPREHENSIVE INCOME	2018	2017
Return on plan assets in excess of the amount included in interest cost/(credit)	60.8	-91.9
(Gain)/loss on changes in demograpic assumptions	-57.5	-25.3
(Gain)/loss on changes in financial assumptions	17.9	50.8
Experience (gain)/loss	-7.5	-13.6
Change in assets ceiling in excess of the amount included in interest cost/(credit)	-12.8	12.2
Special payroll tax related to remeasurements	7.6	6.4
TOTAL EXPENSES FOR DEFINED BENEFIT REMUNERATION RECOGNISED IN OTHER COMPREHENSIVE INCOME	**8.5**	**-61.4**

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The main actuarial assumptions used (in %) are as follows:

	2018				2017			
	Sweden	**UK**	**Belgium**	**Germany**	**Sweden**	**UK**	**Belgium**	**Germany**
Discount rate	2.4	3.1	1.8	2.0	2.6	2.9	1.6	2.0
Future salary increases	2.4	N/A	2.8	2.5	2.4	N/A	2.8	2.5
Future pension increases	2.0	3.5	1.8	1.8	1.9	3.4	1.8	1.8
Expected remaining service period	10.0	N/A	17.0	19.0	11.0	N/A	31.0	18.0

Life expectancy	Swedish DUS14 w-c	UK Mortality table PCA00 CMI2017 with long -term rates of improvement of 1.5% for Males and 1.0% for Females	Belgian Mortality table MR/FR	German Mortality table Richttafeln Heubeck 2018 G (statutory)	Swedish DUS14 w-c	UK Mortality table PCA00 CMI2015 with long-term rates of improvement of 1.5% for Males and 1.0% f0r Females	Belgian Mortality table MR/FR	German Mortality table Richttafeln Heubeck 2005 G (statutory)
Duration	22	19	12	29	21	21	13	30

CHANGE IN FAIR VALUE OF PLAN ASSETS DURING THE YEAR	**2018**	**2017**
Fair value of plan assets at beginning of year	1,124.4	1,037.3
Interest cost/(credit)	32.8	27.9
Past service cost, curtailment and settlement gain or losses	0.0	0.0
Return on plan assets in excess of the amount included in interest cost/(credit)	-60.8	91.9
Administrative costs	-2.3	-2.2
Employer contributions	10.5	9.9
Employee contributions	2.7	2.5
Benefits paid	-31.1	-39.3
Exchange rate (gain)/loss	37.6	-3.6
FAIR VALUE AT END OF YEAR	**1,113.8**	**1,124.4**

PLAN ASSETS	**2018**	**2017**
Shares and participating interests	687.9	767.6
Interest-bearing securities	325.3	290.0
Property Sweden	2.4	2.7
Insurance	59.2	56.2
Cash and cash equivalents, bank deposit	39.0	7.9
FAIR VALUE OF PLAN ASSETS	**1,113.8**	**1,124.4**

Plan assets do not include any securities issued by Nynas AB or assets used by Nynas AB.

CHANGE OF ASSETS CEILING	2018	2017
Opening balance, assets ceiling	12.2	0.0
Interest cost/(credit)	0.0	0.0
Change in assets ceiling, other than Interest cost/(credit)	-12.8	12.2
Exchange rate (gain)/loss	0.5	0.0
CLOSING BALANCE, ASSETS CEILING	**0.0**	**12.2**

ACTUAL RETURN	2018	2017
Actual return on plan assets	**-28.0**	**119.8**

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SENSITIVITY ANALYSIS IMPACT OF THE BENEFIT OBLIGATION, 2018 (+Increase/-Decrease), per country

Significant actuarial assumptions		Sweden Present Value	Sweden %	UK Present Value	UK %	Belgium Present Value	Belgium %	Germany Present Value	Germany %
Discount rate	+0.5 %	419.9	-11	875.8	-8	62.6	0	484.1	-13
Discount rate	-0.5 %	529.7	13	1,039.8	9	62.6	0	644.5	16
Life expectancy	+1 year	493.7	5	981.3	3	62.6	0	574.5	3

A sensitivity analysis has been done on the above actuarial changes since the Group considers that the changes can have a major impact on the benefit obligation.

Furthermore it is likely that changes to the assumptions occur. Estimations have been done by analysing every change separately. If there should be any relation between the assumptions, the estimations have not been taken into consideration.

The assumption of a decrease in life expectancy is seen as limited and therefore it has not been estimated in the sensitivity analysis.

Note 23. Other provisions

	Provision for envrionmental obligation	Provision for other obligations	Total
Balance at 31 December 2017	160.7	68.9	229.6
Provisions made during the year	21.6	0.4	22.0
Provisions used during the year	-18.2	-25.9	-44.1
Unutilised provision reversed during the year	–	-40.0	-40.0
Translation differences	0.5	0.2	0.6
BALANCE AT 31 DECEMBER 2018	**164.6**	**3.5**	**168.2**
of which current	11.4	1.1	12.5
of which non-current	153.2	2.4	155.6

Other provisions

Other provisions relates mainly to the takeover of the Harburg refinery, committed consideration but not paid and to its amount preliminary and subject to fulfilment of terms and conditions by the parties and future tax provision relating to Nynas foreign operations arising in the ordiany course of a global business.

Environmental related provisions

Envrionmental related provisions include provisions for envrionmental remediation measures related to the Group's sites, mainly in Sweden (Nynäshamn), Wandre in Belgium, Köge in Denmark and Dundee in Scotland.

The provision in Nynäshamn consists of three parts – the Land Farm (SEK 16 million), E2 (SEK 13 million) and J3/J4 (SEK 160 million).

The Land Farm

Remediation of the Land Farm area was completed at 31 December 2010. Final covering of the permanent landfill is dependent on subsidence in the area, but is expected to be completed by 2021.

The remaining cost for covering the landfill has been estimated at SEK 16 million.

Lagoon/Catch basins

Dredging of the lagoon and catch basins started in 2017 and was completed in 2018. The contaminated sediments are now being dewatered. The technique for final treatment of the contaminated dewatered sediments has not yet been decided by the Land and Environment Court. Nynas will report its recommendation on the technique to be used to the court by 2020-12-31.

J3/J4

The J3 and J4 areas contain acid tar. Similar materials are also found at a number of old refineries in Europe and around the world. They are difficult to deal with due to their high acid content. The established method involves collection, neutralisation and transportation for disposal. The method is not problem-free, as, even after processing, the materials are unlikely to be released from regulatory control. Nynas will report its recommendation on the technique to be used for remediation of J3/J4 to the Land and Environment Court by 31 December 2020. The remaining cost has been estimated at 160 MSEK.

E2

E2 is a well-defined area with contaminated sediments on the seabed outside the refinery. The Land and Environment Court has decided that no physical remediation is to be done on the

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deeper parts of E2 and that the shallower parts are to be capped. Capping requires another decision by the Land and Environment Court and coordination with Turnaround activities, which occur every four years, and are therefore planned for 2023.

The remaining cost has been estimated at SEK 13 million.

For other environment-related activities at Nynäshamn, Dundee and terminals, see the environment section in the Directors' Report. Environment liabilities or other environment-related measures will be made as costs for planned measures become concrete and are quantified.

All costs associated with the remediation project have been calculated using the present value method.

Note 24. Liabilities to credit institutions

In April 2016, a five-year syndicated multi-currency revolving credit facility of EUR 650 million was signed.

In June 2018 Nynas redeemed the unsecured four-year corporate bond of SEK 1,100 million launched in 2014. The Nynas shareholders each provided a three-year shareholder loan of EUR 55 million in June 2018.

LONG-TERM LIABILITIES	2018	2017
Shareholder loan	1,137.1	–
Loans from credit institutions	5,430.6	3,829.7
TOTAL	6,567.7	3,829.7
CURRENT LIABILITIES		
Loans from credit institutions	256.4	1,292.4
Overdraft facilities	44.5	57.2
TOTAL	300.9	1,349.6
GRAND TOTAL	6,868.6	5,179.3

2018 LONG-TERM LIABILITIES Year issued/maturity	Description of loan	Interest, %	Currency	Nominal amount (local currency)	Recognised Amounts in SEK million
Variable-rate loans					
2019/2021	Shareholder loan	6.00	EUR	55.4	568.5
2019/2021	Shareholder loan	6.00	EUR	55.4	568.6
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	120.0	1,218.1
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	80.0	812.1
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	110.0	1,116.6
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	80.0	812.1
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	45.0	456.8
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	20.0	203.0
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	75.0	761.3
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	5.0	50.6
TOTAL					6,567.7

2018 CURRENT LIABILITIES Year issued/maturity	Description of loan	Interest, %	Currency	Nominal amount (local currency)	Recognised amounts in SEK million
Variable-rate loans					
2016/2019	Stand-by credit line (€ 650)	4.50	EUR	25.0	256.4
2018/2019	Overdraft				44.5
TOTAL					300.9

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2017 LONG-TERM LIABILITIES Year issued/maturity	Description of loan	Interest, %	Currency	Nominal amount (local currency)	Recognised Amounts in SEK million
Variable-rate loans					
2016/2021	Stand-by credit line (€ 650)	5.45	USD	50.0	402.6
2016/2021	Stand-by credit line (€ 650)	5.45	USD	100.0	805.3
2016/2021	Stand-by credit line (€ 650)	4.00	EUR	40.0	386.3
2016/2021	Stand-by credit line (€ 650)	4.00	EUR	25.8	249.0
2016/2021	Stand-by credit line (€ 650)	4.00	EUR	30.0	289.7
2016/2021	Stand-by credit line (€ 650)	4.00	EUR	70.0	676.0
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	30.0	291.7
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	75.0	729.1
TOTAL					**3,829.7**

2017 CURRENT LIABILITIES Year issued/maturity	Description of loan	Interest, %	Currency	Nominal amount (local currency)	Recognised amounts in SEK million
Variable-rate loans					
2014/2018	Bond issue	7.5	SEK	650.0	647.4
2017/2018	Bond issue	7.5	SEK	450.0	448.2
2016/2018	Stand-by credit line (€ 650)	4.5	EUR	20.0	196.9
2016/2017	Overdraft				57.2
TOTAL					**1,349.6**

MATURITY OF EXTERNAL INTEREST-BEARING LIABILITIES AT 31 DEC 2018	
2019-12-31	300.9
2020 and thereafter	6,567.7
TOTAL	**6,868.6**

MATURITY OF EXTERNAL INTEREST-BEARING LIABILITIES AT 31 DEC 2017	
2018-12-31	1,349.6
2019 and thereafter	3,829.7
TOTAL	**5,179.3**

THE GROUP HAS THE FOLLOWING UNUSED CREDIT FACILITIES:	2018	2017
Variable interest		
Uncommitted	104.7	100.2
Committed		
expires within one year	89.6	273.3
expires after one year	717.8	2,304.9
TOTAL	**912.1**	**2,678.4**

Note 25. Accrued liabilities and deferred income

	2018	2017
Purchases of raw materials, semi-finished and finished goods	788.9	578.4
Accrued salaries/holiday pay	134.8	128.3
Accrued interest	42.2	41.4
Shipping costs	51.7	46.8
Discounts	0.0	0.0
Accrued investment costs	1.1	37.7
Accrued maintenance costs	3.3	21.0
Customer provision	42.3	61.5
Accrued energy costs	16.8	36.5
Other	134.0	120.2
TOTAL	**1,215.0**	**1,071.9**

Note 26. Financial assets and liabilities

Financial assets and liabilities in the statement of financial position are measured at fair value, apart from loans and receivables and other financial liabilities not designated as hedged items. Loans and receivables and other financial liabilities not designated as hedged items, are measured at amortised cost.

