

To the District Court of Södertörn
Unit 4

Stockholm on 4 September 2020

CASE NO. Ä 19371-19

NYNAS AB IN COMPANY REORGANISATION – REQUEST FOR EXTENSION

In our capacities as representatives of Nynas AB, reg. no. 556029-2509 (“Nynas”), we request, pursuant to the second paragraph of chapter 4, section 8 of the Swedish Companies Reorganisation Act (*Sw. lagen (1996:764) om företagsrekonstruktion*), that the district court decides that the reorganisation of Nynas is allowed to continue for an additional period of three months.

As is further detailed below, the reorganisation has progressed considerably and a majority of the goals set out at the outset of the reorganisation have been achieved. Additional time is, however, required in order to finalise the negotiations that are ongoing with potential investors in Nynas and its major creditors. We estimate that it is most likely that a long-term, sustainable, reorganisation of Nynas’s operations can be finalised in the near future. There are therefore special reasons to decide in accordance with the request above, which has been approved by the administrators in their statement, filed with the district court on this day.

Below follows an overview of the restructuring activities taken thus far, and the measures still outstanding.

1. MEASURES TAKEN IN THE REORGANISATION AND CURRENT STATUS

1.1 Reference is made to the preliminary reorganisation plan that was drawn up on 21 January 2020, in which the following measures were stated as conditions for a successful reorganisation of Nynas.

- (i) Moratorium of payments of all unsecured claims from 13 December 2019, at 16.01 p.m., during an initial period of at least three months;
- (ii) Continued adaptation of the refinery operations relating to raw material;
- (iii) Enhancement of sales volumes, mainly within the NSP business, in order to increase the utilisation of the production capacity;

- (iv) No planned reductions of the work force, instead, it is of utmost importance that the work force is retained;
- (v) Bridge financing in order to secure production, and the establishment of a new long-term financing structure for the operations;
- (vi) Change of the ownership structure of Nynas so that the operations can be continued without hinderance by U.S. financial sanctions and so that new equity can be contributed to Nynas.

1.2 *Moratorium and continued operations*

1.2.1 As has been informed earlier, a routine was established at the outset of the reorganisation entailing a continuous super priority (*Sw. superförmånsrätt*) up to 3.5 million SEK for each supplier. This routine was implemented due to Nynas, during the initial days of the reorganisation, not having access to its bank accounts. The routine was kept in place after access was granted to the accounts, in order to secure the flow of goods necessary for the operations.

1.2.2 Payment of claims that have arisen during the reorganisation and that are subject to super priority have continuously been paid. As of 25 August 2020, outstanding external claims subject to super priority amounted to approximately 114.1 million SEK, of which 89.7 million SEK relates to claims subject to generally granted super priority and 24.4 million SEK relates to claims subject to individually granted super priority (and approximately 97.4 million SEK relating to intra-group debt). The payments that have been made, and the super priorities that have been granted by the administrator, have related to goods and services necessary for keeping the business in operation and in order to secure deliveries of NSP and bitumen during the second and third quarter of 2020.

1.2.3 During the reorganisation until now, it has been possible to continue the operations under relatively normal circumstances and while preserving the values in Nynas, even if the initial months entailed administrative burdens in the form of manual payments and transfers. Furthermore, the refineries have, until the summer, operated at a lower-than-normal level, due to planned purchases of oil not having been possible to make during the initial stages of the reorganisation. Currently, the refineries are operating at normal levels.

1.3 *Continued adaptation of the refinery business and enhancement of sales volumes*

1.3.1 As has been stated in the preliminary reorganisation plan, prior to the reorganisation, the management of Nynas had initiated measures in order to adapt the production from Venezuelan crude oil to other types of crude oil. The necessary approvals have been given and investments into the refineries have been made, which has made it possible to produce all of Nynas's products from non-Venezuelan oil.

1.3.2 During the reorganisation, the work of further improving the production capacity and profitability after the adaptation has continued. Today, the operations are entirely based on oil other than Venezuelan crude oil.

