



Interim Report

1 January – 30 september 2017

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.

Third Quarter Summary

- › Total product sales volumes increased by 10 per cent compared to the third quarter 2016.
- › Net sales increased to SEK 4,538 million (3,813), as a consequence of higher oil prices and higher sales volumes compared to the third quarter of 2016.
- › Operating result before depreciation (EBITDA) amounted to SEK 311 million (541), negatively impacted by a weaker USD and sourcing limitations primarily in the Americas.
- › Inventory volume unchanged but value increased due to 14 per cent higher oil price levels.

Third quarter summary, Key figures	1
President's comments, Market and economic conditions	2
Financial overview	3
Segment information	4
Cash flow	6
Financial position	7
Quarterly overview	8
Nynas Consolidated Group	
Income statement and statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Cash flow statement	12
Condensed financial statements, Parent Company	13
Notes	14

KEY FIGURES

SEK million	Jul-Sep		Jan-Sep		Full year 2016
	2017	2016	2017	2016	
Net sales	4,538	3,813	11,489	9,341	12,525
Operating result before depreciation (EBITDA) ^{1,2}	311	541	822	965	1,009
Result after financial items	87	243	136	295	107
Net income	64	178	97	209	75
Cash flow from operating activities	651	258	-355	-578	-464
Cash flow after financing activities	546	95	-599	-1,530	-1,626
Capital expenditures	69	145	224	859	1,055
Net debt ²			5,668	5,022	4,895
Working capital ²			4,084	3,434	3,163
Return on average capital employed (12 months rolling) ²			4.5	8.4	6.2
Equity to assets ratio, %			28.0	30.9	30.9
Number of full-time employees			1,018	1,019	1,013

1) Excluding non-recurring items.

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

President's comments

The third quarter was disappointing for Nynas with financial performance below expectations and the previous year even though sales continued to develop positively. Sales volumes were up roughly 10 per cent for the quarter and 8 per cent for the full year up to September. However, margins suffered significantly when converted into the reporting currency, SEK, due to the weaker USD in the third quarter. In addition, the Naphthenics business in the Americas suffered from supply problems out of the Isla refinery in Curacao.

Given the Petróleos de Venezuela S.A. (PDVSA) shareholding, Nynas was to some extent affected by the US sanctions imposed on August 24th, 2017, against Venezuela by the US Department of the Treasury. The sanctions are targeting new financial debt where a US person or USD is involved. They are not targeting any commercial purchases of crude oil from Venezuela or the sale of any product

derived thereof. As a consequence, Nynas' commercial relationship with PDVSA for the purchase of crude oil and products is not being affected.

EBITDA before non-recurring items for the third quarter amounted to SEK 311 million (541). Total EBITDA for the first nine months amounted to SEK 822 million (965). However, as reported before, the 2016 result includes SEK 262 million for the discontinuation of a tolling agreement.

Various measures have been taken to improve performance in the coming months including cost savings wherever possible even though the full currency effect will be difficult to compensate.

Stockholm, November 2017
Gert Wendroth
President and CEO, Nynas AB

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 in the third quarter with a GDP increase of 0.7 per cent. The Eurozone Markit Purchasing Manager's Index (PMI) has now signaled expansion for the past 51 months.

The US composite PMI reading for the third quarter indicated the fastest overall quarterly growth since the fourth quarter 2015.

Among the BRIC countries, Brazil moved out of several years of contraction with an average PMI reading for the quarter of 50, the highest reading since the third quarter 2014. India, in contrast to recent quarters, signaled contraction over the third quarter. This was primarily due to the negative impact of the introduced goods and services tax on the July PMI, however positive readings in the latter months of the quarter indicate a prompt recovery. In Russia, the robust growth from previous quarters continued into the third quarter, and China reversed the negative trend seen in the second quarter by showing a slightly higher growth rate in the third quarter.

