

Current report no. 130/2012

Date prepared: 22.12.2012

Issuer's abbreviated name:

POLIMEX-MOSTOSTAL

Subject:

Conclusion of an agreement with financial creditors regarding terms of the Company's financial debt service, and fulfilment of preconditions thereof.

Legal basis: *Article 56 (1) (2) of the Act on Public Offering, and §5 (1) (1), (3) and (4) of the Ordinance on current and periodical information*

The Management Board of Polimex-Mostostal S.A. with its registered office in Warsaw (hereinafter referred to as the '**Company**') hereby informs that on 21 December 2012 the Company concluded with its financial creditors an agreement regarding terms of financial debt service which provides for the terms of the Company funding by the financial creditors thereof (hereinafter referred to as the '**Agreement**'). On the one side, the contracting parties include the Company and its subsidiary companies Polimex-Mostostal Development sp. z o.o., Polimex-Development Kraków Sp. z o.o. and BR DEVELOPMENT sp. z o.o., and on the other side – Bank Polska Kasa Opieki S.A., Bank Powszechna Kasa Oszczędności Bank Polski S.A., Bank Ochrony Środowiska S.A., Kredyt Bank S.A. and Bank Millennium S.A. (hereinafter collectively referred to as the '**Funding Banks**') as well as the bondholders entitled to receivables due to bonds issued by the Company for the total nominal value of approximately PLN 394 million (hereinafter referred to as the '**Bondholders**', and '**Creditors**' collectively with the Funding Banks).

The contracting parties include banks of the most significant financial exposure with respect to the Company. Upon the conclusion of the Agreement, other banks that are parties to the agreement dated 24 July 2012 regarding containment of enforcement of liabilities as amended (hereinafter referred to as the '**Standstill Contract**') and that are subject to guarantee exposures, save for Svenska Handelsbanken AB S.A. Branch Office in Poland (hereinafter referred to as '**Medium Exposure Banks**') undertook with respect to the parties to the Agreement (by means of signing separate declarations) (hereinafter referred to as '**Declarations of Medium Exposure Banks**') to, among other things:

- (a) waive mortgages established in favour thereof pursuant to the Standstill Contract (hereinafter referred to as the '**Standstill Mortgages**') or give other mortgages priority over the Standstill Mortgages (or express consent to stipulate other mortgages priority over the Standstill Mortgages) within the scope in which the Agreement obliges the Parties to do so, or in which the Company's creditors being the parties to the Agreement decide so, in particular to enable the Company to sell its assets free from encumbrances;
- (b) spread into twelve equal, monthly instalments any recourse claims under guarantees issued by the Medium Exposure Banks, not later however than by 31 December 2016.

The subject matter of the Agreement is determination of the Company's debt service terms with respect to the Creditors in accordance with the following conditions:

