DIRECTORS' REPORT ON THE OPERATIONS OF PBG SA W UPADŁOŚCI UKŁADOWEJ (IN COMPANY VOLUNTARY ARRANGEMENT)

for the period January 1st–December 31st 2014

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PBG PUBLISHED THE TEXT OF THE STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES ON ITS WEBSITE AT:

http://www.pbg-sa.pl/relacje-inwestorskie/lad-korporacyjny/lad-korporacyjny-na-gpw.html

I. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

1. Corporate governance principles adopted by PBG

PBG adopted the corporate governance principles set forth in the Code of Best Practice for WSE Listed Companies published at http://www.corp-gov.gpw.pl, adopted by the WSE Supervisory Board on November 21st 2012, effective as of January 1st 2013.

2. Corporate governance principles which PBG did not comply with

The PBG Management Board represents that in 2014 the Company complied with the recommendations set forth in Section I, and with the applicable corporate governance principles set forth in Sections II–IV of the Code of Best Practice for WSE Listed Companies, except for:

a) Recommendation I.5: In 2014, the Company did not implement the recommendation regarding establishing the principles of remuneration policy in relation to management and supervisory bodies. The rules of remuneration of the Supervisory Board were set out in a resolution of the Extraordinary General Meeting of PBG of December 10th 2005. The amount of remuneration depends on the responsibilities and tasks assigned to individual Supervisory Board members. The amount of remuneration paid to members of the Management Board is determined by the Supervisory Board by way of a resolution. The remuneration amount depends on the scope of duties and responsibilities assigned to the individual Management Board members;

b) Recommendation I.9: The Company appoints Supervisory and Management Board members on the basis of their respective qualifications: experience, professionalism and expertise. Decisions regarding the appointment of management and supervisory personnel are left for the discretion of the Company's relevant bodies and are made solely on the basis of criteria stated above. Although the recommendation was not implemented, the share of women in the Company's governing bodies is rising.

   In 2014, composition of the Supervisory Board was as follows:

   - in the period from January 1st to April 24th 2014 – one woman, six men,
   - in the period from April 24th to November 11th 2014 – one woman, five men,
   - in the period from November 11th to December 31st 2014 – one woman, four men,

   and the composition of the Company's Management Board was as follows:

   - in the period from January 1st to April 24th 2014 – two women, three men,
   - in the period from April 24th to May 6th 2014 – two women, four men,
   - in the period from May 6th to October 31st 2014 – two women, three men,
   - in the period from October 31st to December 31st 2014 – two women, two men;

c) Recommendation I.12: In 2014, as in the previous years, the Company did not implement the recommendation regarding on-line broadcasting of General Meetings due to inadequate IT infrastructure. The Company publishes recordings of its General Meetings on its website. The Company may begin to webcast General Meeting proceedings in the future.

d) Best practice IV.10: The Company did not comply with this principle due to significant risk related to the technical quality of IT infrastructure (similarly to item 2.c) above).

e) Best practice III.3: The Supervisory Board decided to assess independence of Supervisory Board members based on the criteria set forth in Art. 86.5 of the Accountancy Act and the recommendations issued by the Polish Financial Supervision Authority in November 2010, and not to apply the criteria set forth in Annex II of the Commission Recommendation of February 15th 2005, on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. In the making of the decision, the Supervisory Board took into account the Company's current situation, and concluded that one of the most important conditions of effective supervision over PBG is complete knowledge of the structure and the current standing of the Group companies.

3. Key features of the company's internal control and risk management systems used in the preparation of separate and consolidated financial statements

The PBG Management Board is responsible for the internal control system and for its effectiveness in the process of producing financial statements and periodic reports, prepared and published in accordance with the Minister of Finance's Regulation of February 19th 2009. Until October 2014, the Company's financial statements were prepared by the Accounting Services Centre, and the process was directly supervised by the Financial Statements Consolidation Department in cooperation with other organisational units responsible for providing accurate information on items not directly sourced from the Company's accounting records but disclosed in the financial statements. As of October 2014, the Accounting Services Centre Director is responsible for coordinating the process of preparing the financial statements; however, the process itself has been contractually outsourced to a third party service provider, supported by the Company employees who performed the task in the past. Due to the nature of the industry in which the Company operates, the Controlling Department plays an important role in the preparation of financial statements. The key measures used to mitigate the risks include correct assessment and analysis of construction contracts. As required by IAS 11, revenue and expenses associated with construction work contracts are estimated on the basis of budgets of individual contracts. These budgets are expertly drawn up by contract managers with relevant expertise. In the course of contract preparation and execution, the budgets are reviewed on an on-going basis and updated by the personnel in charge of the budgets. Results of the reviews and any adjustments to the budgets are discussed at monthly meetings. The process is formalised, based on procedural guidelines applied by the Company, and closely supervised by the Management Board.

The Company's financial information is presented using consistent accounting policies, which are in line with the valuation and disclosure policies applied in all PBG Group companies. The financial statements are signed by the person representing the third-party service provider responsible for the preparation of separate and consolidated financial statements of the Company and its Group, respectively. Until

October 2014, separate financial statements were signed by the Head Accountant, and consolidated financial statements − by the Accounting Services Centre Director. The persons responsible for controlling and coordinating the process of preparing financial statements are professionals with relevant expertise in the field; all of them are bound by non-disclosure agreements. The third-party service provider has been bound by a similar non-disclosure agreement since October 2014.

Members of the Management Board responsible for the preparation of financial statements are: Ms. Kinga Banaszak-Filipiak, Vice-President of the Management Board, and Ms. Eugenia Bachorz, Director of the Accounting Services Centre. In line with the internal procedures, in the course of preparation of the financial statements these members of the management team, acting on behalf of the entire Management Board, review the economic information and matters disclosed in the accounts and present their comments and remarks relevant for the preparation of the statements. Once the financial statements are prepared, they are audited or reviewed, as required by the applicable laws. All members of the Management Board are required to sign the financial statements before the auditor delivers its opinion to the Company.

Financial statements are audited or reviewed by an entity qualified to audit financial statements, selected by the Company's Supervisory Board from among reputable audit firms offering high-quality audit services which also satisfy the criterion of independence.
During the audit of financial statements and accounting records, the auditor holds meetings with key members of the Company's staff, including members of the Management Board, to discuss individual aspects of the financial statements. The final version of the financial statements is then prepared, re-read and signed by the persons responsible for the preparation of the financial statements and the managing personnel, and contains any agreed-upon corrections or adjustments made by the qualified auditor, the responsible persons or the managing personnel. Every year, the Supervisory Board assesses consistency of the Company's audited financial statements with the accounting records and documentation as well as with facts, and presents its findings to the shareholders in the Board's annual statement, published by the Company.

Managing the risk related to the preparation of financial statements involves identifying and assessing risk areas and defining the relevant mitigating measures.

4. Shareholders directly or indirectly holding significant holdings of shares, with information on the number of shares and ownership interests in the Company's share capital held by such shareholders, and the number and percentage of voting rights that such shares represent at the General Meeting

See Section V, Shares and Shareholders, page 55.

5. Holders of any securities conferring special control rights, and description of those rights

There are no securities conferring special control rights with respect to the Company. There are no restrictions with respect to the transfer of the Company shares or limitations on the voting rights attached to them.

6. Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities

PBG's current Articles of Association do not provide for any limitations on the voting rights of holders of a given percentage or number of votes.

7. Rules governing the appointment and removal of the Company's management personnel and such personnel's powers, including in particular the power to make decisions to issue or buy back shares

PBG Management Board

The Management Board acts pursuant to the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Management Board. The scope of powers of the Management Board includes any matters which are not reserved for other governing bodies of the Company under the provisions of the Commercial Companies Code or the Company's Articles of Association.

Pursuant to the provisions of the Articles of Association currently in effect (Par. 37), the PBG Management Board consists of the President, one to four Vice-Presidents and up to three Members, appointed and removed from office by the Supervisory Board. The Supervisory Board appoints the President of the Management Board, and subsequently at the President's request, appoints Vice-Presidents and Members of the Management Board. Only natural persons who have full capacity to enter into legal transactions may become members of the Management Board.

Two Vice-Presidents acting jointly, a Vice-President acting jointly with a member of the Management Board, a Vice-President acting jointly with a Proxy or a member of the Management Board acting jointly with a Proxy are authorised to represent the Company. The President of the Management Board acting individually is authorised to represent the Company. The Management Board may grant powers of attorney (general powers of attorney, powers of attorney to perform specific types of activities, and powers of attorney to perform a specific activity) to act on behalf of the Company.

The Management Board may grant powers of proxy upon consent of all Members of the Management Board. A power of proxy may be revoked by any member of the Management Board acting individually. Due to the fact that the Company filed the arrangement bankruptcy petition, the previously granted powers of proxy automatically expired, and since the judicature concerning granting powers of proxy by management boards of companies in arrangement bankruptcy is ambiguous, the procedure requires approval by the court supervisor and the judge commissioner.

Acting in the best interest of the Company, the Management Board sets forth the strategy and the main objectives of the Company's operations, and submits them to the Supervisory Board for approval. The Management Board is responsible for implementation and performance of the same. The Management Board is responsible for transparency and effectiveness of the Company's management system and the conduct of its business in accordance with legal regulations and best practice.
Members of the Management Board are appointed, removed from office and suspended from duties by the Supervisory Board in accordance with the rules set forth in the Commercial Companies Code and the Company's Articles of Association. Candidates are nominated by the President of the Management Board. The Supervisory Board enters into and terminates employment contracts with Members of the Management Board. The Chairperson or Deputy Chairperson of the Supervisory Board is authorised to execute such contracts on behalf of the Supervisory Board. Other actions concerning the employment relationship with Members of the Management Board are dealt with in the same manner.
The Supervisory Board determines remuneration for Members of the Management Board, taking into account the incentivising role of the remuneration in ensuring effective management of the Company. Execution of an agreement between the Company and a member of the Management Board is subject to approval by the Supervisory Board.

Mandate of a Management Board member expires:
1) upon removal of a given member from the Management Board,
2) on the date of the General Meeting which is to consider and pass resolutions on the financial statements for the last full financial year during the term of office,
3) upon death,
4) upon resignation.

Resignations by members of the Management Board should be submitted to the Supervisory Board, with a copy sent to the Management Board.

Without the consent of the Supervisory Board, a Management Board member may not:
1) conduct any activity competitive to the Company's business,
2) be a partner in any partnership under civil law or another type of partnership, or a member of a governing body of an incorporated company or a member of the governing body of any other competitive legal entity,
3) participate in a competitive company in which a given Member holds at least 10% of shares or rights entitling that Member to appoint at least one member of the management board.

A Management Board member is obliged to immediately notify the Supervisory Board of any occurrence of the circumstances specified above. The Management Board member should remain fully loyal to the Company and refrain from taking any actions which could lead to the gaining of personal profits only. If the member of the Management Board receives information on the possibility of investment or any other profitable transaction concerning the Company's business, such Member should promptly present the information to the Management Board so that it can be considered in terms of its possible use by the Company. The use of such information by a member of the Management Board or its conveying to a third party may only take place with the Management

Board's consent and only if it does not infringe upon the Company's interest. Members of the Management Board should notify the Supervisory Board of each actual or potential conflict of interests in relation to the position they hold. A member of the Management Board should treat its shareholding in the Company as a long-term investment.

Any activities which are beyond the scope of ordinary management require adoption of a resolution by the Management Board. In particular, the following matters require a resolution to be adopted by the Management Board:

1) decisions regarding major investment projects and the manner of their financing,
2) outlining the Company's strategic development plans and setting the Company's financial targets,
3) definition of the Company's organisational structure,
4) definition of the Company's rules of procedure and other internal regulations,
5) internal division of powers between individual Members of the Management Board,
6) outlining personnel and payroll policies, including assumptions underlying incentive schemes.

