



## Launch of Exchange Offer and permission for convening the Scheme Meeting

In accordance with the current report No. 22/2013 dated November 18, 2013, and the current report No. 20/2013 dated September 16, 2013, Cognor S.A. (the "**Company**") is pleased to announce that Złomrex International Finance S.A., incorporated under the laws of France and registered in England and Wales ("**ZIF**"), an indirect subsidiary of the Company, has launched an exchange offer (the "**Exchange Offer**") in order to exchange the outstanding 8.5% senior secured notes in the amount of €117,941,000, due February 1, 2014 issued by ZIF (the "**Existing Notes**") to new financial instruments, for the purpose of refinancing its obligations under the Existing Notes (the "**Refinancing**").

By way of the Exchange Offer, the holders of the Existing Notes (the "**Note Creditors**") are requested to exchange their holdings of Existing Notes for their 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**").

In addition, on November 26, 2013, the High Court of Justice in England and Wales (the "**Court**"), at a hearing to consider ZIF's application for permission to open a court-supervised scheme of arrangement procedure under the UK Companies' Act (the "**Scheme of Arrangement**", the "**Scheme**"), granted its permission for ZIF to convene a meeting of Note Creditors regarding approval of the Scheme (the "**Scheme Meeting**").

The Scheme and the Exchange Offer will run in parallel and only one of the Scheme or the Exchange Offer will ultimately be consummated.

As part of the Refinancing, a newly-established indirect subsidiary of the Company, Cognor International Finance PLC ("**CIF**"), incorporated under the laws of the United Kingdom will acquire Existing Notes from Note Creditors in exchange for the issue of the Senior Secured Notes and the Exchangeable Notes. The Senior Secured Notes will cover 80% of the entitlement of each of the Note Creditors under the Existing Notes, while the Exchangeable Notes will cover the remaining 20% of such entitlement. The Exchangeable Notes may be converted into new and/or existing shares in the Company, as specified in the description of the new instruments provided below. The Existing Notes will ultimately be cancelled.

In order for CIF to be able to deliver shares in the Company in accordance with the terms of the Exchangeable Notes, CIF shall acquire from majority shareholder of the Company - PS Holdco sp. z o.o. ("**PS Holdco**") 6,086 series B subscription warrants each of which entitles the holder to subscribe for 10,000 new shares in Company's share capital (the "**Warrants**"). In addition, PS Holdco undertook to transfer to designated recipients (holders of the Exchangeable Notes) an additional amount of existing shares in the Company at a future date for nil consideration.

The Company intends to convene the Shareholders' Meeting for the purpose of amendment of the Warrants, in particular in order to split the Warrants and to allow subscription of new shares in the Company at a strike price of PLN 2.35 (the "**Warrant Amendments**"). It is expected that all the Company's shares required to be delivered upon conversion of the Exchangeable Notes will be issued pursuant to the exercise of warrants transferred by PS Holdco and/or possibly some portion of existing Company's shares held by PS Holdco. Therefore, other than relating to the exercise of such subscription warrants transferred from PS Holdco, the Refinancing will not require the issue of additional new shares to the holders of the Exchangeable Notes. Drafts of the resolutions regarding the Warrants amendment process will be made available in due course.

It is anticipated that the Refinancing will likely be implemented pursuant to the Scheme of Arrangement, which, in order to become effective, requires approval of a majority in number representing not less than 75% in value of the Note Creditors who vote at the Scheme Meeting to be held on January 8, 2014. If the requisite majorities of Note Creditors approve the Scheme at the Scheme Meeting, then the Court will decide whether to sanction the Scheme at a hearing which is expected to take place on or around January 14, 2014 (the "**Sanction Hearing**").

However, if sufficient active support is obtained for the Exchange Offer, which would render the Scheme unnecessary and save ZIF from incurring some of the Scheme costs, then ZIF may, in its discretion, decide to implement the Refinancing by way of the Exchange Offer. In that case, ZIF will offer to exchange Existing Notes which are tendered under the Exchange Offer for the same consideration as that which is available under the Scheme. The Exchange Offer is conditional upon, *inter alia*, the receipt of support of the Note Creditors representing at least 99% of the amount owed under the Existing Notes not later than on December 27, 2013, or such later date as may be specified in ZIF's sole discretion, (or such lower percentage as ZIF may determine but not being less than 95%).

