ERBUD S.A.

Current Report No. 62/2018
Report date: 2018-10-10

Topic:

Signing a significant contract worth PLN 21 million for the overhaul of the OFz-425 No. 2 boiler in TAURON Wytwarzanie Spółka Akcyjna, Siersza Power Plant in Trzebinia by Erbud Industry Południe Sp. z o.o., an indirect subsidiary of ERBUD S.A. ("Issuer").

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

Content of report:

The Issuer's Management Board announces that on 10 October 2018 it received information that its indirect subsidiary Erbud Industry Południe Sp. z o. o. signed an agreement on the terms and conditions specified below:

1. Contract concluded on 09.10.2016 in Jaworzno by and between ERBUD INDUSTRY Południe Sp. z o.o. ("Contractor") and TAURON Wytwarzanie Spółka Akcyjna ("Customer").
2. Customer: TAURON Wytwarzanie Spółka Akcyjna seated in Jaworzno, 43-603 Jaworzno, 51 Promienna Street.
3. Net contract value: PLN 20,985,710.
4. Contract subject: Heavy repair of the OFz-425 No. 2 boiler in TAURON Wytwarzanie Spółka Akcyjna, Siersza Power Plant in Trzebinia, Range: Lot 1 - Overhaul of the OFz-425 No. 2 boiler.
5. Site location: TAURON Wytwarzanie Spółka Akcyjna, Siersza Power Plant.
6. Duration of the contract: 10.10.2018 - 01.06.2019.
7. Payment terms: Payment of remuneration by the Customer by bank transfer within 30 days from the date of receipt of a valid invoice.
8. Performance Bond: 8% of gross value of works performed by ERBUD INDUSTRY Południe Sp. z o.o., i.e. PLN 2,064.993.86 granted for the period from 05.10.2018 to 02.06.2019.
9. Defects Liability Bond: 2.4% of gross value of works performed by ERBUD INDUSTRY Południe Sp. z o.o., i.e. PLN 619,498.16 granted for the period from 03.06.2019 to 19.05.2021.
10. Other guarantees: None.
11. Penalties:
    1) In the event of delay in the completion of a given lot of the Contract in relation to the deadline set out in the "List of inspections punishable by penalties" in Attachment 2a to the Contract – 0.2% of the total gross remuneration relating to a given lot of the Contract due to the Contractor pursuant to the provisions of Attachment 4 to the Contract for each day of delay.
    2) In the event of delay in timely removal of defects found during the acceptance of the Contract Subject in accordance with the provisions of Attachment No. 3 to the Contract – 0.2% of the total gross remuneration relating to a given lot of the Contract due to the Contractor pursuant to the provisions of Attachment 4 to the Contract for each day of delay.
    3) In the event of delay in timely removal of defects revealed during the Warranty period – 0.2% of the total gross remuneration relating to a given lot of the Contract due to the Contractor pursuant to the provisions of Attachment 5 to the Contract for each day of delay.
    4) In the event of failure to comply with the date of starting to remove defects of the Contract Subject in accordance with the provisions of § 8(4) of the Contract – 0.05% of the total gross remuneration relating to a given lot of the Contract due to the Contractor pursuant to the provisions of Attachment 4 to the Contract for each day of delay.
    5) In the event of delay in timely performance of the obligation to establish or deliver insurance policies – 0.1% of the total gross remuneration relating to a given lot of the Contract due to the Contractor pursuant to the provisions of Attachment 4 to the Contract for each day of delay.
    6) In the event of delay in timely performance of the obligation to provide the Bond – 0.1% of the total gross remuneration relating to a given lot of the Contract due to the Contractor

pursuant to the provisions of Attachment 4 to the Contract for each day of delay.

7) In the event the Customer withdraws from the Contract in whole or in part, for reasons attributable to the Contractor or if the Contractor withdraws from the Contract for reasons attributable to the Contractor – 10% of the total gross remuneration relating to a given lot of the Contract due to the Contractor pursuant to the provisions of Attachment 4 to the Contract.
8) In case of violation of the confidentiality obligation by the Contractor – PLN 10,000.00 for each single violation of this obligation.
9) In case of violation of the prohibition specified in § 2(3) of the Contract – PLN 20,000.00 for each violation.
10) In case of violation of health and safety regulations by the Contractor's employees – PLN 10,000.00 for each single violation of these regulations.
11) In the event of delay in submitting the schedule referred to in § 2(7) of the Contract within the set deadline or delivery of a schedule inconsistent with the guidelines, the Customers reserves the right to charge a contractual penalty of PLN 5,000.00 for each day of delay.
12) Each time the Contractor fails to provide the documents or explanations referred to in §1(6) items 6.2 and 6.2(b) of the Contract, or if the presented documents or explanations do not confirm the required employment – PLN 1000.00 for each person to whom the requested document or explanation applies.
13) In case the Contractor fails to comply with the requirement of employment under the employment contract referred to in §1(6) of the Contract – 2% of the net contractual remuneration indicated in Attachment 4 to the Contract for each non-employed person, respectively to the lot of the Contract to which the failure to comply with this requirement applies.

Erbud Industry Południe Sp. z o. o. is an indirect subsidiary of the Issuer, in which the Issuer indirectly holds 99.29% of the share capital and, indirectly, the same number of votes at the Annual General Meeting.