

Execution of an agreement with TAURON Wydobycie S.A.

Current Report No. 36/2017 of 19 December 2017

Legal basis (selected in ESPI):

Article 17 Section 1 of MAR – confidential information.

The Management Board of PKP CARGO S.A. (“Company”, “PKP CARGO”) hereby reports that on 19 December 2017 an agreement was signed by and between PKP CARGO and TAURON Wydobycie S.A. (“TAURON Wydobycie”).

The subject matter of the agreement is the provision of rail transport services for coal shipments to be ordered by TAURON Wydobycie in the period **from 1 January 2018 to 31 December 2019 (“Agreement”)**. The total weight of coal scheduled to be transported from TAURON Wydobycie’s mines during the term of the Agreement will be **approx. 10.99 million tons**. The estimated gross value of the Agreement is **PLN 227,003,665.98 (PLN 184,555,826.00 net)**.

The Agreement provides for the following contractual penalties:

- If, for reasons attributable to PKP CARGO, the actual volume of freight services in a given calendar year is smaller than that declared in the Agreement, allowing for the permissible tolerance of -20%, and the sum of monthly orders placed by TAURON Wydobycie is not lower than that specified in the Agreement, allowing for the permissible tolerance of -20%, TAURON Wydobycie may charge a contractual penalty to PKP CARGO. This penalty will be calculated as the product of unrealized freight services in Mg of coal and the average price per Mg of freight resulting from the freight services realized in the relevant calendar year, multiplied by a factor of 0.3.
- If the Agreement is terminated by TAURON Wydobycie prior to the end date of its term or if PKP CARGO loses its license, TAURON Wydobycie may charge a contractual penalty to PKP CARGO in the amount equal to the product of declared but unrealized weight of coal in Mg, as specified in Appendix 1 to the Agreement, and the average price per Mg of freight resulting from the freight services realized and multiplied by a factor of 0.3.
- If PKP CARGO fails to deliver any ordered freight cars to the storage site within 4 hours of the time specified in the order, TAURON Wydobycie will be entitled to charge a fee equal to the quantity of undelivered freight cars multiplied by PLN 30 net per freight car.

The terms and conditions of the Agreement are substantially similar to those generally used in contracts of this type.

The execution of the Agreement is an element of implementation of the Company’s business assumptions and shows the increasing demand for the services provided by PKP CARGO, confirming its strengthening position on the market.

Legal basis: Article 17 Section 1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council on Market Abuse.