

Current report no. 112/2012

Date prepared: 23.11.2012

Issuer's abbreviated name:

POLIMEX-MOSTOSTAL

Subject: Coordination of the terms of a preliminary agreement with financial creditors with respect to basic terms of funding of the Company.

Legal basis: Article 56 (1) (1) of the Act on Public Offering

The Management Board of Polimex-Mostostal S.A. (hereinafter referred to as the '**Company**') with its registered office in Warsaw at ul. Czackiego 15/17 hereby informs that on 22 November 2012 the Company coordinated with its financial creditors being the parties to the agreement dated 24 July 2012 regarding refraining from enforcement of liabilities, (hereinafter referred to as the '**Standstill Contract**') (please refer to current report no. 52/2012 dated 25 July 2012) the content of a preliminary, non-binding agreement with respect to basic terms of funding of the Company (hereinafter referred to as the '**Agreement**') which stipulates basic terms of a future binding contract specifying the terms of funding of the Company by the financial creditors thereof (hereinafter referred to as the '**Contract**').

Key terms of the future Contract provided for in the Agreement stipulate the following:

I. Increase of the business capital of the Company

1. Obtainment by the Company, as a result of the issue of series N1, series N2 and series O shares voted through by an Extraordinary General Meeting of the Company on 15 October 2012, of income of the total value of minimum PLN 250 million by 31 March 2013, PLN 150 million of which by 31 January 2013.
2. Conversion by 31 December 2012 of the Company bond holders' receivables under the bonds issued by the Company for the total value of approx. PLN 250 million with respect to series M shares, issued within the framework of the issue voted through by the General Meeting of the Company on 15 October 2012.

II. Operating reorganisation of the Company

1. The Company carrying out operating reorganisation of the capital group of the Company by means of reducing operating costs of the group by minimum PLN 300 million by the end of 2015.
2. Disposal by the Company and subsidiary companies thereof of assets for a total amount not lower than PLN 600 million until 31 December 2015. The assets to be disposed shall include stock and shares of subsidiary companies, redundant material assets, organised parts of the enterprise, land for development and investments as well as selected operating real properties.

III. Change of the terms of credits, guarantees and other liabilities due to bond holders

1. Maintaining the funding granted to the Company by Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Bank Ochrony Środowiska S.A. and Kredyt Bank S.A. (hereinafter referred to as the '**Funding Banks**') and deferral of final repayment until 31 December 2016. As of the date of this report, total involvement of the Funding Banks amounts to approx. PLN 650 million (hereinafter referred to as the '**Credits**').
2. Deferral until 31 December 2016 of the final repayment of the liabilities due to the Company bond holders under the bonds issued by the Company for the total value of approx. PLN 145 million by means of issuing new bonds and selling them to the current bond holders, or in the course of a change of the terms of the bonds issued by the Company (hereinafter referred to as the '**Bonds**').
3. Deferral until 31 December 2016 of the final repayment of possible recourse claims due to granted guarantees and factoring agreements to be entered into during the term of the Contract (hereinafter referred to as '**Recourse Claims**').
4. Current service by the Company of the interest on Credits and Bonds as well as Recourse Claims. The aforementioned liabilities shall bear interest in accordance with the base rate plus the margin of profit

agreed upon. The first interest-bearing period shall commence upon the entry of the Contract into force and continue for six months. Each further interest-bearing period shall be a quarterly period, subject to payment of interest in arrears at the end of each interest-bearing period.

5. Maintenance by the Banks which have granted the Company their guarantees (hereinafter the '**Guaranteeing Banks**') of their current guarantee involvement until expiry thereof.
6. Guaranteeing Banks providing a new guarantee facility (in proportion to the value of the guarantees granted so far by each of the Guaranteeing Banks) amounting to PLN 300 million in total (hereinafter referred to as the '**New Guarantee Facility**'), with the initial limit of PLN 200 million granted to the Company upon fulfilment of the terms provided for in the Contract being increased by PLN 50 million every six months.
7. Irrespective of provision of the New Guarantee Facility, the Company shall have the right to apply for guarantees required to execute the contract for the construction of power units at Opole Power Plant (hereinafter referred to as the '**Opole Guarantees**').
8. Limits of operating credits granted to the Company by the Funding Banks shall be gradually reduced, and the Company shall partially repurchase the Bonds and shall repay the resulting Recourse Claims in accordance with the following schedule:
 - a) in 2015, the Company would be obliged to appropriate minimum PLN 100 million to repay the foregoing liabilities;
 - b) the remaining part of the debt would need to be repaid by the end of 2016.

IV. Other material provisions of the Agreement

1. The Contract will stipulate that commencement of performance of specific obligations by individual parties shall depend on fulfilment of a series of conditions precedent. The Agreement also stipulates that the Contract shall be entered into subject to conditions subsequent fulfilment whereof shall result in the Contract being terminated.
2. Moreover, the Agreement stipulates that the Contract shall contain a detailed catalogue of premises authorising individual creditors or a relevant majority of creditors to terminate the Contract. In particular, during the term of the Contract, the Company shall maintain a relevant level of the financial indicator provided for in the Contract. Moreover, creditors shall have the right to control realisation of the operating reorganisation plan and of the Company assets sales plan. The Company's failure to fulfil the aforementioned obligations may result in Contract termination by creditors.
3. The Agreement also stipulates that the Management Board of the Company convene a General Meeting in order to amend the Articles of Association of the Company by means of granting to Agencja Rozwoju Przemysłu S.A. (hereinafter referred to as '**ARP**'), acting in the capacity of an investor who has expressed their willingness to participate in the increase of the business capital of the Company (please refer to current report no. 74/2012 dated 19 September 2012), and Powszechna Kasa Oszczędności Bank Polski S.A. (hereinafter referred to as '**PKO BP**'), as a creditor of the most significant financial exposure, each the right to appoint and dismiss two of the seven members of the Supervisory Board of the Company.
4. In accordance with the content of the Agreement, the Company shall establish a series of collaterals, inter alia on: the enterprise, properties and proprietary rights of the Company, and on interests/stock of subsidiary companies of the Company for the purpose of securing liabilities due to creditors under the New Guarantee Facility, guarantees issued in connection with the performance of the contract for the construction of a power unit for Koźienice Power Plant issued by PKO BP first, and the liabilities under Credits, Bonds and current guarantees. The scope of collaterals regarding the Opole Guarantees shall be specified in the Contract.

On the date of publication of this report the Agreement was signed by the Company and 24 out of 43 creditors being parties to the Standstill Contract, inclusive of the largest two financial creditors of the Company, i.e. Bank PKO BP and Bank Polska Kasa Opieki S.A.

Signatures of persons representing the Company:

Robert Kosmal – Merger and Takeover Department Manager