The base oil supply situation was significantly affected by the impact of Hurricane Harvey on the US gulf coast, with shutdowns and shortages which had repercussions on the global market. The Group I supply situation in Europe remained tight as seen in the first two quarters and also into the third quarter, with prices at high levels.

Crude oil prices in the third quarter showed a strengthening upward trend from the previous quarter's yearly low in June, and were also higher than the third quarter last year. The average Brent crude price for the third quarter was 52 USD/bbl, approximately 14 per cent higher compared to 46 USD/bbl last year. The average Brent crude price for the period January to September was approximately 24 per cent higher at 52 USD/bbl compared to 42 USD/bbl last year, positively impacting reported Nynas net sales.

Currency impact in the third quarter was negative mainly due to a weaker US dollar and British pound. The US dollar weakened rapidly in July resulting in approximately a 6 per cent lower rate compared to the third quarter last year, and the British pound weakened 8 per cent against the Swedish krona. For the period January to September, the US dollar was 3 per cent stronger compared to last year because of its strength in the first half of 2017. The Euro maintained its strength over the period and was 2 per cent stronger versus the Swedish krona, while the British pound was 6 per cent weaker impacted by concerns over Brexit.

Financial overview

Net sales for the third quarter reached SEK 4,538 million (3,813), explained by 14 per cent higher oil price levels and higher sales volumes. Total product sales volumes (excluding fuels and other) increased 10 per cent compared to last year.

Operating result before depreciation (EBITDA) amounted to SEK 311 million (541) in the third quarter, negatively impacted by a weaker USD when translating into SEK. In addition, sourcing limitations primarily in the Americas from the Isla refinery on Curacao, restricted sales.

Net financial items for the third quarter amounted to SEK -78 million (-53) of which SEK -61 million (-37) is related to net interest expenses. This is explained by financing of higher working capital as a result of increased inventory value from higher oil price and mix effect, while inventory volume remained unchanged between quarters. This is partly offset by positive effects from interest rate swaps.

Non-recurring items affecting the result totaled SEK -0 million (-125). The third quarter last year relates to the Harburg start-up delay.

CONDENSED INCOME STATEMENT

SEK million	Jul-Sep		Jan-Sep		Full year 2016
	2017	2016	2017	2016	
Net sales	4,538	3,813	11,489	9,341	12,525
Operating result (EBITDA) ¹	311	541	822	965	1,009
Depreciation	-146	-119	-420	-344	-491
Non-recurring items incl. write-down assets ¹	0	-125	-46	-138	-147
EBIT after non-recurring items	165	297	356	483	372
Net financial items	-78	-53	-220	-188	-265
Net income before tax	87	243	136	295	107
Tax	-24	-66	-39	-86	-32
Net income for the year/period	64	178	97	209	75

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

Segment information

Naphthenics

Sales revenue during the third quarter 2017 showed an increase compared to the same period in 2016, mainly impacted by a higher oil price level more than offsetting a weaker US dollar. The overall sales volumes during the third quarter increased by 6 per cent compared to the equivalent period in 2016, and were according to expectations.

EMEIA (Europe, Middle East, India and Africa) sales volumes were slightly above expectations during Q3 2017, and show a continued healthy growth compared to the same period in 2016. Sales volumes in Central Europe, Germany and India set a new record for a single quarter. In the Americas sales were below expectations, while similar to the third quarter in 2016, mainly due to continued supply constraints. Sales volumes for the third quarter in APAC (Asia Pacific) were above expectations and much higher than the same period in 2016, with sales volumes in China and Indonesia setting a record for a single quarter.

Third quarter external sales were SEK 1,839 million (1,693) as a consequence of a higher crude oil price and higher sales volumes more than offsetting the weaker USD dollar. Operating result before depreciation (EBITDA) was SEK 141 million (265), explained mainly by supply problems in the Americas resulting in reduced sales and increased external third-party sourcing and the negative impact of the currency translation effect from the weaker USD.

