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# RESTRUCTURING OF THE COMPANY

Confal a.s.

# Dear Business Partner



The company Confal a.s. has requested the relevant court on June 12th 2023 for the legal protection from creditors, according to valid legislation, to carry out the restructuring process. In terms of Slovak Republic this process is regulated by Act No. 7/2005 Coll. on bankruptcy and restructuring and on the amendment of certain laws as amended.

Restructuring is a process of financial and overall operational recovery of the company that is at risk of bankruptcy or heads to bankruptcy. This process is conducted by specialized District Court and Restructuring Trustee.

The purpose of the restructuring is, in addition to striving for the fastest and highest possible satisfaction of creditors, primarily the striving to preserve the operation of the

company.

In addition, the aim of the restructuring is to satisfy the creditors as quickly as possible and, above all, to keep the business operation of the company.

According to effective Slovak legislation, creditor protection is similar to Chapter 11 of the United States Code. Restructuring of the company is considered as the common solution using worldwide. Several large companies underwent such a process, e.g., General Motors, American Airlines, Jamie Oliver's restaurant chain, etc.

The company Confal a.s. fell into financial difficulties due to objective as well as subjective causes. The first constraints appeared in 2019, when indications of recession in the

automotive industry already began. Subsequently in the year 2020, the COVID-19 pandemic occurred, which was substantially damaging for the automotive industry, resulting in significant drop in sales and the collapse of supply chains. These circumstances have slowed and stopped production across entire industries in many cases. The production process in the Automotive industry was frozen, and the steel foundries have significantly reduced their production and therefore purchases of synthetic refiners. These developments had a negative impact on the financial solvency of the company. As a result of this situation, the company was not able to follow the important financial indicators requested by bankinghouses related to credit contracts for operational and investment funding.

Intensive negotiations are currently underway with several potential investors. The entry of a strategic and/or financial investor, combined with restructuring will bring comprehensive recovery of the company in a relatively short time.

Considering all circumstances, this solution was adopted by shareholder in accordance with standpoint and communication of all financing banks as the most suitable, most transparent, and concurrently as the safest recovery procedure. The aims of this procedure are as follows:

- **improvement of liquidity,**
- **satisfaction of creditors - suppliers and financing institutions,**
- **maintaining the employment in the company,**
- **ensuring a stronger company and sufficient financial stability,**
- **benefit to all business partners,**
- **prevention of efforts to wind-up the company, through the possible bankruptcy.**

Current business relationships will remain unaffected by the restructuring. This means that the company Confal a.s. is still obliged to comply with its obligations arising after the commencement of restructuring in a timely and proper manner.

As already mentioned above, the restructuring petition was submitted to the District Court of Žilina to start restructuring process based on the restructuring assessment (expert opinion) prepared by the restructuring trustee. Confal a.s. chose and appointed a team of experienced experts with the purpose of carrying out a fast and legally compliant restructuring.

The effects of the initiation of restructuring proceedings pursuant to § 114 of the Slovak Bankruptcy and Restructuring Act are as follows:

- in the restructuring process, the company comes under legal protection from creditors, which protects it from individual debt collection and enforcement,
- ongoing lawsuits, claims (including secured claims) against the debtor which are to be registered cannot be enforced, and pending enforcement proceedings are suspended,
- a counterparty may not terminate or withdraw from a contract due to the restructuring or claims arising before restructuring, and any such contractual provisions are ineffective (there is not allowed to terminate any business contract due to the company's delays in fulfilling obligations incurred before the start of the restructuring procedure),
- the set-offs of claims are generally not possible.

Confal a.s. is interested in maintaining all business relationships and reaching an agreement with all creditors regarding the existing obligations. The success of the restructuring depends significantly on the understanding and responsiveness of creditors and the preservation of supplier relations. This process is currently also supported by the prudent attitude of the financing banks, which have been informed about the process in advance and they prefer the recovery of the company.

We hereby ask you to support and maintain the business cooperation. This approach will contribute ultimately to all involved stakeholders.

## THE MOST FREQUENTLY ASKED QUESTIONS:

### **For what reason did Confal a.s. decided to undergo restructuring and request court protection from creditors?**

The company entered this legal solution voluntarily because it will give it time to solve the problems and negotiate with investors. The aim of the restructuring is to emerge from this process as a stronger and financially stable company and to repay as much of its old liabilities as possible.

### **What does this process mean for suppliers?**

Current agreements with suppliers are still valid and effective. According to Slovak legislation in the field of creditor protection, which is similarly effective throughout the European Union, suppliers may not terminate existing contracts due to restructuring or unpaid obligations from the period before the commencement of restructuring.

### **Can suppliers be sure that they will be satisfactorily paid for goods and services supplied during the restructuring?**

According to the Law on Bankruptcy and Restructuring, the company is obliged to pay its obligations incurred during the restructuring towards suppliers on the due date - properly and on time. This obligation is overseen by a court-appointed restructuring trustee.

### **When will suppliers be paid their trade receivables from Confal a.s. ?**

The management plans to agree with each creditor on the amount of receivables and in what period

they will be paid. The company respects the relations with all creditors and appreciates their patience and flexibility in the agreement regarding the satisfaction of their claims.

### **What happens to creditors' claims?**

Claims related to the payment of account receivables that arose before the granting of creditor protection will be dealt with in accordance with legal regulations during the restructuring process. Creditors will have to register their restructuring claims with the restructuring trustee according to information in the Commercial Bulletin. Details of how to apply (register) account receivables against Confal a.s. should be published in the Commercial Bulletin within thirty days of the start of the restructuring. According to the law, the company must satisfy its creditors at least to the extent of 50%.

### **What is the time frame for creditor protection and what happens after that?**

According to the current legislation, protection from creditors can last approximately nine and a half months. We are convinced that the restructuring will be completed as soon as possible. The intention of Confal a.s. is to emerge from the restructuring process as a stronger and more financially stable company, which will bring positives to all its creditors, business partners and employees.

### **What is the position of the Company's employees in the restructuring process?**

The company is aware that employees are a very sensitive group of creditors in the restructuring

process. For this reason, we want to assure the employees that Confal a.s. will be supportive of all employees in terms of their security and outlook for the future. Restructuring should not have any underlying impact on employees.

**Who are the authorized representatives I can ask for further questions regarding the restructuring?**

The priority of Confal a.s. is a fair and transparent approach within this process. Our restructuring advisors are ready to answer your questions regarding this process. The contact details are available below.

**Best regards.**

**Mr. Branislav Petro**  
**Chairman of the Board**  
**Confal, a.s.**

# RESTRUCTURING OF THE COMPANY

**Confal a.s.**

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