

## News from the Polish Market

August 2022

### 1. Court declares Go Sport bankrupt because of Russian capital and sanctions

**The decision to bankrupt the sporting goods store chain has been made in a Warsaw bankruptcy court.**

The role of receiver will be performed by Zimmermann Filipiak Restrukturyzacja. Bartosz Sierakowski, its vice president, says Go Sport's bankruptcy will be a complicated process. The company's assets are frozen and located at various points in shopping malls across Poland. It cannot be taken from there without risking a violation of sanctions. This makes it much more difficult to inventory and evaluate it. Therefore, there is no getting around the state control of the bankruptcy process.

Go Sport was sanctioned because the government believed that the company was controlled by Russian capital. Freezing its assets and closing stores resulted in a loss of liquidity. Management had to file for bankruptcy.

Source: <https://businessinsider.com.pl/gospodarka/jest-decyzja-w-sprawie-go-sport/1ln57cd>

### 2. Draft amendments to the restructuring law published in RCL

**The proposed text of the law implementing EU Directive 2019/1023 (the so-called Second Chance Directive) has appeared on government websites. The planned vacatio legis is 18 months from the date of publication of the law.**

The draft includes, among other things, changes regarding the valuation of debtor's assets and the suspension of individual enforcement actions. It also includes new requirements for arrangement proposals and rules for approving an arrangement that has not been accepted by creditors.

The Government Legislation Center portal has posted the text of the forthcoming law and its justification. The draft was sent for inter-ministerial consultation, public consultation and opinion. Stakeholders were given a deadline of 14 days for reconciliation and opinion, and there is a 30-day deadline for public consultation positions.

Source: <https://legislacja.rcl.gov.pl/projekt/12361503>

### 3. The number of consumer bankruptcies has slowed down

**In the first half of the year, 19 percent fewer consumers were declared bankrupt than a year ago.**

Between January and June this year, the courts positively recognized the applications of 7.3 thousand insolvent citizens. A year ago, as many as 9 thousand people went bankrupt. According to Jaroslaw Nowrotek, president of the Central Economic Information Center, there are several reasons for the decline in the number of consumer bankruptcies. First of all, the situation in the economy is still good. We have low unemployment and wages are rising. As a result, fewer people are falling into a debt spiral. On top of that, financial institutions are more cautious in granting loans and credits.

The youngest bankrupt was 21 and the oldest was 92. The average age was 49. With that said, the highest number of proceedings was among those between 40 and 49 years of age. Men were more often bankrupt than women. The provinces with the highest number of consumer bankruptcies were Silesia (17.5 percent) and Kujawsko-Pomorskie (11 percent).

Source: <https://www.pb.pl/bankructwa-polakow-mocno-wyhamowaly-1155052>

#### 4. The deal made by Garmond Press is legitimate

**The restructuring of Garmond Press included PLN 50 million of its debts. Of this, nearly PLN 13 million was written off, PLN 14 million was converted into shares, and PLN 23.1 million is to be repaid in installments.**

The Regional Court in Cracow dismissed the complaints of the Technopol Publishing Agency and ZPR Media. As a result, the decision approving Garmond Press' arrangement with its creditors is now final. Garmond Press is the third largest press distributor on the Polish market. Last August, the company entered into simplified restructuring proceedings. It applied for a partial arrangement. It covered 33 creditors. They were divided into three groups.

The first included Social Security. Garmond Press is to give it 100 percent of its receivables, or nearly PLN 1.9 million, in installments. On top of that there is interest. The second group, meanwhile, is the press publishers. In total, Garmond Press owes them PLN 13.1 million, of which 45 percent has been written off. The rest is to be repaid by the distributor by January 2024. The last group is the eight largest creditors. Garmond Press' debts to them reach as much as PLN 35 million. However, the arrangement provides for the repayment of a total of 80 percent of these debts - 40 percent in installments until July 2024 and another 40 percent in the form of shares.

As a result, the following companies have joined the company's shareholding: Bauer Publishing House, Ringier Axel Springer Polska, Polska Press, Infor PL, Gremi Media, Agora and Technopol Publishing Agency, as well as the Polish Development Fund. They will acquire 48.3 percent of Garmond Press shares. This will provide them with 31.8 percent of votes at the company's general meetings.

Source: <https://www.pb.pl/garmond-press-ulozyl-sie-z-wierzycielami-1155785>

#### 5. Celsius Network (cryptocurrency depository) has filed for bankruptcy

**One of the largest players in the cryptocurrency market is bankrupt. It has assets of \$4.3 billion and liabilities of \$5.5 billion.**

Drastic declines in cryptocurrency prices have led to the bankruptcy of one of the world's largest lenders in the industry. Celsius Network has filed for bankruptcy. Platforms such as Voyager Digital, Babel Finance and Vault had already decided to take a similar step.

