



## **RESTRUCTURING PLAN**

dated 10.3.2024

entrepreneur

**Liberty Ostrava a.s.**

THIS IS A REFERENCE ENGLISH TRANSLATION FOR WORKING USE ONLY. IN CASE OF ANY DISCREPANCIES, CZECH VERSION PREVAILS.

## Table of Contents

A.	Introduction and summary of essential facts _____	10
B.	Descriptive part _____	13
1.	Description of the Entrepreneur and its activities _____	13
2.	Assets and liabilities of the Entrepreneur _____	19
3.	Description of the economic situation of the Entrepreneur and the reasons for the difficult financial situation _____	24
4.	Number of employees of the Entrepreneur _____	28
5.	Groups of Affected Parties _____	28
6.	Prospects for restarting the Entrepreneur's plant and avoiding bankruptcy _____	30
7.	Best Interest Test for Affected Parties _____	32
8.	Estimation of value in possible insolvency proceedings _____	34
C.	Binding part _____	35
9.	Affected rights and effects of the Restructuring Plan _____	35
10.	Security of Affected Parties and new Security _____	36
11.	Treatment of assets and liabilities not recorded in the balance sheet _____	36
12.	Restructuring measures _____	37
13.	Next Steps of the Entrepreneur _____	41
14.	Sources _____	42
15.	Procedure in case the Restructuring Plan is not accepted _____	43
16.	Monitoring the implementation of the Restructuring Plan and providing information to the Affected Parties _____	43
17.	Procedure in case the terms of the Restructuring Plan are not fulfilled _____	45
18.	Attachments _____	47

## Definitions

In addition to the terms defined elsewhere in this Restructuring Plan, the following terms shall have the meanings set forth below:

<b>Alternative A</b>	has the meaning given in point (126);
<b>Alternative B</b>	has the meaning given in point (126);
<b>Ordinary creditors</b>	has the meaning given in point (78);
<b>CF Plan</b>	means the <i>cash flow</i> plan of the Business, including the related assumptions, prepared by the Business for both Alternative A and Alternative B and forming Annexes 19 and 20;
<b>Czech Republic - SFÚ</b>	means the Czech Republic - Specialized Financial Office, ID No.: 00000001-001, with registered office at <i>nábřeží Kapitána Jaroše 1000/7, Holešovice, 170 00 Prague</i> ;
<b>Affected Party or Parties</b>	means a creditor or shareholder whose right will be directly affected by the Restructuring Plan and who has received a written invitation to commence negotiations on the Restructuring Plan within the meaning of Section 2(e) of the Act on Preventive Restructuring;
<b>Affected rights</b>	has the meaning given in point (103) of this Restructuring Plan.
<b>Small creditors</b>	has the meaning given in point (78);
<b>EGAP</b>	means the company <i>Exportní garanční a pojišťovací společnost, a.s.</i> , ID No.: 45279314, with registered office at <i>Prague 1, Vodičkova 34/701, Postal Code 11121</i> , registered in the Commercial Register maintained by the Municipal Court in Prague under No. B 1619;
<b>EUR</b>	stands for the euro, the single common currency of the euro area;
<b>Greensill Bank AG i. Ins.</b>	means <i>Greensill Bank AG i. Ins.</i> , Id.No.: HRB 4088 HB, with registered office at <i>Martinistrasse 48, D-28195 Bremen, Germany</i> , and the company is in insolvency proceedings where <i>Dr. Michael C Frege</i> has been appointed insolvency administrator;

<b>Ballot paper</b>	means the ballot paper for the form of voting outside the meeting within the meaning of Section 35 of the Preventive Restructuring Act;
<b>Insolvency Law</b>	Act No. 182/2006 Coll., on bankruptcy and methods of its resolution (Insolvency Act);
<b>CZK</b>	means the Czech Crown, which is the monetary unit of the Czech Republic;
<b>Collective agreement</b>	means the Collective Agreement for the years 2024 - 2026 concluded between Liberty Ostrava a.s., Liberty Engineering Products Ostrava s.r.o. and the Basic Organization of the OS KOVO Liberty Czech Republic, the Basic Organization of the OS KOVO Ostravská hut - Servis, the Basic Organization of the OS KOVO Mittal Steel Ostrava - Ocelárna, the Trade Union KOVO BASIC ORGANIZATION Laboratories and Research Mittal Steel Ostrava a.s., ZO OS KOVO Ostravská hut - Directorate, Basic Organization OS KOVO Mittal Steel Ostrava - Transport, Basic Organization Ostravská hut, Trade Union KOVO BASIC ORGANIZATION ArcelorMittal Ostrava blast furnaces, Basic Organization OS KOVO Válcovny plchu a.s., Basic Organization OS KOVO Ostravská hut Rourvny;
<b>LIBERTY OSTRAVA LIMITED</b>	means LIBERTY OSTRAVA LIMITED, having its registered office at C/O Marble Power Ltd, 1st Floor, 3 More London Place, London, United Kingdom of Great Britain and Northern Ireland, SE1 2RE, Reg. No. 12055100 (legal form: <i>Private company limited by shares</i> );
<b>Unaffected Party or Unaffected Parties</b>	has significance within the meaning of Section 2(g) of the Preventive Restructuring Act;
<b>New energy complex</b>	has the meaning given in point (85);
<b>Trade unions</b>	means trade unions operating at the Entrepreneur in accordance with the Labour Code;
<b>Commercial Register</b>	means the public register in which the statutory data on entities are entered pursuant to Act No. 304/2013 Coll., on public registers of legal and natural persons;
<b>Civil Code</b>	means Act No. 89/2012 Coll., the Civil Code, as amended;

<b>Entrepreneur</b>	means Liberty Ostrava a.s., ID No.: 45193258, with registered office at Vratimovská 689/117, Kunčice, 719 00 Ostrava, registered in the Commercial Register maintained by the Regional Court in Ostrava under file No. B 297;
<b>Attachments</b>	shall have the meaning of the Annexes forming an integral part of this Restructuring Plan;
<b>Restructuring measures</b>	has meaning in the sense of part of 12 of this Restructuring Plan;
<b>Restructuring plan</b>	means this Business Restructuring Plan;
<b>Restructuring proceedings</b>	means the restructuring proceedings before the Regional Court in Ostrava, Case No. 12 C 1/2023;
<b>Restructuring Court</b>	means the Regional Court in Ostrava has jurisdiction to hear the case in accordance with the provisions of §§ 44 and 45 of the Preventive Restructuring Act;
<b>Restructuring trustee</b>	means the restructuring administrator according to the provisions of § 58 et seq. of the Act on Preventive Restructuring, which was appointed by the Regional Court in Ostrava on the basis of the resolution 12 C 1/2023-13 AS ZIZLAVSKY v.o.s., ID No.: 28490738;
<b>Sanation project</b>	means the Entrepreneur's Sanation project of 19.12.2023;
<b>Related Person or Related Persons</b>	
<b>TAMEH</b>	TAMEH Czech s.r.o., ID No.: 286 15 425, with registered office at Vratimovská 689/117, Kunčice, 719 00 Ostrava, registered in the Commercial Register maintained by the Regional Court in Ostrava under No. C 34833;
<b>Preventive Restructuring Act</b>	means Act No 284/2023 Coll., on preventive restructuring;
<b>Labour Code</b>	means Act No. 262/2006 Coll., the Labour Code;
<b>Amendment of the restructuring plan</b>	has the meaning given in point (176).

## **PROCESS ALERT**

### **Adoption of the restructuring plan**

Affected Parties may vote for or against the adoption of the Restructuring Plan at the Affected Parties Meeting, outside the Affected Parties Meeting, or a combination of both.

The adoption of the Restructuring Plan shall be voted on in the Affected Party groups set out in this Restructuring Plan. If a Relevant Party has more than one claim classified in different groups, it shall vote through each such claim in such groups separately (see section Groups of).

### **Voting at the Meeting of the Affected Parties**

In accordance with Section 34 of the Preventive Restructuring Act, if the Entrepreneur submits the Restructuring Plan for voting at a meeting of the Affected Parties, the Entrepreneur shall notify the Affected Parties of the place, date and time of the meeting. The Entrepreneur shall notify these facts at least 15 days prior to the date of the meeting. The meeting may be held either at the registered office of the Entrepreneur or at another suitable place in Ostrava.

### **Voting outside the meeting of the Affected Parties**

In accordance with the provisions of Section 35 of the Act on Preventive Restructuring, if the Entrepreneur submits the Restructuring Plan for voting outside the meeting of the Affected Parties, it shall notify the Affected Parties in writing of the deadline for the voting and the person of the notary commissioned by the Entrepreneur to draw up the notarial record of the vote on the adoption of the Restructuring Plan, or the person of the Restructuring Administrator certifying the voting process. The time limit for conducting the vote shall not be less than 15 days from the date of delivery of this written notice.

If Affected Parties vote on the Restructuring Plan outside of the Meeting, Affected Parties may vote by paper or electronic Ballot. The Ballot will be provided to the Affected Parties by the Entrepreneur. The Ballot must clearly indicate whether or not a particular Affected Party accepts the Restructuring Plan. At the same time, the Ballot shall not contain any condition or other legal action, under penalty of invalidity of such Ballot.

In the same provision, the Preventive Restructuring Act regulates the signature requirements on the Ballot. In the case of voting by means of a paper ballot, the signature on the ballot must be officially certified. In the case of an electronic Ballot Paper, the Ballot Paper must be signed with an electronic signature or sent from a data mailbox.

### **Division of the Affected Parties into groups**

Restructuring plan in part 5 contains the division of the Affected Parties into groups. In accordance with Section 32 of the Preventive Restructuring Act, the Affected Parties are divided so that each group contains Affected Parties with substantially identical legal status and substantially identical economic interests. At the same time, in the section 5 of the Restructuring Plan, the criteria according to which the division of the Affected Parties into the various groups was made are set out.

Within a group, Affected Parties must be treated equally in principle so that no Affected Party is unfairly prejudiced or unduly favored. The exception to this is the consent of the Affected Party.

**Designated method of voting**

In accordance with the provisions of Section 33 of the Preventive Restructuring Act, the Entrepreneur determines that the vote on the Restructuring Plan will be conducted by a combination of voting at the Meeting of the Affected Parties and outside the Meeting of the Affected Parties. Further Required information on the voting pursuant to Sections 34 and 35 of the Preventive Restructuring Act (including the time and place of the Meeting of the Affected Parties and the deadline for conducting the voting) shall be provided by the Entrepreneur in the notice sent simultaneously with this Restructuring Plan.

**Adoption of the Restructuring Plan**

The Restructuring Plan will be accepted if it is accepted by all groups of Affected Parties. The Restructuring Plan shall be accepted by a group of Affected Parties if a majority of at least three-quarters (75%) of the Affected Parties is in favor of its acceptance.

## **Justification of the changes to the Restructuring Plan compared to the modifications in the Rehabilitation Project**

In accordance with the provisions of Section 8 of the Preventive Restructuring Act, on 19 December 2023 the Entrepreneur submitted the Sanation Project to the affected parties identified in the Sanation Project and initiated preventive measures pursuant to the Preventive Restructuring Act. At the same time, the Entrepreneur presented in this Sanation Project a proposal of restructuring measures aimed at maintaining and restoring the operational viability of the Entrepreneur, and these presented preventive measures reflected the needs of the Entrepreneur at the given time and in the given situation.

The proposed restructuring measures that the Entrepreneur wanted to implement at the time of the submission of the Sanation Project included in particular measures in the form of (i) the modification of unfavorable contracts with creditors to standard commercial terms and (ii) an agreement to modify the payment terms of the claims of Affected Parties. At the same time, the company sought to bring in a strategic partner to obtain additional financing and to sell part of its equipment, surplus land and buildings.

However, the restructuring measures proposed in the Sanation Project depended significantly on the further course of negotiations with TAMEH, whose cooperation was crucial for the Entrepreneur. Although the Entrepreneur has continuously tried and continues to try to reach an agreement with TAMEH that would ensure the viable operation of both companies in the future, this agreement has not yet been concluded.

Another key difference from the situation at the time of submission of the Sanation Project is related to the above. The Sanation Project was submitted to the Parties in a situation where production (albeit already on a limited scale) was operating at the Entrepreneur's plant and the Entrepreneur's plant was capable of generating certain revenues. However, shortly after the submission of the Sanation Project, TAMEH ceased supplying energy and other utilities to the Entrepreneur and the Entrepreneur was forced to shut down its operations, including secondary production. This fact exacerbated the negative pressure on the *cash flow* of the Entrepreneur.

