

Signing of a significant contract with PKP PLK

Current report no 1/2015 from 8 January 2015

Legal basis (selected in ESPI):

Art. 56 sec. 1 item 2 of the Act on Offering – Current and Periodic Information

The Management Board of PKP CARGO S.A. hereby informs about signing on 08.01.2015 of the Rail infrastructure access agreement for the transport of commodities covering the 2014/2015 timetable (“Agreement”) between PKP CARGO S.A. with its registered seat in Warsaw (“Carrier”, “Company”) and PKP Polskie Linie Kolejowe S.A. with its registered seat in Warsaw („Administrator”, “PKP PLK”). The agreement binds the parties from 14 December 2014 to 12 December 2015.

Under the Agreement, PKP PLK provides the Company with access to railway infrastructure in accordance with the 2014/2015 timetable. The Agreement sets out the allotted train routes. The Company has the right to reject an allotted train route or to change its parameters as required due to the use of a diligent type of traction vehicle or an increase or decrease of a train’s gross weight.

Pursuant to the Agreement, PKP PLK renders services within the scope of the minimum access to train infrastructure that comprises, among others, the preparation of an annual timetable in agreement with the Company, the provision of access to train infrastructure in accordance with the allotted train routes, the provision of traction network devices, the directing and carrying of traffic, and the delivery of information regarding train passage, if so requested by the Carrier. In addition, PKP PLK renders basic services connected with access to facilities related to the servicing of trains and certain additional services comprising the provision of assistance in connection with unusual loads and the preparation and commissioning of trains.

The fee for the use of rail infrastructure comprises of:

- A basic fee for the minimum access to rail infrastructure, including completed services;
- A reservation fee, collected for any ordered and allocated rail route which has not been used by the Carrier;
- A basic fee for the minimum access to devices related to the servicing of trains, including completed services; and
- An additional fee, including completed services.

Aforementioned fees are calculated based on: (i) the Price list for the use of railway infrastructure managed by PKP PLK, approved by the decisions of President of UTK No. DRRK-WKL.9110.6/2014 of 9 July 2014 and DRRK-WKL.9110.11/2014 of 28 October 2014, effective from 14 December 2014, and (ii) Rules of train routes allotment and use of allotted routes by licensed railway carriers within the 2014/2015 timetable.

Estimated value of the Agreement during its term amounts to PLN 684.713.941 net (PLN 842.198 147 gross). Change of the estimated value of the Agreement is not considered an amendment to the Agreement and does not require written form.

The Parties to the Contract agreed that the applicable form of mutual damages will be contractual penalties resulting from:

- delays caused by the Carrier or by the Operator;

- operation by the Carrier of a train with another type of railway vehicle which is powered and/or has an increased gross weight in breach of the governing rules;
- cancellation of the carrier's train route for the reasons which the Operator is responsible for;
- improper maintenance of intertrack space by the Operator.

Liability of the Parties for reasons other than improper performance of the train schedule shall be determined on the basis of provisions of the Civil Code.

In the period from 1 January 2014 to 31 December 2014 the value of the net turnover resulting from contracts in force between the Company and its subsidiaries and PKP PLK and its subsidiaries totalled approx. PLN 670m.

From the moment of admission of the Company's shares to trading on a regulated (basic) market operated by the Warsaw Stock Exchange i.e. from 28 October 2013, the net turnover of other contracts entered into by the capital groups of PKP CARGO and PKP PLK amounted to circa PLN 10 million.

The agreement is considered significant because of its value exceeding 10% of the Company's equity.

Legal basis:

§ 5 sec. 1 item 3 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information provided by issuers of securities and the conditions for recognition as equivalent information as required by the law of a non-Member State (Journal of Laws from 2014 item 133).