Celsius Network froze asset payments as early as a month ago. The company has decided to file for bankruptcy, but plans to restructure. It has more than 100,000 creditors and has \$167 million to help it recover. It has assets of \$4.3 billion and liabilities of \$5.5 billion.

Through Celsius Network, customers deposited digital currencies at high interest. The company lent them to other traders at an even higher interest rate and earned the difference. This system worked as long as the market was growing rapidly. When it collapsed, billions of dollars evaporated from it.

Source: <https://spidersweb.pl/bizblog/celsius-network-bankrutem/>

<https://www.bankier.pl/wiadomosc/Duze-bankructwo-na-ryнку-kryptowalut-Celcius-nie-poradzil-sobie-z-bessa-8375123.html>

## 6. Quantum Fund may collapse

**The restructuring of Quantum Fund is no longer possible. Probably the company is facing bankruptcy. The court will decide in what form.**

A few months ago, one of the creditors of Quantum Fund (QF), the former Gent Holding group, filed for the company's bankruptcy in prepared liquidation (so-called pre-pack). Wrocław-based Homeland Investments offered to buy QF's properties for PLN 19.1 million. The administrator, however, considered the offer to be abnormally low. Indeed, an expert had valued the market value of the QF property at PLN 57.4 million, and the liquidation value at PLN 43 million. However, another investor has emerged. Developer Moderna Holding wants to buy the QF property for PLN 41 million. This is still not much, considering that QF's debts exceed PLN 140 million, and the company has no other assets or cash.

According to Krzysztof Golab, QF's forced administrator, any restructuring of the company is not possible. The first two attempts failed. The third is likely to end similarly. He explains that QF's properties can be disposed of all together in a pre-pack bankruptcy, or separately in a classic bankruptcy. This will be decided by the court.

Source: <https://www.pb.pl/quantum-fundu-nie-da-sie-zrestrukturyzowac-1156650>

## 7. Court declares Idea Bank bankrupt

**The order declaring Idea Bank bankrupt was issued by the Warsaw District Court on July 26. It applies to the part of the bank's business that was not taken over by Pekao.**

Marcin Kubiczek, the bankruptcy trustee, called on creditors to report their claims to him electronically, through the National Register of Debtors (KRZ). There are 30 days to do so from the moment the bankruptcy order is announced. The trustee will decide on the legitimacy of the reported claims. The judge-commissioner and the bankruptcy court will then deal with it.

With that said, the declared bankruptcy applies only to Idea Bank's business, which was not taken over by Pekao Bank. This occurred in January 2021 as a result of a forced restructuring that was initiated due to Idea Bank's bad situation. Pekao then took over selected liabilities of Idea Bank. What was not taken over, however, were liabilities from, among others, GetBack bonds that Idea Bank offered to its customers.

Source: <https://businessinsider.com.pl/finanse/dopelnil-sie-los-idea-banku-sad-oglosil-upadlosc/g7ph25z>

## 8. Risk of bankruptcies increasing due to energy prices

**Next year, energy prices may rise by 200-300 percent. Under such conditions, the operations of many companies will cease to be profitable.**

Entrepreneurs may already pay as much as 200-300 percent more for energy next year. This will affect not only the prices of products and services, but also the operations of many companies. Rafał Baniak, president of the Employers of Poland, warns that many companies could go bankrupt. This is because with such high energy prices, production is becoming unprofitable. Employers of the Republic of Poland have already received the first signals from companies about their intentions to reduce operations. Mikołaj Budzanowski, board member of the Boryszew group, says that we have already reached the upper limit of energy and gas prices accepted by the market.

Source: <https://www.rp.pl/biznes/art36714161-firmy-alarmuja-czeka-nas-fala-upadlosci-przez-ceny-energii>

## 9. Bank Millennium to launch recovery plan

**In the third quarter of this year, Bank Millennium's capital ratios may fall below the levels required by the Financial Supervisory Commission.**

The bank estimates that the credit vacations will cost it up to PLN 1.78 billion if all eligible customers took advantage of them. Of this amount, about 75-90 percent will be thrown into Millennium's third-quarter results. As a result, the institution's capital ratios could be affected. The bank expects to have a net loss in the third quarter. Therefore, it has decided to launch a recovery plan. It has notified the FSC and the Bank Guarantee Fund (BFG). Its goal is to bring capital ratios above minimum requirements. The bank wants to achieve this through a combination of further improvements in operating profitability and initiatives that aim to optimize capital, such as risk-weighted asset management.

Source: <https://obligacje.pl/pl/a/bank-millennium-uruchamia-plan-naprawy-z-powodu-wakacji-kredytowych>

For more information, please contact:

### **Dr Patryk Filipiak**

adwokat | kwalifikowany doradca restrukturyzacyjny wspólnik | szef działu restrukturyzacji i upadłości

E: [p.filipiak@filipiakbabcz.com](mailto:p.filipiak@filipiakbabcz.com)

M: +48 501 868 755

**FILIPIAKBABCZ.**  
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