As a result of the currently unfavorable development of the negotiations with TAMEH and the termination of energy supplies to the Entrepreneur, the Entrepreneur had to adapt to the situation. Compared to the Sanation Project, the Entrepreneur had to adapt the preparation of the restructuring measures to reflect the new circumstances so that it could fulfil the purpose of preventive restructuring. The Restructuring Plan and the measures proposed herein are aimed at restoring the primary and secondary production of the Entrepreneur's plant to an extent enabling it to operate viably in the future. Only by restoring the production of the Entrepreneur can the claims of the Affected Parties be satisfied.

For this reason, the Entrepreneur has decided to modify the Restructuring Measures depending on the current needs of the Entrepreneur. If the Entrepreneur did not take this step and did not adapt the proposed measures to the current situation, it would not only be contrary to the purpose of the Preventive Restructuring Act to propose inappropriate and disproportionate measures, but it would also risk the non-acceptance of the Restructuring Plan by the Affected Parties, as the proposed measures would not constitute a starting point for the rehabilitation of the Entrepreneur.

In principle, however, the restructuring under consideration is still the same: the undertaking intends to ensure the continuation (or restoration) of integrated production (i.e. metallurgical primary and secondary production) within a profitable range, for which it needs to implement two main measures: (i) to secure the supply of key media (electricity, compressed air) on competitive terms, and (ii) to gain scope for bridging the period of downtime and restoring production by adjusting the payment terms of



the claims of the Affected Parties. The Entrepreneur is convinced that only this solution can ensure the resumption of stable production and thus lead to the long-term stabilization of the financial situation of the Entrepreneur and the full satisfaction of the claims of the Affected Parties.

## **A. Introduction and summary of essential facts**

- (1) This Restructuring Plan sets out the position of the Affected Parties because of the Preventive Restructuring on the basis of the proposed Restructuring Measures. The Entrepreneur submits this Restructuring Plan in the belief that the adoption of the Restructuring Measures will resolve its severe financial difficulties while preserving the viability of the Entrepreneur's plant and maximizing the satisfaction of the Affected Parties.
- (2) By restructuring measures, the Entrepreneur intends to ensure that its serious financial difficulties are resolved. The unfavorable situation on the steel market and high energy prices have contributed to the Entrepreneur's financial difficulties in the past. This already difficult situation has been further substantially exacerbated by the termination of energy and utility supplies to the Business's plant. At present, production at the Entrepreneur's plant has ceased and the Entrepreneur is unable to generate revenue to ensure its sustainable operation.
- (3) Below, the Entrepreneur briefly summarizes the essential facts of current times.
- (4) On 28 November 2023, the Entrepreneur filed a motion under the Act on Preventive Restructuring to declare an individual moratorium of 3 months against TAMEH. By order No.12 Nc 1/2023-9, the Regional Court in Ostrava granted the motion and invited the Entrepreneur to commence restructuring proceedings within 30 days.
- (5) On 14 December 2023, TAMEH filed an insolvency petition with the Regional Court in Ostrava, on which the Regional Court in Ostrava decided by order of 19 December 2023, No.KSOS 34 INS 19874/2023-A-14, that TAMEH was declared bankrupt.
- (6) In this situation, the Entrepreneur submitted the Sanation Project to the Affected Parties on 19 December 2023 and initiated preventive measures pursuant to the Preventive Restructuring Act. At the same time, the Entrepreneur proposed the declaration of a general moratorium. On 21 December 2023, the Regional Court in Ostrava, by order No. 12 C 1/2023-13, declared a general moratorium for a period of 3 months.
- (7) Primary production in the blast furnace is essential for the long-term sustainable operation of the Entrepreneur's plant. However, on 21 December 2023, TAMEH ceased supplying energy and media to the Entrepreneur and the Entrepreneur was forced to substantially cease its operations. The Entrepreneur is continuously seeking to reach a commercially acceptable agreement with TAMEH regarding future cooperation between the two companies and the supply of energy required for the operation of the blast furnace.
- (8) As of the date of submission of this Restructuring Plan, the Entrepreneur has not been able to reach such an agreement with TAMEH. The Entrepreneur has formulated general assumptions for future cooperation with TAMEH which, in the Entrepreneur's opinion, will enable both companies to operate profitably in the future. This proposal has not yet been constructively responded to.
- (9) As of the time of submission of this Restructuring Plan, the Entrepreneur is not certain whether an agreement will be reached with TAMEH regarding possible future cooperation between the two companies. However, the Entrepreneur can no longer delay the resumption of production and thus block a solution that will ensure the satisfaction of the claims of the Affected Parties. The Entrepreneur has therefore started to prepare an alternative solution that is not dependent on the cooperation with TAMEH in parallel with the ongoing negotiations with TAMEH. The

restructuring plan contains both an alternative solution consisting of future cooperation with TAMEH and an alternative without TAMEH. The restructuring plan is thus presented with two alternative ways of resolving the situation.

- (10) Alternative A (i.e. the solution assuming an agreement with TAMEH) and Alternative B (i.e. the solution without TAMEH) have different capital requirements and timeframes for the start-up of primary production at the blast furnace and the repayment of the claims of the Affected Parties. However, both plans ultimately lead to the resumption of production and full satisfaction of the claims of the Affected Parties. The crucial date for the start-up of Alternative A or Alternative B is 30 April 2024. This date has been chosen by the Entrepreneur.

as the objective limit by which the Entrepreneur will simultaneously negotiate with TAMEH and work on the preparatory steps for the start-up of Alternative B. The Entrepreneur expects that by this date the preparatory work on the alternative solution will have progressed to such an extent that a return to the cooperation option with TAMEH will no longer be possible.

- (11) The entrepreneur included TAMEH among the Affected Parties in the original Sanation Project in an effort to negotiate and find a possible solution for future cooperation. However, up to the time of submission of this Restructuring Plan, no substantial progress has been made in the negotiations. It is clear that Alternative B of the present plan is incompatible with the interests of TAMEH and that the position of TAMEH has thus become significantly different from that of all other creditors and is no longer suitable for resolution in a collective process such as a preventive restructuring. The Entrepreneur has therefore decided to exclude TAMEH from the circle of affected parties, on the understanding that the settlement of the mutual relations will in future be a matter of individual negotiations or court proceedings (which have already been initiated at the initiative of TAMEH and will examine, inter alia, the validity of the concluded contracts and thus the existence of the claims claimed by it).
- (12) Prior to the submission of this Restructuring Plan, the Entrepreneur proposed to narrow the circle of affected parties in accordance with the provisions of Section 12(1) of the Preventive Restructuring Act so that TAMEH is not among the Affected Parties. A substantial part of the Affected Parties agreed to this procedure prior to the submission of this Restructuring Plan. At the same time as the submission of this Restructuring Plan, the Entrepreneur contacted the other Affected Parties, who did not comment on the proposal to narrow the circle of Affected Parties. This Restructuring Plan has been prepared without TAMEH and TAMEH is considered an Unaffected Party for purposes of this Restructuring Plan. The Restructuring Plan is thus based on the assumption that the circle of Affected Parties will be narrowed to include TAMEH.
- (13) The economic and operational situation of the Entrepreneur does not allow the Entrepreneur to take simultaneous steps to resume production at the Entrepreneur's plant and at the same time immediately pay the claims of the Affected Parties in full. The restart of production places substantial demands on the working capital of the Entrepreneur. However, it is the only way that will lead to the sustainable operation of the Entrepreneur's plant in the long term. The proposed restructuring measures lead primarily to this objective.
- (14) In view of the above, the Restructuring Plan will result in the restructuring of the claims of the Affected Parties by extending their maturity. In combination with the other Restructuring Measures, the above will enable the full satisfaction of the claims of the Affected Parties (albeit in a different timeframe). This applies whether or not an agreement is eventually reached with TAMEH on the future functioning of both companies. Further details of the Restructuring Measures are set out in the section 12 of the Restructuring Plan.

- (15) The estimated rate of satisfaction of the individual groups of Affected Parties in the event that the Entrepreneur's current financial difficulties lead to bankruptcy and it is resolved in insolvency proceedings is lower than the rate of satisfaction offered to the creditors of the individual groups under this Restructuring Plan. The Entrepreneur submits this Restructuring Plan in the full belief that it represents the most advantageous solution for the Affected Parties. Details are set out in the sections 6 a 7 of the Restructuring Plan.
- (16) The proposed satisfaction of the Affected Parties is 100% of their claims. For the purposes of this Restructuring Plan, the Affected Parties have been divided into groups so that each group contains Affected Parties with substantially identical legal status and substantially identical economic interests. The Entrepreneur does not find any relevant material difference between the Affected Parties that would justify segmenting the Affected Parties into more groups than the law requires.
- (17) The undertaking has therefore divided the Affected Parties into groups according to the requirements of Section 32(3) of the Preventive Restructuring Act. Individuals who are not VAT payers and related parties form a separate group. More detailed information on the division of the Affected Parties into groups is provided in the section 5 of the Restructuring Plan.

## B. Descriptive part

### 1. Description of the Business and its activities

#### 1.1 Identification of the Entrepreneur

- (18) The entrepreneur is the company **Liberty Ostrava a.s.**, with its registered office at Vratimovská 689/117, Kunčice, 719 00 Ostrava, ID No.: 45193258, registered in the Commercial Register kept at the Regional Court in Ostrava under No.
- (19) The shareholder, i.e. the sole shareholder of the Business, is **LIBERTY OSTRAVA LIMITED**, a company with registered office at C/O Marble Power Ltd, 1st Floor, 3 More London Place, London, United Kingdom, SE1 2RE, registration number: 12055100. The company has issued shares to holders in book-entry form and the share capital has been fully paid up.
- (20) The statutory body of the Entrepreneur is a 4-member Board of Directors. The Chairman of the Board of Directors is Mr. **Ajay Kumar Aggarwal**, born on 1 November 1968, residing at 71 Langthorne street, London, SW66JU, United Kingdom. The Board of Directors of the Company is further comprised of the Vice-Chairman, Mr. **Iain Mark Hunter**, born 31.1.1970, residing at SS80GD Canvey Island, Essex, 2 Magnolia Close, United Kingdom, and 2 Directors, Mr. **Sanjeev Gupta**, born 31.1.1970, residing at SS80GD Canvey Island, Essex, 2 Magnolia Close, United Kingdom. born 27.9.1971, residing at Frond D, Villa 143, Palm Islands, Dubai, United Arab Emirates, and Mr **Deepak Sogani**, born 3.2.1966, residing at 704-A, Beverly Park-1, Near Time Tower, M G Road DLF Phase 2, 122009 Gurgaon, Haryana, Republic of India.
- (21) The controlling body of the Entrepreneur is the 3-member Supervisory Board. The Chairman of the Supervisory Board is Mr. **Roland Junck**, born 10.11.1955, residing at 8032 Zurich, Pilatusstrasse 12, Swiss Confederation. The Supervisory Board also consists of 2 members, Mr. **Bc. Ashok Virupaksha Gowda Patil, MBA**, born on 25 January 1967, residing at Důlní 3347/1, Moravská Ostrava, 702 00 Ostrava, and Mr. **Ing. Petr Slanina**, born 21.2.1971, Jandova 268/22, Darkovičky, 748 01 Hlučín.
- (22) The beneficial owner according to the Law No. 37/2021 Coll., on the registration of beneficial owners is Mr. **Sanjeev Gupta**, born 27.9.1971, residing at Frond D, Villa 143, Palm Islands, Dubai, United Arab Emirates.
- (23) An extract from the Business Register of the Entrepreneur dated 6 March 2024 and a partial extract of the valid data from the register of beneficial owners dated 6 March 2024 form an Annex to this Restructuring Plan.

#### 1.2 Description of the Entrepreneur's business activity

- (24) Entrepreneur is an integrated metallurgical enterprise with a long tradition in the Ostrava region. The current company of the Entrepreneur, i.e. Liberty Ostrava a.s. (formerly also NOVÁ HUŤ, a.s. and ArcelorMittal Ostrava a.s.), was founded in 1992.
- (25) The Company's production activity is mainly focused on the production and processing of pig iron, steel and metallurgical secondary production. The main products of the metallurgical primary production are pig iron and metallurgical coke. Until December 2023, the Business produced more than 2 million tonnes of steel per year, with the steel produced still finding

applications mainly in the construction, engineering and petrochemical industries. Long and flat rolled products account for the largest share of metallurgical production. Engineering production produces mostly mining reinforcements and road barriers. The company is the largest producer of road barriers and pipes in the Czech Republic. In addition to the domestic market, it supplies its products to more than 40 countries worldwide. The business produces iron and steel in compliance with all environmental regulations and meets the EU Best Available Technique (BAT) emission limits that came into force in 2016. Service and servicing activities are predominantly provided by the company's own servicing plants. The company employs 5,191 employees as of 1 March 2024.

