

The title "ANNUAL REPORT 2013" is displayed in large, bold, white, sans-serif capital letters. The text is set against a light gray background that features a large, faint watermark of a triangle pointing upwards. The letters of the text are filled with various industrial scenes, including blue pipes, yellow railings, and a worker wearing an orange hard hat.

**Nynas collaborates closely with customers to develop oils that enhance the value of their products and processes. These are long-lasting oils that create sustainable value.**



**BINDING**  
 NYNAS BITUMEN BINDERS ENSURE THAT THE VARIOUS COMPONENTS IN ASPHALT FOR ROAD WORKS ARE BOUND TOGETHER.



**PROTECTING**  
 NYNAS PRODUCTS CAN BE FOUND IN ROOFING FELT AND IN VARIOUS ANTI-CORROSION APPLICATIONS.



**DISSOLVING**  
 THE HIGH SOLUBILITY OF NYNAS OILS IS AN ADVANTAGE WHEN MANUFACTURING VARIOUS TYPES OF SYNTHETIC RUBBER.



**PURIFYING**  
 NYNAS' ABILITY TO PURIFY OILS AND ATTAIN A COLOURLESS PRODUCT IS IN HIGH DEMAND ESPECIALLY FOR PRINTING APPLICATIONS.

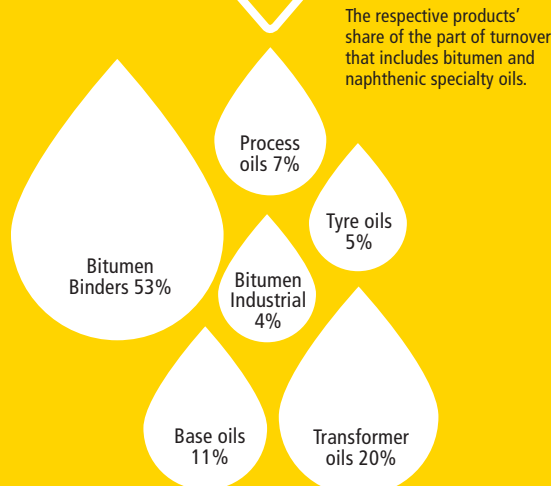


**LUBRICATING**  
 NYNAS OILS ARE KEY INGREDIENTS FOR HYDRAULICS, LUBRICATION GREASES AND CUTTING FLUIDS.



**COOLING**  
 NYNAS IS THE GLOBAL LEADER IN TRANSFORMER OILS WHICH ARE AN IMPORTANT FOR ENSURING THAT TRANSFORMER TEMPERATURE IS CONTROLLED.

**Nynas' products touch the lives of nearly everyone every day and although they are all based on crude oil, Nynas' expertise ensures that it is produced, distributed and used in the most sustainable way possible.**



# OUR VISION

Who we are, what we want to do and how we do it.

Through the world-class dedication of our people, Nynas will be the best long-term partner in specialised oil applications, doubling the company value every five years.

# OUR VALUES

## **PROACTIVITY**

Means thinking ahead and being open to creativity and new ideas. By continuously seeking new solutions and opportunities for customers and becoming involved in their needs, we can continue to be at the forefront of developments.

## **DEDICATION**

Refers to everyone doing their best in every situation. This entails taking responsibility towards customers, colleagues and society in general and never compromising on safety, health, the environment or quality.

## **COOPERATION**

Concerns our passion to cooperate and to perform tasks together. This is based on everyone trusting and supporting each other. This creates a corporate culture that encourages cross-border meetings, job rotation and training.



Nynas is a leading international group specialised in naphthenic specialty oils and bitumen.

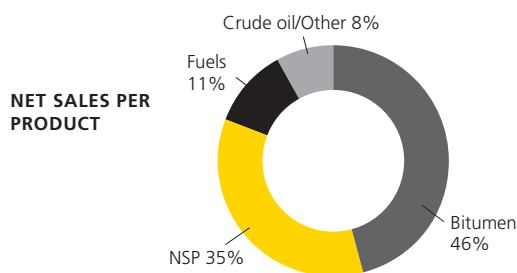
# THIS IS WHO WE ARE

**Nynas is a leading partner** within areas such as transformer oils for the world's grids and environmentally sound oils for tyre production. Nynas sells naphthenic specialty oils in most parts of the world.

**What Nynas does is visible everywhere.** Roads, roofs, tubes, tyres, rubber, flooring, paint and magazines are just a few of the thousands of everyday objects that in some way contain Nynas oils.

**Nynas has two international owners,** both of which are focused on the oil industry – the Venezuelan oil company Petroleos de Venezuela and Finnish Neste Oil.

**Sales offices in over 30 countries and a global distributor network.** Nynas has offices and distribution terminals in markets such as China, South Korea, India, Russia and several Latin American countries. In Western Europe, Nynas is also one of the leading suppliers of bitumen for the production of asphalt.



MSEK	2013	2012
Sales	19,527	24,471
Operating result	-22	237
Result after financial items	-286	-52
Net profit	-305	-34
Cash flow before financing activities	-31	353
Capital expenditure, gross	227	477
Return on equity, %	-12	-6
Equity/asset ratio, %	34	35
Interest-bearing debt	4,344	4,197
Average number of employees	862	881

# THE YEAR IN BRIEF

## THE OIL PRICE, USD

# 110/bbl

The oil price fluctuated during the year from an initial Brent price of USD 113/bbl, its highest listing in February at USD 118/bbl, and a closing price of USD 110/bbl at year-end.

## NAPHTHENIC VOLUMES UP

# +5%

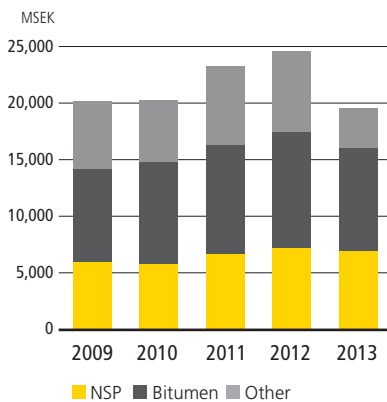
Nynas managed to grow sales of naphthenic oils in nearly all sectors with an increase of 36 ktonnes globally compared to 2012.

## AVERAGE NUMBER OF EMPLOYEES

# 862

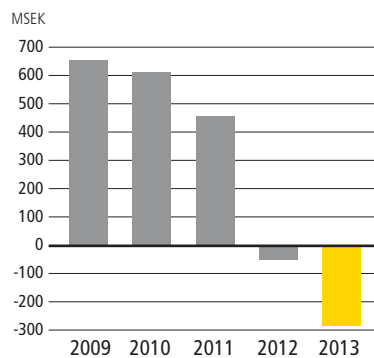
The average number of employees decreased during 2013, but Nynas still managed to improve operations and save costs.

## NET SALES BY PRODUCT



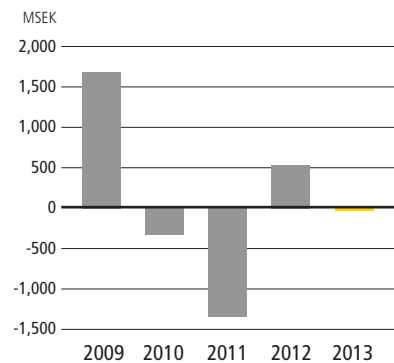
Sales of bitumen were affected by the late spring in Europe and fiscal restrictions resulting in very little spending on road construction.

## RESULT AFTER FINANCIAL ITEMS



The last two years were affected by the general cyclical downturn. As the financial situation in Europe improves Nynas anticipates a return to more normal trading situations. In 2013 the result includes restructuring costs to convert the Dundee refinery into a depot.

## OPERATING CASH FLOW BEFORE FINANCING

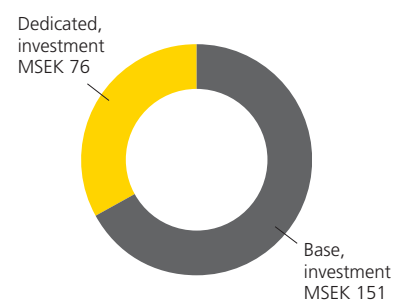


Cash flow after investment amounted to -31 MSEK through tight capex and working capital control.

# 227 MSEK invested

As part of the company's overall growth strategy, Nynas has undertaken significant investments over the years to increase the reliability, sustainability, productivity and flexibility of its manufacturing operations.

In September 2013, Nynas received EU approval to takeover control and responsibility from Shell for the Harburg base oil manufacturing plant in Hamburg, Germany. This will represent a forty per cent increase in the company's supply capability of naphthenic specialty oils.







It's amazing how far a drop of oil can take you.



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# REASONS FOR OPTIMISM AFTER ANOTHER CHALLENGING YEAR



**Having been appointed** as the new President of Nynas AB only two months ago, I would have wished to report more positive numbers in my first annual report message to you. Unfortunately 2013 marked the second year in a row of weak financial performance caused by a relatively high cost of raw material and the global recession. As a consequence we have agreed on a turnaround programme with a number of immediate actions to restore profitability and growth for the coming years.

Last year's disappointing operating profit amounted to -22 MSEK. The operating profit includes provision for re-



structuring costs for the Dundee refinery. The net profit for the year amounted to -305 MSEK.

To reverse the negative trend from the past two years, we have been focusing heavily on reducing our costs. These efforts resulted in significantly lower costs in 2013, which alleviated some of the loss in profitability. Running fixed costs were SEK 129 million lower than the previous year. The efforts in recent years to increase the reliability of our manufacturing plants continues to pay dividends and we recorded better uptime in our hydrotreaters than ever before.

#### Refinery takeover

We have also been working very hard to increase our revenues, and Nynas' takeover of the Harburg base oil plant and associated production units in Germany will help in these efforts. After an extended process the Harburg takeover received EU approval in September 2013.

From January 2014 on, we will receive additional specialty oil products from Harburg and will also start to convert the former Shell fuel refinery into a self-sustained specialty product site based on the existing base oil plants with an annual production of up to 350,000 tonnes in 2016.

The additional refining capacity marks a major step forward. It will enable our growth, enhance our supply security and it will increase the revenues. It demonstrates our commitment to maintaining leadership in the naphthenic specialty product segment.

In the naphthenic specialty oils segment we managed to grow sales in nearly all sectors with an increase of 36kt globally compared to 2012, but margins were down due to an overcapacity of paraffinic base oils on the market, which affected the price of naphthenic products.

Sales of bitumen were affected by a late spring in Europe, which had a negative impact on the results of this seasonal business. Subsequently, sales volumes lagged behind in the first half of 2013. Many of our European markets for bitumen were affected by fiscal restrictions resulting in very little spending on road construction and maintenance. Our continental business suffered from this and reported a negative result for 2013. As a consequence we are reviewing the supply agreement for that part of the business in order to stop these losses in the future. Business in the Nordics was

"We believe there will be a steady growth of products made with naphthenic oils in the years to come, as the demand to substitute less environmentally friendly solutions increases."

stable with some growth in the Finnish market. In the UK, volumes were slightly below the previous year.

#### Market outlook

With the addition of the Harburg refinery, naphthenic specialty oils will account for a significantly larger portion of Nynas' operations. We believe there will be a steady growth of products made with naphthenic oils in the years to come, as the demand to substitute less environmentally friendly solutions

increases. We also foresee a growing need for transformer oils with the expansion and upgrading of electrical grids. Nynas is well positioned to capture growth in these markets.

As the financial situation in Europe improves, we anticipate a return to more normal trading conditions. The recent announcements of government infrastructure investments in Sweden and the UK give me reason to be optimistic about the future of the bitumen market.

We however need to adapt to the markets we operate in and we have, during the autumn, enhanced our business plan. Our plan includes growth in the specialty product area but also cost reductions. To achieve sustainable savings we are looking at restructuring both assets and individual areas of our business. As part of this plan we informed our employees in December of our intentions to convert the Dundee refinery to a depot in 2014.

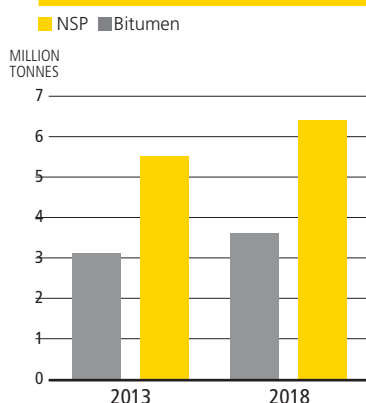
The past few years have been difficult for our industry yet we still managed to improve operations and save costs. This can largely be attributed to the strong morale and positive spirit among our dedicated, cooperative and proactive employees. Since I joined the company in early March, I have been impressed by the commitment and enthusiasm of our staff to engage in the turnaround work to re-establish Nynas as the profitable market leader in bitumen and naphthenic specialty oils.

Gert Wendroth,  
President, Nynas AB

# CREATING VALUE FROM HEAVY CRUDE OIL

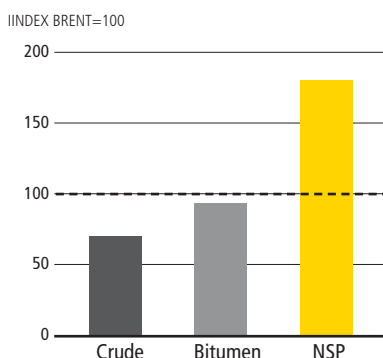
**Nynas has changed considerably since it was founded over 80 years ago. Once a Swedish oil company that produced everything from petrol and diesel to fuel oil and lubricants, it is now a leading international group specialising in naphthenic specialty products and bitumen.**

## NYNAS NSP AND CORE BITUMEN MARKETS



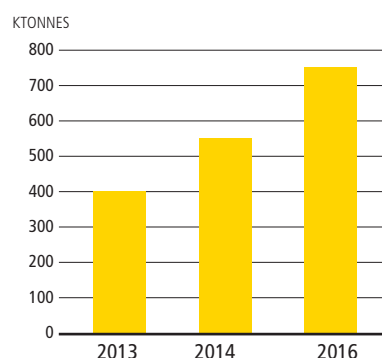
Based on company projections, the global market for Nynas NSP products and the core markets for bitumen (Nordic and UK) will grow with 15 % in the coming five years.

## NYNAS NSP, BITUMEN AND CRUDE INDEXED VERSUS BRENT



Naphthenic specialty oils are highly refined to extend product value and enable broader usage.

## INHOUSE NSP PRODUCTION CAPACITY



Nynas' recent capacity expansion of inhouse-produced naphthenic specialty oils will enable Nynas to strengthen its product offering.

**Nynas' core competence** is to refine extra heavy crude oils into a balanced mix of naphthenic specialty products (NSP) and bitumen products that meet global demand patterns.

Nynas has accumulated considerable expertise and built long-standing partnerships in sourcing and refining. Nynas also invests heavily in customer-centric research and development focused on working with customers to add value to their product offerings. By consistently applying this strategy, Nynas has positioned itself as a world leader in high-grade specialty oils and

bitumen. Today Nynas is able to leverage its know-how and long standing partnerships to deliver oils that Purify, Dissolve, Protect, Lubricate, Bind, Cool and Elasticate consistently and sustainably.

On the front end of the business the market segments are quite different. Naphthenic specialty oils are sold to industrial manufacturers and chemical and process industries, while bitumen is sold mainly to road construction companies.

## MARKET DRIVERS:

### **SUSTAINABLE SOLUTIONS**

Nynas benefits from increased focus on sustainability as it markets highly refined specialty oil products.

### **INFRASTRUCTURE GROWTH**

Bitumen is a major component in road surfacing while electrification drives transformer sales which require specialty oils for cooling.

### **APPLICATION GROWTH**

Specialty oils are found in thousands of products and the pace of new applications is increasing.

### **LEVEL OF ECONOMIC ACTIVITY**

Nynas is affected by the level of public spending on roadworks, electrification and sustainability driven projects. It is also affected by GDP in general as specialty oils are prevalent in a broad range of products.



## KEY COMPETENCES:

### **EXTENSIVE KNOW-HOW**

Nynas is the natural partner when developing new applications due to its extensive R&D investments and experience from over 80 years in the business.

### **CLOSE CUSTOMER RELATIONSHIPS**

Nynas stays focused on customer needs by ensuring an efficient delivery process as well as a product application-focused research and development programme.

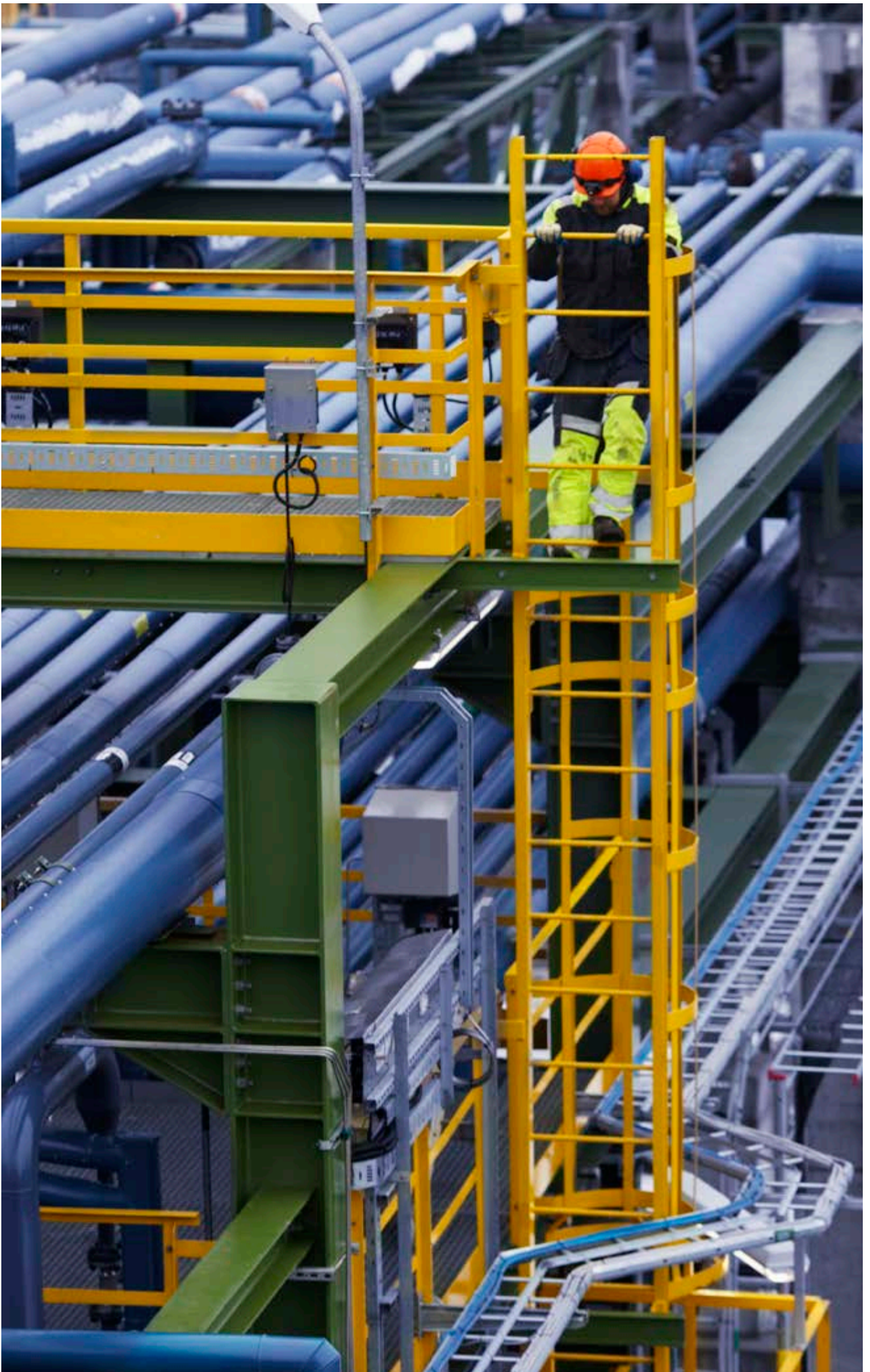
### **OPERATIONAL EFFECTIVENESS**

Nynas understands the importance of raw material selection, strong health safety and environmental processes, and investing in capacity utilisation and quality.

### **SUPPLY CHAIN**

Nynas has a global infrastructure with manufacturing, mixing and depot sites around the world enabling fast and reliable supplies.





## Strategy and Objectives

# GEARING UP TO MEET NEW DEMANDS

**VISION:** Through the world-class dedication of our people, Nynas will be the best long-term partner in specialised oil applications, doubling the company value every five years.

**In order to** achieve its ambitious goal and objectives, Nynas has based its operations on five strategic approaches:

### ► Growth within naphthenic specialty oils

For more than 50 years, Nynas has built up knowledge, experience and a large customer base and is today an industry leader in naphthenic specialty oils. Nynas anticipates even stronger demand for naphthenic specialty oils going forward due to increased focus, from both regulators and customers, on product health and safety properties. For example, Nynas is growing in the tyre oil segment due to more stringent health and environmental requirements in the EU and other markets.

Another major factor that will impact sales of naphthenic specialty oils is the growth of electric power transmission and distribution in developing countries, as well as the need to expand and upgrade existing electricity grids in the western world.

The takeover of the Harburg specialty oil refinery will help Nynas increase its capacity to meet future demand.

### ► Strong position in the bitumen market

Nynas' strategy is to be the leading player in the bitumen markets where it is active by being a partner to the road construction industry. This entails close customer interaction, local knowledge and consistently working to provide a broad range of solutions that bring added value to customers and end users. One example of these efforts is the development of a bitumen solution for use in asphalt that works with lower paving temperatures, thus reducing energy consumption and costs for customers. Although the bitumen market in Western Europe is a mature one, customer demands for

improved environmental and technical solutions such as this, are contributing to the developments.

### ► Stable supply of raw materials

When sourcing raw materials, it is critical that Nynas achieves the desired product properties and high quality for producing both its naphthenic specialty oils and bitumen. Nynas continuously monitors developments, especially in the heavy crude market, to stay on top of the global raw material situation. The company is also looking into alternative sources to reduce potential vulnerability in the supply chain. The goal is to ensure a stable raw material supply to ensure that products meet all commitments on quality and to secure deliveries.

### ► Optimal use of production equipment

The development of Nynas sales opportunities should be met by an optimised utilisation of the manufacturing resources. The takeover of the specialty oil refinery in Harburg in the beginning of 2014 will support the growth of the naphthenic business. Likewise it was concluded that the Group's resources for bitumen manufacturing could be rationalised and the Dundee crude distillation activity was stopped.

The strong focus on improving manufacturing reliability has paid off as this year's results prove. Nynäshamn's manufacturing of Naphthenic products reported a reliability of 96 per cent, an improvement from a level close to 86 per cent in 2009. Over the past five years, the company has invested about SEK 2 billion in personnel and equipment, especially at the Nynäshamn refinery, to help increase reliability and capacity and also to improve safety and environmental measures. Nynäshamn's new sulphur recovery plant, which was-



commissioned in late 2012, has improved the refinery's environmental performance.

#### ► Customer focus and efficiency

Nynas' strategy is to maintain a strong customer focus and to have an effective organisation to back this up. The organisational structure consists of a customer-driven sales and marketing organisation supported by central functions. With its industry knowledge and focus on customer solutions, Nynas strives to understand customers' businesses, their needs and their applications. The company also stays focused on customer needs by ensuring an efficient delivery process as well as a product application-focused research and development.

A prerequisite for success in realising these strategic challenges is to demonstrate a safe and secure business operation. Nynas has adopted a policy on health, safety, security, environment and quality and measures its operations with key indicators supporting improved performance in these fields.



## GOALS

**Nynas' overall goal is to create value for its shareholders through a growth-based focus on profitability throughout the operations, while simultaneously taking responsibility for people and the environment. The Group monitors its goal fulfilment by means of the financial and operational goals.**

**If Nynas is to achieve its mission, its vision and its overall goals, it must conduct relevant and efficient sustainability work which ultimately has a direct impact on profitable growth. More information on Nynas' sustainability work can be found in the sustainability chapter.**

#### Financial goals

Nynas operates in a capital-intensive industry in which continuous improvements in productivity must have a long-term impact. Nynas' financial objective is to ensure long-term profitability and increased asset value.

#### Returns

The objective has been formulated as an expected return on capital of at least 13 per cent over a business cycle. The short-term goal is measured on EBITDA. Nynas' investments shall generate a high return in line with Nynas' strategy and available resources. The projects' internal return rates shall be higher than Nynas' weighted average cost of capital (WACC) plus a risk surcharge. The WACC before tax is currently nominally approximately 9 per cent.

#### Net debt to equity

To be able to act in a recession the net debt to equity should fall within the interval of 50 to 90 per cent.

#### Operational goals

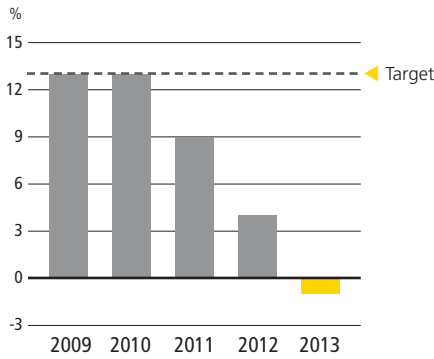
The way in which Nynas handles its most important operational issues has a direct impact on the company's ability to create long-term profitable growth. Operational goals support the overall strategy up to and throughout 2013.

- Increased reliability of specialty oil production in Nynäshamn, goal above 95 per cent.
- Increased sales volume for specialty oils, goal at 800 ktonnes.
- Days of sales outstanding (DSO), goal 38 days.



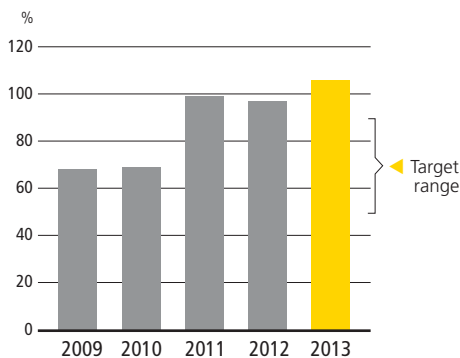
## FINANCIAL GOALS

### RETURN ON CAPITAL EMPLOYED



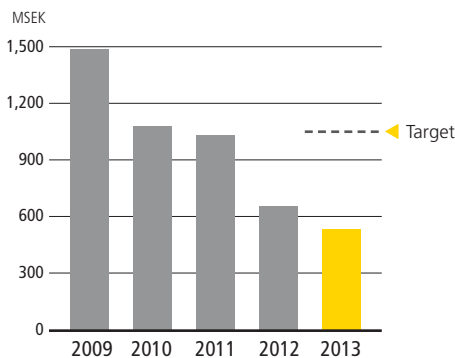
Return on capital employed including non-recurring costs as restructuring and environmental provision.

### NET DEBT/EQUITY RATIO



The increased debt to equity ratio was mainly due to the lower 2013 results.

### EBITDA DEVELOPMENT\*

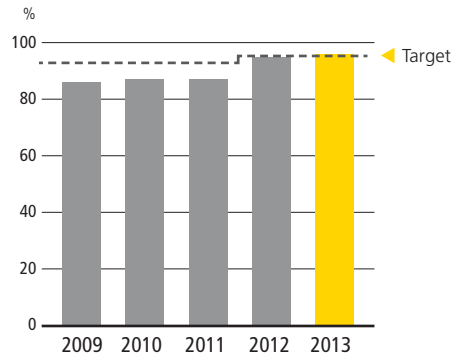


The last two years were affected by the general cyclical downturn. As the financial situation in Europe improves Nynas anticipates a return to more normal trading situations.

\*) excluding non-operational items such as restructuring costs and environmental provision.

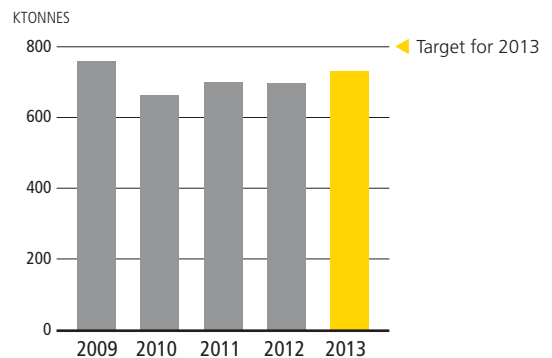
## OPERATIONAL GOALS

### PRODUCTION RELIABILITY, NSP



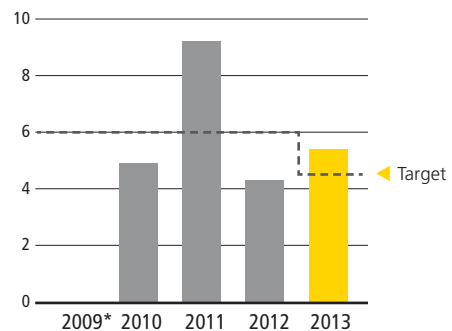
Reliability reached an all time high, mainly due to major investments that have been carried out to create safer, more flexible and reliable manufacturing facilities.

### SALES VOLUME NSP



NSP sales volume in 2013 exceeded the previous year's result, but did not fully meet the objective for the year.

### TOTAL RECORDABLE INJURIES (TRI)\*



\*TRI = Total recordable injuries per million working hours. The cornerstone for the ongoing work to improve safety in the Group.

\*) Nynas started to report TRI (Total recordable injuries per million working hours) in 2010.



**Naphthenics**

# SPECIALTY OILS HAVE THE EDGE

**With its global scope and broad portfolio, Nynas is able to meet the demand for naphthenic specialty oils in all kinds of industries, from manufacturing and automotive to the energy and consumer sectors.**

**When customers purchase** naphthenic specialty products (NSP), they get more than a superior product – they also get application knowledge from a highly skilled sales force and technical support experts.

The ability to offer niche products, specialised knowledge, and customised solutions, gives Nynas a competitive advantage. With its combination of global product development and local support, Nynas can help customers to optimise their naphthenic oil applications.

Having one of the largest and most diversified portfolios in the industry makes Nynas less vulnerable to market recessions. For example, strong sales of process and transformer oils in 2013, helped to compensate for losses in the struggling European automotive sector.

## NAPHTHENIC SPECIALTY OIL PRODUCTS



► **TRANSFORMER OILS:** Transformer oils are used in electrical applications, for example in the insulation and cooling of power and distribution transformers.



► **PROCESS OILS:** Nynas' process oils are designed for use in chemical and technical manufacturing. They are used in the industrial rubber, printing ink, adhesives and thermoplastics industries.



► **BASE OILS:** Base oils are used as a component in cutting fluids for metalworking, hydraulic oils, greases and other industrial lubricants.



► **TYRE OILS:** Tyre oils are used as plasticisers in the rubber compounds used to make car tyres.

### Geographical markets

Nynas has a strong foothold in Western Europe and a growing market in Asia as well as Latin America. The Asian market is expected to outgrow the Western European one in just a few years time.

### Customers

Nynas is a world leader in each of its four product segments. It has established long-term partnerships with a wide variety of customers in different industries and countries. Its local presence and network of sales offices have positioned it to capture customers of all sizes, including Pirelli, ABB and many other companies.

