ERBUD S.A.

Current Report No.34/2018
Report date: 2018-06-08

Topic:

Conclusion of significant contract by the Consortium of Erbud Industry Sp. z o. o. (“Leader”), Erbud S.A. (“Partner”), and Fabryka Kotłów S.A., and Grupa Azoty Zakłady Azotowe "Puławy" S.A. (“Customer”) for the performance of the project under the name: “Construction on a turnkey basis of a SCR plant together with the comprehensive modernisation of the OP-215 Boiler No. K2 in Zakłady Azotowe Puławy S.A.”. Net contract value of PLN 83.5 million.

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

Content of report:

Conclusion by Erbud Industry Sp. z o.o., a subsidiary of the Issuer (“Erbud S.A.”) of a significant contract on behalf of the Consortium formed by the Companies:

Erbud Industry Sp. z o. o. (“Leader”), Erbud S.A. (“Partner”), and Fabryka Kotłów SA,

and

Grupa Azoty Zakłady Azotowe "Puławy" S.A. (“Customer”),

on the following terms and conditions:

1. Contract concluded on 2018-06-08 by and between the Consortium of Erbud Industry Sp. z o.o. seated in 87-100 Toruń, 10 Wapienna St. (“Leader”), Erbud S.A., seated in 02-797 Warszawa, 1 Klimczaka St. (“Partner”) and Fabryka Kotłów „SEFAKO” S.A. seated in 28-340 Sędziszów, 9 Przemysłowa St., and Grupa Azoty Zakłady Azotowe „Puławy” S.A. seated in 24-110 Puławy, 13 Aleja Tysiąclecia Państwa Polskiego St. („Customer”).
2. Customer: Grupa Azoty Zakłady Azotowe „Puławy” S.A. seated in 24-110 Puławy, 13 Aleja Tysiąclecia Państwa Polskiego St.
3. Net contract value: PLN 83,500,000, of which PLN 42,860,000 PLN - Erbud Industry Sp. z o.o., PLN 140,000 - Erbud S.A. and PLN 40,500,000 - Sefako S.A.
4. Contract subject: Construction on a turnkey basis of a SCR plant together with the comprehensive modernisation of the OP-215 Boiler No. K2 in Zakłady Azotowe Puławy S.A.
5. Site location: Combined Heat and Power Station at Zakłady Azotowe „Puławy” S.A., 24-110 Puławy, 13 Aleja Tysiąclecia Państwa Polskiego St.
6. Completion period: Commissioning within 21 months from the date of signature of the contract.
7. Payment terms: 30 days from the date of receipt of a valid invoice based on progress and payment schedule. At the request of the Contractor, the Customer shall pay the Contractor an advance payment for the performance of the contract up to 10% of the Remuneration for Delivery and Construction Work under the Contract.
8. Performance Bond: The Contractor shall obtain and deliver to the Customer, not later than within 30 days from the date of conclusion of the Contract, a performance bond in the form of a bank guarantee of PLN 4,175,000.00 (in words: four million one hundred seventy five thousand), which is the equivalent of 5 % of the Remuneration, valid for a period of 9 months from the Contract date. Ten days before the expiry of the bond referred to in the first sentence above, the Contractor shall submit a valid security in the form of a bank guarantee in the amount of PLN 8,350,000.00 (in words: eight million three hundred and fifty thousand), which is the equivalent of 10% of the Remuneration with a validity period until the Commissioning.
9. Defects Liability Bond: Security for the Warranty Period in the form of a bank guarantee in the amount of 30% of the Performance Bond with a term of validity from the date of issue the Commissioning Certificate to 15 days after the end of the 36-months Basic Guarantee Period.
10. Other guarantees: ---
11. Penalties:
    a) 0.05 % of net Remuneration for each day of delay in the completion of each Key Milestone;

b) if the Commissioning Certificate is not signed by the Customer within the time limit specified in the Contract Time Schedule, the Contractor shall pay a contractual penalty of 0.3% of the net Remuneration for each day of delay, whereby the delay shall be counted from the date following the end of the Contract Completion Period.
The Customer has the right to charge penalties for key Milestones only if the Commissioning Certificate is not signed by the Customer within the time limit set out in the Contract Time Schedule, unless the Contractor is not responsible for a delay in its signing. The maximum total amount of contractual penalties due from the Contractor for delay is 15% of the net Remuneration.
The maximum total amount of contractual penalties due from the Contractor for non-compliance with Group B Minimum Performance Requirements is 20% of the net Remuneration.
The maximum total amount of contractual penalties due from the Contractor in respect of all titles described in the Contract may not exceed 35% of the net Remuneration.

12. Notes: None.