

Turnover and agreements of the value of significant contract with companies from the PGE Group

Current report No. 67/2015 dated 18 November 2014

Legal basis (selected in ESPI):

Art. 56(1)(2) of the Public Offering Act – current and periodic information

The Management Board of PKP CARGO S.A. (“the Company”, “the Contractor”) hereby informs that on 18 November 2015 the Company and PGE Górnictwo i Energetyka Konwencjonalna S.A. with registered seat in Belchatów (the “Ordering Party”) concluded three contracts for rail transport of the following cargo: (i) coal, (ii) and/or lime sorbents with a total maximum volume of 13.28 million tonnes. The estimated maximum total net value of the aforementioned contracts during their term, i.e. in the period from 01.01.2016 to 31.12.2018 amounts to PLN 288.9 million.

The Ordering Party, in order to adjust the size of the supply of coal and/or lime sorbents to the current needs, reserves the right to reduce the amount of the declared volume by about 23% of the maximum volume, i.e. to approximately 10.24 million tonnes. Changing the volume of cargo within the limits set out above does not constitute grounds for the Contractor for any claim against the Ordering Party.

The agreement of the highest value is the agreement for rail transport of coal and limestone, with a total maximum value of PLN 125.8 million net (the “Agreement”).

The Agreement provides for contractual penalties, the maximum amount of which may exceed the equivalent of at least 10% of the net value of the Agreement or the equivalent of at least EUR 200 000:

1) in the case of termination of the Agreement by the Ordering Party or Contractor for reasons attributable respectively to the Contractor or the Ordering Party in the amount of: (i) 20% of the net value of the Agreement in the event of withdrawal from the Agreement in 2016, (ii) 15% of the net value of the Agreement in case of withdrawal from the Agreement in 2017, (iii) 10% of the net value of the Agreement in the event of withdrawal from the Agreement in 2018;

2) reserved to the Ordering Party for transporting by the Contractor in the particular month of less than 95% or 90% of the volume declared in the monthly transport schedule, for reasons beyond the control of the sender and the Ordering Party in the amount of respectively 25% or 40% of the net unrealized carriage of cargo declared in a monthly transport schedule.

In addition, the Agreement provides for the following penalties reserved for the Ordering Party: (i) in case of substitution for loading of other types of wagons than required by the Ordering Party – the penalty in the amount of 20% of the net value of cargo specified in the monthly transport schedule, and (ii) for the delay of more than two days in substitution by the Contractor of wagons for loading at the sender in the amount of 1% of the net value of that cargo (understood as net remuneration payable to the Contractor for the carriage of the shipment).

In case the penalty does not cover the damage incurred, the Parties may claim additional compensation.

Other conditions of the Agreement do not differ from the conditions commonly applied in this type of rail freight contracts.

The total value of the aforementioned three agreements concluded on 18 November 2015 and the net turnover realized between PKP CARGO Group and PGE Group in the period of 12 months ended 31 October 2015 reached the value of about PLN 410 million, exceeding 10% of Company's equity, which is the basis for the publication of this current report.

Legal basis:

§ 5(1)(3) and § 9 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognized as equivalent (Journal of Laws 2014, item 133).