

CURRENT REPORT 47 / 2018**29 October 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," ZUE) inform about the agreement (the "Agreement") entered into on 29 October 2018 between the Company as the Consortium Leader and STRABAG Infrastruktura Południe sp. z o.o. (the "Subcontractor"). The Agreement dealt with the provision by the Subcontractor of specific services defined by the parties in connection with the following project: "Extension of the Igołomska Street, national road no. 79 – Stage 2 together with the infrastructure in Cracow" (the "Contract"). The Company informed about the Contract performance in the current report 24/2017 of 6 April 2017. The Agreement was signed by the Company for and on behalf of the Company and the remaining Consortium members (Przedsiębiorstwo Inżynieryjne "IMB-Podbeskidzie" sp. z o.o. – the Partner, and Przedsiębiorstwo Budownictwa Inżynieryjnego Energopol sp. z o.o. – the Partner). The Consortium assumed joint and several liability for the obligations under the Agreement.

The net value of the Agreement signed on behalf of the Consortium is approx. PLN 35.3m and the Company's share in the Consortium is 34%.

According to the annex between the Consortium and the Contracting Authority referred to by the Company in the current report 37/2018, the Agreement completion date is May 2020.

The term of warranty given by the Subcontractor is 5 years of the Contract acceptance date. 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 perform the Agreement or to complete a stage of the project in a timely fashion or a delay in the removal of defects or termination of the Agreement due to the circumstances blamed on the Subcontractor. The Agreement also provides for the penalty of 10% of net remuneration payable by the Company if the Agreement is terminated through the fault of the Company. However, the total amount of the penalties must not exceed 20% of the Agreement net value.

Regardless of the contractual penalty, 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.