



CURRENT REPORT 37 / 2016

28 July 2016

Legal basis: Art. 17.1 of the MAR – Confidential Information.

Subject: Value of Contracts Concluded with PKP PLK S.A.

Content:

With reference to the current report 25/2016 of 11 May 2016 concerning the total value of contracts entered into between the companies comprising the ZUE Capital Group and the companies comprising the PKP Polskie Linie Kolejowe Capital Group ("PKP PLK"), the Management Board of ZUE S.A. with registered office in Cracow (the "Company," the "Issuer") informs that following the conclusion on 28 July 2016 by the Company and PKP PLK of the design and construction contract for the upgrade of the railway line on the Kościelniki – Podłęże section, the total net value of contracts entered into since 12 May 2016 between the companies comprising the ZUE Capital Group and the companies comprising the PKP PLK Capital Group is PLN 38.4m.

The abovementioned contract between PKP PLK and the Company is the highest value contract signed in the reporting period.

The contract deals with the development of design documentation and completion of construction and assembly works as part of the following project: "Works on the Kraków Mydlniki – Podłęże railway line no. 95 of the Kościelniki – Podłęże section" executed as part of the following project: "Works on the line E 30 of the Kraków Główny Towarowy – Rudzice section and the construction of additional tracks of the urban railway line." (the "Contract").

The Company informed about the submission of the lowest price tender for the said project and the selection of the Company's tender as the most economically advantageous offer in the current report 27/2016 of 24 May 2016 and the current report 34/2016 of 21 June 2016, respectively.

The Contract net value used also to calculate contractual penalties is PLN 29.1m. The Contract also provides for additional remuneration in the form of a net provisional sum of PLN 2.6m if any additional works are ordered by the Contracting Authority. The Contract gross value (without the abovementioned provisional sum) is PLN 35.8m.

The Contract performance date (Contract completion and settlement) has been set at 540 days of the commencement of construction works.



The warranty given by the Company to PKP PLK is ten years of the final acceptance. The guarantee given by the Company to PKP PLK is five years.

The Contract provides for contractual penalties payable by the Company to PKP PLK in the circumstances specified in the Contract the most important of which include the failure to perform the Contract in a timely fashion, the failure to timely complete a stage (milestone) specified in the schedule or the violation of declared track closure times. However, the total amount of the contractual penalties charged in the abovementioned circumstances must not exceed 30% of the Contract net value.

In addition, the Company will pay PKP PLK the contractual penalty of 30% of the Contract net value if the Contract is terminated through the fault of the Company or the Contract is terminated by PKP PLK through the fault of the Company due to the circumstances specified in the Contract.

Regardless of the contractual penalties, PKP PLK will have the right to claim additional damages up to the value of actual damage.

The remaining terms of the Contract, including but not limited to the termination terms, do not differ from the standard terms of such type of contracts.

The Contract is deemed major by the Issuer.

In addition, the Company informs that following the conclusion of the Contract, the total value of the portfolio of orders held by the ZUE Group companies at the date of this report is approx. PLN 668m.