

# Interim Report

## 1 January – 30 June 2017

# Q2

Nynas AB (Publ.), corporate re. no 556029-2509, Parent Company for Nynas.  
Nynas is a leading international group specialised in naphthenic specialty oils and bitumen.

### Second Quarter Summary

- › Total product sales volumes increased by 2 per cent compared to the second quarter 2016.
- › Net sales increased to SEK 4,381 million (3,318), as a consequence of higher oil prices and higher sales volumes compared to the second quarter of 2016.
- › Operating result before depreciation (EBITDA) amounted to SEK 360 million (111).
- › Nynas has successfully issued additional senior unsecured bonds of SEK 450 million within its existing bond loan now utilising the total frame amount of SEK 1.1 billion with a final maturity date in June 2018.

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### KEY FIGURES

SEK million	Apr-Jun		Jan-Jun		Full year 2016
	2017	2016	2017	2016	
Net sales	4,381	3,318	6,951	5,528	12,525
Operating result before depreciation (EBITDA) <sup>1,2</sup>	360	111	511	424	1,009
Result after financial items	80	-76	49	52	107
Net income	59	-64	33	32	75
Cash flow from operating activities	-88	-286	-1,006	-836	-464
Cash flow after financing activities	-194	-560	-1,145	-1,625	-1,626
Capital expenditures	101	236	155	714	1,055
Net debt <sup>2</sup>			6,164	4,758	4,895
Working capital <sup>2</sup>			4,681	3,178	3,163
Return on average capital employed (12 months rolling) <sup>2</sup>			6.0	12.8	6.2
Equity to assets ratio, %			28.8	30.5	30.9
Number of full-time employees			1,018	1,010	1,013

1) Excluding non-recurring items.

2) Alternative Performance Measure, refer to page 16 for definitions.

## President's comments

### Good first half-year performance

Demand remained robust for naphthenic specialty oils in the second quarter and was particularly strong for bitumen in Europe given the road infrastructure programmes running in various countries. As a consequence, volumes were up compared to the second quarter and the full first six months of last year. The crude oil market was again volatile with prices fluctuating between 44 and 54 USD/bbl (Brent) but product prices stayed firm mirroring the tight supply / demand balance.

EBITDA for the second quarter reached SEK 360 million, well up compared to the same period of last year (111). The first half year EBITDA amounted to SEK 511 million com-

pared to SEK 424 million in the first six months of 2016 and as previously reported the 2016 result included an income compensation for a discontinued tolling agreement of SEK 262 million.

Focus on operational excellence in manufacturing, fine-tuning inventory levels, improving crude oil flexibility and optimising the logistics network remain the key initiatives for the rest of the year.

Stockholm, August 2017

Gert Wendroth  
President and CEO, Nynas AB

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## Market and economic conditions

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. Bitumen sales are regional and mainly dependent on investments in road construction and maintenance.

The Eurozone economic growth continued to run at its fastest pace for six years, with the average for the second quarter at its highest level since the first quarter of 2011. The Eurozone Markit Purchasing Manager's Index (PMI) averaged 56.6 in Q2 2017, up from 56.4 in Q1 2017.

The US composite PMI reading for the second quarter was down slightly on the first quarter, suggesting that the underlying pace of economic growth remained somewhat subdued although still robust.

Among the BRIC countries, India recorded its best quarter since Q2 2016, and the pace of expansion in Russia remaining strong. The Brazilian economy continued to contract although the quarter showed the highest quarterly reading since Q3 2014. For China, the Caixin Composite PMI continued its downward trend with the June reading being the lowest in one year.

On a global basis, the base oil supply and demand during the second quarter was mostly balanced. The first quarter's Group I tightness in Europe worsened during the second

quarter, reflected in price increases over the period. Positive signs came from the automotive industry, with EU passenger car registrations recording a growth of 4.7 per cent during the first half year.

Crude oil prices in the second quarter showed a downward trend from the range-bound trading in the previous quarter, but were higher than last year due to the agreed OPEC production cuts. The average Brent crude price for the second quarter was volatile within a broad trading range of 44 to 55 USD/bbl, and on average approximately 9 per cent higher at 50 USD/bbl compared to 46 USD/bbl last year. The average Brent crude price for the period January to June was approximately 30 per cent higher at 52 USD/bbl compared to 40 USD/bbl last year, positively impacting reported Nynas net sales.