(26) According to the current extract from the Commercial Register, the following activities are the subject of the Entrepreneur's business:

- locksmith, toolmaking
- blacksmithing, horseshoeing
- plumbing and body repair
- roofing, carpentry
- joinery, flooring
- Masonry
- manufacture, installation and repair of el. Machinery and apparatus
- technical and organizational activities in the field of fire protection
- license to operate rail transport Ev. NO. L/1995/0036
- provision of technical services for the protection of property and persons
- repair of other transport equipment and working machines
- the implementation of buildings, their changes and removal
- road vehicle repairs
- plumbing, heating
- Machining
- installation, repair, revision and testing of electrical equipment
- assembly, repairs, revisions and tests of lifting equipment
- installation, repair, revision and testing of gas equipment and filling of gas containers
- provision of technical services for the protection of property and persons

- road motor transport - personal operated vehicles designed for carrying more than 9 persons including the driver - freight operated vehicles or combinations of vehicles of a maximum permitted weight not exceeding 3.5 tonnes are intended for the transport of animals or things - personal operated vehicles designed for carrying not more than 9 persons including the driver
- implementation of blasting works
- manufacture, installation, repair of electrical machinery and apparatus, electronic and telecommunications equipment
- business in the field of hazardous waste management
- foundry, modelling
- project activity in construction
- Insulation
- psychological counselling and diagnostics
- assembly, repairs, revisions and tests of pressure equipment and gas containers
- official permit: - to operate the Ev. No. ÚP/1995/0013 - to operate the railway Ev. NO. ÚP/1999/2640
- License No 110101294 - Group 11 electricity generation
- License No 120101291 - Group 12 electricity distribution
- License No 220101041 - Group 22 gas distribution
- License No 310101289 - Group 31 production of thermal energy
- License No 320101300 - Group 32 Distribution of thermal energy
- Licence No 140304070 - Group 14 electricity trading
- repair of working machines
- manufacture of hazardous chemicals and hazardous chemical mixtures and sale of chemicals and chemical mixtures classified as highly toxic and toxic
- telecommunications activities
- electroplating, enameling
- activities of accounting advisors, bookkeeping, tax record keeping
- painting, varnishing, painting
- performance of surveying activities

- production, trade and services not specified in annexes 1 to 3 trade act.



(27) The entrepreneur is a partner in the following subsidiaries:

- Liberty Distribution Ostrava s.r.o., ID No.: 282 13 441, with registered office at Vratimovská 689/117, Kunčice, 719 00 Ostrava, registered in the Commercial Register maintained by the Regional Court in Ostrava under file No. C 32034 (share: 100 %) (hereinafter referred to as "**Liberty Distribution Ostrava s.r.o.**"),
- Liberty Technotron s.r.o., IČO: 62360116, with its registered office at Křižíkova 1377, Frýdek, 738 01 Frýdek-Místek, registered in the Commercial Register maintained by the Regional Court in Ostrava under file No. C 8061 (share: 100%) (hereinafter referred to as "**Liberty Technotron s.r.o.**"),
- Liberty Engineering Products Ostrava s.r.o., ID No.: 62362411, with registered office at Vratimovská 689/117, Kunčice, 719 00 Ostrava, registered in the Commercial Register maintained by the Regional Court in Ostrava under file No. C 13172 (share: 100%) (hereinafter referred to as "**Liberty Engineering Products s.r.o.**"),
- STEELTRADE, s.r.o., ID No.: 604 66 839, with its registered office at Politických vězňů 934/15, Nové Město, 110 00 Prague 1, registered in the Commercial Register maintained by the Municipal Court in Prague under No. C 26870 (business share: 255/2500) (hereinafter referred to as "**STEELTRADE, s.r.o.**"),
- MG Odra Gas, spol. s r.o., ID No.: 465 77 220, with registered office at Na Popinci 1088, 739 32 Vratimov, registered in the Commercial Register maintained by the Regional Court in Ostrava under Case No. C 3317 (share: 30%) (hereinafter referred to as "**MG Odra Gas, spol. s r.o.**"),
- Czech Slag - Nová Hut' s.r.o., ID No.: 60775289, with its registered office at Frýdecká 708/462, Kunčice, 719 00 Ostrava, registered in the Commercial Register maintained by the Regional Court in Ostrava under No. C 7071 (share: 35%) (hereinafter referred to as "**Czech Slag - Nová Hut' s.r.o.**"),
- Liberty Commercial Czech Republic k.s., ID No.: 05433266, Vratimovská 689/117, Kunčice, 719 00 Ostrava, registered in the Commercial Register maintained by the Regional Court in Ostrava under No. A 21499 (general partner) (hereinafter referred to as "**Liberty Commercial Czech Republic k.s.**"),
- První Signální a.s., ID No.: 25866907, registered office Bohumínská 368/172, Muglinov, 712 00 Ostrava, registered with the Regional Court in Ostrava under file No. B 2397 (share: 15%) (hereinafter referred to as "**První Signální a.s.**"),
- FERROMET a.s., ID No.: 00000884, registered office at Kollárova 1229, 698 01 Veselí nad Moravou, registered with the Regional Court in Brno under file No. B 5601 (share: 0.15%) (hereinafter referred to as "**FERROMET a.s.**"),
- Ocelářská unie a.s., ID No.: 47115998, registered office at Jindřišská 939/20, Nové Město, 110 00 Prague 1, registered with the Municipal Court in Prague under file No. B 1817 (share: 38.02 %) (hereinafter referred to as "**Ocelářská unie a.s.**"),
- Moravia Banka, a.s., in liquidation, ID No.: 45192855, registered office at Palackého 133, Místek, 738 01 Frýdek-Místek, registered with the Regional Court in Ostrava under file

No. B 446 (share: 7.57 %) (hereinafter referred to as "**Moravia Banka, a.s., in liquidation**"),

- Liberty Commercial PL sp. z o.o., reg. No.: Co No. 0000779597., with registered office at Francuska 36, 3rd floor, 0-506 Katowice (share: 100%) (hereinafter referred to as "**Liberty Commercial PL sp. z o.o.**"),
- Liberty Commercial Germany GmbH, reg. Number: HRB 86528, registered office: Ratingen Geschäftsanschrift: Bürohaus am See, Am Brüll 17, 40878 Ratingen (share: 100 %) (hereinafter referred to as "**Liberty Commercial Germany GmbH**").

(28) The relations of the Entrepreneur with related parties are also described in *Annex 5 - Subsidiaries\_1/2024*.

(29) The entrepreneur does not have a branch or other part of a business establishment or organizational unit located abroad.

### 1.3 Organizational structure of the Entrepreneur

(30) Brief characteristics of the Entrepreneur's plants:

- Plant 3 - Maintenance

The Maintenance Plant is a repair and maintenance complex, providing the needs of the Company's plants for maintenance, repairs, modernization of production equipment and capital construction.

- Race 5 - Transport

The Transportation Plant provides for the transportation needs of the Entrepreneur and has locomotives, special rolling stock, rail cars and rail infrastructure.

- Race 10 - Coking plant

The Koksovna plant is one of the coke producers in the Czech Republic. Two coke batteries with packed operation have an annual capacity of about 0.5 million tonnes of coke.

- Plant 12 - Blast Furnaces

The blast furnace plant has four blast furnaces. There are currently 2 blast furnaces with an annual capacity of over 2 million tonnes, but the operation of one blast furnace is sufficient to meet the current requirements of pig iron customers. The bulk of the liquid pig iron production is consumed by Plant 13 - Steelworks. Blast furnace slag products are sold to external customers and are mainly used for construction purposes.

The range of pig iron and slag products meets the requirements of ČSN EN ISO 9001, 14001, 45001 and 50001.

- Plant 13 - Steelworks

The Steelworks plant is the largest steel producer in the Czech Republic. Steel is produced by oxygen process in Tandem furnaces with a theoretical annual capacity of over 3 mil. Tandem steel production capacity is about 3.3 tons. One Tandem furnace is capable of producing 3000t of steel per day. After the blasting, the steel is finished to the target parameters for casting in the ladle furnaces. Next, the liquid steel is cast in sequences on three ZPO plants into billets or slabs.

- Plant 14 - Rolling mills

The Long Products Rolling Mill is the largest end producer in the industry, producing and supplying long rolled products for building and construction in both domestic and international markets. Finished lines are represented by two profile lines - the Medium Rolling Mill and the Rough Rolling Mill, the Steckel Strip Line and the Wire Line, which provide a wide range of profiles, strips and wires.

- Plant 15 – Pipe mill

The Pipe mill plant is the final manufacturer of steel pipes. The main production program of the plant is seamless tubes rolled on two lines. Welded tubes are also produced. Pipes are produced and supplied for both the domestic and foreign markets.

(31) The organizational structure of the Entrepreneur with the definition of organizational units is part of *Annex 10 of the Restructuring Plan*.

## **2. Assets and liabilities of the Entrepreneur**

### **2.1 Property and other assets of the Entrepreneur recorded in the balance sheet**

(32) Given the size of the Business's plant, it is not possible for the Business to have fully reliable accounts until at least three weeks after the date to which the accounts are prepared. Accordingly, the Entrepreneur has based the preparation of this Schedule on January month-end accounting information and, to the extent possible, has prepared February month-end financial statements for audit purposes, which it has verified have not changed in a manner that would have a material effect on the facts presented in the Schedule.

(33) As of 31 January 2024, the Entrepreneur reported total assets of CZK 30,836,422,000. The book value of fixed assets amounted to CZK 10,124,435,000, of which fixed tangible fixed assets amounted to CZK 9,414,140,000 and fixed financial assets amounted to CZK 675,989,000. The asset amounts are stated in net values. The value of equity was CZK 13,901,775,000.

(34) Fixed assets of the Entrepreneur consist mainly of fixed tangible assets, consisting of immovable and movable assets, and fixed financial assets.

(35) Tangible fixed assets are mainly land, buildings and individual movable assets and groups of movable assets, some of which are subject to security rights, in particular pledge rights. The list of immovable assets is attached as *Annex 11 - List of land as at 31.1.2024* together with *Annex 12 - List of tangible fixed assets as at 31.1.2024*.

(36) The Entrepreneur owns the following as of the date of this Restructuring Plan:

- 100% share in the company Liberty Distribution Ostrava s.r.o. with a purchase value of CZK 261,548, -,
- 100% share in Liberty Technotron s.r.o. with a purchase value of CZK 40,800,000,
- 100% share in Liberty Engineering Products Ostrava s.r.o. with a purchase value of CZK 504,549,716.-,
- a business share of 255/2500 in the company STEELTRADE, s.r.o. with a purchase value of CZK 101,000,
- 30% share in MG Odra Gas, spol. s r.o. with a purchase value of CZK 104,791,247, -,
- 35% share in the company Czech Slag - Nová Hut' s.r.o. with a purchase value of CZK 70,000,
- Liberty Commercial Czech Republic k.s., ID No.: 05433266, Vratimovská 689/117, Kunčice, 719 00 Ostrava (general partner),
- 15 % share in První Signální a.s. with the acquisition value of CZK 150.000, -,
- 0.15% share in FERROMET a.s. with a purchase value of CZK 600,000 (The entrepreneur does not have information on the exact value of the share),
- 38.02 % share in Ocelářská unie a.s. with a purchase value of CZK 25,001,011,
- 7.57 % stake in Moravia Banka, a.s., in liquidation,
- 100 % share in Liberty Commercial PL sp. z o.o. with the acquisition value of CZK 2.985.000, -,
- 100% share in Liberty Commercial Germany GmbH with a purchase value of CZK 640,125.

The so-called net value of the shares is determined as of 31 January 2024. As of 31 January 2024, the total net value of the above-mentioned shares amounts to CZK 675,989,187.- (See *Annex 8 - List of financial investments of Liberty Ostrava as of 31 January 2024*).

- (37) A part of the assets of the Entrepreneur is also made up of receivables, whereby both the long-term receivables of the Entrepreneur and the short-term receivables of the Entrepreneur are mainly composed of receivables from a controlled person or a controlling person.
- (38) A brief comparison of the assets of the Business as reported in the balance sheet as at 30 November 2023, i.e. the interim financial statements prepared for the purposes of the Sanation Project, with the balance sheet as at 31 January 2024 is set out in the following table. The asset amounts are presented in net terms.

	<b>Balance sheet as at 30 November 2023</b>	<b>Balance sheet as at 31 January 2024</b>
<b>Total assets</b>	31.419.664.000,- CZK	30.836.422.000,- CZK
<b>Intangible fixed assets</b>	35.356.000,- CZK	34.306.000,- CZK
<b>Tangible fixed assets</b>	9.492.225.000,- CZK	9.414.140.000,- CZK
<b>Non-current financial assets</b>	675.989.000,-CZK	675.989.000,-CZK
<b>Claims</b>	16.168.942.000,- CZK	16.270.177.000,- CZK
<b>Funds</b>	36.923.000,- CZK	19.405.000,- CZK

(39) All assets of the Entrepreneur are shown in *Annex 6 - Statements of Liberty Ostrava as of 31.1.2024*. At the same time, the Entrepreneur submits the information in *Annex 14 - List of receivables as of 31.1.2024* and *Annex 15 - List of inventories as of 31.1.2024*.

