

Current Report No 9/2019

Date of issue: 3 June 2019

Issuer short name: POLIMEX-MOSTOSTAL

Subject: Conclusion of a significant agreement by a subsidiary of 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 “Company”) informs that on 3 June 2018 Polimex Energetyka sp. z o.o. with the registered office in Warsaw (a subsidiary of the Issuer) (the “Contractor”) concluded an agreement (the “Agreement”) with PGNiG Termika S.A. with the registered office in Warsaw (the “Ordering Party”).

The subject of the Agreement is the implementation by the Contractor of the SCR installation – the flue gas catalytic denitrogenation unit, model WP-200 No K16 in the Siekierki CHP Plant in Warsaw (the “Assignment”, the “Installation”). The project will be executed in the turn-key formula and the scope of work includes preparation of the documentation, delivery and assembly works, as well as the commissioning and handover for operation of the above-mentioned installation.

The remuneration for the performance of the Assignment is fixed and it amounts to PLN 32,639,593.00 net. The payments will be made after the completion of the milestones, as indicated in the Agreement.

As per the Agreement, the Contractor is obliged to complete the Assignment by 31 March 2021.

Based on the Agreement the Contractor will grant the Ordering Party a warranty for the period of 36 and 60 months, depending on the subject of the warranty. The warranty period starts on the date of the signing of the handover protocol by the Ordering Party. Regardless of the above provisions, the Contractor will grant the Ordering Party a warranty for the maintenance of a specific group of technical parameters for a period of 7,500 operating hours of the boiler and not less than 36 months, and for a specific group of technical parameters for 12,500 operating hours of the catalyst.

In order to cover any potential claims from the Ordering Party, the Contractor will provide security for the proper performance of the Agreement in the amount of 10% of the gross remuneration in one of the forms indicated in Article 148(1), points 1-5 of the Public Procurement Law for the entire period of the implementation of the Agreement, the warranty period and warranty for defects period. The Ordering Party will release 70% of the guarantee of due performance of the Agreement within 30 days from the date of the signing of the final acceptance financial protocol confirming the due performance of the Agreement. The remaining 30% will be returned no later than on the 15th day after the expiry of the warranty period for defects or the warranty period.

The Ordering Party is obliged to insure the construction and assembly works (CAR/EAR), while the Contractor is obliged to obtain the insurance of liability under business activities and use of assets, insurance of property in transport, any insurance required by law and any other insurance agreed upon with the Ordering Party.

The Agreement provides for contractual penalties, including (i) exceeding the deadline by the Contractor for filing an application for a WZiZT decision – 0.25% of the contractual remuneration for each day of delay, (ii) exceeding the deadline by the Contractor for filing an application for a building permit - 0,1% of the contractual remuneration for each day of delay, (iii) failure by the Contractor to meet the deadline for the functional tests and commissioning of the Installation – 0.1% of the

contractual remuneration for each day of delay. In addition, the Agreement provides for contractual penalties for the Contractor: (i) in clearly defined cases of exceeding certain technical parameters - in the amount related to a given item of the remuneration by the percentage (from 0.1% to 2%), (ii) for exceeding the agreed deadline for removing confirmed defects in the installation during the warranty period or the warranty for defects period - in the amount of 0.5% of the contractual remuneration for each commenced day of delay due to the reasons the Contractor is liable for, (iii) for the breach of confidentiality on part of the Contractor - in the amount of 5% of the contractual remuneration for each case of confidentiality violation, (iv) for delegating the work to subcontractors not reported by the Contractor or not approved by the Ordering Party - in the amount of 5% of the contractual remuneration for each case of such a breach.

In case of withdrawal from the Agreement or its termination by the Ordering Party due to reasons attributable to the Contractor, as stipulated in the Agreement and in compliance with the law, the Ordering has the right to claim from the Contractor a contractual penalty in the amount of 10% of the contractual remuneration. Likewise, in case of withdrawal from the Agreement or its termination by the Contractor due to reasons attributable to the Ordering Party, as stipulated in the Agreement, the Contractor has the right to claim from the Ordering Party a contractual penalty in the amount of 10% of the contractual remuneration. For the termination of the license due to reasons other than the violation of the terms of the license by the Ordering Party despite the expiry of the period 30 days from the Contractor's notification of the Ordering Party, the Ordering Party has the right to claim from the Contractor a contractual penalty in the amount of 20% of the contractual remuneration. The total amount of contractual penalties must not exceed 30% of the contractual remuneration, and the maximum liability of the Contractor due to non-performance or inadequate performance of the Agreement is limited to 100% of the remuneration. The possibility to claim compensation for the loss of profits has been excluded.

The remaining provisions of the Agreement do not deviate significantly from standard provisions contained in this type of contracts.