ERBUD S.A.

Current Report No.56/2017
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Topic:

Conclusion of a significant contract between Consortium formed by Erbud SA (the “Leader”), Erbud Industry Sp. z o.o. (the “Partner”) and Fortum Power and Heat Oy, Keilaniementie 1, 02150 Espoo (the “Partner”) (jointly called "the Contractor") and Fortum Power and Heat Polska Sp. z o.o., 50-304 Wrocław,, 1a Antoniego Słonimskiego St. (the "Client”) worth PLN 49.78 million, of which ERBUD SA and Erbud Industry Sp. z o.o. (subsidiary 100% owned by ERBUB SA) - PLN 40.2 million.

Legal basis:
Article 17(1) of the MAR – confidential information

Content of report:

The Management Board of Erbud SA announces that a contract has been concluded for the refurbishment of air pollution control system at heating plant in Czestochowa, including the turnkey construction of flue gas denitrification, scrubbing and desulphurisation systems for WR-25 boilers Nos. K1, K2 and K3 and WR-40 boiler No.K5 under the following terms and conditions:

1. Contract concluded on 03.11.2017 between the Cconsortium formed by Erbud SA (the “Leader”), Erbud Industry Sp. z o.o. (the “Partner”) and Fortum Power and Heat Oy, seated in 02150 Espoo, 1 Keilaniementie (jointly called the "Contractor") and Fortum Power and Heat Polska Sp. z o..o seated in 50-304 Wrocław, 1a Antoniego Słonimskiego St. (the "Client”)
2. Investor: Fortum Power and Heat Polska Sp. z o.o, 50-304 Wrocław, 1a Antoniego Słonimskiego Street.
3. Contract value: PLN 49,780,000 net + 23% VAT (of which ERBUD SA PLN 20,000; Erbud Industry Sp. z o.o. PLN 40,180,000; and Fortum Power and Heat Oy PLN 9,580,000).
4. Contract subject: Refurbishment of air pollution control system at heating plant Czestochowa, including the turnkey construction of flue gas denitrification, scrubbing and desulphurisation systems for WR-25 boilers Nos. K1, K2 and K3 and WR-40 boiler No.K5.
5. Site location: Rejtana Heating Plant; Czestochowa, 37/39 Rejtana Street.
6. Completion period: from 03.11.2017 till 19.09.2019 (Deadline and Final Acceptance).
7. Payment terms: 30 days from the receipt of a valid invoice based on the agreed progress and payment schedule.
8. Performance Bond: 10% of the contract remuneration provided for 30 days after the date of issuance by the Client of the Final Acceptance Certificate, or until the day on which the Work is deemed to have been accepted.
9. Defects Liability Bond:
   1) 2.75% of the contract remuneration, provided for the period from the date of signing by the Client of to the Milestone Acceptance Certificate, or from the date on which part of the Work to be taken over under the Milestone is deemed to have been accepted till 15 days after the defects liability period has been expired (36 months);
   2) 2.25% of the contract remuneration, provided for the period from the date of signing by the Client of to the Final Acceptance Certificate, or from the date on which part of the Work to be taken over under the Final Acceptance is deemed to have been accepted till 15 days after the defects liability period has been expired (36 months).
10. Other guarantees: Advance payment guarantee of 5% of the contract remuneration valid for the period of 30 days from the date of signing by the Client of the Final Acceptance Certificate, or until the day the Work is deemed to have been accepted; the warranty for mechanical equipment delivered is 36 months, for construction works - 60 months, and for anti-corrosion and chemical resistance protection - 72 months.
11. Penalties:

    The Client shall be entitled to charge penalties in the event of failure to timely achieve the Milestone in the amount of 0.2% of the Final Contract Price for each commenced day of delay and for non-compliance with the Completion Deadline - 0.2% of the Final Contract Price for each commenced day of delay. The dates of Milestones and Completion Deadline are specified in the Main Time

Schedule. The aggregate limit for delays shall be 20% of the Final Contract Price. The total maximum contractual penalties in respect of all titles shall be 25% of the Final Contract Price. The total maximum liability, including contractual penalties, for damages caused to the Client, arising during and/or as a result of performance or non-performance of the Contract, shall be limited to 100% of the Final Contract Price, whatever the cause. Contractual penalties are not the sole remedy available to the Client. The Client shall have the right to claim for supplementary compensation if the value of the damage suffered exceeds the amount of contractual penalties. The Contractor shall not be liable for benefits lost by the Client.