Currency impact in the second quarter was negative mainly due to a weaker US dollar and British pound, while the Euro was marginally stronger. The US dollar weakened approximately 6 per cent and the British pound 3 per cent against the Swedish krona, both with an accelerating weakening in June. For the period, January to June the dominating negative impact comes from the US dollar weakening by over 7 per cent, while the British pound weakened 2 per cent and the Euro marginally strengthened by 1 per cent.

## Financial overview

Net sales for the second quarter reached SEK 4,381 million (3,318), mainly because of increased prices and higher sales volumes. Total product sales volumes (excluding fuels and other) increased 2 per cent compared to last year. Operating result before depreciation (EBITDA) amounted to SEK 360 million (111) in the second quarter.

Net financial items for the second quarter amounted to SEK -98 million (-71) of which SEK -49 million (-32) is related to net interest expenses, mainly explained by higher utilisation of the credit facilities offset by positive effects from interest rate swaps.

Non-recurring items affecting the result totaled SEK -43 million (-1), mainly relating to higher environmental provision for the Nynäshamn refinery.

Net sales for the first six months of the year amounted to

SEK 6,951 million (5,528), primarily as a consequence of higher crude oil prices and higher sales volumes partly offset by a weaker US dollar and British pound. Total product sales volume increased by 4 per cent compared to last year.

EBITDA in the first half of the year amounted to SEK 511 million (424), mainly due to margin improvement and higher sales volumes. Earnings in the first six months of 2016 includes an income compensation of SEK 262 million for a discontinued tolling agreement.

Net financial items for January to June amounted to SEK -142 million (-135), of which SEK -88 million (-70) is related to net interest expenses. The increase is mainly explained by higher utilisation of the credit facilities due to 30 percent higher crude oil prices.

### CONDENSED INCOME STATEMENT

SEK million	Apr-Jun		Jan-Jun		Full year 2016
	2017	2016	2017	2016	
Net sales	4,381	3,318	6,951	5,528	12,525
Operating result (EBITDA) <sup>1</sup>	360	111	511	424	1,009
Depreciation	-139	-116	-274	-225	-491
Non-recurring items incl. write-down assets <sup>1</sup>	-43	-1	-46	-13	-147
EBIT after non-recurring items	178	-6	191	186	372
Net financial items	-98	-71	-142	-135	-265
Net income before tax	80	-76	49	52	107
Tax	-22	12	-15	-20	-32
Net income for the year/period	59	-64	33	32	75

1) Alternative Performance Measure, refer to page 16 for definitions.

## Segment information

### Naphthenics

Sales revenue and margins during the second quarter of 2017 showed an increase compared to the same period in 2016, with positive price development and USD margins in line with expectations. The overall sales volumes in the quarter were unchanged compared to the equivalent period in 2016, constrained by available supply rather than sales opportunities.

EMEA (Europe, Middle East, India and Africa) sales volumes during the second quarter 2017 were similar to the same period in 2016 which is slightly below expectations, however sales volumes in Central Europe set a record for a single quarter. Second quarter sales in the Americas were below the same period in 2016, mainly due to supply constraints with the Americas being the region most impacted. Sales volumes in the second quarter in APAC (Asia Pacific) were unchanged compared to the same period in 2016. The positive China sales development continued with record volume for a single quarter, and Indonesia continues to grow.

Second quarter external sales were SEK 2,040 million (1,540) positively impacted by increased product prices compared to the same period in 2016. Operating result before depreciation (EBITDA) was SEK 142 million (-131).

External sales for the first six months increased to SEK 3,886 million (3,107) positively impacted by increased product prices and higher crude oil price levels. Operating result before depreciation (EBITDA) for the first six months increased to SEK 348 million (-10, excluding a one-off SEK 262 million tolling compensation).

### Bitumen

The second quarter developed well with total bitumen sales volumes 3 per cent higher than last year and the EBITDA was substantially higher than 2016 after a particularly strong quarter in Bitumen Nordic and Western Europe.