Until the closing of arrangement proceedings, resolutions of the Management Board on matters which go beyond the ordinary management activities, require approval of the court supervisor.

With respect to all matters not listed above, Members of the Management Board should be responsible for managing the Company's affairs individually, as per the division of powers. They are obliged to promptly notify the Management Board of any hindrance in their performance of duties. The President of the Management Board will decide which other Management Board member will perform the duties instead.

Supervisory Board

The Supervisory Board acts pursuant to the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board.

The Supervisory Board is composed of no less than five Members appointed by the General Meeting by way of a secret ballot for a one-year term of office. The Supervisory Board members' mandates expire on the date of the General Meeting which approves the financial statements for the previous full financial year when the Members held the office.

Members of the Supervisory Board may be re-elected. The Supervisory Board is comprised of independent members, the criteria of their independence are provided for in the relevant laws or regulations contained in documents on public companies that specify the rules of corporate governance.

A member of the Supervisory Board is considered independent if he or she meets the independence criteria set forth in Art. 86.5 of the Accountancy Act.

The Supervisory Board exercises ongoing supervision over the Company's business, across all areas of its operations. It submits annually a brief assessment of the Company's standing, as established by the Supervisory Board, to the General Meeting.

The Supervisory Board's approval is required in particular for the following:

1) acquisition of a business or of an organised part thereof,
2) opening or closing Company branches in Poland and abroad,
3) assumption of liability for third party obligations (sureties, guarantees and avals) whose value exceeds the Company's share capital; however, assumption of liability for obligations of the Group companies does not require such approval,
4) conduct by Members of the Management Board of activities competitive to the Company's business and participation in competing companies as a general partner or member of the governing bodies,
5) acquisition, subscription for, disposal of and resignation from pre-emptive rights to, shares, except shares in public companies whose number does not exceed 1% of their total number,
6) payment of interim dividend,
7) provision by the Company of any benefits other than benefits arising from the employment relationship to members of the Company's Management Board,
8) execution by the Company or its subsidiary of a significant agreement with a related party (except agreements executed with the Group companies), as supervisory board member, a management board member or their related parties,
9) acquisition or disposal of real estate, perpetual usufruct, or of an interest in real estate,
10) appointment of the auditor;
11) acting on behalf of the Company in agreements and disputes between the Company and Management Board members,
12) approval of the Rules of Procedure for the Management Board,
13) appointment and removal from office of Management Board members,
14) issuing opinions on matters submitted by the Management Board.

In order to discharge its duties, the Supervisory Board may review each area of the Company's activities, request the Management Board and employees to provide reports and clarifications, review the Company's assets, and inspect accounts and documents. Members of the Supervisory Board should receive regular and exhaustive reports on all matters of importance and risks connected with the Company's operations, as well as manner of managing such risks. In case of issues which need immediate attention, the Management Board informs the Members of the Supervisory Board by circulation (in writing). In such situations, the President or two Vice-Presidents acting jointly, a Vice-President acting jointly with a Management Board member, a Vice-President acting jointly with a Proxy, or a Management Board member acting jointly with a Proxy submit information in writing to the Chairperson of the Supervisory Board.

A Supervisory Board Member should immediately notify the Chairperson of any hindrance in his or her performance of duties, stating the reasons for such hindrance.

A Supervisory Board Member should notify other Supervisory Board members without undue delay of:

a) an actual conflict of interests with the Company. In such a case, the Supervisory Board Member should refrain from expressing opinions or voting on adoption of resolutions concerning the matter which has given rise to the conflict of interests. Information on the conflict of interests so reported should be recorded in the minutes of the Supervisory Board meeting,

b) personal and factual relationships or organisational links between a Supervisory Board Member and a particular shareholder, especially the majority shareholder, which may affect the Company's affairs.

A personal relationship with a shareholder is understood as a relationship by marriage or blood of the first degree. A factual relationship is understood as maintaining regular economic relations. Organisational links with a shareholder are understood as links under employment or similar contracts. The Company may request a Supervisory Board Member to furnish a statement regarding such relationships and links.

8. Rules governing amendments to the Company's Articles of Association

An amendment to the Company's Articles of Association requires:

- General Meeting's resolutions passed by at least three-fourths (3/4) of the votes cast (Art. 415 of the Commercial Companies Code), in the form of a notarial deed (a material change in the Company's business requires a resolution passed by at least two-thirds (2/3) of the votes (Art. 416 of the Commercial Companies Code)),
- an entry in the National Court Register (Art. 430 of the Commercial Companies Code).

The Company's Articles of Association were not amended in 2014.

9. Manner of operation of the General Meeting and its key powers; shareholders' rights and the manner of exercising those rights, including in particular the principles stipulated in the rules of procedure of the General Meeting

9. 1 Manner of operation of the General Meeting

The manner of operation of the General Meeting is governed by the Rules of Procedure for the Company's General Meeting. A shareholder may participate in the General Meeting if he/she has submitted to the Company a registered share certificate issued by the entity operating the shareholder's securities account not later than one week prior to the date of the General Meeting and such certificate is not collected by the shareholder prior to the conclusion of the General Meeting. The General Meeting is valid if shareholders present at the Meeting represent at least a half of the share capital. Members of the Supervisory Board should also be present. Absence of any member of those bodies must be explained at the General Meeting.

The Company's auditor should participate in the Annual General Meeting and in any Extraordinary General Meeting whose agenda includes discussion of the Company's financial matters. Experts and invited guests may participate in relevant parts of the Meeting, especially if their participation is advisable, given the need to present to the General Meeting opinions on the matters discussed. The Company's Articles of Association provide for convening general meetings at which shareholders may cast their votes using an electronic voting system. Decisions regarding the use of such systems and the use of electronic means of communication during the General Meeting shall each time be taken by the Management Board.

The Chairperson of the General Meeting presides over proceedings of the Meeting, in line with the adopted agenda and in compliance with the applicable regulations, the Company's Articles of

Association and the Rules of Procedure for the General Meeting. The Chairperson may not at his/her sole discretion remove items from the published agenda of the Meeting, rearrange items in the agenda or include in the agenda important matters which were not in the agenda originally communicated to the Shareholders. Upon presentation of each item in the agenda, the Chairperson prepares a list of persons who have registered for discussion and – upon closing the list – opens the discussion, giving the floor in the order the speakers registered for the discussion. The Chairperson closes the discussion at his/her sole discretion. The Chairperson may give the floor to members of the Supervisory Board and Management Board and invited experts who may speak out of turn. Participants of the meeting may take the floor exclusively on the matters on the agenda which are currently under discussion. For the purposes of discussing any individual matter, the Chairperson may limit each participant's speaking time, including the time for speech in reply. The above limitation may not be applied to a member of the Supervisory Board or Management Board and invited experts. The Chairperson decides whether to lengthen the speaking time or give the floor again to the given speaker.

Each participant of the General Meeting has the right to put questions to the Management Board, Supervisory Board and the auditor on the matters in the agenda which are currently under discussion. Members of the Management Board, Supervisory Board and the Company's auditor are obliged to answer the questions. While answering such questions, it should be noted that the Company is required to observe the disclosure requirements under the regulations governing the trade in financial instruments. Forthwith upon closing the discussion, the Chairperson puts a formal motion to vote. At a participant's request, his/her written statement is included in the minutes of the meeting.

General Meeting resolutions are adopted by an absolute majority of the votes cast unless mandatory provisions of law or these Articles of Association call for a qualified majority for a given resolution.

Shareholders may vote at the General Meeting by postal ballot, using a form published by the Management Board on the Company's website, pursuant to the relevant provisions of law. The postal vote shall be deemed valid if it is submitted to the Company not later than at the time when voting is ordered at the General Meeting. Postal ballot requires the voter to provide signature compliant with the specimen signature submitted to the Company, confirmed by the notary public.

9.2 Key powers of the General Meeting

According to Par. 28 of the Articles of Association of PBG, the matters requiring the General Meeting's resolution include:

1) review and approval of the annual financial statements of the Company and the Directors' Report on the Company's operations for the previous financial year,
2) approval of discharge of duties by members of the Supervisory Board and Management Board,
3) profit distribution or coverage of loss,
4) any decisions concerning claims for remedy of damage inflicted in the establishment of the Company or in the exercise of supervision or management;
5) sale or lease of the business or of an organised part thereof or making it available for use by a third party;
6) issue of bonds convertible into shares or bonds conferring pre-emptive rights,
7) defining the rules and amounts of remuneration of the Supervisory Board members,
8) appointment and removal from office of Supervisory Board members,

9) setting the dividend record date,
10) establishment, each use, and liquidation of the capital reserve.

9.3 Shareholders' rights and the manner of exercising those rights

According to the Rules of Procedure for the PBG General Meeting:

1. A shareholder may participate in the General Meeting and exercise his/her voting rights personally, through a proxy or another representative. Powers of proxy to act on behalf of a Shareholder should be granted in writing under the pain of nullity and attached to the minutes of the General Meeting. Other representatives should duly document their authority to act on behalf of Shareholders.
2. The General Meeting elects its Chairperson from among the participants.
3. The Management Board convenes annual or extraordinary General Meetings. If the Management Board fails to adopt a resolution to call the Annual General Meeting before the lapse of the fifth month as from the end of the last financial year or convenes the Annual Meeting for a date later than the deadline specified in item 2, then the right to convene the Annual General Meeting shall also extend to the Supervisory Board. Shareholders representing at least a half of the share capital or at least a half of the total vote in the Company also have the right to convene the General Meeting and to appoint the Meeting's Chairperson.
A Shareholder or Shareholders representing at least one-twentieth of the share capital may request that the Extraordinary General Meeting be convened and certain items be included in the agenda of the Meeting. The request shall be submitted to the Management Board in a written or electronic form. If the Extraordinary General Meeting is not convened within two weeks after the submission of such request to the Management Board, the registry court may authorise the Shareholders submitting the request to convene the Extraordinary General Meeting.
4. Each participant of the General Meeting has the right to put questions to the Management Board, Supervisory Board and the auditor on the matters in the agenda which are currently under discussion.
5. Each participant of the General Meeting may submit a motion concerning a procedural matter. The Chairperson may allow participants to speak out of turn on procedural matters. At a participant's request, his/her written statement is included in the minutes of the meeting.
6. Shareholders may propose amendments to the agenda of the General Meeting, and draft resolutions, pursuant to the provisions of the Commercial Companies Code.

10. Composition and activities of the issuer's management, supervisory and administrative bodies or of their committees; changes in their composition in the last financial year

10.1 Composition and activities of the Supervisory Board and its committees

Composition of the Supervisory Board of the seventh term (beginning of the term: June 21st 2013) in 2014:

in the period from January 1st to April 24th 2014:

Jerzy Wiśniewski – Chairman of the Supervisory Board;
Maciej Bednarkiewicz – Deputy Chairman of the Supervisory Board;
Małgorzata Wiśniewska – Secretary of the Supervisory Board;

Dariusz Sarnowski – member of the Supervisory Board;

Przemysław Szkudlarczyk – member of the Supervisory Board;

Stefan A. Gradowski – member of the Supervisory Board;

Norbert Słowik – member of the Supervisory Board;

in the period from April 24th to November 4th 2014:

Maciej Bednarkiewicz – Chairman of the Supervisory Board;

Małgorzata Wiśniewska – Deputy Chairman of the Supervisory Board;

Stefan A. Gradowski − Secretary of the Supervisory Board;

Dariusz Sarnowski – member of the Supervisory Board;

Przemysław Szkudlarczyk – member of the Supervisory Board;

Norbert Słowik – member of the Supervisory Board;

in the period from November 4th to December 31st 2014:

Maciej Bednarkiewicz – Chairman of the Supervisory Board;

Małgorzata Wiśniewska – Deputy Chairman of the Supervisory Board;

Stefan A. Gradowski − Secretary of the Supervisory Board;

Dariusz Sarnowski – member of the Supervisory Board;

Przemysław Szkudlarczyk – member of the Supervisory Board;

By the date of audit of these financial statements, the composition of the Supervisory Board did not change.

