**ERBUD S.A.**

*Current Report No.70/2016*
*Report date: 2016-10-05*

*Topic:*

Signing of a significant contract for construction works - installation of selective catalytic reduction (SCR) for two Benson OP-206 boilers, incl. modernization of water heaters, flue gas fans and rotary air heaters - with a value of PLN 63.9m, of which ERBUD SA has PLN 39.5m.

*Legal basis:*
Article 17 section 1 of the MAR – confidential information

*Content of report:*

The Management Board of Erbud SA informs about concluding a construction contract on the following terms and conditions:

Below is information about the contract conditions:

1. Contract concluded on 05.10.2016r in Belchatow by and between the consortium consisting of ERBUD SA (the “Leader”) and YARA ENVIRONMENTAL GMBH (the “Partner”) (collectively referred to as the "Contractor") and PGE Górnictwo i Energetyka Konwencjonalna Spółka Akcyjna ("the Employer").
2. The Investor: PGE Górnictwo i Energetyka Konwencjonalna Spółka Akcyjna, ul. Węglowa 5, 97-400 Bełchatów.
3. Contract value: PLN 63.9 m net (of which ERBUD SA PLN 39.5m net and YARA ENVIRONMENTAL GMBH PLN 24,4m net).
4. Contract subject: installation of selective catalytic reduction (SCR) for two Benson OP-206 boilers, incl. modernization of water heaters, flue gas fans and rotary air heaters.
5. Site location: PGE GiEK S.A. Oddział Zespół Elektrowni Dolna Odra, Elektrownia Pomorzany [Pomorzany Power Station] located in Szczecin, 25/26 Szczawiowa St.
6. Completion period: 05.10.2016 - 07.11.2018.
7. Payment terms - 30 days from the delivery of a valid invoice issued on the basis of an agreed Progress Payment Schedule.
8. Performance Bond: 10% of the Erbud’s gross construction value i.e. PLN 4,858,500 provided for the period form 05.10.2016 to 07.12.2018.
9. Defects Liability Bond: 3% of the Erbud’s gross construction value i.e. PLN 1,457,550 provided for the period form 08.12.2018 to 23.12.2021.
10. Other guarantees: Advance payment of 10% of the Erbud’s gross construction value i.e. PLN 4,858,500 PLN as a refund guarantee, valid from the date of the funds transfer to the Contractor’s account until the settlement of the advance add 90 days.
11. Penalties:

    In case of withdrawal from the Contract by the Contractor for reasons not attributable to the Employer or withdrawal from the Contract by the Employer for reasons attributable to the Contractor, the Employer shall be entitled to charge the Contractor a contractual penalty of 20% of net contractual remuneration.

    In case of withdrawal from the Contract by the Contractor for reasons attributable to the Employer, the Contractor shall be entitled to charge the Employer a contractual penalty of 20% of net contractual remuneration.

    In case of failure to meet the deadline for Commissioning the Block A or B Installations for reasons attributable to the Contractor, the Employer shall be entitled to charge the Contractor contractual penalty of 0.2% of the net contractual remuneration for each day of delay.

    In case of failure to meet agreed delivery date of a final planning permission for reasons attributable to the Contractor, the Employer shall be entitled to charge the Contractor a contractual penalty of 0.1% of net contractual remuneration for each day of delay.

In the event the Contractor fails to comply with deadlines for the removal of defects found during the Warranty Period, the Employer shall be entitled to charge the Contractor contractual penalties of 0.1% of net contractual remuneration per each day (24 hours) of delay in remedying defects. The Employer may also charge the penalty for the remedying defects by the Employer or on his behalf.

The total amount of contractual penalties charged to the Contractor for exceeding the Time for Completion and withdrawal from the Contract may not exceed 20% of net contractual remuneration. It does not apply to penalties for delay in remedying defects or defects found during the Warranty Period.