1.3.3 Nynas has also, in close cooperation with its customers, verified that the entire value chain, from the purchase of non-Venezuelan crude oil, to production of the end-product, has been delivered in accordance with product specifications.

1.4 *Retention of employees*

- 1.4.1 Nynas utilised the Swedish wage guarantee scheme for salaries relating to December 2019 and for the period 1–13 January 2020 but has thereafter paid salaries to its employees with its own funds and in accordance with normal routines. It should be noted that Nynas has not dismissed (*Sw. permitterat*) any employees during the current pandemic.
- 1.4.2 Employees of Nynas have continuously been informed about the reorganisation through internal information and through representation in the creditors' committee. In spite of the stress that the reorganisation entails, Nynas has been able to retain its work force and employees in functions critical to the reorganisation. The retention of competence and experience within Nynas has been of major importance for the reorganisation.

1.5 *Liquidity and sales*

- 1.5.1 The considerable decrease in oil prices during spring 2020 meant that Nynas, in the short-term, had sufficient liquidity to carry out planned purchases of oil, even without the bridge financing that initially was deemed necessary.
- 1.5.2 In June 2020, Nynas entered into a financing agreement with an external financier relating to the oil that is delivered to the refinery in Nynäshamn. The financing arrangement can be summarised as follows. The financier purchases and owns the oil during the time that it is stored, while awaiting production. When the oil is moved from its storage to the refinery, it is purchased by Nynas. Through this structure, Nynas is able to decrease its binding of capital in inventories of oil in relation to what had been the case previously, which has made liquidity available for the ongoing operations.
- 1.5.3 The sanctions previously in place and the current pandemic has had a negative impact on the profitability. The sales during the year has been somewhat lower than expected, mainly due to low inventory volumes during the initial stages of the reorganisation. However, the sale of NSP has recovered and is starting to reach historic figures. The bitumen business has in large part been able to meet customers' demand, with the exception of Britain, which has been heavily affected by the pandemic during the second quarter of 2020.
- 1.5.4 Cash flow from operations is estimated to be positive during the coming three-month period, including liquidity streams from subsidiaries. It should be noted that Nynas, due to the current pandemic, has been granted a moratorium relating to payment of taxes in an aggregate amount of approximately 122 million SEK, which has impacted the liquidity positively. Furthermore, the liquidity has been strengthened due to Nynas and its subsidiaries having been able to collect considerable amounts for accounts payable that are due.
- 1.5.5 The forecast is that Nynas, under current estimates, will have the necessary funding in order to finalise the reorganisation. Currently, there are liquid funds totaling approximately 1,132 million SEK within the Nynas group.

1.6 *Relief from sanctions and changed ownership structure for long-term equity and financing*

- 1.6.1 At the outset of the reorganisation, Nynas, under its ownership structure at that time, where *Petróleos de Venezuela S.A. ("PdVSA")* owned 50.01 percent of the shares in Nynas, was subject to trade sanctions that the U.S. had issued against Venezuela. The sanctions, which had been made progressively stricter, has been the deciding factor that radically decreased

the profitability of Nynas and that finally led to Nynas petitioning for company reorganisation.