Bitumen Nordic experienced, after a late start due to cold weather with low sales in April, the best May sales month ever. The new depot set up and changed product slate in Finland required extra work and special support, but is now fully up and running. On the upgraded premium product side, Bitumen Nordic had a good start with production and sales records of Polymer Modified Bitumen (PMB) during the early summer.

Western Europe is now fully operational with deliveries from the truck loading facility in Harburg and has managed to increase sales volumes and grow the customer base in the second quarter compared to the equivalent period in 2016.

The UK market in general was roughly static for standard grades in terms of growth quarter on quarter. Sales of up-graded premium products on the other hand continue to be reasonably buoyant. However, wet weather in some regions has negatively affected the emulsions sales.

Second quarter external sales were SEK 2,331 million (1,547) because of higher crude oil price and increased sales volumes. Operating result before depreciation (EBITDA) was SEK 251 million (153).

External sales for the first six months increased to SEK 3,048 million (2,179) as a consequence of higher crude oil price levels and increased sales volumes. Operating result before depreciation (EBITDA) for the first six months was SEK 246 million (119).

SEGMENT BUSINESS AREA

SEK million	Apr-Jun		Jan-Jun		Full year 2016
	2017	2016	2017	2016	
<b>NET SALES</b>					
<b>NAPHTHENICS</b>					
External sales	2,040	1,540	3,886	3,107	6,749
Internal sales	0	0	0	0	1
<b>NET SALES NAPHTHENICS</b>	<b>2,040</b>	<b>1,540</b>	<b>3,886</b>	<b>3,107</b>	<b>6,750</b>
<b>BITUMEN</b>					
External sales	2,331	1,547	3,048	2,179	5,395
Internal sales	4	13	5	28	67
<b>NET SALES BITUMEN</b>	<b>2,335</b>	<b>1,560</b>	<b>3,053</b>	<b>2,207</b>	<b>5,462</b>
<b>OTHER/ELIMINATIONS</b>					
External sales <sup>1</sup>	9	231	16	242	381
Eliminations	-4	-13	-5	-28	-68
<b>NET SALES OTHER</b>	<b>4</b>	<b>218</b>	<b>11</b>	<b>214</b>	<b>312</b>
<b>TOTAL NET SALES</b>	<b>4,380</b>	<b>3,318</b>	<b>6,951</b>	<b>5,528</b>	<b>12,525</b>
<b>EBITDA</b>					
Naphthenics	142	-131	348	252	506
Bitumen	251	153	246	119	475
Other/eliminations	-33	89	-83	53	28
<b>TOTAL EBITDA<sup>2,3</sup></b>	<b>359</b>	<b>111</b>	<b>511</b>	<b>424</b>	<b>1,009</b>

1) Other net sales 2016 relates mainly to external crude sales in relation to our supply contract in Antwerp.

No such crude sales were conducted during the second quarter 2017.

2) Excluding non-recurring items.

3) Alternative Performance Measure, refer to page 16 for definitions.

## Cash flow

In the second quarter cash flow from operating activities totalled SEK -88 million (-286). Higher earnings generation in the second quarter is the main reason for the improvement compared to last year. Cash capital expenditures decreased to SEK 101 million in the second quarter compared to SEK 236 million in the previous year, explained by the now completed conversion investment in the Harburg refinery.

Cash flow from operating activities for the first six months amounted to SEK -1,006 million compared to last year's SEK -839 million. The negative effect comes mainly from a higher inventory level due to higher crude oil prices and by somewhat higher volume in inventory.

### CONDENSED STATEMENT OF CASH FLOWS

SEK million	Apr-Jun		Jan-Jun		Full year 2016
	2017	2016	2017	2016	
Cash flow from operating activities before changes in working capital	225	-41	294	113	298
Change in working capital	-313	-245	-1,300	-949	-762
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-88</b>	<b>-286</b>	<b>-1,006</b>	<b>-836</b>	<b>-464</b>
Cash flow from investing activities	-106	-274	-139	-789	-1,161
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>-194</b>	<b>-560</b>	<b>-1,145</b>	<b>-1,625</b>	<b>-1,626</b>

## Financial position

The seasonal pattern of Nynas' bitumen business, with high inventory levels in peak season, is reflected in the development of the financial position in the second quarter. Working capital at the end of June 2017 increased by SEK 1,503 million compared to the same period last year and increased by SEK 1,518 million since the end of last year due to normal seasonal inventory build-up impact.

