Polimex-Mostostal entered into an arrangement with creditors; Advanced payment for Polimex-Mostostal entirely placed on deposit accounts

11/26/2012

On 23 November the Board of Polimex-Mostostal agreed the content of the preliminary agreement on the essential terms of the Company's financing (term sheet) with financial creditors who signed a standstill agreement with the Company in July this year. This agreement is a binding agreement for the future specifying the conditions of financing for the Company's creditors.

Key terms of the future agreement referred to in the agreed term sheet assume:

increasing the share capital of the Company
operational restructuring of the Company
changing the terms of loans, warranties, and other claims of the bondholders
- As a result of intensive work, just over four months after the standstill agreement signed with financing institutions in July an agreement that brings us closer to the final agreement of restructuring was signed - Robert Oppenheim says, the acting Chairman of the Board of Polimex-Mostostal.

- The negotiations including all relevant institutions required strong commitment and mobilization of all the participants of the talks. This was the only way to reach the agreement. I render special thanks for their constructive cooperation allowing the identification of important elements of the future binding agreement setting out the terms of Polimex-Mostostal financing – Oppenheim stresses.

In the agreement it has been stated among others to keep current financing for the Company, deferred repayment terms of loans and prove opportunities for obtaining a new warranty line.

- Following the signing of the final agreement with creditors further stabilization of our financial situation will be possible and we will gain the possibility to continue uninterrupted operations in the sectors we've found to be most promising and profitable - Robert Bednarski added, the Vice President, Chief Financial Officer.

At the same time Polimex-Mostostal is continuing to implement cost-cutting programme and the sale of assets not related to the main activities of the Company. Through the restructuring programme by the end of 2015 operating costs will be reduced by up 300 million PLN. During the same period, the Company will receive the proceeds from the sale of assets of 600 million PLN.

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On 20 November Polimex-Mostostal acquired an advanced payment bank guarantee of PKO Bank SA The capital of the payment will be placed on deposit accounts, and will be used solely for payments related to the implementation of the contract for the construction of the power unit in Kozienice. The first release of funds by the bank will take place after the conclusion of the Polimex-Mostostal final financial agreement with creditors.

Obtaining bank warranties was the basis for the payment of the advance and the start of construction work. The value of warranties granted by the PKO BP Bank, is 268.14 million PLN, and its validity expires on August 21, 2017.

- The granting of advanced payment bank guarantee by PKO BP Bank means that we can safely start the contracted work. Please note that the funds will be allocated to the implementation of the contract in Kozienice, rather than debt reduction of the company or earlier repayment of our obligations - Robert Bednarski says, the Vice President, Chief Financial Officer.

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