## 2.2 Liabilities and other liabilities of the Entrepreneur recorded in the balance sheet

(40) As of 31 January 2024, the Entrepreneur reported liabilities in the total amount of CZK 16,336,316,000, including any disputed liabilities.

(41) Long-term liabilities of the Entrepreneur consist mainly of liabilities to a controlled person or a controlling person and long-term loans from third parties.

(42) Current liabilities are mainly made up of trade payables or payables consisting of short-term financial assistance, payables to employees, social security and health insurance payables, tax payables and grants, accrued liabilities and other liabilities.

(43) A brief comparison of the liabilities of the Business as reported in the balance sheet as at 30 November 2023, i.e. the interim financial statements prepared for the purposes of the Sanation Project, with the balance sheet as at 31 January 2024 is set out in the following table.

	<b>Balance sheet as at 30 November 2023</b>	<b>Balance sheet as at 31 January 2024</b>
<b>Long-term liabilities</b>	3.691.091.000,-CZK	3.784.271.000,- CZK
<b>Short-term liabilities</b>	12.616.245.000,- CZK	12.552.045.000,- CZK

(44) All liabilities of the Entrepreneur are reflected in *Annex 6 - Statements of Liberty Ostrava as of 31.1.2024* together with *Annex 17 - List of liabilities as of 31.1.2024*.

## **2.3 Assets and liabilities of the Entrepreneur not recorded in the balance sheet**

### **2.3.1 Assets of the Entrepreneur not recorded in the balance sheet**

- (45) The Entrepreneur's assets not recorded in the balance sheet are mainly represented by machinery and equipment used by the Entrepreneur under lease and rental agreements. As at 31 January 2024, the total amount of assets not recorded in the balance sheet amounted to CZK 1,884,168,013.
- (46) The assets not listed in the balance sheet are mainly represented by assets subject to operating leases, the total amount of which amounts to CZK 1,427,180,476, with a substantial part of these assets consisting of locomotives.
- (47) Furthermore, the Entrepreneur's assets not recorded in the balance sheet are represented by the so-called small assets of the Entrepreneur, which are mainly inventory, tools or personal protective equipment, while the value of these so-called small assets reached a total amount of CZK 457,119,589 as of 31 January 2024. Small assets are defined as assets with a value of more than CZK 1 000 but less than CZK 80 000.
- (48) The entrepreneur records guarantee received in the amount of CZK 359,363,875 among off-balance sheet assets, and these guarantees consist of both corporate and bank guarantees.
- (49) The above forms *Annex 16 - Operating leases and rentals, Annex 13 - List of small assets and Annex 18 - Guarantees received and given*.

### **2.3.2 Liabilities of the Entrepreneur not recorded in the balance sheet**

- (50) Liabilities of the entrepreneur not recorded in the balance sheet consist mainly of liabilities from unpaid bank and corporate guarantees or from outstanding leases.
- (51) The Entrepreneur also records among the so-called other liabilities not reported in the balance sheet a contract for the purchase of oxygen, nitrogen, argon and acetylene, according to which the Entrepreneur is obliged to purchase the total demand for these gases until August 2032. As of 29 February 2024, the outstanding part of the obligation amounted to CZK 4,884,421,000.

## **2.4 Estimation of the market value of the Entrepreneur's assets**

- (52) Based on consultations with external experts, the Entrepreneur estimates the current market value of its property determined in accordance with Act No. 151/1997 Coll., on the valuation of property at CZK 19,391,001,000 (see *Appendix No. 9 - Estimated market value as of 31 January 2024*).
- (53) However, the Entrepreneur also points out that, in addition to the normal uncertainties inherent in any estimate of market value, it must be realized in this case that the vast majority of the entrepreneur's tangible movable and immovable assets are integrated in its industrial plant, which has been in continuous operation for more than 70 years. The price realized when attempting to sell these assets other than in the context of ongoing operations may therefore deviate quite substantially from the price established by the valuation procedures and such a sale may not even succeed.

## 2.5 Data update

- (54) The schedules of assets and liabilities referred to above were prepared by the Entrepreneur as on 31 January 2024 and the estimated market value of the Entrepreneur's assets was also determined as on 31 January 2024. The above was submitted as at that date in view of the date of submission of the Restructuring Plan in the first half of March 2024 and the reality of the operation of the Entrepreneur's plant and its size.
- (55) The Entrepreneur also submits interim financial statements as of 29 February 2024, which form Annex 7 and are an integral part of this Restructuring Plan. These interim financial statements show that there have been no significant changes in the interim period of one month, except for the impairment of current receivables due to the creation of provisions for TAMEH or the deepening of the loss in relation to the result of the current financial year. For comparative purposes, the most significant items are shown in the table below.

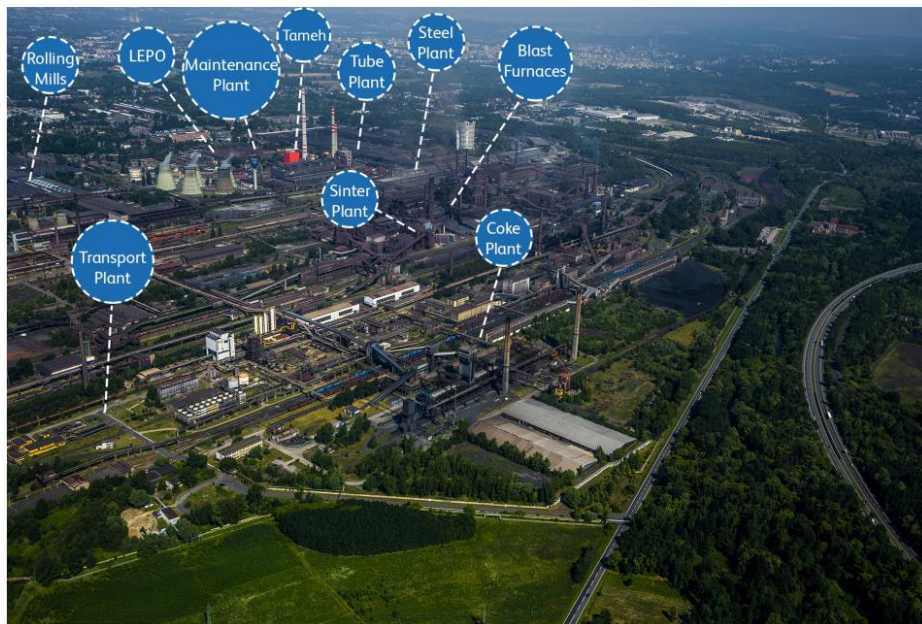
	<b>Balance sheet as on 31 January 2024</b>	<b>Balance sheet as on 29 February 2024</b>
<b>Short-term receivables</b>	14.485.499.000,- CZK	13.961.873.000,- CZK
<b>Profit or loss for the current financial year</b>	- 2.174.238.000,- CZK	- 3.250.760.000,- CZK

(see Annex 7 - Liberty Ostrava statements as of 29.2.2024).

### 3. Description of the economic situation of the Entrepreneur and the causes of the difficult financial situation

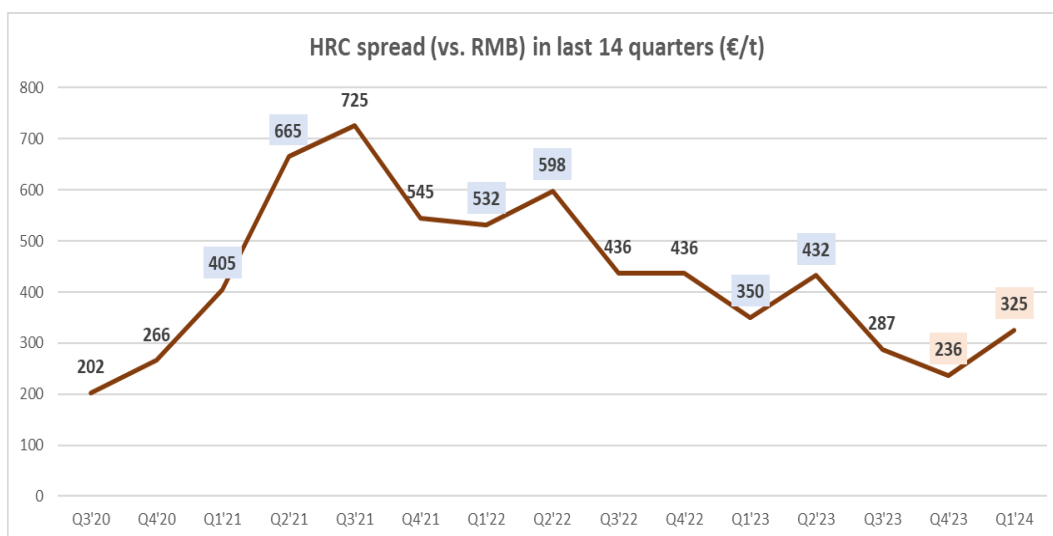
#### 3.1.1 Description of the development of the economic situation of the Entrepreneur

- (56) The company has an annual production capacity of approximately 2 million tonnes of steel. In addition to the Czech market, the company sells its products to more than 40 countries around the world. The company produces iron and steel in compliance with all environmental regulations. It complies with the EU Best Available Technique (BAT) emission limits that came into force in 2016. The Entrepreneur and its subsidiaries together employ approximately 6,000 people (for the number of employees of the Entrepreneur, see section 4).

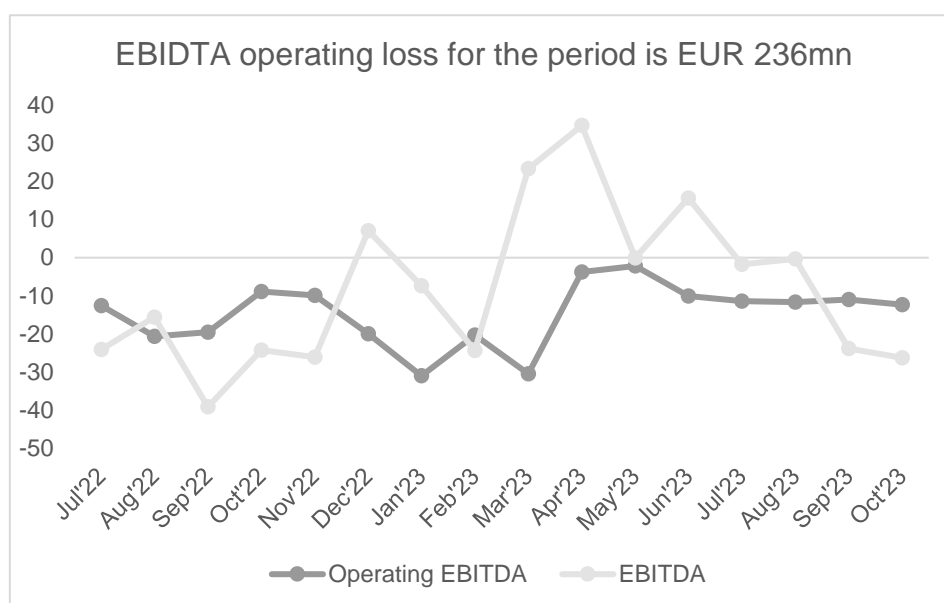


- (57) The business of the Entrepreneur and its economic results are directly dependent on the prices of inputs required for production and energy and media, as well as on the prices of the products produced by the Entrepreneur. The market on which the Entrepreneur operates is essentially a global market, or at least a continental market, and in particular the prices of products are not able to be influenced by the Entrepreneur in the long term (they are determined by the market) and thus pass on their input costs in full to their customers.
- (58) During the last three years, there have been a few global events (the COVID-19 pandemic, the war in Ukraine, rising interest rates, inflationary pressures) that have affected the steel industry. All steel companies have been affected globally by the lack of demand and exponentially rising energy costs. The steel industry in Europe faced challenges due to excessive imports from countries with low production costs or countries with high state support.
- (59) The chart below shows the declining profitability of HRC (*hot rolling coil*), the most important product in the Entrepreneur's current production. Within the above chart, HRC is compared to RMB (*raw material basket*). The chart demonstrates the declining margin, or the share of input costs and collections to output.