## MARKET AND GLOBAL TRENDS

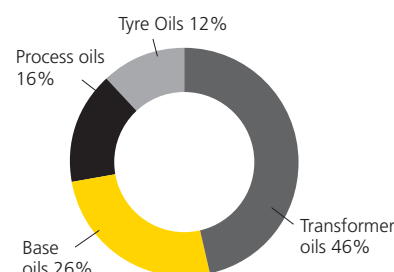
### Global advantage for niche player

Independent industry analysts (including Kline & Company) identify a recession recovery, organic growth and growth in lubricant demand in emerging economies, as growth drivers for the specialty oils market.

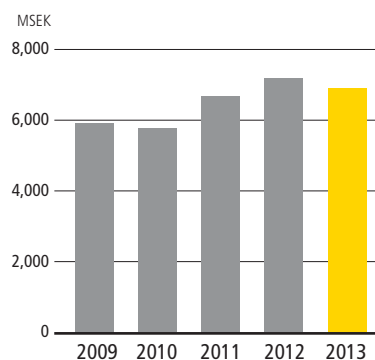
Nynas managed to grow its naphthenic specialty oil market by 5 per cent in 2013. This was, however, lower than anticipated due to increased competition and higher raw material costs in 2013.

Strong geographical markets in 2013 were Western Europe (Germany and France), Brazil and other parts of South America, and China. The sales of Nynas tyre oils in China grew rapidly in 2013, with 139 per cent growth compared to 2012. This was more than 10 times larger than China's tyre market growth.

### SHARE OF NSP SALES



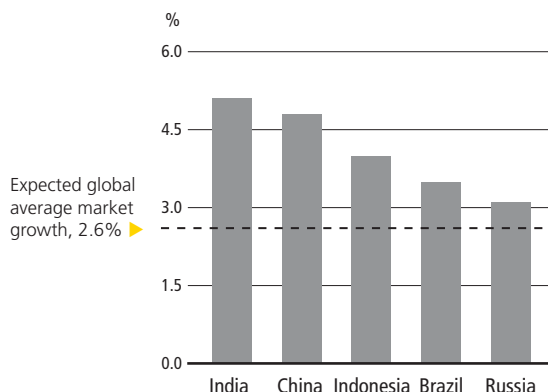
### ANNUAL SALES NSP



Although 2013 NSP volumes were up 5%, lower prices in the market more than offset the volume increase.



## GROWTH IN EMERGING MARKETS



The average yearly growth figures for industrial lubricant demand in emerging economies during 2011–2021 show robust growth in BRIIC countries.

Source: Global Lubricant Basestocks, 2011–2021, Kline, 2012

### Tyre oil moves east

High demand in China for tyre oil more than offset losses in Europe where poor automotive sales led to lower demand for tyre oil. There was generally an oversupply and low demand for tyre oils in Europe in 2013.

Nynas has had a presence in Latin America and Asia for more than a decade and the company is well positioned to capture tyre oil business on these markets as demand rises. Growth in the BRIIC countries is driven in part by legislation for tyres that have a lower impact on health and the environment, and on efforts to reduce fuel consumption. Naphthenic oils help reduce rolling resistance, which in turn reduces fuel consumption. Brazil and Russia will introduce low PCA oil legislation for tyres during 2016.

### Base and process oils

Increasing growth and consumer spending in South America and Asia helped increase the demand for high quality process and base oils in the hygiene and chemical sectors. The trend is expected to continue moving upwards as a growing middle class raises demand for consumer products requiring specialty oils. An example of this is the diaper market, which uses adhesives, and is expected to grow from its USD 25 billion level in 2012 to an estimated USD 33 billion market in 2017 (Source: Global Industry Analysts).

Increasing health and safety awareness is also driving the demand for Nynas specialty oils, which are low in PAH content, highly solvent and compatible with other chemicals.

### Transformer oils

Nynas is a market leader in transformer oils with a global delivery platform and the most extensive transformer

oil portfolio. Demand for transformer oils in most markets remained stable in 2013.

In the emerging markets, transformer oil sales were largely driven by the installation of new electrical infrastructure to serve growing populations in, for example, China, India, Turkey, Indonesia and Brazil. In Europe and especially the US, the demand is fuelled by the need to replace old installed infrastructure. Furthermore, legislation requiring more efficient and renewable energy is driving up demand for transformer fluids in applications such as wind and solar energy.

## RESEARCH & DEVELOPMENT


### Pursuing innovation

Most of Nynas' research and development work is conducted in-house at the Nynas laboratory in Nynäshamn, Sweden, but Nynas also collaborates with universities and research institutions. Working closely with customers to better understand their businesses is another way that the company stays at the forefront of development.

Nynas focuses more on application knowledge and competence development than its competitors, by offering seminars on base oils and product applications to existing and potential customers worldwide. In 2013, Nynas trained almost 500 customers around the world on the performance and properties of its specialty oil products.

In the field of naphthenic specialty oils, Nynas sees market potential in both extremely light oils as well as heavy oils. In order to capture these markets, Nynas has developed two upgraded products, T 3 and SR 400.

During the year, Nynas developed a grade of transformer oil adapted to the needs of the Japanese market.

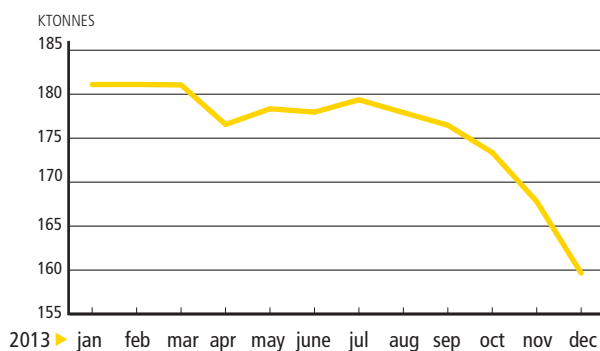


Nynas received an A1 grade from British Petroleum, one of the world's leading international oil and gas companies. This is the highest grade possible for product quality and deliveries.

It also developed transformer oil suitable for use in cold climates. This ability to adapt oils to local specifications puts Nynas in an excellent position to capture growth opportunities worldwide.

## SUPPLY CHAIN

### NAPHTHENICS INVENTORY ROLLING 3 MONTH AVERAGE



#### Steady supply chain

In 2013, naphthenic oils were produced primarily at the Nynas refinery in Nynäshamn, Sweden, supplemented by a refinery on Curacao in the West Indies and a refinery in Three Rivers, in Texas USA. The specialty oils are shipped via Nynas' global distribution network from these refineries to central supply hubs (in Antwerp and Houston) and further to regional depots and on to customers. Tight quality control throughout the logistic network ensures delivery of the right products and volumes at the right time.

In 2013, Nynas continued to work on improving inventory turnover by reviewing its network to ensure optimal end-to-end supply routes for customers. It also worked on reducing capital tied up in excess inventory levels. The company managed to reduce its inventory value with 9 per cent on average during 2013. It also successfully negotiated price reductions with several suppliers.

It is essential for Nynas to have access to raw materials with the right properties in order to maintain its high quality products. The 2014 ramp up of the Harburg refinery, which will add 40 per cent capacity and alleviate dependency on outside suppliers, will further improve reliability by ensuring there is a steady supply of high quality specialty oils.

During 2014, Nynas will also establish a central supply hub in Singapore for optimised end-to-end supply of naphthenic products to customers in Asia.



**Grease producer Verkol** is confident that naphthenic oil will help it reach new markets, particularly in colder parts of the world.

Following an agreement with Nynas in 2013, Verkol, a grease manufacturer based in Navarra, Spain, will use more naphthenic oil in its standard grease formulations. The new agreement is an extension of a business partnership established in the mid-1990s. Now, Nynas will step up its annual delivery volumes to Verkol, aiming for a fourfold increase.

Verkol develops and produces greases and lubricants for many different applications in a broad range of sectors, including the processing industry, renewable energy, automotive and heavy machinery among others. Founded in 1923, the company has witnessed Spain's transformation into an industrialised nation.

Aiming to grow its business, the company is heading further afield, to markets in South America, the Middle East and Asia, exporting its products to over 50 countries globally. To be successful in even the coldest parts of these regions Verkol needs to expand the temperature range of its products.

Verkol is confident that the low temperature characteristics of the naphthenic oil will make its grease products suitable for cooler markets, helping the company to achieve its export target. "In 2013, we exported about 25 per cent of our production," says Gonzalo Moreno, Managing Director, Verkol. "We would like to increase that to 50 per cent over a period of five to 10 years. That's an ambitious but achievable goal."







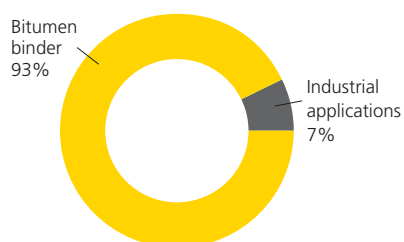


**Bitumen**

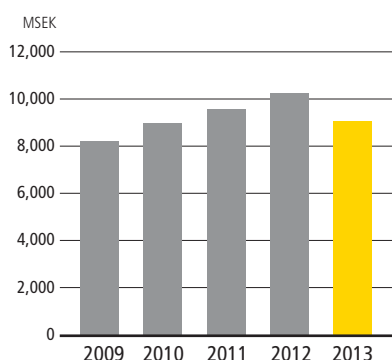
# PAVING THE WAY TO THE FUTURE

Through its Performance Programme, Nynas has been able to differentiate itself from the competition by highlighting the quality and service advantages of various bitumen solutions.

**SHARE OF BITUMEN SALES**



**ANNUAL SALES BITUMEN**



Fiscal constraints lowered investment in road-works primarily on the European continent.

**Whereas many other** companies produce bitumen as a refinery by-product, this road construction material, is at the core of Nynas’ business. This focus, and some 80 years in the business, have contributed to Nynas’ reputation as a bitumen expert.

Nynas has an in-house knowledge department where customers, students and others can get support. Customers get far more than a product from Nynas – they get a service package that includes just-in-time delivery, help with promotions, special technical support and an invitation to work on joint trials to develop new product technologies.

Nynas focuses on developing product properties that can provide customers with added value and it offers the broadest range of high quality bitumen products in the industry. This means, for example, providing customers with products that contribute to higher wear resistance or improved noise suppression. It also means offering consistent bitumen, which can be critical for customers’ production. The consistency of Nynas’ bitumen is a key differentiator that helps it stand out from the competition. Nynas ensures a steady supply of high and consistent quality, in all three of its product segments.

**APPLICATIONS AND PRODUCTS**

**Performance is worth a little extra**

Through its Performance Programme, Nynas can offer customers long-term, cost-effective bitumen solutions to match varying performance demands. This broad product range, segmented into Regular,



## REDUCING ENVIRONMENTAL IMPACT FROM BITUMEN TRANSPORTS

- Core road transport fleet reduces its CO<sub>2</sub> impact: Nynas Bitumen UK have replaced 9 of its older Euro 111 vehicles with new Euro V vehicles in the 3rd quarter of 2013. Early indications are this represents a 10.4% improvement in fuel efficiency and reduced CO<sub>2</sub> emissions. Coupled with previous logistics initiatives, operation of the Nynas transport fleet continues to reduce its environmental impact.
- Intermodal transport: Nynas Bitumen Continental is leading the trend towards more flexible, resource efficient bitumen deliveries in Europe. Combining different transport methods makes it possible to utilise resources more efficiently, reducing the global warming potential through an overall reduction in CO<sub>2</sub> emissions.

Extra and Premium bitumen, was launched in 2009 to serve different parts of the market. Since then, the company has consistently maintained 30 per cent of its volume in the Extra and Premium product market segment. These two categories, representing higher performance and added value for customers, also bring added value sales to Nynas.

### Bitumen binders

Bitumen binders, which accounted for 53 per cent of the company's turnover in 2013, are used for motorways, runways, bridges and other applications and are offered in three product categories: Regular, Extra and Premium.

- ▶ **REGULAR:** Regular bitumen lives up to industry standards for safety and performance. Nynas offers a wide range of products within this category with a variety of penetration grades.
- ▶ **EXTRA:** Nynas Extra is suitable when specific performance criteria are required. Nynas Extra includes a variety of products that satisfy functional requirements such as deformation resistance, structural contribution, fatigue resistance, temperature flexibility, improved workability and more.

▶ **PREMIUM:** The Nynas Premium range was developed for the most trafficked areas required to uphold the heaviest loads, such as on a racetrack or the Autobahn in Germany. Nynas Endura and Endura Z2 are the top selling products in the Premium category.

▶ **CUSTOMERS:** While Nynas has centralised technical service and research and product development, it remains close to its customers with local salespeople who can meet customers in their own culture, language and environment. This is an advantage for customers – mainly building and construction companies such as NCC, Skanska, Svevia, Aggregate Industries and Lafarge Tarmac, as well as government and local authorities.

Nynas also supplies bitumen for industrial applications to manufacturers of roofing felt and pipes. Customers include Icopal, KCA Deutag, Vinci and IKO. Bitumen for industrial applications accounted for about 4 per cent of the company's turnover in 2013.

## MARKET AND GLOBAL TRENDS

### Road transport dominates

The global recession brought with it under-spending in European road infrastructure which had a negative



Nynas sales were robust in the Nordic countries and the company also managed to maintain its UK volumes.

effect on the overall demand for bitumen. Between 2006 and 2012 bitumen demand in Europe declined from 21.5 million tonnes to 16 million tonnes (IEA), a drop of more than 25 per cent. Increasing competition has also had a negative impact on sales. Despite this, Nynas sales were robust in the Nordic countries and the company also managed to maintain its UK volumes by growing its market share there.

The market is expected to rebound, especially in the UK, where publicly financed expansion and upgrading of road networks and infrastructure are anticipated.

Roads will remain the dominant mode of transportation in the coming two decades according to the "EU energy trends to 2030" report, which estimates that about 80 per cent of passenger transport and 73 per cent of freight traffic will be by road in 2030.

Increasingly stringent requirements regarding the performance and technology development of asphalt surfacing are also driving the demand for high quality bitumen solutions.

## RESEARCH & DEVELOPMENT

### Innovative solutions

Nynas is constantly working to develop product properties that give customers added value, such as upgrading emulsions and polymer-modified products to create asphalt products with higher wear-resistance, improved noise suppression and higher performance. When used to produce certain asphalt grades, Nynas specialist binders can, for example, help to reduce noise levels of road surfaces by up to eight decibels.

Another area of development that is strengthening the company's market-leading role is the ability to supply bitumen binders that can be used to lay asphalt at lower temperatures. This reduces energy costs and is beneficial from a health, safety and environment perspective.

There is also a growing trend towards recycling asphalt. Although this is mainly economically driven today, it is also a sustainability improvement requested by

government road administrations and environmental movements. In the Netherlands, for example, the use of recycled asphalt has become mandatory. RAP (Reclaimed Asphalt Pavement) is mainly used in base and binder layers. Nynas' product range for this application is growing with several new products designed specifically to enable the use of RAP.

The Nynas Product Development Programme comprises a number of projects designed to add value by improving performance and sustainability. The projects in 2013 included tests on tall oil residues as a sustainable bitumen feedstock, emulsion consistency and polymer optimisation for improved performance. A number of other Development Programme projects have been spearheaded for 2014 and beyond.

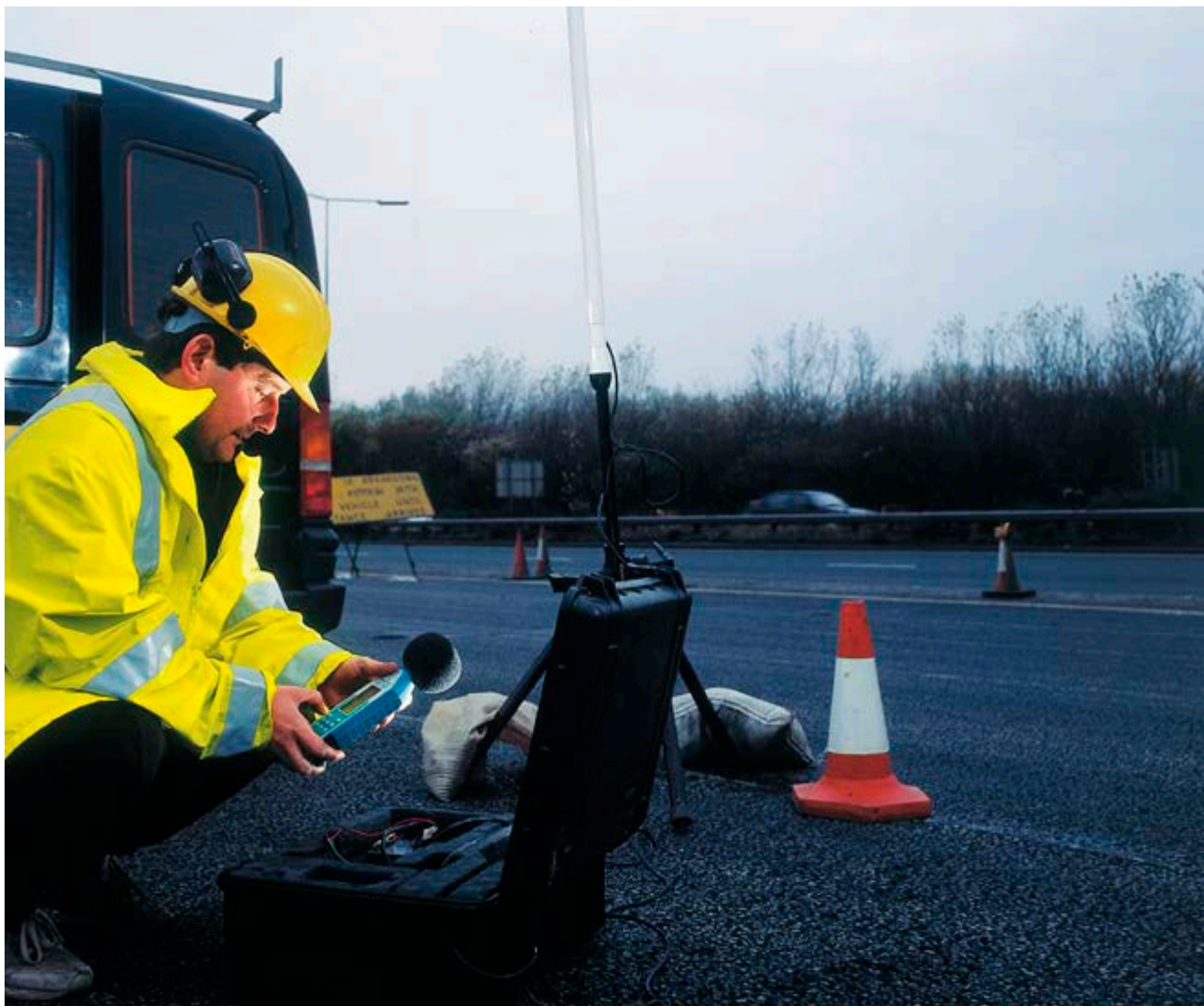
## SUPPLY CHAIN

### Integrated bitumen supply chain

By having local production of bitumen in its main markets Nynas is able to optimise the delivery cost for its end customers. In 2013, Nynas' bitumen was produced primarily at refineries in Gothenburg and Nynäshamn in Sweden, Eastham and Dundee, in the UK, Naantali in Finland and Antwerp in Belgium.

Since bitumen must be kept hot while being transported, to prevent it from hardening, careful handling and an efficient logistics system is essential, Nynas offers just-in-time delivery as part of its service package. In 2013, Nynas integrated two new-build bitumen ships into its supply chain operation. By efficiently utilising this increased fleet of specialist bitumen ships, Nynas can offer more cost-effective shipping to depots and customers and a higher level of control and flexibility resulting in higher quality.

In the coming year, Nynas will continue to focus on operating a cost-effective network of vessels and depots, and on optimising its end-to-end supply chain from procurement of crude through to delivery of bitumen to the customer.



### ENDURA PROVIDES RELIEF FROM NOISY TRAFFIC

Despite the attractiveness of the area around Huskvarna and Lake Vättern, the heavy traffic on the E4 motorway is a major source of noise pollution for the adjacent residential area. The Swedish Transport Administration has taken a number of measures to ensure that the noise level remains below the limit of 60 dBA set by the Environmental Court. The authority first lowered the speed limit from 110 to 90 kilometres per hour and then erected a noise barrier. In the summer of 2010, the Transport Administration tested new noise-reducing drainasphalt on a four kilometre stretch that was particularly loud.

Drainasphalt has small voids that literally absorb the noise generated by tyres on the road. The drawback with this kind of asphalt is that it wears out fairly quickly, particularly in the Nordic countries where most vehicles are equipped with studded tyres all winter long. As a result, the binder must be especially good at keeping the coarse aggregate intact while enduring wear and tear.

The Transport Administration chose Nynas Endura D1, a soft bitumen with a high polymer content, for the E4 motorway through Huskvarna. The advantage of Endura is its combination of flexibility with the dura-



bility contributed by polymer modification. That is why Endura is frequently used in asphalt for resurfacing old concrete roads in order to prevent cracking over joints. Now that Endura has been in use for almost two years, both motorists and residents have responded very favourably. Measurements indicate that the strict Transport Administration requirements have been met (reduction of 8–9 dBA), although the effect will taper off somewhat in a few years. Washing down the roadway so that the asphalt remains porous will retard that process.

This year, the authority will also seal the surface of the road with a thin layer of Fog Seal, a bitumen emulsion. The goal is to ensure greater durability while preserving the noise-reducing qualities of the asphalt.

## Manufacturing

# PLANT PERFORMANCE RISES TO THE TASK

**In manufacturing, Nynas managed to achieve excellent reliability, lower costs than anticipated, and a new production record at the Nynäshamn refinery.**

**As part of the company's** overall growth strategy, Nynas has undertaken significant investments over the years to increase the reliability, sustainability, productivity and flexibility of its manufacturing operations. Another addition is the Harburg refinery in Germany. Nynas will have an even stronger platform for the future by being able to increase its supply capacity of NSP by 40 per cent (in 2016). The Harburg refinery also gives Nynas increased control over production and reduces dependency on external suppliers.

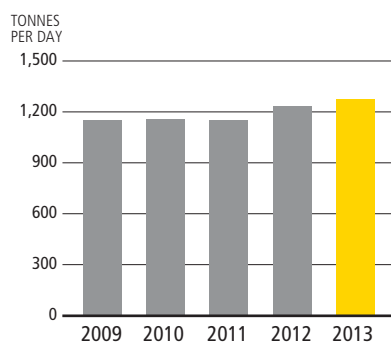
In 2013, the company continued to focus on improving reliability and cost efficiency in manufacturing operations. These efforts have paid off, with several new production records set. 2013 was also the second year in a row with very high reliability figures confirming a longer trend of continuous improvement. The maximum daily production capability has increased by 20 per cent since 2005.

The improved performance is the result of strong focus on production performance from all staff supported by a major investment program including a new hydrogen unit and a new sulphur recovery unit. Although smaller, some key investments installed in recent years, have also contributed strongly to the good results from Nynäshamn.

Production reliability followed a similar pattern, increasing since 2005 from below 90 per cent reliability to more than 96 per cent reliability in 2013. Reliability is defined as the percentage of time the unit is operating and producing on-spec products.

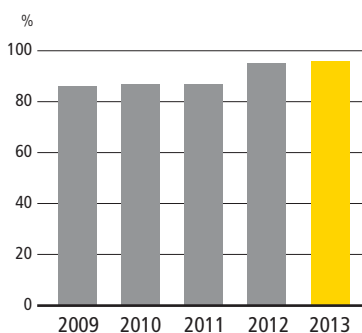
During the year there was little production waste as the amount of off-spec production in naphthenic specialty oils was below 2 per cent in 2013 compared to about 10 per cent in 2006. Focus on technical improvements to improve yields has resulted in positive change. Feedstock

### NSP PRODUCTION RECORDS – MAX DAILY



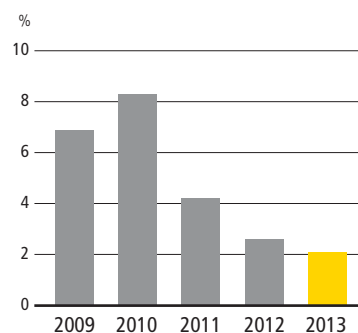
Since 2009 the maximum daily capacity has increased by 11% or 120 tonnes a day.

### PRODUCTION RELIABILITY, NSP PLANTS NYNÄSHAMN



Production reliability at the NSP plants in Nynäshamn followed a similar pattern improving by 10% since 2009.

### NSP OFF SPECIFICATION PRODUCTION



Quality consistency at the NSP plants in Nynäshamn has improved by 4.8 percentage units since 2009.



NYNAS REFINERIES	Nynäshamn		Gothenburg		Dundee		Eastham 50 %	
	2013	2012	2013	2012	2013	2012	2013	2012
Production, Naphthenic specialty oil, ktonnes	398	399						
Production, Bitumen, ktonnes	544	373	226	318	163	186	266	295
Reliability NSP, %	96	95						
Reliability/distillation, %	99	94	99	100	98	92	90	94
Base investments, MSEK	76	76	20	36	7	12	N/A	N/A

#### CAPITAL EXPENDITURES IN FIXED ASSETS, MSEK

	2013	2012	2011	2010	2009
Base	151	161	307	262	249
Dedicated	76	316	600	260	478
TOTAL	227	477	907	522	727

for hydrogen production per tonne of product has also been reduced by about 25 per cent as a consequence of better reliability, lower miss volumes and the investment in a new hydrogen unit. This is contributed to a significant cost saving in the operational costs.

Similar efforts in bitumen production paid off in 2013 as the Gothenburg refinery increased its production volumes of (polymer modified) bitumen.

#### Evaluation

Production at Nynas' own refineries and plants is evaluated monthly based on Key Performance Indicators (KPIs). The KPIs include availability, production and cost levels and accidents as a measure of safety and environmental impact. The KPIs are evaluated and revised annually in order to remain relevant for the operations.

#### HARBURG INCREASES SPECIALTY OIL PRODUCTION

**The Harburg takeover is an important step forward in Nynas' strategy to grow. It will allow Nynas to quickly meet the growing demand from our customers globally.**

**In September 2013**, Nynas received EU approval to takeover control and responsibility from Shell for the Harburg base oil manufacturing plant and some associated refining facilities of the Harburg refinery in Hamburg, Germany.

Conversion from a base oil refinery into a naphthenic specialty oil refinery will begin in 2014. This will enable Nynas to increase its annual production of specialty oils by 350,000 tonnes in 2016. Nynas is expected to grow with approximately 220 staff by the time operations are fully underway.

#### MANUFACTURING ACTIVITIES

During 2013 Nynas operated three own refineries; the original one is located in Nynäshamn, which has also given the Group its name. The other refineries are situated in Gothenburg, Sweden and in Dundee, Scotland. Nynas also runs another refinery in Eastham, UK, as a joint venture with Shell. Additional manufacturing resources have been secured through supply contracts with

other refineries, mainly in Three Rivers, Texas, USA, on Curacao in the West Indies, in Naantali, Finland and in Antwerp, Belgium.

A decision was taken in December 2013 to change the Dundee refinery from a production site to a supply depot for deliveries of bitumen to Nynas' customers in Scotland. The plan is for

the site to continue the operations of the Special Products Plant for the production of polymer modified bitumen and bitumen emulsions.

With Nynas' takeover of Shell's Harburg refinery in Hamburg, Germany, Nynas owns three refineries as of January 1 2014.



# TAKING OIL FURTHER

**At Nynas, sustainable development means developing and implementing strategies that ensure growth of shareholder value while proactively taking care of all stakeholder needs; specifically protecting and sustaining human and natural resources for future generations.**

**Nynas is not** a typical oil company. More than 80 per cent of its products are non-fuel products. While the vast majority of oil refineries are producing oil with the purpose of burning it as fuel, Nynas' business model is based on non-fuel applications.

This means that Nynas oil is produced to be taken further and developed into products used in a broad range of applications. The core products have long lifespans and are recyclable. For example, bitumen in normal use could be fully recycled once it has reached its end of life. Transformer oil, which is another one of Nynas' key products, is also recyclable. It can be re-refined and used again.

### Policy implementation

Sustainable development at Nynas involves different focus areas in various parts of the company. However, the work is coordinated at the Group level, both to ensure that the work follows common guidelines and to ensure that implemented initiatives have a clear and accepted place in the overall structure.

Priorities for sustainable development are delegated and addressed in each business area. This strategy

allows Nynas to establish best practice structures and stay focused on applications at all levels, creating innovative and sustainable processes and products.

### Examples of activities in 2013

► Following the adoption of the policy for Sustainable Development in 2012, there has been an internal focus to raise awareness and create a consistent approach that stimulates new in-house initiatives. In 2013 a common information package describing sustainable development and what it means for Nynas was cascaded through the organisation.

► The Nynas Group has established a number of Key Performance Indicators (KPIs) for following up on sustainable development. Some new KPIs were developed in 2013.

► Nynas promotes transparency and encourages open dialogue and engagement with all stakeholders, including its neighbours. A survey was conducted in Nynäshamn, Sweden in August 2013 to find out how the Nynas refinery is accepted at the local level. Interviews conducted



Nynas oils are used as lubricants in wind turbines.

with 300 people living near the refinery showed that 8 out of 10 people in the area are positive towards Nynas.

- ▶ Nynas Global General Terms and Conditions for suppliers was updated in order to increase focus on sustainable development among the Group's suppliers.
- ▶ Nynas is also working on removing barriers to the introduction of lower energy asphalt solutions. Warm and cold mix technologies, which Europe has been slow to adopt, significantly reduce the energy consumption and CO<sub>2</sub> associated with producing asphalt mixtures.

- ▶ In 2013 Nynas ran a Life Cycle Assessment project to get a basic understanding of the environmental impact of the various stages in a transformer oil's lifetime.

Nynas has chosen to actively participate in CONCAWE (Conservation of Clean Air and Water in Europe), the European oil companies' organisation for health, environment and safety. Participation in CONCAWE enables Nynas to pursue industry issues on a European basis.

Nynas' policies to address the environmental, economic and social aspects of sustainable development include the following:

- ▶ 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 with ISO 9001, ISO 14001 and OHSAS 18001.

A Sustainability Focal Group consisting of representatives from each of the business areas, works with sustainability issues and initiatives to ensure that they are integrated into each part of the business. Sustainability priorities are being addressed in each business area and 19 new KPIs have been established on a company-wide level.





## ENVIRONMENTAL MEASURES THROUGHOUT THE YEAR

**During 2013 Nynas** had three refineries under its own management – in Nynäshamn and Gothenburg in Sweden, and in Dundee Scotland. 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 Dundee operations are regulated by the Scottish Environment Protection Agency. In December 2013 Nynas announced plans to turn the Dundee refinery from a production site into a supply depot during the first half of 2014.

Nynas' permits cover the production of bitumen, distillate and naphthenic specialty oils. Bitumen and distillate is produced at all Nynas refineries, while naphthenic specialty oils are produced at the Nynäshamn plant and in partner refineries around the world.

In 2013, Nynas AB (Sweden) was granted a new permit in accordance with the regulation on chemical products and biotechnical organisms (permit for the commercial transfer of very hazardous chemical products).

Nynas also has cooperation agreements with other

refineries. However the information in this section is limited to plants owned and operated by Nynas.

