

Current report No 26/2019

Date of issue: 25 September 2019

Issuer short name: POLIMEX MOSTOSTAL

Subject: Conclusion of an significant agreement by 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") informs that on 25 September 2019 an agreement was concluded between Grupa Azoty Zakłady Azotowe "Puławy" S.A. with the registered office in Puławy (the "Ordering Party") and the consortium (the "Consortium", the "Contractor") comprising of the following companies: the Company (as the Consortium Leader), Polimex Energetyka sp. z o.o. with the registered office in Warsaw ("PxE") (the subsidiary of the Issuer) and SBB ENERGY S.A. with the registered office in Opole. The subject of the Agreement is the construction of a complete coal-fired heat and condensing power unit, with a closed cooling system and a wet fan cooling tower (the "Assignment"), with the gross electricity generation capacity of 90-100 MWe, the thermal input provided by the fuel to the furnace of the boiler lower than 300 MWt and the thermal input in technological steam of at least 250 MWt working on steam parameters.

The remuneration for the performance of the Assignment is flat-rate and amounts to PLN 1,159,900,000 net (the "Remuneration"), of which approximately 99% is the share of the Issuer and PxE. The payments will be made in instalments on a stage-by-stage basis, as indicated in the Agreement. The Ordering Party is obliged to make an advance payment in the amount of 5% of the Remuneration.

Pursuant to the Agreement, the Contractor is obliged to hand over the power unit for operation to the Ordering Party within 36 months from the date indicated by the Ordering Party as the date of commencement of the work.

Based on the provisions of the Agreement, the Contractor will provide the Ordering Party with a 24-month warranty (the "Basic Warranty Period") for the subject of the Agreement in the scope including facilities / construction works, corrosion protection and thermal / acoustic insulation of the facilities for the period of 60 months. Additionally, the Ordering Party received a warranty for defects with the warranty period of 24 months.

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 form of a deposit or bank guarantee(s) in the amount of 10% of the Remuneration. In cases outlined in the Agreement of a failure by the Contractor to fulfil contractual obligations regarding security, the Ordering Party is entitled to retain part of the Contractor's Remuneration. The Agreement allows for the possibility to reduce the amount of security upon the finalization of the Assignment by the Contractor and the expiry of the Basic Warranty Period.

The Agreement provides for contractual penalties for the Contractor, inter alia, each day of delay in the completion of a given stage of the Assignment will result in a penalty of 0.02% of the Remuneration, however the total amount of contractual penalties imposed by the Ordering Party cannot exceed: (i) 15% of the Remuneration in case of penalties due to delays, (ii) 30% of the Remuneration in case of

failure to deliver guaranteed parameters, (iii) 20% of the Remuneration in case of withdrawal from the Agreement by the Ordering Party due to the reasons attributable to the Contractor. The total amount of contractual penalties imposed on the Contractor based on the Agreement will not exceed 30% of the Remuneration. The total liability for damages arising from the Agreement may not exceed 100% of the Remuneration, however the restrictions on the Contractor's liability do not include liabilities for, inter alia, lost profit, loss of production or loss of income that may be incurred by the Ordering Party and that resulted from wilful misconduct of the Contractor.

In certain defined cases, the Agreement provides for the possibility of withdrawal from the Agreement by the Ordering Party or the Contractor. Additionally, within 60 months from the date of submission to the Contractor of the request to commence the work, in an event of a significant change of circumstances rendering the performance of the Agreement detrimental to the interests of the Ordering Party, the Ordering Party may withdraw from the Contract. In such a situation the Contractor may request remuneration for the completed and approved works.

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