

To the District Court of Södertörn  
Department 4

Stockholm on 12 March 2020

Ä 19371-19

## **NYNAS AB (PUBL) IN COMPANY REORGANISATION – REQUEST FOR EXTENSION**

In our capacity as representatives of Nynas AB (publ), reg. no. 556029-2509 (“Nynas”), we hereby, in accordance with the second paragraph of chapter 4, section 8 of the Swedish Company Reorganisation Act (*lagen [1996:764] om företagsrekonstruktion*), request that the district court decides that the reorganisation of Nynas is allowed to continue for an additional three-month term.

As is outlined in further detail below, considerable efforts have been made during the reorganisation until now. The likelihood as regards the successful implementation of a long-term viable reorganisation of Nynas’s operations is good, but additional time is however required. There are thus special reasons (*särskilda skäl*) to decide in accordance with the request above, which is also attested to in the administrators’ remark, which has been filed with the district court on this day.

### **1. BACKGROUND**

- 1.1 As is stated in the reorganisation plan presented to the district court and Nynas’s creditors on the meeting among creditors held on 24 January 2020, Nynas’s financial difficulties have arisen as a consequence of USA’s sanctions against Venezuela, Nynas’s owner Petróleos de Venezuela S.A., 73023 (“PdVSA”) and Nynas. The sanctions have had a considerable negative impact on Nynas’s operations. For a more detailed description of the sanctions, please refer to section 3.1 in the preliminary reorganisation plan, the district court’s case appendix 16.
- 1.2 In order to, in the long term, be able to operate stably and profitably, Nynas must be released from the sanctions it is currently subject to. In the preliminary reorganisation plan, the following actions have been stated as requirements for a successful reorganisation of Nynas.
  - (i) Moratorium for payment of all outstanding unsecured liabilities from 13 December 2019, 16.01 p.m. and during a period of at least three months thereafter;
  - (ii) Change of the ownership structure of Nynas, such that the operations can be conducted without being subject to sanctions and so that new equity can be contributed to Nynas;

- (iii) Bridge financing to secure the production and the establishment of a new long-term financing structure for the operations;
- (iv) Continued adaptation of the refinery operations as regards raw material;
- (v) Increase of sales volumes regarding mainly the NSP business, in order to increase the utilisation of the production capacity;
- (vi) No redundancies are planned, and it is instead of utmost importance that Nynas manages to retain employees.

## 2. THE REORGANISATION THUS FAR

2.1 During the reorganisation up until now, Nynas has taken several steps in accordance with the plan in order for the implementation of the reorganisation to be successful. The following is of note.

### 2.2 **Moratorium and continuation of operations**

2.2.1 During the initial days of the reorganisation, Nynas lacked access to bank accounts since it was necessary to break up the complicated group structure that was in place. While awaiting the establishment of liquidity and payment flows and to secure the continued flow of necessary goods and services, a routine was implemented in accordance with which Nynas's suppliers were granted a general super priority. After some weeks, Nynas regained access to its bank accounts, after which payment of costs related to the operations could be made. Since payments partially have to be made manually, which takes time, a decision has been taken to continue this routine with a continuous general super priority up to a maximum of 3.5 million SEK per supplier during the whole reorganisation period. In addition to this, special super priorities have been granted for certain claims of larger amounts.

2.2.2 Payment of claims covered by super priorities is made continuously. As per 5 March 2020, the outstanding claims covered by super priorities amounted to 112.1 million SEK, of which 80.5 million SEK relates to claims covered by general super priorities and 31.6 million SEK relates to claims covered by special super priorities. The amount stated for outstanding claims with general super priority is somewhat higher than normal due to many suppliers doing end-of-month invoicing and that have not yet been paid. It should be noted that the payments that have been made and the super priorities that have been granted by the administration have been related to the goods and services necessary for the continuation of the operations and to secure anticipated deliveries of NSP and bitumen during the second and third quarter of 2020.

2.2.3 During the reorganisation up until now, it has been possible to keep the operations running relatively smoothly and with retention of the values in Nynas, in spite of there still being considerable administrative burdens, for example in the form of manual payments and transfer and the general worry felt by customers and suppliers due to the ongoing reorganisation. In addition, the refineries are not operating at full capacity due to the fact that earlier planned purchases of oil have not been possible to be made during the reorganisation.