### Environmental legislation

New rules became applicable regarding industrial emissions, when the Industrial Emissions Directive (IED) came into effect in 2013. The IED brings stricter requirements regarding application of the best available technology and on the reporting of pollutants. So-called BAT conclusions will be used when establishing permit stipulations and all operations must report annually on how they are complying with the BAT conclusion requirements and on any actions that will be taken to meet the requirements in the event of non-compliance. The BAT conclusions are listed in what are known as BREF documents for various operations.

A new BREF document is being drafted for refineries (likely be published in the first half of 2014) that will require Nynas to demonstrate compliance with the BAT conclusions in the document within four years of publication. Another requirement under IED is to produce a status report on pollutants in the ground and ground water in the area in which the operations are located.

The status report will subsequently serve as a benchmark on the day that operations are closed down. A status report must be submitted by no later than four years after the BAT conclusions are published. Efforts are underway to ensure that Nynas is complying with the requirements stipulated in the forthcoming BAT conclusions, and to draft documentation for the status report. These efforts will continue in 2014.

### **NYNÄSHAMN REFINERY, SWEDEN**

The refinery in Nynäshamn is the company's largest. Environmental investments and actions during 2013 were as follows:

- ▶ the new SR3/TG1 sulphur treatment facility was commissioned
- ▶ the disc filter in the water-treatment facility was commissioned, calibration is underway
- ▶ optimisation of the new biofilm reactor (MBBR) and oil separation tank in the water-treatment facility
- ▶ improved covering on the API basins (water-treatment facility) to reduce VOC emissions
- ▶ work is underway to complete the covering of The Land Farm landfill (date of completion: 2016).

#### **Reducing the carbon footprint**

Nynäshamn's 2014 action plan includes the development of a long-term plan to reduce CO<sub>2</sub> emissions from the refinery in order to meet the reduced allocation of emissions rights.

The VOC stipulations in Nynas' environmental permit include installing pressure-vacuum vents on the crude oil tanks by no later than October 2014 and improving the covering of the API basins, which has already been completed.

Measurements are performed on an annual basis to estimate the magnitude of VOC emissions and to assess the potential need for measures to reduce emissions.

#### **Energy management system**

An energy plan for 2013–2015 was submitted to the supervisory authority on 30 December 2012 (as stipulated in the environmental permit). The plan for 2013 includes for instance completing the project to improve heat integration in the VD2 (installation of a heat exchanger), reducing furnace excess oxygen levels, performing maintenance on the steam traps as well as defining KPIs for the assessment of control intervals for the steam traps and improving the reporting of energy use for each facility. All commitments have been completed, in full or in part. The energy plan also includes daily operating activities, such as reducing the amount of fuel gas being flared and reducing boiler blowdown.

#### **Plan for remediation**

In 2013, responses to the Land and Environment Court regarding the remediation of the J3/J4, P and E2 areas were submitted on several occasions. The main hearing was held on 4–5 December 2013, with the proceeding hearing scheduled for 9 April 2014.

#### **Environmental permits**

A new partial judgment regarding emissions to air (VOC and sulphur) was received on 10 April 2013. The Swedish Environmental Protection Agency has appealed one of the sulphur stipulations (stipulation 9b, which pertains to the level of sulphur recovery efficiency in the sulphur recovery facility). A hearing will be held in the Land and Environment Superior Court on 24 January 2014.

### **GOTHENBURG REFINERY, SWEDEN**

In Gothenburg, Nynas manufactures bitumen, specialised products containing bitumen, as well as various types of distillates. An environmental permit was granted on 30 March 2010 to increase the throughput to 800 kilotonnes of crude oil per year, including requirements on fulfilling and assessing various environmental stipulations. A num-

## DEPOTS AND EMULSION PLANTS IN SWEDEN

Depots	Classification	Responsible organisation
Holmsund	B	Nynas
Kalmar	B	Nynas
Västerås	B	Nynas
Söderhamn	C	Nynas
Härnösand	C	Nynas
Södertälje	—	Third party
Malmö	—	Third party
Norrköping	—	Third party
Rya	B	Nynas
<b>Emulsion plants</b>		
Västerås	B	Nynas
Piteå	C	Nynas

## Depots and emulsion plants

Nynas operates several bitumen depots and emulsion plants in Sweden. Although handling takes place in controlled systems, leakage may occur. Consequently, extensive safety and action plans are required. Nynas has its own depots in Holmsund, Västerås, Kalmar and Söderhamn. 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 and Poland. In most cases, Nynas is responsible for ensuring compliance with environmental legislation also in these locations.

ber of assessments have been carried out in recent years with the aim of reducing various types of emissions to air, ground and water, and to minimise waste. A number of final stipulations were received, including limiting the sulphur content in the fuel to a maximum of 0.05 per cent, which resulted in a significant reduction in SO<sub>2</sub> and NO<sub>x</sub> emissions. The company must also assess potential energy conservation measures and report on these by 2016.

A new partial judgment was received on 30 December 2013 with new final stipulations including:

- ▶ the installation of a facility for the thermal reduction of VOCs from caverns in conjunction with the unloading of crude oil from vessels
- ▶ taking care of leaks from tanks holding environmentally hazardous products and fire fighting water through the use of impervious surfaces and controlled ducts that run off to a retention basin.

The partial judgment on 30 December 2013 included new assessment orders regarding the measurement and, when necessary, assessment of technology for improved treatment concerning several different parameters in the outgoing wastewater from the refinery.

Another application is underway regarding an environmental permit to manage water that has leaked into caverns in Skarvikshamn in Gothenburg. The application was submitted in December 2012, with additional material being submitted in June 2013, and Nynas' reply to the official response was submitted in December 2013.

## DUNDEE REFINERY, UK

The Dundee Refinery's environmental performance is measured by the Scottish Environment Protection Agency under its Compliance Assessment Scheme against the rigorous requirements of Nynas' Pollution Prevention Control Permit. In 2012 Dundee achieved an Excellent Rating, which was an improvement on the Good Rating in 2011 and the Satisfactory Rating in 2010.

The Dundee refinery had four inspections by SEPA and two by the Competent Authority (SEPA and the UK Health and Safety Executive) during 2013 and the outcome of these inspections was positive. Both the Competent Authority and SEPA believe Nynas is working on the right issues in the right way to minimise the impact of the refinery on the site's personnel and on the local environment.

The main environmental investments in 2013 were:

- ▶ improvements to binding of ecotoxic chemicals
- ▶ continuing the programme to install double mechanical seals on process pumps
- ▶ installing closed loop sampling systems
- ▶ replacing all ship to shore transfer hoses
- ▶ starting overhaul of a crude oil storage tank.

Nynas has continued its strategy to reduce the carbon footprint by monitoring and, where possible, reducing the amount of fuel used to store and refine products. Nynas started discussions with a supplier of a biomass boiler system to make a step change in the emission levels. Nynas applied for and received a variation to the PPC permit in 2013 allowing the burning of fuel oil within an existing combustion unit.

Nynas continues to operate and monitor the barrier trench, which stops the refinery's groundwater contamination from reaching the River Tay. The 2013 monitoring showed that the barrier trench liner is still operating, as there is no evidence of increased hydrocarbon content in the groundwater downgradient of the barrier trench.



## ENVIRONMENTAL DATA FOR THE REFINERIES

REFINERY	ACTUAL 2013	LIMIT
<b>Production</b>	1.01 Mtonnes crude	1.8 Mtonnes
<b>Emission</b>		
Oil to water	1.3 mg/l (tot 1.9 tonnes)	5 mg/l
SO <sub>2</sub> to air	307 tonnes	500 tonnes
NO <sub>x</sub> to air	74 tonnes	125 tonnes
VOC	~1,180 tonnes (measured in 2011)*	–
CO <sub>2</sub>	133,652 tonnes	153,448 tonnes
Energy consumption	17,200 tonnes of fuel oil 9,370,000 m <sup>3</sup> of gas (internal gas) 64,740 MWh electricity 144 GWh steam (purchased) 111 GWh steam (produced)	

\*Too few measurements to be able to report total emissions during 2013. Results for measurements during three days in 2013 was 74 kg VOC/h.



REFINERY	ACTUAL 2013	LIMIT
<b>Production</b>	0.320 Mtonnes crude	0.800 Mtonnes crude
<b>Emission</b>		
Oil to water (nonpolar hydrocarbons) average	0.6 mg/l	3 mg/l
SO <sub>2</sub> to air	0.05% S in fuel oil	0.05% S in fuel oil
SO <sub>2</sub> to air*	7.7* tonnes	–
SO <sub>2</sub> to air**	~12** tonnes	–
NO <sub>x</sub> to air	17 tonnes	–
VOC	~70 tonnes	–
CO <sub>2</sub>	24,400 tonnes	–
Energy consumption	7,452 tonnes of fuel oil 278 tonnes of gas (internal gas) 19,478,000 kWh electricity	

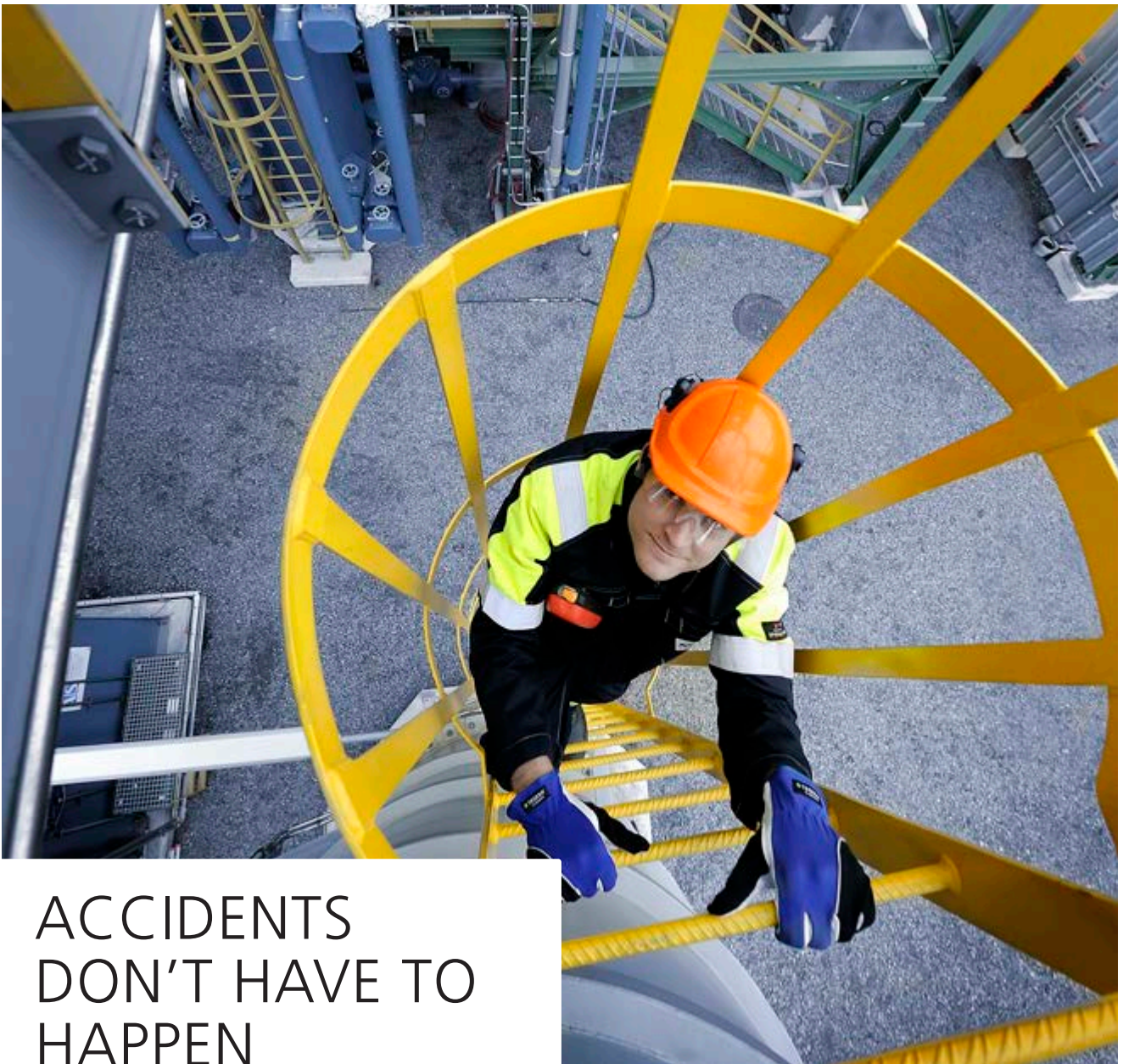


\*) SO<sub>2</sub> from the fuel oil

\*\*) SO<sub>2</sub> from process gases (AD, VD- and Ox-gas)

REFINERY	ACTUAL 2013	LIMIT
<b>Production</b>	0.237 Mtonnes crude	No limit within the Site's PPC Permit
<b>Emission</b>		
Oil to water	0.045 tonnes	
SO <sub>2</sub> to air	107 tonnes	Concentration limits defined within the PPC Permit
NO <sub>x</sub> to air	64 tonnes	
VOC	186 tonnes	
CO <sub>2</sub>	20,386 tonnes	
Energy consumption	6,735 tonnes of fuel oil 6,971,221 kWh electricity	No limit within the Site's PPC Permit





## ACCIDENTS DON'T HAVE TO HAPPEN

**Training programmes, key performance indicators and a number of other initiatives aimed at accident prevention have led to a more pro-active mindset that is reducing accidents.**

**Safety initiatives begun** in previous years are paying off at Nynas. In 2013 the total number of reported injuries per million working hours was 5.4. While this is a slight increase from 4.3 in 2012, it is still significantly lower than the 9.2 reported injuries recorded in 2011. The number of fires in 2013 was also reduced to its lowest number since starting with the CI (Continuous Improvements) module, a system for facilitating the reporting and following-up of actions. There is however no room for complacency at Nynas, where every single accident is one too many.

Nynas' group-wide HSSE&Q (Health, Safety, Security, Environment & Quality) policy was established in 2010 to create a strong internal culture that prevents and eliminates risks. In line with this goal, Nynas works with its Observe-Think-Act safety programme that focuses largely on safety behaviour, being observant of potential risks and knowing how to mitigate them.

Every month Nynas tracks its performance through Key Performance Indicators (KPIs). The company tracks the following types of accidents:

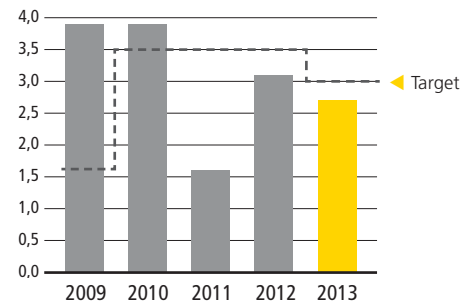
- ▶ Personal Injuries, Lost Time Accidents, Restricted Work cases and Medical Treatment cases
- ▶ Process Safety Accidents – loss of containment as unwanted consequence
- ▶ Transport Accidents – accidents during loading, transport and unloading.

In 2013, Nynas put extra focus on reducing the number of personal injuries for contractors. Nynas also focused on reducing transport accidents through, among other things, implementation of the Safe Loading project for bitumen depots. The Process Engineers' Safety Network was established in 2013 and held its first meeting to improve process safety performance.

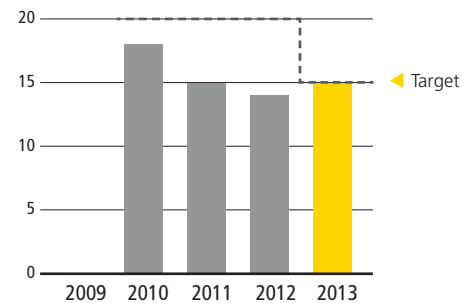


In 2013, Nynas put extra focus on reducing the number of personal injuries for contractors.

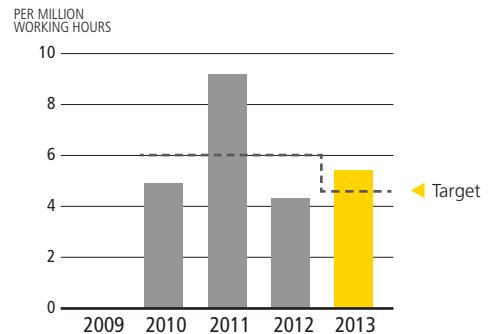
#### PROCESS SAFETY ACCIDENTS (PSA)



#### TRANSPORT ACCIDENTS\*



#### TOTAL RECORDABLE INJURIES\*



\* Nynas started to report TRI (Total Recordable Injuries per million working hours) in 2010.

After identifying that contractors were three times more likely to have an accident than Nynas employees, Group HSSE minimum requirements were developed for contractor safety. These were implemented in the organisation in 2013. Among the requirements, contractors must have a proven track record of working safely, for example through certification such as SSG and SSG Kemi. Contractors are also required to undergo safety training at Nynas.

#### Safety benchmark

Nynas works in accordance with the OECD Corporate Governance for Process Safety Self-Assessment, which provides guidance for senior leaders in high hazard industries. The company's executive committee participated in process safety training during 2013, following a self-assessment conducted in the latter part of 2012.

Since 2010, Nynas has been benchmarking its safety performance against other industry players. It bench-

marks personal injuries and process safety accidents (PSAs) with CONCAWE (Conservation of Clean Air and Water in Europe), and transport accidents with ECTA (European Chemical Transport Association).

A sign that Nynas is on the right track regarding safety improvement awareness is the higher number of deviation reports. The frequency for deviation reports increased dramatically during 2013 from 1,200–1,300 in previous years to 1,910 reports per million working hours. There are several factors behind this including:

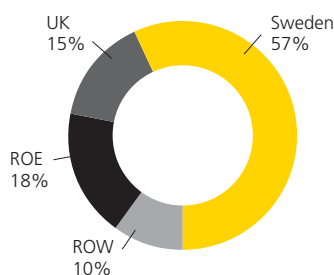
- ▶ many more individuals are involved in safety efforts and training
- ▶ findings end up in the CI module
- ▶ improvement proposals in the CI module are increasing
- ▶ the number of risk assessments has increased substantially.



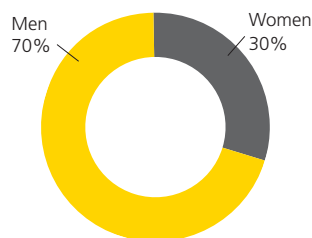
## Employees

# HIGH LEVEL OF ENGAGEMENT

**Nynas' success is based largely on being able to attract, train and retain talented people, many of whom are experts in a specific area, Nynas has introduced processes to assure there is a steady availability of strategic competence within the company.**



Employees by geographical area for Sweden, UK, Rest of Europe (ROE) and Rest of the World (ROW).



Male-female ratio at Nynas.

**Nynas offers a variety** of structured career paths for those who share the company's core values and want to develop further.

### The Nynas core values

Nynas embraces the diversity and individuality of its employees. At the same time, there are some shared values that connect the individuals. These can be summed up in the three core values of Dedication, Cooperation and Proactivity.

- ▶ **DEDICATION:** This is about doing one's best in every situation and taking responsibility for customers, colleagues and society in general. Nynas employees never compromise on safety, health, the environment or quality.
- ▶ **COOPERATION:** This is based on cooperation, mutual trust and support, which creates a corporate culture that encourages cross-border meetings, job rotation and training.
- ▶ **PROACTIVITY:** By thinking ahead, being open to new ideas and continuously seeking new solutions and opportunities for customers, Nynas can continue to be at the forefront of developments.

### Career ladders

To help attract, retain and encourage talented individuals, Nynas offers development and career opportunities to improve competence in its core business areas.

The "People Day" concept is an important tool in the continuous development work whereby corporate management and business area management jointly review and identify potential leaders, specialists and other employees in order to support them in their professional development.



In addition to leadership development initiatives for managers, Nynas encourages employees to select a specialist career path in, for example, technical areas or customer service.

As a specialty oil company, Nynas sees superior technical knowledge as one of its long-term competitive advantages. To ensure an availability of specialists, Nynas introduced a formalised career path in 2012, focusing on technical expertise. This year, the company communicated the career opportunities with the Technical Specialist ladder, targeting young engineers and technical experts.

The process was established to assure the availability of strategic competence and the future development of specialists, and to be an attractive employer, retain key competencies and outline a career path for non-managers.

In 2013, Nynas also introduced a career path for sales administrators within Customer Service in the Naphthenics market and sales organisation. As a customer-driven company, with employees worldwide, Nynas works hard on retaining its sales administrators who provide customers with a high level of customer service. The career ladder for sales administrators offers development opportunities, networking and experience working in another office.

These career paths help distinguish Nynas as a company that truly invests in specialist knowledge.

#### **Gender mix and diversity**

Although the industry has traditionally been male-dominated, Nynas is leading the way regarding women in the workplace. The Naphthenics business team currently has more women than men, thanks in large part to

efforts in employer branding and managerial development. Today, 22 per cent of managers in Naphthenics are female compared to 13 per cent in 2008.

Nynas continues to work on raising the proportion of women in the entire organisation from its current level of just above 30 per cent.

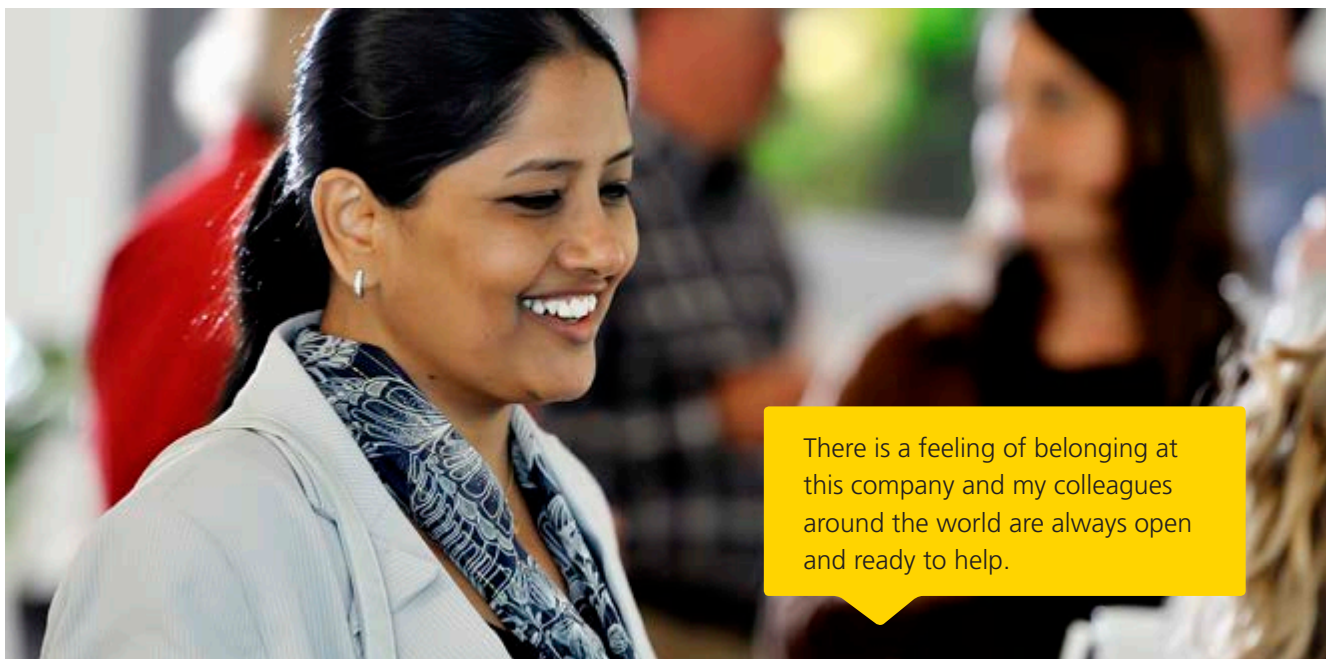
Nynas is a very international group, with 48 per cent of its employees outside of Sweden, of which 12 per cent are employed outside Europe. The company benefits from this diversity by gaining a better understanding of other cultures and behaviours. This in turn helps in communications with customers and others. The Human Resources group holds workshops in cross-cultural communication. This topic will be in focus as the company prepares for the Harburg Germany refinery integration in 2014.

#### **Employee Satisfaction**

Nynas regularly launches employee surveys to collect information about job satisfaction and how employees perceive the work environment. The employee satisfaction index is high according to the employee survey, but the company aimed even higher in 2013, by introducing an "employee engagement" index as well. These results show that there is generally a high level of engagement, clarity and energy at Nynas.

# WORKING AT NYNAS

EMPLOYEES TELL THEIR STORIES



There is a feeling of belonging at this company and my colleagues around the world are always open and ready to help.

## AN OPEN WORK ENVIRONMENT

**Originally from Southern India**, Karuna Sadasivam moved to Dubai over 20 years ago and began working for an architectural consultancy firm. Armed with a bachelor's degree in physics and a postgraduate degree in teaching, she started at Nynas in 2004 and is currently taking care of Nynas customers in ten Middle Eastern countries.

"I've always been interested in this industry and initially that's part of what attracted me to Nynas. I've stayed on for ten years now because apart from providing a great learning and growth platform, Nynas also has a wonderful work environment. There is a feeling of belonging at this company and my colleagues around the world are always open and ready to help.

The work environment at Nynas really sets it apart from other companies. My colleagues hail from different countries and there is a multicultural atmosphere. The cooperation that I receive from various departments within Nynas helps make my job easier. It's not as hard to have satisfied customers when you have a great team supporting you. Our customers regularly praise Nynas for its high-quality products and that makes me proud to be associated with Nynas and motivates me every day to do my job well.

At Nynas we do whatever it takes to make sure our customers are satisfied. This is, unfortunately, not a common trait amongst companies in the Middle East. At the Dubai office we try our best to be transparent about our operations and effectively communicate what is possible and what isn't within our reach in a timely manner. This, I have found, is the secret to maintaining good relationships with customers.

I am very fortunate to have been trained locally and internationally to help carry out my responsibilities. Apart from training related to my job, I have had the opportunity to work on projects related to Nynas values and the IT systems, which gave me an overview of our business and helped me develop leadership skills.

I am very happy with my progress within Nynas and I'm confident that the company has a lot more to offer. In the medium term, I would like to stay in Nynas' Dubai office. I hope to continue expanding the customer portfolio and shoulder more responsibilities. In the long term, when an opportunity arises, I will look for international assignments within the company that offer mutual benefits."





There are opportunities to develop your skills and move in a direction that interests you.

## OPPORTUNITIES FOR DEVELOPMENT

**The global nature** of Nynas' operations, along with opportunities for career development, appeal to Senior Process Engineer Karl-Oskar Lidström who was recently transferred from Sweden to the new refinery in Harburg, Germany.

"The technical part of the job is pretty much the same everywhere you go, but the cultural and language aspects and the exchange of knowledge are the most important things you bring home after an assignment abroad. This is extremely valuable for my personal development – and it also benefits my family.

I was headhunted in 2007 and I really didn't know much about Nynas initially. I quickly found out that it is a very interesting company with a business culture that appeals to me. There are opportunities to develop your skills and move in a direction that interests you. It is a fairly flat organisation and people appreciate it if you take the initiative.

I didn't really have a career plan when I started here, but I had an interest in working abroad and Nynas gave me the opportunity to work in one of our partner refineries in Texas for two years. I've been offered good opportunities and have taken them and I am happy for that. That's what I like with Nynas: If you work hard and develop your skills, it will be recognised.

Nynas employees are very dedicated and although we are not as small as we were before the Harburg acquisition, we still have the benefits of being a small company and are good at providing customers with what they want. There has always been this sense that we are a family and we work together with no barriers between different departments. That doesn't mean that everything is perfect, but I feel that the Nynas culture is an open, simple and easy one."

# FINANCIAL RISK MANAGEMENT

**As a consequence of the major and international operations of Nynas, the Group is also exposed to financial risks. The Board of Directors is responsible for determining the Group's finance policy that includes guidelines, objectives and frameworks for Treasury operations, within the Group.**

**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's primary task is to contribute to value creation by managing the financial risks to which the company is exposed as part of its normal business activities, and to optimise the Group's net financials.

Treasury operations supports the subsidiaries with loans, placement opportunities and currency transactions. It also acts as adviser on financial issues. The function conducts internal banking activities and is located at the head office in Sweden. The internal bank also operates the company's netting system and handles the Group's cash management.

Treasury operations also conducts payment advisory services and handles the Group's global credit insurance. Nynas has the customary insurance programme for the Group's property and liability risks. As a natural element of the Group's different activities, continuous damage-limitation measures are conducted. This work sets the standards for the required levels of protection, in order to limit the probability of major claims.

To support the management of risk exposure from volatility of oil prices, exchange and interest rates, the CEO has appointed a Hedging Committee. The Group's CFO chairs the committee, which also includes other members with a good understanding of Nynas' business model. The committee meets on a monthly basis, reviews and approves the measures proposed by Treasury operations. The Hedging Committee's responsibilities and authority are as follows:

- ▶ To analyse and protect against interest-rate and currency risks, as well as commodity price risks, in accordance with the Group's financial policy as defined by the Board of Directors.
- ▶ To stay informed about and manage Nynas' exposure to the financial risks, first and foremost oil price fluctuations and currency exposure, in particular USD, GBP and EUR.

The reports on the following pages adhere to the reporting requirements laid down in IFRS (IFRS 7 and IAS 39).

**LIQUIDITY AND REFINANCING RISK EXPOSURE**

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

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

2013	Currency	Recognised liabilities	Programme size	Average remaining credit time (years)
Bond issue	USD	644	644	0.8
Bond issue	USD	358	358	2.6
Syndicated stand-by credit line	EUR	3,142	6,644	3.0
Other bank loans	Miscellaneous	24	–	–
<b>TOTAL BORROWING</b>		<b>4,169</b>	<b>7,647</b>	<b>2.8</b>

2013 Proforma, remaining loan term after final agreement on refinancing 31 January 2013.

2012	Currency	Recognised liabilities	Programme size	Average remaining credit time (years)
Bond issue	USD	666	666	1.9
Bond issue	USD	370	370	3.9
Syndicated stand-by credit line	EUR	2,944	6,462	4.0
Other bank loans	Miscellaneous	30	–	–
<b>TOTAL BORROWING</b>		<b>4,010</b>	<b>7,499</b>	<b>3.8</b>

**COMMENT**

At the turn of the year approximately 44 per cent (approximately 40) of the Group's assets were financed with external loans, wherefore great importance is attached to minimising the financing risk associated with the Group's borrowing. It is furthermore also sought to avoid dependence on individual financing sources, and to adopt a conservative approach in the choice of counterparties on the placement of any surplus liquidity. To reduce

this financing risk, most of Nynas' known credit requirement is covered by long-term credit facilities and loans. In November 2011, a new syndicated stand-by credit line for EUR 750 million was agreed. The term of the credit facility is five years. The management closely monitors the forecasts for the Group's net liabilities in order to monitor the liquidity risk and covenants, since Nynas' bitumen activities are highly subject to seasonal fluctuations

and the working capital increases significantly during the summer months. The loan agreement includes financial terms, called Financial Covenants. The terms include the following key ratios, cash flow/interest payments, net debt/equity, net debt/working capital and adjusted equity. At the turn of the year all covenants were fulfilled. During 2013 the international credit rating agency Soliditet granted Nynas AA for good credit standing.

