



CURRENT REPORT 9 / 2020

17 March 2020

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

Subject: Termination of the Contract by the Issuer.

Content:

The Management Board of ZUE S.A. with registered office in Cracow (the “Company,” the “Issuer”) inform about the termination notice submitted by the Company to PKP Polskie Linie Kolejowe S.A. (the “Contracting Authority”) on 17 March 2020. In the said notice, the Company informed about its intention to terminate the contract for the provision of design services and the completion of construction works in connection with the following project: “Works on the railway lines no. 14 and 811 of the Łódź Kaliska - Zduńska Wola - Ostrów Wielkopolski section, stage I: Łódź Kaliska – Zduńska Wola” performed by the Company for PKP Polskie Linie Kolejowe S.A. (the “Contract”); i.e. to terminate the services provided by the Company (the remaining part of the construction works which have not been performed) under the Contract between the Contractor and the Contracting Authority due to the circumstances blamed on the Contracting Authority (the “Termination”).

The Company informed about the said Contract in the current report 17/2017.

The reason for the Termination is the Contracting Authority’s failure to meet their contractual obligations, especially their obligation to pay the indisputable remuneration of PLN 1.65m contained in the VAT invoice issued on 19 December 2019. The payment deadline (30 days) expired on 20 January 2020. The additional payment deadline under the Contract (42 days), which started to run on 21 January 2020, expired on 3 March 2020. In addition, the payment of remuneration under the Contract was repeatedly delayed.

The Issuer states that at the date of publication of this current report, the total amount of all overdue indisputable payments relating to the railway contracts performed for the Contracting Authority (the Contract and two other contracts) exceeds PLN 20m. The failure to pay the amounts due and payable to the Company in a timely fashion make it difficult for the Company to carry out the contracts. The delays have not been caused by the COVID–19 pandemic. The Contracting Authority delayed their payments much earlier. However, the risk of non-payment increases in



times of an epidemiological crisis. The task of the Company's Management Board is to minimize such risks.

The Issuer has not been informed in writing about any date on which the amounts due should be paid. The Contracting Authority's representatives state they do not know when the Contracting Authority should be able to pay.

Accordingly, the Company has no choice but to terminate the Contract. At the same time, the Company has asked the Contracting Authority to pay the amounts due under the remaining railway contracts. The Company intends to continue the performance of these contracts in a timely fashion.

The Company informs that the Contract will be terminated 14 days after the termination notice has been submitted to the Contracting Authority; i.e. on 31 March 2020.

Despite the payment issues, the Company carried out the Contract according to its provisions (the construction works under the Contract are at an advanced stage).

The Company will inform about further major steps concerning the Contract in subsequent current reports.