(60) To adapt to macroeconomic changes, the entrepreneur reduced primary production and subsequently operated downstream operations with lower capacity. The negative trend in earnings before interest, taxes, depreciation and amortization (EBITDA), mostly in 2023, is shown in the following chart:



	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22	Dec'22	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Total
Provozní EBITDA	-13	-21	-20	-9	-10	-20	-31	-20	-31	-4	-2	-10	-11	-12	-11	-12	-236
CO2 nákupy (m€)	-12	-12	-14	-11	-11	-11	-11	-10	-11	-11	-11	-11	-11	-11	-11	-11	-183
CO2 prodeje (m€)	0	21	0	0	0	47	43	13	69	52	22	38	27	26	1	0	359
EBITDA	-24	-16	-39	-24	-26	7	-7	-24	23	35	0	16	-2	0	-24	-26	-133

(61) In order to limit the impact of negative market developments, the Entrepreneur has already taken the following mitigating measures:

- On 26/07/2022, the Entrepreneur closed Blast Furnace No. 2 due to lack of market demand and to reduce operating costs and prevent further losses.
- On 19/09/2023, the Business stopped the operation of Coke Battery 11 in view of the ever-declining profitability and excess capacity in the market.

- The entrepreneur has also temporarily suspended blast furnace No. 3 as of 24 October 2023 (complete shutdown is not possible due to irreparable damage to the equipment).
- The entrepreneur also decided to stop manufacturing loss-making products such as wire products. The operation of the wire rod mill has been temporarily suspended with the understanding that the situation will be reviewed on an ongoing basis in the light of market developments and consideration will be given to the possible resumption of production.
- The entrepreneur entered into negotiations with its creditors, including EGAP, with which it concluded an agreement on a payment plan.
- On 28 November 2023, the Entrepreneur filed a motion to declare an individual moratorium under the Preventive Restructuring Act for a period of three months against its energy supplier, the creditor TAMEH. By order of the Regional Court in Ostrava dated 29 November 2023, No.12 Nc 1/2023-9, the court granted the motion and ordered the Entrepreneur to initiate restructuring proceedings under the Preventive Restructuring Act within 30 days.
- On 14 December 2023, TAMEH filed an insolvency petition against itself; by order of the insolvency court dated 19 December 2023, No.KSOS 34 INS 19874/2023-A-14, the court decided on the bankruptcy of the debtor TAMEH.
- In the above-mentioned situation, on 19 December 2023, the Entrepreneur submitted the Rehabilitation Project to the creditors and initiated preventive restructuring pursuant to the Preventive Restructuring Act and at the same time proposed a general moratorium.
- On 21 December 2023, the Restructuring Court, by order No. 12 C 1/2023-13, declared a general moratorium for a period of three months.
- On 21 December 2023, TAMEH ceased supplying energy to the Entrepreneur and the Entrepreneur was forced to cease its operations.
- On 14 February 2024, the Restructuring Court, by order No. 12 C 1/2023, ordered a hearing on 28 February 2024 in the exercise of its supervisory function to consider whether the conditions for the continuation of the general moratorium or for its lifting pursuant to Section 84(2)(c) of the Act on Preventive Restructuring were met.
- On 22 February 2024, the Entrepreneur filed the Entrepreneur's Statement on the Restructuring Trustee's Motion to Lift the General Moratorium (the "**Statement**"), with which it disagreed due to its unreasonableness. The Entrepreneur, among other things, pointed to the statements attached to the Statement, drawn up by the authorized person in strict compliance with the relevant regulations, which always verified the fulfilment of the condition of the presumption of non-insolvency pursuant to Article 3(3) of the Insolvency Act, whereas according to the first statement, drawn up at the end of October, the coverage gap was less than the statutory limit of 10%, but further decreased to only 6.7% at the end of the year.
- On 28 February 2024, the Restructuring Court, by order No. 12 C 1/2023-535, rejected the Restructuring Trustee's motion to lift the general moratorium declared on the Entrepreneur's property.

- (62) The Entrepreneur remains in continuous contact with its creditors and keeps them informed of the situation in order to obtain their support for this Restructuring Plan, which is intended to be the result of a consensus of all the Affected Parties, with the aim of negotiating the most favorable terms for the fulfilment of its obligations.
- (63) The entrepreneur is currently subjecting its business model to a rigorous evaluation and adapting it in line with the current and future market situation. These market forecasts, which are subject to critical evaluation by external specialists, show positive results in relation to the price growth of the Entrepreneur's major products. In particular, the forecasts show a positive turnaround in product prices and a decline in input prices in the context of the expected economic recovery (see CF Plan).
- (64) Accordingly, the Business believes that, upon resumption of production, the Business's major product manufacturing operations can be highly profitable and, subject to the terms and conditions set forth in this Restructuring Plan, the Business can continue to operate its plant.

### 3.1.2 Economic results of the Entrepreneur

- (65) The net turnover of the Entrepreneur for the period from 1 April 2023 to 31 January 2024 was CZK 30,744,942,000. According to the profit and loss statement as on 31 January 2024, the Entrepreneur recorded a loss in this period in the total amount of CZK 2,171,718,000 before tax (CZK 2,174,238,000 after tax).
- (66) As of 31 January 2024, the Entrepreneur's total revenues from the sale of products and services amounted to CZK 16,090,144,000 and total revenues from the sale of goods amounted to CZK 27,885,000.

(see Annex 6 - Liberty Ostrava's statements as of 31.1.2024).

- (67) By ceasing production in December 2023, the Entrepreneur has lost the ability to generate new operating income. The re-emergence of these revenues following the gradual resumption of production can be seen in Annex 7.

### 3.1.3 Entrepreneur's costs

- (68) The fixed costs of an Entrepreneur refer to expenses that do not vary with the level of production or sales. These costs remain fairly constant regardless of the volume of steel produced. Fixed costs are incurred to maintain the plant's operating capacity and infrastructure, including, but not limited to, employee salaries, repairs and maintenance, insurance fees, real estate taxes, administrative and office costs and security costs ("**Fixed Costs**"). Fixed costs currently amount to approximately EUR 17,600,000 per month.
- (69) See the table below for an illustration of the evolution of Fixed Costs:

Fixed cost (m€):	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24
Employee cost	17,0	14,7	16,0	15,0	14,3	15,1	11,7	13,3	13,6	11,8
R&M	1,0	1,9	2,3	1,7	3,1	1,3	1,1	1,8	0,5	0,3
SG&A	0,9	1,3	1,1	0,8	0,9	0,7	1,5	0,5	1,4	0,8
Other overheads	2,2	1,8	2,0	1,8	1,8	2,0	1,7	1,5	1,7	1,6
Energy & Utilities	3,4	1,8	1,3	1,5	1,5	1,5	1,6	3,7	3,3	1,5
Mng. Fee	1,8	1,7	1,8	1,7	2,6	1,7	1,7	1,7	1,7	1,7
<b>Total</b>	<b>26,4</b>	<b>23,1</b>	<b>24,6</b>	<b>22,5</b>	<b>24,2</b>	<b>22,3</b>	<b>19,3</b>	<b>22,5</b>	<b>22,3</b>	<b>17,6</b>

- (70) A brief comparison of the Entrepreneur's costs as reported in the balance sheet as at 30 November 2023, i.e. the interim financial statements prepared for the Sanation Project, with the balance sheet as at 31 January 2024 is set out in the following table.

	<b>Balance sheet as at 30 November 2023</b>	<b>Balance sheet as at 31 January 2024</b>
<b>Power consumption</b>	16.191.452.000,- CZK	17.188.114.000,- CZK
<b>Personal costs</b>	2.774.709.000,-CZK	3.433.943.000,-CZK
<b>Other operating costs</b>	8.432.042.000,-CZK	8.683.474.000,-CZK

(see Annex 6 - Liberty Ostrava's statements as of 31.1.2024).

#### **4. Number of employees**

- (71) As of 1 March 2024, the entrepreneur employs 5,191 employees in a basic employment relationship within the meaning of Section 3 of the Labor Code, i.e. based on an employment relationship and a legal relationship based on an agreement on work performed outside the employment relationship.

- (72) As of 1 March 2024, 440 employees have a fixed-term contract, and 4 751 employees have an open-ended contract/contract for undefined period.

#### **5. Groups of Affected Parties**

- (73) The Entrepreneur has divided the Affected Parties into groups based on the criteria set out in paragraph 5.1 of the Restructuring Plan.

##### **5.1 Criteria for the formation of groups**

- (74) Section 32(1) of the Preventive Restructuring Act requires the division of the affected parties into groups for the purposes of voting on the adoption of the restructuring plan. The Preventive Restructuring Act requires that each group consist of parties that have:

- substantially identical legal status, and
- fundamentally identical economic interests.

- (75) Section 32(3) of the Preventive Restructuring Act requires the mandatory formation of such groups:

- Each affected party with a secured claim, whereby the collateral shall be deemed to be, pursuant to Section 2(f) of the Preventive Restructuring Act, a security interest in the assets of the Entrepreneur, and only a lien, retention right, restriction on transfer of real property, security interest transfer, assignment of a security claim or similar right under foreign law, and a collateral agent.

- The shareholders of the entrepreneur, whereby in order for a shareholder of the entrepreneur to be considered an Affected Party, his right must be directly affected by the restructuring plan, and he must have been served with a written invitation to commence negotiations on the restructuring plan (provisions of Section 2(e) of the Preventive Restructuring Act).
- Related Persons - The Preventive Restructuring Act considers a related person in the provisions of Section 2(j)(i)-(iv) (hereinafter referred to as "**Related Persons**"):
  - i. the person controlling the entrepreneur, the person controlling the entrepreneur, all persons acting in concert to control the entrepreneur,
  - ii. a member of an elected body of an entrepreneur, a person in a similar position to a member of an elected body, regardless of his or her relationship to the entrepreneur, or a natural person representing a legal person who is a member of an elected body of a business corporation in the performance of his or her duties as a member of an elected body,
  - iii. a person controlled by a person in paragraph (i) and (ii)
  - iv. a person close to the persons referred to in paragraphs (i) and (ii).
- Individuals who are not payers of value added tax.

(76) There are no secured creditors among the Affected Parties and the Restructuring Plan does not directly affect a shareholder of the Entrepreneur. Therefore, based on statutory requirements, the Entrepreneur has mandatorily created separate groups for related parties and individuals who are not subject to value added tax.

(77) The legal position and economic interests of all the Relevant Parties are fundamentally the same and the Entrepreneur has therefore not proceeded to establish any further criteria for segmenting the Relevant Parties.

## 5.2 Groups of Affected Parties and the value of claims in each group

(78) After considering the above criteria, the Entrepreneur has divided the Affected Parties into the following groups:

- Group 1 consists of Affected Parties not classified in either Group 2 or Group 3 ("**Ordinary Creditors**").
- Group 2 consists of Affected Parties, which are natural persons who are not value added tax payers (hereinafter referred to as "**Small Creditors**").
- Due to the statutory requirement of Section 32(3)(c), Related Persons form a separate Group 3.

(79) An overview of the amount of the claims of the Affected Parties by individual groups and their satisfaction rate is presented in the table below:

<b>Affected Parties Group</b>	<b>Amount of claims</b>	<b>Satisfaction rate</b>
<b>Group 1 - Ordinary creditors</b>	2.301.419.653,-CZK	100 %
<b>Group 2 - Small creditors</b>	944.800,- CZK	100 %
<b>Group 3 - Related parties</b>	24.616.408,- CZK	100 %
<b>Total</b>	2.326.980.861,-CZK	100 %

(80) A breakdown of the Relevant Parties into groups, including an indication of the aggregate amount of their claims and the voting share of each group, is set out in Annexes 22, 23 and 24.

(81) The impact of the Restructuring Plan on the Affected Parties consists in the postponement of the maturity of their claims. Details of the effects of the Restructuring Plan on the Affected Parties are set out in section 9 of the Restructuring Plan.

## **6. Prospects for restarting the Entrepreneur's plant and avoiding insolvency**

(82) Integrated steel plants have high costs and are dependent on the prices of steel products sold on the market. The cost structure of these companies is divided into fixed and variable costs. Variable costs are mainly represented by the costs of input materials and energy. Fixed costs are mainly represented by labor and maintenance costs. An increase in production reduces the intensity of fixed costs per unit of output (in EUR/tonne), which increases profitability. An increase in demand for steel products leads to an increase in production and a decrease in cost intensity (per unit of production). The market for steel products is very volatile with large price fluctuations. This forces producers to be as efficient as possible in their cost structure. At the same time, manufacturers must be as flexible as possible and continuously adapt to developments in order to succeed.

(83) All steel producers assume a minimum amount of production volume for the sustainability of their business, as they are (especially in Central and Western Europe) companies with a large share of fixed costs. Optimized adjustment of production levels of primary and downstream products leads to efficient operation of the overall production needed for local and regional markets. End prices are formed by a combination of market conditions. For companies in the steel sector, the ability to adapt to market conditions with costs is crucial for sustainable operations.

