

Current Report No. 20/2012

Wysogotowo, April 6th 2012

Subject: Settlement agreement signed with Narodowe Centrum Sportu

The Management Board of PBG S.A., member of a consortium comprising HYDROBUDOWA POLSKA S.A. (leader), PBG S.A., ALPINE BAU Deutschland AG, ALPINE BAU GmbH, and ALPINE Construction Polska Sp. z o.o. (the "Consortium"), reports that on April 6th 2012 a settlement agreement was signed with the state-owned operator Narodowe Centrum Sportu Sp. z o.o. in respect of the contract for construction of the National Stadium in Warsaw and auxiliary infrastructure dated May 4th 2009 (the "Underlying Contract") (for details see Current Report No. 22/2009 of May 4th 2009 available at: <http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/22-2009-zawarcie-umowy-znaczacej-na-budowe-stadionu-narodowego-w-warszawie.html>).

Key stipulations of the Settlement Agreement are presented below.

- 1) The Settlement Agreement regulates payments to subcontractors by providing that the Principal is to promptly disburse the final payment of PLN 58,857,244.92 VAT-exclusive (PLN 72,394,411.26 VAT-inclusive) due to the Consortium in respect of the Underlying Contract, to be transferred to an escrow account from which funds may be released to subcontractors only;
- 2) The Settlement Agreement defines the price of additional works ordered by the Principal under the Underlying Contract which have not been covered so far by an annex or addendum to the Contract. The price has been agreed by the parties at PLN 24,099,157.36 VAT-exclusive (PLN 29,641,963.51 VAT-inclusive). Accordingly, the Issuer reports that in the past 12 months a material contract (with the materiality criterion being the percentage of the Issuer's equity) has been signed with Narodowe Centrum Sportu with a total value of PLN 129,547,991.30 VAT-exclusive. In terms of value, the largest contract is that dated 28th 2011 signed between Narodowe Centrum Sportu on

the one side and Hydrobudowa Polska S.A. and PBG S.A. on the other, which provides for additional construction and installation works with respect to the pitch, its installations and turf, food and beverage kiosks and electrical installations. The contract price is PLN 59,450,000 VAT-exclusive.

Deadlines for completion of the additional works have been agreed as follows:

- a) January 27th 2012 – reinforced concrete floor of the pitch, construction of food and beverage kiosks,
- b) February 10th 2012 – pitch with installations and turf,
- c) March 31st 2012 – electrical installations and associated construction work.

The contract provides for the following penalties (liquidated damages):

- a) for each day of delay in performance of the contract by the Contractor – 0.5% of the VAT-exclusive contract price for a given portion of works,
- b) for each day of delay in rectification by the Contractor of defects in additional works – 0.5% of the VAT-exclusive contract price for a given portion of works, with the proviso that:

I. where a defect prevents a mass event from being held in the period from January 27th to May 11th 2012, the Contractor is to pay a contractual penalty of PLN 10,000,000,

II. where a defect prevents a football match from being held during the Final Tournament, the Contractor is to pay a contractual penalty of PLN 10,000,000,

III. where a defect causes major nuisance for football match preparations during the Final Tournament, the Contractor is to pay a contractual penalty of PLN 1,000,000 for each day of delay,

- c) for improper performance of the Contractor's obligations causing the Principal to withdraw from the contract – 20% of the VAT-exclusive contract price.

If a damage suffered by the Principal exceeds the amount of the agreed contractual penalties, the Principal is entitled to seek additional compensation on general terms.

Also, under the Settlement Agreement signed today, ALPINE BAU Deutschland AG, ALPINE BAU GmbH, and ALPINE Construction Polska Sp. z o.o. became parties to the contract of December 28th;

- 3) The parties to the Settlement Agreement have set the deadline of seven days to agree the amount of remuneration payable to the Consortium for the delivery of additional works in respect of which the Consortium has presented cost estimate requests amounting to PLN 23.4 million;
- 4) In addition, the parties to the Settlement Agreement reiterate that the scope of construction work has been reduced in respect of food and beverage kiosks, and the pitch with installations and turf. Accordingly, the amount of remuneration payable to the Consortium under the Underlying Contract has been reduced by a total of PLN 14,500,000.00 VAT-exclusive;
- 5) The parties have further agreed a method for settling the PLN 10 million payable by the Consortium to the Principal as compensation for mass events having been cancelled due to delays in construction of the National Stadium. By the date of the Settlement Agreement, an amount of PLN 2 million had been offset, with the outstanding balance to be settled as follows: PLN 4 million is to be offset against remuneration payable for additional works and the other PLN 4 million – against other payments due to the Consortium on account of additional works. Furthermore, the parties have agreed that PLN 350,000.00-worth of contractual penalty for delayed delivery of an additional milestone is to be offset against further payments due to the Consortium as remuneration for additional works.

Legal basis:

Art. 56.5 of the Public Offering Act – information update

Par. 5.1.3 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities, dated February 19th 2009.

For PBG S.A.:

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