Fair value disclosures are not required when the carrying amount is an acceptable approximation of the fair value. This applies to other items in the categories loans and receivables and other financial liabilities.

The Group's long-term credit liabilities carry variable interest rates. Accordingly, the fair value corresponds to the carrying amount.

Fair value measurement

Fair value is determined based on a three-level hierarchy.

Level 1 is based on quoted prices in active markets for identical assets or liabilities.

Level 2 is based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 is based on inputs for the asset or liability that are not based on observable market data.

For Nynas, all financial instruments are measured according to Level 2.

Measurement of fair value

Listed holdings

The fair value of instruments quoted in an active market is measured on the basis of the price of the holdings at the reporting date.

Derivative instruments

The fair value of foreign exchange contracts and oil contracts is measured on the basis of quoted prices where available. If quoted prices are not available, the fair value is measured by discounting the difference between the contracted forward rate and the forward rate that can be subscribed for on the reporting date for the remaining contract period. This is done using the risk-free rate of interest based on government bonds.

The fair value of interest rate swaps is measured by discounting the estimated future cash flows according to the contract's conditions and due dates based on the market rate.

Interest-bearing liabilities

The fair value is measured by discounting future cash flows of principal and interest using the current market interest rate for the remaining term.

Current receivables and liabilities

For current receivables and liabilities with a remaining term of less than 12 months, the carrying amount is considered to represent a reasonable approximation of the fair value. Current receivables and liabilities with a term of more than 12 months are discounted when the fair value is measured.

The fair values and carrying amounts of financial assets and liabilities are shown in the table:

2018	Derivatives used in hedge accounting	Derivatives held at fair value through income statement	Financial assets valued to amortised cost	Financial liabilities valued to amortised cost	Total carrying amount	Non-financial assets and liabilities	Total balance sheet	Fair value
Accounts receivable	–	–	1.323.8	–	1.323.8	–	1.323.8	1.323.8
Long-term derivates	–	1.9	–		1.9	–	1.9	1.9
Short-term derivatives	520.9	29.1	–	–	550.0	–	550.0	550.0
Other current receivables	–	–	–	–	–	450.0	450.0	450.0
Prepaid expenses and accrued income	–	–	–	–	–	156.8	156.8	156.8
Cash and cash equivalents	–	–	844.5	–	844.5	–	844.5	844.5
FINANCIAL ASSETS	**520.9**	**31.0**	**2.168.3**	**–**	**2.720.2**	**606.8**	**3.327.0**	**3.327.0**
Long-term liabilities to credit institutions	–	–	–	6.567.7	6.567.7	–	6.567.7	6.567.7
Short-term liabilities to credit institutions	–	–	–	300.9	300.9	–	300.9	300.9
Accounts payable	–	–	–	794.6	794.6	–	794.6	794.6
Joint venture liabilities	–	–	–	11.9	11.9	–	11.9	11.9
Short-term derivatives	20.5	65.7	–	–	86.2	–	86.2	86.2
Other current liabilities	–	–	–	–	0.0	550.9	550.9	550.9
Accrued liabilities and deferred income	–	–	–	503.4	503.4	711.6	1.215.0	1.215.0
FINANCIAL LIABILITIES	**20.5**	**65.7**	**–**	**8.178.5**	**8.264.7**	**1.262.5**	**9.527.2**	**9.527.2**

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2017	Derivatives used in hedge accounting	Derivatives held at fair value through income statement	Financial assets valued to amortised cost	Financial liabilities valued to amortised cost	Total carrying amount	Non-financial assets and liabilities	Total balance sheet	Fair value
Accounts receivable	–	–	1,344.2	–	1,344.2	–	1,344.2	1,344.2
Short-term derivatives	89.4	19.1	–	–	108.5	–	108.5	108.5
Other current receivables		–	–	–	0.0	611.0	611.0	611.0
Prepaid expenses and accrued income	–	–	–	–	0.0	170.1	170.1	170.1
Cash and cash equivalents	–	–	546.1	–	546.1	–	546.1	546.1
FINANCIAL ASSETS	**89.4**	**19.1**	**1,890.3**	**0.0**	**1,998.8**	**781.1**	**2,779.9**	**2,779.9**
Long-term liabilities to credit institutions	–	–	–	3,829.7	3,829.7	–	3,829.7	3,829.7
Short-term liabilities to credit institutions	–	–	–	1,349.6	1,349.6	–	1,349.6	1,349.6
Accounts payable	–	–	–	607.7	607.7	–	607.7	607.7
Joint venture liabilities	–	–	–	4.8	4.8	–	4.8	4.8
Short-term derivatives	307.6	39.7	–	–	347.3	–	347.3	347.3
Other current liabilities	–	–	–	–	0.0	161.7	161.7	161.7
Accrued liabilities and deferred income	–	–	–	635.8	635.8	436.1	1,071.9	1,071.9
FINANCIAL LIABILITIES	**307.6**	**39.7**	**0.0**	**6,427.6**	**6,774.9**	**597.8**	**7,372.7**	**7,372.7**

The following tablets shows maturity structure of Group's financial liabilities. The figure shown are contractual undercounted cash flows based on contracted date, when the Group is liable to pay, including both interest and nominal amounts.

GROUP'S MATURITY STRUCTURE RELATING TO UNDISCOUNTED CASH FLOWS FOR FINANCIAL LIABILITIES, 2018	<6 months	6–12 months	1–2 years	3–4 years
Shareholder loan	–	–	–	1,463.1
Liabilities to credit institutions	279.5	271.2	494.6	5,250.7
Accounts payable	794.6	–	–	–
Joint venture liabilities	11.9	–	–	–
Accrued liabilities	503.4	–	–	–
FINANCIAL LIABILITIES	**1,589.4**	**271.2**	**494.6**	**6,713.8**

Note 27. Financial risk management, supplementary information

LIQUIDITY AND REFINANCING RISK

Liquidity and refinancing risk is the risk of difficulty in refinancing loans maturing, and the risk that payment obligations cannot be fulfilled as a consequence of insufficient funds.

EXPOSURE

Average terms to maturity of outstanding loans, size of programme and remaining maturity, nominal SEK.

2018	Currency	Recognised liabilities	Programme size	Average remaining credit time (years)
Shareholder Loan	EUR	1,137	1,137	2.3
Syndicated stand-by credit line	EUR	5,687	6,461	2.3
Other bank loans	Miscellaneous	44	–	–
TOTAL BORROWING		6,869	7,598	2.3

2017	Currency	Recognised liabilities	Programme size	Average remaining credit time (years)
Bond issue	SEK	1,096	1,100	0.5
Syndicated stand-by credit line	EUR	4,027	6,209	3.3
Other bank loans	Miscellaneous	57	–	–
TOTAL BORROWING		5,179	7,309	2.9

NOTES

Con’t. Note 27

COMMENT

At the turn of the year approximately 48 per cent (approx. 42) of the Group’s assets were financed with external loans and a shareholder loan. To reduce financing risk, most of Nynas’ known credit requirement is covered by long-term credit facilities. Dependence on individual financing sources is actively reduced and a conservative approach on counter parties for placement of any surplus liquidity is applied. For more information see the Board of Directors’ report, page 26.

In June 2018 Nynas redeemed the unsecured four-year corporate bond of SEK 1,100 million and at the same time Nynas´ shareholders each provided a three-year shareholder loan of EUR 55 million. Management closely monitors forecasts for the Group’s net liabilities in order to monitor the liquidity risk and covenants, since Nynas’ bitumen activities are highly exposed to seasonal fluctuations and the working capital increases significantly during the summer months. The loan agreement includes financial terms called Financial Covenants. At the turn of the year all covenants were met.

CURRENCY RISK

Currency risk concerns the fluctuations in exchange rates that, in different ways, affect the result for the year, other comprehensive income, and the company’s competitiveness:

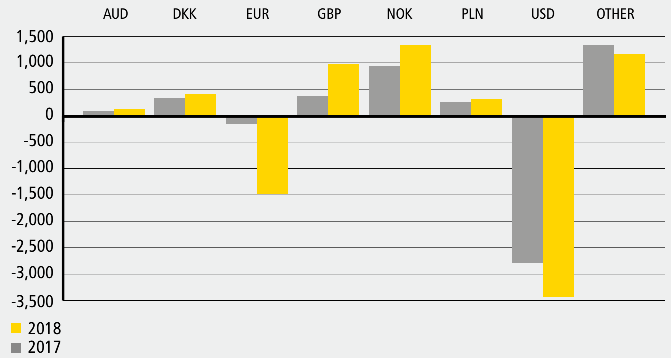
- The result for the year is affected when sales and purchases are denominated in different currencies (transaction risk).
- The result for the year is affected when assets and liabilities are denominated in different currencies (conversion risk).
- The result for the year is affected when subsidiaries’ results denominated in different currencies are converted to Swedish kronor (conversion risk).
- Other comprehensive income is affected when subsidiaries’ net assets denominated in different currencies are converted to Swedish kronor (conversion risk).

Nynas handles the currency risks occurring in accordance with the descriptions given in the following sections. There have been no changes in the handling of the currency risk compared to previous years.