Full name	**Maciej Bednarkiewicz**
Position	**Chairman of the Supervisory Board since April 24th 2014, earlier − Deputy Chairman of the Supervisory Board** ***Independent Member of the Board; Mr Bednarkiewicz does not conduct any activity competitive to the business of PBG S.A.*** ***Member of the Remuneration Committee***
Qualifications	➢ University of Warsaw – Faculty of Law
Experience	➢ Member of Polish Parliament, 1989–1991 ➢ Judge of the State Tribunal of the Republic of Poland ➢ President of the Central Board of Lawyers (Naczelna Rada Adwokacka) ➢ General Partner in Kancelaria Prawna Maciej Bednarkiewicz, Andrzej Wilczyński i Wspólnicy Sp. Komandytowa ➢ Member of the Supervisory Board of BIG Bank S.A. ➢ Chairman of the Supervisory Board of Millenium Bank S.A. ➢ Secretary of the Supervisory Board of PZU S.A. ➢ Member of the Supervisory Board of Techmex S.A. ➢ PBG S.A. – Chairman, Deputy Chairman of the Supervisory Board

Full name	**Małgorzata Wiśniewska**
Position	**Deputy Chairperson of the Supervisory Board since April 24th 2014, earlier – Secretary of the Supervisory Board** ***Non-independent Member of the Board; Ms Wiśniewska does not conduct any activity competitive to the business of PBG S.A.,*** ***Member of the Audit Committee, Member of the Remuneration Committee***
Qualifications	➢ Poznań University of Technology – Faculty of Civil Engineering ➢ MBA – Rotterdam School of Management ➢ Canadian International Management Institute – management programme ➢ Postgraduate programme in Management and Public Relations at the Faculty of Finance and Banking at the Poznań School of Banking.
Experience	➢ Assistant Designer at Przedsiębiorstwo Uprzemysłowione Budownictwa Rolniczego of Poznań ➢ At PBG: Quality System Director, Public Relations Director, member of the Management Board and Vice-President of the Management Board. ➢ President of the Management Board of Poznańskie Stowarzyszenie Oświatowe since 1997 ➢ President of the Management Board of INFRA S.A. ➢ Chair of the Supervisory Board of Hydrobudowa Polska S.A. ➢ Deputy Chair of the Supervisory Board of Hydrobudowa 9 S.A. ➢ Chair of the Supervisory Board of PBG Dom Sp. z o.o. ➢ Chair of the Supervisory Board of APRIVIA S.A. ➢ Member of the Supervisory Board of GasOil Engineering AS ➢ Member of the PBG Supervisory Board in the period November 21st 2006–August 31st 2008 and since April 21st 2010 ➢ President of the PBG Foundation

Full name	**Stefan A. Gradowski**
Position	***Secretary of the Supervisory Board since April 24th 2014*** ***Independent Member of the Board; Mr Gradowski does not conduct any activity competitive to the business of PBG***
Qualifications	➢ Warsaw School of Economics ➢ Completed several postgraduate programmes in organisation, management and finance at universities in Poland and abroad (e.g. University of Lyon, University of Dublin).
Experience	➢ BZ WBK S.A. – Adviser to the President of the Management Board ➢ G.C. Consulting Sp. z o.o – owner of a consultancy business; ➢ Member of the Supervisory Boards of MACOPHARMA Polska, LOOK Investment, ALTRECo S.A., and TRIGON S.A.

Full name	**Dariusz Sarnowski**
Position	**Member of the Supervisory Board** ***Independent Member of the Board; Mr Bednarkiewicz does not conduct any activity competitive to the business of PBG S.A.*** ***Member of the Audit Committee***
Qualifications	➢ Poznań University of Economics – Accounting
Experience	➢ Certified Chartered Auditor ➢ Consulting Department Assistant, Audit Department Assistant at W. Frąckowiak i Partnerzy Sp. z o.o. ➢ BZ WBK S.A. – inspector in the consultancy division of the Capital Markets Department ➢ Manager at Trade Institute – Reemtsma Polska S.A. ➢ Audit Department Assistant at BDO Polska Sp. z o.o. ➢ Audit Department Assistant at HLB Frąckowiak i Wspólnicy Sp. z o.o. ➢ Shareholder; President of Sarnowski & Wiśniewski Spółka Audytorska ➢ Vice-President of the Management Board of Usługi Audytorskie DGA Sp. z o.o. ➢ Member of the Supervisory Board of Mostostal Poznań S.A. ➢ Member of the Supervisory Board of Browary Polskie BROK-STRZELEC S.A. ➢ Member of the Supervisory Board of NZOZ Szpital w Puszczykowie Sp. z o.o. ➢ Member of the Supervisory Board of Swarzędz S.A. ➢ Member of the PBG Supervisory Board since 2005.

Full name	**Przemysław Szkudlarczyk**
Position	***Member of the Supervisory Board*** ***Non-independent Member of the Board; Mr. Szkudlarczyk does not conduct any activity competitive to the business of PBG*** ***Member of the Audit Committee***
Qualifications	➢ Poznań University of Technology – Faculty of Machines and Motor Vehicles ➢ Warsaw University of Technology – Gas Engineering ➢ MBA – Rotterdam School of Management ➢ Canadian International Management Institute – management programme
Experience	➢ PGNiG S.A. – technical assistant (natural gas transmission) ➢ Technologie Gazowe Piecobiogaz – Development Manager, member of the Management Board ➢ KRI S.A. – President of the Management Board ➢ Hydrobudowa Śląsk S.A. – Commercial Proxy ➢ PBG S.A. – Vice-President of the Management Board, member of the Supervisory Board

Members of the Supervisory Board are elected for one-year terms, and their remuneration is determined by the General Meeting. The Supervisory Board is responsible for exercising on-going supervision over the Company's activities in all aspects of its operations. Specific duties conferred on the Board include: assessment of the consistency of financial statements and Directors' Reports with the accounting records and documents, as well as with the facts; review of the Management Board's proposals concerning profit distribution or coverage of loss; and presentation of written annual reports on findings of such reviews to the General Meeting.

The duties of and the rules for the Supervisory Board are contained in a formal document. The Board carries out its duties as a collective body, with some of its powers delegated to specific persons or committees, as described below.

The following committees operate within the PBG Supervisory Board:

1. Audit Committee;
2. Remuneration Committee.

In 2014, the Audit Committee consisted of:

- Dariusz Sarnowski;
- Małgorzata Wiśniewska;
- Przemysław Szkudlarczyk.

The Audit Committee convenes on an ad hoc basis, at least once per quarter. In particular, the Committee is responsible for:

a) monitoring the financial reporting process;

b) monitoring the internal control, internal audit and risk management systems for their effectiveness;

c) monitoring the auditing procedures;

d) monitoring the independence of auditors and of entities qualified to review financial statements;

e) providing the Supervisory Board with a recommendation regarding an entity authorised to review financial statements and to perform auditing procedures.

In 2014, the Remuneration Committee consisted of:

- Maciej Bednarkiewicz;
- Jerzy Wiśniewski – since April 24th 2014;
- Małgorzata Wiśniewska – since November 7th 2014;

The Remuneration Committee convenes on an ad hoc basis, at least once a quarter. In particular, the Committee is responsible for:

- overall monitoring of the applied remuneration policies, and the levels of remuneration at the Company;
- defining terms and conditions of employment for members of the Company's Management Board and management personnel;
- defining terms of bonus scheme for a given financial year;
- remuneration of the Supervisory Board members.

Remuneration of the Supervisory Board members

The amount of remuneration paid to members of the Supervisory Board was determined in the resolution of the Extraordinary General Meeting of PBG S.A. passed on December 10th 2005.

The amount of remuneration depends on the scope of duties and responsibilities of the individual Supervisory Board members delegated to independently perform supervisory functions.

Table 1: Remuneration of Supervisory Board members for holding office at the Parent

Remuneration (PLN '000)	Jan 1–Dec 31 2014			Jan 1–Dec 31 2013		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	38	-	38	120	5	125
Maciej Bednarkiewicz	112	-	112	96	-	96
Dariusz Sarnowski	36	-	36	36	-	36
Małgorzata Wiśniewska	85	-	85	60	1	61
Przemysław Szkudlarczyk	36	-	36	36	-	36
Andrzej Gradowski	52	-	52	19	-	19
Norbert Słowik	36	-	36	19	-	19
TOTAL	**395**	**-**	**395**	**386**	**6**	**392**

Table 2: Remuneration of Supervisory Board members for holding office at subsidiaries, jointly-controlled entities or associates

Remuneration (PLN'000)	Jan 1–Dec 31 2014			Jan 1–Dec 31 2013		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	-	-	-	1,428	476*	1,904
Dariusz Sarnowski	146	180	326	54	-	54
Małgorzata Wiśniewska	588	-	588	588	-	588
Przemysław Szkudlarczyk	560	-	560	240	-	240
TOTAL	**1,294**	**180**	**1,474**	**2,310**	**476**	**2,786**

**** Remuneration paid to Jerzy Wiśniewski as a member delegated to independently perform certain supervisory functions***

Table 3: Company shares or rights to the Company shares (options) held by supervising personnel of PBG S.A.3

Supervising person	Number of shares	
	As at Dec 31 2014	As at the date of this Report
Jerzy Wiśniewski	3,881,224	3,881,224
Małgorzata Wiśniewska	3,279	3,279
Przemysław Szkudlarczyk	2,390	2,390

10.2 Composition and manner of operation of the Management Board

The composition of the Management Board in the period from January 1st to December 31st 2014 was as follows:

- Paweł Mortas – President of the Management Board until April 24th 2014; Vice-President of the Management Board from April 24th to October 31st 2014;
- Jerzy Wiśniewski – President of the Management Board from April 24th 2014;
- Tomasz Tomczak – Vice-President of the Management Board until May 6th 2014;
- Mariusz Łożyński – Vice-President of the Management Board;

- Kinga Banaszak-Filipiak – Vice-President of the Management Board;
- Bożena Ciosk – member of the Management Board.

