



CURRENT REPORT 50 / 2018

5 December 2018

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

Subject: Construction Works Carried Out for PKP PLK S.A.

Content:

The Management Board of ZUE S.A. with registered office in Cracow (the "Company," the "Issuer") inform about the contract entered into on 5 December 2018 between the Company and PKP Polskie Linie Kolejowe S.A. (PKP PLK, the "Contracting Authority") for the protection of civil engineering facilities on the Dęblin – Lublin section as part of the project named: "Works on the Warszawa Wschodnia Osobowa – Dorohusk railway line no. 7 of the Warszawa – Otwock – Dęblin – Lublin section, stage I" on the railway line no. 7 (the "Contract," the "Agreement"). The Company was awarded a sole source contract by PKP PLK according to the rules specified by the law. The Company informed about the said procedure in the current report 48/2018 of 31 October 2018.

Contract net value: PLN 30m.

Contract gross value: PLN 36.9m.

Contract completion date: July 2019.

The warranty given by the Company to PKP PLK is six years. The Company is liable under the guarantee for the same period of time.

The Contract provides for contractual penalties payable by the Company to PKP PLK in the circumstances specified therein, including the penalty for the failure to complete a stage of the project or to remove defects in a timely fashion. The Company will also pay the contractual penalty of 10% of the Contract gross value if the Contract is terminated due to the circumstances blamed on the Company. The total amount of contractual penalties must not exceed 20% of the Contract gross value but if the contractual penalty is charged for the Contract termination through the fault of the Company, the total amount of penalties must not exceed 30% of the Contract gross value.

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 or security terms, do not differ from the standard terms of such type of contracts.

In addition, the Company informs about the notice submitted by the Company on 5 December 2018 to Astaldi S.p.A. with registered office in Rome, Polish Branch (Astaldi, the "Counterparty"). The notice deals with the termination of the contract referred to in the current report 32/2018 of 26 June 2018 through the fault of Astaldi (delay in payments by the Counterparty) (the "Notice"). The notice provides for the subcontract signed in May 2018 whereby the Company was obliged to deliver civil engineering facilities for the Counterparty under the main contract (the "Main Contract"), equipment lease agreements and other orders accepted without any written arrangements. The Issuer states that both the cooperation between the Company and Astaldi and the Contract signed today concern the works carried out in connection with the Main Contract. However, the scope of the works specified in the Contract is slightly different for the scope of the works previously performed for Astaldi.

The Company is in the process of obtaining payment directly from the Contracting Authority for the unsettled works performed for Astaldi in connection with the Main Contract. For this reason and because of the Contract signed on 5 December 2018, no negative consequences are believed by the Issuer to arise from the termination of cooperation with Astaldi.