I. Change of the terms of credits, guarantees and bondholders' other receivables

1. The Funding Banks have undertaken to: (i) postpone until 31 December 2016 (hereinafter referred to as the '**Final Repayment Date**') the final repayment of revolving credit limits made available to the Company, and to replace investment credits with revolving credits; as of the date of the signing of the Agreement, total Funding Banks credit exposure amounts to approximately PLN 670 million (hereinafter referred to as the '**Credits**'); (ii) spread into twelve equal, monthly instalments any recourse claim under guarantees issued by the Funding Banks, arising during the term of the Agreement (hereinafter referred to as the '**Recourse Claims**'), not later however than by 31 December 2016; total Funding Banks guarantee exposure amounts to approximately PLN 1,038 million.
2. The Bondholders have undertaken to convert receivables under bonds issued by the Company (hereinafter referred to as '**Bondholder's Receivables**') in the amount of approximately PLN 250 million to series M stock of the Company (hereinafter referred to as '**Conversion**') and to postpone final repayment of the remaining part of the Bondholders' Receivables, in the amount of approximately PLN 144 million, until 31 December 2016.
3. Credits and Bondholders' Receivables not subject to Conversion, and possible Recourse Claims shall bear interest at the base rate plus the margin of profit. 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.
4. Funding Banks which have granted the Company their guarantees have undertaken to maintain their current guarantee exposure until expiry thereof.
5. Funding Banks have undertaken to make available to the Company a new guarantee line for the total amount of PLN 201.8 million (hereinafter referred to as the '**New Guarantee Line**').
6. The Company has undertaken that prior to the Final Repayment Date it shall repay in anticipation any Credits, Bondholders' Receivables and due Recourse Claims (commensurate with the participation of receivables due to individual Creditors in the Company's total debt towards the Creditors due to the aforementioned receivables) in accordance with the following terms:
 - a) PLN 25 million by 30 June 2015;
 - b) PLN 25 million by 30 September 2015;
 - c) PLN 50 million by 31 December 2015;
 - d) PLN 30 million by 30 June 2016;
 - e) PLN 30 million by 30 September 2016;
 - f) PLN 60 million by 15 December 2016;
 - g) remaining debt by 31 December 2016, and
 - h) each time following the end of a calendar quarter if at the end thereof the Company has accomplished the financial surplus level specified in the Agreement.
7. In connection with the Agreement, the Company has undertaken to establish a series of securities in favour of the Creditors thereof. The foregoing securities include:
 - a) establishment of joint mortgages by the Company and its subsidiary companies Polimex-Development Kraków sp. z o.o., Polimex-Mostostal Development sp. z o.o. and BR DEVELOPMENT sp. z o.o. on the land and perpetual usufruct right to land (inclusive of ownership of buildings and appurtenances located thereon), and interests in the said rights. The catalogue of encumbered properties is substantially identical with

that of properties mortgaged in favour of Powszechna Kasa Oszczędności Bank Polski S.A. in connection with the contract for the construction in Świerże Górne of a power unit for supercritical parameters, inclusive of auxiliary systems and structures, of the gross output of 1,075 MW (hereinafter referred to as the 'Kozienice Contract') (please refer to report no. 79/2012 dated 21 September 2012 and report no. 110/2012 dated 21 November 2012). Mortgages established pursuant to the Agreement shall have priority identical with mortgages established to secure guarantees issued in connection with the Kozienice Contract. As of 30 November 2012, total book value of the properties being mortgaged amounted to PLN 392.60 million.

- b) Establishment of registered and financial pledges on interests in the following subsidiary companies: StalFa sp. z o.o., Centrum Projektowe Polimex - Mostostal sp. z o.o., Pxm - Projekt - Południe sp. z o.o., WBP Zabrze sp. z o.o., Przedsiębiorstwo Robót Inżynieryjnych 'PRINŻ-1' sp. z o.o., Pracownia Wodno-Chemiczna Ekonomia sp. z o.o., Przedsiębiorstwo Produkcyjno-Usługowe 'Elektra' sp. z o.o., Energop sp. z o.o., Energomontaż-Północ - Technika Spawalnicza i Laboratorium sp. z o.o., Polimex Hotele sp. z o.o., Energomontaż - Nieruchomości sp. z o.o., Polimex-Development Kraków sp. z o.o., Polimex-Mostostal Development sp. z o.o., and BR DEVELOPMENT sp. z o.o. As of 30 September 2012, total book value of the properties being mortgaged amounted to PLN 201.2 million.
- c) Establishment of a registered pledge on assets and rights appurtenant to the Company (following obtainment of the consent of the Company General Meeting to the establishment thereof) of the book value of PLN 6.9 million;
- d) Other securities established regularly in connection with credit agreements, such as contract receivables security assignments, power of attorney to bank accounts, or pledges on bank accounts.

Total value of the receivables secured with limited proprietary rights specified hereinabove amounts to PLN 1,852 million.

