

Current Report No. 19/2021 of 22 June 2021

Subject:

Update on the accelerated composition proceedings of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring.

Legal basis:

Art. 17 sec. 1 MAR – confidential information.

Report content:

In connection with the information provided in the periodic reports relating to the description of the accelerated composition proceedings of Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. under restructuring [Energo-Utech, "Debtor"], including in particular the information included in the 2020 consolidated financial statements, the Management Board of Elektrociepłownia "Będzin" S.A. ["Issuer"] has become aware that on 22 June 2021, the Issuer received an order setting 23 July 2021 as the date for a vote on the composition.

The content of the proposal has been modified based on the composition proposals of 19 June 2020 as a result of ongoing negotiations on the terms of composition with the creditors, whose receivables are secured by the Debtor's assets.

Energo-Utech's creditors included in the insolvency table were divided into six groups. According to the updated composition proposals that are to be voted on:

Group I

Social Insurance Institution – no reduction assumed; repayment of 100% of the debt in 12 equal monthly instalments, payable at the end of each calendar month starting from the month following the date on which the decision on the approval of the composition is issued.

Group II

Banks and subsidiaries whose receivables arise under loan agreements and factoring agreements, some of which may be included in the composition upon the consent of the creditors, due to the receivables being secured by the Debtor's assets.

- individual creditors' receivables will be reduced by an amount equivalent to 15% of the amount in which the creditor's receivable is recognised as of the date of the opening of the restructuring proceedings, per the lists of receivables submitted in the course of the proceedings, but no more than 90% of the amount according to which the creditor's vote on the composition is calculated as of the date of the opening of the restructuring proceedings;
- the interest on receivables covered by the composition, as provided for in individual agreements, shall be waived;
- receivables covered by the composition (after reduction) shall bear interest at the following rate: WIBOR 1M + 1.0% per annum;

- the repayment of the receivables covered by the composition (after taking into account the aforementioned waiver) shall depend on the nature of the particular obligation, and so:

1. Overdraft and working capital facility receivables shall be repaid as follows:

1.1. for agreements in the case of which receivables are secured by the Debtor's assets, the repayment of the receivables covered by the composition agreement shall take place in 48 equal monthly instalments payable at the end of each calendar month after the lapse of a 12-month grace period, counting from the month following the date on which the decision confirming the validity of the composition approval is issued. The Debtor shall settle receivables under individual titles with the creditor within 30 days from the day on which the decision confirming the validity of the composition approval is issued. If the actual amount of cash collected by the creditor before the date of issuing the decision on the validity of the composition approval exceeds the value due to the creditor, after taking into account the proposed waiver, interest and grace period, the creditor shall reimburse the Debtor for such a surplus within 6 months from the issuing of the decision on the validity of the composition approval;

1.2. for agreements in the case of which the entirety of receivables is covered with the composition, the repayment of the receivables shall take place in 48 equal monthly instalments payable at the end of each calendar month after the lapse of a 12-month grace period, counting from the month following the date on which the decision confirming the validity of the composition approval is issued.

2. liabilities on account of receivables financing a lease agreement, under which the Debtor was the lessor and which was terminated before the commencement of the restructuring proceedings, shall be repaid together with each inflow of cash from the sale of the subject of the terminated lease agreement financed by the given receivable. The receivables may be repaid in whole or in parts, depending on the parameters of the sale transaction concerning the subject of the terminated lease financed by the given receivable. The amount for each subject, obtained as a result of the sale transaction of the subject of the terminated lease financed by the given receivable, shall be paid directly to the account of the entity financing the lease agreement. If the sale of the leased asset does not take place before the end of 2022, or if the amount resulting from the sale does not fully cover the Debtor's liability, the remaining liability shall be repaid in 12 equal quarterly instalments payable at the end of every third calendar month, starting from 31 January 2023, but no earlier than from the month following the date on which the decision confirming the validity of the composition approval is issued.

3. in the case of receivables for which – according to the agreement schedule – the period of financing ended before the day on which the decision on the validity of the composition approval is issued, the following conditions shall apply:

3.1 for agreements in the case of which receivables are partially secured by the Debtor's assets and the value of the receivable not covered by the composition has been paid in full before the day on which the decision on the validity of the composition approval is issued, the Debtor shall – within 30 days from the day on which the decision on the validity of the

composition approval is issued – settle the receivables under individual titles with the creditor.

If the actual amount of cash collected by the creditor for a given agreement before the day on which the decision on the validity of the composition approval is issued exceeds the amount due to the creditor in the part not covered by the composition and in the part covered by the composition after taking into account the proposed waiver and interest, the creditor shall return the surplus to the Debtor within 6 months from the day on which the decision on the validity of the composition approval is issued or shall use the surplus to cover its due receivables (in the part not covered by the composition) on another account – set-off/deduction, prioritising receivables provided for in item 3.

