

CURRENT REPORT 29 / 2019**31 July 2019**

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

Subject: Trilateral Settlement Agreement.

Content:

The Management Board of ZUE S.A. with registered office in Cracow (the “Company,” ZUE) inform about the trilateral settlement agreement with Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu sp. z o.o. (the “Settlement Agreement”). The said Settlement Agreement was signed on 31 July 2019 by the Company, Elektrobudowa S.A. with registered office in Katowice (Elektrobudowa) and Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu sp. z o.o. (MPK) following the suit filed with the District Court of Poznań against the Company and Elektrobudowa (the “Contractor”) by MPK (the “Contracting Authority”). In their suit MPK demanded that ZUE and Elektrobudowa pay on a joint and several basis the total amount of approx. PLN 20.2m as contractual penalties plus statutory interest and the costs of the proceedings.

The Company informed about the suit in the current report 4/2019 of 7 February 2019.

Under the Settlement Agreement, the Company and Elektrobudowa are obliged to pay on a joint and several basis PLN 2.2m to MPK in 4 instalments between October 2019 and January 2021. The Company and Elektrobudowa have agreed that PLN 1m is attributable to ZUE and shall be paid, as previously reported, from the provision established by the Company in connection with the proceedings. According to the Settlement Agreement, if any instalment is not paid or the payment is delayed, the entire amount plus default interest shall become due for payment immediately. On the basis of the Settlement Agreement, all claims between the Contractor and the Contracting Authority relating to the project are waived excluding MPK’s claims against the Contractor relating to guaranty and warranty.

Under the Settlement Agreement, any proceedings relating to the construction of the FRANOWO tram depot in Poznań come to an end and each party cover their own costs of the proceedings.

The Settlement Agreement must be approved of by the Court. Pursuant to the provisions of the Settlement Agreement, the parties thereof apply for the said approval and discontinuation of the proceedings.