

Execution of a contract with NEWAG S.A. for the delivery of 3 electric 6-axle E6ACTa “DRAGON2” locomotives

Current Report No. 31/2018 of 25 October 2018

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 25 October 2018 it signed a contract with NEWAG S.A. (“NEWAG”) with its registered office in Nowy Sącz at ul. Wyspiańskiego 3 for the delivery of 3 electric 6-axle E6ACTa “DRAGON2” locomotives (“Contract”).

The subject matter of the Contract is the following: (i) delivery of 3 brand new electric 6-axle E6ACTa “DRAGON2” locomotives with an additional built-in trail observation system and a GPS locomotive positioning system, (ii) delivery of software and licenses necessary for the operation of the locomotives, (iii) delivery of a set of brand new spare parts and components forming the so-called “emergency kit”, necessary for carrying out quick emergency repairs.

The three locomotives will be delivered by 31 December 2018.

The estimated net value of the Contract is approx. PLN 45.3 million.

The price for the delivered locomotives will be paid in installments. As regards the other products, payments will be made after the deliveries have been confirmed, within 60 days of the date of receipt of the invoice.

The Contract provides for payment of contractual penalties to PKP CARGO by NEWAG in the following cases: (i) culpable delay in the delivery of the locomotives, (ii) culpable delay in the commencement of P1 and P2-level checkups along with training of PKP CARGO staff, (iii) non-compliance with the technical availability ratio, (iv) withdrawal from or termination of the Contract or failure to perform the obligations arising therefrom for reasons attributable to NEWAG.

A cap has been put on the total amount of contractual penalties at 10% of net price for the delivery of the 3 locomotives.

If the contractual penalties do not cover all the losses, then PKP CARGO will have the right to pursue damages in excess of the contractual penalties on general terms.

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

The execution of this Contract is in pursuit the Company’s capital expenditure program and constitutes a material contribution to building PKP CARGO’s strong and stable competitive position. Putting the DRAGON2 locomotives into service will also help improve the efficiency of the Company’s transportation process.

Legal basis:

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