



Successful completion of restructuring of Existing Notes

In accordance with the current report No. 22/2013 dated November 18, 2013, current report No. 25/2013 dated November 27, 2013, current report No. 02/2014 dated January 8, 2014, current report No. 04/2014 dated January 15, 2014, and current report No. 07/2014 dated 28 January 2014, Cognor S.A. (the "**Company**") is pleased to announce that the restructuring of the senior secured notes due 1 February 2014 (the "**Existing Notes**") of Złomrex International Finance S.A. (the "**Restructuring**") has been completed pursuant to the Scheme of Arrangement that was sanctioned by the High Court of Justice in England and Wales on 14 January 2014. By way of the Restructuring, the holders of the Existing Notes received pro-rata entitlement to (i) new senior secured notes ("**Senior Secured Notes**"), and (ii) new notes exchangeable for shares in the Company (the "**Exchangeable Notes**") which were issued by the indirect subsidiary of the Company, Cognor International Finance PLC ("**CIF**") in accordance with the following terms. Both the Senior Secured Notes and the Exchangeable will be admitted to the Euro MTF Market of the Luxembourg Stock Exchange.

Senior Secured Notes

The Senior Secured Notes are secured obligations of CIF and the Guarantors (as defined below).

The Senior Secured Notes have an aggregate principal amount of €100,348,109.00. The Senior Secured Notes are issued in minimum denominations of €40,000 and integral multiples of €1 in excess thereof, and mature on February 1, 2020. Under certain circumstances, the Senior Secured Notes are be subject to early redemption at the option of CIF.

The Senior Secured Notes and the Senior Secured Notes guarantees are governed by New York law, while the security documents are governed by Polish law (except for the share pledge over the shares of CIF, which is governed by English law).

Interest

Interest on the Senior Secured Notes are be payable semi-annually in arrears on February 1 and August 1 in each year, commencing on August 1, 2014, and depend on the interest payment periods. The interest comprise of either (i) cash interest, or (ii) "pay-in-kind" interest, payable in additional Senior Secured Notes, or (iii) a combination thereof.

On each of the first two interest payment dates (1 August 2014 and 1 February 2015), (i) cash interest shall accrue at a rate of 7.5% per annum, (ii) "pay-in-kind" interest ("**PIK Toggle Interest**"), if elected by the Company to be applied, shall accrue at a rate of 12.5% per annum and be payable as additional Senior Secured Notes, or (iii) a combination thereof.

On each of the second two interest payment dates (1 August 2015 and 1 February 2016), CIF will pay (i) interest accrued at a rate of 3% per annum and payable in cash and (ii) interest accrued at a rate of 4.5% per annum and payable in cash and/or PIK Toggle Interest accrued at a rate of 7.5% per annum and payable as additional Senior Secured Notes; provided that CIF will only be entitled to pay such PIK Toggle Interest if after giving pro forma effect to the payment of cash interest the group would have PLN40 million or less of available cash.

On each of the fifth and sixth interest payment dates (1 August 2016 and 1 February 2017), CIF will pay interest accrued at a rate of 10% per annum and payable in cash.

On the seventh interest payment date (1 August 2017) and each interest payment date thereafter, CIF will pay interest accrued at a rate of 12.5% per annum and payable in cash.

Financial and operating covenants

In accordance with the issue of the Senior Secured Notes, certain financial and operating covenants are imposed on the Company and its subsidiaries, including, in particular, restrictions which affect the Group's ability to (i) incur additional indebtedness and issue preferred shares; (ii) make investments and certain other restricted payments; (iii) issue or sell shares of restricted subsidiaries; (iv) agree to restrictions on the payment of dividends or the making of loans by subsidiaries; (v) enter into transactions with affiliates and related persons; (vi) create certain liens; (vii) transfer or sell assets; (viii) merge, consolidate, amalgamate or combine with other entities; (ix) impair the security interests; (x) designate restricted subsidiaries as unrestricted subsidiaries; (xi) de-list, and (xii) engage in any business other than specifically enumerated activities. The limitations will, however, be subject to certain exceptions.