(84) Over the course of 2023, conditions in Europe for the entire steel industry have deteriorated significantly. The main reasons for this include the war in Ukraine, the cooling of the Chinese economy and a substantial increase in overall energy costs. These conditions have put all steel producers in a very difficult financial situation and have forced major companies in the industry to adopt structural changes. Entrepreneur was no exception in this respect. As a result of the above, Entrepreneur's margins plunged into negative figures, leading to significant losses and inevitably leading to the forced shutdown of operations. Another negative factor was the terms of cooperation required from TAMEH as a supplier of energy and other utilities. The demands from TAMEH have exacerbated the overall burden of already high energy costs and have placed the Business in an unsustainable financial position in the long term under

current market conditions. Under these conditions, the Entrepreneur has been forced to restructure its business to put it back on a profitable trajectory so that it can maintain employment and contribute to the economic situation in the region. The restructuring plan is based on starting up production in the blast furnace and downstream production in the rolling mill, continuing the successful cooperation with the Entrepreneur's long-term customers, maintaining employment and fully repaying the Relevant Parties.

(85) The entrepreneur expects the following main changes in product mix and cost optimization:

- Adjustment of product composition

The entrepreneur expects to focus on products with higher margins. To this end, the Entrepreneur envisages a single-furnace primary production operation focusing on flat products and tubes and limiting the production of long products

- Cost optimization

The entrepreneur expects to optimize the cost structure in the following main areas:

Energy and media costs

- Alternative A is based on reaching an agreement with TAMEH on the supply of energy and utilities. Assuming an annual production of 960kt of steel products, the mutual agreement with TAMEH represents an annual saving of more than EUR 50 million for the Business under acceptable conditions.
- Alternative B is based on the commissioning of a replacement energy complex that will provide the media required for the operation of the Entrepreneur's plant (the "**New Energy Complex**"). Despite the higher initial investment costs, this option will provide a modern low-emission solution that will significantly reduce the Entrepreneur's operating costs. The estimated additional savings in operating costs under this solution amount to more than EUR 40 million per year over and above Alternative A.

Optimization of coke plant operation

There is currently an overcapacity of coke products on the market. At the same time, more technologically advanced and efficient coking plants have been launched, including high capacity in Indonesia. As a result, coke is available on the market at a lower price than the cost of producing it at the Entrepreneur's plant. The operation of the coke plant would currently burden the Business with further losses. The Entrepreneur does not foresee a full restart of production at the coking plant in the foreseeable future, which will result in further savings.

Adjustments to product mix and production volume

Operating only one blast furnace and 2 tandem furnaces and limiting the production of long products in the rolling mill will further optimize the costs of the Entrepreneur.

## Fixed costs

Optimization of fixed costs will further reduce the cost structure of the Business. The Entrepreneur expects to make more efficient use of resources to maintain the plant and reduce employee costs by naturally reducing the workforce.

- (86) The above are the main changes that will reduce production costs by more than €200 million per year. The entrepreneur is targeting an optimum plant production of approximately 80kt per month. Together with the reduction in energy and media costs and the reduction in fixed costs outlined in both Alternative A and Alternative B will lead to the generation of free cash flow. More details, including assumptions for this outlook based on externally verified market forecasts, are provided in the attached CF Plan.
- (87) The Group is ready to fully support the Entrepreneur. The Group is prepared to make a substantial contribution to the capital requirements of the Restructuring, particularly in the early stages when cash is required to purchase inventory and there are high working capital requirements.

## 7. Best Interest Test for Affected Parties

- (88) The Act on Preventive Restructuring requires the Entrepreneur to compare the position of the Affected Parties in a preventive restructuring with the situation that would arise in the event of insolvency proceedings (the so-called best interest test). According to Section 14(3)(g) of the Act on Preventive Restructuring, the result of this test is to demonstrate that preventive restructuring (i.e. the adoption of a restructuring plan and the restructuring measures set out therein) provides a *more advantageous* solution than insolvency proceedings. However, it is clear from the provisions of Section 98 of the Act on Preventive Restructuring (confirmation of the restructuring plan by the court) that it is sufficient if the solution of the preventive restructuring is *at least as* advantageous as it would be in the case of insolvency proceedings. The same is, moreover, expressly provided for in Article 2(1)(6) of Directive 2019/1023 and the Czech legislation must thus be read in the context of an EU Community-compatible interpretation.
- (89) Considering that the Entrepreneur assumes full satisfaction of the Affected Rights and therefore creditors cannot receive more in a hypothetical insolvency proceeding, he is convinced that the only possibility when the best interest test understood in this way could not be met would be if the insolvency proceeding not only offered the same (full) amount of satisfaction, but offered it in a shorter timeframe than the Entrepreneur assumes in the preventive restructuring.
- (90) The entrepreneur expects full satisfaction of creditors under the preventive restructuring in less than 30 months. Such rapid satisfaction is completely beyond the capacity of the insolvency proceedings, especially given the number of the Entrepreneur's creditors, the size of its plant and the complexity of the issues that would have to be resolved in the insolvency proceedings. The Entrepreneur is therefore convinced that the best interest test is already satisfied. For the sake of completeness, it further submits the following.



## 7.1 Full satisfaction of the Affected Rights

- (91) Under the Restructuring Plan, the Affected Rights will be satisfied in full (100%). In any insolvency proceedings, it is reasonable to assume that the outcome for the Affected Creditors would be only partial satisfaction. For this reason, the satisfaction of the Relevant Parties in insolvency proceedings would not reach the same level as under a preventive restructuring.
- (92) In the event of bankruptcy, the assets of the Entrepreneur would be monetized. The estimated market value of the Entrepreneur's assets is CZK 19,391,001,000 (see section **Chyba! Nenalezen zdroj odkazů.**). However, in the event of a sale of assets in the context of bankruptcy, it cannot be assumed that the realized price for the sale of assets from the estate will correspond to this value. As the experience of comparable insolvencies to date shows, the monetization of such a large and complicated set of assets is always a unique operation which may not even achieve a fraction of the estimated price, as the range of potential buyers is extremely limited. In addition, the costs of the insolvency proceedings must be considered (administrator's fees, costs associated with the sale, costs associated with the eventual winding up of the business, etc.). Therefore, in view of the total amount of liabilities and the extent of the collateral available to the secured creditors, the Entrepreneur considers that full satisfaction of the Relevant Parties in a hypothetical bankruptcy is not possible.
- (93) Even in the event of a reorganization of the satisfaction of the claims of the parties concerned, it is likely that the satisfaction of the claims of the parties concerned would be reduced: the reorganization plan could not be much different in substance from the present Restructuring Plan, but at the same time delays and thus delays in the process must be expected.

## 7.2 A narrower range of creditors in the preventive restructuring regime

- (94) Last but not least, if the Entrepreneur were to go bankrupt, the circle of its creditors in any insolvency proceedings would be wider than the circle of the Affected Parties during the preventive restructuring, including secured creditors.
- (95) The creditors EGAP, Greensill Bank AF i. Ins. and the Czech Republic - SFÚ, who are not a Relevant Party in the preventive restructuring, would be a secured creditor under Section 2(g) of the Insolvency Act in the event of insolvency proceedings.
- (96) EGAP, as the largest secured creditor of the Entrepreneur, is continuously reviewing its position and a standstill agreement has been signed. The agreement is based on monthly instalments that the Entrepreneur will pay in the future and which are envisaged in the CF Plan (see *Annex 19 and Annex 20*). Thus, the situation with EGAP is currently stable and the Entrepreneur does not foresee any material change in the future under the current situation. If insolvency proceedings are initiated against the Entrepreneur, the continuation of the current set-up with EGAP would very likely not be possible.
- (97) Greensill Bank AF i. Ins. is also continuously negotiating its position within the Entrepreneur Group. Discussions are continuing over the negotiation of further restructuring, including a new standstill agreement. Based on the ongoing situation, it is expected that a standstill agreement with Greensill Bank AF i. Ins. will be reached in the near future and will also include an agreement on repayments on similar material terms as in the case of EGAP (the amount of the monthly repayment will be in line with the situation with EGAP, so as to maintain the ratio of EGAP and Greensill Bank AF i. Ins. of 80:20 and is also envisaged in the CF Plan (see *Annex 19 and Annex 20*)). Thus, the situation with Greensill Bank AF i. Ins. is also largely

stabilised at present and, in the event of the opening of insolvency proceedings against the Entrepreneur, the continuation of the current set-up with Greensill Bank AF i. Ins. would very likely not be possible.

- (98) Czech Republic - The SFO approved the Entrepreneur to spread the payment of the tax into instalments based on the decision on tax postponement dated 4 March 2024. In the event of the commencement of insolvency proceedings against the Entrepreneur, the continuation of the current set-up with the Czech Republic - SFO would very likely not be possible.
- (99) As unsecured creditors, the parties concerned would thus be in a worse position in any insolvency proceedings than they would be in a preventive restructuring.

### **7.3 Preventive restructuring gives the parties concerned a more favorable position than insolvency proceedings**

- (100) The affected rights will be satisfied in full based on this Restructuring Plan. This means that the position of the Affected Parties is more favorable (or at least equally favorable) than it would have been if the Entrepreneur's potential bankruptcy had been resolved in insolvency proceedings. In the unlikely (or, rather, entirely hypothetical) event that the Relevant Parties (as unsecured creditors) would have received 100% of their claims in the insolvency proceedings, considering all the circumstances, it can be assumed that they would have received the benefits over a longer time horizon. The parties concerned will therefore be in a better position by adopting the Restructuring Plan than if the potential insolvency had been resolved in insolvency proceedings.

## **8. Estimation of value in possible insolvency proceedings**

- (101) The consideration that the Affected Parties receive in the preventive restructuring amounts to 100% of their Affected Rights. For this reason, it is not necessarily necessary to ascertain the exact value of any benefit that the Relevant Parties would receive in the insolvency proceedings, as its scope cannot exceed the value of the benefit in the preventive restructuring.

## C. Binding part

### 9. Affected rights and effects of the Restructuring Plan

(102) For purposes of this Restructuring Plan, the Entrepreneur has divided the Affected Parties into groups according to the criteria set forth in Section 5.

(103) The total amount of the claims of the Affected Parties that are directly affected by this Restructuring Plan ("**Affected Rights**") is CZK 2,326,980,861. A summary of all the Affected Rights by individual groups and the share of votes in each group is set out in the table below:

<b>Affected Parties Group</b>	<b>Value of claims</b>	<b>Satisfaction rate</b>
<b>Group 1 - Ordinary creditors</b>	CZK 2.301.419.653,-	100 %
<b>Group 2 - Small creditors</b>	CZK 944.800,-	100 %
<b>Group 3 - Related parties</b>	CZK 24.616.408,-	100 %
<b>Total</b>	CZK 2.326.980.861,-	100 %

(104) A list of all Affected Rights of the Affected Groups is attached as Annex 21 to the Restructuring Plan and forms an integral part thereof.

#### 9.1 General consequences of the Restructuring Plan on the Affected rights

##### 9.1.1 Redemption rate of the Affected rights

(105) The affected parties will be fully satisfied based on the Restructuring Plan.

##### 9.1.2 Postponement of the maturity of the Affected rights

(106) Upon the effectiveness of the Restructuring Plan, the maturity of all Affected Rights shall change. The change in the maturity of each Affected Right is dependent on whether Alternative A or Alternative B is implemented.

(107) As none of the Affected Parties is an affected party with a secured claim, their material position is thus the same. All Affected Parties will be satisfied according to the same rules.

#### 9.2 Repayments to Affected Parties if Alternative A is implemented

(108) If Alternative A is implemented, repayment of the total amount of the Affected Rights will be made to all Affected Parties in a total of 19 instalments spread and payable as follows:

- The first instalment will be 25% of the Rights in question and is due on 30 June 2024.
- The remaining 75% of the Affected Rights will be repaid to the Affected Parties in 18 further equally spaced monthly instalments between October 2024 and March 2026. Each of the monthly instalments shall be due on the last day of the month in which it is due (i.e.

for example, the second instalment is due on 31 October 2024, the fifth instalment on 31 January 2025, the nineteenth instalment on 31 March 2026).

- (109) The entrepreneur has the option to provide any of the instalments earlier, even in partial payments.
- (110) There are no attachments (including interest or default interest) to the Affected Parties' Affected Rights.
- (111) In the case of Alternative A, 100% of the Affected Rights of the Affected Parties have been repaid by the completion of the nineteenth and final instalment due on 31 March 2026.

### **9.3 Repayments to Affected Parties if Alternative B is implemented**

- (112) If Alternative B is implemented, repayment of the total amount of the Affected Rights will be provided to all Affected Parties in a total of 10 installments staggered and payable as follows:
- The first instalment will be 25% of the Rights in question and is due on 31 December 2024.
  - The remaining 75% of the Affected Rights will be repaid to the Affected Parties in 9 further equally spaced monthly instalments between April 2025 and December 2025. Each of the monthly instalments shall be due on the last day of the month in which it is to be repaid (i.e. for example, the second instalment is due on 30 April 2025, the fifth instalment on 31 July 2025, the tenth instalment on 31 December 2025).
- (113) The entrepreneur has the option to provide any of the instalments earlier, even in partial payments.
- (114) There are no attachments (including interest or default interest) to the Affected Parties' Affected Rights.
- (115) In the case of Alternative B, 100% of the Affected Rights of the Affected Parties are repaid by the completion of the tenth and final installment due on December 31, 2025.