CURRENCY RISK TRANSACTION RISK

Nynas’ transaction exposure, i.e. the Group’s net currency flows, amounted to SEK -601 million in 2018 (373).

EXPOSURE



COMMENT, TRANSACTION RISK

Nynas has significant foreign currency flows, primarily in USD, EUR and NOK. For example, the Group buys crude oil in USD and sells products in other local currencies, and is thereby exposed to fluctuations in exchange rates. It is in the nature of the oil industry that changes in exchange rates are passed on in the prices charged to customers. This reduces the currency risk, albeit with a certain time lag. This also applies to Nynas.

NOTES

Cont. Note 27

CURRENCY RISK CONVERSION RISK

The equity of Nynas' foreign subsidiaries must not normally entail any significant conversion risk as the objective is to balance the subsidiary's assets and liabilities in foreign currencies. The result of a foreign subsidiary is converted to Swedish kronor on the basis of the average exchange rate for the period in which the result was achieved, which means that the Group's result is exposed to conversion risk.

The net assets, i.e. usually the subsidiary's own capital, are converted to Swedish kronor at the exchange rate on the balance sheet date.

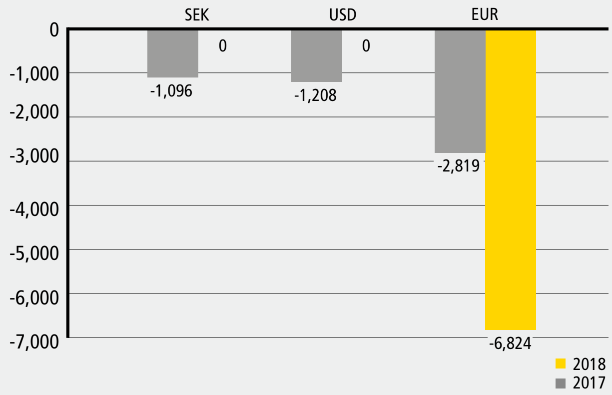
On December 31 the Group's net assets in subsidiaries denominated in foreign currency totalled SEK 3,250 million (SEK 3,539 million).

EXPOSURE

Net assets in foreign currency, SEK million.

	2018	2017
GBP	909	916
CHF	3	4
USD	155	136
SGD	268	233
BRL	47	41
PLN	14	15
DKK	5	9
NOK	123	108
EUR	2,404	2,309
Other	-678	-232
TOTAL	**3,250**	**3,539**

The Group's borrowing by currency, SEK million



COMMENT, CONVERSION RISK

In order to avoid conversion risk in the subsidiaries' balance sheets they are financed in the local currency via the internal bank. The currency risk incurred by the internal bank as a consequence is handled with the help of various derivatives, in order to minimise the conversion risk. Nynas' policy is in significant respects to hedge net assets in foreign subsidiaries, excluding the tax effect. Forward foreign exchange contracts are predominantly used to hedge net assets. Any impairment is recognised in the result for the year.

CURRENCY RISK CURRENCY SENSITIVITY

In order to gain the full picture of how currency fluctuations affect the Group's operating result, consideration should be taken to both the transaction risk and the subsidiaries' operating results in the respective currencies, and the actual hedging. The Group's other comprehensive income has a currency exposure that relates to the size of the net assets. In addition to the net assets, other comprehensive income is affected by currency risk since certain derivative contracts are subject to hedge accounting, which entails that the changes in the market value of these contracts are carried directly to other comprehensive income, instead of to the result for the year.

EXPOSURE

The most obvious exposure is in the inventory. The value of the specific inventory varies with the dollar price and in 2018 the inventory value on average was approximately SEK 4,541 million (3,807), with the main part in Nynas AB. A currency fluctuation in the SEK/USD rate by SEK 0.10 would therefore affect the result by approximately +/- SEK 45 million.

COMMENT, CURRENCY SENSITIVITY

Forward foreign exchange contracts are used to hedge defined currency exposure.

NOTES

Cont. Note 27

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates that will adversely affect the Group's net interest income. How quickly an interest rate change affects net interest depends on the liabilities' fixed interest period. Nynas measures the interest rate risk as the change in the next 12 months on a 1 per cent change in interest rates.

EXPOSURE

The average borrowing during the year was approximately SEK 6,982 million (5,483). A 1 per cent change in interest rates would therefore change the pre-tax profit/loss by +/- SEK 70 million (55). At the close of the financial year borrowing totalled SEK 6,869 million (5,179). A 1 per cent change in interest rates would therefore change the pre-tax profi t/loss by +/- SEK 69 million (52).

Fixed interest rate and fixed interest periods, SEK million.	Excluding effects of derivatives		Including effects of derivatives		
2018	**Effective interest rate, %**	**Fixed interest period, month**	**Effective interest rate, %**	**Fixed interest period, month**	**Recognised liabilities**
Shareholder loan	6.1	28	6.1	28	1,137
Syndicated stand-by credit line	4.6	2	4.6	2	5,687
Other bank loans	4.6	1	4.6	1	44
Interest rate swaps	–	–	0.4	18	–
Total borrowing	**4.8**	**6**	**5.0**	**14**	**6,869**
2017					
Bond issue	7.7	3	7.7	3	1,096
Syndicated stand-by credit line	4.7	2	4.7	2	4,027
Other bank loans	3.5	1	3.5	1	57
Interest rate swaps	–	–	0.6	21	–
Total borrowing	**5.3**	**2**	**5.7**	**17**	**5,179**

COMMENT, INTEREST RATE RISK

The Group's interest rate risk arises mainly from borrowing. Interest rate swap agreements are used to achieve the required fixed interest periods. Nynas' average fixed interest period for the Group's debt portfolio must lie between 6 and 36 months. As the table shows, the average fixed interest period for Nynas' borrowing was 14 months (17) at the close of the financial year, taking due account of the derivatives used. The Group's average interest rate, including other loans and the effects of interest rate swap agreements, was 5.0 per cent (5.7). Hedge accounting is applied when there is an effective link between hedged loans and interest rate swaps. Changes in market interest rates can therefore also affect other comprehensive income. Loans in foreign currency are hedged with currency interest rate swaps, which are classified as cash flow hedges.

The derivatives that are cash flow hedges are subject to terms that match those of the loans, so that the cash flow effects of the loans and derivatives occur in the same period and cancel each other out. Changes in the fair value of cash flow hedges are recognised directly in other comprehensive income. Any impairment is recognised in the result for the year.

CREDIT RISK

The Group's commercial and financial transactions entail credit risks in relation to Nynas' counterparties. Credit risk or counterparty risk is the risk of losses if the counterparty defaults on its obligations.

The credit risk to which Nynas is exposed can be divided into two categories:

- Financial credit risk
- Credit risk in accounts receivable

EXPOSURE

SEK MILLION	2018	2017
Accounts receivable	1,323.8	1,344.2
Cash and cash equivalents	844.5	546.1
Non-realised gains and losses derivatives	463.8	-239.5
TOTAL	**2,632.1**	**1,650.8**

NOTES

Con't. Note 27

COMMENT, CREDIT RISK

With regard to the financial credit risk, Nynas has concluded an agreement with the Company's most important banks concerning, among other things, the right to set off assets and liabilities arising as a consequence of financial transactions, called an ISDA agreement. This entails that the Company's counterparty exposure to the financial sector is limited to the non-realised positive and negative result occurring in derivative contracts. At the close of the financial year the current net value of these contracts totalled SEK 462 million (-240) and approximately 80 per cent (77) of the outstanding value was secured through margin call.

Via its ongoing sales Nynas is exposed to credit risk in outstanding accounts receivable. This risk is reduced with the help of credit insurance. The terms of the credit insurance require well-established routines to determine credit limits, follow-up and reporting of late payments. There are established internal routines to determine limits that are not granted by the insurance company. No deliveries take place before a limit has been approved. On average, approximately 81 per cent of outstanding accounts receivable are covered by credit insurance. Historically, losses on accounts receivable have, on an overall basis, been low. The total gross value of outstanding accounts receivable as of 31 December was SEK 1,324 million (1,344). These were written down by a total of SEK -15 million (-12). Age analyses of accounts receivable as of December 31 are presented in Note 18.

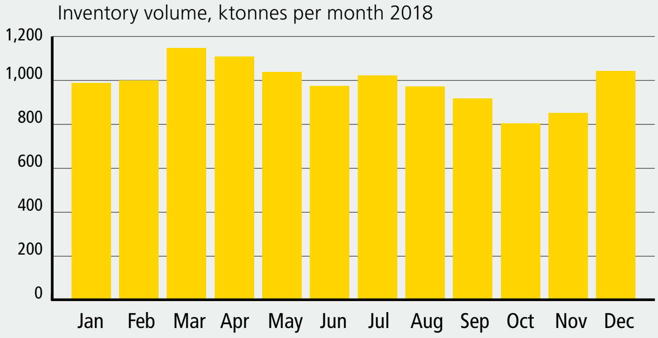
COMMODITY PRICE RISK

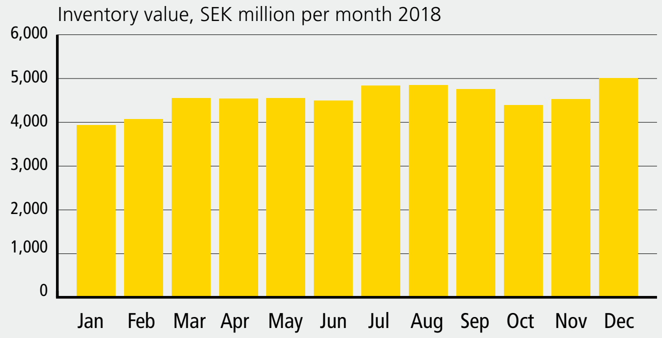
Nynas' financial and operative risks on commodities are mainly crude oil delivery, crude oil price, fixed price agreements and electricity.

The price risk on this is partly hedged by taking out financial contracts. The oil price fluctuated during the year from an initial Brent price of USD 69/bbl, to a low of USD 65/bbl in March, and a closing price of USD 57/ bbl at year-end.

EXPOSURE

The Group purchases crude oil at current market price. It is in the nature of the oil industry that changes in world market prices for oil are passed on in the prices charged to customers, which reduces the oil price risk, albeit with a certain time lag. This also applies to Nynas.





