

CURRENT REPORT 7 / 2018

23 March 2018

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

Subject: Agreement with Subcontractor.

Content:

The Management Board of ZUE S.A. with registered office in Cracow (the "Company") inform about the receipt on 23 March 2018 of the signed agreement (the "Agreement") between the Company and PKP Energetyka S.A. with registered office in Warsaw (the "Subcontractor"). The Agreement deals with the provision of traction construction services by the Subcontractor in connection with the following contract: Completion of construction works in the area of the Kutno Local Traffic Control Centre (LCS) – the Żychlin-Barłogi section in connection with the following project: "Works on the railway line E20 of the Warszawa-Poznań section – other works, the Sochaczew-Swarzędz section" executed as part of the Connecting Europe Facility (CEF) EU financial instrument (the "Contract"). The Company informed about the Contract performance in the current report 23/2017 of 5 April 2017.

The Agreement net value is PLN 22.9m.

The Agreement completion date: September 2020.

The quality warranty given by the Subcontractor is about 6 years and 30 days of the acceptance of the works under the Contract. The Subcontractor is liable under guarantee for the same period of time.

The Agreement provides for contractual penalties payable by the Subcontractor to the Company in the circumstances specified therein including a penalty for the failure to complete a stage of the project in a timely fashion or a delay in the removal of defects or termination of the Agreement by the Subcontractor or the Company due to the circumstances blamed on the Subcontractor. However, the total amount of the penalties must not exceed 30% of the Agreement net value.

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

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

The Issuer states that it cooperated with the Subcontractor in the past year in connection with the agreements/orders of the total value of approx. PLN 3.7m.