Security

The Senior Secured Notes are guaranteed by the Company, PS Holdco, Odlewnia Metali Szopienice sp. z o.o. ("**OMS**") and the following of the Company's subsidiaries: "Zakład Walcowniczy – Walcownia Bruzdowa" sp. z o.o. ("**ZZWB**"), Huta Stali Jakościowych S.A. ("**HSJ**"), Ferrostal Łabędy sp. z o.o. ("**Ferrostal**"), Złomrex Metal sp. z o.o. ("**ZM**"), Cognor Finanse sp z o.o. ("**Cognor Finanse**") and Kapitał S.A. ("**Kapitał**") (and together the "**Guarantors**" and together with CIF the "**Security Providers**"). In addition, in order to secure certain receivables under the Senior Secured Notes certain security interest (the "**Security Interest**") are or will be established in favor of The Bank of New York Mellon, London Branch, acting as security agent (the "**Security Agent**") including:

- a) first ranking financial pledges (the "**Financial Pledges**") established by:
 - i) the Company over 20,957,400 shares (*akcje*) having nominal value of PLN 1 each of HSJ (representing 100% of the share capital) (the "**HSJ Shares**") pursuant to the agreement on registered pledge and financial pledge dated 4 February 2014 entered into between the Company and the Security Agent (the "**HSJ Share Pledge**");
 - ii) the Company over 81,082 shares (*akcje*) having nominal value of PLN 1,000 each of Kapitał (representing 100% of the share capital) (the "**Kapitał Shares**") pursuant to the agreement on registered pledge and financial pledge dated 4 February 2014 entered into between the Company and the Security Agent (the "**Kapitał Share Pledge**");
 - iii) the Company over 358,300 shares (*udziały*) having nominal value of PLN 500 each of Cognor Finanse (representing 100% of the share capital) (the "**Cognor Finanse Shares**") pursuant to the agreement on registered pledge and financial pledge dated 4 February 2014 entered into between the Company and the Security Agent (the "**Cognor Finanse Share Pledge**");
 - iv) PS Holdco over 100 shares (*udziały*) having nominal value of PLN 500 each of OMS (representing 100% of the share capital) (the "**OMS Shares**") pursuant to

the agreement on registered pledge and financial pledge dated 4 February 2014 entered into between PS Holdco and the Security Agent (the "**OMS Share Pledge**");

v) Ferrostal over 19,100 shares (*udziały*) having nominal value of PLN 500 each of ZWWB (representing 100% of the share capital) (the "**ZWWB Shares**") in ZWWB pursuant to the agreement on registered pledge and financial pledge dated 4 February 2014 entered into between Ferrostal and the Security Agent (the "**ZWWB Share Pledge**");

vi) HSJ over 192,631 shares (*udziały*) having nominal value of PLN 1,000 each of Ferrostal (representing 92,44 % of the share capital) (the "**Ferrostal Shares**") pursuant to the agreement on registered pledge and financial pledge dated 4 February 2014 entered into between HSJ and the Security Agent (the "**Ferrostal Share Pledge**");

vii) HSJ over 1,000 shares (*udziały*) having nominal value of PLN 1,000 each of ZM (representing 100% of the share capital) (the "**ZM Shares**") pursuant to the agreement on registered pledge and financial pledge dated 4 February 2014 entered into between HSJ and the Security Agent (the "**ZM Share Pledge**");

b) subject to their registration by the pertinent court, first ranking registered pledges established by:

i) the Company over the HSJ Shares pursuant to the HSJ Share Pledge;
ii) the Company over the Kapitał Shares pursuant to the Kapitał Share Pledge;

iii) the Company over the Cognor Finanse Shares pursuant to the Cognor Finanse Share Pledge;

iv) PS Holdco over the OMS Shares pursuant to the OMS Share Pledge;

v) Ferrostal over the ZWWB Shares pursuant to the ZWWB Share Pledge;

vi) HSJ over the Ferrostal Shares pursuant to the Ferrostal Share Pledge;

vii) HSJ over the ZM Shares pursuant to the ZM Share Pledge;