If the value of the receivable owed to the creditor for the portion not covered by the composition and the portion covered by the composition, after taking into account the proposed waiver, interest rate, and the set-off/deduction described in the preceding sentence, exceeds the actual amount of funds collected by the creditor before the day on which the decision on the validity of the composition approval is issued, the Debtor shall pay the difference within 6 months from the date on which such a decision is issued;

3.2. for agreements in the case of which receivables are partially secured by the Debtor's assets and the value of the receivable not covered by the composition has not been paid in full before the day on which the decision on the validity of the composition approval is issued, the Debtor shall pay the receivable covered by the composition agreement after taking into account the proposed waiver, interest rate, and set-offs/deductions described in item 3.1 within 6 months, counting from the day on which the decision on the validity of the composition approval is issued;

3.3. for agreements in the case of which receivables are not secured by the Debtor's assets, such receivables shall be repaid in 48 equal monthly instalments payable at the end of each calendar month after the lapse of a 12-month grace period, counting from the month following the date on which the decision confirming the validity of the composition approval is issued. The Debtor shall settle receivables under individual titles with the creditor within 30 days from the day on which the decision confirming the validity of the composition approval is issued. If the actual amount of cash collected by the creditor before the date of issuing the decision on the validity of the composition approval exceeds the value due to the creditor, after taking into account the proposed waiver and interest, the creditor shall reimburse the Debtor for such a surplus within 6 months from the issuing of the decision on the validity of the composition approval;

4. receivables under agreements to which the above composition terms do not apply (items 1-3) shall be repaid as follows:

4.1. for agreements in the case of which receivables are not secured by the Debtor's assets, the receivables shall be paid in 48 equal monthly instalments payable at the end of each calendar month after the lapse of a 12-month grace period, counting from the month following the date on which the decision confirming the validity of the composition approval is issued;

4.2. for agreements where receivables are partly secured by the Debtor's assets:

4.2.1. the repayment of the composition instalments shall commence after the lapse of a 12-month grace period, counting from the date on which the decision confirming the validity of the composition approval is issued.

If according to the original receivable repayment schedule the payment of the last instalment is due before 12 months have elapsed from the date on which the decision confirming the validity of the composition approval is issued, the repayment shall be made in one lump sum on the date the last instalment is due according to the original receivable schedule;

4.2.2. instalments covered by the composition, whose amounts and due dates result from the original receivable repayment schedule, shall be reduced by an appropriate value based on the waiver indicated above;

4.2.3. the repayment of instalments due in accordance with the original receivable repayment schedule after the lapse of the above grace period shall take place on the date resulting from the original receivable repayment schedule in a reduced amount;

4.2.4. receivables covered by the composition, which result from instalments due in the period between the initiation of the restructuring proceedings and expiry of the grace period – per the original receivable repayment schedule – shall be repaid in instalments of equal amounts, with the number of such instalments equal to the number of outstanding instalments per the original schedule, and on dates provided for in the original receivable repayment schedule;

4.2.5. The Debtor shall settle receivables under individual titles with the creditor within 30 days from the day on which the decision confirming the validity of the composition approval is issued. If the actual amount of cash collected by the creditor before the day on which the decision on the validity of the composition approval is issued exceeds the amount due to the creditor (i.e. the value of a due receivable not covered by the composition), the creditor shall return the surplus to the Debtor within 12 month, counting from the day on which the decision on the validity of the composition approval is issued, but no sooner than from 1 January 2022, or shall use the surplus to cover its due receivables (in the part not covered by the composition) on another account – set-off/deduction, prioritising receivables provided for in item 3;

- In the event that:

- the debtor recovers cash for the leased asset due to compensation for its loss, destruction or damage to it;

- the lessee terminates the lease early (with full repayment);

the Debtor shall pay the receivable secured by the lost/damaged/destroyed leased asset or the leased asset covered by the prematurely terminated lease agreement outside of the schedule, including the full settlement of a receivable not covered by the composition or not covered by the arrangement (after waiver). Group II creditors shall be entitled to accrue commissions for the early termination of the lease agreement by the lessee, provided that such early termination has occurred no earlier than 12 months after the date on which the decision confirming the validity of the composition approval is issued. The total amount of

commissions charged by Group II creditors for early termination of the lease agreement by the lessee may not exceed PLN 300,000.00, while the value of commissions for a single creditor may not exceed PLN 150,000.00.

