

CURRENT REPORT 34 / 2018

5 July 2018

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

Subject: Cooperation with Subcontractor.

Content:

With reference to the current report 27/2018 of 18 June 2018 concerning the cooperation with Electren S.A. with registered office in Madrid (the "Subcontractor"), the Management Board of ZUE S.A. with registered office in Cracow (the "Company," the "Issuer") inform about the agreement between ZUE S.A. (the "Contractor") and the Subcontractor signed on 5 July 2018 (the "Agreement"). The Agreement deals with the performance by the Subcontractor of specific construction works in connection with the Issuer's performance of the contract on the Częstochowa – Zawiercie section (the "Contract"). The Company informed about the Contract in the current report 48/2017 of 20 July 2017.

The Agreement net value is about PLN 43.4m.

The Agreement completion date is July 2020.

The term of warranty given by the Subcontractor is six years and thirty days of the issue by PKP Polskie Linie Kolejowe S.A. (the "Contracting Authority") of the last Acceptance Certificate for the works under the Main Contract. The Subcontractor is liable under the 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 gross 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.