Bitumen

Sales volumes in the third quarter increased 11 per cent compared to last year. The supply situation has been very tight in general during the third quarter due to stronger than anticipated demand for bitumen across many markets.

Bitumen Nordic experienced a strong demand and set a sales record for the month of September and an historical record for the highest monthly sales ever. Sweden, the Baltics and Norway reported strong sales compared to 2016.

Western Europe reported good volume increases, however not as much as expected due to a general slowdown in the German market and a lack of rail access to Switzerland due to a tunnel blockage.

The UK reported lower sales than last year, but sales were according to expectations. Sales of upgraded premium products on the other hand have reported another very good year with the UK emulsion season now ended. In addition, the sales across regions of polymer modified bitumen materials have been good in terms of both quality mix and volume.

Third quarter external sales were SEK 2,696 million (1,989) as a consequence of higher crude oil price levels and increased sales volumes, partly offset by the weaker USD dollar. Operating result before depreciation (EBITDA) was SEK 212 million (311), negatively impacted by the currency translation effect from the weaker USD.

SEGMENT BUSINESS AREA

SEK million	Jul-Sep		Jan-Sep		Full year 2016
	2017	2016	2017	2016	
NET SALES					
NAPHTHENICS					
External sales	1,839	1,693	5,725	4,800	6,749
Internal sales	0	0	0	1	1
NET SALES NAPHTHENICS	1,839	1,694	5,725	4,801	6,750
BITUMEN					
External sales	2,696	1,989	5,744	4,167	5,395
Internal sales	22	20	27	48	67
NET SALES BITUMEN	2,718	2,008	5,771	4,215	5,462
OTHER/ELIMINATIONS					
External sales ¹	4	131	20	373	381
Eliminations	-22	-20	-27	-48	-68
NET SALES OTHER	-18	111	-7	325	312
TOTAL NET SALES	4,538	3,813	11,489	9,341	12,525
EBITDA					
Naphthenics	141	265	489	517	506
Bitumen	212	311	458	430	475
Other/eliminations	-42	-35	-125	18	28
TOTAL EBITDA^{2,3}	311	541	822	965	1,009

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 third quarter cash flow from operating activities totaled SEK 651 million (255). A lower net inventory value compared to the second quarter is the main reason for the improvement compared to last quarter. Cash capital expenditures decreased to SEK 69 million in the third quarter compared to SEK 145 million in the previous year, explained by low activity levels at the manufacturing units and timing effects.

Cash flow from operating activities for the period January to September amounted to SEK -355 million compared to last year's SEK -581 million, explained by higher earnings offset by increased inventory value from higher oil price levels, while inventory volumes were unchanged. Operating cash flow follows the normal seasonal pattern with a peak in the third quarter.

CONDENSED STATEMENT OF CASH FLOWS

SEK million	Jul-Sep		Jan-Sep		Full year 2016
	2017	2016	2017	2016	
Cash flow from operating activities before changes in working capital	356	284	650	397	298
Change in working capital	295	-29	-1,005	-978	-762
CASH FLOW FROM OPERATING ACTIVITIES	651	255	-355	-581	-464
Cash flow from investing activities	-105	-161	-244	-950	-1,161
CASH FLOW AFTER INVESTING ACTIVITIES	546	94	-599	-1,531	-1,626

Financial position

The seasonal pattern of Nynas' bitumen business is reflected in the development of the financial position in the third quarter. Working capital at the end of September 2017 increased by SEK 650 million compared to the same period last year and increased by SEK 921 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 500 million mainly due to the higher oil price level and also volume level, and it is around SEK 400 million

higher compared to the end of 2016. This is a normal pattern reflecting the bitumen season.

Current receivables at the end of September 2017 reached SEK 2,876 million, which is an increase of SEK 209 million compared to the same period last year. The development was driven mainly by higher sales volume.

Net debt increased by SEK 646 million compared with the same period last year, primarily reflecting the higher working capital level because of higher crude oil prices and the capital expenditures in Harburg during January to September 2016.