Full name	**Jerzy Wiśniewski**
Position	President of the Management Board
Qualifications	➢ Poznań University of Technology – *Faculty of Civil Engineering* ➢ Rotterdam School of Management, *MBA* ➢ Canadian International Management Institute – *management programme* ➢ Qualified to sit on supervisory boards of state-owned companies
Experience	➢ 1984–1997 PGNiG S.A. – manager in charge of gas transmission system operation ➢ PBG S.A. – founder, main shareholder, President of the Management Board, and Chairman of the Supervisory Board in 2012-2014 ➢ RAFAKO S.A. – Deputy Chairman, Chairman of the Supervisory Board
Areas of responsibility at PBG	PBG Group Strategy

Full name	**Mariusz Łożyński**
Position	**Vice-President of the Management Board**
Qualifications	➢ Poznań University of Technology – Faculty of Civil Engineering
Experience	➢ BORM Biuro Projektów – senior assistant ➢ GEOBUD Poznań – senior assistant designer ➢ Concret – Service Poznań – office manager ➢ Kulczyk TRADEX – project specialist ➢ PTC Poznań – specialist in charge of project planning/designing ➢ PBG S.A. – head of technical unit; head of contract execution support department; manager in charge of contract preparation; commercial proxy; member of the Management Board; Vice-President of the Management Board
Areas of responsibility at PBG	Organisational restructuring, management of infrastructure contracts

Full name	**Kinga Banaszak-Filipiak**
Position	**Vice-President of the Management Board**
Qualifications	➢ Poznań School of Banking (Wyższa Szkoła Bankowa w Poznaniu), Finance and Banking, International Finance ➢ Poznań University of Economics (Uniwersytet Ekonomiczny w Poznaniu), Faculty of Management, International Relations ➢ Poznań School of Banking, postgraduate studies in Controlling ➢ Executive MBA programme of the Poznań School of Banking and the Helsinki School of Economics (currently Aalto University School of Economics). ➢ Poznań School of Banking, postgraduate studies in Equity Investments ➢ licensed insurance agent ➢ certificate of LCCI (London Chamber of Commerce and Industry) ➢ post-graduate programme in Bankruptcy and Restructuring Law at the Adam Mickiewicz University of Poznań (in progress)
Experience	➢ 1999 – at PTE Norwich Union S.A. of Warsaw as sales representative ➢ 2000 – Office of the Committee for European Integration (UKIE), Warsaw, internship at the Law Harmonisation Department ➢ 2004 – Group 4 Sp. z o.o. of Warsaw, Poznań Branch, assistant to the Western Region Director ➢ 2004–2005 – Rybhand Trzcielińscy spółka jawna of Jarocin, assistant ➢ 2005–present – PBG S.A. (in company voluntary arrangement) of Wysogotowo; held the following positions: analyst, Investor Relations Manager, Research Director, Capital Market Relations Director, Investor Relations Director - Press Officer ➢ since November 2014 – FCS Business Solutions Sp. z o.o., member of the Management Board

Areas of responsibility at PBG	Economics and finance, investors relations, restructuring

Full name	**Bożena Ciosk**
Position	**Member of the Management Board**
Qualifications	➢ Poznań Academy of Economics (now Poznań University of Economics), Finance and Banking ➢ Poznań School of Banking, postgraduate studies in Controlling ➢ one-year course at the Advisory and Management Training Centre – Project Management ➢ post-graduate programme in Bankruptcy and Restructuring Law at the Adam Mickiewicz University of Poznań (in progress)
Experience	➢ 2002–2003 Elektrim-Megadex S.A. of Warsaw, assistant to the Management Board; ➢ Since 2003 – PBG; held the following positions: clerk, Deputy Financial Manager, Deputy Chief Financial Officer, Chief Financial Officer ➢ since November 2014 – FCS Business Solutions Sp. z o.o., member of the Management Board
Areas of responsibility at PBG	Finance, relations with financial institutions, debt restructuring

The current, fourth term of office of the Management Board commenced on June 29th 2012. Members of the Management Board are appointed by the Supervisory Board for a three-year term of office. If appointed during a term of office, a member of the Management Board remains in office until the expiry of this term of office. The mandates of Management Board members expire on the date of the General Shareholders Meeting approving the financial statements for the last full financial year of the members' service.

As of the publication date of this Report, there were no changes in the composition of the Management Board.

All matters not reserved for the General Meeting or the Supervisory Board fall within the scope of powers and responsibilities of the Management Board. Specific duties and rules of procedure are defined in a formal document, which sets out in detail the role of the Management Board as a corporate body. Members of the Management Board manage the respective areas of the Company's business, and their work is coordinated by the President of the Management Board.

Remuneration of the Members of PBG Management Board

The Management Board members are appointed by the Supervisory Board by way of a resolution. They are employed under employment contracts or based on appointment resolutions. The Supervisory Board's resolution stipulates that members of the Management Board are entitled to base pay, bonuses and additional remuneration provided for in applicable rules and regulations concerning wages and salaries. The amount of remuneration depends on the respective scope of duties and responsibilities entrusted with an individual Management Board member.

Table 4: Remuneration of Management Board members for holding office at the Parent

Remuneration of Management Board members (PLN '000)	Jan 1–Dec 31 2014			Jan 1–Dec 31 2013		
	Base remuneration	Other benefits*	Total	Base remuneration	Other benefits	Total
Paweł Mortas	220	-	220	390	-	390
Jerzy Wiśniewski	515	-	515	-	-	-
Tomasz Tomczak	158	-	158	455	-	455
Mariusz Łożyński	360	-	360	387	-	387
Kinga Banaszak-Filipiak	384	-	384	330	101*	431
Bożena Ciosk	288	10	298	174	3	177
TOTAL	1,925	10	1,925	1,736	104	1,840

**** Maternity benefit***

Table 5: Remuneration of Management Board members for holding office at subsidiaries, jointly-controlled entities or associates

Remuneration of Management Board members (PLN '000)	Jan 1–Dec 31 2014			Jan 1–Dec 31 2013		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	2,045	600	2,645	-	-	-
Paweł Mortas	509	387	896	600	177*	777
Tomasz Tomczak	200	30	230	45	-	45
Mariusz Łożyński	-	47	47	46	-	46
Total	2,754	1,064	3,818	691	177	868

**** Discretionary bonus***

Table 6: Company shares or rights to Company shares (options) held by PBG managing personnel

Managing person	Number of shares	
	As at Dec 31 2014	As at the date of this Report
Mariusz Łożyński	3,553	3,553
Bożena Ciosk	208	208

11. Litigation, arbitration or administrative proceedings

See Section IV of the Directors' Report on the Company's operations in 2014, page 49.

12. Internal audit

The Office of Internal Audit and Restructuring operates within the organisational support structure, and reports directly to the President of the Management Board.

The Office is responsible for:

- overseeing the implementation and delivery of the Restructuring Plan and reporting to the Management Board and Supervisory Board on the progress made;
- providing information on the current status of the supervised business areas, identifying areas with respect to which internal constitutive documents need to be revised, and providing examples of adequate and effective solutions;
- checking accuracy and correctness of documents, and verifying authenticity, compliance, completeness and timely preparation of documentary evidence;
- assessing the adequacy of business process organisation in achieving optimum results;
- monitoring compliance with the law and internal regulations, including the provisions of the Integrated Management System;
- ensuring compliance with the provisions of the Integrated Management System;
- ensuring discharge of obligations imposed under the Polish Labour Code, work rules, and the organisation's internal regulations.

II. AGREEMENTS BETWEEN THE COMPANY AND ITS MANAGEMENT PERSONNEL PROVIDING FOR COMPENSATION IN THE EVENT OF RESIGNATION OR DISMISSAL

The Company executed a contract with Mr Paweł Mortas, President of the Management Board until April 24th 2014 and then Vice-President of the Management Board until his resignation as at October 31st 2014, which provided for a one-off severance pay equal to six months' remuneration, payable to the President in the event of his removal from office by the Supervisory Board or another governing body during the term of the contract. Mr Mortas was entitled to receive the severance pay regardless of the reason of his dismissal unless it would be due to his failure to properly perform his obligations under the contract or due to his wilful misconduct or negligence that has adversely affected the Company's interests. Mr Paweł Mortas was also entitled to receive the severance pay upon termination or expiry of the contract. The contract included a non-compete clause binding for a period of six months from the date of dismissal or the date of expiry or termination of the contract. Under this provision, Mr Mortas was entitled to a monthly compensation equal to 50% of his remuneration. The Company could unilaterally release Mr Mortas from the non-compete obligation.

The Company also executed non-compete agreements with the Vice-Presidents of the Management Board – Mr Tomasz Tomczak (Management Board member until May 6th 2014), Mr Mariusz Łożyński, and Ms Kinga Banaszak-Filipiak, and with Ms Bożena Ciosk, a member of the Management Board. After termination of their employment at the Company, members of the Management Board may not engage, personally or through third parties, in any activities competitive to the Company's business. The non-compete agreements remain in effect for a period of 12 months from the date of termination of the relevant employment contracts. Over said period, the Company is obliged to pay the Management Board members a monthly compensation equal to 100% of their remuneration from before the termination of employment.

III. AUDITOR OF THE FINANCIAL STATEMENTS

In accordance with the disclosure in Current Report No. 19/2014 of June 17th 2014, on June 16th 2014, the PBG Supervisory Board, acting on recommendation from its Audit Committee, passed a resolution to appoint Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly Ernst&Young Audit Sp. z o.o., "E&Y") as auditor to review the Company's and the Group's half-year 2014 financial statements and to audit full-year separate financial statements of PBG S.A. w upadłości układowej (in company voluntary arrangement) and full-year consolidated financial statements of the Group for 2014.

Address details:
Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.; Rondo ONZ 1, 00-124 Warsaw, Poland

Practising licence:
E&Y is entered in the list of qualified auditors of financial statements maintained by the National Council of Statutory Auditors under Reg. No. 130.
Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. is the auditor of financial statements of RAFAKO S.A., a PBG Group company.

1. Execution date

PBG executed a relevant contract with Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. on August 14th 2014.

2. Total fees

Total fees payable to Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. for review the interim financial statements of PBG and the PBG Group as at June 30th 2014 and for audit of the full-year separate financial statements of the Company and the consolidated financial statements of the Group as at December 31st 2014 amount to PLN 350,000, VAT exclusive.

3. Other fees under the contract

Not applicable

SECTION II: REPORT ON RISKS AND RISK MANAGEMENT

I. RISKS AND THREATS

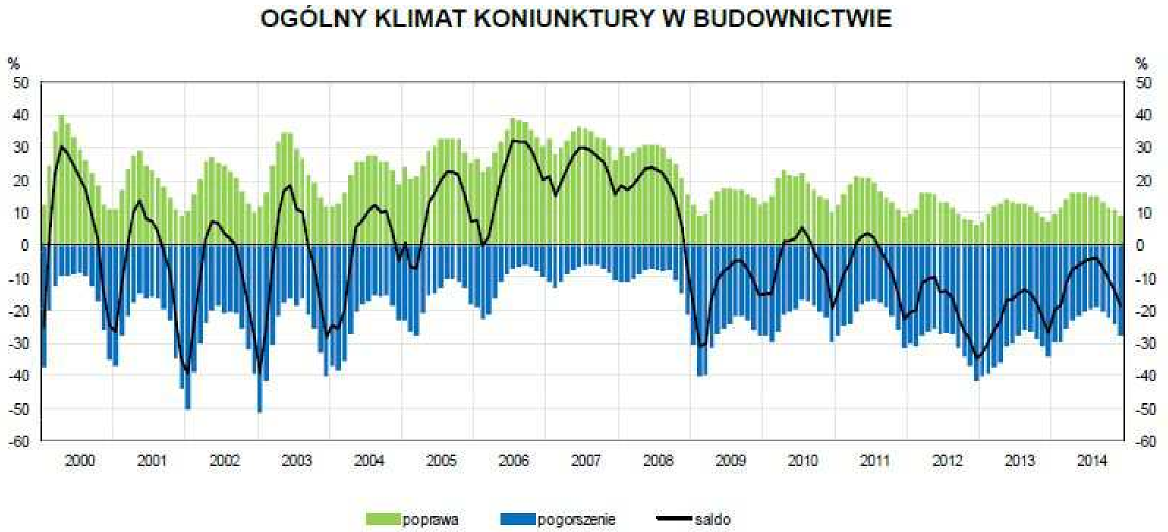
EXTERNAL RISKS AND THREATS

1. Economic environment in Poland

The implementation of the strategic goals set by PBG and the planned financial performance are affected by the macroeconomic factors discussed below, which include: GDP growth, infrastructure investments, general situation of the Polish economy, and legislative changes. Positive changes in the macroeconomic environment may result in higher revenues, while adverse macroeconomic developments may result in the Company's failure to deliver forecast revenue and in deterioration of the Company's financial position.

As shown by the data compiled by Poland's Central Statistics Office (GUS), in 2014 Poland's economy grew at a moderate but steady pace. Against the background of other European countries, Poland is a fast-developing economy. Since the crisis, the country has been perceived as a growth leader. According to experts' estimates, in 2014 demand and investments increased compared with the previous year.

