Current report No. 150/2013

Date prepared: 25.10.2013

Issuer's abbreviated name:
POLIMEX-MOSTOSTAL

Subject: Signing of an Annex to the Agreement on the principles of managing the financial debt signed on 21 December 2012.

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

The Management Board of Polimex-Mostostal S.A. with its registered office in Warsaw (hereinafter referred to as the "Company") at ul. Czackiego 15/17 informs that on 25 October 2013, the Company on one part, and on the other part Bank Polska Kasa Opieki S.A., Bank Powszechna Kasa Oszczędności Bank Polski S.A., Bank Ochrony Środowiska S.A., Bank Zachodni WBK S.A. (hereinafter collectively referred to as the "Funding Banks"), Bank Millennium S.A. as a guaranty bank (hereinafter collectively with Funding Banks referred to as the "Banks") as well as the bondholders owning the receivables from the bonds issued by the Company of the total amount of ca. PLN 144 million (hereinafter referred to as the "Bondholders", and collectively referred to as the "Creditors") being the parties to the Agreement on the principles of managing the financial debt dated 21 December 2012 (hereinafter referred to as the "PMFD Agreement") (see current report no. 130/2012 dated 22 December 2012) have concluded the Annex to PMFD Agreement implementing the arrangements made in preliminary conditions of the second stage of financial restructuring of the Company dated 11 October 2013, (about the conclusion of which the Company informed in report no. 137/2013 dated 12 October 2013) (hereinafter referred to as the "Annex").

The key amendments to the PMFD Agreement introduced on the basis of Annex assume:

I. Restructuring of the financial debt (credits, guarantees and bondholders' receivables)

The date of the final repayment of the Company's financial debt granted by the Funding Banks and the Bondholders' receivables from the bonds was rescheduled to 31 December 2019. The debt will be repaid in the period of 2016-2019 according to the schedule agreed on with the Creditors. The interest rate of the financial debt from the credits and receivables from bonds was lowered. The payment of the part of interests on the granted credits and the receivables from bonds for the period of 2013-2015 will be payable in two parts i.e. the Company will regularly repay to the Creditors the reference rate and a part of the margin while the remaining part of the margin will be accumulated and repaid in the period of 2016-2019 in equal quarterly instalments. The financial debt interests, the payment of which was deferred by the Creditors until 31 October 2013 pursuant to the Annex no. 3 to the PMFD Agreement (see current report no. 128/2013 dated 1 October 2013) will be paid by the Company until 30 November 2013 or the day following the receipt by the Company of the income due to bundling sale of the real property described in the point II of this report (depending on the prior date). The recourse claim under the guarantees granted by the Banks will be repaid by the Company on the current terms specified in the PMFD Agreement.

II. Operational and property restructuring

(a) Optimisation of operating costs

The company will continue to implement cost reduction plans aimed at optimisation of operating costs of the Capital Group of the Company. The Company's progress with this matter will be monitored by the Creditors.

(b) Bundling sale of the real property and the disposal of assets

Pursuant to the Annex, the Company and its selected companies are obliged to perform a bundling disposal of real property agreed on with the Creditors until 31 December 2013. The Company expects the income coming from the bundling sale of the above-mentioned real property in the amount exceeding PLN 200 million. In order to enable the Company to perform the bundling sale of the real property, the Creditors will release the collateral established to them on the above-mentioned real properties. The revenues coming from the bundling sale of the real property will be released of the escrow accounts by the Banks and made available for the Company after fulfilment of the number of conditions (a/o after releasing the collaterals established on the above-mentioned real properties to the creditors, who were the parties to the agreement dated 24 July 2012 on refraining from enforcement of liabilities, but are not the parties to the PMFD Agreement). The expenditure by the Company of the resources acquired from the bundling sale of the real property will be supervised by the Creditors.

The Company will continue its current actions aimed at disposal of assets which are not key for the Company's activity. The disposed assets shall comprise, apart from the real properties, shares and stocks in subsidiary companies, redundant tangible assets or the organised parts of the enterprise. Pursuant to the PMFD Agreement, the Company is obliged to gain the amounts not lower than PLN 600 million from selling disposed assets until 31 December 2015. As of the date of this report, the Company effected the disposals totalling over PLN 258 million.

III. The issuance of the shares and swapping the receivables for the share capital of the Company

The Annex assumes (subject to adoption by the General Meeting of the Company, of which the Company informed pursuant to current reports nos. 141/2013 and 142/2013 dated 17 October 2013 of respective resolutions with respect to issuance of new shares) the mechanisms enabling the Creditors to swap the receivables they are entitled to towards the Company for its share capital. The issuance of shares will enable the Management Board of the Company to offer to prospective investors the new issuance shares with the aim of acquiring additional financial resources.

With respect to the debt swap for share capital, the Annex assumes carrying out of:

(i) swapping the receivables owned by the Creditors in the amount of ca. PLN 20 million until 30 November 2013;

(ii) swapping the receivables owned by the Creditors in the total amount of ca. PLN 10 million (i.e. increasingly, including the prior swap, of the total amount of PLN 30 million) until 31 December 2013;

(iii) swapping the receivables owned by the Creditors in the total amount of PLN 70 million (i.e. increasingly, including the prior swap, of the total amount of PLN 100 million) until 28 February 2014.

With respect to acquiring new financial resources, the Company is obliged to acquire the total amount of PLN 240 million until 31 May 2015. The source of acquiring the above-mentioned amount will be the issuance of the shares or the sale of subsidiary companies or the organised part of the Company.

IV. The amendments to the new guarantee line

The Annex assumes the introduction of a mechanism of automatic increase in the new guarantee line limit by the amount of PLN 126 million to the total amount of ca. PLN 328 million (after having complied with numerous conditions) as part of the new guarantee line of which the Company informed in current report no. 132/2012 dated 22 December 2012. The Parties will also implement a number of amendments to the agreement on granting the new guarantee line, the aim of which is to improve and accelerate the procedures of verifying the projects reported by the Company and granting the guarantees by the Banks.

V. Other amendments to the PMFD Agreement

The Annex introduces the amendments aimed at the improvement of the Company's cooperation with the Creditors and the operation of the PMFD Agreement among others by improving the decision making by the Creditors, updating the financial indicators to the maintenance of which the Company will be obliged and introducing the rule pursuant to which occurrence the cases of breaches of the PMFD Agreement shall not result in restricting the Company’s financial resources on bank accounts and shall not suspend the implementation by the Company of the plan to dispose property assets. Furthermore, the Annex also settles the rules of restructuring of a subsidiary company PRINŻ-1 sp. z o.o. The Annex assumes that the obligations of particular groups of Creditors to take particular actions are dependent on the Company's compliance with numerous conditions or the fulfilment of obligations by other categories of Creditors.

Signatures of persons representing the Company:
Robert Kosmal - Manager of the Shareholder Supervision Office