CONDENSED BALANCE SHEET

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
Tangible and intangible assets	5,272	5,400	5,445
Financial assets	457	425	423
Inventory	3,773	3,144	3,234
Current receivables	2,876	2,667	2,330
Cash and bank deposit	829	368	416
TOTAL ASSETS	13,208	12,004	11,848
Equity	3,703	3,710	3,661
Long-term interest-bearing liabilities	5,386	4,977	4,897
Long-term non-interest-bearing liabilities	175	237	203
Long-term non-interest-bearing provisions	135	193	142
Current interest-bearing liabilities	1,111	414	414
Current non-interest-bearing liabilities	2,565	2,377	2,401
Short-term non-interest-bearing provisions	132	97	129
TOTAL EQUITY & LIABILITIES	13,208	12,004	11,848
NET DEBT ¹	5,668	5,022	4,895
WORKING CAPITAL ¹	4,084	3,434	3,163

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

NYNAS CONSOLIDATED GROUP

Quarterly overview

SEK million	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net sales	4,538	4,381	2,570	3,184	3,813	3,318	2,210	3,141
Operating result before depreciation (EBITDA)	311	360	151	44	541	111	313	265
Result after financial items	87	80	-31	-187	243	-76	128	6
Net income	64	59	-25	-135	178	-64	96	1
Cash flow from operating activities	651	-88	-918	117	258	-286	-550	1,243
Cash flow after financing activities	546	-194	-951	-95	95	-560	-1,065	629
Cash capital expenditures	69	101	54	196	145	236	478	620
Net debt	5,668	6,164	5,897	4,895	5,022	4,758	4,194	3,117
Working capital	4,084	4,681	4,339	3,163	3,434	3,178	3,096	2,474
Return on average capital employed (12 month rolling), %	4.5	6.0	3.8	6.2	8.4	12.8	15.2	11.7
Equity to assets ratio, %	28.0	28.8	29.6	30.9	30.9	30.5	36.0	36.5
Number of full-time employees	1,018	1,018	990	1,013	1,019	1,010	986	817

NYNAS CONSOLIDATED GROUP

Income statement and statement of comprehensive income

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
INCOME STATEMENT					
Net sales	4,538	3,813	11,489	9,341	12,525
Cost of sales	-3,516	-2,845	-8,978	-6,515	-9,112
GROSS RESULT	1,022	968	2,511	2,826	3,413
Other income and value changes	-24	115	115	-100	-173
Distribution costs	-818	-754	-2,247	-2,140	-2,748
Administrative expenses	-21	-29	-57	-86	-122
Share of profit/loss of joint ventures	4	4	13	14	21
Other operating income	140	75	366	224	337
Other operating expenses	-151	-84	-382	-259	-361
OPERATING RESULT	152	295	319	479	368
Finance income	20	4	61	16	21
Finance costs	-98	-57	-281	-203	-285
NET FINANCIAL ITEMS	-78	-53	-220	-187	-264
NET INCOME BEFORE TAX	87	243	136	295	105
Tax	-24	-66	-39	-86	-30
NET INCOME FOR THE YEAR/PERIOD	64	178	97	209	75
STATEMENT OF COMPREHENSIVE INCOME					
Net income for the year/period	64	178	97	209	75
Items that will be reclassified to the income statement:					
Translation differences	-15	45	-46	-6	-23
Currency hedges of net investments	3	-40	3	-11	-7
Income tax associated with currency hedges of net investments	-1	8	-1	2	2
Cash flow hedges	-189	163	15	-40	-98
Income tax associated with cash flow hedges	42	-37	-3	8	19
TOTAL AMOUNT THAT WILL BE RECLASSIFIED TO THE INCOME STATEMENT	-159	139	-32	-47	-107
Items that will not be reclassified to the income statement:					
Actuarial gains/losses pensions	0	-298	-33	-369	-173
Income tax associated with actuarial gains/losses pensions	0	78	8	94	44
TOTAL AMOUNT THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT	0	-220	-25	-275	-129
Other comprehensive income for the year/period, net after tax	-159	-81	-56	-322	-236
COMPREHENSIVE INCOME	-95	97	41	-113	-161
Attributable to shareholders of the Parent Company	-95	97	41	-113	-161

