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| <b>Current report no.:</b> | 46/2017  |
| <b>Date:</b>               | 2017-08-31   |
| <b>Name of the Issuer:</b> | FERRUM S.A.  |
| <b>Title:</b>              | Conclusion of an agreement on restructuring of respective claims of FERRUM S.A. and loan contracts and decision on the change of repayment schedule of financial liabilities against the financing parties |
| <b>Legal basis:</b>        | Art. 17 item 1 MAR – inside information  |

**Content of the report:**

The Management Board of FERRUM S.A. (Company, Issuer) informs that on 31<sup>st</sup> August 2017 it concluded with MW Asset Management Sp. z o.o. (MWAM), Investment Fund of Polish Company Closed-end Investment Fund of Non-Public Assets (Fund), Mezzanine Closed-end Investment Fund of Non-Public Assets (Mezzanine FIZAN) and with the Fund-controlled special purpose entity Watchet Sp. z o.o. (Lender) an agreement on restructuring of respective Company claims (Agreement). The Agreement constitutes a set of interrelated arrangements between its parties as for the conditions and implementation of the Company restructuring, in connection with which the Issuer entered on the same day with the Lender into the below provided for in the Agreement:

1. Revolving loan contract in the total amount of PLN 30.6 mio. for the financing of the Company current business activities, whereas the loan shall be paid out once the conditions provided in the contract are fulfilled, in two equal installments, each in the amount of PLN 15.3 mio., and the loan repayment period is 12 months as from the respective installment payment day. At the same time, payment of the second installment shall be made via a trust account and transferring the resources at the Company's disposal from such an account requires consent of the parties to the Agreement. Subject to the loan collection, the Company is obliged to pay the provision and interest rate specified in the contract.

With reference to the loan provision, within the specified period the Company is obliged to: (i) establish security for its repayment including, among others, the material collateral (mortgages and register pledges) on the Company assets specified in the contract and to file a declaration of submission to execution, as well as to make the Issuer's subsidiary i.e. Zakład Konstrukcji Spawanych Ferrum S.A. (ZKS) grant surety and submit declaration of submission to execution; and to (ii) establish security for the repayment of bonds issued by the Lender in order to acquire financing for the above mentioned revolving loan to be granted, including, inter alia, the material collateral (mortgages and registered pledges) on the Company assets specified in the contract and to file declarations on submission to execution, as well as to make ZKS grant surety and submit declaration of submission to execution, whereas establishing by the Issuer the respective securities and granting surety by ZKS are subject to the consent of third parties.

2. Refinancing loan contract in the amount of app. PLN 41.4 mio. for the refinancing of claims in the amount equal as the loan, currently entitled with (in accordance with the information received by the Company on 31<sup>st</sup> August 2017) CC94 Closed-end Investment Fund of Non-Public Assets (CC94 FIZAN), and purchased by this entity directly from mFactoring S.A., however the loan shall be paid out once the conditions provided in the contract are fulfilled, by the remittance of debt concerning payout of the loan



in favour of CC94 FIZ, and the period for the loan repayment amounts 24 months since the loan advance date. Subject to the loan collection, the Company shall pay commission as provided in the contract.

In connection with the loan provision, within the specified period the Company is obliged to: (i) establish and make ZKS provide security for its repayment, analogically as in the case of the revolving loan referred to hereinabove, as well as to (ii) establish and make ZKS provide security for repayment of bonds issued by the Lender in order to acquire financing for the above refinancing loan, analogically as in the case of the bonds issued by the Lender to acquire financing for the aforementioned revolving loan, whereas establishment of the respective securities by the Issuer and granting sureties by ZKS are subject to the consent of third parties.