COMMENT, COMMODITY PRICE RISK

Around 45 per cent (49) of the Group's commodity and product requirement is imported from the Venezuelan state oil company Petroleos de Venezuela (PDVSA). PDVSA has been a 50 per cent owner of Nynas since 1986, and the business relationship between the companies dates back to the late 1920s. The existing long-term crude contract between PDVSA and Nynas was renewed in November 2016. Work is ongoing to increase the flexibility of supply of raw material. Inventory of oil products totalled 1,043 ktonnes at the close of the financial year (826 ktonnes). A USD 20 tonne price change would thus affect the profit/loss by approximately +/- SEK 187 million.

In order to reduce price exposure, oil price swaps are used. At the end of the year 469 ktonnes (505) were classified as hedge accounting and 0 ktonnes (0) were not classified as hedge accounting, with a total mark-to-market valuation of SEK 500 million (-307). Nynas also concludes fixed price contracts with customers. These fixed price contracts are hedged with oil price swaps and are classified as hedge accounting. At year-end the fixed price hedging totalled 118 ktonnes (170) and the mark-to-market valuation of the derivative contracts was SEK -19 million (69).

NOTES

Note 28. Derivatives and hedging

The table below shows the fair value of all outstanding derivatives grouped by their treatment in the financial statement:

	2018		2017	
DERIVATIVES AND HEDGING	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Cash flow hedges				
Currency forwards	4.0	0.0	5.6	0.2
Oil price forward	499.7	19.1	68.5	307.4
TOTAL	**503.7**	**19.1**	74.1	**307.6**
Hedging of net investments				
Currency forwards	17.3	1.4	15.4	0.0
TOTAL	**17.3**	**1.4**	**15.4**	**0.0**
Other derivatives – changes in fair value recognised in income statement:				
Interest rate swaps, finance net	1.9	0.7	0.0	4.8
Currency forwards, currency swaps finance net	12.2	65.0	18.8	6.3
Currency forwards, currency swaps cost of goods sold	–	–	–	–
Oil price swaps, costs of goods sold	16.8	0.0	0.3	29.4
TOTAL	**30.9**	**65.7**	**19.1**	**40.4**
TOTAL DERIVATIVES	**551.9**	**86.2**	**108.5**	**348.1**

CALCULATION OF FAIR VALUE

Oil and currency fowards and interest rate swaps are measured at fair value based on observed forward prices for contracts with equivalent maturities at the balance sheet date.

CASH FLOW HEDGES

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the forward foreign exchange and oil contracts and their corresponding hedged items are the same, Nynas performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying oil price and exchange rates. Nynas applies hedge accounting to derivative instruments used in the risk-management activities relating to oil and currency price risk. See Note 27.

All derivatives are classified as hedging instruments in cash flow hedges accounted for at fair value in the balance sheet. Changes in fair value are initially recognised in the hedging reserve in equity and reversed to the income statement when the hedged cash flows are recognised in the income statement. SEK -29.5 (47.7) million has been recognised in the income statement as a result of ineffective hedging and a terminated hedge relationship in 2018. The main source of hedge ineffectiveness in these hedging relationships is the effect of the timing of purchase of inventory, which is not reflected in the fair value of the hedged item attributable to changes in oil price and foreign exchange rates. No other sources of ineffectiveness emerged from these hedging relationships. All expected cash flows that were hedged in 2018 still qualify for hedge accounting.

CHANGE IN HEDGING RESERVES	2018	2017
Opening hedging reserve before tax	**-243.8**	**-93.0**
Change in value during the year, interest rate swap private placement	0.0	0.0
Change in value during the year, currency swap	-1.3	15.7
Change in value during the year, oil forwards	719.5	-139.7
Realised oil hedge parked in equity	-55.2	-26.8
Closing hedging reserves before tax	**419.2**	**-243.8**
Deferred tax, hedging reserves	-101.5	46.3
Closing hedging reserves after tax	**317.6**	**-197.5**

Accumulated hedging gains and losses from cash flow hedges which were recognised in the hedging reserve as of December 2018 and are expected to be recovered in the income statement (before tax) are SEK 424.1 million for 2019 and SEK -4.9 milion after 2020.

Note 29. Pledged assets and contingencies

	2018	2017
FLOATING CHARGES		
Security for liabilities to credit institutions	0.0	0.0
TOTAL	**0.0**	**0.0**
Guarantees	673.6	80.8
Other guarantees and contingent liabilities	3.8	3.5
TOTAL	**677.4**	**84.3**

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

Guarantees

Payment guarantees (SEK 609 million) for the purchase of crude in 2018, where payment is to be made in 2019.

Legal Proceedings

Overview

Nynas conducts domestic and international operations and is occasionally involved in disputes and legal proceedings arising in the course of these operations. These disputes and legal proceedings are not expected to have a significant negative impact on Nynas' operating profits or financial position.

Disputes

Tax dispute Nynas UK AB

Nynas UK AB received a decision from the Swedish Tax Authority 1 December 2014, that pension payments made to the Nynas UK Pension Scheme during the financial year 2008 do not qualify as pension cost and cannot be seen as tax deductible.

The decision was appealed to the Swedish Administrative Court, and a negative decision by the Administrative Court was received on 3 March 2016. Nynas appealed the negative decision by the Administrative Court to the Administrative Court of Appeal on 8 April 2016. Nynas received a negative verdict also from the Administrative Court of Appeal decision received on 20 December 2017.

Nynas appealed the negative decision by the Administrative Court of Appeal to the Supreme Administrative Court and was granted leave to appeal 20 June 2018. Judgement from the Supreme Administrative Court is expected to be received during 2019. For this dispute the company has made a provision of SEK 25 million.

Tax disputes, Brazil

Nynas is involved in tax disputes in Brazil relating to IPI (excise tax) and ICMS (state sales tax). The different disputes have been appealed to relevant administrative levels. Nynas' assessment is that Nynas will be successful in the outcome of the tax disputes, and has therefore made no provision.

Transformer claim, Dominican Republic

AES Andrés B.V. claimed damages from Nynas companies and others in the amount of USD 24.9 million and Seguros Universal S.A. claimed damages from Nynas companies and others in the amount of USD 11.9 million, both relating to the failure of a transformer in December 2008. The lawsuit has been pending since February 2011.

In December 2015 the court of first instance in the Dominican Republic ruled on the merits in favour of Nynas and others. The decision was appealed to the Court of Appeal who rendered a decision on 5 May 2017 affirming the trial court's decision in Nynas' favour. The decision of the court of Appeal was appealed to the Supreme Court by the plaintiffs and has been pending for over a year. There is limited economical effect on Nynas as the claim is covered by insurance.

Shell bitumen cartel

In relation to the bitumen cartel in the Netherlands in which Nynas was fined in 2006, Shell has received a claim from a former bitumen customer and has filed recourse actions against Nynas and others. The recourse proceedings are put on hold, pending the final outcome of the main proceedings.

Bitumen product contamination, Finland

In 2015, contaminated bitumen not caused by Nynas was delivered to three customers in Finland to be used for paving roads. The contamination levels varied between deliveries and it was unclear if there would be any detrimental effects on the roads. Monitoring of the roads continued during the entire road warranty period which ended in 2018 and no detrimental effects on the roads were found during this time. No claims have been made against Nynas and therefore this claim is now closed.

Transformer damage, Australia

A new transformer was delivered by one of Nynas' customers for a site-fill in Australia. Contaminated oil from Nynas was discharged into the transformer and damaged the transformer upon installation. The damage caused was ultimately AUD 4 million. Nynas was one of several parties who could be held responsible for the damage. Nynas was co-insured on Nynas' customer's CAR insurance covering the works relating to this transformer and Nynas paid the applicable deductible. The claim was fully recovered under the CAR insurance and this claim is now settled and closed.

Note 30. Related party disclosures

Information on remuneration of the Board and key management personnel can be found in Note 5.

Petroleos de Venezuela S.A. (PDVSA) is the ultimate owner of 50 per cent of the shares in Nynas AB. The Nynas Group purchases approximatly 71 per cent of its crude oil volumes from PDVSA. Crude oil and base oil prices are governed by formula-based multi-year supply contracts.

Prices reflect the prices that would be charged under a contract with a non-related party on an arms-length basis.

	2018	**2017**
Purchases, crude	5,177.9	4,511.4
Purchases, base oils	52.2	215.1
Sales revenue	42.1	35.3
Shareholder loan	568.6	–
Accounts receivable	78.9	61.2
Accounts payable	649.0	627.5

Neste Oyj (Neste) is the ultimate owner of 50 per cent of the shares in Nynas AB. The Nynas Group purchases bitumen and other oil products from Neste. Nynas sells fuel and services to Neste. All transactions are conducted at current market prices.

	2018	**2017**
Purchases, bitumen	887.6	406.5
Purchases, base oils	43.6	45.9
Purchases, fuel/distillates	0.1	0.1
Purchases, leasing/services	4.1	9.9
Sales revenue	687.2	737.7
Shareholder loan	568,5	–
Accounts receivable	0.5	36.1
Accounts payable	45.7	11.3

Eastham Refinery Ltd (ERL) acts as a tolling unit and the ownership of crude, bitumen and destillates remains within Nynas UK AB. Nynas UK AB pays a tolling fee to ERL for this service based on a contractual price. Nynas UK AB also provides administration and weighbridge operation services to ERL, which are charged at cost.

NYNAS UK AB	**2018**	**2017**
Purchases, leasing/services	147.6	160.0
Service revenue	3.5	30.3
Accounts receivable	0.3	0.3
Accounts payable	11.9	5.5

Note 31. Supplementary information to the cash flow statement

	2018	2017
Share of profit/loss of associates and joint ventures	-24.3	-20.5
Dividends assoociates	1.4	1.0
Depreciation and impairment of assets	657.5	590.5
Reclassification of current receivables	0.0	-205.2
Unrealised exchange differences and oil forward contracts	43.9	94.6
Provisions for pensions	51.2	68.6
Other provisions	-35.2	50.8
TOTAL	**694.4**	**579.8**

	2017	Proceeds from borrowings	Amortisation	Non cash changes	2018
Long-term borrowings	3,829.7	2,994.4	0.0	-256.4	6,567.7
Short-term borrowings	1,349.6	0.0	-1,305.1	256.4	300.9
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**5,179.3**	**2,994.4**	**-1,305.1**	**0.0**	**6,868.6**

	2016	Proceeds from borrowings	Amortisation	Non cash changes	2017
Long-term borrowings	4,075.8	-49.2	0.0	-196.9	3,829.7
Short-term borrowings	413.8	1,152.7	-413.8	196.9	1,349.6
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**4,489.6**	**1,103.5**	**-413.8**	**0.0**	**5,179.3**

Note 32. Events after the reporting date

Bo Askvik was appointed interim President and CEO in January 2019.