Inventory less crude payable is substantially higher compared to the same period last year by around SEK 1,100 million mainly due to the higher oil price level and also volume level, and it is around SEK 800 million higher compared to the end of 2016. This is a normal pattern reflecting the bitumen season.

Current receivables at the end of June 2017 reached SEK

2,815 million, which is an increase of SEK 166 million compared to the same period last year. The development was driven mainly by higher sales volume.

Net debt increased by SEK 1,406 million compared with the same period last year, primarily reflecting the capital expenditures in Harburg during the second half of 2016 and by the higher working capital level because of higher crude oil prices.

In the second quarter Nynas has successfully issued additional senior unsecured bonds of SEK 450 million within its existing bond loan now utilising the total frame amount of SEK 1.1 billion, with a final maturity date in June 2018.

### CONDENSED BALANCE SHEET

SEK million	30 Jun 2017	30 Jun 2016	31 Dec 2016
Tangible and intangible assets	5,346	5,330	5,445
Financial assets	421	379	423
Inventory	4,010	2,897	3,234
Current receivables	2,815	2,649	2,330
Cash and bank deposit	597	597	416
<b>TOTAL ASSETS</b>	<b>13,188</b>	<b>11,852</b>	<b>11,848</b>
Equity	3,798	3,614	3,661
Long-term interest-bearing liabilities	5,640	4,847	4,897
Long-term non-interest-bearing liabilities	200	201	203
Long-term non-interest-bearing provisions	126	169	142
Current interest-bearing liabilities	1,120	508	414
Current non-interest-bearing liabilities	2,144	2,368	2,401
Short-term non-interest-bearing provisions	159	145	129
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>13,188</b>	<b>11,852</b>	<b>11,848</b>
<b>NET DEBT <sup>1</sup></b>	<b>6,164</b>	<b>4,758</b>	<b>4,895</b>
<b>WORKING CAPITAL <sup>1</sup></b>	<b>4,681</b>	<b>3,178</b>	<b>3,163</b>

<sup>1</sup>) Alternative Performance Measure, refer to page 16 for definitions.

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## Quarterly overview

SEK million	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net sales	4,381	2,570	3,184	3,813	3,318	2,210	3,141	4,992
Operating result before depreciation (EBITDA)	360	151	44	541	111	313	265	726
Result after financial items	80	-31	-187	243	-76	128	6	542
Net income	59	-25	-135	178	-64	96	1	409
Cash flow from operating activities	-88	-918	117	258	-286	-550	1,243	906
Cash flow after financing activities	-194	-951	-95	95	-560	-1,065	629	653
Cash capital expenditures	101	54	196	145	236	478	620	249
Net debt	6,164	5,897	4,895	5,022	4,758	4,194	3,117	3,811
Working capital	4,681	4,339	3,163	3,434	3,178	3,096	2,474	3,467
Return on average capital employed (12 month rolling), %	6.0	3.8	6.2	8.4	12.8	15.2	11.7	12.6
Equity to assets ratio, %	28.8	29.6	30.9	30.9	30.5	36.0	36.5	34.7
Number of full-time employees	1,018	990	1,013	1,019	1,010	986	817	811



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# Income statement and statement of comprehensive income