## **10. Security of Affected Parties and new Security**

- (116) Affected parties include creditors of trade receivables from the supply of goods and services. There are no secured creditors among the Secured Parties.
- (117) No new collateral is envisaged to be established in the context of the Preventive restructuring, except for any collateral in connection with the new financing referred to in Article 12.2.

## **11. Treatment of assets and liabilities not recorded in the balance sheet**

- (118) A significant part, i.e. 27.1%, of the assets not recorded in the balance sheet are locomotives used by the Entrepreneur on operating lease. The operating lease for the use of locomotives (monthly rent of CZK 5,146,468.00) was fully terminated after the balance sheet date.
- (119) The remaining 72.9 % of the assets not recorded in the balance sheet are small assets (inventory, tools and instruments, personal protective equipment with a total value of CZK

457,048,424), vaporization stations, passenger vehicles, wagons, utility vehicles, forklifts, ambulance and fire truck, IT equipment, various machines (franking machine, plotter), truck and tractor and lease of fixed assets from the subsidiary Liberty Engineering Products s.r.o.

- (120) The operator has entered a long-term contract for the purchase of oxygen, nitrogen, argon and acetylene, under which it is obliged to take the total demand for these gases until August 2032.
- (121) The entrepreneur, in accordance with due diligence, continuously evaluates the state of assets and liabilities not recorded in the balance sheet to optimize their state so as to best achieve the restoration of the operational viability of its plant, i.e. to fulfil the purpose of preventive restructuring.

## 12. Restructuring measures

### 12.1 Restructuring method

- (122) In the past months, the Entrepreneur has already started to implement restructuring steps to increase the efficiency of its plant operation and management, in particular by closing some sub-operations and ceasing the production of loss-making products. However, because of the termination of energy supplies from TAMEH, the Entrepreneur was forced to significantly reduce the operation of its plant in December 2023.
- (123) As of the date of submission of this Restructuring Plan, the primary production of the entrepreneur in the blast furnace is completely stopped. Secondary production within the mill has then been resumed on a limited basis from the week commencing 4 March 2024, but the mill is currently operating below optimum capacity.
- (124) As it stands, the operation of the Business's plant generates only minimal revenues that are unable to ensure its sustainable operation and the repayment of the claims of the Affected Parties. A key aspect of the Entrepreneur's preventive restructuring is therefore to restart operations, in particular primary production in the blast furnace. Restarting primary production will ensure the stabilization of the Company's financial situation in the future and the ability of the plant to generate cash flow from which the claims of the Relevant Parties can be paid without jeopardizing the continued viability of the plant.
- (125) In accordance with the provisions of Section 16 of the Preventive Restructuring Act, the Entrepreneur proposes to carry out Preventive Restructuring by combining the following restructuring measures ("**Restructuring Measures** "):
- measures to increase secondary production within the mill;
  - measures to restart primary production in the blast furnace; and
  - the deferral of payment of the claims of the Affected Parties.
- (126) The restructuring measures are presented in two alternatives:
- Alternative A provides for an agreement on future cooperation with TAMEH ('**Alternative A**'); and

- Alternative B does not foresee an agreement on future cooperation with TAMEH; TAMEH's supplies will be replaced by alternative sources in this option ('**Alternative B**').

(127) Both alternatives aim at the basic objective of preventive restructuring, namely the restoration of the sustainable operation of the Entrepreneur's plant. At the same time, both alternatives will lead to the repayment of the claims of the Affected Parties in full. Both alternatives thus aim at the same objective, but differ in terms of the specific steps, their timing and the timeframe for the repayment of the claims of the Affected Parties.

(128) Alternative A assumes full satisfaction of the claims of the Affected Parties by 31 March 2026. Alternative B assumes full satisfaction of the claims of the Affected Parties by 31 December 2025.

(129) The proposed Restructuring Measures result from the legal and economic possibilities of the Entrepreneur as well as from the results of the Entrepreneur's negotiations with its creditors. The Restructuring Measures have been selected as the most appropriate to avert the Entrepreneur's financial difficulties.

#### **12.1.1 Measures to increase secondary production Entrepreneurs within the rolling mill**

(130) Prior to the submission of this Restructuring Plan, the Entrepreneur had already partially resumed the operation of the rolling mill as of the week commencing 4 March 2024. For the initial operation of the mill, the Entrepreneur has already secured 5kt of input materials (slabs). This volume has already been purchased and delivered to the Entrepreneur. For this volume the Entrepreneur has also already taken pre-orders from end customers.

(131) The entrepreneur plans to gradually increase the mill's production to 80kt per month. The increase is planned as follows:

- For the first month, the mill production will be 30kt and the input materials (slabs) will be sourced from within the Group and provided to the Entrepreneur;
- In the second month the mill production will be 50kt and the input materials (slabs) will be purchased by the Entrepreneur from the market;
- In the third month and the following months, the mill production will be 80kt and the input materials (slabs) will be bought by the Entrepreneur from the market until the blast furnace is started.

(132) The blast furnace is scheduled to start up on 1 June 2024 (for Alternative A) or 1 January 2025 (for Alternative B). Thus, the transition period for which the Entrepreneur will purchase input materials (slabs) on the market depends on this fact.

(133) The Entrepreneur knows the operation of the rolling mill alone is not sufficient to fully stabilize the financial situation of the Entrepreneur. It is, however, a necessary initial step to reduce the pressure on *cash flow* and to restore at least partial production of the Business until the blast furnace starts up.

#### **12.1.2 Measures to restart primary production in the blast furnace**

- (134) Restarting the integrated operation of the Entrepreneur's plant (i.e. including primary production) is the key to stabilizing the financial situation of the Entrepreneur and the possible satisfaction of the claims of the Affected Parties.
- (135) In the current market situation, the entrepreneur intends to start production in one blast furnace.
- (136) The basic condition for the start-up of the blast furnace is to secure the supply of energy and other media in volumes and at prices that will enable profitable production. The cooperation with TAMEH does not allow this under the current requirements. As of the date of submission of this Restructuring Plan, the entrepreneur believes that an agreement can be found with TAMEH that will enable both companies to operate in a stable manner. However, the Entrepreneur cannot predict the development of the negotiations with TAMEH and submits the Restructuring Measures in Alternative A and Alternative B. The Entrepreneur is preparing both alternatives in parallel. Both alternatives will ensure the supply of energy to the Entrepreneur in the volumes and at the costs necessary to enable profitable production.

**(a) Alternative A**

- (137) The basic premise of Alternative A is that an agreement with TAMEH must be reached before the Business reaches an irreversible point in the preparation of Alternative B, which the Business expects to occur on 30 April 2024.
- (138) In its letter to TAMEH dated 23.2.2024, the Entrepreneur formulated the energy price and volume parameters under which the viable operation of the Entrepreneur (and therefore the start-up of the blast furnace) is possible.
- (139) As a possible option, the Entrepreneur also accepts a temporary takeover of TAMEH's activities, or a takeover of TAMEH into the Group or another form of corporate or other transaction that allows for a mutual agreement.
- (140) If an acceptable agreement is reached between the two companies by 30 April 2024, the expected start-up date for the blast furnace in Alternative A is 1 June 2024. Full production from the blast furnace is then expected in July 2024.

**(b) Alternative B**

- (141) If an agreement with TAMEH is not reached by April 30, 2024, the Entrepreneur shall continue to proceed under Alternative B. Alternative B shall be prepared by the Entrepreneur in parallel with the negotiations with TAMEH in order to be prepared for a possible failure to reach an agreement with TAMEH within the price and volume parameters under which the viable operation of the Entrepreneur is possible.
- (142) The main thrust of Alternative B is to replace TAMEH with the New Energy Complex. The New Energy Complex will provide cold air for the blast furnace through Electric *Blowers*, steam through modern *Package Boilers*, and compressed air through several compressors. The new energy complex will provide all the necessary resources and media for the start-up of the blast furnace and the operation of the plant. The new energy complex will have a significantly lower level of CO<sub>2</sub> emissions, which represents an important step forward towards carbon neutrality, while also significantly reducing the plant's costs.

- (143) It is expected that the New Energy Complex will be installed by 31 December 2024. The expected initial cost is approximately EUR 40 million. The time and cost figure are based on the offers provided by the manufacturers of these technologies (OEMs).
- (144) The expected start-up date of the blast furnace in Alternative B is 1 January 2025. Full production in the blast furnace is then expected in February 2025.
- (145) As part of the evaluation of the possibility of an alternative solution without supply from TAMEH, another alternative from a European manufacturer was presented. This temporary solution consists of renting a larger number of interconnected compressors and smaller mobile boilers. This solution can be implemented in approximately 2 months and the provider of this solution has experience of installing for blast furnace elsewhere in Europe. Although this interim solution is more expensive with an estimated total annual cost of approximately EUR 70 million, it may still represent a viable interim solution in certain circumstances given the expected margins and will be considered by the Business on an ongoing basis for possible deployment to accelerate ramp-up.

### **12.1.3 Deferral of claims of Affected Parties**

- (146) The restructuring measures outlined above will lead to the possibility of the Business operating again as an integrated metallurgical company. This will lead to the stabilization of the Company's financial situation and, consequently, will also enable the full repayment of the claims of the Relevant Parties.
- (147) Given that the Entrepreneur is unable to pay the claims of the Relevant Parties in full immediately and at the same time take the necessary steps to resume production at its plant, it proposes to restructure the claims by deferring their maturity. The restructuring of the claims of the Relevant Parties consists of the satisfaction of the Relevant Rights as set out in this Restructuring Plan. The deferral of maturity is set differently for Alternative A and Alternative B due to the different capital needs of the restructuring measures and the accrual of revenues and the level of variable costs.
- (148) The effects of the Restructuring Plan on the claims of the Affected Parties are discussed in more detail in section 9 of this Restructuring Plan.

## **12.2 New funding**

- (149) In connection with the Restructuring Measures, the entrepreneur anticipates the establishment of the following new financing within the meaning of Section 27(2) of the Preventive Restructuring Act:

- In the case of Alternative A, the Entrepreneur expects to enter into an agreement for the supply of energy and other necessary inputs from TAMEH.

Under Alternative A, the agreement with TAMEH is a key element in securing the necessary inputs for the start-up of the blast furnace. At the time of submission of the Restructuring Plan, the undertaking does not foresee a specific mechanism for the supply of energy and payment of the price. If an agreement with TAMEH under the new financing scheme pursuant to Section 27(2) of the Preventive Restructuring Act were not possible, it can be assumed that this would make it impossible or substantially more difficult to reach an agreement (e.g. TAMEH would require all payments upfront).



- In the case of Alternative B, the Business expects to finance the acquisition of the New Energy Complex in the amount of EUR 32 million, which represents 80% of the total amount of financial costs incurred for this alternative. The financing of the New Energy Complex will be provided on normal market terms under normal project finance or similar financing schemes. It is expected that the financing will be repaid within 4 years of granting. It is envisaged that a security for the New Compressed Air Power Complex will be established in favor of the financier.

Under Alternative B, the new power complex is an important element in securing the necessary inputs for the long-term start-up and operation of the blast furnace. Financing the acquisition of similar facilities is common practice in the market. If the acquisition of the New Energy Complex were not allowed under the new financing regime pursuant to Section 27(2) of the Preventive Restructuring Act, it can be assumed that this would make the possibility of this investment impossible or significantly more difficult.

- The Business expects to finance working capital for secondary production in the form of *inventory financing* in the amount of EUR 28 million. This financing mechanism is common in the industry and consists of the purchase of input materials (slabs) by a third party for the Business and the holding of the input materials (slabs) during transport and during storage until they are consumed. The Entrepreneur will only pay for the input materials (Brams) when the materials are consumed (together with a margin to the provider), thereby significantly reducing the pressure on *cash flow*.