On January 28, 2019, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) designated PDVSA as a Specially Designated National (SDN). Concurrently, OFAC issued a General License (No 13), authorising all transactions and activities where the only PDVSA entities involved are Nynas AB or any of its subsidiaries, enabling Nynas to continue its business unaffected.

Decision taken in January 2019 to close the South Korean office in Seoul and the Russian office in Moscow.

Notes to the financial statements – Parent Company

Note 33. Information by geographical market and sales revenues by category

SALES REVENUES BY GEOGRAPHICAL MARKET	2018	2017
Sweden	1,896.6	1,592.5
Rest of Nordics	3,734.3	3,086.1
Rest of Europe	6,635.9	5,889.2
Americas	787.0	727.1
Other	2,002.3	1,711.2
TOTAL	**15,056.2**	**13,006.3**

TOTAL ASSETS BY GEOGRAPHICAL MARKETS	2018	2017
Sweden	12,663.7	10,822.0
TOTAL	**12,663.7**	**10,822.0**

PURCHASES AND SALES GROUP COMPANIES		
Purchases, %	5	9
Sales, %	25	26

Note 34. Costs itemised by nature of expense

	2018	2017
Raw materials	10,874.6	8,887.9
Transport and distribution costs	1,717.5	1,709.2
Manufacturing expenses	1,670.7	1,355.6
Costs for employee benefits (Note 36)	477.1	450.5
Depreciation, amortisation, impairment (Notes 43,44)	384.9	368.6
Other income and value changes	-42.2	-57.7
Other expenses	293.6	330.0
TOTAL	**15,376.2**	**13,044.1**

During 2018 no realised gains and losses from cash flow hedges (oil) were re-classified to raw materials in the Income statement. Flow hedges (oil) were re-classified to raw materials in the Income statement.

Other income and value changes consist of unrealised gains and losses from oil and currency derivatives of 42.2 (57.7).

NOTES

Note 35. Other operating income and expenses

	2018	2017
OTHER OPERATING INCOME		
Exchange gains on operating receivables/liabilities	275.9	317.4
Other service revenue	13.7	17.7
TOTAL	**289.7**	**335.2**
OTHER OPERATING EXPENSES		
Exchange losses on operating receivables/liabilities	-272.9	-402.1
TOTAL	**-272.9**	**-402.1**

Note 36. Employees, personnel expenses and remuneration of senior executives

The average number of employees, with wages, salaries, other remuneration, social security contributions and pension costs, is shown in the tables below.

	2018			2017		
AVERAGE NUMBER OF EMPLOYEES	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
PARENT						
Sweden	329	138	467	322	136	458
TOTAL PARENT	**329**	**138**	**467**	**322**	**136**	**458**

WAGES, SALARIES AND SOCIAL SECURITY CONTRIBUTIONS	**Senior Executives (8 individuals)**	**Other Employees**	**Total**	**Senior Executives (7 individuals)**	**Other Employees**	**Total**
PARENT						
Sweden						
Salaries and other benefits	18.5	294.3	312.8	17.1	282.5	299.5
of which bonuses account for	3.1	6.9	10.0	1.7	4.0	5.7
Social security contributions	13.1	151.2	164.3	12.3	138.6	151.0
of which pension costs account for	6.2	47.0	53.2	5.9	39.5	45.5
TOTAL PARENT	**31.6**	**445.5**	**477.1**	**29.4**	**421.1**	**450.5**

GENDER DISTRIBUTION IN MANAGEMENT PARENT	**2018**	**2017**
Board, female rep., %	22.2	6.3
Executive Board, female rep., %	12.5	14.3

See Note 5 as regards to remuneration to senior executives and CEO.

NOTES

Note 37. Depreciation and amortisation of tangible and intangible assets

	Intangible		Tangible	
DEPRECIATION AND AMORTISATION BY FUNCTION	**2018**	**2017**	**2018**	**2017**
Cost of sales	3.2	4.5	338.3	320.0
Distribution costs	0.7	0.7	16.1	15.3
Administrative expenses	21.0	19.3	8.0	8.8
TOTAL	**24.9**	**24.6**	**362.4**	**344.0**

DEPRECIATION AND AMORTISATION BY TYPE OF ASSET	**2018**	**2017**
Computer software	24.9	24.6
Buildings	13.0	8.5
Land improvements	5.1	5.3
Plant and machinery	319.0	300.4
Equipment	25.3	29.7
TOTAL	**387.3**	**368.6**
Difference between recognised depreciation and regular depreciation:	0.0	-0.2
TOTAL RECOGNISED DEPRECIATION	**387.3**	**368.4**

Note 38. Auditors' fees and other remuneration

AUDIT FEES	**2018**	**2017**
ERNST & YOUNG AB		
Annual audit	2.7	2.7
Other audit services	0.3	0.6
Tax advisory service	2.2	1.4

Note 39. Fees for operating leases

PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	**2018**	**2017**
Payments during the financial year	272,6	302,9
AGREED FUTURE PAYMENTS		
Within one year	202,2	257,6
2–5 years	713,7	751,5
6 years and thereafter	397,4	463,3

In 2018 Nynas AB had two bitumen carriers on bareboat charters and two special oil carriers on time charters.
The Parent Company does not have any material agreements classified as finance leases.

Note 40. Net financial items

	2018	2017
Interest income, bank deposits [1]	2.7	1.0
Interest income, derivative instruments (actual interest rates and changes in value)	15.1	72.8
Dividends from Group companies	214.5	1,147.3
TOTAL FINANCAL INCOME	**232.3**	**1,221.1**
Of which total interest income attributable to items carried at amortised cost	2.7	1.0
Interest expense, loans and bank overdrafts [2]	-338.4	-277.4
Interest expense, derivative instruments (actual interest rates and changes in value)	-17.5	-15.8
Interest expense, PRI pension obligations	-7.3	-7.3
Net exchange differences	-233.4	-68.1
Impairment of shares in subsidiary	0.0	0.0
Other finance costs	-77.1	-79.5
TOTAL FINANCAL COSTS	**-673.6**	**-448.1**
Of which total interest expense attributable to items carried at amortised cost	-345.7	-284.7
TOTAL NET FINANCIAL ITEMS	**-441.3**	**773.1**

1) Parent's interest income from Group companies is 0.8 (0.4)
2) Parent's interest expense to Group companies is -1.7 (-0.8)

Note 41. Appropriations

APPROPRIATIONS	2018	2017
Difference between recognised depreciation and regular depreciation	0.2	0.2
Group Contribution	-0.3	-0.2
TOTAL	**-0.1**	**0.0**
UNTAXED RESERVES		
Accumulated accelerated depreciation	4.2	4.4
Inventory obsolescence reserve	–	–
TOTAL	**4.2**	**4.4**

Note 42. Taxes

	2018	2017
Current tax	–	–
Current tax, prior years	0.2	0.0
Deferred tax	-134.2	111.6
TOTAL	**-134.0**	**111.6**

Tax on the Parent Company's profit before tax differs from the theoretical figure that would have resulted from a weighted average rate for the results in the consolidated companies as follows:

	2018	2017
Result before tax	-744.5	668.2
Tax according to Parent Company's applicable tax rate	163.8	-147.0
Tax effect of:		
Dividends from subsidiaries	47.2	252.4
Impairment of shares in subsidiary	–	–
Other non-deductible expenses	0.0	-2.0
Other non-taxable income	14.1	8.3
Effect of future changed corporate income tax in Sweden	-14.3	0.0
Increase in loss carry-forwards without corresponding capitalisation of deferred tax	-345.7	
Other	0.9	-0.1
Recognised tax expense	**-134.0**	**111.6**
Standard rate of income tax, %	22	22
Effective tax rate, %	-18	-17

DEFERRED TAX ASSETS AND LIABILITIES	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Other operating receivables/liabilities	42.1	89.8	97.6	22.5	-55.5	67.3
Tax loss carry forwards	14.0	149.8	–	–	14.0	149.8
TOTAL	**56.1**	**239.6**	**97.6**	**22.5**	**-41.5**	**217.1**

CHANGE IN DEFERRED TAX ON TEMPORARY DIFFERENCES DURING YEAR	Opening balance	Recognised in income statement	Recognised directly in equity	Exchange differences	Closing balance
Other operating receivables/liabilities	67.3	1.4	-124.5	0.3	-55.5
Tax loss carry forwards	149.8	-135.8	–	–	14.0
TOTAL	**217.1**	**-134.4**	**-124.5**	**–**	**-41.5**

Tax losses in the parent company are from fiscal year 2013–2018.

NOTES

Note 43. Intangible assets

2018	Goodwill	Computer software	Other intang. assets/trademarks	Total intangible assets
Opening cost	14.2	447.2	1.5	462.9
Acquisitions	–	-0.6	–	-0.6
Reclassifications	–	21.5	–	21.5
CLOSING COST	**14.2**	**468.0**	**1.5**	**483.7**
Opening regular depreciation	-10.9	-350.9	-1.5	-363.3
Amortisation for the year	–	-24.9	–	-24.9
CLOSING REGULAR DEPRECIATION	**-10.9**	**-375.9**	**-1.5**	**-388.3**
Opening impairment	-3.3	-26.7	0.0	-30.0
CLOSING IMPAIRMENT	**-3.3**	**-26.7**	**0.0**	**-30.0**
CLOSING RESIDUAL VALUE	**0.0**	**65.5**	**0.0**	**65.5**

2017	Goodwill	Computer software	Other intang. assets/Trademarks	Total intangible assets
Opening cost	14.2	398.3	1.5	414.0
Acquisitions	–	2.3	–	2.3
Reclassifications	–	46.8	–	46.8
CLOSING COST	**14.2**	**447.2**	**1.5**	**462.9**
Opening regular depreciation	-10.9	-326.3	-1.5	-338.7
Depreciation for the year	–	-24.6	–	-24.6
CLOSING REGULAR DEPRECIATION	**-10.9**	**-350.9**	**-1.5**	**-363.3**
Opening impairment	-3.3	-26.7	0.0	-30.0
CLOSING IMPAIRMENT	**-3.3**	**-26.7**	0.0	**-30.0**
CLOSING RESIDUAL VALUE	**0.0**	**69.6**	**0.0**	**69.6**