SEK million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
<b>INCOME STATEMENT</b>					
Net sales	4,381	3,318	6,951	5,528	12,525
Cost of sales	-3,419	-2,469	-5,439	-3,670	-9,112
<b>GROSS RESULT</b>	<b>962</b>	<b>849</b>	<b>1,512</b>	<b>1,858</b>	<b>3,413</b>
Other income and value changes	22	-94	140	-215	-173
Distribution costs	-794	-775	-1,428	-1,386	-2,748
Administrative expenses	-19	-20	-37	-54	-122
Share of profit/loss of joint ventures	4	5	9	9	21
Other operating income	126	95	226	149	337
Other operating expenses	-122	-66	-231	-175	-361
<b>OPERATING RESULT</b>	<b>178</b>	<b>-6</b>	<b>191</b>	<b>186</b>	<b>368</b>
Finance income	21	0	41	12	21
Finance costs	-119	-71	-183	-146	-285
<b>NET FINANCIAL ITEMS</b>	<b>-98</b>	<b>-71</b>	<b>-141</b>	<b>-135</b>	<b>-264</b>
<b>NET INCOME BEFORE TAX</b>	<b>80</b>	<b>-76</b>	<b>49</b>	<b>52</b>	<b>105</b>
Tax	-22	12	-15	-20	-30
<b>NET INCOME FOR THE YEAR/PERIOD</b>	<b>59</b>	<b>-64</b>	<b>33</b>	<b>32</b>	<b>75</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Net income for the year/period	59	-64	33	32	75
Items that will be reclassified to the income statement:					
Translation differences	-13	44	-31	-51	-23
Currency hedges of net investments	5	-44	0	29	-7
Income tax associated with currency hedges of net investments	-1	10	0	-6	2
Cash flow hedges	47	-106	204	-203	-98
Income tax associated with cash flow hedges	-11	24	-45	45	19
<b>TOTAL AMOUNT THAT WILL BE RECLASSIFIED TO THE INCOME STATEMENT</b>	<b>27</b>	<b>-72</b>	<b>128</b>	<b>-186</b>	<b>-107</b>
Items that will not be reclassified to the income statement:					
Actuarial gains/losses pensions	-33	-71	-33	-71	-173
Income tax associated with actuarial gains/losses pensions	8	16	8	16	44
<b>TOTAL AMOUNT THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT</b>	<b>-25</b>	<b>-55</b>	<b>-25</b>	<b>-55</b>	<b>-129</b>
Other comprehensive income for the year/period, net after tax	2	-127	103	-241	-236
<b>COMPREHENSIVE INCOME</b>	<b>61</b>	<b>-191</b>	<b>136</b>	<b>-209</b>	<b>-161</b>
Attributable to shareholders of the Parent Company	61	-191	136	-209	-161

NYNAS CONSOLIDATED GROUP

## Statement of financial position

SEK million	30 Jun 2017	30 Jun 2016	31 Dec 2016
Intangible assets	62	54	54
Tangible assets	5,284	5,276	5,391
Investments in associates and joint ventures	87	88	82
Derivative instruments	1	–	–
Long-term receivables	4	4	4
Deferred tax assets	329	287	337
<b>TOTAL FIXED ASSETS</b>	<b>5,767</b>	<b>5,709</b>	<b>5,868</b>
Inventories	4,010	2,897	3,234
Account receivables	1,839	1,604	1,112
Derivative instruments	236	117	163
Tax receivables	51	42	45
Other current receivables	689	885	1,010
Cash and cash equivalents	597	597	416
<b>TOTAL CURRENT ASSETS</b>	<b>7,421</b>	<b>6,142</b>	<b>5,980</b>
<b>TOTAL ASSETS</b>	<b>13,188</b>	<b>11,852</b>	<b>11,848</b>
<b>EQUITY</b>	<b>3,798</b>	<b>3,614</b>	<b>3,661</b>
Liabilities to credit institutions	4,760	4,149	4,076
Provisions for pensions	880	698	821
<b>TOTAL LONG-TERM INTEREST-BEARING LIABILITIES</b>	<b>5,640</b>	<b>4,847</b>	<b>4,897</b>
Other long-term liabilities	63	65	63
Derivative instruments	–	18	8
Deferred tax liability	137	119	132
Provisions for pensions	3	3	3
Other provisions	123	166	139
<b>TOTAL LONG-TERM NON-INTEREST-BEARING LIABILITIES</b>	<b>326</b>	<b>371</b>	<b>345</b>
Liabilities to credit institutions	1,120	508	414
Accounts payable	514	665	645
Liabilities to joint ventures	14	15	13
Derivative instruments	172	321	340
Tax liabilities	71	98	99
Other current liabilities	264	234	207
Accrued liabilities and deferred income	1,108	1,034	1,098
Other provisions	159	145	129
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,423</b>	<b>3,020</b>	<b>2,945</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,188</b>	<b>11,852</b>	<b>11,848</b>

