

Current report No. 74/2014

Date prepared: 23.06.2014

Issuer's abbreviated name
POLIMEX-MOSTOSTAL

Subject: Confidential information - arranging with the financial creditors of an initial agreement on the terms of the third stage of the Company's financial reorganization

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 ("**Company**") informs that on 23 June 2014 the Company concluded an initial agreement on the terms of the third stage of the Company's financial reorganization ("**Initial Terms**") with the financial creditors who are parties to the agreement on the principles of managing the financial debt of the Company dated 21 December 2012 ("**ZOZF Agreement**") (see current report no. 130/2012), i.e. with Bank Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., Bank Ochrony Środowiska S.A., Bank Zachodni WBK S.A. and Bank Millenium S.A. (**jointly referred to as the "Banks"**) and the bondholders holding liabilities due to the bonds issued by the Company of the total nominal value of PLN 120 mln (**jointly referred to as the "Creditors"**). The arrangements made in the Initial Terms are to be reflected in the form of an annex to the ZOZF Agreement not later than by 3 July 2014 on condition of convening a General Meeting by the Company with the agenda including the adoption of resolutions allowing for the implementation of the decisions of the Initial Terms, provided for in sections II and III of this Report. The parties shall make every necessary effort while negotiating in good faith the provisions of the annex to the ZOZF Agreement reflecting the content of the Initial Terms. Apart from the obligation to hold negotiations in good faith, the Initial Terms shall not create any other rights or obligations for the parties.

The key terms of amendments to the ZOZF Agreement defined in the Initial Terms related to the third stage of the Company's reorganization stipulate the following:

I. Operational and property reorganization

The Company shall continue the process of operational and property reorganization in the course of:

- a) further reorganization of the capital group of the Company and optimization of costs of the group's activity, particularly, two major subsidiary companies are to be established in the structure of the capital group, which shall operate in the following areas: (i) Power engineering and (ii) Petrochemical Industry (**jointly referred to as the "Segment Companies"**); and
- b) continuation of the sale process of asset components (particularly real estate owned by the Company and shares and stocks of the subsidiary companies as well as other assets), which are not necessary for the basic operation of the Company.

II. Increase of the Company's capital

1. The Company is to issue bonds of the total value of PLN 140 mln ("**Bonds**"), the part of which are to be bonds convertible to shares of the Company. The convertible bonds shall be converted to shares of the Company for the issue price of PLN 0.04.
2. The Bonds shall be payable within 5 years and are to be secured on the same conditions and with the same priority as the liabilities of other Creditors who are parties to the ZOZF Agreement resulting from granting the Company the New Guarantee Line (see report no 132/2012), particularly the Bonds and the New Guarantee Line are to be secured by pledge over the shares in the Segment Companies.
3. The interest payment shall be deferred until 31 March 2017, whereas a part of interest accrued on the Bonds is to be payable on the maturity date of the Bonds.
4. The aim of the issuance of the Bonds is to pay the capital of the Segment Companies in order to finance their initial working capital and to contribute to the Company's working capital.

III. Conversion of liabilities

1. The Creditors who are parties to the ZOZF Agreement shall convert the liabilities to which they are entitled to the share capital of the Company, of the total value of at least PLN 470 mln ("Conversion").
2. In order to proceed with the Conversion, the Company is to issue new shares of the Company for the average issue price of PLN 0,175 for each share issued in the course of Conversion.

IV. Other relevant provisions of the Initial Terms

1. The final repayment of the other liabilities of the Company's Creditors who are parties to the ZOZF Agreement that are not subject to Conversion is due by 31 December 2019 or by the final redemption date for the Bonds (depending on which of the abovementioned dates is earlier) ("**Final Repayment Date**") and is to be executed in accordance with the schedule agreed on with the Creditors.
2. The payment of the interest on the liabilities not subject to Conversion shall be deferred until 31 March 2017, whereas a part of the interest accrued on the liabilities is payable on the Final Repayment Date.
3. The payment of the interest accrued until the date of Conversion and of the recourse claims due to the guarantee offered by the Banks and arisen by the date of Conversion is to be deferred until the Final Repayment Date.
4. The catalogue of the cases of violation of the ZOZF Agreement shall be significantly limited and there shall be simplified procedures of granting consent by the Creditors to individual reorganizational activities of the Company.
5. By signing the annex to the ZOZF Agreement implementing the Initial Terms, the Creditors shall renounce unconditionally and sine die any rights resulting from the violation of the ZOZF Agreement, which has taken place (or shall take place) by the date of the conclusion of the Initial Terms.

V. New Guarantee Line

The agreement, on the basis of which the Banks granted the Company finances within the New Guarantee Line (see report no 132/2012) is to be changed so that the limit of the New Guarantee Line provided by the Banks is set on PLN 60 mln.

Signatures of persons representing the Company:
Bartosz Zwoliński – Disclosure Requirement Coordinator