2.2.4 A preliminary balance sheet and income statement, as per the end of February 2020, is attached in [appendix 1](#). As is seen, Nynas reported revenues of 1,490 million SEK and a loss of approximately 517 million SEK for the first two months of 2020. Nynas's result during the first quarter is normally negative due to the seasonal nature of the bitumen business, which is profitable mainly in the second and third quarters. A preliminary income statement on group level, as per the end of February 2020, is attached in [appendix 2](#), in which the periods result is compared with the corresponding period previous year and this year's budget. Nynas loss, which is larger than normal, is, however, mainly stemming from costs not related to operations that are due to sanctions and the reorganisation, financial costs, oil price losses and exchange losses. The EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) for the period amounts to -70 million SEK. The loss is largely due to normal seasonal variations in the bitumen business during the winter but also due to the refineries not operating at full capacity, which affects the cost coverage, implying a higher per-unit cost than normal. The loss is further explained by Nynas not being able to hedge against changes in exchange rates and changes in oil price, which has a large effect on Nynas's considerable stock of oil, which has decreased in value due to a steeply declining oil price. Hedging is normally done by Nynas in accordance with Nynas's financial policy, but no bank has been willing to issue such derivatives to Nynas during the reorganisation.

### 2.3 Short-term bridge financing

2.3.1 Nynas should, in accordance with current estimates, have sufficient funds to cover a majority of the operating costs during the reorganisation, in accordance with a liquidity budget that has been drawn up. However, Nynas lacks the funds to make planned and necessary purchases of oil in order to meet customer's demand and to maintain production volumes. An increase in oil purchases is also necessary for the operations to be profitable. The short-term financing required was initially estimated to 1.5 billion SEK. According to current estimates, however, a bridge financing of 1 billion SEK is deemed sufficient, provided that a warehouse financing can be utilised as soon as Nynas is no longer subject to sanctions, of which 500 million SEK should be contributed during the end of March 2020, at the latest, and another 500 million SEK during the second half of April 2020, at the latest.

2.3.2 As has been stated in the preliminary reorganisation plan and at the meeting among creditors held on 24 January 2020, Nynas and its owners have agreed to engage Carnegie Investment Bank AB ("**Carnegie**") to assist Nynas in negotiations with potential investors, both as regards short-term bridge financing and long-term equity.

2.3.3 Carnegie has initiated its work to find suitable investors as regards both short-term bridge financing and long-term equity. A virtual data room has been established, to which a number of interested parties have been given access and meetings have been held with the management of Nynas.

2.3.4 In parallel with Carnegie, Nynas and the appointed administrators have initiated discussions with three of Nynas's largest customers regarding the possibility of advance payment for coming bitumen orders, planned to be delivered during the second and third quarter of 2020. These negotiations are far progressed and an agreement with the customers on advance payment of an aggregate of 500-600 million SEK is estimated to be reached shortly.

2.3.5 Carnegie deems the possibilities to secure short-term financing for the remaining 400–500 million SEK from another lender as good. An intensive work in this regard is currently ongoing.

#### 2.4 **Change of ownership structure – long-term financing**

2.4.1 The sanctions against Nynas has had a considerable negative impact on the operations, through limitations as regards credit times, a prohibition to purchase Venezuelan crude oil and restrictions to deal in USD, which in turn has led to worry among customers and lenders.

2.4.2 A successful reorganisation of Nynas requires Nynas gaining a new, long-term and financially strong owner. Carnegie is also, in addition to the work regarding the bridge financing, working with finding new equity. The majority of players with the financial capacity required for such an investment are, however, active in the US market and is not able to contribute equity or financing for Nynas as long as Nynas is subject to US sanctions. It is therefore necessary to immediately perform changes in Nynas’s ownership structure in such a way that Nynas no longer is subject to the sanctions. Nynas’s management, the administrators and Carnegie are all in agreement that a new long-term financing likely can be established immediately after the sanction issue has been resolved.

2.4.3 As we have advised previously, Nynas has continued to be in close contact with the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”) concerning the efforts to reduce PdVSA’s ownership interest in Nynas and work out an arrangement whereby OFAC would agree to release Nynas from US sanctions. We are pleased to report that OFAC during this week has voiced satisfaction with the revised proposal that the shareholders agreed on and has also indicated that if the proposal is executed as proposed, OFAC is prepared to proceed to initiate their internal process for the removal of sanctions applicable to Nynas and to prepare an appropriate public statement to that effect. Nynas anticipates that it will take a few weeks to complete all the necessary related actions to finalize activities necessary to satisfy OFAC’s demands, and Nynas is working intensely to carry these out as soon as possible. It should be noted that the shareholders’ revised proposal was drawn up after considerable changes were made to PdVSA’s management, which has been reported in the media. This new management of PdVSA has, however, been clear in expressing that they are ready to cooperate in reducing its ownership share to such an extent that Nynas is relieved of the sanctions.