NYNAS CONSOLIDATED GROUP

## Statement of changes in equity

SEK million	Share capital	Defined benefit pension plans	Cash flow hedges	Currency hedge of net investments	Translation reserve	Retained earnings	Total equity
OPENING BALANCE JAN 1, 2016	68	-129	6	-103	-13	3,994	3,823
Net income for the year	-	-	-	-	-	32	32
Other comprehensive income	-	-55	-158	23	-51	-	-241
COMPREHENSIVE INCOME	-	-55	-158	23	-51	32	-209
Dividend paid	-	-	-	-	-	-	-
CLOSING BALANCE JUN 30, 2016	68	-184	-152	-81	-63	4,026	3,614
OPENING BALANCE JAN 1, 2017	68	-258	-74	-109	-36	4,070	3,661
Net income for the period	-	-	-	-	-	33	33
Other comprehensive income	-	-25	159	0	-31	-	103
COMPREHENSIVE INCOME	68	-25	159	0	-31	33	136
Dividend paid	-	-	-	-	-	-	-
CLOSING BALANCE JUN 30, 2017	68	-282	86	-109	-65	4,102	3,798

NYNAS CONSOLIDATED GROUP

# Cash flow statement

SEK million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
<b>OPERATING ACTIVITIES</b>					
Profit after financial items	78	-79	46	49	105
Adjustment for items not included in the cash flow:					
- Depreciation, amortisation and write-down of assets	136	118	269	225	481
- Provisions	15	1	23	-2	-20
- Unrealised exchange differences	42	-36	34	-68	-148
- Other	-5	-5	-10	-12	-5
Taxes paid/received	-41	-40	-68	-79	-115
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>	<b>225</b>	<b>-41</b>	<b>294</b>	<b>113</b>	<b>298</b>
Cash flow from changes in working capital	-313	-245	-1,300	-949	-762
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-88</b>	<b>-286</b>	<b>-1,006</b>	<b>-836</b>	<b>-464</b>
<b>INVESTMENT ACTIVITIES</b>					
- Acquisition of intangible assets	-11	-1	-17	-2	-10
- Acquisition of tangible fixed assets	-90	-235	-138	-712	-1,045
- Investment in financial assets and environmental liabilities	13	-42	13	-82	-111
- Disposal/reduction of financial assets	-18	4	3	7	4
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>-106</b>	<b>-274</b>	<b>-139</b>	<b>-789</b>	<b>-1,161</b>
<b>FINANCING ACTIVITIES</b>					
Change in pension liability	0	79	0	343	294
Proceeds from borrowings	484	787	1,391	937	770
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>484</b>	<b>866</b>	<b>1,391</b>	<b>1,280</b>	<b>1,064</b>
<b>CASH FLOW FOR THE YEAR/PERIOD</b>	<b>290</b>	<b>307</b>	<b>246</b>	<b>-345</b>	<b>-561</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD</b>	<b>333</b>	<b>288</b>	<b>416</b>	<b>950</b>	<b>950</b>
Exchange differences	-26	2	-65	-9	27
<b>CASH &amp; CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>	<b>597</b>	<b>597</b>	<b>597</b>	<b>597</b>	<b>416</b>

NYNAS PARENT COMPANY

# Condensed financial statements, Parent Company

SEK million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
<b>CONDENSED INCOME STATEMENT</b>					
Net sales	3,886	2,887	6,174	4,806	10,903
OPERATING RESULT	-1	-33	12	69	36
Finance income	110	86	130	99	215
Finance costs	-68	-188	-148	-195	-443
NET FINANCIAL ITEMS	42	-102	-18	-96	-228
Appropriations	-	-	-	-	167
NET INCOME BEFORE TAX	42	-134	-6	-26	-26
Tax	9	43	19	30	47
NET INCOME FOR THE YEAR/PERIOD	51	-92	13	4	21
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Net income for the year	51	-92	13	4	21
Items that will be reclassified to the income statement:					
Cash flow hedges	55	-63	175	-127	-45
Income tax associated with cash flow hedges	-13	15	-39	28	10
TOTAL AMOUNT THAT WILL BE RECLASSIFIED TO THE INCOME STATEMENT	42	-48	136	-99	-35
Items that will not be reclassified to the income statement:					
Acquisition / pensions	-	33	-	33	33
TOTAL AMOUNT THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT	-	33	-	33	33
Other comprehensive income for the year, net after tax	42	-15	136	-66	-2
COMPREHENSIVE INCOME	93	-107	149	-62	19