NYNAS CONSOLIDATED GROUP

Statement of financial position

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
Intangible assets	74	51	54
Tangible assets	5,198	5,349	5,391
Investments in associates and joint ventures	90	96	82
Derivative instruments	4	0	-
Long-term receivables	3	4	4
Deferred tax assets	360	325	337
TOTAL FIXED ASSETS	5,729	5,825	5,868
Inventories	3,773	3,144	3,234
Account receivables	2,269	1,666	1,112
Derivative instruments	124	156	163
Tax receivables	50	40	45
Other current receivables	434	804	1,010
Cash and cash equivalents	829	368	416
TOTAL CURRENT ASSETS	7,479	6,179	5,980
TOTAL ASSETS	13,208	12,004	11,848
EQUITY	3,703	3,710	3,661
Liabilities to credit institutions	4,488	3,988	4,076
Provisions for pensions	898	988	821
TOTAL LONG-TERM INTEREST-BEARING LIABILITIES	5,386	4,977	4,897
Other long-term liabilities	63	66	63
Derivative instruments	0	16	8
Deferred tax liability	112	156	132
Provisions for pensions	3	3	3
Other provisions	132	190	139
TOTAL LONG-TERM NON-INTEREST-BEARING LIABILITIES	310	431	345
Liabilities to credit institutions	1,111	414	414
Accounts payable	802	511	645
Liabilities to joint ventures	14	14	13
Derivative instruments	216	150	340
Tax liabilities	86	91	99
Other current liabilities	233	287	207
Accrued liabilities and deferred income	1,214	1,323	1,098
Other provisions	132	97	129
TOTAL CURRENT LIABILITIES	3,808	2,887	2,945
TOTAL EQUITY AND LIABILITIES	13,208	12,004	11,848

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 SEP 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	-	-	-	-	-	97	97
Other comprehensive income	-	-25	12	2	-46	-	-56
COMPREHENSIVE INCOME	-	-25	12	2	-46	97	41
Dividend paid	-	-	-	-	-	-	-
CLOSING BALANCE SEP 30, 2017	68	-282	-62	-107	-80	4,166	3,703

NYNAS CONSOLIDATED GROUP

Cash flow statement

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
OPERATING ACTIVITIES					
Profit after financial items	88	243	134	292	105
Adjustment for items not included in the cash flow:					
– Depreciation, amortisation and write-down of assets	151	119	420	344	481
– Provisions	37	-12	60	-14	-20
– Unrealised exchange differences	107	-41	141	-109	-148
– Other	-6	-6	-16	-18	-5
Taxes paid/received	-21	-19	-89	-98	-115
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	356	284	650	397	298
Cash flow from changes in working capital	295	-29	-1,005	-978	-762
CASH FLOW FROM OPERATING ACTIVITIES	651	255	-355	-581	-464
INVESTMENT ACTIVITIES					
– Acquisition of intangible assets	-21	-1	-38	-3	-10
– Acquisition of tangible fixed assets	-48	-144	-186	-856	-1,045
– Investment in financial assets and environmental liabilities	-37	-11	-24	-93	-111
– Disposal/reduction of financial assets	1	-5	4	2	4
CASH FLOW FROM INVESTMENT ACTIVITIES	-105	-161	-244	-950	-1,161
FINANCING ACTIVITIES					
Change in pension liability	0	-83	0	260	294
Proceeds from borrowings	-282	-255	1,109	682	770
CASH FLOW FROM FINANCING ACTIVITIES	-282	-338	1,109	942	1,064
CASH FLOW FOR THE YEAR/PERIOD	264	-243	510	-588	-561
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	597	597	416	950	950
Exchange differences	-32	14	-97	6	27
CASH & CASH EQUIVALENTS AT END OF YEAR/PERIOD	829	368	829	368	416