- 1.6.2 As was stated in the previous request for extension by Nynas, an independent trust named Nynässtiftelsen, reg. no. 802481-5071, was formed on 15 April 2020, with the goal of owning and controlling shares in Nynas, after which PdVSA divested 35 percentage points of its shares in Nynas to Nynässtiftelsen. Thereafter, on 12 May 2020, the Office of Foreign Assets Control (“OFAC”) issued a statement that Nynas, as a result of the change in ownership structure, no longer would be blocked under the trade sanctions against Venezuela.
- 1.6.3 OFAC’s decision to relieve Nynas from the sanctions has been a crucial goal for the reorganisation. Nynas being fully relived from the sanctions has had a positive impact on both the daily operations and financing possibilities.
- 1.6.4 As has also previously been noted, Carnegie Investment Bank AB (“Carnegie”) has been engaged in order to assist Nynas in finding a new long-term owner and financier. During the reorganisation until now, Carnegie has been in contact with some eighty potential investors, a number of which have carried out a due diligence of Nynas and thereafter submitted indicative bids.
- 1.6.5 After assessing the bids submitted, a closer assessment was made of potential investors during the summer. After that, Carnegie recommended the board of directors to initiate further discussions with a select few of those. The negotiations currently ongoing are held with those potential investors.
- 1.6.6 These potential investors can, for obvious reasons, not be named at this stage due to non-disclosure agreements and the negotiations that are currently ongoing. It should however be noted that these are well-funded, well-established entities that have, according to themselves, secured financing for a potential deal. The potential investors have invested considerable resources, both in time and money, during the process and are deemed as being serious in wanting to invest in Nynas. The process to come includes meetings with the respective potential investors and the owners of Nynas and its main creditors, for a more careful review of their respective bids and what these entail for Nynas in the short- and long-term. The potential investors have been requested to concretise their respective bid and submit final offers on 15 September 2020, at the latest.
- 1.6.7 It should be noted that all of Nynas’s current owners have declared support of a new ownership structure in which any of the potential investors becomes a majority owner of Nynas. Nynas’s management, its current owners and the administrators have also agreed on a time plan for carrying out the measures required to finalise a final deal in accordance with the envisioned structure and to finalise the reorganisation within the applicable timeframes.
- 1.6.8 Thus, from the above it can be seen that five of the six conditions for a successful reorganisation that were listed in the preliminary reorganisation plan have been achieved. An intense work is currently ongoing in order to achieve the last condition, i.e. establishing a long-term financially stable ownership structure, and a final agreement is estimated to be reached with one of the two potential investors within the current month. The likelihood of finalising a successful reorganisation of Nynas within the requested three months is thus high.

2. AGREEMENT OUT OF COURT/COMPOSITION

- 2.1 As was stated in the previous request for extension on 5 June 2020, the establishment of a new long-term ownership- and financing structure is likely to require certain concessions from Nynas's largest creditors, i.e. the bank consortium defined in the preliminary reorganisation plan (the "**Banks**") and the oil supplier GPB Energy Services B.V. ("**GPB**"), which are also represented in the creditors' committee. During the last weeks, several of the Banks have sold their claims on Nynas to external creditors, which leads to certain new considerations and measures in the ongoing negotiations.
- 2.2 The Banks and GPB have, in accordance with previous statements, agreed to extend the due date of the Banks' and GPB's claims on Nynas until (and including) 30 June 2021. The goal is that the reorganisation will be carried out via the establishment of new long-term equity through an agreement with one of the potential investors, including a concurrent agreement out of court with the Banks, GPB and a new external creditor. In such an agreement, it is estimated that Nynas's other creditors will not be affected, potentially with the exception for certain additional moratoria for payment, in addition to the moratorium that the reorganisation already entails.
- 2.3 If an agreement out of court in line with the above cannot be reached, a composition might be required in order to finalise the reorganisation. The work of drawing up a formal composition proposal has, as was stated in the previous request for extension, been initiated and is conducted in parallel with the other workstreams in the reorganisation. Given the extent of the reorganisation, it is deemed necessary to conduct this work in parallel in order to keep within the timeframe. A composition proposal will likely, if it is required, include a considerable amount that will not be subject to the composition, which in practice means that Nynas's ordinary suppliers would not be subject to a debt write-down. A certain moratorium, in addition to the moratorium that the reorganisation entails, might be required also if a composition is required.

3. SUMMARY

- 3.1 In summary, the work with the reorganisation is far progressed and there are currently intense negotiations ongoing with well-funded bidders. The crucial goal of being relieved of sanctions has been reached and it is likely that a new, long-term financing arrangement will be in place shortly. The likelihood of a successful reorganisation of Nynas's business is therefore high.
- 3.2 Certain additional time is required in order to reach a final agreement, e.g. given the change of creditors that has occurred lately through certain Banks having sold their claims to external creditors. The reorganisation is deemed to be possible to finalise during the suggested period of extension of three months, and the necessary liquidity is already in place. There are thus special reasons to approve the request for an extension of the reorganisation.

As above,

Bo Askvik

Maria Björkholm