Group III

This group includes other public law entities. The creditor included in this group (the State Treasury) has a special economic interest in preserving the Debtor's business due to the collection of future recurring revenues (including taxes), as well as the public interest in maintaining jobs. By operation of law, these obligations are covered by the composition.

With respect to these receivables, the Company proposes what follows: the waiver of all interest and costs of proceedings arising up to the restructuring proceedings commencement date. No interest shall accrue from the restructuring proceedings commencement date and the receivables shall be reduced by 60% in relation to the principal amount due. The repayment shall be made in one lump sum at the end of the third calendar month, counting from the month following the date on which the decision confirming the validity of the composition approval is issued.

Accordingly, the time limit to satisfy the creditor's claims is 3 months, starting from the month following the date on which the decision confirming the validity of the composition approval is issued.

Group IV

This group includes other entities financing the Company's business, whose receivables are covered by the composition by operation of law.

The Company proposes the following composition terms for Group IV creditors:

- the receivables of each creditor shall be reduced by an amount equivalent to 75% of the amount for which the receivable is recognised, per the lists of receivables submitted during the proceedings;
- all interest payable that became due to creditors after the date of the commencement of the restructuring proceedings shall be waived;
- the repayment of receivables covered by the composition (after reduction) for each creditor shall take place in 12 quarterly instalments payable at the end of every third month, starting from the month following the lapse of the 12-month grace period, counting from the month following the date on which the decision confirming the validity of the composition approval is issued.

Group V

This group covers receivables due to other creditors. The reason for including these receivables in a separate group is their relatively small unit and total value, as well as the Company's efforts to quickly satisfy Group V creditors to reduce the debt servicing costs. By operation of law, these obligations are covered by the composition.

With respect to these receivables, the Company proposes what follows: the waiver of all interest and costs of proceedings arising up to the restructuring proceedings commencement date. No interest shall accrue from the date of the commencement of the restructuring proceedings. The 100% repayment of the principal amount of the receivables shall take place in 2 equal instalments for each creditor, payable at the end of the 6th and 12th calendar month, counting from the month following the day on which the decision confirming the validity of the composition approval is issued.

Group VI

This group covers entities financing the Company's business whose receivables arise under lease agreements in which the Debtor is the lessee, with such agreements being covered by the composition by operation of law. The establishment of this group is justified due to the situation of the creditor in case of a possible declaration of bankruptcy by the Debtor. The Company proposes the following composition terms for Group VI creditors:

- the receivables of each creditor shall be reduced by an amount equivalent to 15% of the amount for which the receivable is recognised as of the day of commencement of the restructuring proceedings, per the lists of receivables submitted during the proceedings;
- the interest on receivables covered by the composition, as provided for in individual agreements, shall be waived;
- receivables covered by the composition (after reduction) shall bear interest at the following rate: WIBOR 1M + 1.0% per annum;
- after taking into account the aforementioned waiver, the receivables shall be repaid in 12 equal quarterly instalments after the lapse of a 12-month grace period, counting from the month following the date on which the decision confirming the validity of the composition approval is issued. Payments shall be made at the end of every third calendar month.

The Company's assets in a possible bankruptcy proceeding are estimated at PLN 170,539,029.17, of which PLN 146,951,614.29 would have to be used to repay receivables secured by the Company's assets. As a result, an amount of PLN 23,587,414.88 would remain in the bankruptcy estate. According to the estimations of the court supervisor, the costs of the potential bankruptcy proceedings would amount to PLN 16,896,064.63. Therefore, an amount of PLN 6,691,350.25 would remain to repay receivables not secured by the Company's assets. It would make it possible to fully satisfy all category I claims according to Art. 342 sec. 1 of the Act of 28 February 2003 – Bankruptcy Law (consolidated text, Dz.U. /Journal of Laws/ of 2019, item 498).

The remaining amount represents 6.11% of receivables not secured by the Debtor's assets. Thus, in the course of any bankruptcy proceedings, no more than 6.11% of the creditors' unsecured receivables may be repaid.

Based on the above, entering into the composition agreement with the creditors will allow the Company to satisfy the claims arising before the commencement of the restructuring proceedings to a greater extent than in the event of a potential declaration of bankruptcy.

The Energo-Utech Management Board indicates that the presented composition proposals have been prepared by the Debtor in cooperation with entities specialising in law and economics and entering into the composition agreement based on the proposed conditions will allow Energo-Utech to avoid bankruptcy.

The Issuer shall provide all important information concerning the above proceedings by issuing the appropriate reports.

Signatures:

Kamil Kamiński – Member of the Management Board

Bartosz Dryjski – Member of the Management Board