



Current report no.: 44/2016

Date: 2016-04-12

Name of the Issuer: FERRUM S.A.

Title: Conclusion of a framework agreement between FERRUM Marketing Sp. z o. o. and PGE Górnictwo i Energetyka Konwencjonalna S.A.

Legal basis: Art. 56 item 1 point 2 Act on Public Offering – current and periodic information

Content of the report:

The Management Board of FERRUM S.A. (Issuer, Company) inform about the conclusion of a framework agreement on 12th April 2016 between PGE Górnictwo i Energetyka Konwencjonalna S.A. (Ordering Party) and the Issuer's subsidiary FERRUM Marketing Sp. z o. o. (FERRUM Marketing) on the completion of deliveries of metallurgic materials in the years 2016-2018 to the benefit of PGE Górnictwo i Energetyka Konwencjonalna S.A. (framework agreement).

The subject-matter of the framework agreement is to determine conditions of the orders for deliveries of metallurgic materials that relate to the parts of the order including: engineering steel sheets, stainless steel tubes, isolated layer tubes, precision steel tubes and welded tubes, which might be granted during its term. Conclusion of the framework agreement does not deprive the Ordering Party of the right to order deliveries and services from third parties.

The orders for deliveries of metallurgic materials under the framework agreement shall be completed based on the executive contracts. The framework agreement was signed for the period of 24 months, whereas the limit net value of the executive contracts entered into while performing the agreement does not exceed the total amount of app. 82 m PLN. The Ordering Party is entitled to extend the term of the framework agreement until the amount referred to above is used, but not longer than for a 12-month period.

The orders awarded under the framework agreement shall be selected as being the most advantageous among the offers submitted by the entities which shall or already have concluded corresponding framework agreements with the Ordering Party. The Ordering Party shall apply the price test for selecting the most advantageous offer.

The framework agreement provides that the amount and scope of contractual penalties for failure to perform or improper performance of the given order are to be agreed in the executive contracts with the stipulation that in case the respective executive contract is terminated by FERRUM Marketing due to the reasons beyond the control of the Ordering Party or terminated by the Ordering Party due to the reasons attributable to FERRUM Marketing, the Ordering Party is entitled to charge FERRUM Marketing with a contractual penalty in the amount of 20% of net contractual remuneration due under this executive contract, in case the respective executive contract is terminated by FERRUM Marketing due to the reasons attributable to the Ordering Party, FERRUM Marketing is entitled to charge the Ordering Party with a contractual penalty in the amount of 20% of net contractual remuneration due under this executive contract. For the failure in meeting the contractual deadline due to the reasons not attributable to the Ordering Party, the Ordering Party is entitled to charge FERRUM Marketing with the contractual penalties: in the amount of 0,2% of net remuneration due under the



executive contract for the first and the following three commenced days of delay, and from the fifth day of delay in the amount of 0,5% of net remuneration for each commenced day of delay, for FERRUM Marketing delay in removing faults and defects stated during the guarantee and warranty period, the Ordering Party is entitled to charge FERRUM Marketing with the contractual penalties – 0,2% of net contractual remuneration due under the executive contract for each commenced day of delay in removing faults or defects.

The total amount of penalties for failure to meet the deadline of deliveries and delays in removing faults and defects cannot exceed 20% of the agreement net value specified in the executive contract. If the contractual penalties do not cover the incurred losses, the Parties may claim supplemental compensation on the general conditions.

The framework agreement provides for its termination with an immediate effect by the Ordering Party if FERRUM Marketing fails to participate in the three following proceedings on awarding respective orders under the framework agreement.

The executive contract may be terminated in particular if FERRUM Marketing delays with its performance and despite of the written reminder from the Ordering Party still fails to perform it or performs it in a manner which proves that beyond reasonable doubt it shall not be completed within agreed term; failed to commence removing defects within the agreed term or the faults and defects cannot be removed; delivered goods other than offered; or grossly neglects or violates the contractual obligations.

Moreover, the framework agreement provides for the performance guarantee of the executive contract that the Ordering Party may require from FERRUM Marketing at the stage of executive orders. The performance guarantee shall be used to cover the claims for improper performance or failure to perform the executive contract, as well as to cover the claims for the defects warranty and quality guarantee.

The remaining conditions of the Order do not differ from the terms applied in these type of transactions.

The Issuer applied 10% of consolidated sales revenues of the FERRUM Capital Group for the last four financial quarters as a criterion for acknowledging the total value of the framework agreement as significant.

Legal basis: § 5 item 1 point 3 of the Minister of Finance Regulation of 19th February 2009 on current and periodic information [...].

SIGNATURES OF PERSONS REPRESENTING THE COMPANY

Date	Position	First name and surname
2016-04-12	Vice-president of the Management Board	Włodzimierz Kasztalski
2016-04-12	Holder of a Commercial Power of Attorney	Jakub Podsiadło