SEK million	30 Jun 2017	30 Jun 2016	31 Dec 2016
<b>CONDENSED BALANCE SHEET</b>			
Fixed assets	5,943	5,925	6,026
Inventories	3,161	2,199	2,515
Current receivables	2,134	2,148	1,782
Cash and cash equivalents and short-term investments	339	309	150
TOTAL ASSETS	11,576	10,581	10,474
Equity	1,901	1,647	1,752
Untaxed reserves	5	298	5
Long-term interest-bearing liabilities	4,933	4,314	4,244
Long-term non-interest-bearing liabilities	242	250	188
Current interest-bearing liabilities	2,634	504	2,094
Current non-interest-bearing liabilities	1,862	3,568	2,191
TOTAL EQUITY AND LIABILITIES	11,576	10,581	10,474

## NOTES

# Notes to the financial statements

### Note 1. Company information

Nynas Group comprises the Parent Company Nynas AB (publ), its subsidiaries and holdings in joint ventures. The Parent Company is incorporated in Sweden and its registered office is in Stockholm. The address of the head office is Lindetorp svägen 7, SE-121 63 Johanneshov. Nynas AB is 49.999 per cent owned by Neste AB, reg. no. 556232-3906, registered office in Stockholm, Sweden, and 50.001

per cent by PDV Europa B.V., reg. no. 27133447, registered office in 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 in Caracas, Venezuela, is the ultimate parent.

### Note 2. Accounting and valuation policies

As in the annual accounts for 2016, Nynas' consolidated financial statements 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) and, given the nature of Nynas transactions, with IFRS as adopted by the European Union. The Parent Company Nynas AB's financial statements have been prepared in accordance with the Swedish Annual Reports Act as well as standard RFR 2 Accounting for Legal Entities and other statements issued by the Swedish Financial Reporting Board. This report has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies adopted are consistent with those of the previous financial year.

The Group's operations are organised in two business areas, Bitumen and Naphthenics. The market organisation also reflects this structure. In accordance with IFRS 8, segment information is presented only on the basis of the consolidated financial statements. 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

the heading 'Other'. Items where the accounting method differs between the Business Areas and the Group are also reported under Other.

Nynas applies the new standard IFRS 9 Financial Instruments from 1 January 2017 which is 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.

IFRS 15 revenues from contracts with customers replace existing revenue standards and interpretations. The standard is endorsed by the EU and is effective 1 January 2018. Nynas' analysis of the new standard is ongoing and based on the work so far, Nynas does not expect any significant effects on the Group's financial statements. The analysis is however still ongoing and is expected to be completed during the third and fourth quarter of 2017.

All amounts in this report are presented in SEK million, unless otherwise stated. Rounding differences may occur.

### Note 3. Sustainability

Nynas' commitment to sustainable development is embedded in the company and demonstrated by its inclusion in the company's business governance and the group-wide sustainable development policy, which takes a holistic view towards sustainability. This policy is supported by a specific implementation guidance document to translate the policy's intent into operational actions through KPIs and other business targets.

#### Steered by policies

The sustainable development policy is also linked to a number of policies that address 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 as well as Factory Production Control standards.

### Note 4. 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 30 June 2017, net sales amounted to SEK 14,116 million and operating result (EBITDA) to SEK 1,097 million.

## NOTES

### Note 5. Loan financing and credit rating

Nynas has issued additional unsecured bonds of SEK 450 million within its existing bond loan with a total frame amount of SEK 1,100 million and final maturity date in June 2018.

### Note 6. Investments

SEK million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
CASH CAPEX ONGOING BUSINESS	101	236	155	414	755
ACQUISITIONS AND OTHER INVESTMENTS					
Cash Capex	-	-	-	300	300
Commitment Capex	-	-	-	81	86
TOTAL	101	236	155	795	1,141

### Note 7. Business Combinations

#### Harburg Refinery

Nynas entered into an agreement with Shell to acquire the majority of the Harburg refinery by way of an asset transfer agreement. The project is significantly improving Nynas' production footprint in terms of quantity and quality for our NSP (Naphthenic Specialty Products) and bitumen businesses. During 2016 total production out of the Harburg Refinery amounted to 453 kton (321). The scope of the transfer comprised two phases. Phase 1 covered the sale of the southern section, Base Oil Manufacturing Plant (BOMP). Phase 2 covered the sale of the northern part of the refinery.