**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 purchasing 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

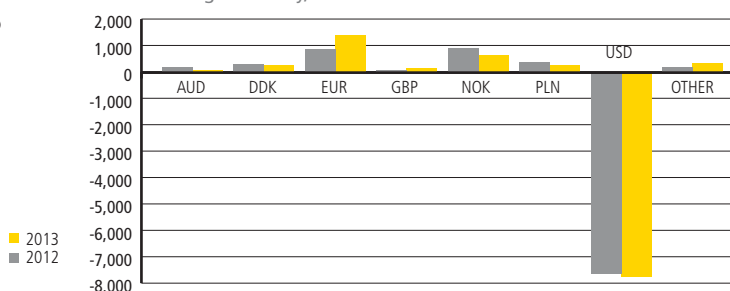
denominated in different currencies are converted to Swedish kronor (conversion risk).

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.

**TRANSACTION RISK****EXPOSURE**

Nynas' transaction exposure, i.e. the Group's net currency flows, amounted to MSEK 4,694 in 2013 (MSEK 4,852).

Net flow in foreign currency, MSEK





## COMMENT

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.

## CONVERSION RISK

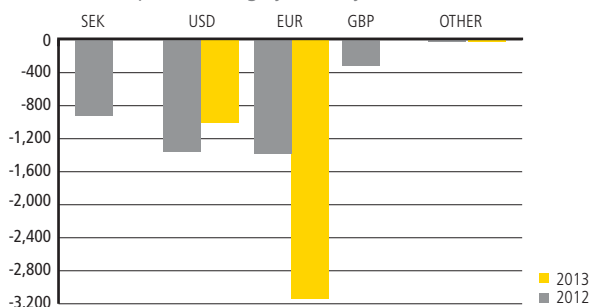
The equity of Nynas' foreign subsidiaries must not normally entail any significant conversion risk as the objective is to balance the subsidiary's assets and liabilities in foreign currencies. The result of a foreign subsidiary is converted to Swedish kronor on the basis of the average exchange rate 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 31 December the Group's net assets in subsidiaries denominated in foreign currency totalled MSEK 1,266 (MSEK 1,425).

## COMMENT

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.

## EXPOSURE

The Group's borrowing by currency, MSEK



Net assets in foreign currency, MSEK

	2013	2012
GBP	609	648
CHF	31	195
USD	125	135
SGD	56	37
BRL	82	86
PLN	48	51
DKK	39	23
NOK	54	35
EEK	38	31
Other	184	185
<b>TOTAL</b>	<b>1,266</b>	<b>1,425</b>

## CURRENCY SENSITIVITY

In order to gain the full picture of how currency fluctuations affect the Group's operating result account should be taken of 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 2013 the inventory value on average was approximately MSEK 3,990, with the main part hosted in Nynas AB. A currency fluctuation in the SEK/USD rate by SEK 0.10 would therefore affect the result by approximately +/- MSEK 40.

## COMMENT

Forward foreign exchange contracts are used to hedge obvious currency exposure. Nynas is not using hedge accounting.

## INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates 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 MSEK 4,478 (5,129). A 1 per cent change in interest rates would therefore change the pre-tax profit/loss by +/- MSEK 45 (51). At the close of the financial year borrowing totalled MSEK 4,169 (4,010). A 1 per cent change in interest rates would therefore change the pre-tax profit/loss by +/- MSEK 42 (40).

## EXPOSURE, Interest risk cont.

Fixed interest rate and fixed interest periods, MSEK.

2013 MSEK	Excluding effects of derivatives Effective interest rate, %	Fixed interest period, month	Including effects of derivatives Effective interest rate, %	Fixed interest period, month	Recognised liabilities
Bond issue	7.2	9	2.0	1	644
Bond issue	7.2	31	4.0	32	358
Syndicated stand-by credit line	3.4	3	3.4	3	3,142
Other bank loans	2.8	–	2.8	–	24
Interest rate swaps	–	–	1.7	7	–
<b>TOTAL BORROWING</b>	<b>4.2</b>	<b>6</b>	<b>3.8</b>	<b>9</b>	<b>4,169</b>

2012 MSEK	Excluding effects of derivatives Effective interest rate, %	Fixed interest period, month	Including effects of derivatives Effective interest rate, %	Fixed interest period, month*	Recognised liabilities
Bond issue	6.2	20	2.3	1	666
Bond issue	6.2	41	4.0	42	370
Syndicated stand-by credit line	3.2	3	3.2	3	2,944
Other bank loans	5.6	–	5.6	–	30
Interest rate swaps	–	–	1.9	11	–
<b>TOTAL BORROWING</b>	<b>4.0</b>	<b>7</b>	<b>3.6</b>	<b>13</b>	<b>4,010</b>

\*Information on fixed interest period based on refinancing as agreed on 31 January 2013.

## COMMENT

The Group's interest rate risk arises mainly via 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 9 months (13) 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 3.8 per cent (3.6). 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. Bond issues are hedged with currency interest rate swaps, which are classified as fair value and cash flow hedges. This entails that changes in the fair value of the derivative are recognised in the result for the year, and that the loan is recognized at

fair value, while any changes in the fair value of the loan are also recognised in the result for the year. The derivatives that are cash flow hedges are subject to terms that exactly 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 recognized 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

MSEK	2013	2012
Accounts Receivable	1,574.8	1,382.0
Cash and cash equivalents	937.6	738.9
Non-realised gains on derivatives	47.1	45.7
<b>TOTAL</b>	<b>2,559.5</b>	<b>2,166.6</b>

## COMMENT

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 counter-

party exposure to the financial sector is limited to the non-realised positive result occurring in derivative contracts. At the close of the financial year the

## COMMENT, Credit risk cont.

value of these contracts totalled MSEK 47 (46). 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 90 per cent of outstanding accounts receivable are covered by credit insurance. Historically, losses on accounts receivable have never exceeded MSEK 15 per year on

an overall basis. The total gross value of outstanding accounts receivable as of 31 December was MSEK 1,575 (1,382). These were written down by a total of MSEK -15 (-14). Age analyses of accounts receivable as of 31 December are presented in note 18.

## COMMODITY PRICE RISK

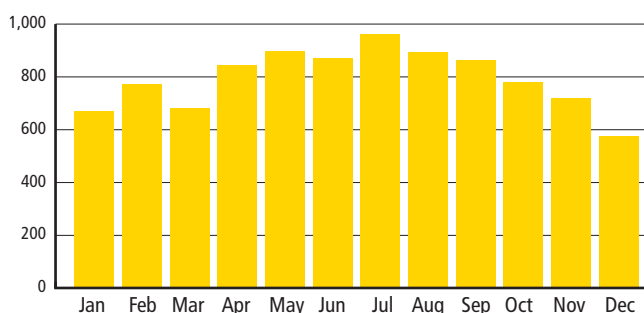
## EXPOSURE

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

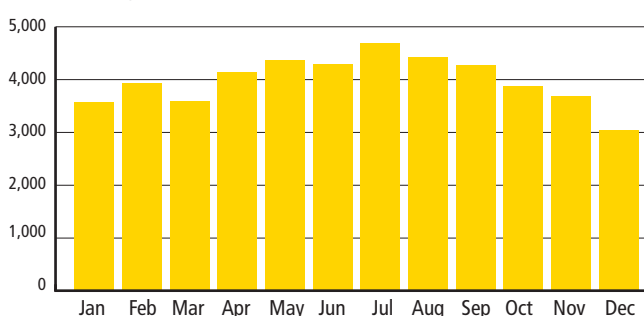
The price risk on these is partly hedged by taking out financial contracts. The oil price fluctuated during the year from an initial Brent price of USD 113/bbl, its highest listing in February at USD 118/bbl, and a closing price of USD 110/bbl at year-end.

The commodity's price risk is set off by the impact on the result of any change in commodity prices. 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.

Inventory volume, ktonnes per month 2013



Inventory value, MSEK per month 2013



## COMMENT

Around 60 per cent of the Group's commodity and product requirement is imported from the Venezuelan state oil company Petroleos de Venezuela (PDVSA), PDVSA has been a half-owner of Nynas since 1986, although the business relationship between the companies dates back to the late 1920s. A crude oil agreement was signed during 2011 but an amended was made in December 2013 to the existing contract, the agreement runs for five years. The cooperation is assessed to be stable, but work is ongoing to increase

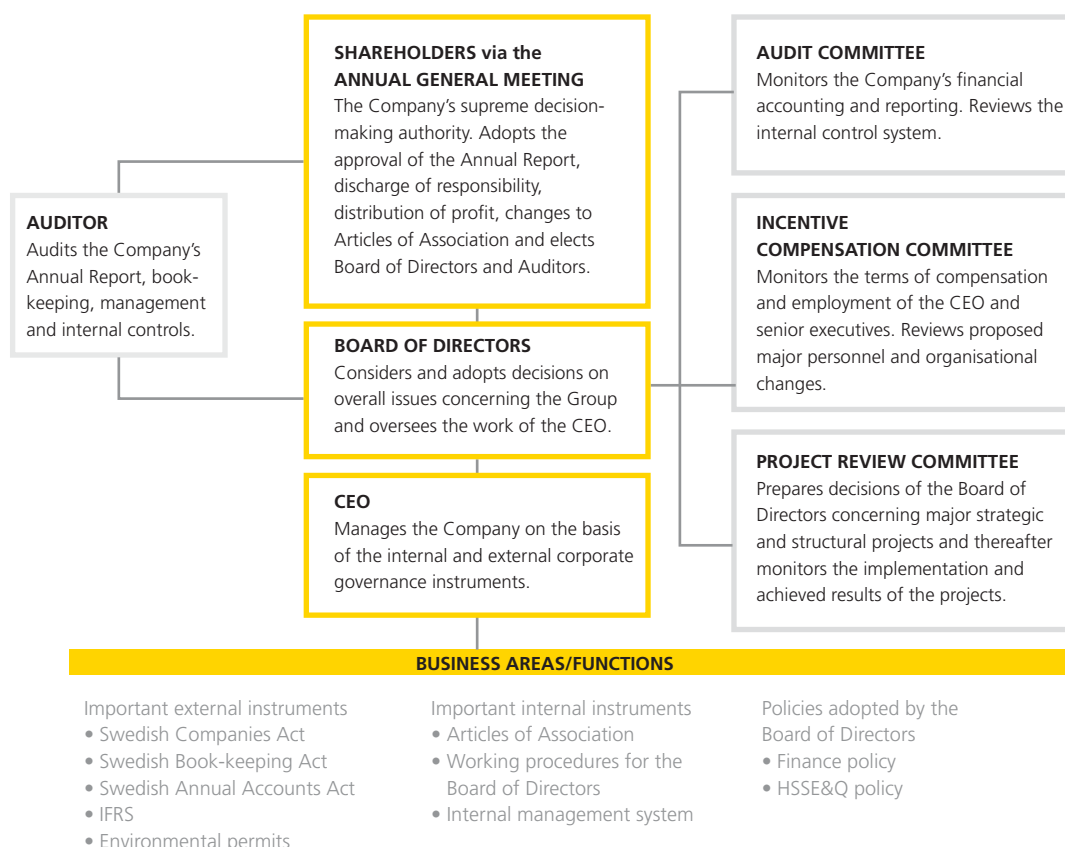
the flexibility of supply of raw material. Other important suppliers of raw material and products are Chevron, Valero and Neste Oil. Inventory of oil products totalled 574 ktonnes at the close of the financial year (611 ktonnes). A USD 20/tonne price change would thus affect the profit/loss by approximately +/- SEK 75 million. In order to reduce obvious price exposure, for example crude oil purchased during the winter with low stock turnover rate, oil price swaps are used, which are not classified as hedge accounting and totalled 312 ktonnes

at the close of the year, with a market value of MSEK -1,325. Nynas also concludes fixed price contracts with customers. These fixed price contracts are hedged with oil price swaps and are classified as a non hedging relationship, which means that any changes in the value of the derivative are recognised in the result for the year. At the turn of the year the hedging totalled 49 ktonnes and the market value of the derivative contracts was MSEK 185.



# CORPORATE GOVERNANCE

## GOVERNANCE STRUCTURE OF NYNAS AB



### Shareholders

Nynas AB, company reg. no. 556029-2509, domiciled in Stockholm, is owned 49.999 per cent by Neste Oil 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 Oil AB is part of a Group in which Neste Oil Oyj, company reg. no. FI 18523029, Espoo, Finland, is the parent company. PDV Europa B.V. is part of a Group in which Petr oleos de Venezuela S.A., company reg. no. 73023, Caracas, Venezuela, is the parent company.

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 MSEK 67.5 and the listed value is

SEK 1,000 per share. One share gives entitlement to 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' right to adopt decisions concerning Nynas' affairs is exercised at the Annual General Meeting, which is the Company's highest decision-making authority. 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 decides 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 discharge of the members of the Board of Directors and the CEO of their responsibilities.

### **Board of Directors**

#### **The composition of the Board of Directors**

The Board of Directors shall consist of four to eight ordinary members, and two employee representatives. Each party also has the right to nominate the same number of deputy members of the Board. Of the ordinary members and deputy members, who shall 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 accordingly. The CEO is not member of the Board of Directors.

#### **The work and responsibility of the Board of Directors**

The Board of Directors is responsible for the management of the activities in the interests of the Company and all shareholders, in accordance with the external and internal corporate governance instruments. The framework 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 2013, five Board meetings were held.

In addition to approval of budgets and major investments/projects, the work in 2013 focused on 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. In 2013 three 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 2013 two meetings were held.

- 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 on-going basis. In 2013 three meetings were held.

### **Auditors**

#### **External auditor**

At the 2012 Annual General Meeting the authorised public accounting firm Ernst & Young AB was elected as the Company's external auditor up to and including the 2015 Annual General Meeting. The auditor in charge is Authorised Public Accountant Jan Birgerson.

The audit is reported to the shareholders as an Auditors' Report. This constitutes a recommendation to the shareholders for their approval at the Annual General Meeting 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 the discharge of the members of the Board of Directors and the CEO from their responsibilities. 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 on-going 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 define 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' activities are structured as four business areas. Nynas has a structure with strong focus on business responsibility, combined with support from clear 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 2013 there were nine members of the Group Executive Committee. The Group Executive Committee meets on a monthly basis 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 a sound 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 Code of Corporate Governance 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. Sound corporate governance is fundamental to Nynas, and the objective is to ensure sound and adequate corporate governance of the Company.

#### **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.

These include regulations for compliance with competition legislation, policies that prohibit bribery and other corruption, and operative manuals that lay down accounting and reporting regulations. In addition to the overall policies, key working processes and instructions are also defined.

#### **Reporting structure**

Nynas' financial reporting system provides information for both the external and internal reporting of results. Reporting adheres to Swedish accounting legislation and the recommendations concerning IFRS, the International Financial Reporting Standards.

The financial results are followed up on a monthly basis and the accumulated result is compared to the budget and the result for the previous year. There is follow-up at Group as well as business area and function level. On an on-going basis throughout the year updated forecasts of the result for the full year are prepared.

The reporting includes Income Statements and Statements of Financial Position, cash flow reports, sales statistics, key ratios and appropriate KPIs. The Group publishes an Annual Report in accordance with both Swedish legislation and the IFRS standards.



## BOARD OF DIRECTORS



**Eulogio Del Pino**  
Born 1956. Vice President. Exploration and Production PDVSA. Elected in 2012. Chairman of the Board of Directors since 2012. Nationality: Venezuelan.



**Matti Lievonen**  
Born 1958. President and CEO, Neste Oil. Elected in 2009. Vice Chairman of the Board of Directors since 2012. Nationality: Finnish.



**John Launiainen**  
Born 1954. Director Portfolio Development, Neste Oil. Elected in 2011. Nationality: Finnish.



**Tuomas Hyryläinen**  
Born 1977. Senior Vice President Strategy, Neste Oil. Elected in 2012. Nationality: Finnish.



**Antonio Suarez Torres**  
Born 1955. Independent Oil & Energy Professional. Elected in 2012. Nationality: Spanish.



**Michiel Boersma**  
Born 1947. Independent Oil & Energy Professional. Elected in 2014. Nationality: Dutch.



**Pia Ovrin**  
Born 1966. Employee representative. Appointed in 2013. Nationality: Swedish.



**Roland Bergvik**  
Born 1967. Employee representative. Appointed in 2010. Nationality: Swedish.



**Ivan Orellana**  
Born 1952. Head of PDV Europa B.V. Elected in 2013. Nationality: Venezuelan.



**Sergio Tovar**  
Born 1954. Executive Director of Commerce and Supply of PDVESA. Elected in 2013. Nationality: Venezuelan.



**AUDITOR**  
**Jan Birgersson**  
Born 1954. Authorised Public Accountant at Ernst & Young AB. Auditor in charge of the Nynas Group since 2008. Board Member in Ernst & Young AB. Present and previous customer assignments include Svensk Exportkredit, ABB, Investor, Siemens, Adecco Group (Switzerland), Kinnevik, Nynas, Scania, Tetra Laval.

## GROUP EXECUTIVE COMMITTEE

**Gert Wendroth**

Born 1958. President and CEO. Education: Master Degree in Economics, University of Hamburg MBA, University of Bradford UK. Previous experience: Chief Executive Officer H&R AG, Managing Director, Shell Deutschland GmbH, various positions in the Shell Group. Employed since: 2014. In current position: 2014. Nationality: German.

**Rolf Allgulander**

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

**Ewa Beskow**

Born 1957. Director Human Resources. Education: MSc Metallurgy. Previous experience: Director Human Resources, SVP World wide, 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: 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: 2008. Nationality: Swedish.

**Martin Carlson**

Born 1950. Director Business Development. Education: MSc Chemistry. Previous experience: Process Engineer, Laboratory Manager, Project Director, Nynäshamn NSP2, Technical Director and Refining Director, Bitumen Supply and Technical. Employed since: 1975. In current position: 2007. Nationality: Swedish.

**Jim Christie**

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

**Dan Dagenfelt**

Born 1956. CFO. Education: MSc Industrial Engineering and Management. Previous experience: Vice President Bitumen Nordic, Nynas AB, various positions in Nynas within Controlling, Supply Chain and Sales. Employed since: 1983. In current position: 2008. Nationality: Swedish.

**Per Dahlstedt**

Born 1959. Vice President Naphthenics. Education: MSc Industrial Engineering and Management. Previous experience: Supply Chain Director Naphthenics, Business Development Director, Naphthenics, Sales Director, Naphthenics outside Europe. Employed since: 1985. In current position: 2006. Nationality: Swedish.

**Simon Day**

Born 1967. Director Supply Chain. Education: MSc Chemistry, MBA. Previous experience: 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: 2006. Nationality: British.

**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: 2006. Nationality: Swedish.

## MULTI-YEAR OVERVIEW

MSEK	2013	2012	2011	2010	2009
<b>INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME</b>					
Net sales	19,527	24,471	23,223	20,579	20,150
Operating expenses	-19,120	-23,886	-22,354	-19,602	-19,159
Depreciation	-450	-338	-309	-306	-271
Share of profit/loss of joint ventures	22	-10	26	10	91
<b>OPERATING RESULT</b>	<b>-21</b>	<b>237</b>	<b>586</b>	<b>681</b>	<b>811</b>
Net financial items	-264	-289	-132	-71	-158
<b>PROFIT BEFORE TAX</b>	<b>-285</b>	<b>-52</b>	<b>454</b>	<b>610</b>	<b>653</b>
Tax	-20	18	-141	-189	-178
<b>PROFIT FOR THE YEAR</b>	<b>-305</b>	<b>-34</b>	<b>313</b>	<b>421</b>	<b>474</b>
<b>STATEMENT OF FINANCIAL POSITION</b>					
Fixed assets	3,652	3,862	3,899	3,297	3,167
Inventories	3,039	3,426	4,060	3,622	3,330
Current receivables	1,926	2,042	2,507	1,751	1,858
Cash & cash equivalents and short-term investments	937	739	250	243	269
<b>ASSETS</b>	<b>9,554</b>	<b>10,069</b>	<b>10,716</b>	<b>8,913</b>	<b>8,625</b>
Equity	3,218	3,557	3,724	3,438	3,042
Long-term interest-bearing liabilities	3,675	187	3,840	2,335	2,232
Long-term non-interest-bearing liabilities	595	639	735	801	767
Current interest-bearing liabilities	669	4,010	102	256	106
Current non-interest-bearing liabilities	1,398	1,677	2,315	2,084	2,479
<b>EQUITY AND LIABILITIES</b>	<b>9,554</b>	<b>10,069</b>	<b>10,716</b>	<b>8,913</b>	<b>8,625</b>
<b>STATEMENT OF CASH FLOWS</b>					
Cash flow from operating activities	50	322	535	708	954
Changes in working capital	124	376	-989	-490	1,454
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>174</b>	<b>698</b>	<b>-454</b>	<b>218</b>	<b>2,408</b>
Cash flow from investing activities	-206	-344	-889	-540	-724
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>-31</b>	<b>353</b>	<b>-1,343</b>	<b>-322</b>	<b>1,684</b>
Proceeds from borrowings, repayment of borrowings	230	136	1,368	278	-1,375
Dividend	0	0	0	0	-363
<b>CHANGE IN CASH &amp; CASH EQUIVALENTS</b>	<b>199</b>	<b>489</b>	<b>25</b>	<b>-44</b>	<b>-54</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF YEAR</b>	<b>938</b>	<b>739</b>	<b>250</b>	<b>225</b>	<b>269</b>
<b>KEY FINANCIAL RATIOS</b>					
NET SALES	19,527	24,471	23,223	20,579	20,150
of which outside Sweden, %	88	89	90	89	91
RETURN ON CAPITAL EMPLOYED, %	-1	4	9	13	13
RETURN ON EQUITY, %	-12	-6	9	14	14
EQUITY/ASSETS RATIO, %	34	35	35	39	35
INTEREST COVERAGE RATIO, times	-0.2	0.8	3.6	6.1	6.1
INVESTMENTS	227	477	907	522	727
CURRENT RATIO	2.4	1.1	2.8	2.4	2.1
DEBT/EQUITY RATIO, times	1.1	0.9	1.0	0.7	0.7



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## INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	GROUP	
		2013	Adjusted 2012
<b>INCOME STATEMENT</b>			
Net sales	2	19,527.0	24,470.8
Cost of sales	3	-16,975.1	-21,674.8
<b>GROSS RESULT</b>		<b>2,551.9</b>	<b>2,796.1</b>
Other income and value changes	3	-14.0	7.7
Distribution costs	3	-2,371.8	-2,476.9
Administrative expenses	3	-201.9	-253.7
Share of profit/loss of joint ventures	15	21.6	-9.5
Other operating income	4	283.3	713.2
Other operating expenses	4	-290.9	-540.2
<b>OPERATING RESULT</b>	<b>2, 3, 4, 5, 6, 7, 8</b>	<b>-21.8</b>	<b>236.6</b>
Finance income	9	64.4	99.6
Finance costs	9	-328.4	-388.1
<b>NET FINANCIAL ITEMS</b>		<b>-263.9</b>	<b>-288.5</b>
<b>PROFIT BEFORE TAX</b>		<b>-285.8</b>	<b>-51.9</b>
Tax	10	-19.6	17.6
<b>PROFIT FOR THE YEAR</b>		<b>-305.3</b>	<b>-34.3</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Profit for the year		-305.3	-34.3
Other comprehensive income:			
Items that will be reclassified to the income statement			
Translation differences		-45.8	-46.4
Currency hedges		-7.3	27.3
Income tax associated with currency hedges		1.6	-7.2
Cash flow hedges		-4.1	-10.0
Income tax associated with cash flow hedges		0.9	-1.0
<b>TOTAL AMOUNT THAT WILL BE RECLASSIFIED TO THE INCOME STATEMENT</b>		<b>-54.7</b>	<b>-37.4</b>
Items that will not be reclassified to the income statement			
Actuarial loss pensions		27.6	-36.6
Income tax associated with actuarial loss pensions		-6.6	9.4
<b>TOTAL AMOUNT THAT WILL BE RECLASSIFIED TO THE INCOME STATEMENT</b>		<b>21.0</b>	<b>-27.2</b>
Other Comprehensive Income for the year, net after tax		-33.7	-64.6
<b>COMPREHENSIVE INCOME</b>		<b>-339.0</b>	<b>-98.9</b>
Attributable to owners of the Parent		-339.0	-98.9

### 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 2013 and 2012 was 67,532.

	2013			2012		
	Profit for the year	Numbers of shares	Per share	Profit for the year	Numbers of shares	Per share
Earnings per share	-305.3	67,532	-4,521	-34.3	67,532	-508

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

MSEK	Note	2013-12-31	GROUP	
			Adjusted 2012-12-31	Adjusted 2012-01-01
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
<b>INTANGIBLE ASSETS</b>				
Goodwill	12	8.1	8.1	8.1
Supply contracts/customer lists	12	1.6	3.7	9.3
Computer software	12	63.7	81.1	106.2
<b>TOTAL INTANGIBLE ASSETS</b>		<b>73.3</b>	<b>92.9</b>	<b>123.7</b>
<b>TANGIBLE ASSETS</b>				
Land and buildings	13	252.0	276.0	257.0
Plant and machinery	13	2,689.8	2,215.2	2,093.8
Equipment	13	129.7	124.5	132.5
Construction in progress	13	256.1	908.6	865.4
<b>TOTAL TANGIBLE ASSETS</b>		<b>3,327.6</b>	<b>3,524.3</b>	<b>3,348.7</b>
<b>FINANCIAL ASSETS</b>				
Investments in associates	15	74.0	76.4	224.3
Derivative instruments		–	–	61.3
Other long-term receivables	16	1.5	19.1	36.4
Deferred tax assets	10	175.5	149.0	123.9
<b>TOTAL FINANCIAL ASSETS</b>		<b>251.0</b>	<b>244.5</b>	<b>445.9</b>
<b>TOTAL FIXED ASSETS</b>		<b>3,651.9</b>	<b>3,861.7</b>	<b>3,918.2</b>
<b>CURRENT ASSETS</b>				
Inventories	17	3,038.9	3,426.1	4,059.7
Accounts receivable	18, 26	1,574.8	1,382.0	1,721.6
Receivables from joint ventures	29	0.3	0.5	–
Derivative instruments	26, 27	47.1	45.7	28.1
Tax receivables		47.5	96.5	159.4
Other current receivables	26	147.0	282.8	332.7
Prepayments and accrued income	19, 26	109.1	234.5	265.5
Cash and cash equivalents	20, 26	937.6	738.9	249.6
<b>TOTAL CURRENT ASSETS</b>		<b>5,902.4</b>	<b>6,207.0</b>	<b>6,816.6</b>
<b>TOTAL ASSETS</b>		<b>9,554.3</b>	<b>10,068.6</b>	<b>10,734.8</b>



## STATEMENT OF FINANCIAL POSITION

MSEK	Note	2013-12-31	Adjusted 2012-12-31	GROUP Adjusted 2012-01-01
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY, GROUP</b>				
Share capital		67.5	67.5	67.5
Reserves		-219.4	-185.6	-121.0
Retained earnings, incl. profit for the year		3,369.5	3,674.8	3,709.1
<b>TOTAL EQUITY</b>	21	<b>3,217.7</b>	<b>3,556.6</b>	<b>3,655.6</b>
<b>LONG-TERM LIABILITIES</b>				
<b>INTEREST-BEARING LIABILITIES</b>				
Liabilities to credit institutions	24, 26	3,500.2	–	3,792
Provisions for pensions	22	174.3	186.5	135.3
<b>TOTAL LONG-TERM INTEREST-BEARING LIABILITIES</b>		<b>3,674.5</b>	<b>186.5</b>	<b>3,927.3</b>
<b>NON-INTEREST-BEARING LIABILITIES</b>				
Other long-term liabilities		21.6	20.7	19.1
Derivative instruments	26, 27	76.6	58.0	20.4
Deferred tax liability	10	227.9	301.2	450.9
Provisions for pensions	22	3.5	8.5	3.4
Other provisions	23	265.6	250.1	241.1
<b>TOTAL LONG-TERM NON-INTEREST-BEARING LIABILITIES</b>		<b>595.2</b>	<b>638.5</b>	<b>734.9</b>
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>4,269.7</b>	<b>825.0</b>	<b>4,662.2</b>
<b>CURRENT LIABILITIES</b>				
<b>INTEREST-BEARING LIABILITIES</b>				
Liabilities to credit institutions	24, 26	669.0	4,009.8	102.4
<b>TOTAL CURRENT INTEREST-BEARING LIABILITIES</b>		<b>669.0</b>	<b>4,009.8</b>	<b>102.4</b>
<b>NON-INTEREST-BEARING LIABILITIES</b>				
Accounts payable	26	693.1	377.0	666.2
Liabilities to joint ventures	29	12.6	167.0	119.5
Derivative instruments	26, 27	79.8	39.6	38.5
Tax liabilities		71.4	123.3	85.5
Other current liabilities	26	117.2	147.4	105.0
Accrued liabilities and deferred income	25, 26	384.9	814.6	1,275.8
Other provisions	23	38.8	8.3	24.0
<b>TOTAL CURRENT NON-INTEREST-BEARING LIABILITIES</b>		<b>1,397.9</b>	<b>1,677.2</b>	<b>2,314.6</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,066.9</b>	<b>5,687.0</b>	<b>2,416.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,554.3</b>	<b>10,068.6</b>	<b>10,734.8</b>

For information on the Group's pledged assets and contingent liabilities, see Note 28.

## STATEMENT OF CHANGES IN EQUITY

MSEK	GROUP						
	Share Capital	Defined Benefit Pension Plans	Cash flow Hedges	Currency Hedges	Translation Reserve	Retained Earnings	Total Equity
EQUITY AT 31 DEC 2011	67.5	–	-27.9	6.1	-31.0	3,709.1	3,723.8
Recalculation of IAS 19	–	-68.2	–	–	–	–	-68.2
EQUITY AT 1 JAN 2012 RECALCULATED	67.5	-68.2	-27.9	6.1	-31.0	3,709.1	3,655.6
Profit for the year	–	–	–	–	–	-34.3	-34.3
Other comprehensive income	–	-27.2	-11.1	20.1	-46.4	–	-64.6
COMPREHENSIVE INCOME	–	-27.2	-11.1	20.1	-46.4	-34.3	-98.9
CLOSING EQUITY AT 31 DEC 2012 RECALCULATED	67.5	-95.4	-39.0	26.2	-77.4	3,674.8	3,556.7
Profit for the year	–	–	–	–	–	-305.3	-305.3
Other comprehensive income	–	21.0	-3.2	-5.7	-45.8	–	-33.7
COMPREHENSIVE INCOME	–	21.0	-3.2	-5.7	-45.8	-305.3	-339.0
DIVIDEND PAID	–	–	–	–	–	–	–
CLOSING EQUITY AT 31 DEC 2013	67.5	-74.4	-42.2	20.5	-123.2	3,369.5	3,217.7

## CASH FLOW STATEMENT

MSEK	Note	GROUP	
		2013	2012
<b>OPERATING ACTIVITIES</b>			
Profit after financial items		-285.7	-51.9
Reversal of non-cash items	30	453.3	429.2
Taxes paid		-117.7	-55.7
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>		<b>49.9</b>	<b>321.7</b>
<b>WORKING CAPITAL</b>			
Operating receivables (increase -)		12.4	439.1
Inventories (increase -)		359.7	573.1
Operating liabilities (increase +)		-247.7	-636.2
<b>CHANGES IN WORKING CAPITAL</b>		<b>124.4</b>	<b>376.0</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>174.3</b>	<b>697.6</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of intangible assets		-6.2	-7.7
Acquisition of tangible fixed assets		-220.8	-469.3
Investment in financial assets		0.0	-0.1
Disposal/reduction of financial assets		21.5	132.6
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-205.5</b>	<b>-344.4</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings		176.1	156.7
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>176.1</b>	<b>156.7</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>144.9</b>	<b>510.0</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>738.8</b>	<b>249.6</b>
Exchange differences		53.9	-20.7
<b>CASH &amp; CASH EQUIVALENTS AT END OF YEAR</b>	20	<b>937.6</b>	<b>738.8</b>

## NOTES TO THE CASH FLOW STATEMENT

The Group received interest of MSEK 64.4 (99.6) and paid interest of MSEK 240.8 (291.1) during the year.



## INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	PARENT COMPANY	
		2013	2012
<b>INCOME STATEMENT</b>			
Net sales	32	14,799.6	17,548.7
Cost of sales	33	-13,746.9	-16,330.0
<b>GROSS RESULT</b>		<b>1,052.7</b>	<b>1,218.7</b>
Other income and value changes	33	-14.0	7.7
Distribution costs	33	-1,260.3	-1,275.9
Administrative expenses	33	-118.2	-149.7
Other operating income	34	172.3	604.6
Other operating expenses	34	-175.1	-426.8
<b>OPERATING RESULT</b>	32, 33, 34, 35, 36, 37, 38	<b>-342.5</b>	<b>-21.4</b>
Finance income	39	413.7	364.7
Finance costs	39	-363.6	-458.0
<b>NET FINANCIAL ITEMS</b>		<b>50.1</b>	<b>-93.2</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>		<b>-292.4</b>	<b>-114.6</b>
Appropriations	40	339.2	267.7
<b>PROFIT BEFORE TAX</b>		<b>46.8</b>	<b>153.1</b>
Tax	41	47.4	-11.4
<b>PROFIT FOR THE YEAR</b>		<b>94.2</b>	<b>141.7</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Profit for the year		94.2	141.7
Other comprehensive income:			
Cash flow hedges		-4.1	-10.0
Income tax associated with cash flow hedges		0.9	-1.0
Other comprehensive income for the year, net after tax		-3.2	-11.1
<b>COMPREHENSIVE INCOME</b>		<b>91.0</b>	<b>130.6</b>

## BALANCE SHEET

MSEK	Note	PARENT COMPANY	
		2013-12-31	2012-12-31
<b>ASSETS</b>			
FIXED ASSETS			
INTANGIBLE ASSETS			
Computer software	42	63.5	80.7
<b>TOTAL INTANGIBLE ASSETS</b>		<b>63.5</b>	<b>80.7</b>
TANGIBLE ASSETS			
Land and buildings	43	201.2	207.4
Plant and machinery	43	2,619.7	2,094.1
Equipment	43	95.9	89.9
Construction in progress	43	253.2	895.5
<b>TOTAL TANGIBLE ASSETS</b>		<b>3,170.0</b>	<b>3,287.0</b>
FINANCIAL ASSETS			
Investments in Group companies	44	1,054.4	920.1
Other long-term receivables		0.0	0.0
Deferred tax assets	41	87.6	40.5
<b>TOTAL FINANCIAL ASSETS</b>		<b>1,142.0</b>	<b>960.7</b>
<b>TOTAL FIXED ASSETS</b>		<b>4,375.5</b>	<b>4,328.3</b>
<b>CURRENT ASSETS</b>			
INVENTORIES	45	2,137.4	2,438.6
CURRENT RECEIVABLES			
Accounts receivable	46, 54	696.9	523.5
Receivables from Group companies	54	1,186.7	964.7
Derivative instruments	27, 54	47.1	45.7
Tax receivables		17.1	56.1
Other current receivables	54	78.7	87.2
Prepayments and accrued income	47, 54	57.9	162.0
<b>TOTAL CURRENT RECEIVABLES</b>		<b>2,084.4</b>	<b>1,839.2</b>
<b>CASH &amp; CASH EQUIVALENTS</b>	48, 54	<b>690.2</b>	<b>631.8</b>
<b>TOTAL CURRENT ASSETS</b>		<b>4,912.0</b>	<b>4,909.6</b>
<b>TOTAL ASSETS</b>		<b>9,287.5</b>	<b>9,237.9</b>

## BALANCE SHEET

MSEK	Note	PARENT COMPANY	
		2013-12-31	2012-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		67.6	67.6
Statutory reserve		96.0	96.0
<b>TOTAL RESTRICTED EQUITY</b>		<b>163.7</b>	<b>163.7</b>
Retained earnings		1,396.9	1,258.5
Profit for the year		94.2	141.7
<b>TOTAL UNRESTRICTED EQUITY</b>		<b>1,491.2</b>	<b>1,400.2</b>
<b>TOTAL EQUITY</b>	49	<b>1,654.8</b>	<b>1,563.8</b>
<b>UNTAXED RESERVES</b>	40	<b>964.9</b>	<b>1,304.1</b>
<b>LONG-TERM LIABILITIES</b>			
<b>INTEREST-BEARING LIABILITIES</b>			
Liabilities to credit institutions	52, 54	3,500.2	–
Liabilities to Group companies		0.2	0.2
Provisions for pensions	50	142.9	135.8
		<b>3,643.4</b>	<b>136.0</b>
<b>NON-INTEREST-BEARING LIABILITIES</b>			
Other long-term liabilities		21.5	20.4
Derivative instruments	27, 54	76.6	58.0
Provisions for deferred taxes	41	0.3	3.7
Other provisions	51	239.2	242.1
Total long-term non-interest-bearing liabilities		337.6	324.3
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>3,981.0</b>	<b>460.3</b>
<b>CURRENT LIABILITIES</b>			
<b>INTEREST-BEARING LIABILITIES</b>			
Liabilities to credit institutions	52, 54	646.9	3,986.2
Liabilities to Group companies		1,015.2	866.7
<b>TOTAL CURRENT INTEREST-BEARING LIABILITIES</b>		<b>1,662.1</b>	<b>4,852.9</b>
<b>NON-INTEREST-BEARING LIABILITIES</b>			
Accounts payable	54	536.1	200.4
Liabilities to Group companies	54	106.0	103.0
Derivative instruments	27, 54	79.8	39.6
Tax liabilities		13.4	12.6
Other current liabilities	54	26.1	27.8
Accrued liabilities and deferred income	53, 54	255.9	665.2
Other provisions	51	7.3	8.3
<b>TOTAL CURRENT NON-INTEREST-BEARING LIABILITIES</b>		<b>1,024.7</b>	<b>1,056.8</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,686.8</b>	<b>5,909.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,287.5</b>	<b>9,237.9</b>
<b>MEMORANDUM ITEMS</b>			
Pledged assets	55	–	75.0
Contingent liabilities	55	88.1	59.7

## STATEMENT OF CHANGES IN EQUITY

MSEK	PARENT COMPANY			
	Share Capital	Cash Flow Hedges	Retained Earnings	Total Equity
<b>EQUITY AT 1 JAN 2012</b>	67.5	11.3	1,354.4	1,433.2
Profit for the year	–	–	141.7	141.7
Other comprehensive income	–	-11.1	–	-11.1
<b>COMPREHENSIVE INCOME</b>		-11.1	141.7	130.6
Group contribution				–
<b>CLOSING EQUITY AT 31 DEC 2012</b>	67.5	0.2	1,496.1	1,563.8
Profit for the year	–	–	94.2	94.2
Other comprehensive income	–	-3.2	–	-3.2
<b>COMPREHENSIVE INCOME</b>	–	-3.2	94.2	91.0
<b>CLOSING EQUITY AT 31 DEC 2013</b>	67.5	-3.0	1,590.3	1,654.8

Share capital at 31 Dec 2012 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 2013.



## STATEMENT OF CASH FLOW

MSEK	Note	PARENT COMPANY	
		2013-12-31	2012-12-31
<b>OPERATING ACTIVITIES</b>			
Profit after financial items		-292.4	-114.6
Reversal of non-cash items	57	268.4	285.2
Taxes paid		36.8	48.4
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>		<b>12.8</b>	<b>219.0</b>
<b>WORKING CAPITAL</b>			
Operating receivables (decrease +)		-275.3	710.9
Inventories (increase -)		301.1	100.0
Operating liabilities (increase +)		-23.5	-755.7
<b>CHANGES IN WORKING CAPITAL</b>		<b>2.4</b>	<b>55.3</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>15.2</b>	<b>274.3</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of intangible assets		-0.1	-7.7
Acquisition of tangible fixed assets		-207.1	-446.5
Investment in financial assets		-134.2	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-341.4</b>	<b>-454.1</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings		319.7	312.4
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>319.7</b>	<b>312.4</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-6.6</b>	<b>132.6</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>631.8</b>	<b>510.4</b>
Exchange differences		65.0	-11.2
<b>CASH &amp; CASH EQUIVALENTS AT END OF YEAR</b>	48	<b>690.2</b>	<b>631.8</b>

## NOTES TO THE CASH FLOW STATEMENT

The Parent Company received dividends of MSEK 315.7 and interest income of MSEK 98.0 (103.6), while interest expenses amounted to MSEK 245.8 (330).

# ACCOUNTING POLICIES

## SIGNIFICANT ACCOUNTING POLICIES

### General 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 Lindetorpsvägen 7, SE-121 63 Johanneshov.

Nynas AB is 49.999 per cent owned by Neste Oil AB, reg. no. 556232-3906, registered office Stockholm, Sweden, and 50.001 per cent by PDV Europa B.V., reg. no. 27133447, registered office The Hague, Netherlands. Neste Oil AB is part of a group in which Neste Oil 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.

The annual accounts and consolidated annual financial statements were approved for issue by the Board on 5 May 2014. 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 5 May 2014.

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting 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 MSEK 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 *Policies and accounting*.

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.

### New or amended IASB standards and IFRIC interpretations which came into effect in 2013 are presented below.

Following new and amended standards is used by the Group as of 1 January 2013.

*IFRS 7 Financial instruments:* Disclosures – amendment. Amendment introduces new disclosure requirements for offsetting financial assets and financial liabilities.

*IFRS 13 Fair Value Measurement:* The standard aims to ensure that measurement of fair value becomes more consistent and less complex by providing a precise definition of fair value and a single source of fair value measurement methodology. New disclosure requirements have been developed. The standard had not have any major impact on the Group's financial statements.

*IAS 1 "Presentation of financial statements":* has implemented changes regarding Other comprehensive income. The most significant change in the amended IAS 1 is the requirement on the items disclosed in "Other comprehensive income" should be presented allocated in two groups. The allocation is based on if the items will be reclassified to the income statement (reclassification adjustments) or not.

*IAS 19 Employee Benefits:* The Group has applied revised IAS 19 Employee Benefits. The revised standard entails changes in accounting records, valuation, presentation and in disclosures referred to remuneration after terminated employment.

The standard requires that net interest is calculated on the net pension obligation based on the discount rate from beginning of the year. This implies that no expected return on plan assets is disclosed. The possibility to allocate actuarial gains and losses as a part of the corridor method disappears and will be recognised immediately as income or expense in Other comprehensive income. All revaluations shall be reported in Other comprehensive income (no reclassification). Special payroll tax will be included in the pension provision.

Sensitivity analysis is required to be established that indicates reasonable changes of the influence of all assumptions done when estimation of the pension provision. Retrospective application is required in accordance with IAS 8.

The new principles affect the accounting records retrospectively and therefore the opening balance per 1 January 2012 has been re-calculated. Further has the corresponding figures for 2012 been adjusted. The transition to the new accounting principles have entailed that the net pension obligation have increased with 87 MSEK and deferred tax receivable have increased from 105 MSEK to 124 MSEK as per 1 January 2012. Unaccountable cost for service under earlier periods at the time for the transition have been disclosed to retained profits, i.e. Equity, which imply that the Group's Equity have decreased with 68 MSEK as per 1 January 2012 with consideration taken to deferred tax.

In the corresponding figures as per 31 December 2012 have the net pension obligation changed from 62 MSEK to 186 MSEK and deferred tax receivable increased from 120 MSEK to 149 MSEK. The net effect in Equity as per 31 December 2012 amounts to 27 MSEK. The change has implied that the result for the Group during 2012 has decreased with 0 MSEK and Other comprehensive income have increased from -72 MSEK to -99 MSEK.

As a consequence of the change, the result per share for 2012 has decreased with 0 kr.

#### **New and amended standards and interpretations that are expected to have an effect on the group's financial statements but are not yet effective**

No new or interpretations have been applied early.

##### *IFRS 9 Financial instruments:*

###### *Classification and measurement of financial liabilities.*

IFRS 9 intended to replace IAS 39 and to date subprojects on recognition and measurement of financial assets and financial liabilities have been published. The date for first adoption of the standard has not yet been established by IASB. The Group is waiting for all parts of the standard to be adopted before assessing the effects of implementation.

##### *IFRS 10 Consolidated Financial Statements and changes in IAS 27 Separate Financial Statements:*

IFRS 10 and IAS 27 are effective for annual periods commencing on or after 1 January 2013. The EU has

approved the standard with effect 1 January 2014. IFRS 10 replaces the section of IAS 27 relating to the presentation of consolidated financial statements. The rules on presentation of consolidated financial statements have not changed. The amendment concerns how to determine whether control exists and whether an entity should be consolidated. IFRS 10 also includes a number of clarifications on application of the new definition of control. Retrospective application is required in accordance with IAS 8 with certain modifications. The Group will apply the standard from 1 January 2014, but it is not expected to affect the Group's financial statements.

##### *IFRS 11 Joint arrangements and amendments IAS 28:*

Investments in Associates and Joint Ventures. IFRS 11 is effective for annual periods commencing on or after 1 January 2013. The EU has approved the standard but there is no requirement to apply before 1 January 2014. IFRS 11 deals with the accounting for joint arrangements, defined as a contractual arrangement whereby two or more parties have joint control. Joint arrangements identify two types of joint arrangements: joint operations where owners have rights and obligations to assets and liabilities, as well as joint ventures, where the owners have rights to the net assets. In joint operations, the partners report their respective assets, liabilities, income and expenses. In joint ventures, the equity method is applied. The standard is to be applied with a modified retrospective approach. The Group will apply the standard from 1 January 2014, but it is not expected to affect the financial statements for the Group or the Parent Company.

##### *IFRS 12 Disclosure of Interests in Other Entities:*

IFRS 12 is effective for annual periods commencing on or after 1 January 2013. The EU has approved the standard but there is no requirement to apply before 1 January 2014. Companies with holdings in subsidiaries, associates, joint arrangements and unconsolidated structured entities shall disclose such interests in accordance with IFRS12. The purpose of this information is to enable users of financial statements to evaluate the effects of these interests on the company's financial statements and the risks associated with these interests. The purpose of the information is also to increase understanding of what impact it would have on the financial statements if management were to change their opinion regarding consolidation of the entities in question. Retrospective application is required in accordance with IAS 8. The Group will apply this standard from 1 January 2014.

##### *IAS 27 Consolidated and Separate Financial Statements:*

Accounting and disclosure in legal entity of subsidiaries, "joint arrangements", associates and "unconsolidated structured entities". Date of entry into force, see above under IFRS 10.

*IAS 28 Holdings in associates:* Investments in associates and Joint ventures describes application of the equity method regarding accounting of both associates and joint ventures. Date of entry into force, see above under IFRS 10.

*IAS 32 Financial instruments Classification – amendment:* The amendment inserts a clarification in the “Application Guidance” regarding offsetting of financial assets and financial liabilities. The amendments become effective 1 January 2014.

Nynas is currently evaluating the potential impact of the above resolved but not yet implemented, new and amended standards.

No other of IFRS or IFRIC-interpretations, that not have become effective yet, will be expected to have any significant impact on the Nynas Group.

## SIGNIFICANT ACCOUNTING POLICIES APPLIED

### 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. The Group's share of joint ventures' taxes is included in tax expenses.

### 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 statement items are translated using the average rate for the period in which the item occurred.

### 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.

#### Transactions and balance sheet items

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.

### Group companies

The financial results of Group companies whose functional currency is not Swedish kronor are translated as follows:

Assets and liabilities, including goodwill and other fair value adjustments, are translated using the exchange rate prevailing at the reporting date.

Income and expenses are translated into SEK using the average rate.

Exchange differences arising on translation are recognised in other comprehensive income.

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.

### Segment reporting

As Nynas AB's shares and debt instruments are not subject to public trading, there is no formal requirement to disclose segment information. Accordingly, Nynas AB has elected not to apply IFRS 8 Operating Segments.

### Accounting policies – Income statement

#### 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 from the sale of goods is recognised when the goods are supplied to the customer under the terms of sales, and therefore in the period in which the significant risks and rewards of ownership of the product have transferred to the buyer.

#### 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.

#### Taxes

Income tax consists of current tax and deferred tax. Current tax and deferred tax for Swedish and foreign Group companies are reported in the income statement. Taxes are recognised in the income statement except when the underlying transaction is recognised directly in OCI for the year, in which case the related tax effect is also recognised in OCI. Group entities are liable to pay taxes under current legislation in their own countries.

The balance sheet liability method is used to report income taxes. This means that deferred tax liabilities and assets are reported for all temporary differences, i.e. the difference between the carrying amounts and tax bases of assets and liabilities, and of tax loss carry-forwards. Deferred tax assets on temporary differences and deferred tax assets arising from the carryforward of unused tax losses are only recognised to the extent that it is probable that they will be recoverable in future periods. The assessment of such probability is based on Nynas's business plans. Deferred tax assets and receivables are calculated on the basis of the tax rates enacted or substantively enacted by the reporting date. Effects of changes to applicable tax rates are recognised in the period in which the change is enacted.

#### Accounting policies – Statement of financial position

Fixed assets, liabilities and provisions are essentially amounts that are expected to be used, recovered or paid more than twelve months after the reporting date. Current assets and liabilities consist essentially of amounts that are expected to be used, recovered or paid within twelve months of the balance sheet date.

#### 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	2–5%
Land improvements	3.75–5%
Plant & machinery and equipment	
– Processing facilities	5–10%
– Tanks	2.5–10%
– Plant & machinery and equipment	5–20%
Equipment	
– Office equipment and computers	10–33%
– Other equipment	10–20%

#### 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 are 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.

Goodwill	–
Supply contracts/customer lists	10–14%
Trademarks	20%
Computer software	10–33%

**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 include 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**

Financial instruments are initially recognised at cost, namely the instrument's fair value plus transaction costs, apart from derivatives for which transaction costs are recognised immediately. A financial instrument is classified according to the purpose for which it was acquired. The categories determine how a financial instrument is measured subsequent to initial recognition, as described below.

**Financial assets at fair value through profit or loss**

This category consists of two sub-categories: financial assets held for trading and other financial assets the Company designated in this category on initial recognition. Nynas only has holdings in the first sub-category and these are derivatives with a positive value that are not used for hedge accounting under IFRS. Derivatives

in this category are measured at fair value, with any changes in fair value recognised in profit or loss.

These include derivatives used in financial hedging, but which do not qualify for hedge accounting under IFRS, and consist of foreign exchange forward contracts, oil forward contracts and interest rate swaps.

#### **Loans and receivables**

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.

Receivables are recognised at original invoice amount less an allowance for uncollectible amounts. A provision for impairment of accounts receivable is recognised when there is objective evidence that the Group will not be able to collect all amounts due under the original terms and conditions of the receivables.

The provision for doubtful debts is based on an individual assessment of each customer, taking into consideration the customer's ability to pay, expected future risk and the value of security received. As accounts receivable have short expected settlement terms, the value is recognised at a nominal amount without discounting. When a receivable cannot be collected, it is written off against the impairment account for accounts receivable. Impairment of accounts receivable is reported under distribution costs.

For loans and receivables, impairment is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not arisen), discounted at the financial asset's original effective interest rate.

If, in a subsequent period, there is an indication that an impairment loss may have decreased and this can be objectively related to an event occurring after the impairment loss was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and credited to Distribution costs.

#### **Cash & cash equivalents**

Cash & cash equivalents consist of cash, demand deposits with banks and similar institutions and short-term deposits with an original maturity of 3 months or less, which are subject to an insignificant risk of changes in value.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are either designated in this category or not classified in any of the other categories. Holdings of shares and participating interests are reported here.

Financial assets in this category are measured at fair value, with any fair value changes recognised in other comprehensive income. Accumulated fair value changes are recognised in a separate component of equity. However, changes relating to impairment, interest on debt instruments, dividend income and exchange gains or losses on monetary items are recognised in profit or loss. On disposal of an asset, accumulated profit/loss is, as previously, recognised in the statement of comprehensive income under profit/loss for the year. If a reliable estimation of fair value is not possible, the holding is measured at cost less any impairment.

#### **Financial liabilities at fair value through profit or loss**

This category consists of two sub-categories: financial liabilities held for trading and other financial liabilities the Company designated in this category on initial recognition. Nynas only has holdings in the first sub-category and these are derivatives with a negative value that are not used for hedge accounting under IFRS. Derivatives in this category are measured at fair value, with any changes in fair value recognised in profit or loss.

These include derivatives not used in financial hedging, but which do not qualify for hedge accounting under IFRS, and consist of foreign exchange forward contracts, oil forward contracts and interest rate swaps.

#### **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 means they are recognised at amortised cost using the effective interest method.

#### **Derivatives and hedge accounting**

Derivatives include forward contracts (oil and foreign exchange forward contracts) and swaps (currency and interest rate swaps) to hedge the risks associated with interest rate and foreign currency fluctuations and changing oil prices. Changes in the value of derivative financial instruments are recognised in profit or loss based on the purpose for which the instruments were acquired. If hedge accounting is not applied, changes in the fair value of derivatives are recognised as income or expense in operating profit or loss or in net financial items based on the purpose for which the derivative instrument was acquired and whether its use relates to an operating item or a financial item.

If hedge accounting is not applied when using interest rate and currency swaps, the interest coupon is recognised

as interest expense, while other value changes are recognised as other finance income or other finance costs.

To qualify for hedge accounting under IFRS, Nynas is required to formally designate the hedge at its inception, document the hedging relationship, the Company's risk management objective and its strategy for undertaking the hedge. Nynas also documents how it plans to assess, at the inception of the hedge and on an ongoing basis, the hedging instrument's effectiveness in offsetting fair value or cash flow changes in the hedged item. Gains and losses attributable to hedges are recognised in profit or loss at the same time as gains or losses attributable to the hedged items.

### Recognition of derivative instruments and hedging measures

#### 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 a separate component of equity. The ineffective portion is recognised directly in profit or loss. Cumulative gains and losses in equity are recycled into profit or loss through other comprehensive income on disposal of the foreign operation.

#### Cash flow hedges

Cash flow hedges are used to hedge fixed-price transactions, for which oil forward contracts are used, and to hedge financial loan liabilities with variable interest rates, for which interest rate swaps are used.

The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges is recognised in other comprehensive income and accumulated in a separate component of equity.

The gain or loss attributable to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are recycled into profit or loss through other comprehensive income in the periods when the hedged item affects profit or loss (e.g. when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the hedge accounting criteria, amounts accumulated in equity are retained in equity and not taken to profit or loss until the forecast transaction occurs and is recognised. If the forecast transaction is no longer expected to occur, gains and losses deferred in other comprehensive income must be taken to profit or loss immediately.

#### Fair value hedges

Interest rate swaps are used to hedge the exposure to changes in the fair value of the Company's fixed-interest liabilities. With hedge accounting, the hedged risk in the hedged item is also remeasured at fair value. Gains

or losses from remeasuring the hedging instrument, the derivative and the change in value of the hedged risk are recognised under net financial items.

If the hedge no longer qualifies for hedge accounting, any adjustment to the carrying amount of a hedged item for which the effective interest method is used shall be amortised to profit or loss over the remaining maturity.

### Inventories

Inventories are measured at the lower of cost, using the first-in/first-out method, and net realisable value. For self-constructed goods, cost comprises direct manufacturing costs and a reasonable proportion of indirect manufacturing costs.

### Employee benefits

#### Post-employment benefits

Nynas reports employee benefits in accordance with IAS 19 Employee 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.

Revaluation of defined benefit pension plans arise when an assumption is changed or the actual outcome differs from the assumed outcome. Revaluation of defined benefit pension plans and plan assets will be recognised in Other comprehensive income.

The net portion of the calculated gains and losses is recognised over the average expected remaining period of employment of the employees, with effect from the year following the present financial year. 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 with basis in the market rate of mortgaged-backed bonds as this is comparable with high quality corporate bonds). Other countries are using the Government bonds as basis for the rate.

Defined benefit pension liabilities recognised in the statement of financial position are the present value of the defined benefit obligation at the reporting date minus the present value of the plan assets. Special payroll tax will be included in the pension provision.

### Collectum

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 Accounting Standards Council's Emerging Issues Task Force, UFR 6, this is a multi-employer defined benefit plan. For the 2013 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 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.

### Contingent liabilities

A contingent liability is recognised when a possible obligation arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or when it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

No material liabilities are expected to arise from these contingent liabilities, over and above the amounts set aside.

### Items affecting comparability

The effect of special events and significant transactions on each income statement heading is specified. Examples of such special events and transactions are gains and losses on the disposal of significant fixed assets, impairment losses and restructuring costs.

### Accounting policies – parent company

The Parent Company prepares its financial statements in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council'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 inclusive 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

The Company reports Group contributions and shareholder contributions in accordance with RFR 2.

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 or, depending on the relationship between tax expense (income) and accounting profit, in the income statement.

### 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 Accounting Standards Council.

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.

# NOTES TO THE FINANCIAL STATEMENTS

– GROUP

## 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 refineries in Dundee and Eastham – the latter jointly owned with another party – are operated under the United Kingdom's national environmental laws.

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.

### Measurement of tax loss carryforwards

The measurement of tax loss carryforwards in an entity is based on an assessment of whether they can be utilised in the foreseeable future. In particular, tax loss carryforwards have been measured in Belgium. See the values reported in note 10.

### Impairment of intangible assets

When Nynas calculates a cash generating unit's recoverable amount when testing goodwill and supply contracts/customer lists for impairment, a number of assumptions regarding future conditions and estimates of parameters are made. These are described in note 12.

### 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.

The assumptions described in note 22 do not deviate significantly from what is perceived as normal practice in the Swedish market.

## NOTE 2. INFORMATION BY GEOGRAPHICAL MARKET AND SALES REVENUES BY CATEGORY

Nynas specialises in the production and marketing of specialty oil products. The Group's production is largely based on upgrading heavy crude oil to produce bitumen and naphthenic specialty oils. Bitumen is mainly used as a binding agent in asphalt road construction, but is also used in various industrial applications. Naphthenic specialty products are highly refined

mineral oils with unique physical and chemical properties, and are used in a number of fields. They function as insulating and cooling elements in electric transformers; they are also an important component in rubber manufacture and a raw material in the production of a number of industrial products such as lubricants and printing inks.

SALES REVENUES BY GEOGRAPHICAL MARKET	2013	2012
Nordic Region	5,528.0	5,768.3
United Kingdom	3,217.7	6,867.5
Rest of Europe	6,594.6	7,544.5
North America	509.7	397.5
Other	3,677.1	3,893.0
<b>TOTAL</b>	<b>19,527.0</b>	<b>24,470.8</b>

TOTAL ASSETS BY GEOGRAPHICAL MARKET	2013	2012
Nordic Region	7,008.4	7,414.5
United Kingdom	956.4	902.6
Rest of Europe	626.9	424.6
North America	273.8	384.1
Other	688.9	914.3
<b>TOTAL</b>	<b>9,554.3</b>	<b>10,040.1</b>

## &gt; Cont. NOTE 2

<b>INVESTMENTS BY GEOGRAPHICAL MARKET</b>	<b>2013</b>	<b>2012</b>
Nordic Region	211.0	455.2
United Kingdom	11.8	17.7
Rest of Europe	1.6	1.7
North America	0.1	0.7
Other	3.1	1.6
<b>TOTAL</b>	<b>227.6</b>	<b>476.9</b>

<b>SALES REVENUES BY CATEGORY</b>	<b>2013</b>	<b>2012</b>
Sale of goods, external	19,495.2	24,294.1
Revenue from services	31.8	176.7
<b>TOTAL</b>	<b>19,527.0</b>	<b>24,470.8</b>

**NOTE 3. COSTS ITEMISED BY NATURE OF EXPENSE**

	<b>2013</b>	<b>2012</b>
Raw materials	15,147.5	19,877.2
Transport and distribution costs	1,696.9	1,761.7
Manufacturing expenses	1,412.2	1,352.1
Costs for employee benefits (note 5)	710.2	743.5
Depreciation, amortisation, impairment (notes 12, 13, 16)	437.5	323.2
Other expenses	158.4	340.0
<b>TOTAL</b>	<b>19,562.7</b>	<b>24,397.7</b>

Gains and losses on realised cash flow hedges (oil) are transferred from equity to the income statement and classified as raw materials.

The total amount relating to cash flow hedges before tax in comprehensive income is MSEK -4.1 (-10.0). MSEK 5.7 (11.5) of this amount was transferred to raw materials in the income statement.

**NOTE 4. OTHER OPERATING INCOME/EXPENSES**

<b>OTHER OPERATING INCOME</b>	<b>2013</b>	<b>2012</b>
Exchange gains on operating receivables/liabilities	225.4	310.3
Insurance compensation	10.9	359.0
Other service revenue	47.0	43.9
<b>TOTAL</b>	<b>283.3</b>	<b>713.2</b>

<b>OTHER OPERATING EXPENSES</b>	<b>2013</b>	<b>2012</b>
Costs related to fire in Nynäshamn	10.9	204.5
Exchange losses on operating receivables/liabilities	280.0	335.7
<b>TOTAL</b>	<b>290.9</b>	<b>540.2</b>

In 2011 Nynas implemented its largest maintenance shut-down to date at the refinery in Nynäshamn. On resumption of operations, a fire broke out but did not cause any environmental damage or personal injury. However, there was extensive material damage, and repair costs amounted to MSEK 280.

The Company was also affected by a loss of revenue and

additional costs incurred as a direct result of the fire. Nynas has insurance cover in place for both types of damage, and insurance revenue of MSEK 359 was recognised at 31 December 2012 and 11 MSEK at 31 December 2013.

The compensation is settled to 100 per cent with the insurance companies during 2013. See also note 19.

