

## Signing of contracts with PGE Group companies

Current Report No. 1/2019 of 04 January 2019

*Legal basis (selected in ESPI):*

*Article 17 Section 1 of MAR – confidential information.*

The Management Board of PKP CARGO S.A. (“PKP CARGO S.A.”, “Contractor”) hereby reports that on 04 January 2019, five transport agreements were signed between PKP CARGO and PGE Group companies, i.e. PGE Górnictwo i Energetyka Konwencjonalna S.A. in Belchatów, PGE Energia Ciepła S.A. in Warsaw, Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. in Wrocław (“Principal”), with PGE Polska Grupa Energetyczna S.A. acting on their behalf and for them based on the relevant powers of attorney.

The subject matter of these agreements is the rail transport of coal and limestone sorbents for the Principals with a total maximum weight of 16.7 million tons.

Due to the necessity to adapt the volume of coal and/or limestone sorbent deliveries to the changing current needs, the Principals reserve the option to reduce the volume to be transported by max. 20%, i.e. to approx. 13.3 million tons. Change of the freight volume within the above limits does not give the Contractor to any claims against the Principals.

The agreements were concluded for the period from 01 January 2019 to 31 December 2021.

The estimated maximum net value of the agreements during their terms is PLN 541.2 million (gross value of PLN 665.7 million).

The Agreements provides for the following contractual penalties:

- 1) in the event of rescission of the Agreement by the Principals or Contractor for reasons attributable to the Contractor or Principals, respectively, in the amount of:
  - (i) 20% of the net value of the subject matter of an agreement if it is rescinded in 2019,
  - (ii) 15% of the net value of the subject matter of an agreement if it is rescinded in 2020,
  - (iii) 10% of the net value of the subject matter of an agreement if it is rescinded in 2021,
- 2) to the benefit of the Principal if in a given month the Contractor does not transport the freight volume declared in the monthly transportation schedule, for reasons not attributable to the shipper and the Principals, in the amount of 35% of the net value of the cargo transport services declared in the monthly transportation schedule but not performed.
- 3) to the benefit of the Principal if different types of wagons than required by the Principals are provided for the loading, in the amount of 35% of the net value of the transport of such cargo (understood as the net remuneration due to the Contractor for the transport of such cargo), except when the Principal agrees to transport in such different types of wagons.

If the contractual penalty does not cover the loss incurred, the Parties may pursue additional damages.

*Legal basis:*

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