III. Operating reorganisation of the Company

1. The Company has undertaken to develop and implement an operating reorganisation plan regarding the capital group of the Company by means of reducing operating costs of the group by the total of PLN 300 million by the end of 2015.
2. The Company has undertaken to sell assets specified in the Agreement and generate revenues due thereto that amount to not less than PLN 600 million PLN by 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.
3. Carrying out of the reorganisation plan and of the assets sales plan will be monitored by the Creditors. A failure to observe the parameters specified in the Agreement may result in termination thereof by the Creditors.

IV. Agreement becoming effective

The Parties have decided that the Agreement or obligations of some of the Parties to it becoming effective shall depend on the fulfilment of a number of preconditions which were fulfilled on the date of conclusion of the Agreement, namely:

- a) The Management Board of the Company convened an extraordinary general meeting of the Company with an agenda covering adoption of resolutions with respect to changes to the composition of the Supervisory Board of the Company and amendments to the Articles of Association of the Company with respect to the rules of appointing members

of the Supervisory Board of the Company. The purpose of the foregoing changes and amendments is to provide Agencja Rozwoju Przemysłu S.A. (in the capacity of the strategic investor) and Bank Powszechna Kasa Oszczędności Bank Polski S.A. (in the capacity of the Company's 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 (please refer to the Company's current report made available on the date of publication of this report);

- b) All the Company's creditors not being a party to the Agreement and entitled to Standstill Mortgages have made statements with respect to giving other mortgages established under the Agreement in favour of the Creditors priority over the Standstill Mortgages;
- c) The Company entered into an investment agreement with Agencja Rozwoju Przemysłu S.A. (hereinafter referred to as 'ARP') pursuant to which ARP undertook to enter into an agreement regarding acquisition of 300,000,000 series N1 stock of the Company for the total issue price of PLN 150,000,000 (hereinafter referred to as the 'ARP Stock'); further, ARP and the Company concluded the ARP Stock Acquisition Agreement; information on the material provisions of the investment agreement will be made available in a separate current report on the date of publication of this report;
- d) The Company entered into agreements regarding acquisition of the total of 416,666,666 series M stock by the Bondholders; further, series M shares issue price was paid by means of deducting the Bondholders' Receivables amounting in total to approximately PLN 250 million from the series M shares issue price;
- e) The Company and the Funding Banks entered into a New Guarantee Line Agreement; information on the material provisions of the New Guarantee Line Agreement will be made available in a separate current report on the date of publication of this report, and
- f) The Company entered into agreements with respect to establishing the securities provided for in item I.7 of this report, save for agreements with respect to establishing a registered pledge on the Company's enterprise which will be concluded immediately after obtaining the consent of the Company's general meeting.

V. Other material provisions of the Agreement

- 1. The Agreement contains a detailed catalogue of premises authorising individual creditors or a relevant majority of creditors to terminate the Contract, in particular in the event of:
 - a) absence of payments in favour of the Creditors or unequal treatment thereof by the Company;
 - b) absence of registration of securities established in connection with the conclusion of the Agreement, or failure to establish a pledge on the Company's enterprise on the dates specified in the Agreement;
 - c) failure to amend the Articles of Association of the Company within the scope described in item IV.1 within time specified in the Agreement;
 - d) institution of execution proceedings against the Company by Company creditors other than the Parties to the Agreement, regarding amounts exceeding the limits specified in the Agreement;
 - e) filing of a bankruptcy petition against the Company by Company creditors other than the Parties to the Agreement, and the foregoing petition not being withdrawn / dismissed within time specified in the Agreement;

- f) failure to accomplish an adequate level of financial indicators specified in the Agreement;
- g) delay in or non-implementation of the operating reorganisation plan and of the assets sales plan by the Company.

The Agreement has been considered material due to the fact that the value of the subject matter of it exceeds 10% of the Company's capital group revenues from sales in the last four working quarters of the year. Assets to be encumbered pursuant to the Agreement have been considered material due to the fact that the value thereof exceeds 10% of the Company's capital group revenues from sales in the last four working quarters of the year.

Signatures of persons representing the Company:

Robert Kosmal – Merger and Takeover Department Manager