



## **CURRENT REPORT 47 / 2016**

**3 October 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 37/2016 of 28 July 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 receipt by the Company on 3 October 2016 of the signed contract with PKP PLK for the following project: Completion of construction works on the Ostrowite – Biskupiec Pomorski and Biskupiec Pomorski – Jamielnik routes as part of the following project: "Works on the line no. 353 of the Jabłonowo Pom - Iława - Olsztyn – Korsze section," the total net value of the contracts entered into since 29 July 2016 between the companies comprising the ZUE Capital Group and the companies comprising the PKP PLK Capital Group is PLN 47m.

The abovementioned contract between PKP PLK and the Company is the highest value contract signed in the reporting period. The contract deals with the completion of construction works on the Ostrowite – Biskupiec Pomorski and Biskupiec Pomorski – Jamielnik routes as part of the following project: "Works on the line no. 353 of the Jabłonowo Pom - Iława - Olsztyn – Korsze section" as well as the preparation of as-built documentation and certification and the training of PKP PLK's employees (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 36/2016 of 25 July 2016 and the current report 44/2016 of 2 September 2016, respectively.

The Contract net value used also to calculate contractual penalties is PLN 29.0m (including the provisional sum of 4% of the Contract net value of PLN 1.1m). The Contract gross value (including the abovementioned provisional sum) is PLN 35.7m.

The project completion date (final acceptance) has been set at 5 October 2017.



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

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 Contract 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 gross value.

The Company will also pay PKP PLK the contractual penalty of 30% of the Contract gross value if the Contract is terminated through the fault of the Company.

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.

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 660m.