

LARQ S.A.

CURRENT REPORT 8/2017

Subject:

Execution of a Significant Contract by the Issuer's Subsidiary

General Legal Basis:

Article 17 (1) of the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC

Text of Report:

The Management Board of LARQ S.A. of Warsaw (hereinafter: the "**Issuer**") hereby informs that, on 16 February 2017, the Issuer's subsidiary – NEXTBIKE POLSKA Sp. z o.o. of Warsaw (hereinafter: "**NEXTBIKE**") executed the Contract for Delivery of Self-Service City Bike Rental System and Completion of Associated Construction Works (hereinafter: the "**Contract**") with the Sosnowiec Municipality (the "**Contracting Authority**").

For fulfilment of the Contract deliverable, the Contracting Authority will pay to NEXTBIKE the gross fee of PLN 1,736,637.00. The parties have allowed for a partial completion of and payment for the Contract deliverable. NEXTBIKE shall assign its copyrights to the Contract deliverable under that fee.

NEXTBIKE shall have to take out tort and contractual liability insurance for the construction works covered by the Contract, for the sum insured at least equal to the gross fee. NEXTBIKE has granted a 84-month guarantee to the Contracting Authority. The statutory warranty period is equal to the period of guarantee. NEXTBIKE has furnished a performance bond equal to 10% of the gross fee.

The Contract provides for contractual penalties, i.a., for: (i) withdrawal from the Contract for reasons attributable to NEXTBIKE, equal to 20% of the net fee; (ii) penalty equal to 0.5% of the net fee for each day of delay in completion of the contract deliverable; and (iii) failure to take out insurance or defective insurance equal to 0.01% of the net fee for each day without holding an adequate insurance coverage.

The Contracting Authority may withdraw from the Contract within 90 days after finding any of the events of default as set forth in the Contract, such as: (i) delay in commencement of construction works; (ii) gross breach of any provisions of the Contract; (iii) failure to take out a insufficient insurance coverage for the scope of works; or (iv) interruption of execution of the Contract deliverable for the period exceeding 7 calendar days.

NEXTBIKE has agreed to complete the contract deliverable in full on or before 30 March 2018.

The remaining terms and conditions of the Contract performance do not deviate from those commonly used in this type of contracts.

Report Date:

16 February 2017