The takeover of the southern section took place on January 1, 2014. At this time Nynas took full control and responsibility for the operations of the BOMP. At the takeover all relevant Shell staff working at the BOMP was transferred to Nynas (approx. 80 employees). Nynas made cash payments of SEK 112 million during 2014 and an

additional SEK 51 million in the beginning of 2015 in relation to an amount of products sold, and an additional SEK 191 million in the beginning of 2016.

The takeover of the northern section took place on January 1, 2016, subject to fulfilment of terms and conditions by the parties. At the takeover all relevant staff working at the northern section was transferred to Nynas (approx. 157 employees). Nynas received, upon takeover, an amount of SEK 13 million from Shell.

#### Acquisitions-related expenses

Acquisitions-related expenses amounted to EUR 6.8 million and relate to consultant fees mainly in conjunction with due diligence work. These expenses were recognised under the 2014 operating result.

30 June 2017, SEK million	Harburg Refinery – South <sup>1</sup>	Harburg Refinery – North <sup>2</sup>	Harburg Refinery
<b>COST OF COMBINATION</b>			
Cash consideration	362	-13	349
Commitment consideration	0	86	86
TOTAL COST OF COMBINATION	362	73	435
<b>FAIR VALUE OF NET ASSETS ACQUIRED</b>			
Warehouse	15	60	75
Property, plant and equipment	409	215	624
Deferred tax assets	15	55	70
Total assets acquired	439	330	769
Provisions for pensions	-77	-257	-334
Total liabilities assumed	-77	-257	-334
TOTAL FAIR VALUE OF NET ASSETS ACQUIRED	362	73	435
Goodwill	0	0	0

1) Acquired on January 1, 2014.

2) Acquired on January 1, 2016.

## NOTES

### Note 8. Reporting of financial instruments

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 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.

The difference between fair values and carrying amounts of financial assets and liabilities in Nynas' balance sheet is deemed to be insignificant.

### Note 9. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties during the first six months ending on 30 June 2017 and 2016, as well as balances

with related parties as of 30 June 2017 and 2016. Further information regarding the related parties can be found in the Annual Report.

SEK million		Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
<b>ENTITY WITH SIGNIFICANT INFLUENCE OVER THE GROUP:</b>					
Petroleos de Venezuela S.A. (PDVSA)	2017	2	2,690	27	370
	2016	9	1,580	22	141
Neste Oyj (Neste)	2017	292	167	1	28
	2016	213	158	2	29
<b>JOINT VENTURE:</b>					
Eastham Refinery Ltd. (ERL) (50 per cent of ERL's total production)	2017	2	70	0	14
	2016	2	73	0	14

### Note 10. 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. For a reconciliation refer to page 3.

#### 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. Non-recurring items affecting comparability are disclosed in the following table.



## NOTES

### Non-recurring items

SEK million		Q1	Q2	Q3	Q4	Full year
2017	Change in environmental provision	–	-24	–	–	-24
	Restructuring costs	–	-17	–	–	-17
	Other items	-3	-1	–	–	-4
	<b>TOTAL</b>	<b>-3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>-46</b>
2016	One time extra costs due to late start up in Harburg	0	0	-124	-13	-137
	Restructuring costs	-11	0	0	6	-5
	Other items	-1	-1	-1	-2	-5
	<b>TOTAL</b>	<b>-12</b>	<b>-1</b>	<b>-125</b>	<b>-9</b>	<b>-147</b>

### 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. Refer to Note 4 on page 14.

### 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. For a reconciliation refer to page 7.

### 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 non-interest-bearing liabilities.

### Return on average capital employed (12 months rolling)

EBIT excluding non-recurring items as a percentage of average total assets less non-interest-bearing liabilities, 12 months rolling.

For additional definitions refer to the Group's Annual Report.

## Note 11. Important events after reporting period

No important events have taken place after the reporting period.

The report has not been reviewed by Nynas auditors.

Stockholm, August 2017

Gert Wendroth  
President and CEO



Nynas AB

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