

Current report No 39/2019

Date of issue: 31/12/2019

Issuer short name: POLIMEX MOSTOSTAL

Subject: Conclusion of documents related to obtaining a guarantee for the proper performance of contract and related documents introducing changes to the financing conditions of Polimex Mostostal Capital Group.

Legal basis: Article 17(1) of the Market Abuse Regulation (MAR) – confidential information.

Content of the report:

With reference to the current report No 7/2017 of 19 January 2017, the Management Board of Polimex Mostostal S.A. with the registered office in Warsaw (the "Company") informs about a conclusion of a guarantee agreement (the "BOŚ Guarantee Agreement") that took place on 31 December 2019 between the Company and Bank Ochrony Środowiska S.A. with the registered office in Warsaw ("BOŚ"), the subject of which was the issuance of a guarantee for the proper performance of contract, at the request of the Company, for the purpose of securing the performance of the contract concluded with Grupa Azoty Zakłady Azotowe "Puławy" S.A. for the construction of a complete coal-fired heating and condensing power unit in Puławy (current report No 26/2019 of 25 September 2019) (the "Puławy Contract") in the amount of PLN 59,650,000.00 with a validity period no longer than until 22 November 2022. Pursuant to the BOŚ Guarantee Agreement, BOŚ consented to issuing the above-mentioned guarantee upon the fulfilment by the Company of conditions precedent, notably upon establishing collateral for the BOŚ receivables.

The Company is obliged, inter alia, to set up collateral in the form of mortgages on the Company's real estate and pledges on the assets of the Company and its subsidiaries. In addition to collateral on tangible assets, the BOŚ Guarantee Agreement provides for collateral established in relation to the Puławy Contract, in particular: (i) the assignment of rights under the contract and its collateral, (ii) pledges on bank accounts, and (iii) a statement on submission to enforcement and a promissory note.

Pursuant to the BOŚ Guarantee Agreement, the Company has assumed a standard scope of obligations, essentially equivalent to the financing documentation that has been binding so far, including disclosure obligations regarding, inter alia, the provision of information on the financial statements, concluded contracts and other significant events. The agreement also provides for restrictions on the scope of business activity (for instance, no changes to the core business activity), on trading in assets and collateral, as well as regarding cash flows (dividends, loans or equity).

In case of identified violations of the BOŚ Guarantee Agreement, BOŚ has a right to, inter alia, terminate the agreement, suspend the availability of the guarantee if it hasn't been issued or demand additional collateral, including in the form of a cash deposit.

Notwithstanding the BOŚ Guarantee Agreement, in relation to the necessity to secure the remaining amount of the guarantee for the proper performance of the Puławy Contract, on 31 December 2019 there was a conclusion of Annex 3 to the credit agreement of 31 May 2017 (the "BGK Guarantee Agreement"), as amended, signed between the Company, Naftoremont-Naftobudowa Sp. z o.o., Polimex Energetyka Sp. z o.o., Polimex Budownictwo Sp. z o.o Sp.k. as being liable and Bank Gospodarstwa Krajowego („BGK”) regarding guarantee lines and related revolving and non-revolving loans. As per the Annex, the parties agreed on the arrangements for issuing under the BGK Guarantee Agreement a guarantee for the proper performance of the Puławy Contract in the amount of PLN 46,340,000.00. The guarantee will be issued within the existing renewable line provided for in the BGK Guarantee Agreement. The conditions for issuing the guarantee by BGK are essentially equivalent to the conditions provided for in the BOŚ Guarantee Agreement.

Additionally, there were a number of annexes to the financing documents signed on 31 December 2019 that connected the Company and its selected subsidiaries with creditors who acted as parties in the Agreement between the Creditors of 11 September 2014 (as amended) concluded in order to (i) enable the finalization of the BOŚ Guarantee Agreement, (ii) establish collateral provided for in the BOŚ Guarantee Agreement and (iii) reconcile relations between creditors in terms of the BOŚ receivables arising from the BOŚ Guarantee Agreement. As part of the package of documents, there was a conclusion of Annex 4 to the Agreement between the Creditors of 11 September 2014 (as amended), Annex 11 to the Agreement on the Management of Financial Debt of 21 December 2012 (as amended), Annex 4 to the Agreement on the New Guarantee Line and the related revolving credit of 21 December 2012 (as amended), the agreements amending the Terms of Issuance of Series A and B Convertible Bonds of 12 September 2014, as well as the Terms of Issuance of Series C Convertible Bonds of 27 September 2017.