NOTES

Note 44. Tangible assets

2018	Buildings	Plant and machinery	Equipment	Construction in progress	Total tangible assets
Opening cost	371.9	6,274.5	310.8	247.1	7,204.4
Acquisitions	1.9	36.6	7.9	202.1	248.4
Disposals	0.0	–	-0.1	–	-0.1
Reclassifications	2.4	175.5	13.5	-215.3	-23.9
CLOSING COST	**376.2**	**6,486.6**	**332.2**	**233.9**	**7,428.9**
Opening regular depreciation	-156.9	-3,959.4	-209.3	0.0	-4,325.7
Disposals	0.0	–	0.1	–	0.1
Depreciation for the year	-18.3	-318.0	-23.8	–	-360.0
CLOSING REGULAR DEPRECIATION	**-175.2**	**-4,277.4**	**-233.0**	**0.0**	**-4,685.6**
CLOSING RESIDUAL VALUE	**201.0**	**2,209.2**	**99.1**	**233.9**	**2,743.3**
Opening impairment	0.0	-24.9	0.0	-13.3	-38.2
CLOSING IMPAIRMENT	0.0	-24.9	0.0	-13.3	-38.2
CLOSING RESIDUAL VALUE	**201.0**	**2,184.3**	**99.1**	**220.6**	**2,705.0**
Of which carrying amount, Sweden.	201.0				

2017	Buildings	Plant and machinery	Equipment	Construction in progress	Total tangible assets
Opening cost	381.7	6,068.1	426.7	342.3	7,218.7
Acquisitions	0.0	21.3	6.3	171.1	198.6
Disposals	-14.2	–	-152.1	–	-166.2
Reclassifications	4.4	185.2	29.9	-266.3	-46.8
CLOSING COST	**371.9**	**6,274.5**	**310.8**	**247.1**	**7,204.4**
Opening regular depreciation	-157.3	-3,659.0	-331.3	0.0	-4,147.5
Disposals	14.2	–	151.6	–	165.8
Depreciation for the year	-13.9	-300.4	-29.7	–	-344.0
CLOSING REGULAR DEPRECIATION	**-156.9**	**-3,959.4**	**-209.3**	0.0	**-4,325.7**
CLOSING RESIDUAL VALUE	**215.0**	**2,315.1**	**101.5**	**247.1**	**2,878.7**
Opening impairment	0.0	-24.9	0.0	-13.3	-38.2
CLOSING IMPAIRMENT	0.0	-24.9	0.0	-13.3	-38.2
CLOSING RESIDUAL VALUE	**215.0**	**2,290.2**	**101.5**	**233.8**	**2,840.5**
Of which carrying amount, Sweden	215.0				

Accumulated accelerated depreciation is accounted for under untaxed reserves in the Parent Company.

Note 45. Shares in group companies

	2018	2017
Opening cost	2,876.9	2,836.6
Contribution in cash	–	40.3
Impairment of shares in subsidiary	–	–
CLOSING COST	**2,876.9**	**2,876.9**

List of Group Companies, see Note 14.

Note 46. Inventories

	2018	2017
Raw materials	1,462.4	882.1
Semi-finished products	517.9	356.5
Finished products	2,064.1	1,398.3
TOTAL	**4,044.4**	**2,636.9**

Amounts relating to impairment losses on inventories are reported under costs of goods sold and are SEK 0 (0) million.

Inventories are stated at the lower end of cost and net realisable value, with due consideration of obsolenscence.

Impairment of inventory value per end of 2018 have been done. No need for write-down exists.

Note 47. Accounts receivable

	2018			2017		
	Gross	**Loss allowance**	**Net carrying amount**	**Gross**	**Loss allowance**	**Net carrying amount**
Current receivables	455.5	-0.2	455.2	469.0	-0.2	468.8
Past due 1–30 days	136.6	-0.2	136.4	101.7	-0.2	101.6
Past due 31–90 days	31.3	-0.1	31.1	25.1	-0.2	24.9
Past due 91–180 days	44.9	-2.4	42.6	10.7	-0.2	10.6
Past due 181–360 days	45.4	-0.6	44.7	10.0	0.0	10.0
Past due over 360 days	4.1	-3.5	0.6	35.2	-2.3	32.9
Bankrupcy	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL ACCOUNTS RECEIVABLES	**717.8**	**-7.0**	**710.7**	**651.8**	**-3.0**	**648.8**

Performance obligation

Revenue is recognised when control passes to the customer. A customer obtains control when they have the ability to direct the use of the asset (goods / products) and to obtain substantially all of the benefits embodied in the same. In most cases this will be the same point in time as when risks and rewards passes and therefore there will be no change in the timing of revenue recognition.

Factoring

The Group has applied factoring for a limited part of the invoicing.

At year-end 2018, the part used as Factoring was approximately 13 per cent and has been accounted for as off balance sheet.

Loss allowance

Nynas has moved from an incurred loss model to an expected loss model with an earlier recognition of impairment. Nynas applies the simplified approach for trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The average credit period on sales of goods is 28.7 days. No interest is charged on outstanding trade receivables. Nynas always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over 365 days past due, whichever occurs earlier.

Accounts receivable not covered by insurance amounts to 23 per cent at the end of 2018 (23%). Since approx. 77 per cent of all sales in the Group during the year are covered by the credit insurance, Nynas AB will only determine an expected credit loss model on sales that are uninsured.

Note 48. Pre-payments and accrued income

	2018	2017
Rent	2.3	2.2
Charter hire	38.7	40.6
Pension premiums	5.1	4.6
Software licences	9.3	13.9
Other pre-payments	26.0	38.9
TOTAL	**81.3**	**100.2**

Note 49. Cash and cash equivalents

	2018	2017
Cash and bank balances	463.7	87.7
Restricted cash	0.0	0.0
CASH AND CASH EQUIVALENTS RECOGNISED	**463.7**	**87.7**

The Parent Company's cash and cash equivalents comprise its deposits in the Group's common bank accounts and its own bank accounts.

Note 50. Equity

DISTRIBUTION OF SHARE CAPITAL	2018	2017
CHANGE IN TOTAL NUMBER OF SHARES		
Opening number	67,532	67,532
Change during the year	0	0
CLOSING NUMBER	**67,532**	**67,532**

	2018		2017	
CLASS OF SHARE	Number of shares	%	Number of shares	%
Class A	33,765	50	33,765	50
Class B	33,767	50	33,767	50
TOTAL	**67,532**	**100**	**67,532**	**100**

Restricted reserves

Restricted reserves may not be reduced by distribution of dividends.

Unrestricted equity

Retained earnings comprises the previous year's unrestricted equity after transfers to the statutory reserve and dividend payments. Retained earnings, net profit for the year and the fair value reserve (if applicable) constitute total unrestricted equity, in other words the amount available for distribution to shareholders.

For more information see page 45, Corporate Governance.

Proposed distribution of profit

The Board proposes that the available profits of SEK 1,786,526,208 in the Parent Company be distributed as follows:

Total dividend	0
Carried forward	1,786,526,208
SEK	1,786,526,208

Note 51. Provisions for pensions

The Parent Company's employees, former employees and their survivors may be covered by defined contribution and defined benefit plans relating to post-employment benefits. The defined benefit plans cover retirement pension, survivor's pension and healthcare.

The obligation reported in the balance sheet is derived from the defined benefit plans. The plans are covered by a re-insured provision in the balance sheet and by pension benefit plans and funds. The calculations are based on the projected unit credit method using the assumptions shown in the table below.

The main differences from IAS 19 relate to determination of the discount rate and the fact that the defined benefit obligation is based on the present salary level, without taking into account future salary increases, and that all actuarial gains and losses are recongnised immediately in profit or loss. Defined benefit pension plans are calculated by an independent external actuary.

In the case of a multi-employer defined benefit plan, sufficient information cannot be obtained to calculate the Parent Company's share in this plan, and the plan has been reported as a defined contribution plan. In the Parent Company's case, this relates to the ITP pension plan which is administered via Collectum. However, the majority of the Swedish plan for salaried employees (ITP) is funded by pension provisions, which are covered by credit insurance with Försäkringsbolaget Pensionsgaranti (FPG) and managed by a Swedish multi-employer institution, Pensionsregistreringsinstitutet (PRI).

The Parent Company's forecast payment of pensions in relation to defined benefit plans, both funded and unfunded, amounts to SEK 7.4 (9.5) million for 2019.

The Parent Company's provisions for pensions mainly consist of ITP, and are covered via Försäkringsbolaget Pensionsgaranti (FPG) or other insurance institutions. Payments have also been made to endowment insurance policies. The value of these insurance policies at the end of the year was SEK 92.2 (96.3) million, which corresponds to the value of the obligations.

RECONCILIATION OF REVISED PENSION LIABILITY	**2018**	**2017**
Present value of pension obligations, wholly or partly funded	0.0	0.0
Fair value of pension benefit plan assets	0.0	0.0
Surplus in pension benefit plan	0.0	0.0
Present value of obligations relating to unfunded pension plans	190.5	180.7
Unrecognised surplus in pension benefit plan	0.0	0.0
NET LIABILITY RECOGNISED	**190.5**	**180.7**

The amount allocated to the pension provision is calculated in accordance with the Swedish Pension Obligations Vesting Act. This method differs from the IFRS project unit credit method, mainly in that it does not take into account expected salary or pension increases; instead, the calculation is based on the salary or pension level on the reporting date. The discount rate according to PRI is 4.0 per cent (4.0).

CHANGE IN NET DEBT	**2018**	**2017**
Net debt at beginning of year	180.7	170.4
Cost recognised in income statement	16.7	16.9
Pension payments	-6.9	-6.6
NET DEBT AT END OF YEAR	**190.5**	**180.7**

Payments relating to defined benefit plans are expected to amount to SEK 7.4 million in 2019.

PENSION EXPENSE FOR THE PERIOD	**2018**	**2017**
Book reserve pensions	7.2	3.4
Interest expense (calc. discount effect)	7.3	6.9
COST OF BOOK RESERVE PENSIONS	**14.5**	**10.3**
Pensions through insurance:		
Insurance premiums	58.9	68.3
RECOGNISED NET COST ARISING FROM PENSIONS EXCL. TAX	**73.4**	**78.6**
Dividend tax on pension funds	0.1	0.1
Payroll tax on pension costs	15.2	13.1
PENSION EXPENSE FOR THE YEAR	**88.7**	**91.9**
Per cent age return on pension benefit plan assets, %	0.0	0.0

Interest income is reported under net financial items, while other costs are reported under operating expenses.