Figure 1: General economic climate in the construction sector



Source: www.stat.gov.pl.

Ogólny klimat koniunktury w budownictwie	General economic climate in the construction sector
poprawa	improvement
pogorszenie	deterioration
saldo	net improvement/deterioration

Figure 2: Annual and quarterly macroeconomic forecasts of IBnGR

		2014		2015						
		III	IV	I	II	III	IV	2014	2015	2016
GDP	% y/y	3.3	3.2	3.3	3.5	3.7	3.8	3.3	3.5	3.8
GDP	% q/q	0.9	0.8	0.8	0.9	1.0	1.1	x	x	x
Added value										
in industry	% y/y	3.1	3.3	4.3	4.8	5.2	5.4	3.3	4.7	5.0
in construction	% y/y	3.2	1.8	5.4	6.7	6.8	7.0	5.0	6.7	7.5
in market services	% y/y	3.2	3.3	3.2	3.4	3.6	3.7	3.4	3.4	3.6
Domestic demand	% y/y	4.9	4.8	4.0	4.2	4.5	4.8	4.4	4.4	4.6
Total consumption	% y/y	3.3	3.2	3.1	3.2	3.4	3.5	2.9	3.3	3.5
incl. individual consumption	% y/y	3.2	3.4	3.3	3.4	3.6	3.8	3.2	3.5	3.8
Gross fixed capital formation	% y/y	9.9	10.5	10.2	10.8	12.6	10.8	10.9	11.2	11.8
Sold production of										
industry	% y/y	1.8	3.1	3.7	5.0	5.7	6.7	3.3	5.0	5.3
construction	% y/y	1.3	1.1	5.7	6.8	7.6	8.0	3.6	7.3	8.5
Inflation (CPI; average)	%	-0.3	-0.7	-0.6	-0.2	0.3	0.9	0.0	0.1	1.6
Inflation (CPI; end of period)	%	-0.3	-1.0	-0.4	-0.1	0.5	1.3	-1.0	1.3	2.0
Money supply (3M, end of period)	%	7.9	8.4	7.5	7.8	8,0	8.5	8.4	8.5	8.7
Real gross remuneration	% y/y	3.7	3.8	3.5	3.7	3.8	3.9	3.6	3.7	3.9
Average employment (national economy)	% y/y	0.3	0.9	1.1	1.2	1.5	1.6	0.6	1.4	1.7
Registered unemployment rate (end of period)	%	11.5	11.5	11.7	10.8	10.5	10.5	11.5	10.5	9.8
Exports (GUS/RN)	%	3.8	4.2	5.0	5.6	6.2	6.9	5.6	6.2	7.0
Imports (GUS/RN)	%	7.3	6.4	6.0	6.8	7.6	8.0	7.0	7.5	8.5
Current account balance (rolling)	% of GDP	-1.3	-1.5	-1.5	-1.8	-2.0	-2.4	-1.3	-2.4	-3.6
USD average FX rate (NBP)	PLN/USD	3.15	3.37	3.7	3.5	3.3	3.2	3.16	3.4	3.3
EUR average FX rate (NBP)	PLN/EUR	4.18	4.21	4.2	4.2	4.1	4.0	4.19	4.1	4.0

Source: Historical data – Central Statistics Office, National Bank of Poland

estimates and forecasts – IBnGR

According to estimates by the Institute for Market Economics (IBnGR), in 2015 Poland's GDP growth rate is expected to reach 3.5%, i.e. slightly higher than in 2014. IBnGR forecasts that throughout the year the economic growth will be accelerating, however differences between individual quarters will be minor: in the first quarter the GDP will grow by 3.3%, and in the fourth quarter – by 3.8%. In 2016, economic growth is projected to accelerate even stronger, possibly to 3.8%.

According to IBnGR's forecasts, in the second and third quarters of 2015 of the year the GDP growth might reach 3.5% and 3.7%, respectively.

In 2015, domestic demand is expected to grow by 4.4%, i.e. at a rate fairly unchanged from a year earlier. During the same period private consumption will grow by 3.5%, and gross fixed capital formation will increase by 11.2%. Higher investments will be driven primarily by increased expenditure on fixed capital replacement in industry.

Another factor supporting the growth of investments will be the inflow of new EU funds for infrastructure projects.

According to forecasts, in 2016 domestic demand will grow by 4.6%, driven by higher private consumption (up 3.8%) and increasing capital expenditure (up 11.8%). In 2015-2016, domestic demand will have a much stronger impact on economic growth than in the previous years: it will be the main driver of GDP growth.

2. Competition risk

The PBG Group operates on the competitive market of specialist construction services in the gas and oil industry. Apart from pricing, there are also other important factors which determine the competitive advantage of a business in this market, including: experience in execution of complex and specialist projects, relevant credentials, high quality of offered services and efficient organisation enabling timely and efficient contract execution.

PBG mitigates competition risk through:

- Assuring high quality of the services rendered;
- Developing staff competences in the application of new technologies through participation in the largest contracts in Poland;
- Entering into strategic alliances with reputable foreign companies operating on the Polish and foreign markets.

Table 7: Domestic and international competitors

MARKET	BUSINESS SEGMENT	DOMESTIC COMPETITORS	INTERNATIONAL COMPETITORS
NATURAL GAS AND CRUDE OIL	UNDERGROUND GAS STORAGE FACILITIES	- PGNiG Technologie - Control Process - Stalbud Tarnów - ZPUH Metalnaft - IDS-BUD - ABB	- KT- Kinetics Technology - Tecnimont - Sofregas - CKD Praha
	LNG PLANTS	- Polimex Mostostal - Mostostal Warszawa - Budimex	- Tractebel - Linde - Costain - Air Products - DAEWOO Engeneering&Construction - KT - Kinetics Technology - Thermo Design Engineering - Saipem - Tecnimont
	TRANSMISSION	- Gazobudowa Poznań - ZRUG Poznań - PGNiG Technologie - Gazoprojekt - Control Process - IDS-BUD - TESGAS - ATREM - GPT - POLDE - REDGAZ - WIERTCONSULTING - Eda-Serwis - Instal-Gaz - ALSI - JT ZAKŁAD BUDOWY GAZOCIĄGÓW - Górnośląski Zakład Obsługi Gazownictwa	- FCC CONSTRUCCION

		- Stalbud Tarnów	
	REFINERIES	- KTI Polska - Polimex Mostostal	- ABB - PSJ Hydrotranzit - Techint
	DELIVERY OF SPECIALIST GAS EQUIPMENT AND AUXILIARY INFRASTRUCTURE	- Control Process - Bartimpex - Stalbud - Polimex Mostostal - ABB - PGNIG Technologie	- ABB - KAWASAKI
	EXTRACTION FACILITIES	- PGNiG Technologie - Control Process - Stalbud Tarnów - ZPUH Metalnaft - IDS-BUD - ABB	- KT- Kinetics Technology - Tecnimont - CKD Praha - Techint
FUELS	FUEL TERMINALS	- Polimex Mostostal - Przedsiębiorstwo AGAT S.A. - Przedsiębiorstwo Remontowe NAFTO-SERWIS - SKANSKA S.A. - IDS-BUD S.A.	- Bilfinger Berger - PSJ Hydrotranzit - Techint

3. Poland's membership in the European Union

Following Poland's accession to the European Union, international companies which provide services similar to PBG's services have become keener on entering the Polish market. This may result in fiercer competition and squeezed profit margins. However, international operators usually seek to acquire orders jointly with Polish companies to secure local execution capabilities.

By acquiring a number of substantial value contracts, the Company has demonstrated it is well positioned to compete also against foreign companies.

In addition, opening of the European markets may create an opportunity for PBG to expand into new geographical markets.

To use the opportunities arising from Poland's accession to the EU in a most efficient manner, PBG:

- Implements projects by forming strategic alliances with foreign companies operating in Poland,
- Has implemented and works on improving an effective management culture,
- Offers the required quality of services, confirmed by implemented quality assurance standards: PN-EN ISO 9001:2009, PN-EN ISO 14001:2005; PN-N-18001:2004, PN-EN ISO 3834-2:2007 and AQAP 2110:2003.

4. Seasonality risk

PBG earns most of its revenue from the construction and assembly business, which, like the entire sector, experiences sales seasonality. Seasonality is mostly driven by the following factors which are beyond the Company's control:

- weather conditions in winter, significantly hindering construction works. The weather may be more severe than the average weather conditions and thus reduce the Company's revenues;

- customers schedule most of their projects in such a way as to ensure they are completed in the final months of the year.

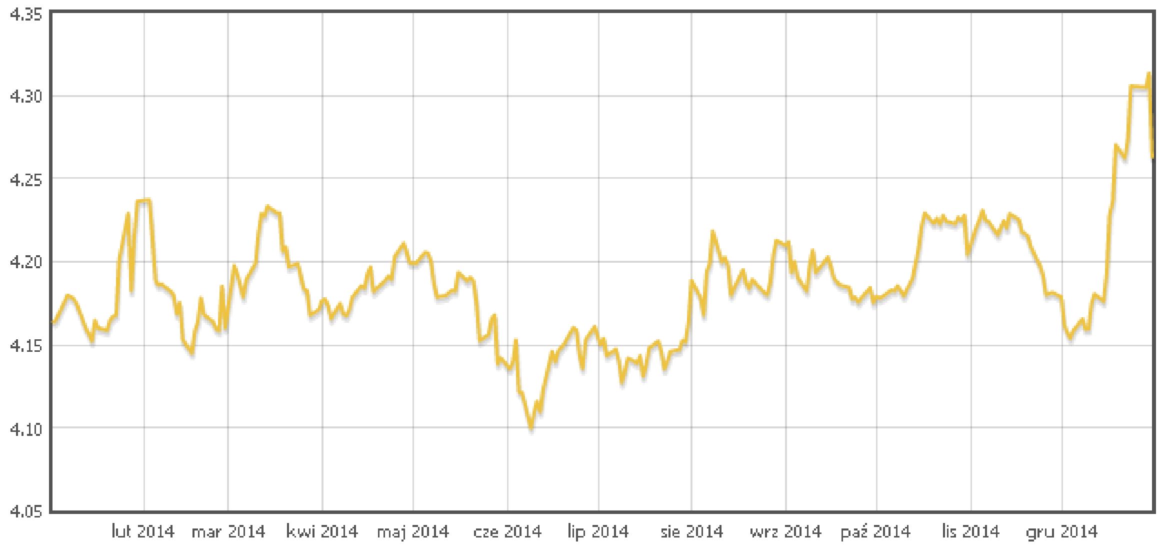
5. Adverse changes in tax legislation

In Poland, the laws regarding taxation of business activity change frequently. There is a risk that the tax legislation currently in effect may change and the new regulations may be less favourable to the Group or its customers, which may directly or indirectly affect the financial performance of the Group.
PBG monitors developments in the tax legislation, and makes necessary modifications in its organisation to mitigate the risk.

6. Exchange rate

In 2014, the złoty weakened against the main currencies, though its depreciation against the euro did not exceed 3%. Against the Swiss franc, the złoty lost 5%. In the case of pound sterling and the U.S. dollar the losses were far greater, reaching 10% and 16.5%, respectively. Such strong depreciation against the latter two was deeply rooted in the expectations as to future changes of monetary policies. While in 2015 the U.S. Federal Reserve and the British Bank of England are expected to start raising interest rates, no assurance can be given that Poland will avoid further interest rate cuts in the first quarter of the year.
The depreciation of the złoty as such is not bad for the Polish economy − just to the contrary. The three-percent strengthening of the euro, in which most of Polish exports are denominated, improves the situation of Polish exporters, especially on the challenging German market.
2015 is expected to bring a reverse trend on the currency market. The złoty, still weak at the beginning of the year, will be gaining value, especially in the second half of the year. The currency's appreciation will be supported by accelerating economic growth or the emergence late in 2015 of expectations as to interest rate increases in 2016. According to our projections, the EUR/PLN exchange rate will drop from the current level of PLN 4.28 per EUR 1 to PLN 4.15 and PLN 4.05 − 4.10 at the end of 2016. The złoty may appreciate even more against the Swiss franc: according to forecasts, the CHF/PLN exchange rate is to drop to PLN 3.28-3.33 per CHF 1 at the end of 2015. The Polish currency will also be gaining value against the US dollar, as it moves towards PLN 3.40 per USD 1.

