

1 September 2016

Acquisition of Magellan and delisting of Magellan shares

As previously announced, on 8 January 2016, Mediona spółka z ograniczoną odpowiedzialnością (**Mediona**), a Polish subsidiary of Banca Farmafactoring S.p.A. (**BFF**), launched a tender offer for a maximum of 6,720,037 shares equal to the entire share capital of Magellan S.A. (**Magellan**), a company incorporated under Polish law operating in the financial services market for the health sector and public sector and listed on the Warsaw Stock Exchange (**WSE**) since 2007. The tender offer was completed on 3 June 2016, as a result of which Mediona acquired 6,526,941 shares in Magellan, corresponding to 97.13% of Magellan's share capital (net of Magellan own shares). Following the tender offer, Mediona exercised its right to acquire the remaining shares in Magellan held by the minority shareholders with a view to owning all of its voting shares, which was completed on 30 June 2016. As a result, BFF, through Mediona, currently holds 6,652,566 shares of Magellan, corresponding to 98.996 % of voting rights in Magellan. The remaining 67,471 shares corresponding to 1.004 % of voting rights are held by Magellan as its own shares.

The delisting of Magellan's shares

As announced, BFF intends to delist Magellan's shares from the WSE. The process of voluntary delisting of companies from the WSE requires fulfillment of several steps, including (i) a shareholders' resolution on delisting; and (ii) approval of the delisting being granted by the Polish Financial Supervision Authority. In order to commence this process, a notice convening a meeting of Magellan's shareholders for 30 September 2016 has been published by Magellan on 1 September 2016.

Given the effects of such potential delisting on the two outstanding bonds of Magellan (and the potential indirect effects on the indebtedness of Magellan and BFF described below), BFF and Magellan have started a waiver process described below. BFF and Magellan intend to approve the delisting process and submit a formal application for approval of delisting to the Polish Financial Supervision Authority and the WSE on completion of such waiver process.

Consequences of a potential Delisting on Magellan's and BFF's debt

The following debt instruments issued by Magellan provide that the delisting of Magellan's shares from the WSE (the **Delisting**) constitutes an event of default under the terms and conditions of each of these debt instruments and gives a right to the relevant holders to request the acceleration of:

- the bonds issued under a PLN 750 million (approximately EUR 170 million at 30 June 2016 exchange rate) bond programme arranged and privately placed by mBank S.A., of which PLN 371.1 million and EUR 32.7 million (approximately EUR 117 million in total at 30 June 2016 exchange rate) is currently outstanding (the **mBank Bonds**); and
- the bonds issued under a PLN 110 million (approximately EUR 25 million at 30 June 2016 exchange rate) bond programme arranged and privately placed by Alior Bank S.A., of which PLN 55.5 million and EUR 4 million (approximately EUR 16.5 million in total at 30 June 2016 exchange rate) is currently outstanding (the **Alior Bonds**).

The occurrence of an event of default under the terms and conditions of the mBank Bonds or the Alior Bonds would, or may, trigger certain cross-default and/or cross-acceleration clauses contained in the loan agreements, credit agreements, debt instruments and/or other obligations of Magellan and/or its subsidiaries (together with the mBank Bonds and the Alior Bonds, "**Magellan's Indebtedness**") (which amounted to approximately EUR 304 million as of 30 June 2016) potentially resulting in all of Magellan's Indebtedness being declared due and payable (**Magellan Default**).

Since Magellan is a subsidiary of BFF, the Magellan Default would, or may, in the absence of waivers, trigger certain cross-default provisions contained in the loan agreements, credit agreements, debt instruments and/or other obligations of BFF and/or its subsidiaries (other than Magellan) (**BFF's Indebtedness**), including in particular the cross-default provisions contained in: (i) the terms and conditions of EUR 300,000,000 2.75 per cent. notes due 2017; and (ii) the terms and conditions of EUR 150,000,000 1.25 per cent. notes due 2021 issued by BFF (together, the **BFF Notes**).

As of 30 June 2016, BFF's indebtedness amounted to approximately EUR 1,963 million, including Magellan's Indebtedness, and to approximately EUR 1,659 million, excluding Magellan's Indebtedness). The cross-default under the obligations of BFF and/or its subsidiaries resulting from the Magellan Default could potentially result in all of BFF's Indebtedness being declared due and payable (**BFF Default**).

Commencement of the waiver process by Magellan and BFF

Under the rules and regulations issued by the WSE, the WSE management has a right to unilaterally delist a company's shares from its market if: (i) the shares no longer meet the requisite trading criteria, including minimum free float requirements; or (ii) if the shares were not traded on the market at least once in any 90 day period.

Magellan's shares currently do not comply with the minimum free float requirements and pursuant to a resolution of WSE's management board, trading in Magellan's shares was suspended on 24 June 2016. Although the WSE management has confirmed its past practice that it has never unilaterally delisted shares of a company from WSE without the initiation of a voluntary delisting process by the relevant company, there is no absolute certainty that the WSE management will never exercise its right to delist Magellan's shares unilaterally.

In order to pursue BFF's intention to delist Magellan shares but at the same time avoiding the potential risk of acceleration of Magellan's Indebtedness and/or BFF's Indebtedness, BFF will commence, and Magellan have commenced, a process to obtain waivers to prevent and/or cure the occurrence of an event of default under each of the mBank Bonds, the Alior Bonds and the BFF Notes.

The waiver process for the mBank Bonds and the Alior Bonds commenced on 1 September 2016. The waiver process under each of the mBank Bonds and the Alior Bonds requires unanimous approval of the respective current holders of such bonds. As an alternative to the waiver, the holders of the mBank and the Alior Bonds will be given the option to sell their bonds to Magellan.

BFF will commence the waiver process for the BFF Notes within the next few days. The waiver process under each of the BFF Notes requires a majority vote of the current noteholders of the respective BFF Notes.

It is expected that Magellan and BFF will conclude all the waiver processes on or about 30 September 2016. Magellan and BFF will be informing the investors of the outcome of such processes.

If a waiver in respect of the mBank Bonds and/or the Alior Bonds is not obtained, the Delisting (whether initiated by Magellan or unilaterally decided by the WSE management) would constitute an event of default under such bonds and would trigger the Magellan Default. If the requisite waivers are not provided by noteholders of the BFF Notes, the Delisting and the Magellan Default could trigger a cross default under the BFF Notes.

BFF has sufficient cash and credit lines to refinance/repay the Magellan Indebtedness in case of the Magellan Default provided that waivers can be obtained at BFF level so that the Magellan Default does not result in BFF Default and BFF's Indebtedness is not declared due and payable. Therefore, even in the scenario of the Magellan Default, subject to there being no BFF Default, BFF may decide to use the available cash and credit lines to refinance Magellan's Indebtedness. In such a case, there should be no further consequences for BFF and/or its subsidiaries other than the potential early repayment of some or all of Magellan's Indebtedness and any related borrowing costs.

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