**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.

AVERAGE NUMBER OF EMPLOYEES	Men 2013	Women 2013	Total 2013	Men 2012	Women 2012	Total 2012
<b>PARENT</b>						
Sweden	316	137	453	321	127	448
<b>TOTAL PARENT</b>	<b>316</b>	<b>137</b>	<b>453</b>	<b>321</b>	<b>127</b>	<b>448</b>
<b>INCOME</b>						
Sweden	316	137	453	321	127	448
<b>TOTAL SWEDEN</b>	<b>316</b>	<b>137</b>	<b>453</b>	<b>321</b>	<b>127</b>	<b>448</b>
United Kingdom	157	23	180	165	23	188
Belgium	19	31	50	22	32	54
Poland	12	4	16	15	4	19
Estonia	17	3	20	17	3	20
Spain	3	3	6	3	3	6
Germany	7	6	13	6	6	12
France	10	3	13	11	3	14
Denmark	6	1	7	7	1	8
Finland	3	1	4	4	1	5
USA	8	3	11	10	9	19
Other countries	44	45	89	46	42	88
<b>TOTAL OUTSIDE SWEDEN</b>	<b>286</b>	<b>123</b>	<b>409</b>	<b>306</b>	<b>127</b>	<b>433</b>
<b>TOTAL GROUP</b>	<b>602</b>	<b>260</b>	<b>862</b>	<b>627</b>	<b>254</b>	<b>881</b>

**EMPLOYEE BENEFIT COSTS, GROUP**

	2013	2012
Wages, salaries and other benefits	504.8	527.3
Pension costs, defined benefit (see also note 22)	40.2	35.5
Pension costs, defined contribution (see also note 22)	32.6	44.6
Other post-employment benefits	0.0	0.3
Social security contributions	132.6	135.8
<b>TOTAL GROUP</b>	<b>710.2</b>	<b>743.5</b>

REMUNERATION AND OTHER BENEFITS, SENIOR EXECUTIVES	2013			2012		
	President & CEO	Other senior executives	Total	President & CEO	Other senior executives	Total
Basic salary	5.7	11.8	17.5	5.7	11.7	17.4
Variable pay	0.0	1.0	1.0	1.4	2.1	3.5
Other benefits	0.2	0.5	0.7	0.2	0.5	0.7
Social security contributions	1.9	3.5	5.4	2.3	4.3	6.6
Pension costs	4.2	5.8	10.0	4.4	3.5	7.9
<b>TOTAL</b>	<b>12.0</b>	<b>22.6</b>	<b>34.6</b>	<b>14.0</b>	<b>22.1</b>	<b>36.1</b>

Nynas Group Management 2013 (not including CEO), Rolf Allgulander, Martin Carlson, Simon Day, Dan Daggenfelt, Per Dahlstedt, Ewa Beskow, Russell Childs, Hans Östlin.

Nynas Group Management 2012 (not including CEO), Rolf Allgulander, Martin Carlson, Simon Day, Dan Daggenfelt, Per Dahlstedt, Ewa Beskow, Russell Childs, Hans Östlin.

No Board fees or other Board remuneration were paid.



## &gt; Cont. NOTE 5

**Group president & CEO**

From 3 of March 2014 Nynas Group has a new President, Gert Wendroth. The President's employment contract may be terminated on either side. The President's period of notice is 6 months. In the event of involuntary termination of employment, the President is entitled to termination benefits corresponding to 12 months' salary.

**GENDER DISTRIBUTION IN MANAGEMENT**

	2013	2012
Female representation, %		
Board	20.7	17.2
Executive Board	11.1	11.1

**NOTE 6. DEPRECIATION/AMORTISATION OF TANGIBLE AND INTANGIBLE ASSETS**

DEPRECIATION/AMORTISATION BY FUNCTION	Intangible		Tangible	
	2013	2012	2013	2012
Cost of sales	5.5	7.1	317.0	257.5
Distribution costs	3.1	7.0	16.9	18.7
Administrative expenses	22.6	20.1	11.2	12.8
<b>TOTAL</b>	<b>31.2</b>	<b>34.2</b>	<b>345.2</b>	<b>289.1</b>

DEPRECIATION/AMORTISATION BY TYPE OF ASSET	2013	2012
Supply contracts/customer lists	2.0	5.5
Computer software	29.2	28.6
Buildings	9.7	9.0
Land improvements	6.5	6.5
Plant and machinery	300.1	241.9
Equipment	29.0	31.6
<b>TOTAL</b>	<b>376.6</b>	<b>323.2</b>

<b>TOTAL RECOGNISED DEPRECIATION</b>	<b>376.6</b>	<b>323.2</b>
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**NOTE 7. AUDITORS' FEES AND OTHER REMUNERATION**

AUDIT FEES	2013	2012
<b>Ernst &amp; Young AB</b>		
Annual audit	5.7	6.1
Other audit services	0.6	0.6
Tax advisory services	2.5	3.0
Other services	0.3	0.4
<b>OTHER AUDITORS</b>		
Annual audit	0.1	0.1
Other audit services	0.6	1.0

**NOTE 8. OPERATING LEASES**

PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	2013	2012
Payments during the financial year	347.3	296.5
Agreed future payments		
Within one year	315.1	281.6
2–5 years	508.9	674.1
6 years and thereafter	190.5	193.0

In 2013 Nynas AB had four bitumen carriers on bareboat charters and two special oil carriers on time charters.

The leases have different conditions and include a right of ex-

tension. Tanker trucks are leased in the UK. 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**

	<b>2013</b>	<b>2012</b>
Interest income, bank deposits	17.2	40.7
Interest income, associates	0.7	2.3
Interest income, derivative instruments (actual interest rates and changes in value)	46.5	56.6
<b>TOTAL FINANCE INCOME</b>	<b>64.4</b>	<b>99.6</b>
Of which total interest income attributable to items carried at amortised cost	17.9	43.0
Interest expense, loans and bank overdrafts	-214.3	-257.3
Interest expense, derivative instruments (actual interest rates and changes in value)	-21.5	-45.8
Interest expense, PRI pension obligations	-5.7	-5.6
Net exchange differences	-16.3	-24.4
Other finance costs*	-70.6	-55.0
<b>TOTAL FINANCE COSTS</b>	<b>-328.4</b>	<b>-388.1</b>
Of which total interest expense attributable to items carried at amortised cost	-220.0	-262.9
<b>TOTAL NET FINANCIAL ITEMS</b>	<b>-263.9</b>	<b>-288.5</b>

\* Mainly relates to up front fee

**NOTE 10. TAXES**

	<b>2013</b>	<b>2012</b>
Current tax	-119.1	-148.4
Tax attributable to Joint Venture	-2.9	3.6
Current tax prior years	-2.6	-2.5
Deferred tax	105.1	164.9
<b>TOTAL</b>	<b>-19.6</b>	<b>17.6</b>

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:

	<b>2013</b>	<b>2012</b>
Result before tax	-285.7	-51.9
Tax according to Parent Company's applicable tax rate	62.9	13.6
Effect of different tax rates for foreign subsidiaries	-4.4	10.4
Tax effect of:		
Other non-deductible expenses	-13.9	-8.4
Other non-taxable income	1.7	2.6
Effect of future changed corporate income tax in Sweden	-	44.5
Adjustment of current tax in respect of prior years	-2.6	-2.5
Increase in loss carryforwards without corresponding capitalisation of deferred tax	-58.3	-51.4
Tax attributable to Joint Venture	-2.9	3.6
Currency	0.6	2.6
Other	-2.7	2.6
<b>RECOGNISED TAX EXPENSE</b>	<b>-19.6</b>	<b>17.6</b>
Standard rate of income tax, %	22	26
Effective tax rate, %	-7	34

## &gt; Cont. NOTE 10

DEFERRED TAX ASSETS AND LIABILITIES	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Land and buildings	–	–	1.4	1.4	-1.4	-1.4
Machinery and equipment	8.9	14.7	200.2	272.8	-191.3	-258.1
Inventories	–	1.3	26.2	–	-26.2	1.3
Other operating receivables/ liabilities	60.8	52.3	0.9	0.8	59.9	51.4
Pension liabilities	20.9	–	–	3.5	20.9	-3.5
Tax loss carryforwards	85.7	29.6	–	–	85.7	29.6
<b>TOTAL</b>	<b>176.3</b>	<b>97.8</b>	<b>228.7</b>	<b>278.6</b>	<b>-52.4</b>	<b>-180.8</b>
Offsets	-0.8	22.6	-0.8	22.6	–	–
<b>TOTAL</b>	<b>175.5</b>	<b>120.4</b>	<b>227.9</b>	<b>301.2</b>	<b>-52.4</b>	<b>-180.8</b>

CHANGE IN DEFERRED TAX ON TEMPORARY DIFFERENCES DURING YEAR	Opening Balance	Recognised in income statement	Recognised directly in equity	Exchange differences	Closing Balance
Land and buildings	-1.4	–	–	–	-1.4
Machinery and equipment	-258.1	66.8	–	–	-191.3
Inventories	1.3	-27.5	–	–	-26.2
Other operating receivables/liabilities	51.4	7.4	0.9	0.2	59.9
Pension liabilities	25.1	2.4	-6.6	–	20.9
Tax loss carryforwards	29.6	56.1	–	–	85.7
<b>TOTAL</b>	<b>-152.2</b>	<b>105.1</b>	<b>-5.7</b>	<b>0.2</b>	<b>-52.4</b>

Deferred tax assets are recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilised. The Group did not recognise deferred tax assets of MSEK 158.0 (95.0) in respect

of losses amounting to MSEK 465 (280), which can be utilised against future taxable profit. All of the MSEK 158.0 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 2013 and 2012 was 67,532.

	2013			2012		
	Profit for the year	Number of shares	Per share	Profit for the year	Number of shares	Per share
Earnings per share	-305.3	67,532	-4,521	-34.3	67,532	-508

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**

<b>2013</b>	<b>Goodwill</b>	<b>Supply contracts/ Customer lists</b>	<b>Computer software</b>	<b>Other intang. assets/ Trademarks</b>	<b>Total Intangible Assets</b>
Opening cost	275.4	331.9	363.5	1.6	972.3
Acquisitions	–	–	0.1	–	0.1
Reclassifications	–	–	11.6	–	11.6
Translation differences	–	1.6	0.2	0.0	1.8
<b>CLOSING COST</b>	<b>275.4</b>	<b>333.5</b>	<b>375.4</b>	<b>1.6</b>	<b>985.8</b>
Opening regular depreciation	-264.0	-197.4	-255.7	-1.6	-718.7
Translation differences	–	-3.2	-0.2	0.0	-3.4
Depreciation for the year	–	-2.0	-29.2	–	-31.2
<b>CLOSING REGULAR DEPRECIATION</b>	<b>-264.0</b>	<b>-202.6</b>	<b>-285.1</b>	<b>-1.6</b>	<b>-753.3</b>
Opening impairment	-3.3	-130.9	-26.7	–	-160.9
Translation differences	–	1.6	–	–	1.6
<b>CLOSING IMPAIRMENT</b>	<b>-3.3</b>	<b>-129.3</b>	<b>-26.7</b>	<b>–</b>	<b>-159.3</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>8.1</b>	<b>1.6</b>	<b>63.7</b>	<b>0.0</b>	<b>73.3</b>
<b>2012</b>					
Opening cost	275.4	336.1	360.4	1.6	973.5
Acquisitions	–	–	7.7	–	7.7
Reclassifications	–	–	-4.2	–	-4.2
Translation differences	–	-4.2	-0.5	–	-4.7
<b>CLOSING COST</b>	<b>275.4</b>	<b>331.9</b>	<b>363.5</b>	<b>1.6</b>	<b>972.3</b>
Opening regular depreciation	-264.0	-198.1	-227.5	-1.6	-691.2
Translation differences	–	6.3	0.4	–	6.7
Depreciation for the year	–	-5.5	-28.6	–	-34.2
<b>CLOSING REGULAR DEPRECIATION</b>	<b>-264.0</b>	<b>-197.4</b>	<b>-255.7</b>	<b>-1.6</b>	<b>-718.7</b>
Opening impairment	-3.3	-128.7	-26.7	–	-158.7
Translation differences	–	-2.2	–	–	-2.2
<b>CLOSING IMPAIRMENT</b>	<b>-3.3</b>	<b>-130.9</b>	<b>-26.7</b>	<b>–</b>	<b>-160.9</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>8.1</b>	<b>3.7</b>	<b>81.1</b>	<b>0.0</b>	<b>92.9</b>

**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:

	<b>2013</b>	<b>2012</b>
United Kingdom	1.6	3.7
Austria	3.7	3.7
Estonia	4.4	4.4
<b>TOTAL</b>	<b>9.7</b>	<b>11.8</b>

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 MSEK 10, while for smaller projects a standard factor of six times the unrestricted cash flow for the final year of the forecast period is used.



## &gt; Cont. NOTE 12

Significant assumptions used to calculate the value in use:

	2013	2012
Gross margin, %*	2.5	2.5
Rate of growth, %**	2.0	2.0
Discount rate, %***	9.4	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 have determined the budgeted gross margin based on previous results and their expectations of market develop-

ment. 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.

**NOTE 13. TANGIBLE ASSETS**

2013	Buildings	Plant and machinery	Equipment	Construction in progress	Total Tangible assets
Opening cost	438.8	5,241.3	488.1	944.6	7,112.7
Adjusted cost	–	–	0.0	–	0.0
Acquisitions	0.4	9.0	4.4	211.4	225.2
Disposals	-18.8	-103.8	-5.1	–	-127.7
Reclassifications	5.6	811.6	34.8	-863.6	-11.6
Translation differences	2.3	3.1	0.3	-0.2	5.4
<b>CLOSING COST</b>	<b>428.3</b>	<b>5,961.2</b>	<b>522.5</b>	<b>292.1</b>	<b>7,204.1</b>
Opening regular depreciation	-162.8	-3,003.7	-364.9	–	-3,531.4
Depreciation adjustment	–	–	-0.1	–	-0.1
Disposals	15.9	103.5	4.3	–	123.8
Depreciation reclassifications	–	1.8	-1.8	–	0.0
Translation differences	-2.0	-1.7	-0.3	–	-4.0
Depreciation for the year	-16.1	-300.1	-29.0	–	-345.2
<b>CLOSING REGULAR DEPRECIATION</b>	<b>-165.0</b>	<b>-3,200.1</b>	<b>-391.8</b>	<b>0.0</b>	<b>-3,756.9</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>263.4</b>	<b>2,761.0</b>	<b>130.7</b>	<b>292.1</b>	<b>3,447.2</b>
Opening impairment	–	-22.3	1.3	-36.0	-57.0
Impairment for the year	-11.8	-47.2	-2.0	–	-61.1
Translation differences	–	-2.0	-0.1	–	-2.1
<b>CLOSING IMPAIRMENT</b>	<b>-11.8</b>	<b>-71.5</b>	<b>-0.8</b>	<b>-36.0</b>	<b>-120.2</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>251.5</b>	<b>2,689.5</b>	<b>129.9</b>	<b>256.1</b>	<b>3,327.0</b>
Of which carrying amount, Sweden	201.2				

## &gt; Cont. NOTE 13

2012	Buildings	Plant and machinery	Equipment	Construction in progress	Total Tangible assets
Opening cost	406.7	4,885.5	479.8	901.4	6,673.5
Adjusted cost	–	–	-0.6	–	-0.6
Acquisitions	19.3	20.1	7.0	422.9	469.3
Disposals	0.0	-0.1	-16.0	–	-16.2
Reclassifications	16.4	345.6	21.7	-379.5	4.2
Translation differences	-3.6	-9.9	-3.7	-0.2	-17.4
<b>CLOSING COST</b>	<b>438.8</b>	<b>5,241.3</b>	<b>488.1</b>	<b>944.6</b>	<b>7,112.7</b>
Opening regular depreciation	-149.7	-2,769.5	-348.2	–	-3,267.4
Depreciation adjustment	–	–	0.6	–	0.6
Disposals	0.0	0.1	11.4	–	11.5
Depreciation reclassifications	–	–	0.0	–	0.0
Translation differences	2.4	7.6	2.9	–	12.9
Depreciation for the year	-15.5	-241.9	-31.6	–	-289.0
<b>CLOSING REGULAR DEPRECIATION</b>	<b>-162.8</b>	<b>-3,003.7</b>	<b>-364.9</b>	<b>0.0</b>	<b>-3,531.4</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>276.1</b>	<b>2,237.5</b>	<b>123.2</b>	<b>944.6</b>	<b>3,581.3</b>
Opening impairment	–	-22.3	0.9	-36.0	-57.4
Impairment for the year	–	0.0	0.4	–	0.4
<b>CLOSING IMPAIRMENT</b>	<b>–</b>	<b>-22.3</b>	<b>1.3</b>	<b>-36.0</b>	<b>-57.0</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>276.1</b>	<b>2,215.2</b>	<b>124.5</b>	<b>908.6</b>	<b>3,524.3</b>
Of which carrying amount, Sweden	207.4				

**NOTE 14. INVESTMENTS IN GROUP COMPANIES**

	2013	2012
Opening cost	920.1	920.1
Write down	-45.5	–
Purchases	179.8	–
<b>CLOSING COST</b>	<b>1,054.3</b>	<b>920.1</b>

<b>GROUP COMPANIES: (SEK thousands)</b>	<b>Reg. no</b>	<b>Reg'd office</b>	<b>Number of shares</b>	<b>% Holding</b>	<b>Currency</b>	<b>Carrying amount</b>
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 <sup>1)</sup>	556366-1957	Stockholm	1,000	100	SEK	100
Nynas Ltd, U.K	02359113	London	7,647,888	100	GBP	92,305
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	9,397
AS Nynas, Estonia	10028991	Tallinn	13,600	100	EEK	5,891
Nynas SA, France	328o31232o0o49	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	DE121304433	Düsseldorf	1	100	EUR	2,105
Nynas (Hong Kong) Ltd, Hong Kong	473858	Hong Kong	5,000	100	HKD	44
Nynas (Australia) 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

## &gt; Cont. NOTE 14

(SEK thousands)	Reg. no	Reg'd office	Number of shares	% Holding	Currency	Carrying amount
Nynas (South Africa) (Pty) Ltd, South Africa	97/13041-07	Johannesburg	100	100	ZAR	0
Nynas do Brasil Ltda, Brasil	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	99.99	TRL	4,808
Nynas Bitumes SA, France <sup>1)</sup>	B 349837419	Bobigny	2,494	99.76	EUR	303
Nynas Mexico SA, Mexico	NME010316RF1	Mexico City	50,000	100	MXN	2,968
Nynas Servicios SA, Mexico	NSE010316NM1	Mexico City	50,000	100	MXN	57
Nynas Argentina SA, Argentina	30707778209	Buenos Aires	15,000	100	ARS	191
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 Naphthenics (M) SDN BHD, Malaysia	581235-V	Malaysia	100,000	100	MYR	245
Nynas Baltic Sweden AB, Sweden	556625-4511	Stockholm	1,000	100	SEK	265
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	SEK	217
Nynas AG, Switzerland	CH-170.3.025.994-5	Zug	79,998	99.99	CHF	31,480
Nynas USA, 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	US1109MH2009FTL195149	Mumbai	1,000,000	100	INR	753
Nynas Co, Ltd, Korea	110111-4222173	Seoul	10,000	100	KRW	314
Svensk Petroleum Förvaltnings AB	556067-8459	Stockholm	109	10.9	SEK	0
Nynas Germany AB	556858-4170	Stockholm	500	100	SEK	179,910
<b>TOTAL INVESTMENTS IN GROUP COMPANIES</b>						<b>1,054,419</b>

1) Dormant

**OPERATING GROUP COMPANIES OVER AND ABOVE THOSE DIRECTLY OWNED BY PARENT COMPANY:**

(SEK thousands)	Reg. no	Reg'd office	Number of shares	% Holding	Currency	Carrying amount
Nynas Naphthenics Ltd, U.K	2450786	Guildford	10,000	100	GBP	105
Nynas Limited Liability Company	1087746838464	Moscow	10,000	100	SEK	6,439
Nynas NV, Belgium	893.286.262	Zaventem	11,090	99.99	EUR	0
Nynas Bitumen Limited	982640	Cheshire	1,000,000	100	GBP	0
Highway Emulsions Limited	2643238	Cheshire	2	100	GBP	0
Nynas Verwaltungs GmbH	HRA 117766	Hamburg	25,000	100	EUR	25
Nynas GmbH & Co KG	HRA 114916	Hamburg	1	100	EUR	20,001

Nynas has three foreign branches. Nynas UK AB has a branch in the UK and Nynas NV in Belgium has branches in Germany and France.

**NOTE 15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

<b>GROUP</b>	<b>Reg. no</b>	<b>Reg'd office</b>	<b>Number of shares</b>	<b>% Holding</b>	<b>Currency</b>	<b>Carrying amount</b>
Eastham Refinery Ltd, UK	2205902	London	5,000,000	50	GBP	76.4
Share in equity of Eastham Refinery Ltd						
Accounted for using equity method						-2.4
<b>TOTAL INVESTMENTS IN ASSOCIATES</b>						<b>74.0</b>

**GROUP'S INTEREST IN THE ASSOCIATE ERL**

	<b>Assets</b>	<b>Liabilities</b>	<b>Income</b>	<b>Profit</b>
Eastham Refinery Ltd, UK	166.6	90.5	123.4	17.1
			<b>2013</b>	<b>2012</b>
Opening balance			76.4	224.3
Profit for the year			17.1	-7.6
Dividend			-21.3	-136.4
Translation differences			1.8	-3.9
<b>CLOSING BALANCE</b>			<b>74.0</b>	<b>76.4</b>

**NOTE 16. OTHER LONG-TERM RECEIVABLES**

	<b>2013</b>	<b>2012</b>
Opening balance	19.1	36.4
Amounts advanced	–	0.1
Amounts received	-17.6	-16.1
Translation differences	–	-1.2
<b>CLOSING BALANCE</b>	<b>1.5</b>	<b>19.1</b>

Other long-term receivables consist primarily of a partnership with Valero in the USA, in which Nynas participated in the rebuilding of the naphthenics operations at Valero's Three Rivers refinery. In return, Nynas is entitled to purchase products from the units concerned at a reduced price. The amounts advanced

are reported as a long-term receivable which will be reduced as products are purchased from Valero. The agreement ended 31 of December and it was decided to not renew the supply agreement. The receivable per end of the year 2013 amounts to MSEK 0.

**NOTE 17. INVENTORIES**

	<b>2013</b>	<b>2012</b>
Raw materials	603.0	675.7
Semi-finished products	394.3	457.1
Finished products	2,041.6	2,293.3
<b>TOTAL</b>	<b>3,038.9</b>	<b>3,426.1</b>

Inventories are measured at the lower of cost, using the first-in/first-out method, and net realisable value.



**NOTE 18. ACCOUNTS RECEIVABLE**

	2013	2012
Accounts receivable, not due	1,187.6	929.6
Provision for impairment of accounts receivable	-15.0	-13.8
<b>NOT DUE ACCOUNTS RECEIVABLE, NET</b>	<b>1,172.5</b>	<b>915.8</b>
Age analysis of past due accounts receivable		
0–90 days	352.2	435.6
91–180 days	15.8	9.6
Over 180 days	34.3	21.0
<b>TOTAL OVERDUE ACCOUNTS RECEIVABLES</b>	<b>402.3</b>	<b>466.2</b>

**Factoring**

The Group have applied factoring for a limit part of the invoicing. At year-end 2013, the part used as factoring was approximately 6 per cent.

**Accounts receivable losses**

The Group has recognised a loss of MSEK 15.0 (13.8) for impairment of accounts receivable. The change relates mainly to a reduction in doubtful debts in Spain (7.2) the UK (MSEK 2.7) and Sweden (MSEK 1.3) The loss is reported under distribution costs in the income statement.

**NOTE 19. PREPAYMENTS AND ACCRUED INCOME**

	2013	2012
Rent	5.7	4.5
Charter hire	29.8	32.3
Pension premiums	6.3	5.0
Forward contracts, currency	0.2	1.1
Software licences	7.1	7.3
Insurance compensation	–	100.2
Prepaid reinsurance	–	18.1
Other prepayments	60.1	66.1
<b>TOTAL</b>	<b>109.1</b>	<b>234.5</b>

Insurance compensation, please see Note 4.

**NOTE 20. CASH AND CASH EQUIVALENTS**

	2013	2012
Cash and bank balances	792.3	738.9
Restricted cash account	145.3	–
Cash & cash equivalents recognised	937.6	738.9

The above items have been classified as cash & cash equivalents on the following basis:

- they are subject to an insignificant risk of changes in value
- they can readily be converted into cash
- they have a maturity of no more than three months from the date of acquisition.

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.

The 31 of December MSEK 145 was transferred to a restricted cash account (Shell account), the amount refers to the lease payment for the Harburg refinery and the takeover of the inventory. Amount under Shells trustee until take over of the assets has been done, take over occurred 1 of January 2014.

**NOTE 21. EQUITY****SPECIFICATION OF EQUITY ITEM 'RESERVES' TRANSLATION RESERVE AND CURRENCY HEDGES**

	2013	2012
Opening translation reserve and currency hedges	-51.1	-24.9
Translation reserve and currency hedges for the year	-51.6	-26.3
<b>CLOSING TRANSLATION RESERVE AND CURRENCY HEDGES</b>	<b>-102.7</b>	<b>-51.1</b>
HEDGING RESERVE AND ACTUARIAL RESULT PENSION		
Opening hedging reserve	-134.4	-27.9
Actuarial gains and losses from pensions recognised in OCI	21.0	-95.4
Cash flow hedges recognised in income statement, cost of sales	39.0	27.9
Cash flow hedges recognised in OCI	-42.2	-39.0
<b>CLOSING HEDGING RESERVE</b>	<b>-116.6</b>	<b>-134.4</b>
TOTAL RESERVES		
Opening reserves	-185.5	-52.8
Changes in reserves during the year	-33.8	-132.8
<b>CLOSING RESERVES</b>	<b>-219.3</b>	<b>-185.6</b>

**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 share 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.

The par value per share is SEK 1,000.

**DISTRIBUTION OF SHARE CAPITAL**

	2013	2012
CHANGE IN TOTAL NUMBER OF SHARES		
Opening number	67,532	67,532
Change during the year	0	0
<b>CLOSING NUMBER</b>	<b>67,532</b>	<b>67,532</b>

Class of share	2013		2012	
	Number of shares	Per cent	Number of shares	Per cent
Class A	33,765	50	33,765	50
Class B	33,767	50	33,767	50
<b>TOTAL</b>	<b>67,532</b>	<b>100</b>	<b>67,532</b>	<b>100</b>

A dividend is proposed by the Board in accordance with the Swedish Companies Act and is adopted by the annual general meeting. The proposed, but not yet adopted, dividend for 2013 is SEK 0 (0) per share. Based on the number of shares at 31 December 2013, this represents a total dividend of MSEK 0.

**Capital management**

The Group's equity, which is defined as total recognised equity,

amounted to MSEK 3,218 (3,557) at the end of the year.

The return on equity was -12 (-6) 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's strategy by means of self-financing and payment of dividends to shareholders as adopted by 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, continuous payments to 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 and Belgium. 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 80.

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

Nynas's forecast payment of pensions in relation to defined benefit plans, both funded and unfunded, amounts to MSEK 35.8 (33.2) for 2014.

The pension cost and other defined benefit remunerations are found in the income statement under the headings Cost of Goods Sold MSEK 31,5 (28,7), sales cost MSEK 19,7 (24,2) and administration cost MSEK 21,6 (27,1). The interest part in the pension cost together with the part of the return on plan assets which not is accounted for in Other comprehensive income will be shown in the financial income/expenses.

### Sweden

Labourer are comprised by the SAF/LO plan which is a defined contribution pension plan based on collective agreements and is comprehended by several employers within several branches. White-collar workers are comprised by the ITP plan, which also is based on collective agreements and comprise 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 their 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 are, in excess of above obligations, other defined benefit obligations applied to individual pensions 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 Swedish Financial Reporting Board, UFR 3 the classification for ITP plans, which is financed by insurance by Alecta, this is a defined benefit plan which comprise several employers. For the financial year 2013

did the company 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 administration. As a result, it has not been possible to account for the plan as a defined 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 MSEK 7,3 (7,5).

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 148 (129) 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 Deeds and Rules and relevant legislation. The Scheme's assets are held by the trust.

Annual increases on benefits in payment are dependent on inflation, which means that 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 Company's main risk runs in respect of the Scheme 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.