Figure 3: EUR/PLN exchange rate in January 1st–December 31st 2014 (NBP's mid exchange rates)



Source: http://www.finanse.egospodarka.pl

lut	Feb
mar	Mar
kwi	Apr
maj	May
cze	Jun
lip	Jul
sie	Aug
wrz	Sep
paź	Oct
lis	Nov
gru	Dec

7. Risk of failure to reach agreement with creditors

Currently, PBG is in arrangement bankruptcy. The arrangement with creditors will only be made if certain conditions as to majority are met: at least half of the total number of creditors, representing two thirds of the value of liabilities submitted for arrangement, must vote in favour of the arrangement. There is a risk that the Company will not be able to reach agreement with all creditors and the statutory majority will not be secured, which would trigger conversion of the arrangement bankruptcy into liquidation bankruptcy. Liquidation proceedings would necessitate a change of the Company's going concern assumption and thus affect the valuation of its assets and liabilities.

8. Risk of significantly limited ability to win new contracts

PBG wins most of its contracts in public procurement procedures. The present legal status of the Company prevents it from or limits its ability to win new contracts or participate in public tenders. Further, the ability to win new contracts is also limited by the fact that no guarantee limits are available to the Company. The Company tries to bid for contracts outside of the public procurement market and seeks to work as a subcontractor.

INTERNAL RISKS AND THREATS

1. Risk related to loss of key personnel

PBG's business is chiefly based on the knowledge and experience of highly qualified personnel, in particular the engineers.

There is a potential risk that the employees of key importance for PBG's development might leave, which could affect the quality of the services provided.

The risk related to the loss of key personnel is limited by:

- High internal organisational culture, which helps employees identify themselves with the Company,
- Opportunities for personal and career development within the PBG Group.

At present, PBG is additionally facing the risk of loss of key personnel due to the Company's difficult financial condition and the ongoing arrangement proceedings. However, in recent months there were no significant changes in the Company's higher management staff. In the future, PBG will continue to create appropriate incentive and training schemes for its key personnel.

2. Risk of default on contracts

Construction contracts include numerous clauses related to their proper and timely performance and proper removal of defects, which involves payment by PBG of performance bond or provision of security in the form of a bank guarantee or insurance policy.

Security is usually provided on the contract execution date and settled after contract completion. The amount of security depends on the type of the contract, and usually stands at 10% of the contract value. If PBG fails to perform or improperly performs the concluded contracts, there exists a risk that a trading partner might claim payment of contractual penalties or terminate the contract.

To mitigate the risk, PBG takes the following measures:

- Insurance of contracts and subcontractors,
- Extensive use of IT tools in design and project management processes.

3. Risk of dependence on key customers

At present, the main customers for services provided by PBG's gas, oil and fuels segment are Polskie LNG (a wholly-owned subsidiary of Gaz-System) and the NATO Security Investment Programme Management Office ZIOTP. The Group currently performs for these customers two contracts of substantial value, worth respectively PLN 2.2bn and PLN 279m (VAT exclusive). However, PBG's strategy provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenues in the future.

4. Operating risk

The Company's operations, in particular on-site operations, involve certain risks of human and material loss.

PBG mitigates these risks by:

- Holding third-party insurance policies,
- Supplying the employees with protective equipment on a regular basis,

- Ongoing monitoring of equipment,
- Regular training and ongoing health and safety oversight.

II. FINANCIAL RISK IDENTIFICATION AND MANAGEMENT

As at the date of authorisation of these financial statements, the Company was in the process of company voluntary arrangement. Going-concern assumption is based on the conviction that the Company will be able to negotiate, enter into and implement an arrangement with its creditors.

PBG is exposed to many risks related to financial instruments, including in particular:

- liquidity risk,
- market risk, comprising currency risk and interest rate risk,
- and credit risk.

The Company's financial risk management is coordinated by the Management Board. The following are the key objectives of the financial risk management:

- to hedge short- and medium-term cash flows and limiting cash flow volatility,
- preventing volatility of the Company's financial result,
- implementing debt and asset restructuring measures.

The Company's Management Board believes that the proposed restructuring measures implemented following the filing of the arrangement bankruptcy petition, will best protect the interests of all stakeholders, that is creditors (including bondholders, lenders, contracting parties, consortium members, subcontractors and suppliers), employees and shareholders.

In the opinion of the Company's Management Board, performance of the arrangement is guaranteed by:

- restructuring of the companies' non-operating non-current assets, the sale of which constitutes one of the sources of payments made as part of the arrangement;
- sale of non-core companies which operate outside PBG's strategic segments, including the oil & gas segment and the power construction segment;
- divestment of the PBG Group's property development and other investment projects;
- ability to bid for profitable contracts in the power construction sector, based on cooperation with RAFAKO S.A., PBG's subsidiary;
- winning new contracts in the oil and gas sector, which is the strategic area of operations for PBG SA (in company voluntary arrangement).

Moreover, the Company's Management Board has been implementing measures as part of cost and operational restructuring of the Company, to reduce operating expenses and improve the Company's efficiency.

1.1. Liquidity risk

The Company is exposed to liquidity risk, i.e. the loss of ability to timely meet its financial liabilities. The Company monitors the risk of losing operating cash flows by means of a periodic liquidity planning tool. The tool is used to control both maturities of financial assets (mainly receivables) and projected cash flows from operating and investing activities.

As at December 31st 2014, the Company did not use external sources of financing in the form of credit facilities. Borrowings and other debt instruments presented in the statement of financial position are subject to procedures under Bankruptcy and Restructuring Law.
As at December 31st 2014 and as at the date of authorisation of these financial statements for issue, the Company was focusing its efforts on maintaining financial liquidity necessary to ensure uninterrupted execution of running contracts in the gas and oil segment.

Table 8: Maturity of the Company's financial liabilities as at the reporting date (PLN '000)

Item	Current:		Non-current:			Total undiscounted liabilities	Carrying amount of liabilities
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years		
As at Dec 31 2014							
Bank borrowings	-	-	-	-	-	-	363,015
Bank overdrafts	-	-	-	-	-	-	1,299
Liabilities under closed forwards	-	-	-	-	-	-	4,179
Non-bank borrowings	-	-	-	-	-	-	1,549
Debt instruments	-	-	-	-	-	-	838,772
Finance lease liabilities	323	328	1,417	1,600	1,505	5,173	5,173
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other payables	127,400	686	-	-	29	129,063	482,219
Total exposure to liquidity risk	**127,723**	**1,014**	**1,417**	**1,600**	**1,534**	**134,236**	**1,696,206**
As at Dec 31 2013							
Bank borrowings	-	-	-	-	-	-	374,672
Bank overdrafts	-	-	-	-	-	-	14,037
Liabilities under closed forwards	-	-	-	-	-	-	4,179
Non-bank borrowings	-	-	-	-	-	-	1,549
Debt instruments	-	-	-	-	-	-	838,772
Finance lease liabilities	526	495	1,803	1,973	2,530	7,327	5,848
Derivative financial instruments	641	-	-	-	-	641	641
Trade and other payables	97,248	950	0	0	0	98,198	452,015
Total exposure to liquidity risk	***98,415***	***1,445***	***1,803***	***1,973***	***2,530***	***106,166***	***1,691,713***

As at December 31st 2014, the Company did not have any overdraft facilities.

1.2. Market risk

All objectives of the market risk management should be considered as a whole, and their achievement is determined primarily by the Group's internal situation and market conditions.

The financial risk management strategy applied by PBG provides for the use of natural hedging as well as hedging strategies based on derivative instruments. The following types of financial instruments may be used by the Company:

- forwards,
- interest rate swaps (IRS),
- swaps.

1.2.1. Currency risk

The Company is exposed to risk related to fluctuations in foreign exchange rates due to the fact that raw materials for high value contracts are imported. The contract for construction of the LNG Terminal in Świnoujście exposes the Company to risk related to fluctuations in foreign exchange rates, including the EUR/PLN and USD/PLN rates.

In the reporting period, 22% of the Company's cost of sales was expressed in foreign currencies.

Table 9: Company's financial assets and liabilities in denominated in foreign currencies, translated into PLN at the closing rate as at the reporting date

Item	Amount in foreign currency ('000):						Translated amount ('000)	Amount in PLN ('000)	Carrying amount ('000)
	EUR	USD	CAD	UAH	CHF	MZN	PLN	PLN	PLN
As at Dec 31 2014									
Financial assets (+):	*811*	*503*	*-*	*235,984*	*136*	*42*	*58,715*	*296,087*	*354,802*
Financial liabilities (-):	(4,864)	(427)	(542)	-	-	(126)	(23,870)	(1,676,515)	(1,700,385)
Total exposure to currency risk	**(4,053)**	**76**	**(542)**	**235,984**	**136**	**(84)**	**34,845**	**(1,380,428)**	**(1,345,583)**
As at Dec 31 2013									
Financial assets (+):	*2,827*	*2,124*	*-*	*235,982*	*173*	*274*	*276,476*	*291,263*	*567,739*
Financial liabilities (-):	*(5,207)*	*-*	*-*	*-*	*-*	*(126)*	*(1,260,362)*	*(435,530)*	*(1,695,892)*
Total exposure to currency risk	**(2,380)**	**2,124**	**-**	**235,982**	**173**	**148**	**(983,886)**	**(144,267)**	**(1,128,153)**

In the reporting period, the Company hedged its future currency exposures with standard forward contracts. The hedging transactions were concluded as part of the pursued hedging policy, in order to secure the volume of future cash flows underperformed contracts. The hedges covered mainly EUR- and USD-denominated contracts with suppliers. The currency forwards which the Company entered into were used to hedge future foreign-currency denominated cash flows under the contract for construction of the LNG Terminal in Świnoujście.

In 2014, the Company reported a net loss on currency risk hedging derivatives of PLN 380 thousand, recognised in other expenses.

As at December 31st 2014, the Company had no open positions hedging currency risk.

1.2.2. Interest rate risk

Management of interest rate risk focuses on minimising the impact of fluctuations in interest cash flows on financial assets and liabilities bearing variable rate interest.

The Company stopped accruing interest on bank borrowings, bonds in issue and trade liabilities contracted prior to the court's decision declaring the Company insolvent in voluntary arrangement. The amount of liabilities on which the Company stopped accruing interest is PLN 1,541,970 thousand. The above amount may be reduced and the interest terms may change once the Creditors approve the arrangement.

1.3. Credit risk

Credit risk is understood as the inability of the Company's debtors to meet their obligations towards the Company. Credit risk arises in connection with the following:

- creditworthiness of customers with whom the Group companies enter into transactions for physical delivery of products;
- creditworthiness of entities in which the Company invests or whose securities it acquires.

The following are the areas of credit risk exposures with different credit risk profiles:

- cash and bank deposits,
- trade receivables,
- loans advanced,

PBG's maximum exposure to credit risk is measured through the carrying amounts of the financial assets presented in the table below.