Except for the above, the Agreement requires also other actions referred to herein, including:

- the Agreement indicates that the specified claims of Bank Millennium S.A. against the Issuer shall be purchased by the Fund;
- in view of the above and the advance of the aforementioned revolving and refinancing loans, the Company significant financial commitments creditors (jointly referred to as: Arrangement Claims) comprise of the Lender, the Fund and Mezzanine FIZAN (which presently already, according to, inter alia, the current report no. 19/2017 and related preceding reports, holds specified significant financial claims against the Company purchased from ING Bank Śląski S.A.);
- furthermore, having obtained the required approval of the President of the Office of Competition and Consumer Protection for taking the control over the Company by the Fund and MWAM, the arrangement proposals shall be drafted, submitted and accepted in compliance with the Restructuring Law, providing for: (i) swap of the Arrangement Claims for the Company new shares (Company New Shares) (other than the revolving loan claims) and optionally, (ii) extension of the repayment of the revolving loan claims, whereas the issue price of the Company New Shares for the swap purposes was agreed to the amount of PLN 4.50 per share. It is estimated that the Company New Shares would constitute jointly about 46% of the Company initial capital (after the swap);
- admission of all the Company New Shares to trading on a regulated market of the Warsaw Stock Exchange immediately once the swap-related increase in the Company equity capital is registered by the registry court.

Additionally, under the conditions provided for in the Agreement, the Lender shall be able to purchase from the Issuer until the end of 2019 all the 1.386.386 own shares held by the Issuer for the price amounting to PLN 4.10 per share.

Moreover, the Company obliged itself to repurchase the production line for the spirally welded pipes referred to in the current report no. 27/2017 of 17<sup>th</sup> May 2017, subject to ensuring by the Fund and Mezzanine FIZAM (or MWAM) additional financing being a loan to finance this transactions, whereas performance of this obligation by the Company is secured with guarantee requests to the benefit of, respectively, the Fund and Mezzanine FIZAN in the total amount of PLN 30 mio.

At the same time, should the registry court register the swap-related increase in the Company initial capital, the Company shall cooperate with the parties to the Agreement in a manner specified therein in order to change the Company statute, as determined in the Agreement.

Conclusion of the Agreement is a significant step towards the improvement of the Company financial – operating situation, the undertakings that first and foremost aim at acquiring external financing in order to settle the operating activities and satisfy the regulatory liabilities, swap the financial debt to Company shares and thus to finally restructure the financial debt, releasing securities on the Company assets that shall be used



to gain bank financing offered on a commercial basis and taking advantage of the business potential related to the purchase and commencing of the production line of spirally welded pipes and establishing cooperation with the bank that finances the current operating activities (various financial products), repaying in installments the trade debt and financing the development plans (repurchasing production line of spirally welded pipes and necessary reconstruction investments).

In compliance with the Agreement, MWAM, the Fund and Mezzanine FIZAN are entitled to terminate the Agreement in case of cancellation of the investment agreement entered into between MWAM, the Fund, Mezzanine FIZAN and CC94 FIZAN, regarding the approvals on the capital participation in the Company.

In addition, the Issuer informs that on 31<sup>st</sup> August 2017 it received from Bank Millennium S.A., CC94 FIZAN, Mezzanine FIZAN and Distressed Assets Closed-end Investment Fund of Non-Public Assets (jointly referred to as Financing Parties) a statement on the change to the debt repayment schedule against the Financing Parties, in respect of postponing the payment date of installments payable on 31<sup>st</sup> August 2017 to 31<sup>st</sup> December 2017. The total amount of installments, payment of which in favour the Financing Parties was postponed for the above date, amounts to app. PLN 13 mio.

Furthermore, according to the obtained statements, the period for delivering notices on possible direct contracting with Gaz System was extended until 31<sup>st</sup> December 2017, about which the Issuer informed in details, among others, in the current reports no. 84/2015 and related subsequent reports.

#### **SIGNATURES OF PERSONS REPRESENTING THE COMPANY**

| <b>Date</b> | <b>Position</b>                        | <b>First name and surname</b> |
|-------------|--|-------------------------------|
| 2017-08-31  | President of the Management Board      | Krzysztof Kasprzycki          |
| 2017-08-31  | Vice-President of the Management Board | Grzegorz Kowalik              |