viii) the Company over its certain assets currently leased by Ferrostal pursuant to the agreement on registered pledges dated 4 February 2014 entered into between the Company and the Security Agent;

ix) Ferrostal over certain of its non-current assets pursuant to the agreement on registered pledge dated 4 February 2014 entered into between Ferrostal and the Security Agent;

x) ZWWB over certain of its non-current assets pursuant to the agreement on registered pledge dated 4 February 2014 entered into between ZWWB and the Security Agent;

xi) CIF over the Intercompany Proceeds Notes issued by HSJ pursuant to the agreement on registered pledges dated 4 February 2014 entered into between CIF and the Security Agent;

c) subject to their registration by the pertinent court, mortgages established over the real estate held by means of perpetual usufruct by:

i) Ferrostal (joint mortgage over three properties) pursuant to the statement on establishment of a joint-contractual mortgage issued by Ferrostal in a form of notarial deed on 4 February 2014; and

ii) ZWWB pursuant to the statement on establishment of a contractual mortgage issued by ZWWB in a form of notarial deed on 4 February 2014;

d) an English law equitable charge over all the shares in CIF, established by HSJ pursuant to the agreement dated 4 February 2014 between HSJ and the Security Agent (the "**English Law Charge**");

e) submission to enforcement by CIF and each of the Guarantors pursuant to the statements on submission to enforcement dated 4 February 2014 in a form of notarial deed.

The value of the secured obligation

Each relevant Security Interest save for the English Law Charge secures the single and independent claim of the Security Agent's towards the relevant Security Provider under section 7.9(a)(2) (*Parallel Debt*) of the indenture (governed by New York law) dated 4 February 2014 (the "**Indenture**"), among *inter alios*, CIF as the issuer, the Guarantors, the Security Agent as trustee, registrar, transfer and principal paying agent, security agent and escrow agent and The Bank of New York (Luxembourg) S.A., together with all ancillary receivables which may arise under or in connection with abovementioned section 7.9(a)(2) (*Parallel Debt*) of the Indenture up to the maximum amount of EUR 150,522,163.50 (in words: one hundred fifty million five hundred twenty-two thousand one hundred sixty-three euro 50/100), provided that the maximum amount referred to above does not apply to the Financial Pledges.

Assets encumbered with the Security Interest

The security interest has been created over certain assets pertaining to CIF and the Guarantors including:

- a) collections of movables and rights forming an economic entirety (except for receivables, inventories (pol. *zapasy*) and any other assets classified as current assets in accordance with International Financial Reporting Standards adopted by the European Union) owned from time to time, but excluding any further movables and rights, the value of which is lower than EUR 1,000,000 by:
 - (i) ZWWB situated in Zawiercie, at ul. Okólna 10, 42-400 Zawiercie (Poland) having as at 30 September 2013 the net value based on the balance sheet of PLN 1,887,892.27; and
 - (ii) Ferrostal situated in Gliwice, at ul. Zawadzkiego 47, 44-109 Gliwice (Poland) having as at 30 September 2013 the net value based on the balance sheet of PLN 47,932,105.33;
- b) movables pertaining to the Company located at the premises of Ferrostal:
 - (i) arc furnace having as at 30 September 2013 the net value based on the balance sheet of PLN 14,081,039.96; and
 - (ii) furnace transformer having as at 30 September 2013 the net value based on the balance sheet of PLN 1,690,987.78
- c) real properties:
 - (i) being in a perpetual usufruct by ZWWB located in Zawiercie, comprising plots of land marked with land registry numbers: 1/69 and 1/70 with a total area of 6.2556 ha, and the building owned by ZWWB located on the said real property, for which land and mortgage register KW CZ1Z/00033483/1 is maintained by the District Court in Zawiercie, V Land and Mortgage Register Division; and
 - (ii) being in a perpetual usufruct by Ferrostal located in: (I) Gliwice, at ul. Zawadzkiego, comprising plots of land no. 3 and no. 17/2, and the buildings owned by Ferrostal located on the said real property, for which