Table 10: Company's maximum exposure to credit risk measured through carrying amount of the disclosed financial assets

Item	As at Dec 31 2014	As at Dec 31 2013
Non-bank borrowings	270,027	359,671
Trade and other receivables	44,323	107,411
Cash and cash equivalents	40,421	99,806
Total exposure to credit risk	**354,771**	**566,888**

The Company monitors clients' and creditors' outstanding payments by analysing the credit risk individually, or for the individual asset classes according to credit risk (e.g. by industry, region or structure of customers).

With respect to such financial assets as cash and cash equivalents, the Company's exposure to credit risk arises from its counterparty's inability to make payments as they fall due. However, considering that in this case the Company's counterparties are banks registered in Poland, the related credit risk is immaterial. The maximum exposure to credit risk is equal to the carrying amount of these instruments, and as at December 31st 2014 amounted to PLN 40,421 thousand (December 31st 2013: PLN 99,806 thousand).

The Company is exposed to credit risk in connection with the loans it has advanced. As at December 31st 2014, the outstanding balance of loans advanced by the Company was PLN 270,027 thousand, of which PLN 270,011 thousand was advanced to related parties. To limit the risk, the Company monitors, on an ongoing basis, the assets and financial performance of its borrowers. Credit risk related to loans advanced is material to the PBG Group.

The Company has a long history of relationships with several customers, which operate in diverse sectors. Based on the 2014 revenue, the largest customers included:

Table 11: The largest customers based on the 2014 turnover

No.	Customer	Share (%)
	TOTAL	**100.00%**
1	POLSKIE LNG	41%
2	ZIOTP	13%
3	PGNIG	3%
4	RAFAKO	2%
5	PBG OIL AND GAS	1%
	Other	40%

The Company's credit risk exposure is closely related to its core business. The exposure results from outstanding trade contracts and is related to the risk of occurrence of such credit events as the contractor's insolvency, only partial collection of receivables or material delays in repayment of receivables. Providing trade credit to trade partners is an essential part of the Company's business. However, the Company undertakes a number of measures to mitigate the risk of entering into trade relations with potentially unreliable customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Customers who are deemed financially unreliable, based on the results of credit verification procedures performed by the Company, are required to provide appropriate financial security to limit the risk of insolvency of such customers to the Company.

As at December 31st 2014, the total amount of the Company's net trade receivables, excluding the fair value of accepted security, up to which the Company may be exposed to credit risk, was PLN 44,323 thousand (December 31st 2013: PLN 107,411 thousand). Concentration of credit risk at the Company is related to its key contracts. As at December 31st 2014, receivables from the Company's four largest customers represented 82% of total trade receivables (81% as at December 31st 2013). With respect to trade receivables, the Company is exposed to credit risk related to a single major partner or a group of similar partners.

III. INTERNAL CONTROL SYSTEM

The Office of Internal Audit and Restructuring operates within the organisational support structure, and reports directly to the President of the Management Board.

The Office is responsible for:

- overseeing the operational implementation and delivery of the Restructuring Plan and reporting to the Management Board and Supervisory Board on the progress made;
- providing information on the current status of the controlled business areas, identifying areas whose internal constitutive documents need to be revised, and providing examples of adequate and effective solutions;
- checking accuracy and correctness of documents, and verifying authenticity, compliance, completeness and timely preparation of documentary evidence;
- assessing the adequacy of business process organisation in achieving optimum results;
- monitoring compliance with the law and internal regulations, including the provisions of the Integrated Management System;
- ensuring compliance with the provisions of the Integrated Management System;
- ensuring discharge of obligations imposed under the Polish Labour Code, work rules, and the organisation's internal regulations.

IV. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS USED IN THE PREPARATION OF SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The PBG Management Board is responsible for the internal control system and for its effectiveness in the process of producing financial statements and periodic reports, prepared and published in accordance with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. U. of 2009 No. 33, item 259, as amended).

Until October 2014, the Company's financial statements were prepared by the Accounting Services Centre, and the process was directly supervised by the Financial Statements Consolidation Department in cooperation with other organisational units, which were responsible for providing accurate information on items not directly sourced from the Company's accounting records, but disclosed in the financial statements. As of October 2014, the Accounting Services Centre Director is responsible for coordinating the process of preparing the financial statements; however, the process itself has been contractually outsourced to a third party service provider, supported by the Company employees who performed the task in the past. Due to the nature of the industry in which the Company operates, the Controlling Department plays an important role in the preparation of financial statements. The key measures used to mitigate the risks include correct assessment and analysis of construction contracts. As required by IAS 11, revenue and expenses associated with construction work contracts are estimated on the basis of budgets of individual contracts. These budgets are expertly drawn up by contract managers with relevant expertise. In the course of contract preparation and execution, the budgets are reviewed on an on-going basis and updated by the personnel in charge of the budgets. Results of the reviews and any adjustments to the budgets are discussed at monthly meetings. The process is formalised, based on procedural guidelines applied by the Company, and closely supervised by the Management Board.

The Company's financial information is presented using consistent accounting policies, which are in line with the valuation and disclosure policies applied in all PBG Group companies. The financial statements are signed by the person representing the third-party service provider responsible for the preparation of separate and consolidated financial statements of the Company and its Group, respectively. Until October 2014, separate financial statements were signed by the Head Accountant, and consolidated financial statements − by the Accounting Services Centre Director. The persons responsible for controlling and coordinating the process of preparing financial statements are professionals with relevant expertise in the field; all of them are bound by non-disclosure agreements. The third-party service provider has been bound by a similar non-disclosure agreement since October 2014.
Members of the Management Board responsible for the preparation of financial statements are: Ms. Kinga Banaszak-Filipiak, Vice-President of the Management Board, and Ms. Eugenia Bachorz, Director of the Accounting Services Centre. In line with the internal procedures, in the course of preparation of the financial statements these members of the management team, acting on behalf of the entire

Management Board, review the economic information and matters disclosed in the accounts and present their comments and remarks relevant for the preparation of the statements. Once the financial statements are prepared, they are audited or reviewed, as required by the applicable laws. All members of the Management Board are required to sign the financial statements before the auditor delivers its opinion to the Company.

Financial statements are audited or reviewed by an entity qualified to audit financial statements, selected by the Company's Supervisory Board from among reputable audit firms offering high-quality audit services which also satisfy the criterion of independence.
During the audit of financial statements and accounting records, the auditor holds meetings with key members of the Company's staff, including members of the Management Board, to discuss individual aspects of the financial statements. The final version of the financial statements is then prepared, re-read and signed by the persons responsible for the preparation of the financial statements and the managing personnel, and contains any agreed-upon corrections or adjustments made by the qualified auditor, the responsible persons or the managing personnel. Every year, the Supervisory Board assesses consistency of the Company's audited financial statements with the accounting records and documentation as well as with facts, and presents its findings to the shareholders in the Board's annual statement, published by the Company.

Managing the risk related to the preparation of financial statements involves identifying and assessing risk areas and defining the relevant mitigating measures.

SECTION III: COMPANY OVERVIEW

I. STRATEGY

1. Strategy

At the beginning of 2012, PBG decided to update the PBG Group's strategy and to focus its efforts on the strategic segments: power construction and gas, oil and fuels. A decision was also made to withdraw from the following areas of operations: roads, infrastructure and residential construction, as well as water and sewage. By focusing on its core business, the Group intends to engage in contracts producing satisfactory margins, with low or negative working capital requirements.

Since June 2012, the process of approval of PBG's voluntary arrangement with creditors has been on-going. At the current stage of the process, PBG's key objective is to ensure that agreement is reached with the creditors on reasonable terms and conditions. Once approved, the arrangement will allow the Company to continue business activities and rebuild its value in the future. The PBG restructuring process is complex. In parallel to the debt restructuring, the Company is also engaged in reorganisation of its operations and assets. All these efforts are being taken to prepare the organisation for effective performance of the arrangement and to enable the Group to operate as a regular business.

One of the factors contributing to the achievement of the PBG Group's strategic objectives is the way in which the Group is organised in the areas of its operations. The PBG Management Board defines development directions for individual companies and defines their role in the Group. Each company is responsible for project execution in line with its business profile and resources.

Figure 3: Organisational structure of the PBG Group as at December 31st 2014 (percentage of voting rights held by PBG)

GAZ ZIEMNY, ROPA NAFTOWA ORAZ USŁUGI GENERALNEGO WYKONAWSTWA	NATURAL GAS, CRUDE OIL, AND GENERAL CONTRACTOR SERVICES
BUDOWNICTWO ENERGETYCZNE	POWER CONSTRUCTION
KOPALNIE KRUSZYW	AGGREGATE QUARRIES
BUDOWNICTWO MIESZKANIOWE	RESIDENTIAL CONSTRUCTION
DZIAŁALNOŚĆ ZAGRANICZNA	FOREIGN OPERATIONS
GAZ ZIEMNY, ROPA NAFTOWA	NATURAL GAS AND CRUDE OIL
w upadłości układowej	in company voluntary arrangement

Figure 4: Current organisational structure of the PBG Group (percentage of voting rights held by PBG)

GAZ ZIEMNY, ROPA NAFTOWA ORAZ USŁUGI GENERALNEGO WYKONAWSTWA	NATURAL GAS, CRUDE OIL, AND GENERAL CONTRACTOR SERVICES
BUDOWNICTWO ENERGETYCZNE	POWER CONSTRUCTION
KOPALNIE KRUSZYW	AGGREGATE QUARRIES
BUDOWNICTWO MIESZKANIOWE	RESIDENTIAL CONSTRUCTION
DZIAŁALNOŚĆ ZAGRANICZNA	FOREIGN OPERATIONS
GAZ ZIEMNY, ROPA NAFTOWA	NATURAL GAS AND CRUDE OIL
w upadłości układowej	in company voluntary arrangement

Within the Group, the natural gas, crude oil, and fuels markets are the responsibility of PBG, which has traded in these segments since its inception. PBG is the leader on these markets in Poland. It has gained its current position through strategic co-operation with international companies, which has enabled PBG to introduce technologically advanced solutions on the Polish market. PBG was able to use the resulting credentials and necessary experience to win contracts for execution of the largest projects on the Polish gas, oil, and fuels market. Actively bidding for new contracts under the public procurement law, the subsidiary PBG oil and gas is also an important part of the Group's oil and gas business.
The natural gas and crude oil market is PBG's main area of focus. The Group expects that over the next few years it will be a major contributor to its financial performance.

The power construction business is the domain of RAFAKO has been present in the power construction sector, where it has designed, manufactured and delivered steam generators and environmental protection equipment, since 1949. RAFAKO is one of Europe's four companies (the other being Alstom, Hitachi Power Europe and Doosan Babcock) with access to comprehensive technology solutions for the construction of traditional power generating units and is one of the largest producers of steam generators and environmental protection equipment for the power sector in Europe. RAFAKO is the undisputed leader of the Polish market for power generation equipment. In line with the Group's strategy, the power construction business is expected to drive a significant increase in consolidated revenue, and the Group plans to significantly strengthen its domestic position in the segment. In the coming years, the estimated value of all projects in the sector may come to tens of billions of złoty. Therefore, the Group intends to be an active player in the market.

The other areas of operations of the PBG Group are currently viewed as non-strategic and the Group plans to exit, discontinue or divest those operations (real property, PBG Dom's and PBG Erigo's projects).