## &gt; Cont. NOTE 22

<b>REPORTED AS PROVISIONS FOR PENSIONS IN THE STATEMENT OF FINANCIAL POSITION</b>	<b>Sweden</b>	<b>UK</b>	<b>Belgium</b>	<b>2013</b>
				<b>Total</b>
Present value of funded obligations	53.7	691.8	55.0	800.4
Fair value of plan assets	-82.5	-714.1	-44.9	-841.6
Deficit/(surplus) of funded plans	-28.8	-22.3	10.0	-41.2
Present value of unfunded obligations	207.1	–	0.9	208.0
Total deficit/(surplus) in defined benefit plans	178.3	-22.3	10.9	166.9
Effects of minimum funding requirements/asset ceiling	–	7.4	–	7.4
<b>NET LIABILITY RECOGNISED IN BALANCE SHEET</b>	<b>178.3</b>	<b>-14.9</b>	<b>10.9</b>	<b>174.3</b>
Portion of pension liability recognised as provisions for pensions	207.1		10.9	218.0
Portion recognised as financial fixed asset	-28.8	-14.9		-43.7

	<b>Sweden</b>	<b>UK</b>	<b>Belgium</b>	<b>Adjusted 2012</b>
				<b>Total</b>
Present value of funded obligations	59.2	581.2	51.9	692.3
Fair value of plan assets	-87.9	-623.2	-38.5	-749.6
Deficit/(surplus) of funded plans	-28.7	-42.0	13.3	-57.3
Present value of unfunded obligations	228.5	–	0.7	229.2
Total deficit/(surplus) in defined benefit plans	199.8	-42.0	14.0	171.9
Effects of minimum funding requirements/asset ceiling	–	14.7	–	14.7
<b>NET LIABILITY RECOGNISED IN BALANCE SHEET</b>	<b>199.8</b>	<b>-27.3</b>	<b>14.0</b>	<b>186.6</b>
Portion of pension liability recognised as provisions for pensions	228.5		14.0	242.5
Portion recognised as financial fixed asset	-28.7	-27.3		-56.0

<b>CHANGE IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION</b>	<b>2013</b>	<b>Adjusted 2012</b>
Present value of defined benefit obligation at beginning of year	921.5	833.9
Current service cost	29.8	25.3
Interest cost/(credit)	37.7	36.4
Special payroll tax in income	3.7	3.2
(Gain)/loss on changes in demographic assumptions	31.1	0.0
(Gain)/loss on changes in financial assumptions	15.9	62.1
Experience (gain)/loss	-0.4	11.6
Special payroll tax related to remeasurements	-7.0	0.8
Employee contributions	4.9	4.8
Benefits paid	-34.6	-42.0
Payments of special payroll tax	-2.3	-2.9
Exchange rate (gain)/loss	8.1	-11.8
<b>PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT END OF YEAR</b>	<b>1,008.4</b>	<b>921.5</b>

<b>COSTS RECOGNISED IN INCOME STATEMENT</b>	<b>2013</b>	<b>Adjusted 2012</b>
Defined benefit pension plans:		
Current service cost	29.8	25.3
Interest cost/(credit)	5.5	3.8
Special payroll tax	3.8	3.2
Other	2.5	3.7
<b>TOTAL COST OF DEFINED BENEFIT PAYMENTS RECOGNISED IN INCOME STATEMENT</b>	<b>41.7</b>	<b>36.0</b>
Defined contribution pension plans:		
Costs for defined contribution plans	32.6	44.6
<b>TOTAL PENSION EXPENSE RECOGNISED IN INCOME STATEMENT</b>	<b>74.3</b>	<b>80.6</b>



## &gt; Cont. NOTE 22

	2013	Adjusted 2012
<b>EXPENSES RECOGNISED IN OTHER COMPREHENSIVE INCOME</b>		
Return on plan assets in excess of the amount included in interest cost/(credit)	-58.1	-35.0
(Gain)/loss on changes in demographic assumptions	31.1	–
(Gain)/loss on changes in financial assumptions	15.5	61.6
Experience (gain)/loss	-0.4	11.6
Change in assets ceiling in excess of the amount included in interest cost/(credit)	-8.6	-10.7
Special payroll tax related to remeasurements	-7.0	0.8
<b>TOTAL EXPENSES FOR DEFINED BENEFIT REMUNERATION RECOGNISED IN OTHER COMPREHENSIVE INCOME</b>	<b>-27.5</b>	<b>28.3</b>

The main actuarial assumptions used (in %) are as follows:	2013			2012		
	Sweden	UK	Belgium	Sweden	UK	Belgium
Discount rate	4.1	4.4	3.5	3.4	4.6	3.3
Future salary increases	2.5	N/A	4.0	2.5	N/A	4.0
Future pension increases	1.8	3.1	2.0	1.8	3.0	2.0
Expected remaining service period	12.0	N/A	18.8	13.0	N/A	19.0

Life expectancy	UK standard SAPS table multiplied by 105% for men and 108% for women			UK standard SAPS table multiplied by 105% for men and 108% for women		
	Swedish FFFS 2007:31	Belgian Mortality table MR/FR	Swedish FFFS 2007:31	Belgian Mortality table MR/FR	Swedish FFFS 2007:31	Belgian Mortality table MR/FR
Duration	17	20	17	17	20	17

	2013	2012
<b>CHANGE IN FAIR VALUE OF PLAN ASSETS DURING THE YEAR</b>		
Fair value of plan assets at beginning of year	749.6	710.4
Interest cost/(credit)	33.2	34.8
Return on plan assets in excess of the amount included in interest cost/(credit)	58.1	35.0
Administrative costs	-2.1	-3.2
Employer contributions	19.8	15
Employee contributions	4.9	5
Benefits paid	-30.4	-34.9
Exchange rate (gain)/loss	8.4	-12.4
<b>FAIR VALUE AT END OF YEAR</b>	<b>841.6</b>	<b>749.6</b>

	2013	2012
<b>PLAN ASSETS</b>		
Shares and participating interests	465.6	383.3
Interest-bearing securities	263.0	199.2
Property Sweden	6.9	6.9
Cash and cash equivalents, bank deposit	61.1	50.5
<b>FAIR VALUE OF PLAN ASSETS</b>	<b>796.6</b>	<b>640.1</b>

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

## &gt; Cont. NOTE 22

<b>CHANGE OF ASSET CEILING</b>	<b>2013</b>	<b>2012</b>
Opening balance, asset ceiling	14.7	22.2
Interest cost/(credit)	-2.2	-1.7
Change in asset ceiling, other than Interest cost/(credit)	-5.3	-5.2
Exchange rate (gain)/loss	0.3	-0.6
<b>CLOSING BALANCE, ASSET CEILING</b>	<b>7.4</b>	<b>14.7</b>

<b>ACTUAL RETURN</b>	<b>2013</b>	<b>2012</b>
Actual return on plan assets	91.4	69.7

**SENSITIVITY ANALYSIS IMPACT OF THE BENEFIT OBLIGATION, 2013 (+Increase/-Decrease), country**

Significant actuarial assumptions		Sweden	Sweden	UK	UK	Belgium	Belgium
		Present Value	%	Present Value	%	Present Value	%
Discount rate	+0.5%	237.5	-9	629.1	-9	51.2	-8
Discount rate	-0.5%	287.3	10	760.8	10	60.9	9
Life expectancy	+1 year	272.8	5	713.0	3	0.0	0

Sensitivity analysis has been done on above actuarial changes since the Group consider that the changes can have major impact on the benefit obligation. Furthermore it is very most likely that the changes of the assumptions occurs. Estimations have been done by analysing every change separately. If there should

be any relation between the assumptions, the estimations have not been taken this into consideration. The assumption of a decrease in life expectancy is seen as limit and therefore it has not been estimated in the sensitivity analysis.

**NOTE 23. OTHER PROVISIONS**

	<b>2013</b>	<b>2012</b>
Opening balance	258.4	265.1
Provisions for the year	49.0	1.5
Exchange differences	0.2	-0.3
Amounts utilised during year	-3.2	-7.9
<b>TOTAL</b>	<b>304.4</b>	<b>258.4</b>
Provisions expected to be utilised after more than 12 months	265.6	250.1

These provisions relate to estimated environmental liabilities in Sweden (Nynäshamn, Gothenburg), Wandre in Belgium, Köge in Denmark and Dundee in Scotland and a restructuring provision for the Dundee refinery that will change to a supply depot.

The decision to stop Dundee from being a production site will influence both the operation as well as the employees. The refinery would change from being a production site to a supply depot during the first half of 2014. The restructuring provision has been estimated to 50 MSEK.

The provision for Sweden is a contingent liability as defined in Chapter 10 of the Swedish Environmental Code, and relates to after-treatment costs for pollution resulting from refining and depot operations.

The provision in Nynäshamn consists of three parts – the Land Farm (MSEK 22), Lagoon/Catch basins (SEK 26 million) and J3/J4 (MSEK 234), which are net present value calculations.

**The Land Farm**

Remediation of the Land Farm area was completed at 31 December 2010. Final covering of the permanent land fill is dependent on subsidence in the area, but is expected to take place around 2015.

The final cost of remediation was approximately MSEK 151 at

31 December 2010. The remaining cost for covering the land fill has been estimated at MSEK 22.

**Lagoon/Catch basins**

The plan proposes that both the lagoon and catch basins be treated in the same way, with suction dredging followed by purification at a treatment plant at the refinery using a combination of micro-organisms (archaea and bacteria). Remediation costs were calculated at MSEK 26 partly by an external party, excluding costs for the construction of the treatment plant.

**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. As an alternative, a method involving final incineration of the materials has also been studied.

A final remediation plan has been submitted to the Land and environment court. Additional information regarding the remediation plan for J3/J4 and Lagoon/Catch basins has been

> Cont. NOTE 23

submitted to the Land and environment court as requested by the court on several occasions during 2013. The main hearing was held during 4–5 December 2013 and is planned to continue on 9 April 2014. To ensure a good working environment during removal of the materials, they are stabilised using a lime-stone vibration technique. They are then dug up using conventional methods and processed by adding water to form a liquid mixture. The mixture is then treated biologically with archaea and bacteria. Over 90 per cent of the organic contaminants are decomposed into carbon dioxide and water.

The cost of remediation has partly been calculated by an external party at approx. MSEK 234. The Group is now waiting for

a permit to use the method to restore the areas J3/J4 and the Lagoon/Catch basins.

**Other environment-related activities at Nynäshamn, Gothenburg, Dundee and terminals**

See the environment section on pages 26–29.

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 net present value method.

**NOTE 24. LIABILITIES TO CREDIT INSTITUTIONS**

In November 2011, a syndicated stand-by credit line of EUR 750 million was arranged. The term of the credit facility is five years. In connection with this, all other committed facilities were concluded.

A private placement loan from US investors was issued in September 2006. The loan total is USD 140 million and the fixed-rate periods are 8 and 10 years. USD 90 million has been swapped to a variable SEK interest rate and USD 50 million to a fixed SEK interest rate.

Currency interest rate swaps have terms that exactly match the bonds' maturities.

The loan agreement includes financial terms (see the Risk management section) and one of the financial terms in the loan agreement was expected to be violated in Q4 2012.

Nynas received conditional permission (known as "waivers") for the period until the entire recapitalisation was completed in the end of January 2013.

Pending completion, long-term interest-bearing liabilities of SEK 3,980 million per the balance sheet date 2012 were reclassified as the short-term portion of interest-bearing liabilities.

<b>LONG-TERM LIABILITIES</b>	<b>2013</b>	<b>2012</b>
Loans from credit institutions	3,500.2	–
<b>TOTAL</b>	<b>3,500.2</b>	<b>0.0</b>
<b>CURRENT LIABILITIES</b>		
Loans from credit institutions	644.6	3,986.2
Overdraft facilities	24.4	23.6
<b>TOTAL</b>	<b>669.0</b>	<b>4,009.8</b>
<b>GRAND TOTAL</b>	<b>4,169.2</b>	<b>4,009.8</b>

<b>2013 LONG-TERM LIABILITIES</b>				<b>Nominal amount (local currency)</b>	<b>Amounts in MSEK</b>
<b>Year issued/maturity</b>	<b>Description of loan</b>	<b>Interest, %</b>	<b>Currency</b>		
Variable-rate loans					
2006/2016	Bond issue	2.26	USD	50.0	358.2
2011/2016	Stand-by credit line (€ 750)	3.64	EUR	27.0	217.8
2011/2016	Stand-by credit line (€ 750)	3.22	EUR	35.0	305.5
2011/2016	Stand-by credit line (€ 750)	3.33	EUR	40.0	349.2
2011/2016	Stand-by credit line (€ 750)	3.25	EUR	40.0	349.2
2011/2016	Stand-by credit line (€ 750)	3.20	EUR	50.0	436.5
2011/2016	Stand-by credit line (€ 750)	3.34	EUR	85.0	741.9
2011/2016	Stand-by credit line (€ 750)	3.34	EUR	85.0	741.9
<b>TOTAL</b>					<b>3,500.2</b>
<b>CURRENT LIABILITIES</b>					
Variable-rate loans					
2006/2014	Bond issue	2.27	USD	90.0	644.6
2013/2014	Bank loans	8.00	RUB	12.0	2.3
2013/2014	Overdraft				22.1
<b>TOTAL</b>					<b>669.0</b>

## &gt; Cont. NOTE 24

2012 CURRENT LIABILITIES				Nominal amount (local currency)	Amounts in SEK millions
Year issued/maturity	Description of loan	Interest, %	Currency		
Variable-rate loans					
2012/2013	Bond issue	2.27	USD	90.0	666.0
2012/2013	Bond issue	2.26	USD	50.0	370.0
2012/2013	Stand-by credit line (€ 750)	3.22	USD	50.0	313.6
2012/2013	Stand-by credit line (€ 750)	3.46	GBP	30.0	302.9
2012/2013	Stand-by credit line (€ 750)	2.74	EUR	50.0	414.7
2012/2013	Stand-by credit line (€ 750)	2.44	EUR	50.0	414.7
2012/2013	Stand-by credit line (€ 750)	2.36	EUR	60.0	497.9
2012/2013	Stand-by credit line (€ 750)	4.46	SEK	1,000.0	1,000.0
2012/2013	Bank loans	7.65	RUB	14.0	3.0
2012/2013	Bank loans	8.35	RUB	8.0	1.7
2012/2013	Bank loans	8.50	RUB	8.0	1.7
2012/2013	Overdraft				23.6
<b>TOTAL</b>					<b>4,009.8</b>

**MATURITY OF EXTERNAL INTEREST-BEARING LIABILITIES AT 31 DEC 2013**

2014-10-17	669.0
2015 and thereafter	3,500.2
<b>TOTAL</b>	<b>4,169.2</b>

**MATURITY OF EXTERNAL INTEREST-BEARING LIABILITIES AT 31 DEC 2012**

2013	4,009.8
2014 and thereafter	–
<b>TOTAL</b>	<b>4,009.8</b>

**THE GROUP HAS THE FOLLOWING UNUSED CREDIT FACILITIES:**

	2013	2012
Variable interest		
Uncommitted	473.8	536.0
Committed		
– expires within one year	0.0	3,012.0
– expires after one year	2,994.4	–
<b>TOTAL</b>	<b>3,468.2</b>	<b>3,548.0</b>

**NOTE 25. ACCRUED LIABILITIES AND DEFERRED INCOME**

	2013	2012
Purchases of raw materials, semi-finished and finished goods	16.4	451.5
Accrued salaries/holiday pay	94.2	96.6
Accrued interest	34.0	41.7
Shipping costs	64.9	37.8
Discounts	8.9	27.3
Import duty	–	1.0
Accrued investment costs	37.7	23.0
Other	128.7	135.7
<b>TOTAL</b>	<b>384.9</b>	<b>814.6</b>

## NOTE 26. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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 bond issues, nominal value USD 140 million, carry fixed USD interest rates. However, these loans have been hedged with currency interest rate swaps, USD 90 million has been swapped to a variable SEK interest rate and USD 50 million to a fixed SEK interest rate. Both are included in hedge accounting, with USD 90 million representing fair value hedging and USD 50 million cash flow hedging. The carrying amount and fair value amount to SEK 1,002.8 (1,036.1) million.

The Group's other 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:

2013	Derivatives used in hedge accounting	Derivatives held for trading	Loans and receivables	Other financial liabilities	Total carrying amount	Non- financial assets and liabilities	Total balance sheet	Fair amount
Accounts receivable	–	–	1,574.8	–	1,574.8	–	1,574.8	1,574.8
Short-term derivatives	13.4	33.8	–	–	47.1	–	47.1	47.1
Other current receivables	–	–	–	–	–	147.0	147.0	147.0
Prepaid expenses and accrued income	–	–	–	–	–	109.1	109.1	109.1
Cash and cash equivalents	–	–	937.6	–	937.6	–	937.6	937.6
<b>FINANCIAL ASSETS</b>	<b>13.4</b>	<b>33.8</b>	<b>2,512.5</b>	<b>0.0</b>	<b>2,559.6</b>	<b>256.1</b>	<b>2,815.7</b>	<b>2,815.7</b>
Long-term liabilities to credit institutions	–	–	–	3,500.2	3,500.2	–	3,500.2	3,500.2
Short-term liabilities to credit institutions	–	–	–	669.0	669.0	–	669.0	669.0
Accounts payable	–	–	–	693.1	693.1	–	693.1	693.1
Joint venture liabilities	–	–	–	12.6	12.6	–	12.6	12.6
Long-term derivatives	76.6	–	–	–	76.6	–	76.6	76.6
Short-term derivatives	29.0	50.8	–	–	79.8	–	79.8	79.8
Other current liabilities	–	–	–	–	–	117.2	117.2	117.2
Accrued liabilities and deferred income	–	–	–	–	–	384.9	384.9	384.9
<b>FINANCIAL LIABILITIES</b>	<b>105.6</b>	<b>50.8</b>	<b>0</b>	<b>4,874.9</b>	<b>5,031.4</b>	<b>502.1</b>	<b>5,533.5</b>	<b>5,533.5</b>



## &gt; Cont. NOTE 26

2012	Derivatives used in hedge accounting	Derivatives held for trading	Loans and receivables	Other financial liabilities	Total carrying amount	Non- financial assets and liabilities	Total balance sheet	Fair amount
Accounts receivable	–	–	1,382.0	–	1,382.0	–	1,382.0	1,382.0
Short-term derivatives	18.2	27.5	–	–	45.7	–	45.7	45.7
Other current receivables	–	–	–	–	–	282.8	282.8	282.8
Prepaid expenses and accrued income	–	–	–	–	–	234.5	234.5	234.5
Cash and cash equivalents	–	–	738.9	–	738.9	–	738.9	738.9
<b>FINANCIAL ASSETS</b>	<b>18.2</b>	<b>27.5</b>	<b>2,120.9</b>	<b>0.0</b>	<b>2,166.6</b>	<b>517.3</b>	<b>2,683.9</b>	<b>2,683.9</b>
Short-term liabilities to credit institutions	–	–	–	4,009.8	4,009.8	–	4,009.8	4,009.8
Accounts payable	–	–	–	377.0	377.0	–	377.0	377.0
Joint venture liabilities	–	–	–	167.0	167.0	–	167.0	167.0
Long-term derivatives	26.8	31.2	–	–	58.0	–	58.0	58.0
Short-term derivatives	–	39.6	–	–	39.6	–	39.6	39.6
Other current liabilities	–	–	–	–	–	147.4	147.4	147.4
Accrued liabilities and deferred income	–	–	–	–	–	814.6	814.6	814.6
<b>FINANCIAL LIABILITIES</b>	<b>26.8</b>	<b>70.8</b>	<b>0.0</b>	<b>4,553.7</b>	<b>4,651.3</b>	<b>962.0</b>	<b>5,613.4</b>	<b>5,613.4</b>

**NOTE 27. FINANCIAL RISK MANAGEMENT, SUPPLEMENTARY INFORMATION**

MARKET VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS	2013	2012
Interest rate swaps	-92.2	-71.0
Currency swaps	0.4	10.4
Oil price swaps	-17.4	8.9
<b>TOTAL DERIVATIVE ASSETS AND LIABILITIES</b>	<b>-109.3</b>	<b>-51.8</b>
<b>NOMINAL VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS</b>		
<b>INTEREST RATE INSTRUMENTS</b>		
Interest rate swaps		
Maturity of less than 1 year	1,555.8	855.8
Maturity of 2–4 years	864.4	1,564.4
Maturity of 5 or more years	–	200.0
<b>TOTAL</b>	<b>2,420.2</b>	<b>2,620.2</b>
<b>Currency instruments</b>		
Forward exchange contracts	1,348.0	-38.4
<b>TOTAL</b>	<b>1,348.0</b>	<b>-38.4</b>
<b>Commodity instruments</b>		
Oil price swaps	-1,140.3	248.0
<b>TOTAL</b>	<b>-1,140.3</b>	<b>248.0</b>

**NOTE 28. PLEDGED ASSETS AND CONTINGENCIES**

	2013	2012
FLOATING CHARGES		
Security for liabilities to credit institutions	0.0	75.0
<b>TOTAL</b>	<b>0.0</b>	<b>75.0</b>
Guarantees	148.9	115.0
Other guarantees and contingent liabilities	2.9	2.7
<b>TOTAL</b>	<b>151.8</b>	<b>117.8</b>

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.

**NOTE 29. RELATED PARTY DISCLOSURES**

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

Petroleos the Venezuela S.A. (PDVSA) is the ultimate owner of 50 per cent of the shares in Nynas AB. The Nynas Group purchases approx. 84 per cent of its crude oil volume 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.

	2013	2012
Purchases, crude	7,906.5	9,167.9
Purchases, base oils	568.8	674.0
Sales revenue	20.9	6.2
Accounts receivable	22.0	2.4
Accounts payable	36.3	10.0

Neste Oil Oyj (Neste Oil) 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 Oil. Nynas sells fuel

and services to Neste. All transactions are conducted at current market prices.

	2013	2012
Purchases, bitumen	999.6	835.5
Purchases, base oils	66.0	100.9
Purchases, fuel/distillates	7.5	37.3
Purchases, leasing/services	26.7	21.5
Sales revenue	636.8	580.3
Accounts receivable	52.7	0.2
Accounts payable	9.7	7.9

Nynas owns 50 per cent of the shares in Eastham Refinery Ltd (ERL); the other 50 per cent is owned by Shell. ERL purchases the majority of its crude oil from Nynas AB, according to the contractual price

formula. From 1 January 2013 ERL acts as a tolling unit and the ownership of crude remains within the Nynas Group.

	2013	2012
NYNAS AB:		
Sales revenue – Nynas AB from ERL	–	2,531.4
Purchases, leasing/services	–	11.5
Accounts receivable	–	0.2

Nynas UK AB purchases bitumen and distillates from ERL (50 per cent of ERL's total production). The purchase price for bitumen reflects the price that would be charged under a term contract with an established bitumen refiner in North West Europe; prices for distillate products reflect the FOB prices for similar products delivered in bulk to non-related customers in North West

Europe (ARA area). From 1 January, ERL acts as a tolling unit and the ownership of crude, bitumen and distillates 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.

## &gt; Cont. NOTE 29

	2013	2012
NYNAS UK AB:		
Purchases, bitumen	–	1,486.7
Purchases, crude	–	39.5
Purchases, fuel	–	655.2
Purchases, leasing/services	135.7	655.2
Sales revenue	–	482.7
Service revenue	3.0	3.3
Accounts receivable	0.3	0.3
Accounts payable	14.2	167.0

**NOTE 30. ADJUSTMENTS FOR NON-CASH ITEMS**

	2013	2012
Share of profit/loss of associates	-19.9	12.1
Depreciation and impairment of assets	456.6	341.9
Unrealised exchange differences and oil forward contracts	-36.1	62.7
Provisions for pensions	9.0	18.8
Other provisions	43.7	-6.3
<b>TOTAL</b>	<b>453.3</b>	<b>429.2</b>

**NOTE 31. EVENTS AFTER THE REPORTING DATE**

In December 2011 Nynas entered into an agreement with Shell to take over full control and responsibility for a base oil refinery and associated facilities in Harburg, Germany. The agreement is a 25-year lease contract. Agreement was subject to European Commission approval for the applicable competition laws. The Company filed in February 2013 and the application was approved in September 2013.

The agreement with Shell means that the entire plant will subsequently refine into a complete specialty oil refinery. Within a period of about two years, Nynas will assume responsibility for the entire facility.

The lease will commence at completion of the deal which was done on 1 January 2014. At this time Nynas took on full control and responsibility for the operations of the assets on the south side. As such Nynas will be entitled to modify and in the ordinary course of business dispose or sell the assets. At the completion of the lease all relevant Shell staff working on the south site will transfer to Nynas (approx. 80 employees).

Gert Wendroth was appointed the new President and CEO as of 3 March 2014.

# NOTES TO THE FINANCIAL STATEMENTS

– PARENT COMPANY

## NOTE 32. INFORMATION BY GEOGRAPHICAL MARKET AND SALES REVENUES BY CATEGORY

Nynas specialises in the production and marketing of specialty oil products. The Group's production is largely based on upgrading heavy crude oil to produce bitumen and naphthenic specialty oils. Bitumen is mainly used as a binding agent in asphalt road construction, but is also used in various industrial applications. Naphthenic specialty products are highly refined

mineral oils with unique physical and chemical properties, and are used in a number of fields. They function as insulating and cooling elements in electric transformers; they are also an important component in rubber manufacture and a raw material in the production of a number of industrial products such as lubricants and printing inks.

SALES REVENUES BY GEOGRAPHICAL MARKET	2013	2012
Nordic Region	4,308.0	4,803.5
United Kingdom	2,588.9	3,917.5
Rest of Europe	5,108.5	5,143.0
North America	336.5	432.3
Other	2,457.7	3,252.4
<b>TOTAL</b>	<b>14,799.6</b>	<b>17,548.7</b>

### PURCHASES AND SALES GROUP COMPANIES

Purchases, %	15	15
Sales, %	55	43

## NOTE 33. COSTS ITEMISED BY NATURE OF EXPENSE

	2013	2012
Raw materials	12,564.0	15,059.3
Transport and distribution costs	1,095.6	1,083.5
Manufacturing expenses	969.4	968.6
Costs for employee benefits (note 35)	426.1	422.0
Depreciation, amortisation, impairment (notes 42, 43)	-341.4	-281.3
Other expenses	425.7	495.8
<b>TOTAL</b>	<b>15,139.3</b>	<b>17,747.9</b>

Gains and losses on realised cash flow hedges (oil) are transferred from equity to the income statement and classified as raw materials.

## NOTE 34. OTHER OPERATING INCOME/EXPENSES

	2013	2012
<b>OTHER OPERATING INCOME</b>		
Exchange gains on operating receivables/liabilities	132.9	213.3
Insurance compensation	10.9	359.0
Other service revenue	28.5	32.3
<b>TOTAL</b>	<b>172.3</b>	<b>604.6</b>
<b>OTHER OPERATING EXPENSES</b>		
Costs related to fire in Nynäshamn	10.9	204.5
Exchange losses on operating receivables/liabilities	164.2	222.3
<b>TOTAL</b>	<b>175.1</b>	<b>426.8</b>

**NOTE 35. 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.

<b>AVERAGE NUMBER OF EMPLOYEES</b>	<b>Men 2013</b>	<b>Women 2013</b>	<b>Total 2013</b>	<b>Men 2012</b>	<b>Women 2012</b>	<b>Total 2012</b>
PARENT						
Sweden	316	137	453	321	127	448
<b>TOTAL PARENT</b>	<b>316</b>	<b>137</b>	<b>453</b>	<b>321</b>	<b>127</b>	<b>448</b>

<b>WAGES, SALARIES AND SOCIAL SECURITY CONTRIBUTIONS</b>	<b>Senior Executives (7 individuals) 2013</b>	<b>Other Employees 2013</b>	<b>Total 2013</b>	<b>Senior Executives (7 individuals) 2012</b>	<b>Other Employees 2012</b>	<b>Total 2012</b>
PARENT						
Sweden						
Salaries and other benefits	15.6	264.8	280.4	17.7	259.4	277.1
(of which bonuses)	0.8	4.0	4.8	3.0	4.2	7.2
Social security contributions	14.7	131.1	145.7	13.8	131.2	145.0
(of which pension costs)	9.8	38.0	47.8	7.7	40.5	48.1
<b>TOTAL PARENT</b>	<b>30.2</b>	<b>395.9</b>	<b>426.1</b>	<b>31.6</b>	<b>390.5</b>	<b>422.0</b>

**GENDER DISTRIBUTION IN MANAGEMENT PARENT**

	<b>2013</b>	<b>2012</b>
Board, female rep., %	0.0	0.0
Executive Board, female rep., %	14.3	14.3

**NOTE 36. DEPRECIATION/AMORTISATION OF TANGIBLE AND INTANGIBLE ASSETS**

<b>DEPRECIATION/AMORTISATION BY FUNCTION</b>	<b>Intangible</b>		<b>Tangible</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Cost of sales	5.5	7.1	290.4	229.7
Distribution costs	0.8	1.1	14.8	15.0
Administrative expenses	22.6	20.1	7.3	8.3
<b>TOTAL</b>	<b>28.9</b>	<b>28.3</b>	<b>312.5</b>	<b>253.0</b>

**DEPRECIATION/AMORTISATION BY TYPE OF ASSET**

	<b>2013</b>	<b>2012</b>
Computer software	28.9	28.3
Buildings	7.5	6.8
Land improvements	3.7	3.6
Plant and machinery	280.2	222.6
Equipment	21.0	20.0
<b>TOTAL</b>	<b>341.3</b>	<b>281.3</b>
Difference between recognised depreciation and regular depreciation:	-330.2	-33.1
<b>TOTAL RECOGNISED DEPRECIATION</b>	<b>11.2</b>	<b>248.2</b>



**NOTE 37. AUDITORS' FEES AND OTHER REMUNERATION**

<b>AUDIT FEES</b>	<b>2013</b>	<b>2012</b>
<b>Ernst &amp; Young AB</b>		
Annual audit	2.7	2.4
Other audit services	0.5	0.3
<b>OTHER AUDITORS</b>		
Other audit services	0.6	1.0

**NOTE 38. OPERATING LEASES**

<b>PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES</b>	<b>2013</b>	<b>2012</b>
Payments during the financial year	202.4	193.6
<b>AGREED FUTURE PAYMENTS</b>		
Within one year	194.3	194.1
2–5 years	383.1	505.9
6 years and thereafter	187.8	150.9

In 2013 Nynas AB had four 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 39. NET FINANCIAL ITEMS**

	<b>2013</b>	<b>2012</b>
Interest income, bank deposits <sup>(1)</sup>	51.5	47.1
Interest income, derivative instruments (actual interest rates and changes in value)	46.5	56.6
Dividends from Group companies	315.7	261.1
<b>TOTAL FINANCE INCOME</b>	<b>413.7</b>	<b>364.7</b>
Of which total interest income attributable to items carried at amortised cost	51.5	47.1
Interest expense, loans and bank overdrafts <sup>(2)</sup>	-205.4	-254.4
Interest expense, derivative instruments (actual interest rates and changes in value)	-21.5	-45.8
Interest expense, PRI pension obligations	-5.7	-5.6
Net exchange differences	-7.3	10.4
Impairment of shares in subsidiary	-45.5	-117.4
Other finance costs	-78.1	-45.3
<b>TOTAL FINANCE COSTS</b>	<b>-363.6</b>	<b>-458.0</b>
Of which total interest expense attributable to items carried at amortised cost	-211.1	-259.9
<b>TOTAL NET FINANCIAL ITEMS</b>	<b>50.1</b>	<b>-93.2</b>

(1) Parent's interest income from Group companies is 37.6 (32.8)

(2) Parent's interest expense from Group companies is -7.7 (-6.8)

**NOTE 40. APPROPRIATIONS**

<b>APPROPRIATIONS</b>	<b>2013</b>	<b>2012</b>
Change in obsolescence reserve	9.0	3.0
Difference between recognised depreciation and regular depreciation	330.2	33.1
Change in tax allocation reserve	–	231.7
<b>TOTAL</b>	<b>339.2</b>	<b>267.7</b>
<b>UNTAXED RESERVES</b>		
Accumulated accelerated depreciation	900.8	1,230.9
Inventory obsolescence reserve	64.1	73.2
<b>TOTAL</b>	<b>964.9</b>	<b>1,304.1</b>

**NOTE 41. TAXES**

	<b>2013</b>	<b>2012</b>
Current tax	–	-0.1
Current tax, prior years	-2.2	-2.3
Deferred tax	49.6	-9.0
<b>TOTAL</b>	<b>47.4</b>	<b>-11.4</b>

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:

	<b>2013</b>	<b>2012</b>
Result before tax	46.8	153.1
Tax according to Parent Company's applicable tax rate	-10.3	-40.3
Tax effect of:		
Dividends from subsidiaries	69.5	68.7
Impairment of shares in subsidiary	-10.1	-30.9
Other non-deductible expenses	-1.4	-3.6
Other non-taxable income	0.5	1.2
Effect of future changed corporate income tax in Sweden	–	-5.0
Adjustment of current tax in respect of prior years	-2.2	-2.3
Other	1.3	0.8
<b>RECOGNISED TAX EXPENSE</b>	<b>47.3</b>	<b>-11.4</b>
Standard rate of income tax, %	22	26
Effective tax rate, %	-101	7

<b>DEFERRED TAX ASSETS AND LIABILITIES</b>	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Other operating receivables/liabilities	46.1	40.5	0.3	3.7	45.8	36.8
Tax loss carryforwards	41.5	–	–	–	41.5	–
<b>TOTAL</b>	<b>87.6</b>	<b>40.5</b>	<b>0.3</b>	<b>3.7</b>	<b>87.3</b>	<b>36.8</b>

<b>CHANGE IN DEFERRED TAX ON TEMPORARY DIFFERENCES DURING YEAR</b>	<b>Closing balance</b>	<b>Recognised in income statement</b>	<b>Recognised directly in equity</b>	<b>Exchange differences</b>	<b>Closing balance</b>
Other operating receivables/liabilities	36.8	8.1	0.9	–	45.8
Tax loss carryforwards	–	41.5	–	–	41.5
<b>TOTAL</b>	<b>36.8</b>	<b>49.6</b>	<b>0.9</b>	<b>–</b>	<b>87.3</b>

No tax losses have arisen in the parent company since the previous year.