The Company's board of directors considers that the Refinancing by way of the Exchange Offer or Scheme, and the Warrant Amendments, are in the best interests of the Group and its stakeholders and is the most viable option in order to achieve the Refinancing and results in the continuation of the Group as a going concern. Furthermore, the terms of the proposal are adequately balanced to provide a sound, long-term and cost effective financing platform for the Group's future development plans.

Below we present the major terms and conditions of the Senior Secured Notes and the Exchangeable Notes.

### **Senior Secured Notes**

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

The Senior Secured Notes will have €94,352,800 million aggregate principal amount which may be increased by any accrued and unpaid interest on the Existing Notes which ZIF elects to capitalise. CIF may opt to capitalize all or some portion of accrued interest in respect of the Existing Notes. The Senior Secured Notes will be issued in minimum denominations of €40,000 and integral multiples of €1 in excess thereof, and will mature on February 1, 2020. Under certain circumstances, the Senior Secured Notes will be subject to early redemption at the option of CIF.

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

#### *Interest*

Interest on the Senior Secured Notes will be payable semi-annually in arrears on February 1 and August 1 in each year, commencing on August 1, 2014, and will depend on the interest payment periods. The interest will 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.

If the maximum amount of "pay-in-kind" interest is paid, then the maximum amount of Senior Secured Notes outstanding would be approximately €114,653,912.92 at the maturity date, assuming no capitalisation of accrued and unpaid interest on the Existing Notes.

#### *Financial and operating covenants*

In accordance with the issue of the Senior Secured Notes, certain financial and operating covenants will be 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 will be guaranteed by the Company, PS Holdco, Odlewnia Metali Szopienice sp. z o.o. 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., Cognor Finanse sp z o.o. and Kapitał S.A. (the "**Guarantors**"). In addition, in order to secure the Senior Secured Notes certain security interest will be established, including a first ranking security interest in all outstanding shares of CIF and the Guarantors (other than shares of the Company or shares of PS HoldCo) and a first ranking mortgage security interest and registered pledge in certain non-current assets of ZZWB and Ferrostal and a pledge of an intercompany bonds between CIF (as creditor) and HSJ (as debtor) (currently owned by ZIF).

#### **Exchangeable Notes**

The Exchangeable Notes and the Exchangeable Notes guarantee provided by the Company (the "**EN Guarantee**") will 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 will be

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 will have €23,588,200 aggregate principal amount, as may be, at the option of CIF, increased by capitalizing some or all of the accrued and unpaid interest on the Existing Notes. The Exchangeable Notes will be issued in minimum 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 will be 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. If all interest is paid in the form of additional Exchangeable Notes, the maximum amount of Exchangeable Notes outstanding would be approximately €46,703,023 at the maturity date.

#### *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 85,456,594 ordinary shares which would represent 64.5 per cent. of the share capital of the Company as of today. It is expected that 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 transferred by PS Holdco and/or possibly some portion of existing Company's shares held by PS Holdco. Therefore, other than relating to the exercise of such subscription warrants transferred from PS Holdco, the Refinancing will not require the issue of additional new shares to the holders of the Exchangeable Notes.

#### *Security*

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

#### *Financial and operating restrictions*

The Exchangeable Notes will 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.

*Under no circumstances shall this announcement constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for any securities in any jurisdiction. The transactions referred to in this announcement shall not be considered an "offer of securities to the public" for purposes of the Luxembourg law on prospectus for public offering dated July 10, 2005 or give rise to or require a prospectus in an EU member state which has implemented the prospectus directive.*

*Within the United Kingdom, this announcement is directed only at persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("relevant persons"). The investment or investment activity to which this announcement relates is only available to and will only be engaged in with relevant persons and person who receive this announcement who are not relevant persons should not rely or act upon it.*

*Neither the Company, ZIF nor any of their subsidiaries or affiliates or advisors makes any recommendation whether any person or party should participate in the transactions referred to in this announcement.*

*This announcement contains "forward-looking statements" regarding the Company, ZIF, their respective subsidiaries and related companies and their business. Such statements are not historical facts and may include management's current views with respect to future events and financial performance. Although these views are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties and assumptions. Accordingly, you should not regard such statements as representations as to whether such anticipated events will occur or that expected objectives will be achieved. All forward-looking statements in this announcement are made on the date hereof, and no party undertakes to update any such statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.*