2.4.4 In addition to the abovementioned measures, continued efforts have been made to create as favourable conditions as possible to ensure a long-term profitable production based on oil other than Venezuelan crude oil and to increase sales volumes in mainly the NSP business, in order to maximise the utilisation of the production capacity. It should also be noted that Nynas has utilised the wage guarantee scheme regarding salaries for December 2019 and for the period 1–13 January 2020. Nynas has thereafter paid employee salaries with its own funds in accordance with normal routines. As has been stated in the preliminary reorganisation plan, it is of utmost importance to retain employees of Nynas and keep motivation and team spirit high, in spite of the tensions that the reorganisation implies.

### 3. **CONCLUDING REMARKS**

3.1 As has been stated above, there has been intensive efforts made during the reorganisation to effectuate the measures stated in the preliminary reorganisation plan. These efforts have

been successful and currently, discussions and negotiations are ongoing with both OFAC and potential investors. However, Nynas requires additional time in order to finalise the ongoing negotiations regarding both short-term and long-term financing and in order to establish a new ownership structure, so that Nynas is no longer subject to sanctions. Against this background, we hereby request that the reorganisation is extended and is allowed to continue for another three months.

As above,

Bo Askvik

Maria Björkholm

## INCOME STATEMENT

	YTD
NYNAS AB	2020
	Feb
<b>Sales revenue goods</b>	<b>1 490 385</b>
Cost of goods sold	-1 225 450
<b>Product margin</b>	<b>264 935</b>
Services (net result)	-57 439
Refinery (net result)	394
<b>Gross contribution</b>	<b>207 891</b>
Processing fee	-108 052
Fixed costs	-162 021
Group charges	-7 352
Depreciation and amortisation	-64 951
<b>EBIT</b>	<b>-134 484</b>
Interest net	-82 590
Forex	-207 007
Other financial cost	557
Non recurring items	-94 534
<b>Result before taxes</b>	<b>-518 058</b>
Taxes	329
<b>NET RESULT</b>	<b>-517 729</b>

# BALANCE SHEET

2020

Feb

Total Intangible assets	60 753
Total Tangible assets	2 779 187
Investment In Subsidiaries	2 876 590
Other Long Term Assets	12 931
<b>Total Fixed Assets</b>	<b>5 729 461</b>
Inventories	2 901 472
Accounts Receivable	900 264
Other Receivables	1 317 991
Cash And Cash Equivalents	672 991
<b>TOTAL ASSETS</b>	<b>11 522 178</b>
<b>Total Equity</b>	<b>139 310</b>
<b>Total Untaxed reserve</b>	<b>4 167</b>
Accounts Payable	2 228 653
Accrued Liabilites	1 923 086
Short-term non interest-bearing	502 707
Short-term interest-bearing	73 265
<b>Total Current Liabilities</b>	<b>4 727 711</b>
<b>Total Allocations</b>	<b>149 514</b>
<b>Total Long-term interest-bearing liabilites</b>	<b>6 478 399</b>
<b>Total Long-term non interest-bearing liabilities</b>	<b>23 077</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11 522 178</b>

**NYNAS GROUP****YTD**

Msek	Act 2020	Act 2019	Bud 2020	Dev Bud
Revenue	1 781	1 775	1 930	-149
Cost of sales	-1 484	-1 596	-1 643	159
<b>Gross Contribution</b>	<b>297</b>	<b>180</b>	<b>287</b>	<b>10</b>
Processing fee and mark-up	22	56	52	-30
Fixed costs	-303	-306	-300	-3
Fixed costs leasing	0	0	0	0
Valuation and termination of hedges	0	0	0	0
<b>EBITDA</b>	<b>18</b>	<b>-70</b>	<b>40</b>	<b>-22</b>
Depreciation and amortisation	-110	-104	-105	-5
Depreciation and amortisation lease	0	0	0	0
<b>EBIT</b>	<b>-93</b>	<b>-174</b>	<b>-65</b>	<b>-28</b>
Interest net	-82	-59	-50	-32
Interest net leasing	0	0	0	0
Forex	-158	3	0	-158
Other financial cost	0	-12	-16	16
<b>Result after financial net</b>	<b>-333</b>	<b>-242</b>	<b>-131</b>	<b>-202</b>
Scrapping / write-down	0	0	0	0
Non-recurring items	-131	-14	0	-131
<b>Net income before tax</b>	<b>-464</b>	<b>-255</b>	<b>-131</b>	<b>-333</b>
Taxes	-16	-7	-7	-9
<b>Net income</b>	<b>-479</b>	<b>-263</b>	<b>-138</b>	<b>-342</b>