**NOTE 42. INTANGIBLE ASSETS**

<b>2013</b>	<b>Goodwill</b>	<b>Computer software</b>	<b>Other intang. assets/ Trademarks</b>	<b>Total Intangible assets</b>
Opening cost	14.2	345.5	1.5	361.2
Acquisitions	–	0.1	–	0.1
Reclassifications	–	11.6	–	11.6
<b>CLOSING COST</b>	<b>14.2</b>	<b>357.3</b>	<b>1.5</b>	<b>373.0</b>
Opening regular depreciation	-10.9	-238.1	-1.5	-250.5
Depreciation for the year	–	-28.9	–	-28.9
<b>CLOSING REGULAR DEPRECIATION</b>	<b>-10.9</b>	<b>-267.1</b>	<b>-1.5</b>	<b>-279.5</b>
Opening impairment	-3.3	-26.7	0.0	-30.0
<b>CLOSING IMPAIRMENT</b>	<b>-3.3</b>	<b>-26.7</b>	<b>0.0</b>	<b>-30.0</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>0.0</b>	<b>63.5</b>	<b>0.0</b>	<b>63.5</b>
<b>2012</b>	<b>Goodwill</b>	<b>Computer software</b>	<b>Other intang. assets/ Trademarks</b>	<b>Total Intangible assets</b>
Opening cost	14.2	342.3	1.5	358.0
Acquisitions	–	7.7	–	7.7
Reclassifications	–	-4.4	–	-4.4
<b>CLOSING COST</b>	<b>14.2</b>	<b>345.5</b>	<b>1.5</b>	<b>361.2</b>
Opening regular depreciation	-10.9	-209.9	-1.5	-222.3
Depreciation for the year	–	-28.3	–	-28.3
<b>CLOSING REGULAR DEPRECIATION</b>	<b>-10.9</b>	<b>-238.1</b>	<b>-1.5</b>	<b>-250.5</b>
Opening impairment	-3.3	-26.7	–	-30.0
<b>CLOSING IMPAIRMENT</b>	<b>-3.3</b>	<b>-26.7</b>	<b>0.0</b>	<b>-30.0</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>0.0</b>	<b>80.7</b>	<b>0.0</b>	<b>80.7</b>

**NOTE 43. TANGIBLE ASSETS**

<b>2013</b>	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Equipment</b>	<b>Construction in progress</b>	<b>Total Tangible assets</b>
Opening cost	311.6	4,635.1	347.8	908.8	6,203.3
Acquisitions	-0.6	8.4	0.9	198.4	207.2
Reclassifications	5.6	797.4	26.1	-840.7	-11.6
<b>CLOSING COST</b>	<b>316.6</b>	<b>5,440.9</b>	<b>374.8</b>	<b>266.5</b>	<b>6,398.9</b>
Opening regular depreciation	-104.1	-2,516.0	-257.9	–	-2,878.1
Depreciation for the year	-11.3	-280.2	-21.0	–	-312.5
<b>CLOSING REGULAR DEPRECIATION</b>	<b>-115.4</b>	<b>-2,796.3</b>	<b>-278.9</b>	<b>0.0</b>	<b>-3 190.6</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>201.2</b>	<b>2,644.6</b>	<b>95.9</b>	<b>266.5</b>	<b>3,208.2</b>
Opening impairment	–	-24.9	–	-13.3	-38.2
<b>CLOSING IMPAIRMENT</b>	<b>0.0</b>	<b>-24.9</b>	<b>0.0</b>	<b>-13.3</b>	<b>-38.2</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>201.2</b>	<b>2,619.7</b>	<b>95.9</b>	<b>253.2</b>	<b>3,170.0</b>
Of which carrying amount, Sweden	201.2				

## &gt; Cont. NOTE 43

2012	Buildings	Plant and machinery	Equipment	Construction in progress	Total Tangible assets
Opening cost	275.9	4,278.1	329.2	869.3	5,752.4
Acquisitions	19.3	19.8	3.7	403.7	446.5
Reclassifications	16.4	337.2	15.0	-364.2	4.4
<b>CLOSING COST</b>	<b>311.6</b>	<b>4,635.1</b>	<b>347.8</b>	<b>908.8</b>	<b>6,203.3</b>
Opening regular depreciation	-93.7	-2,293.4	-238.0	-	-2,625.1
Depreciation for the year	-10.4	-222.6	-20.0	-	-253.0
<b>CLOSING REGULAR DEPRECIATION</b>	<b>-104.1</b>	<b>-2,516.0</b>	<b>-257.9</b>	<b>-</b>	<b>-2,878.1</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>207.5</b>	<b>2,119.0</b>	<b>89.9</b>	<b>908.8</b>	<b>3,325.2</b>
Opening impairment	-	-24.9	-	-13.3	-38.2
<b>CLOSING IMPAIRMENT</b>	<b>0.0</b>	<b>-24.9</b>	<b>-</b>	<b>-13.3</b>	<b>-38.2</b>
<b>CLOSING RESIDUAL VALUE</b>	<b>207.5</b>	<b>2,094.1</b>	<b>89.9</b>	<b>895.5</b>	<b>3,287.0</b>
Of which carrying amount, Sweden	207.5				

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

**NOTE 44. INVESTMENTS IN GROUP COMPANIES**

	2013	2012
Opening cost	920.0	920.0
Purchases	179.8	-
Write down	-45.5	-
<b>CLOSING COST</b>	<b>1,054.2</b>	<b>920.0</b>

List of Group Companies, see note 14.

**NOTE 45. INVENTORIES**

	2013	2012
Raw materials	453.0	527.2
Semi-finished products	394.3	457.1
Finished products	1,290.2	1,454.3
<b>TOTAL</b>	<b>2,137.4</b>	<b>2,438.6</b>

Inventories are measured at the lower of cost, using the first-in/first-out method, and net realisable value.

**NOTE 46. ACCOUNTS RECEIVABLE**

	2013	2012
Accounts receivable, not due	574.6	396.9
Provision for impairment of accounts receivable	-1.3	-1.7
<b>NOT DUE ACCOUNTS RECEIVABLE, NET</b>	<b>573.3</b>	<b>395.2</b>
<b>AGE ANALYSIS OF PAST DUE ACCOUNTS RECEIVABLE</b>		
0–90 days	107.2	113.3
91–180 days	5.4	0.4
Over 180 days	10.9	14.5
<b>TOTAL OVERDUE ACCOUNTS RECEIVABLES</b>	<b>123.5</b>	<b>128.2</b>

**Factoring**

The Parent Company has applied factoring for a limit part of the invoicing. At year-end 2013, the part used as factoring is approximately 3 per cent.

**Account receivables losses**

The Parent Company has recognised an impairment loss of MSEK 1.3 (1.7) on accounts receivable. The loss is reported under distribution costs in the income statement.

**NOTE 47. PREPAYMENTS AND ACCRUED INCOME**

	2013	2012
Rent	4.3	2.8
Charter hire	29.8	32.3
Pension premiums	6.3	5.0
Insurance compensation	0.0	100.2
Software licences	7.1	7.2
Other prepayments	10.4	14.5
<b>TOTAL</b>	<b>57.9</b>	<b>162.0</b>

**NOTE 48. CASH AND CASH EQUIVALENTS**

	2013	2012
Cash and bank balances	609.7	631.8
Shells account	80.5	–
<b>CASH AND CASH EQUIVALENTS RECOGNISED</b>	<b>690.2</b>	<b>631.8</b>

The above items have been classified as cash and cash equivalents on the following basis:

- they are subject to an insignificant risk of changes in value
- they can readily be converted into cash
- they have a maturity of no more than three months from the date of acquisition.

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

**NOTE 49. EQUITY**

<b>DISTRIBUTION OF SHARE CAPITAL</b>	2013	2012
<b>Change in total number of shares</b>		
Opening number	67,532	67,532
Change during the year	0	0
<b>CLOSING NUMBER</b>	<b>67,532</b>	<b>67,532</b>

<b>Class of share</b>	<b>2013</b>		<b>2012</b>	
	<b>Number of shares</b>	<b>Per cent</b>	<b>Number of shares</b>	<b>Per cent</b>
Class A	33,765	50	33,765	50
Class B	33,767	50	33,767	50
<b>TOTAL</b>	<b>67,532</b>	<b>100</b>	<b>67,532</b>	<b>100</b>

**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.



**NOTE 50. 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 Parent company have implemented the changes according to IAS 19 for the reporting of the defined benefit pension plans. Above change have taken away the possibility to use the earlier corridor method and the discontinuation of the approach that allowed actuarial gains and losses for the defined benefit pension plans.

The standard stipulate that the financing cost for the net pension plan estimates with help of the discount rate for the pension provision.

Remeasurements of the pension obligations and -assets are disclosed in Other Comprehensive Income. Remeasurement have also been done for the 2012 figures.

The rate used to discount should be determined by refer-

ence to market yields at the balance sheet date on high quality corporate bonds.

A premium for a longer duration have also been added with basis in the pension obligation duration.

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 MSEK 12.2 (11.5) for 2014.

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 MSEK 88.6 (83.4), which corresponds to the value of the obligations.

<b>RECONCILIATION OF REVISED PENSION LIABILITY</b>	<b>2013</b>	<b>2012</b>
Present value of pension obligations, wholly or partly funded	0.2	0.4
Fair value of pension benefit plan assets	-13.4	-16.6
Surplus in pension benefit plan	-13.3	-13.0
Present value of obligations relating to unfunded pension plans	142.9	135.8
Unrecognised surplus in pension benefit plan	13.3	13.0
<b>NET LIABILITY RECOGNISED</b>	<b>143.0</b>	<b>135.8</b>

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 4.1 per cent (4.2).

<b>CHANGE IN NET DEBT</b>	<b>2013</b>	<b>2012</b>
Net debt at beginning of year	135.8	129.1
Cost recognised in income statement	13.6	12.7
Pension payments	-6.4	-6.1
<b>NET DEBT AT END OF YEAR</b>	<b>142.9</b>	<b>135.8</b>

Payments relating to defined benefit plans are expected to amount to MSEK 6.4 in 2014.

## &gt; Cont. NOTE 50

<b>PENSION EXPENSE FOR THE PERIOD</b>	<b>2013</b>	<b>2012</b>
Book reserve pensions	1.5	1.1
Interest expense (calc, discount effect)	5.7	5.6
<b>COST OF BOOK RESERVE PENSIONS</b>	<b>7.2</b>	<b>6.6</b>
Pensions through insurance:		
Insurance premiums	40.5	37.7
Recognised net cost arising from pensions excl. tax	47.7	44.4
Dividend tax on pension funds	0.3	0.5
Payroll tax on pension costs	10.4	9.7
<b>PENSION EXPENSE FOR THE YEAR</b>	<b>58.4</b>	<b>54.6</b>
Percentage return on pension benefit plan assets	1.7%	1.8%

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

**FAIR VALUE OF PENSION BENEFIT PLAN ASSETS BY CLASS OF ASSET**

	<b>2013</b>	<b>2012</b>
Shares and participating interests	8.7	8.2
Other interest-bearing securities	3.7	5.7
Bank deposits	0.9	2.7
<b>TOTAL</b>	<b>13.3</b>	<b>16.5</b>

Pension benefit plan assets do not include any securities issued by Nynas AB or assets used by Nynas AB.

**NOTE 51. OTHER PROVISIONS**

	<b>2013</b>	<b>2012</b>
Opening balance	250.4	252.7
Provisions for the year	–	1.5
Amounts utilised during year	-3.9	-3.8
<b>TOTAL</b>	<b>246.5</b>	<b>250.4</b>
Provisions expected to be utilised after more than 12 months	239.2	242.1

The provision for Sweden is a contingent liability as defined in Chapter 10 of the Swedish Environmental Code, and relates to after-treatment costs for pollution resulting from refining and depot operations.

The provision in Nynäshamn consists of three parts – the Land Farm (MSEK 22), Lagoon/Catch basins (MSEK 26) and J3/J4 (MSEK 234). See note 23 for description. All costs associated with the remediation project have been calculated using the present value method.

**NOTE 52. LIABILITIES TO CREDIT INSTITUTIONS**

In November 2011, a syndicated stand-by credit line of MEUR 750 was arranged. The term of the credit facility is five years. In connection with this, all other committed facilities were concluded.

A private placement loan from US investors was issued in September 2006. The loan total is MUSD 140 and the fixed-rate periods are 8 and 10 years. MUSD 90 has been swapped to a variable SEK interest rate and MUSD 50 to a fixed SEK interest rate.

Currency interest rate swaps have terms that exactly match the bonds' maturities.

The loan agreement includes financial terms (see the Risk management section) and one of the financial terms in the loan agreement was expected to be violated in Q4 2012.

Nynas received conditional permission (known as "waivers") for the period until the entire recapitalisation was completed in the end of January 2013.

Pending completion, long-term interest-bearing liabilities of MSEK 3,980 per the balance sheet date 2012 were reclassified as the short-term portion of interest-bearing liabilities.

## &gt; Cont. NOTE 52

	2013	2012
<b>LONG-TERM LIABILITIES</b>		
Loans from credit institutions	3,500.2	–
<b>TOTAL</b>	<b>3,500.2</b>	<b>–</b>
<b>CURRENT LIABILITIES</b>		
Loans from credit institutions	644.6	3,986.0
Overdraft facilities	2.3	0.2
<b>TOTAL</b>	<b>646.9</b>	<b>3,986.2</b>
<b>GRAND TOTAL</b>	<b>4,147.1</b>	<b>3,986.2</b>

<b>2013 LONG-TERM LIABILITIES</b>				<b>Nominal amount (local currency)</b>	<b>Amounts in MSEK</b>
<b>Year issued/maturity</b>	<b>Description of loan</b>	<b>Interest, %</b>	<b>Currency</b>		
Variable-rate loans					
2006/2016	Bond issue	2.26	USD	50.0	358.2
2011/2016	Stand-by credit line (€ 750)	3.64	EUR	27.0	217.8
2011/2016	Stand-by credit line (€ 750)	3.22	EUR	35.0	305.5
2011/2016	Stand-by credit line (€ 750)	3.33	EUR	40.0	349.2
2011/2016	Stand-by credit line (€ 750)	3.25	EUR	40.0	349.2
2011/2016	Stand-by credit line (€ 750)	3.20	EUR	50.0	436.5
2011/2016	Stand-by credit line (€ 750)	3.34	EUR	85.0	741.9
2011/2016	Stand-by credit line (€ 750)	3.34	EUR	85.0	741.9
<b>TOTAL</b>					<b>3,500.2</b>

**CURRENT LIABILITIES**

Variable-rate loans					
2006/2014	Bond issue	2.27	USD	90.0	644.6
2013/2014	Bank loans	8.00	RUB	12.0	2.3
2013/2014	Overdraft				0.0
<b>TOTAL</b>					<b>646.9</b>

**2012  
CURRENT LIABILITIES**

<b>Year issued/maturity</b>	<b>Description of loan</b>	<b>Interest, %</b>	<b>Currency</b>	<b>Nominal amount (local currency)</b>	<b>Amounts in MSEK</b>
Variable-rate loans					
2012/2013	Bond issue	2.27	USD	90.0	666.0
2012/2013	Bond issue	2.26	USD	50.0	370.0
2012/2013	Stand-by credit line (€ 750)	3.22	USD	50.0	313.6
2012/2013	Stand-by credit line (€ 750)	3.46	GBP	30.0	302.9
2012/2013	Stand-by credit line (€ 750)	2.74	EUR	50.0	414.7
2012/2013	Stand-by credit line (€ 750)	2.44	EUR	50.0	414.7
2012/2013	Stand-by credit line (€ 750)	2.36	EUR	60.0	497.9
2012/2013	Stand-by credit line (€ 750)	4.46	SEK	1,000.0	1,000.0
2012/2013	Bank loans	7.65	RUB	14.0	3.0
2012/2013	Bank loans	8.35	RUB	8.0	1.7
2012/2013	Bank loans	8.50	RUB	8.0	1.7
2012/2013	Overdraft				0.2
<b>TOTAL</b>					<b>3,986.2</b>

**NOTE 53. ACCRUED LIABILITIES AND DEFERRED INCOME**

	2013	2012
Purchases of raw materials, semi-finished and finished goods	8.1	430.7
Accrued salaries/holiday pay	78.4	79.5
Accrued interest	34.0	41.4
Shipping costs	57.7	32.2
Accrued investment costs	37.3	23.0
Other	40.3	58.3
<b>TOTAL</b>	<b>255.9</b>	<b>665.2</b>

**NOTE 54. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE**

See note 26 for a description of the measurement and calculation of fair value.

2013	Derivatives used in hedge accounting	Derivatives held for trading	Loans and receivables	Other financial liabilities	Total carrying amount	Non- financial assets and liabilities	Total balance sheet
Accounts receivable	–	–	696.9	–	696.9	–	696.9
Receivables from Group companies	–	–	1,186.7	–	1,186.7	–	1,186.7
Short-term derivatives	13.4	33.8	–	–	47.1	–	47.1
Other current receivables	–	–	–	–	–	78.7	78.7
Prepaid expenses and accrued income	–	–	–	–	–	57.9	57.9
Cash and cash equivalents	–	–	690.2	–	690.2	–	690.2
<b>FINANCIAL ASSETS</b>	<b>13.4</b>	<b>33.8</b>	<b>2,573.8</b>	<b>0.0</b>	<b>2,621.0</b>	<b>136.6</b>	<b>2,757.5</b>
Long-term liabilities to credit institutions	–	–	–	3,500.2	3,500.2	–	3,500.2
Short-term liabilities to credit institutions	–	–	–	646.9	646.9	–	646.9
Long-term liabilities to Group companies	–	–	–	0.2	0.2	–	0.2
Current i-b liabilities to Group companies	–	–	–	1,015.2	1,015.2	–	1,015.2
Current non-i-b liabilities to Group companies	–	–	–	106.0	106.0	–	106.0
Accounts payable	–	–	–	536.1	536.1	–	536.1
Long-term derivatives	76.6	–	–	–	76.6	–	76.6
Short-term derivatives	29.0	50.8	–	–	79.8	–	79.8
Other current liabilities	–	–	–	–	–	26.1	26.1
Accrued liabilities and deferred income	–	–	–	–	–	255.9	255.9
<b>FINANCIAL LIABILITIES</b>	<b>105.6</b>	<b>50.8</b>	<b>0</b>	<b>5,804.6</b>	<b>5,961.0</b>	<b>282.0</b>	<b>6,243.0</b>

## &gt; Cont. NOTE 54

	Derivatives used in hedge accounting	Derivatives held for trading	Loans and receivables	Other financial liabilities	Total carrying amount	Non- financial assets and liabilities	Total balance sheet
<b>2012</b>							
Accounts receivable	–	–	523.5	–	523.5	–	523.5
Receivables from Group companies	–	–	964.7	–	964.7	–	964.7
Short-term derivatives	18.2	27.5	–	–	45.7	–	45.7
Other current receivables	–	–	–	–	–	87.2	87.2
Prepaid expenses and accrued income	–	–	–	–	–	162.0	162.0
Cash and cash equivalents	–	–	631.8	–	631.8	–	631.8
<b>FINANCIAL ASSETS</b>	<b>18.2</b>	<b>27.5</b>	<b>2,120.0</b>	<b>0.0</b>	<b>2,165.7</b>	<b>249.2</b>	<b>2,415.0</b>

	Derivatives used in hedge accounting	Derivatives held for trading	Loans and receivables	Other financial liabilities	Total carrying amount	Non- financial assets and liabilities	Total balance sheet
<b>2012</b>							
Short-term liabilities to credit institutions	–	–	–	3,986.2	3,986.2	–	3,986.2
Long-term liabilities to Group companies	–	–	–	0.2	0.2	–	0.2
Current i-b liabilities to Group companies	–	–	–	866.7	866.7	–	866.7
Current non-i-b liabilities to Group companies	–	–	–	103.0	103.0	–	103.0
Accounts payable	–	–	–	200.4	200.4	–	200.4
Long-term derivatives	58.0	–	–	–	58.0	–	58.0
Short-term derivatives	–	39.6	–	–	39.6	–	39.6
Other current liabilities	–	–	–	–	–	27.8	27.8
Accrued liabilities and deferred income	–	–	–	–	–	665.2	665.2
<b>FINANCIAL LIABILITIES</b>	<b>58.0</b>	<b>39.6</b>	<b>0.0</b>	<b>5,156.5</b>	<b>5,254.1</b>	<b>693.0</b>	<b>5,947.1</b>

**NOTE 55. PLEDGED ASSETS AND CONTINGENCIES**

	2013	2012
<b>FLOATING CHARGES</b>		
Security for liabilities to credit institutions	–	75.0
<b>TOTAL</b>	<b>0.0</b>	<b>75.0</b>
Sureties for Group companies	41.7	20.0
Guarantees	43.6	37.0
Other guarantees and contingent liabilities	2.9	2.7
<b>TOTAL</b>	<b>88.1</b>	<b>59.7</b>

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.



**NOTE 56. RELATED PARTY DISCLOSURES**

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

Petroleos the Venezuela S. A. (PDVSA) is the ultimate owner of 50 per cent of the shares in Nynas AB. The Nynas Group

purchases approx. 84 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.

	2013	2012
Purchases, crude	7,906.5	9,167.9
Purchases, base oils	568.8	674.0
Sales revenue	20.9	6.2
Accounts receivable	22.0	2.4
Accounts payable	36.3	10.0

Neste Oil Oyj (Neste Oil) 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 Oil. Nynas sells fuel

and services to Neste. All transactions are conducted at current market prices.

	2013	2012
Purchases, bitumen	141.0	142.5
Purchases, base oils	66.0	100.9
Purchases, fuel/distillates	7.5	37.3
Purchases, leasing/services	8.6	–
Sales revenue	636.8	580.3
Accounts receivable	52.7	0.2
Accounts payable	7.4	6.9

Nynas owns 50 per cent of the shares in Eastham Refinery Ltd (ERL); the other 50 per cent is owned by Shell. ERL purchases the majority of its crude oil from Nynas AB, according to the

contractual price formula. From 1 January 2013 ERL acts as a tolling unit and the ownership of crude remains within the Nynas Group.

	2013	2012
NYNAS AB:		
Sales revenue – Nynas AB from ERL	–	2,531.4
Accounts receivable	–	0.2

**NOTE 57. ADJUSTMENTS FOR NON-CASH ITEMS**

	2013	2012
Depreciation and impairment of assets	341.3	281.3
Unrealised exchange differences and oil forward contracts	-76.3	-0.4
Provisions for pensions	7.2	6.6
Other provisions	-3.9	-2.3
<b>TOTAL</b>	<b>268.4</b>	<b>285.2</b>

# PROPOSED DISTRIBUTION OF PROFIT

The Group's equity at the end of the financial year amounts to SEK 3,218 million.  
The Board proposes that the available profits of SEK 1,491,109,343 in the Parent Company be distributed as follows:

<b>DIVIDEND TO SHAREHOLDERS:</b>	<b>2013</b>
Total dividend	0
Carried forward	1,491,109,343
SEK	1,491,109,343

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 gives 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 gives 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, 5 May 2014

Matti Lievonen

Eulogio Del Pino  
*Chairman of the Board*

John Launiainen

Iván Orellana

Tuomas Hyryläinen

Sergio Tovar

Antonio Suarez Torres

Michiel Boersma

Pia Ovrin

Roland Bergvik

Gert Wendroth  
*President and CEO*

Our Audit Report was submitted on 5 May 2014  
Ernst & Young AB

Jan Birgeron  
Authorised Public Accountant

# AUDITOR'S REPORT

To the annual meeting of the shareholders of Nynas AB (Publ)  
Reg. no 556029-2509

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Nynas AB (Publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 8–102.

## Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

## Opinions

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 2013 and of its financial performance and its cash flows 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 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, 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 annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director Nynas AB (Publ) for the year 2013.

## 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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

## Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden. 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.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company.

We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

## Opinions

We recommend to the annual 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.

Stockholm, 5 May 2014

Ernst & Young AB  
Jan Birgersson  
Authorised Public Accountant

# GLOSSARY

## 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.

## BENCH SCALE UNIT

Nynas bench scale unit is a copy of a hydrogenation plant. Using a miniature unit it is possible to test and develop new products, and also to evaluate new crude oils and catalysts before starting up full scale production.

## 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 HYDRO-TREATMENT 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<sub>2</sub> 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.

## DOWNSTREAM

The downstream oil sector refers to the refining of crude oil, and the sale and distribution of natural gas and products derived from crude oil.

## 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.

## LNG

If the temperature is lowered to minus 162 degrees Celsius, natural gas is condensed into liquid and its volume reduced 600 times. Condensed natural gas is called liquefied natural gas (LNG) and accounts for some 20 per cent of world trade in natural gas.

## 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.

**PERFORMANCE PROGRAMME**

Re-alignment of 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 new 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.

**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.

**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 act as an insulating liquid, thereby stopping electrical discharges.

**TYRE OILS**

Highly aromatic oils (HA oils) have traditionally been used for processing rubber compounds when manufacturing tyres. However, these contain carcinogenic hydrocarbons. The EU has banned all use of HA oils in car tyres as from 2010. The transition to environmentally sound tyre oils represents a total market of around 1.2 million tonnes.

**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.

**VOC**

Volatile Organic Compounds (VOC) is a collective term for a large number of organic compounds that under ambient conditions can be present in gaseous form and may pose health or environmental risks. Emissions arise from many sources including factories, animals, industrial processes and storage of organic compounds.

## DEFINITIONS

**RETURN ON CAPITAL EMPLOYED**

Profit after financial items plus interest expense as percentage of average total assets less non-interest-bearing current liabilities.

**RETURN ON EQUITY**

Profit after net financial items less current tax as percentage of average equity.

**EQUITY/ASSETS RATIO**

Equity as a percentage of total assets at year-end.

**INTEREST COVER AGE RATIO**

Profit after net financial items plus interest expenses divided by interest expenses.

**CURRENT RATIO**

Current assets divided by current liabilities.

**DEBT/EQUITY RATIO**

Interest-bearing liabilities, including interest-bearing pension liabilities, less cash and cash equivalents divided by equity.



# NYNAS THROUGH THE YEARS



## 1928

The refinery in Nynäshamn is built. In October 1928 the first vessel carrying crude oil docks, and in December they fire up the steam boilers. Even though the workforce has to wrestle with plenty of problems, in the very first year they deliver petrol, paraffin, fuel oil and lubricating oil.



## 1950s

The network of petrol stations is expanded. Nynas is the first company in Sweden to have catalytic reformation. This means that petrol can be produced with a significantly higher octane level.



## 1967–1969

Major investments in increasing bitumen capacity at the refinery in Nynäshamn, e.g. new vacuum distillation is commissioned for heavy Venezuelan crude. Several depots are built along the Swedish coast, and two tankers are acquired to transport products to the depots.

1928

1931

1950s

1956

1967–1969

1981

## 1931

A new cracking plant is built in Nynäshamn. This also marks the beginnings of the national network of petrol stations that Nynas was to operate over the next 50 years.

## 1956

The refinery in Gothenburg is completed.

## 1981

Swedish Shell acquires all of the petrol stations as well as the subsidiaries that sell fuel oil. At the same time the workforce at Nynas declines from 2,000 to around 1,500.



**1985**

Nynas signs a crude oil agreement with Petroleos de Venezuela (PDVSA). This guarantees feedstock supplies, which is a prerequisite for managing the transition into an international specialty oil company.

**1989**

The Finnish group Neste acquires the shares held by Sveriges Investeringsbank and Axel Johnson AB – 50 per cent of the shares in total. This means that Nynas now has two owners who are both focused on the oil industry. At the same time the founder, the Johnson Group, finally parts with the company it created.

**1992**

Nynas acquires the British company Briggs Oil for around MSEK 700. The acquisition gives Nynas two new refineries: one in Dundee and one in Eastham.

**2002**

New crude oils are tested to increase feedstock flexibility. This gives opportunities for further product development as well as a more optimized supply chain.

1985

1986

1989

1990

1992

2002

**1986**

The state-owned Venezuelan oil company Petroleos de Venezuela acquires 50% of the shares. Nynas is now guaranteed the crude oil deliveries required to continue its international expansion.

**1990**

The lubricant business is sold to Statoil. Nynas' business is now based on two pillars: bitumen and naphthenic specialty oils.





### 2003–2005

An important stage in Naphthenics' global expansion is the partnership with the American refineries Three Rivers (2003–13) and Houston Refining (2005–08). This results in increased capacity without expensive investments, and the new volumes can also be integrated directly into Nynas' global supply systems.

### 2010

A new hydrogen plant is commissioned in Nynäshamn, an investment of around MSEK 800. The following year, the plant starts to be run on naphtha, cutting carbon dioxide emissions by 20,000 tonnes a year.

2003

2003–2005

2008–2009

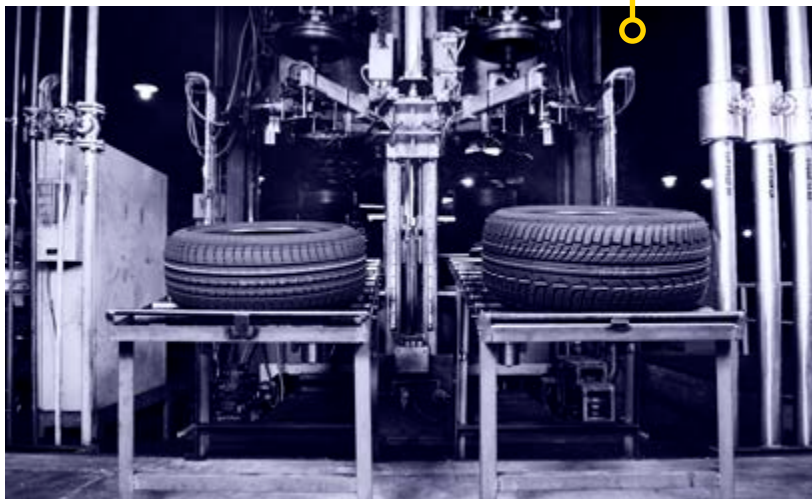
2010

### 2003

To meet demand without increasing production capacity, a partnership project is initiated with the oil company Petroplus. The agreement means that Petroplus buys the refinery in Antwerp while at the same time Nynas is guaranteed continued bitumen deliveries from Antwerp.

### 2008–2009

Growth in Asia really takes off, while at the same time a global tyre oil campaign is launched. To achieve a better local presence, new sales offices are opened in Russia, South Korea and Indonesia.







### 2013

Nynas received approval from the European Commission to take over production and responsibility for the base oil plant and associated production units at the Harburg refinery in Hamburg, Germany. The new production plant will be a core site for Nynas with an annual production of specialty oils up to 350,000 tons. This represents a forty per cent increase in the company's supply capability of naphthenic specialty oils.

2012

2013

### 2012

A modern sulphur recovery plant is opened in Nynäshamn at a cost of MSEK 600. This marks an important step in improving the refinery's reliability and reduces emissions from sulphur recovery to one fifth.





**Nynas AB**

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