land and mortgage register GL1G/00084766/6 is maintained by the District Court in Gliwice, VIII Land and Mortgage Register Division; (II) Gliwice, at ul. Zawadzkiego, comprising plot of land no. 83 with a total area of 0.3110 ha, and the building owned by Ferrostal located on the said real property, for which land and mortgage register GL1G/00103076/2 is maintained by the District Court in Gliwice, VIII Land and Mortgage Register Division; and (III) Pyskowice, comprising plot of land no. 234/16 with a total area of 3.1057 ha, for which land and mortgage register GL1G/00084767/3 is maintained by the District Court in Gliwice, VIII Land and Mortgage Register Division.

Exchangeable Notes

The Exchangeable Notes and the Exchangeable Notes guarantee provided by the Company (the "EN Guarantee") constitute direct, general, unconditional, unsecured obligations of CIF and the Company, respectively. The obligations of CIF under the Exchangeable Notes and the obligations of the Company under the EN Guarantee are subordinated to the obligations of CIF and the Company (respectively) under the Senior Secured Notes and any other debt ranking pari passu to the Senior Secured Notes. The Exchangeable Notes will at all times rank pari passu among themselves and, subject to the foregoing, at least pari passu in right of payment with all other present and future unsecured and unsubordinated obligations of CIF. Subject to the foregoing, the Guarantee will at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

The Exchangeable Notes have €25,087,003 aggregate principal amount. The Exchangeable Notes were issued in denominations of €10,000 and integral multiples of €1 in excess thereof, and will mature on February 1, 2021. Under certain circumstances, the Exchangeable Notes will be subject to early redemption at the option of CIF or at the option of the Exchangeable Note holders.

The Exchangeable Notes are governed by, and construed in accordance with, English law.

Interest

Interest on the Exchangeable Notes will be payable semi-annually in arrears on February 1 and August 1 in each year, commencing on August 1, 2014. The Interest payable on the Exchangeable Notes may be paid as (i) cash interest at a rate of 5%, or (ii) "pay-in-kind" interest at a rate of 10% payable in the form of additional Exchangeable Notes.

Conversion right

The holders of the Exchangeable Notes will be entitled to have their Exchangeable Notes converted into the Company's new and/or existing shares, credited as fully paid, in the period from March 31, 2015 until the lapse of 6 months following the maturity date thereof. Upon a conversion, CIF will have the option (in its absolute discretion) to (i) deliver (or procure the issue or transfer and delivery of) the Company's shares, (ii) pay a cash settlement amount, or (iii) a combination thereof. Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into the Company's shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 2.35. The conversion price can be subject to adjustment upon the occurrence of certain customary dilutive events. Based on the initial Conversion Price, and if all interest is paid as payment in kind and no Exchangeable Notes are converted or otherwise redeemed (in whole or in part) prior to the maturity date, then the conversion of all the Exchangeable Notes would result in the acquisition of a maximum of 90,886,609 ordinary shares entitling to 90,886,609 voting rights at the Company's shareholders meeting which would represent 68,62 per cent. of the share capital of the Company (assuming all the Company's warrants are converted into shares). All the Company's shares required to be delivered upon conversion of the Exchangeable Notes will be issued pursuant to the exercise of subscription warrants which were transferred by PS Holdco to CIF and/or some portion of existing Company's

shares held by PS Holdco under the call option, as indicated in the current report current report No. 10/2014 dated February 3, 2014.

Security

The Exchangeable Notes will be unsecured and guaranteed by the Company.

Financial and operating restrictions

The Exchangeable Notes contain certain undertakings including that CIF will not assign or otherwise transfer, or create or permit to subsist any mortgage, charge, pledge, lien or other security interest over, all or any part of its interest in any Warrant or any rights it has against PS Holdco to deliver certain Company's shares at CIF's election, except in limited circumstances following a payment of cash interest on the Exchangeable Notes or the conversion, redemption or purchase and cancellation of any Exchangeable Notes (or any part thereof). The Exchangeable Notes will not provide for financial or operating restrictions on CIF or the Company.