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Grupa Azoty Puławy files lawsuit against Polimex Mostostal over coal-fired unit

On December 23, 2024, a lawsuit was filed with the District Court in Lublin, seeking a judgment against the Consortium responsible for constructing the Coal-Fired Unit. The claim includes, among others, payment of PLN 249.2 million to Grupa Azoty Puławy for liquidated damages resulting from delays in completing the investment, specifically for failing to meet two critical milestones: “Synchronization of the Unit with the National Power System” and “Signing the Acceptance Protocol for Operation.” The lawsuit also seeks a court declaration that the Consortium had no right to demand a payment guarantee for construction work exceeding the actual value of that work (guaranteed by the Company at PLN 2.3 million) and had no valid grounds to withdraw from the contract.

The principal claim in the lawsuit amounts to PLN 243 million, plus an additional PLN 6.2 million in accrued interest for late payment from the date the main claim became due until the date the lawsuit was filed.

As of December 23, 2024, the Consortium’s delay in performing the contract stands at 568 days (relative to the deadline indicated in the July 13, 2023 annex). Remaining work includes minor finishing tasks, preparing as-built documentation, and conducting commissioning—specifically the regulatory operation of the newly built power unit. Owing to its own shortcomings, the Consortium failed to complete the contract on time. For an extended period, the Company tolerated this delay and acted in good faith by taking every possible measure to support the Consortium in commissioning and regulatory operation. Nevertheless, despite these efforts, the Consortium has not finalized this phase of the contract.

On December 13, Grupa Azoty Puławy announced that it deemed Polimex-Mostostal’s withdrawal from the contract unjustified, and it simultaneously called on Polimex-Mostostal to present a remedial plan to ensure the contract’s completion.

On December 6, 2024, in response to Polimex-Mostostal’s demand for a payment guarantee of PLN 189 million, Grupa Azoty Puławy provided a guarantee for approximately PLN 2.3 million to cover the construction work. On the same day, the District Court in Lublin granted an injunction in favor of Grupa Azoty Puławy, suspending the obligation to provide a payment guarantee exceeding the remuneration for the unfinished and unaccounted-for portion of the construction work, i.e., any amount above PLN 2.3 million. The Consortium disregarded this court decision and, citing unfounded allegations related to the Company’s payment guarantee, terminated the contract. In doing so, it made clear that the sole purpose of its demand for a payment guarantee was to justify withdrawing from the contract and avoiding the payment of liquidated damages.

The Coal-Fired Unit project began on October 23, 2019, with the signing of the contract. The initial completion

deadline was October 23, 2022. Subsequent deadlines included June 3, 2023, October 23, 2024, and the most recent, April 14, 2025. As of the date of filing this lawsuit, the total delay in commissioning stands at 792 days, and Grupa Azoty Puławy has already spent more than PLN 1.1 billion on the project.