### 13. Next Steps of the Entrepreneur

- (150) In addition to the Restructuring Measures to restore the operations of its plant, the Entrepreneur will also continue to pursue cost-saving, rationalization and organizational measures that will help it to maintain the operation of its plant and jobs into the future. The Entrepreneur will also take such steps in view of future market developments.
- (151) The Entrepreneur submits this Restructuring Plan and the Restructuring Measures set out therein with the aim of maintaining the maximum possible level of employment within its plant. However, the Entrepreneur cannot exclude that some of the austerity measures will have an impact on the Entrepreneur's employees. The Entrepreneur intends to offer employees who may be directly affected by the austerity measures the opportunity to be retrained and assigned to other operations of the Entrepreneur. However, assuming that it would not be possible to fulfil the purpose of the austerity measures, the Entrepreneur does not exclude termination of certain employment relationships by notice or agreement or a switch to shorter working hours. The Entrepreneur will proceed in full compliance with the relevant provisions of the Labor Code and the Collective Agreement, including informing and consulting employee representatives, including the Trade Union, in the event of the implementation of these austerity measures.
- (152) To fulfil its obligation under Section 14(4)(d)(3) of the Act on Preventive Restructuring, the entrepreneur discloses that it does not anticipate a reduction in the total number of employees in the basic employment relationship by at least one quarter.
- (153) The Entrepreneur expects to monetize assets that are not necessary for the operation of the Entrepreneur's plant (*non-core assets*) as part of the restructuring. The Entrepreneur will proceed with due diligence in the monetization of assets with the aim of achieving the highest possible yield.

## 14. Sources

- (154) Operations at the Entrepreneur plant have been making a loss in recent months. The new start-up of primary production in the steel sector places significant demands on working capital. The Business expects to raise funds through a combination of methods, including repayment of intercompany loans.
- (155) The Entrepreneur will operate a part of its plant (with the possibility of further expansion) as part of the preventive restructuring. With regard to the need to finance working capital from external sources, the increase in the economic performance of the Entrepreneur will be gradual. The increase in the economic performance of the Undertaking and the timing will vary depending on whether Alternative A or Alternative B is triggered.
- (156) The turning point for the Business, in accordance with the *cash flow* and financial plan prepared by the Business, is expected to be in July 2024 for Alternative A or in the first quarter of 2025 for Alternative B, when the Business will begin to generate positive operating results.
- (157) The feasibility of the financial projections is based on a forecast of the Business's customized plant mix, the margins achieved by the Business in the market in prior periods and partial external financing. Despite the temporary generation of losses, the continued operation of part of the Entrepreneur's plant is more profitable and will lead to a higher level of creditor satisfaction than would be the case if the entire Entrepreneur plant were to cease operations, mainly because of the elimination of high closure costs and the higher value of the *going concern* compared to the *going concern*.
- (158) Due to the lack of its own funds, the Entrepreneur will draw funds from the Debtor Group in repayment of intra-group loans in order to gradually restore and maintain the operations of its business, totalling at least EUR 160 million under both Alternative A and Alternative B.
- (159) In the first phase, the Entrepreneur will receive from the Group by the end of May 2024 a total consideration of at least EUR 45 million, consisting of 35kt of raw materials for the mill operation with an approximate value of EUR 21 million and cash of EUR 24 million. Of this, as at the date of submission of the Restructuring Plan, the Entrepreneur has already received consideration totaling EUR 20 million. In the remaining period of the preventive restructuring, the Entrepreneur will then receive at least EUR 115 million in benefits from the Group, with the timing varying depending on whether Alternative A or Alternative B is triggered and the different capital requirements of the two plans.

### (a) Alternative A

- (160) The estimated value of the consideration received by the Group from the Entrepreneur over time under Alternative A is set out below:

Until	6/2024	7/2024	10/2024 - 12/2024	1/2025 - 3/2024	4/2025 - 6/2025	Total
5/2024	€35mn	€25mn	€15mn	€20mn	€20mn	€160mn

### (b) Alternative B

- (161) The estimated value of the consideration received by the Group from the Entrepreneur over time under Alternative B is set out below:

Until 5/2024	6/2024	7/2024	8/2024	9/2024	10/2024 - 12/2024	Total
€45mn	€20mn	€20mn	€10mn	€15mn	€50mn	€160mn

- (162) Furthermore, the Entrepreneur expects to obtain additional resources from the sale of emission allowances to the extent that the Entrepreneur does not need them for its continued operation. The Entrepreneur expects to receive the emission allowances in May 2024, with the proceeds from the sale of the unneeded quantity being used to finance the restructuring.
- (163) The entrepreneur also expects to finance working capital for secondary production in the form of *inventory financing* in the amount of EUR 28 million (see point (149)), which will significantly reduce the *cash flow* pressure on the restructuring financing.

#### **14.1.2 Monetization of certain assets of the Entrepreneur**

- (164) As part of the preventive restructuring, the Entrepreneur envisages changes in the operation of the Entrepreneur's plant (see section 6). Assets that are not necessary for the operation of the Entrepreneur's plant (*non-core assets*) will be sold as part of the restructuring as set out in the CF Plan and the proceeds will be used by the Entrepreneur to operate the Entrepreneur's plant or to satisfy claims under this Restructuring Plan.
- (165) The Entrepreneur will be obliged to exercise due diligence in the realization of the property with the aim of achieving the highest possible proceeds.

### **15. Procedure in case the Restructuring Plan is not accepted**

- (166) The Entrepreneur believes that the Restructuring Plan represents the best possible solution to ensure full satisfaction of the claims of the Affected Parties. In view of the course of negotiations with the Affected Parties, the Entrepreneur submits the Restructuring Plan in the belief that it will be accepted by the Affected Parties' groups pursuant to the provisions of Section 36 of the Preventive Restructuring Act.
- (167) In the event that the Restructuring Plan is not accepted by the groups of Affected Parties pursuant to the provisions of Section 36 of the Preventive Restructuring Act, the Entrepreneur will evaluate the situation based on the specific circumstances, including the number of Affected Parties in favor of and against the acceptance of the Restructuring Plan, any additional responses received from Affected Parties in the interim, and the current economic situation and outlook. Based on the above, the Entrepreneur shall consider all options for further action, including a possible resolution of the situation in the context of insolvency proceedings.

### **16. Monitoring the implementation of the Restructuring Plan and providing information to the Affected Parties**

#### **16.1 Informing Affected Parties**

- (168) The Entrepreneur shall provide the Affected Parties with information on the implementation of the Restructuring Measures, the Financial Plan and the costs incurred for preventive restructuring at least to the extent and within the timeframes set out in this Section 16.1.
- (169) The Entrepreneur shall inform the Affected Parties:

- on the progress of the negotiations with TAMEH and whether or not an agreement has been reached with TAMEH within the meaning of the Restructuring Plan and whether Plan A or Plan B has been triggered by 5 May 2024 at the latest;
  - in the event of the launch of Alternative B, a binding order for the New Energy Complex no later than 31 May 2024;
  - on the status of performance received by the Entrepreneur from the Group according to part 14 Restructuring Plan within 10 working days after the end of each month;
  - the status of the CF Plan within 10 working days after the end of each quarter;
  - the start-up of the blast furnace, within 10 ten working days of its start-up; and
  - on the achievement or non-achievement of the milestones listed in point (172).
- (170) The Entrepreneur shall also keep the Affected Parties informed of any material facts that may affect the satisfaction of the Affected Parties' claims under this Restructuring Plan.
- (171) In the event that a Restructuring Trustee serves as the Restructuring Trustee after the Restructuring Plan becomes effective, the Entrepreneur shall provide the information under Section (169) be provided to the Restructuring Trustee at the intervals set forth herein.

## **16.2 Method of controlling the implementation of the Restructuring Plan**

- (172) As part of the preventive restructuring, the entrepreneur set the following significant milestones for the implementation of the Restructuring Plan:
- Agreement with TAMEH on the possibility of future cooperation must be reached by 30 April 2024 at the latest, in which case Alternative A will be followed. Otherwise, Alternative B will be followed.
  - If Alternative B is launched, a binding order confirmation (or other action constituting a binding order) for the New Energy Complex will occur no later than May 31, 2024.
  - In the case of Alternative A:
    - o the blast furnace will be started up from 1 June 2024;
    - o 25% of the Affected Rights will be redeemed by 30 June 2024;
    - o the remaining 75% of the Affected Rights will be repaid by 31 March 2026.
  - In the case of Alternative B:
    - o the blast furnace will be launched from 1.1.2025;
    - o 25% of the receivables of all Affected Parties will be redeemed by 31 December 2024;
    - o the remaining 75% of the Affected Rights will be repaid by 31 December 2025.

### **16.3 Compliance with the Restructuring Plan**

- (173) Preventive restructuring ends with the completion of the Restructuring Plan. Completion of the Restructuring Plan shall mean full satisfaction of the Affected Rights pursuant to Section 9.
- (174) Failure to comply with the Restructuring Plan shall be deemed to be any of the following situations:
- Failure to satisfy the Affected Rights in full pursuant to Section 9 nor within 3 months after they are to be fully satisfied under this Restructuring Plan (i.e., by June 30, 2026 in the case of Alternative A or March 31, 2026 in the case of Alternative B).
  - Failure to meet at least 2 of the essential milestones listed in point (172) nor within 3 months after the date on which the milestones are due under paragraph (172) to be met.
- (175) Failure to comply with the Restructuring Plan as set out in (174) the preventive restructuring shall be terminated and the court shall cancel the Restructuring Plan. Upon the legal effect of the decision on the cancellation of the Restructuring Plan, all rights of the Affected Parties shall be restored to the extent that they have not been fulfilled.

## **17. Procedure in the event that the terms of the Restructuring Plan are not met**

### **17.1.1 Proposal to amend the Restructuring Plan**

- (176) The Entrepreneur may submit a proposal for an amendment to the Restructuring Plan (the "**Restructuring Plan Amendment**") to the Affected Parties for a vote on its adoption.
- (177) The purpose of any proposed amendment may be to modify the Restructuring Plan in order to make the restoration of the Business's plant more feasible.
- (178) In the Proposal, the Business shall describe the purpose of the Restructuring Plan Amendment, the proposed method of implementation and the impact of the Restructuring Plan Amendment on the Affected Parties.
- (179) The amendment of the proposal cannot consist in extending the scope of the rights concerned.

### **17.1.2 Voting rights**

- (180) All Affected Parties shall have the right to vote to the extent of the outstanding Affected Rights.
- (181) For every CZK 1,- of the claim of the party concerned, 1 vote is allocated

### **17.1.3 Rules for forming groups**

- (182) The parties concerned shall vote on the adoption of the Restructuring Plan Amendment in groups formed in the same way as for the adoption of the Restructuring Plan itself.

### **17.1.4 Method of voting on the Restructuring Plan Amendment**

(183) The Business shall determine whether the vote on the Restructuring Plan Amendment shall take place at a Meeting of Affected Parties, outside of a Meeting of Affected Parties, or a combination of the two, and the rules for voting on the adoption of the Plan of Reorganization shall apply mutatis mutandis.

**17.1.5 Adoption of the Amendment to the Restructuring Plan**

(184) Acceptance of the Restructuring Plan Amendment by all Affected Parties is required for its adoption.

(185) The Restructuring Plan Amendment shall be adopted by the Affected Parties Group if at least three-quarters of the votes cast are in favor of its adoption.

- **Confirmation of the Restructuring Plan Amendment by the Restructuring Court**

(186) The amendment to the restructuring plan adopted by the Affected Parties must be confirmed by the Restructuring Court. It is not possible to confirm an amendment to the Restructuring Plan not accepted by the Relevant Parties.

(187) The Entrepreneur shall submit a proposal for confirmation of the Restructuring Plan Amendment no later than 15 days from the date on which the vote on the adoption of the Restructuring Plan was completed.

(188) Section 98(1) and (2) of the Preventive Restructuring Act shall apply mutatis mutandis.

(189) Upon confirmation of the Amendment to the Restructuring Plan, the Amendment to the Restructuring Plan, unless a later effective date is specified therein, shall become effective.

## **18. Attachments**

- Annex 1 – Sanation project in Czech language
- Annex 2 – Sanation project in English
- Annex 3 - Full extract from the Commercial Register dated 6.3.2024
- Annex No. 4 - Partial extract from the register of beneficial owners dated 6.3.2024
- Annex 5 - Subsidiaries\_1/2024
- Annex No. 6 - Statements of Liberty Ostrava as of 31.1.2024
- Annex No. 7 - Statements of Liberty Ostrava as of 29.2.2024
- Annex No. 8 - List of financial investments of Liberty Ostrava as of 31.1.2024
- Annex No. 9 - Estimated market value as of 31.1.2024
- Annex No. 10 - Organizational structure of Liberty Ostrava
- Annex 11 - List of land as of 31.1.2024
- Annex 12 - List of tangible fixed assets as of 31.1.2024
- Annex 13 - List of small assets
- Annex 14 - List of receivables as of 31.1.2024
- Annex 15 - List of stocks as of 31.1.2024
- Annex 16 - Operating leases and rentals
- Annex 17 - List of commitments as of 31.1.2024
- Annex 18 - Guarantees received and given
- Annex 19 - CF Plan A
- Annex 20 - CF Plan B
- Annex 21 - List of Affected Rights
- Annex 22 - Ordinary creditors
- Annex 23 - Small creditors
- Annex 24 - Related parties