

Current report No 6/2020

Date of issue: 30/01/2020

Issuer short name: POLIMEX MOSTOSTAL

Subject: Conclusion of a significant agreement by the Issuer

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

Content of the report:

The Management Board of Polimex Mostostal S.A. with the registered office in Warsaw (the "Issuer", the "Company") informs about the conclusion of an agreement (the "Agreement") between PGE Górnictwo i Energetyka Konwencjonalna S.A. with the registered office in Bełchatów (the "Ordering Party") and the consortium (the "Contractor") comprising General Electric Global Services GmbH with the registered office in Switzerland ("GEGS") (the consortium leader), General Electric International Inc. ("GEII") with the registered office in Delaware in the US and the Company (the consortium partners). The subject of the Agreement is a turnkey construction of two gas and steam power units (number 9 and 10, provision of complete sets of power generating equipment and their auxiliary installations and any other technological, mechanical, electrical and automation installations, along with associated facilities) for PGE Górnictwo i Energetyka Konwencjonalna S.A. at the Dolna Odra Power Plant Complex (the "Assignment") involving all works, deliveries and services, as well as the preparation of the project documentation. Pursuant to the Agreement, the Contractor is obliged to start the implementation of the Agreement immediately after its conclusion and to finalize the Assignment by 11 December 2023.

The remuneration for the performance of the Assignment is flat-rate and amounts to PLN 3,649,712.633.13 net (the "Remuneration"), of which PLN 1,515,097.248.13 net is the share of the Company. The Remuneration will be paid in instalments on the basis of the invoices issued as per the schedule outlined in the Agreement. The Agreement stipulates for the possibility by the Ordering Party to exercise the option right, namely to ask the Contractor to perform the supplies, services and works specified in the Agreement for an additional remuneration of PLN 51,380,000.00 net.

Pursuant to the provisions of the Agreement, the Contractor will provide the Ordering Party with a basic quality guarantee for the subject of the Agreement covering a period of 24 months, as well as an extended warranty for the construction works for the period of 60 months. Under the cases specified in the Agreement, the warranty period may be extended, however, the basic warranty period will not exceed 48 months in total and the extended warranty period will not exceed 84 months in total. The Contractor has separately granted the Ordering Party with the warranty for defects. The warranty period for defects corresponds with the warranty period.

In order to cover any potential claims from the Ordering Party, the Consortium will provide security for the proper performance of the Agreement in the amount of 10% of the gross remuneration in cash or in kind. 70% of the security value will be returned within 30 days from the date of the signature of the last handover protocol. The remaining part of the security will be returned or released no later than 15 days after the expiry of the basic warranty or guarantee period.

The Agreement stipulates contractual penalties, inter alia in case of a failure to meet the deadline for the handover of the unit for operation and for deviations from the guaranteed level of the parameters

of the unit. The Agreement provides for the cap to the contractual penalties. The total amount of contractual penalties imposed on the Contractor for all titles outlined in the Agreement cannot exceed 25% of the Remuneration. In case the imposed contractual penalties do not cover the damage suffered by the party to the Agreement, that party will be entitled to seek supplementary damages in excess of the reserved contractual penalties under general principles. The maximum liability of the parties for the non-performance or improper performance of the Agreement or for any title arising from the Agreement has been limited to 100% of the Remuneration. Neither party will be liable for lost profits, indirect or consequential damage including lost profits, loss of power, loss of operational capacity, costs of substitute power or claims from the other party's contractors.

There is a contractual entitlement to withdraw from the Agreement under specified conditions, inter alia when the performance of the Agreement is contrary to the public interest, in case of gross negligence on the part of the Contractor or in case of a delay in payments exceeding 60 days on the part of the Ordering Party.

The consortium and the Ordering Party have also concluded an agreement for the service of turbines (the "LTSA Agreement"). Due to the scope of the LTSA Agreement, the Company does not have any share in the remuneration arising from this Agreement and it does not provide the Ordering Party with the guarantees. The provisions of the consortium agreement between the parties to the consortium stipulate that the responsibility for the implementation of the LTSA Agreement lies entirely with GESG and GEIL.