ERBUD S.A.

Current Report No.42/2016
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Topic:

Completion of negotiations and agreeing on the terms of sale of a significant asset.
Legal basis:
Article 56 section 1 item 1 of the Act on Public Offering - confidential information

Content of report:

Due to the delayed public disclosure of confidential information of 9 February 2016 and 28 April 2016 (Current Reports 6/2016 and 27/2016 released on 16 June 2016), the Management Board of Erbud SA headquartered in Warsaw (the "Issuer") announces that negotiations related to the planned sale of a significant asset, i.e, shares of Budlex SA, seated in Warsaw ("Budlex"), has been completed on 15 June 2016.

On 15 June 2016, the Management Board of Erbud SA completed negotiations with Holdinvest 1 Sp. z o.o., with its registered office in Warsaw ("Holdinvest"), on disposal of assets held in the form of shares of Budlex SA. Holdinvest and the Issuer agreed contents of the agreement specifying the conditions for the sale of shares in Budlex by the Issuer (the "Agreement" or the "Transaction"). The conclusion of the Agreement will be reported by the Issuer in the current report.

The Transaction will take place in several steps:

1. The purchase by the Issuer of 10.04 per cent of shares in Budlex from a minority shareholder for a price of PLN 4,500,000;
2. The sale by the Issuer of 100 per cent of shares in Budlex to Holdinvest for the price of PLN 45,000,000.00.

The condition of closing the Transaction is:

1. The consent of the Issuer’s Supervisory Board to carry out the Transaction in accordance with the terms and conditions stipulated in the Agreement.
2. The consent of the Office of Competition and Consumer Protection (UOKiK) to conduct the Transaction.

Furthermore, the Agreement provides that prior to the disposal of 100% of Budlex shares and after the acquisition of 10.04% of the shares from the minority shareholder, Budlex will pay to the Issuer – under so-called allowed outflows - a dividend in the amount of PLN 17,000,000. Also during this period, the Issuer will purchase from subsidiaries of Budlex SA a developed property located in Torun at 10 Wapienna St. 10 for PLN 10,000,000 net. Now there are offices of the Shared Services Centre operating within the structure of the Issuer, Torun Erbud SA Branch Office and offices of the subsidiaries of the Issuer: Erbud International Sp. z o.o.; PBDI S.A.; Erbud Industry Sp. z o.o.; Erbud Contruction Sp. z o.o.

As of the day of the completion of negotiations, the book value of 89.96% of shares in Budlex amounts to PLN 73,574,883.48. After the purchase of shares from the minority shareholder the value of shares in the Issuer’s accounting book will increase to PLN 78,074,883.48.

In bookkeeping terms, the Transaction of disposal of shares in Budlex, having regard to the proceeds from dividends paid by Budlex to the Issuer and the tax shield will have a negative impact on net profit, respectively in the Issuer’s separate financial statements in the amount of approximately PLN 10 million, while in the consolidated statement of about PLN 24.5 million..

The transaction will bring a positive cash flow amounting to PLN 47.5 million.

The funds obtained will be used primarily to strengthen the presence in segments that are of strategic importance for ERBUD, i.e. in large volume construction, energy sector, and services and engineering for the industry. According to the Company, future acquisitions are possible.

The transaction will not affect the dividend policy of ERBUD SA.