

Current report No. 42/2018

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Short name of the issuer: POLIMEX-MOSTOSTAL

Subject: Conclusion of a material contract by the Issuer and a subsidiary of the Issuer

Legal basis: Article 17 para. 1 of the Regulation of the European Parliament and of the Council (EU) No 596/2014 of 16 April 2014 on market abuse (regulation on market abuse) and repealing Directive 2003/6 / EC of the European Parliament and Council and Commission Directives 2003/124 / EC, 2003/125 / EC and 2004/72 / EC.

The Management Board of Polimex-Mostostal S.A. with its registered office in Warsaw ("Issuer") informs that today an agreement was concluded between the consortium led by SBB ENERGY Spółka Akcyjna with its registered office in Opole (consortium leader), the Company and POLIMEX ENERGETYKA Sp. z o.o. with its registered office in Warsaw (a subsidiary of the Issuer) ("PxE") ("Contractor") and PGE Górnictwo i Energetyka Konwencjonalna Spółka Akcyjna with its registered office in Bełchatów ("the Contracting Party") ("Contract"). The subject of the Contract: "Delivery and assembly of a catalytic denitrification installation for OP-650 boilers No. 5, 6, 7, 8 at Dolna Odra Power Plant" at PGE GiEK S.A. Branch of Dolna Odra Power Plant Complex ("Task").

The remuneration for completing the Task shall amount to PLN 199.3 million net. The remuneration for the implementation of the Task falling on PxE and PxM will total not less than PLN 41 million and not more than PLN 75 million net and will be agreed between the Contractors after the final confirmation of the scope of work within the consortium. Remuneration will be paid as a lump sum. Payment of remuneration will place after execution of the Task stages specified in the Contract.

Pursuant to the Contract, the Contractor agreed to perform the Task by 17th September 2021.

Pursuant to the Contract, the Contractor will give the Contracting Party a quality guarantee for a period of 36 to 120 months, depending on the subject of the Task covered by the guarantee. The quality guarantee period for the relevant part of the subject of the guarantee will start its operation from the date of signing the acceptance protocol of the given installation by the Contracting Party. Irrespective of the quality guarantee, the Contractor will grant the Contracting Party a guarantee for a period of 36 and 52 months commencing on the day of signing the transfer protocol for the operation of a given installation.

The Contract provides for contractual penalties, including for (i) delay, for reasons attributable to the Contractor, in completing the Task stages, in the amount of 0.05% of the net contractual remuneration for each commenced day of such delay, and each penalty will be calculated separately for individual installations; (ii) exceeding the block's time of inactivity for reasons attributable to the Contractor, in the amount of 0.075% of the net contractual remuneration for each commenced day of the exceeding, and each penalty shall be calculated separately for individual blocks; (iii) delays of the Contractor, for reasons attributable to the Contractor, in removing any defects found during the guarantee quality period and surety period, in the amount of 0.05% of net contractual remuneration for each commenced day of such delay in removing defects; (iv) withdrawal from the Contract by the Contracting Party or the Contractor for reasons attributable to the other party, in the amount of 20% of the net remuneration. The total limit of all contractual penalties may not exceed 30% of net contractual remuneration. If the amount of the contractual penalties calculated exceeds 30% of the net contractual remuneration, the Contracting Party shall be entitled to withdraw from the Contract in whole or in the scope of the unfinished part of contracted works. In the event that the contractual penalty does not cover the damage suffered, the Contracting Party shall have the right to claim supplementary compensation on general terms. The Contracting Party shall have the right to deduct from the amount of remuneration the due amount resulting from the imposition of a contractual penalty. The Contract provides for a replacement contractorship mechanism in the event of improper execution of the Contract, in particular delays. The maximum liability of the Parties for non-performance or improper performance of this Contract is limited to 100% of net contractual remuneration, however this limitation does not apply to damage caused by the Contractor intentionally or as a result of gross negligence and is limited to the liability of the Contractor based on Art. 435 and Article 436 of the Civil Code.

In order to secure the claims, the Contracting Party is entitled to from the Contractor, arising in connection with the execution of the Contract, the Contractor is obliged to: (i) provide the Contracting Party with a bank or insurance guarantee or (ii) submit a cash security of 10% of the gross remuneration with the validity term of 30 days from the parties signing the acceptance protocol of the last installation completed. During the surety period, the security should be paid in the amount of 30% of the amount of the security in force during the Task implementation period.

The Contracting Party is obliged to insure construction and assembly works (CAR / EAR), while the Contractor will be responsible for the machinery insurance and the liability insurance of up to a total guarantee sum of, but not less than PLN 20,000,000.

The Contracting Party may withdraw from the Contract in part, within 6 months from the date of its conclusion, and may withdraw from the Contract in whole or in part in cases where: (i) the Contractor, without a justified reason, suspended the implementation of the Task for more than 30 days and despite a written request from the Contracting Party, did not resume the implementation, (ii) the subject of the contract failed to have the guaranteed technical parameters, (iii) the Contractor delayed completing the Task stage for more than 15 days, and despite a written request from the Contracting Party, specifying an additional deadline, failed to perform it or performed in a way that gives reasonable assumption that it would not be performed by the additional deadline or that the deadline has expired without effect. The Contractor has the right to withdraw from the Contract in the scope of an unimplemented part if the Contracting Party is in delays with the payment of remuneration for more than 60 days and has not made payment despite a written request from the Contractor setting additional deadline for payment.

The provisions of the Contract concerning the employment of subcontractors and the manner of concluding subcontracts, changes in the amount of remuneration, rules for settling remuneration, advance payment and securing its return, copyright and withdrawal opportunities are typical for contracts of this type.

In connection with the Contract concluded between SBB ENERGY Spółka Akcyjna with its registered office in Opole as the leader of the consortium, the Issuer and PxE, a consortium contract was concluded, which regulates, among others, (i) the manner of representation of the consortium, (ii) the manner of concluding the required insurance contracts, (iii) the rules of liability of the parties, (iv) the manner of performing the Contract. The consortium agreement is typical for contracts of this type.