Note 52. Other provisions

	Provision for environmental obligation	Provision for restructuring	Provision for other obligations	Total
Balance at 31 December 2017	149.2	0.0	0.0	149.2
Provisions during the year	21.3	–	0.0	21.3
Provisions used during the year	-17.9	0.0	0.0	-17.9
BALANCE AT 31 DECEMBER 2018	**152.5**	**0.0**	**0.0**	**152.5**
of which current	11.4	–	0.0	11.4
of which non-current	141.1	–	–	141.1

Environment-related provisions

The provision in Nynäshamn consists of three parts – the Land Farm (SEK 16 million), E2 (SEK 13 million) and J3/J4 (SEK 160 million). See Note 23 for description. All costs associated with the remediation project have been calculated using the present value method.

Note 53. Liabilities to credit institutions

In June 2018 Nynas redeemed the unsecured four-year corporate bond of SEK 1,100 million launched in 2014. The Nynas shareholders each provided a three-year shareholder loan of EUR 55 million in June 2018. In April 2016, a five-year syndicated multi-currency revolving credit facility of EUR 650 million was signed.

	2018	2017
LONG-TERM LIABILITIES		
Shareholder loan	1,137.1	–
Loans from credit institutions	5,430.6	3,829.7
TOTAL	**6,567.7**	**3,829.7**
CURRENT LIABILITIES		
Loans from credit institutions	256.4	1,292.4
Overdraft facilities	0.0	16.9
TOTAL	**256.4**	**1,309.3**
GRAND TOTAL	**6,824.1**	**5,139.0**

NOTES

Con't. Note 53

2018
LONG-TERM LIABILITIES

Year issued/maturity	Description of loan	Interest, %	Currency	Nominal amount (local currency)	Recognised amounts in SEK million
Variable-rate loans					
2019/2021	Shareholder loan	6.00	EUR	55.4	568.5
2019/2021	Shareholder loan	6.00	EUR	55.4	568.6
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	120.0	1,218.1
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	80.0	812.1
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	110.0	1,116.6
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	80.0	812.1
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	45.0	456.8
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	20.0	203.0
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	75.0	761.3
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	5.0	50.6
TOTAL					**6,567.7**

CURRENT LIABILITIES

Year issued/maturity	Description of loan	Interest, %	Currency	Nominal amount (local currency)	Amounts in SEK million
Variable-rate loans					
2016/2019	Stand-by credit line (€ 650)	4.50	EUR	25.0	256.4
TOTAL					**256.4**

2017
LONG -TERM LIABILITIES

Year issued/maturity	Description of loan	Interest, %	Currency	Nominal amount (local currency)	Recognised amounts in SEK million
Variable-rate loans					
2016/2021	Stand-by credit line (€ 650)	5.45	USD	50.0	402.6
2016/2021	Stand-by credit line (€ 650)	5.45	USD	100.0	805.3
2016/2021	Stand-by credit line (€ 650)	4.00	EUR	40.0	386.3
2016/2021	Stand-by credit line (€ 650)	4.00	EUR	25.8	249.0
2016/2021	Stand-by credit line (€ 650)	4.00	EUR	30.0	289.7
2016/2021	Stand-by credit line (€ 650)	4.00	EUR	70.0	676.0
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	30.0	291.7
2016/2021	Stand-by credit line (€ 650)	4.50	EUR	75.0	729.1
TOTAL					**3,829.7**

CURRENT LIABILITIES

Year issued/maturity	Description of loan	Interest, %	Currency	Nominal amount (local currency)	Amounts in SEK million
Variable-rate loans					
2014/2018	Bond issue	7.5	SEK	650.0	647.4
2017/2018	Bond issue	7.5	SEK	450.0	448.2
2016/2018	Stand-by credit line (€ 650)	4.5	EUR	20.0	196.9
2016/2017	Overdraft				16.9
TOTAL					**1,309.3**

Note 54. Accrued liabilities and deferred income

	2018	2017
Purchases of raw materials, semi-finished and finished goods	784.8	574.8
Accrued salaries/holiday pay	86.7	84.1
Accrued interest	42.2	40.0
Shipping costs	45.5	40.0
Accrued investment costs	46.2	37.0
Customer provision	33.0	42.5
Other	3.7	23.2
TOTAL	**1,042.2**	**841.5**

Note 55. Financial assets and liabilities

See Note 26 for a description of the measurement and calculation of fair value.

2018	Derivatives used in hedge accounting	Derivatives held at fair value through income statement	Financial assets valued to amortised cost	Financial liabilities valued to amortised cost	Total carrying amount	Non-financial assets and liabilities	Total balance sheet
Accounts receivable	–	–	710.7	–	710.7	–	710.7
Receivables from Group companies	–	–	909.7	–	909.7	–	909.7
Long-term derivatives		1.9			1.9		1.9
Short-term derivatives	520.9	29.1	–	–	550.0	–	550.0
Other current receivables	–	–	–	–	0.0	176.4	176.4
Prepaid expenses and accrued income	–	–	–	–	0.0	81.3	81.3
Cash and cash equivalents	–	–	463.7	–	463.7	–	463.7
FINANCIAL ASSETS	**520.9**	**31.0**	**2,084.1**	**0.0**	**2,636.0**	**257.7**	**2,893.7**
Long-term liabilities to credit institutions	–	–	–	6,567.7	6,567.7	–	6,567.7
Short-term liabilities to credit institutions	–	–	–	256.4	256.4	–	256.4
Long-term liabilities to Group companies	–	–	–	0.2	0.2	–	0.2
Current i-b liabilities to Group companies	–	–	–	808.5	808.5	–	808.5
Current non-i-b liabilities to Group companies	–	–	–	365.7	365.7	–	365.7
Accounts payable	–	–	–	612.4	612.4	–	612.4
Short-term derivatives	20.5	65.7	–	–	86.2	–	86.2
Other current liabilities	–	–	–	–	0.0	488.5	488.5
Accrued liabilities and deferred income	–	–	–	503.4	503.4	538.8	1,042.2
FINANCIAL LIABILITIES	**20.5**	**65.7**	**0.0**	**9,114.3**	**9,200.5**	**1,027.3**	**10,227.8**

Con't. Note 55

2017	Derivatives used in hedge accounting	Derivatives held at fair value through income statement	Financial assets valued to amortised cost	Financial liabilities valued to amortised cost	Total carrying amount	Non-financial assets and liabilities	Total balance sheet
Accounts receivable	–	–	648.8	–	648.8	–	648.8
Receivables from Group companies	–	–	867.5	–	867.5	–	867.5
Short-term derivatives	89.4	19.1	–	–	108.5	–	108.5
Other current receivables	–	–	–	–	0.0	324.3	324.3
Prepaid expenses and accrued income	–	–	–	–	0.0	100.2	100.2
Cash and cash equivalents	–	–	87.7	–	87.7	–	87.7
FINANCIAL ASSETS	89.4	19.1	1,604.0	0.0	1,712.5	424.5	2,137.0
Long-term liabilities to credit institutions	–	–	–	3,829.7	3,829.7	–	3,829.7
Short-term liabilities to credit institutions	–	–	–	1,309.3	1,309.3	–	1,309.3
Long-term liabilities to Group companies	–	–	–	0.2	0.2	–	0.2
Current i-b liabilities to Group companies	–	–	–	1,034.2	1,034.2	–	1,034.2
Current non-i-b liabilities to Group companies	–	–	–	145.2	145.2	–	145.2
Accounts payable	–	–	–	428.0	428.0	–	428.0
Short-term derivatives	307.6	39.7	–	–	347.3	–	347.3
Other current liabilities	–	–	–	–	0.0	89.9	89.9
Accrued liabilities and deferred income	–	–	–	616.8	616.8	224.7	841.5
FINANCIAL LIABILITIES	**307.6**	**39.7**	**0.0**	**7,363.4**	**7,710.7**	**314.6**	**8,025.3**

Note 56. Pledged assets and contingencies

	2018	2017
FLOATING CHARGES		
Security for liabilities to credit institutions	–	–
TOTAL	0.0	0.0
Sureties for Group companies	124.9	102.2
Guarantees	673.1	59.9
Other guarantees and contingent liabilities	3.8	3.5
TOTAL	**801.8**	**165.6**

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

Guarantees

Payment guarantees (SEK 609 million) for purchase of crude taken place in 2018, where payments are to be made in 2019.

Disputes

For information on ongoing disputes, see Note 29 (financial statement for the Group).

Note 57. Related party disclosures

Information on remuneration of the Board and key management personnel can be found in Note 5.

Petroleos de Venezuela S.A. (PDVSA) is the ultimate owner of 50 per cent of the shares in Nynas AB. The Nynas Group purchases approx. 71 per cent of its crude oil volumes from PDVSA. Crude oil and base oil prices are governed by formula-based multi-year supply contracts. Prices reflect the prices that would be charged under a contract with a non-related party on an arms-length basis.

	2018	2017
Purchases, crude	5,177.9	4,511.4
Purchases, base oils	52.2	215.1
Sales revenue	42.1	35.3
Shareholder loan	568.6	–
Accounts receivable	78.9	61.2
Accounts payable	649.0	627.5

Neste Oyj (Neste) is the ultimate owner of 50 per cent of the shares in Nynas AB. The Nynas Group purchases bitumen and other oil products from Neste. Nynas sells fuel and services to Neste. All transactions are conducted at current market prices.

