

49.999% of Nynas.AB

Nynas AB is a Swedish manufacturer of speciality oils and bitumen products and the Company held a 49.999% shareholding in Nynas AB at the time of the Administration. Following a formal restructuring in late 2019, the Nynas AB board instructed a Swedish investment firm to run a process to find a purchaser for either all or part of Nynas AB.

The Company was an interested party in this process and in September 2020 acquired a 49.999% shareholding in Nynas AB from a Finnish company called Neste Oyi. Neste remain a creditor of the Company in respect of deferred consideration due to it in respect of the sale of its shares in Nynas AB amounting to c Euros 12m.

Unfortunately, whilst Nynas AB is a profitable venture and is well known in the market, it had significant lending from Davidson Kempner, an institutional investment management firm who had acquired a significant position from a number of mostly Scandinavian banks and had lent further money to Nynas AB over the last 12 months. In total, the company has borrowings in excess of Euros 700m and is presently subject to a standstill arrangement with its lenders with tight controls and covenants on its cashflow and working capital headroom.

Shortly after our appointment as Administrators of the Company we sought to engage with the executive directors of Nynas AB to understand its present financial position, including any pressing issues on its working capital. It soon became clear that Nynas AB required further funding/support from its existing lenders, in particular to enable an urgent purchase of a cargo of Captain crude oil (to a value of c Euros 40 m) to be agreed with Goldman Sachs (commodity trading division) which we were advised would cause a substantial deterioration in the ability of Nynas to produce bitumen at its Swedish refinery and would cause the refinery to be temporarily closed, resulting in a significant loss to Nynas, together with damage to its reputation and loss of customers. The executive directors of Nynas advised us that Goldman Sachs was the only party willing to finance the crude cargo and that the order had to be committed by July 20th, failing which the opportunity would be lost. The directors confirmed that Nynas did not have sufficient working capital to purchase the crude itself and urged us to make sure that the Goldman Sachs cargo financing went ahead. A key condition of Goldman Sachs agreeing to finance the cargo was that they needed to be satisfied with the credentials of any incoming shareholder that might be acquiring the 49.99% shareholding in Nynas. This consequently put us under considerable time pressure to find an acceptable purchaser of the shares, as Goldman Sachs were not willing to finance the cargo if Bitumina Industries remained a shareholder.

As Administrators we have a responsibility to safeguard assets and maximise realisations. Urgent action was therefore required to protect the 49.999% shareholding in Nynas AB by identifying an acceptable purchaser for the shares that could support Nynas AB.

We were approached by a number of parties interested in the Company's shares in Nynas AB following our appointment and asked Carnegie, the Swedish investment brokerage, to re-engage any parties who they had contacted in the original sale process, as they had dealt with over 80 interested parties only a year ago. We also engaged with the key stakeholders in Bitumina (including Neste) to ensure they were kept apprised of our strategy and to provide as much time as possible to identify a willing purchaser and complete a transaction. Several emails were sent to Bernd Schmidt, the largest shareholder of Bitumina, to encourage him to accelerate the diligence of the party he had introduced with a view to acquiring the Nynas shares and (as that party later disclosed) to consider refinancing Bitumina.

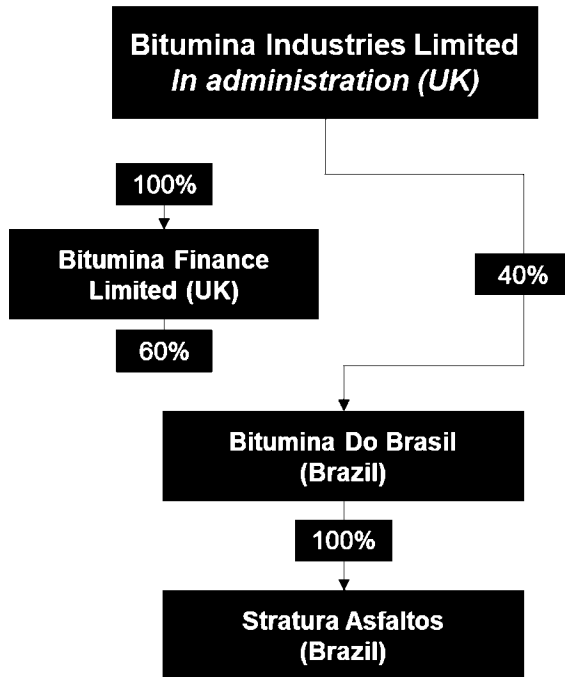
A number of offers were received for the Company's shares in Nynas AB by the deadline set by us, including an offer of €5m from Davidson Kempner. However, apart from the offer by Davidson Kempner, all other offers were conditional on further due diligence and the consent of the Swedish Secret Service (of the new owners being acceptable) and no other bidder offered any material sum up front without conditionality. Following review of the offers, and after holding further meetings with key stakeholders in the Nynas AB business, we were of the opinion that the unconditional offer from Davidson Kempner was the most desirable, having demonstrated proof of funding, and likely to provide significant value to the creditors of the Company.

On 23 July 2021 a sale of the Company's 49.999% shareholding in Nynas AB to a Davidson Kempner related party completed and initial consideration of €1m was received. The remaining consideration in the sum of €4m is payable upon the Swedish security agency providing its consent to the transaction or on September 30th, if this has not been received by then. The full consideration of Euros 5 Million is due and payable whether or not the Swedish security agency give their consent to the transfer of ownership. In addition, we are entitled to 50

% of any net profit earned by the purchaser on any sale of the Nynas shares within 24 months of the sale. These obligations are guaranteed by Davidson Kempner's parent company.

Stratura Asfaltos

Stratura is a Brazilian enterprise that provides bitumen products and services to the Brazilian market. The Company has an effective 100% shareholding in Stratura via its holdings in Bitumina Finance Limited and Bitumina do Brasil (see group structure extract below):



Immediately following our appointment as Administrators we reached out to the Board of Stratura to understand the extent of any cash flow or creditor pressure that would require us to run an accelerated marketing exercise of the Company's holding in Stratura in the same manner as the Nynas AB sale.

We were advised that the previous owner of Stratura, Petrobras, was still owed a substantial sum in relation to working capital previously provided to Stratura. Both parties had agreed to a repayment plan, however Stratura was not in a position to service these payments without potentially breaching covenants with its other lenders. At present, a 3 month standstill agreement has been reached with Petrobras, to enable a willing buyer to be found for the Stratura shares and we have already had discussions (alongside the executive directors of Stratura) with three separate interested parties with who discussions are continuing but which are unlikely to conclude for a number of weeks.

Whilst Stratura's solvency position is still under pressure, we are hopeful that a sale can be concluded which will generate a material sum for Bitumina.

We are continuing to liaise with the Board of Stratura and will provide a further update in our next report.

Eco-Bitum

Eco-Bitum is a Belarussian enterprise that is currently in the processing of building a facility at a strategic location in Belarus to produce bitumen products. The Company is understood to have a 100% shareholding in Eco-Bitum, however we are looking into the ownership structure as DMCC may also be a shareholder.

Whilst Eco-Bitum has so far spent USD 8m to 10m on developing the facility, the most recent set of financial information indicates the company is in fact balance sheet insolvent. Furthermore, it is not a trading enterprise and therefore it may be difficult to ascertain whether the shares held are of significant value.

Our investigations into this asset are ongoing.