



CURRENT REPORT 55 / 2016

7 November 2016

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

Subject: Termination of Contract with PSE S.A. by Mutual Agreement.

Content:

With reference to the current report 21/2014 of 25 March 2014 concerning the contract entered into between the consortium comprising ZUE S.A. and Dalekovod Polska S.A. (the "Consortium," the "Contractor") and Polskie Sieci Elektroenergetyczne S.A. (the "Contracting Authority"), whereby the Consortium would execute the following project: "Construction of the double track 400 kV Kozienice – Ołtarzew" (the "Contract"), the Management Board of ZUE S.A. with registered office in Cracow (the "Company," the "Issuer") inform of the agreement concluded by the Consortium on 7 November 2016 (the "Agreement"). The Agreement deals with the termination of the Contract by mutual agreement and comes into force on the date it is signed. Under the Agreement, the issues relating to the settlement of the Contract as well as the claims relating to its performance and termination have been settled amicably by the Parties.

In addition, the Company informs that legal relations under the Contract between the Consortium members; i.e. ZUE S.A. and Dalekovod Polska S.A. have been terminated and settled amicably.

Under the Agreement, taking account of the settlement with Dalekovod Polska S.A., the Company will receive the net amount of PLN 9m.

The Issuer informs that the Agreement has been concluded for external reasons unrelated to the Contractor or the Contracting Authority.

The Company believes that the decision to conclude the Agreement is rational under the circumstances; i.e. the expiry of initial correct dates and schedules through no fault of any Party and inability to change them under the Agreement with the Contracting Authority.

The Company informs that following the conclusion of the Agreement, the total net value of the portfolio of orders held by the Group companies at this report publication date is approx. PLN 214m.

The rail infrastructure market witnesses a recovery in awarding large contracts. Since 7 October 2016, the Company has submitted (independently or as a consortium member) the lowest price tenders whose total net value is PLN 654.7m. The



expected net remuneration under the said contracts attributable to ZUE is approx. PLN 404m. In addition, the tender submitted by the consortium including ZUE has been selected as the most advantageous offer in the tender procedure for the net amount of PLN 159.7m and the net remuneration under the said contract attributable to ZUE is approx. PLN 53m. After the submitted tenders have been selected by contracting authorities and relevant contracts have been signed, the Group companies will have the portfolio of orders whose total net value is approx. PLN 671m.