	2018	2017
Purchases, bitumen	887.6	406.5
Purchases, base oils	43.6	45.9
Purchases, fuel/distillates	0.1	0.1
Purchases, leasing/services	4.1	9.9
Sales revenue	687.2	737.7
Shareholder loan	568.5	–
Accounts receivable	0.5	36.1
Accounts payable	45.7	11.3

Note 58. Supplementary information to the cash flow statement

	2018	2017
Depreciation and impairment of assets	387.3	368.6
Unrealised exchange differences and oil forward contracts	–	32.9
Provisions for pensions	13.2	8.7
Other provisions	3.3	-18.6
TOTAL	**403.8**	**391.5**

	2017	Proceeds from borrowings	Amortisation	Non cash changes	2018
Long-term borrowings, credit institutions and shareholder loan	3,829.7	2,994.4	0.0	-256.4	6,567.7
Long-term borrowings, Group companies	0.2	0.0	0.0	0.0	0.2
Short-term borrowings, credit institutions	1,309.3	0.0	-1,309.3	256.4	256.4
Short-term borrowings, Group companies	1,034.2	0.0	-225.7	0.0	808.5
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**6,173.4**	**2,994.4**	**-1,535.0**	**0.0**	**7,632.8**

	2016	Proceeds from borrowings	Amortisation	Non cash changes	2017
Long-term borrowings, credit institutions	4,075.8	-49.2	0.0	-196.9	3,829.7
Long-term borrowings, Group companies	0.2	0.0	0.0	0.0	0.2
Short-term borrowings, credit institutions	413.8	1,112.4	-413.8	196.9	1,309.3
Short-term borrowings, Group companies	1,680.6	0.0	-646.4	0.0	1,034.2
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**6,170.4**	**1,063.2**	**-1,060.2**	**0.0**	**6,173.4**

Assurance

The Annual Accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the Consolidated Accounts have been prepared in accordance with EU-approved International Financial Reporting Standards, IFRS.

The Annual Accounts and the Consolidated Accounts give a true and fair view of the Parent Company's and the Group's financial position and results of operations.

The Directors' Report for the Group and the Parent Company give a true and fair overview of the Group's and the Parent Company's operations, position and results and describes the material risks and uncertainties faced by the Parent Company and the companies that make up the Group.

Stockholm, April 23, 2019

Jyrki Mäki-Kala
Chairman of the Board

Fernando de Quintal

Henry Ardila

Hannele Jakosuo-Jansson

Sheila Rivas Puerta

Mika Rydman

Christian Ståhlberg

Aryenis Torrealba

Roland Bergvik

Pia Ovrin

Bo Askvik
President and CEO

Our Audit Report was submitted on April 23, 2019
Ernst & Young AB

Rickard Andersson
Authorised Public Accountant

AUDITOR'S REPORT

This is a translation from the Swedish original.

Auditor's report

To the general meeting of the shareholders of Nynas AB (publ.), corporate identity number 556029-2509

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nynas AB for the year 1 January 2018 – 31 December 2018 except for the corporate governance statement on pages 45-51 and the statutory sustainability report on pages 39-44. The annual accounts and consolidated accounts of the company are included on pages 26-38 and 52-118 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 the parent company as of 31 December 2018 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 2018 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 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.

Emphasis of matter

We draw attention to sections Sanctions and Future development in the Board of Directors' Report which describes the current circumstances related to the sanctions against PDVSA but also the general license which Nynas has received from OFAC. Our opinion is not qualified in respect of this matter.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises pages 1-25 (but does not include the annual accounts, consolidated accounts and our auditor's report thereon).

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, 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 opinions. 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 the company's internal control relevant to our 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors [and the Managing Director].
- Conclude on the appropriateness of the Board of Directors' [and the Managing Director's] use of the going concern basis of accounting

AUDITOR'S REPORT

in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and 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 annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. 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 a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

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 Nynas AB for the year 2018.01.01- 2018.12.31 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 39-44, and that it is prepared in accordance with the Annual Accounts Act.

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 different and substantially 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.

A statutory sustainability report has been prepared.

Stockholm 23 April, 2018
Ernst & Young AB

Rickard Andersson
Authorised Public Accountant

Glossary and definitions

Asphalt
Asphalt is a mixture of aggregates (stone), sand, filler and bitumen, which is an oil-based binder. Traditionally asphalt is produced in specialist production units at elevated temperatures and is commonly referred to as hot mix asphalt. Asphalt is a versatile material and can be used for all paving applications. However, the recipe of the asphalt mixture needs to be designed according to the type of application.

Bitumen
Bitumen is a dark brown or black viscous mixture of various hydrocarbons derived from the distillation of oil; it also occurs naturally in geological deposits. Bitumen forms the asphalt 'glue' or binder and influences the performance of the asphalt.

Bitumen emulsion
Bitumen is not soluble in water. Bitumen emulsion is a fine dispersion of very small bitumen droplets in water. The dispersion is created using reagents and specialist production equipment. Compared with normal bitumen, bitumen emulsion has a low viscosity at ambient temperature and can be applied warm or cold. The bitumen and water separate during application and this allows the bitumen properties to develop.

Catalyst and hydrotreatment technology
Naphthenic specialty oils are made in a hydrotreatment facility. Hydrotreatment gives the oil the various qualities demanded by customers, including different levels of viscosity at various temperatures, the ease with which it mixes with other products and its environmental characteristics.

Cold mix technology
Asphalt is traditionally mixed at elevated temperatures. This softens the bitumen (reduces its viscosity) sufficiently to allow mixing, coating of aggregate and placing of the material. Bituminous emulsions reduce the viscosity of the binder without the need for elevated temperatures. Techniques using these processes are commonly referred to as 'cold mix'. These types of asphalt mixtures can have many benefits including lower energy use/CO_2 emissions, greater opportunity to include recycled materials, etc.

Crude oil
Unprocessed oil is called crude oil. It is a mixture of thousands of hydrocarbons and its chemical composition alters depending on the origin of the oil. Consequently, the qualities of crude oil may vary, which in turn determines the products that can be produced from it.

Hydrogen gas facility
A lot of hydrogen gas is required to manufacture naphthenic specialty oils. The hydrogen needed for hydrotreatment is produced in special hydrogen production facilities.

Lubricant
A substance used in machinery for lubrication between movable parts to reduce friction and wear. Lubricants also contribute to cooling, sealing, protection against corrosion and noise reduction.

Management system
A management system helps to guide the business towards present targets. The most common international standard is ISO, e.g. the ISO 9000 series for quality management. This includes processes, guidelines and job descriptions to ensure there is clear information about what has to be done, when, how and by whom.

Naphthenic specialty oils
Products that are highly refined from heavy naphthenic crude oil, through hydrotreatment or solvent extraction. They offer good characteristics with regard to high solvency and excellent low temperature properties. They are mainly used by electrical, lubricant and chemical industries.

Oil
The oil used at the world's refineries was formed between 50 and 500 million years ago when sediments of dead plants and animals were exposed to high pressure and heat deep in the earth.

GLOSSARY AND DEFINITIONS

Performance programme
Re-alignment of the bitumen product portfolio into categories Regular, Extra and Premium. The result of close cooperation with our customers and re-aligning to meet the customers' needs for long-term, cost effective solutions with value added.

Polymer modified bitumen
Bitumen softens as it is heated or when placed under slow/heavy loading stresses. At high ambient temperatures it can flow and deform; under freezing conditions it can be brittle and crack. The addition of selected polymers to bitumen can reduce these effects, which will increase the life expectancy of the asphalt.

REACH
The European chemicals legislation, which stipulates that all chemical substances manufactured and imported by companies in the EU must be registered.

Refinery
Industrial facility where crude oil is divided into different parts (fractions) through distillation and then further processed into finished products. A refinery consists of a certain range of process units depending on what type of products are intended to be produced.

Transformer
The task of transformers is to handle the transformation from one voltage to another. Most transformers are oil cooled. In addition to transferring heat from the transformer coil, transformer oil acts as an insulating liquid, thereby stopping electrical discharges.

TRI
Total Recordable Injuries (TRIs) include the following:
Lost Time Accidents (LTA): An instantaneous bodily defect whereby the individual is physically or mentally unable to work on a scheduled day or shift resulting in at least one day off the job, not counting the day of the accident.
Restricted Workday Injuries (RWI): A work-related injury which causes the injured person to be assigned to other work on a temporary basis or to work less than full time at his or her normal job.
Medical Treatment Cases (MTC): A work-related injury that requires the attention of a medical practitioner.

Semi-hot asphalt production
When semi-hot asphalt mixes are produced a soft binder is used, which makes it possible for paving to be undertaken at a significantly lower temperature than with hot mix asphalt. This produces environmental benefits and also means that the surface has better flexibility and healing capacity.

Viscosity
Viscosity is a property of liquids that denotes their "thickness" or internal resistance to flowing and can be viewed as a measure of friction. Syrup, for example, has higher internal friction than water, i.e. it has higher viscosity.

Definitions and reconciliations of alternative performance measures

APMs refer to measures used by management and investors to analyse trends and performance of the Group's operations that cannot be directly read or derived from the financial statements. These measures are relevant to assist management and investors in analysing the Group's performance. Investors should not consider these APMs as substitutes, but rather as additions to the financial reporting measures prepared in accordance with IFRS. It should be noted that these APMs as defined, may not be comparable to similarly titled measures used by other companies.

EBITDA
EBITDA is a measure of earnings before interest, taxes, depreciation, amortisation and impairment charges. EBITDA measures the Nynas Group's operating performance and the ability to generate cash from operations, without considering the capital structure of the Group or its fiscal environment. EBITDA is defined as operating result before depreciation.

Equity/assets ratio
Equity as a percentage of total assets at year-end.

Last twelve months (LTM)
Last twelve months rolling have been included to assist investors in their analysis of the seasonality that the Nynas Group's business is exposed to.

Net debt
Net debt is a measure to describe the Group's gearing and its ability to repay its debts from cash generated from the Group's ordinary business, if they were all due today. It is also used to analyse whether the Group is over- or underfunded and how future net interest costs will impact earnings. Net debt is defined as long-term interest-bearing liabilities and current interest-bearing liabilities reduced by cash and bank deposits.

Net Debt/equity ratio
Long-term interest-bearing liabilities and current interest-bearing liabilities reduced by cash and bank deposits divided by equity.

Non-recurring items including write down of assets
To assist in understanding Nynas Group's operations, we believe that it is useful to consider certain measures and ratios exclusive of non-recurring items that have a significant impact and are considered to be important for understanding the operating performance when comparing results between periods.

Return on average capital employed (12 months rolling)
EBIT excluding non-recurring items as per cent age of average total assets less non-interest-bearing liabilities, 12 months rolling.

Return on equity
Net income as per cent age of average equity.

Return on capital employed
Profit after net financial items plus interest expense as per cent age of total assets less non-interest-bearing liabilities.

Working Capital
This measure shows the seasonal swings that the Nynas Group is exposed to in the Bitumen business, with a peak in the high season in quarter two and three each year. Working capital is defined as inventories plus current non-interest-bearing receivables, reduced by current on-interest-bearing liabilities.

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