Wysogotowo, April 2nd 2014

**Press release**

**PBG refuses to accept the Employer's grounds for termination of the contract ‘Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bn m3, sub-phase: 1.2bn m3’**

As at April 2nd 2014, the work contracted under the Wierzchowice Underground Storage Facility project was fully executed, except for a 72-hour test of one of the installed devices, which however does not affect the functionality of the entire system. Furthermore, PBG's share of work as part of the Consortium was executed in full. Technical acceptance of the project by the Employer took place on November 18th 2013. The Parties also made a full settlement of the Consortium's remuneration for the work performed until the date of technical acceptance. It is worth noting that PGNiG's Current Report No. 42/2014, dated April 2nd 2014, concerning PGNiG's notice of termination, reads that “progress of work on expanding the Wierzchowice Underground Gas Storage Facility to 1.2bn m3 is approximately 97%” and that “the facility has reached and maintains a storage capacity of 1.2bn m3”

As indicated above, PBG completed the work contemplated in the contract as early as in 2011. The facility reached full capacity by the end of August 2013, increasing Polish gas stocks by 600m m3.

The Employer reported this information in its press releases and reports, stating that the facility is operational and in service. The target capacity was reached by the facility in autumn 2013. Since then, until the end of the withdrawal cycle on April 1st 2014, approximately 600 million m3 of natural gas was withdrawn from the facility. In the 2013/2014 winter season, withdrawal continued without interruptions, meeting the demand of the National Gas Dispatching Division by providing 100-400 thousand m3 of gas per hour.

In this context, termination of the agreement on the grounds of non-performance or defective performance of the project is all the more surprising.

Even though the facility still needs to be painted and certain turboexpander components covered by warranty have to be repaired by one of the Consortium members (turboexpander, paired with a pressure reduction station, enables generation of small volumes of electricity from expansion of the withdrawn gas), these issues have little effect on the facility's operations.

All finishing work was scheduled for completion within the next few weeks (for instance, the pipeline could only be painted once transmission had ended and the unit had been shut down, i.e. in April at the earliest).

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***\*The PBG Group provides specialist construction services in the area of gas and oil production and fuel facilities, as well as general contractor services in the power construction segment.***