NYNAS PARENT COMPANY

Condensed financial statements, Parent Company

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
CONDENSED INCOME STATEMENT					
Net sales	3,874	3,254	10,049	8,060	10,903
OPERATING RESULT	-24	142	-14	211	36
Finance income	1,059	37	1,189	136	215
Finance costs	-92	-146	-241	-341	-443
NET FINANCIAL ITEMS	967	-110	948	-205	-228
Appropriations	-	-	-	-	167
NET INCOME BEFORE TAX	943	32	936	6	-26
Tax	23	-16	43	14	47
NET INCOME FOR THE YEAR/PERIOD	965	16	977	20	21
STATEMENT OF COMPREHENSIVE INCOME					
Net income for the year	965	16	979	20	21
Items that will be reclassified to the income statement:					
Cash flow hedges	-181	-158	-6	-1	-45
Income tax associated with cash flow hedges	40	34	1	0	10
TOTAL AMOUNT THAT WILL BE RECLASSIFIED TO THE INCOME STATEMENT	-141	-122	-5	-1	-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	-141	-89	-5	32	-2
COMPREHENSIVE INCOME	824	-73	974	52	19

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
CONDENSED BALANCE SHEET			
Fixed assets	6,226	5,967	6,026
Inventories	2,958	2,451	2,515
Current receivables	2,241	1,970	1,782
Cash and cash equivalents and short-term investments	502	88	150
TOTAL ASSETS	11,928	10,476	10,474
Equity	3,024	1,784	1,752
Untaxed reserves	4	298	5
Long-term interest-bearing liabilities	4,663	4,155	4,244
Long-term non-interest-bearing liabilities	201	246	188
Current interest-bearing liabilities	1,687	2,125	2,094
Current non-interest-bearing liabilities	2,348	1,867	2,191
TOTAL EQUITY AND LIABILITIES	11,928	10,476	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 Lindetorpssvägen 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 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 September 2017, net sales amounted to SEK 14,673 million and operating result (EBITDA) to SEK 990 million.

NOTES

Note 5. Loan financing and credit rating

Nynas did not receive any new fundings during the third quarter.

Note 6. Investments

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
CASH CAPEX ONGOING BUSINESS	69	145	224	559	755
ACQUISITIONS AND OTHER INVESTMENTS					
Cash Capex	–	–	–	300	300
Commitment Capex	–	–	–	80	86
TOTAL	69	145	224	939	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 September 2017, SEK million	Harburg Refinery – South ¹	Harburg Refinery – North ²	Harburg Refinery
COST OF COMBINATION			
Cash consideration	362	-13	349
Commitment consideration	0	86	86
TOTAL COST OF COMBINATION	362	73	435
FAIR VALUE OF NET ASSETS ACQUIRED			
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 nine months ending on 30 September 2017 and 2016, as well as balances

with related parties as of 30 September 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
ENTITY WITH SIGNIFICANT INFLUENCE OVER THE GROUP:					
Petroleos de Venezuela S.A. (PDVSA)	2017	2	3,772	26	522
	2016	22	2,758	26	527
Neste Oyj (Neste)	2017	542	361	2	40
	2016	346	398	2	51
JOINT VENTURE:					
Eastham Refinery Ltd. (ERL) (50 per cent of ERL's total production)	2017	18	120	0	14
	2016	3	121	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
	TOTAL	-3	–	–	–	-46
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
	TOTAL	-12	-1	-125	-9	-147

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, November 2017

Gert Wendroth
President and CEO



Nynas AB

Box 10700 • Visiting address: Lindetorpsvägen 7 • SE-121 29 Stockholm, Sweden • www.nynas.com • Phone: +46 8 602 12 00

G0835171ENG