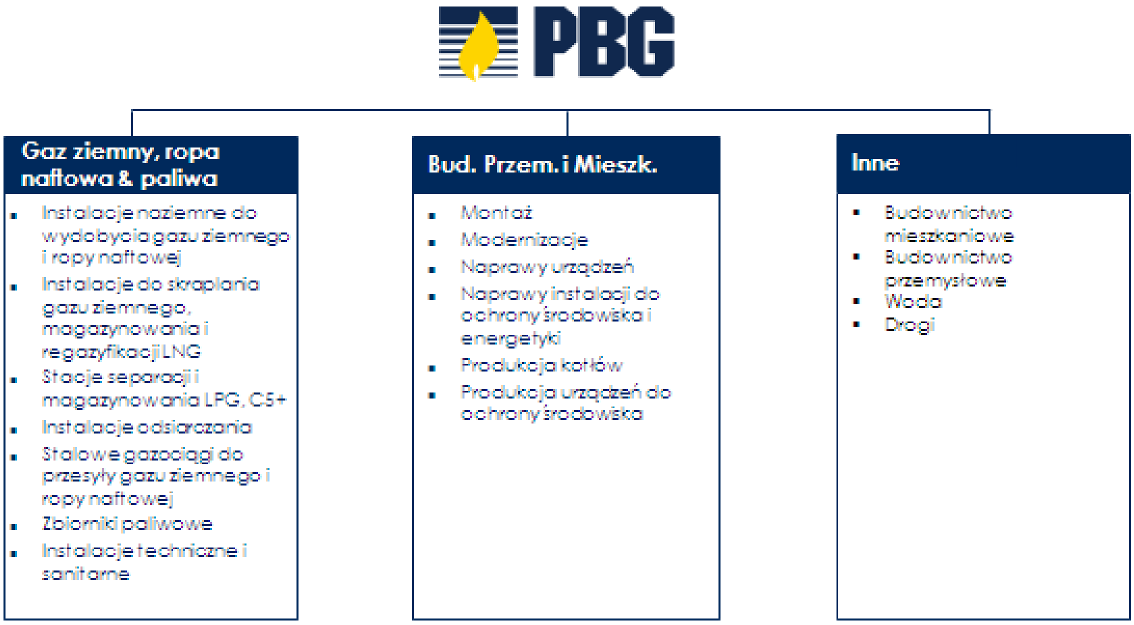
II. BUSINESS PROFILE

The Company's business comprises general contractor services related to natural gas, crude oil and fuels facilities. The Company also executes projects in the power construction segment and provides other construction services.

At present, PBG divides its business into the following operating segments:

1. **Gas, oil and fuels;**
2. **Power construction;**
3. **Other.**

Figure 5: Services by segments



Gaz ziemny, ropa naftowa i paliwa	Natural gas, crude oil and fuels
▪ Instalacje naziemne do wydobycia ropy naftowej i gazu ziemnego ▪ Instalacje do skraplania gazu ziemnego, magazynowania i regazyfikacji LNG ▪ Stacje separacji i magazynowania LPG, C5+ ▪ Instalacje odsiarczania ▪ Stalowe gazociągi do przesyłu gazu ziemnego i ropy naftowej ▪ Zbiorniki paliwowe ▪ Instalacje techniczne i sanitarne	▪ Surface installations for crude oil and natural gas production ▪ Installations for liquefying natural gas and for LNG storage and regasification ▪ LPG, C5+ separation and storage facilities ▪ Desulphurisation units ▪ Steel pipelines for oil and gas transmission ▪ Fuel tanks ▪ Technical and sanitary systems
Bud. Przem. i Mieszk.	Industrial and residential construction
▪ Montaż ▪ Modernizacje ▪ Naprawy urządzeń ▪ Naprawy instalacji do ochrony środowiska i energetyki ▪ Produkcja kotłów ▪ Produkcja urządzeń ochrony środowiska	▪ Assembly ▪ Upgrades ▪ Repairs ▪ Repairs of environmental protection and power generation facilities ▪ Manufacture of steam generators ▪ Manufacture of environmental protection equipment
Inne	Other
▪ Budownictwo mieszkaniowe ▪ Budownictwo przemysłowe ▪ Woda ▪ Drogi	▪ Residential construction ▪ Industrial construction ▪ Water ▪ Roads

The scope of construction services provided as part of the above segments comprises comprehensive contracting services, engineering design work, upgrading, modernisation, repairs, and maintenance of facilities and systems.

Detailed financial data on the share of individual segments in revenue is presented in the section below, which describes changes on PBG's markets.

III. CHANGES ON PBG'S MARKETS

In 2014, revenue streams from the individual areas of operations of PBG were generated mainly on the domestic market and were as follows:

Table 12: Segments

Revenue	2014 (PLN '000)	2013 (PLN '000)	Change (PLN '000)	Change (%)
Gas, oil and fuels (transmission, distribution, production)	218,502	308,931	-90,429	-29
Power construction	5,138	12,708	-7,570	-60
Other (sale of merchandise, materials and products, other services)	3,404	15,760	-12,356	-78
Total revenue	**227,044**	**224,014**	**+3,030**	**+1**

Geographical presence

PBG's operations focus primarily on the domestic market, which the Company perceives as its key market because of the expected projects in the power construction sector and gas infrastructure related projects. The Group is also making efforts to enter foreign markets, primarily in the gas and oil sector. Historically, PBG performed contracts for customers in Latvia, Pakistan and Norway.

Customers and suppliers with at least 10% share in the Company's total revenue

In the period covered by this Report, customers and suppliers with at least 10% share in the Group's total revenue included:

- customers: POLSKIE LNG, ZIOTP;
- suppliers: none

IV. BRANCHES

PBG has no branches.

SECTION IV: REPORT ON THE COMPANY'S OPERATIONS IN 2014

I. SHARES HELD IN RELATED ENTITIES

Table 13: Shares held in related entities as at December 31st 2014

Related entity	Principal business activity	Type of relation		Number of shares	Total par value of shares as at Dec 31 2014	Ownership interest (%)
		Parent	Type of relation			
WSCHODNI INVEST Sp. z o.o.	special purpose vehicle	PBG S.A.	subsidiary	37,740	PLN 3,774,000.00	100%
PBG Dom Sp. z o.o.	building construction	PBG S.A.	subsidiary	550,000	PLN 55,000,000.00	100%
PBG ERIGO Sp. z o.o.	building construction	PBG S.A.	subsidiary	100,000	PLN 5,000,000.00	45.45%
		PBG DOM INVEST LIMITED	indirect subsidiary	120,000	PLN 6,000,000.00	54.55%
Brokam Sp. z o.o.	owner of undeveloped property with granodiorite reserves	PBG S.A.	subsidiary	12,000	PLN 12,000,000.00	100%
PBG Avatia Sp. z o.o. (in company voluntary arrangement)	IT services; as a company of the PBG Group, PBG Avatia provides IT support to all PGB Group companies	PBG S.A.	subsidiary	999	PLN 49,950.00	99.90%
PBG Ukraina PSA	its purpose is to conduct market research in Ukraine and establish contacts with companies operating in the construction and related services sector	PBG S.A.	subsidiary	222,227	UAH 888,908.00	100%
Bathinex Sp. z o.o.	quarrying and processing of stone used in the construction and road engineering sectors; the company owns the Brodziszów-Kłośnik Quarry where it produces granodiorite (acidic fine-crystalline intrusive igneous rock)	PBG S.A.	subsidiary	50	PLN 50,000.00	100%
PBG Operator Sp. z o.o.	special purpose vehicle	PBG S.A.	subsidiary	50	PLN 5,000.00	100%
Multaros Trading Company Limited	special purpose vehicle	PBG S.A.	subsidiary	526,000	EUR 526,000.00	100%
RAFAKO S.A.	the company designs and constructs a wide array of boilers, including supercritical and fluidised bed boilers, as well as environmental protection equipment, including flue gas desulphurisation units and electrostatic precipitators	PBG S.A.	subsidiary	7,665,995	PLN 15,331,998.00	11.01%
		Multaros Trading Company Limited	indirect subsidiary	34,800,001	PLN 69,600,002.00	50%
PBG oil and gas Sp. z o.o.	engineering, design and execution company; project management, turn-key deliveries and supervision of natural gas and crude oil projects	PBG S.A.	subsidiary	50	PLN 5,000.00	25%
		Jerzy Wiśniewski		150	PLN 15,000.00	75%

In addition to the companies listed above, PBG holds interests in the following entities:

Table 14: Shares held in other entities

No.	Company name	Number of shares held by PBG	Par value of shares (PLN)	% of shares and votes held
1.	Poner Sp. z o.o.	399	399,000.00	19.00
2.	Energia Wiatrowa PL Sp. z o.o.	230	11,500.00	18.70
3.	Lubickie Wodociągi Sp. z o.o.	60	30,000.00	15.00
4.	Towarzystwo Ubezpieczeń Wzajemnych TUZ	60	600.00	0.01
5.	Strateg Capital Sp. z .o.o. w likwidacji (in liquidation)	250	250,000.00	100.00
6.	Hydrobudowa Polska S.A. w likwidacji (in liquidation)	82,302,263	82,302,263.00	39.09
7.	PBG Technologia Sp. z o.o. w likwidacji (in liquidation)	46,100	23,050,000.00	100.00
8.	Aprivia S.A. w likwidacji (in liquidation)	14,775,999	14,775,999.00	20.52
9.	Energomontaż Południe S.A. w likwidacji (in liquidation)	46,333,520	46,333,520.00	65.28
10.	KWG S.A. w likwidacji (in liquidation)	28,700	PLN 2,870,000.00	100.00
11.	Energopol-Ukraina			49.00

No shares were acquired by PBG in other entities after the end of the reporting period.

II. AGREEMENTS SIGNIFICANT TO THE COMPANY'S BUSINESS

Table 15: Contracts concluded and terminated in the reporting period and subsequent to the reporting date

Execution date	Parties	Subject matter	Key terms
Feb 11 2014 PGNiG's call for conciliation hearing	**Petitioner:** Polskie Górnictwo Naftowe i Gazownictwo S.A. **Respondents to the Petition:** PBG, Chart Inc. Process Systems Division, Thermo Design Engineering Ltd.	In its petition of November 4th 2013 calling for a conciliation hearing, PGNiG moved to call the Respondents to the Petition to appear before the Court at a conciliation hearing and enter into a settlement under which the Respondents to the Petition would agree to pay to PGNiG the amount of PLN 159,453,607.29 as compensation for damage resulting from the improper performance of the EPC contract of September 27th 2006 for the Grodzisk Nitrogen Rejection Unit Construction Project, to be paid within 14 days of the Parties reaching the settlement.	In the Petition, PGNiG stated that the damage resulting from what PGNiG believes to have been improper performance of the construction work under the Grodzisk Nitrogen Rejection Unit Construction Project comprises the loss of benefits associated with the technological processes at the Unit as well as the 'actual damage' which PGNiG believes to have suffered as a consequence of having to import high-methane gas. PGNiG lodged a claim for PLN 106,187,018.01 due to faulty execution of the Nitrogen Rejection Unit Construction Project in Grodzisk. In response to the claim, PBG presented its position, stating that PGNiG is not entitled to demand remedy of the damage from the Company as delayed completion of the project and failure to meet technical parameters resulted from circumstances for the occurrence of which the contractor of Nitrogen Rejection Unit in Grodzisk was not in any way responsible. Neither the principal amount of the claim (PLN 106,187,018.01) nor the interest was acknowledged since they are not recognised as liability in PBG's accounts. Moreover, PGNiG did not present sufficient evidence for the existence of the liability. PGNiG did not lodge any objections. The Management Board of PBG upholds its position that the contract was performed in accordance with PGNiG's technical requirements set out in the Terms of Reference for the contract and any claims put forward by PGNiG in this respect are unfounded both with respect to their grounds and the amount.
For more information, see Current Report No 2/2014: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/2-2014-zawezwanie-do-proby-ugodowej-przez-pgnig.html			
Apr 2 2014 PGNiG's notice of termination of significant contract	**Employer:** Polskie Górnictwo Naftowe i Gazownictwo S.A. **Contractor:** Consortium of PBG S.A. (Consortium Leader), Tecnimont SpA, Société Française d'Etudes et de Réalisations d'Equipements Gaziers "SOFREGAZ" and Plynostav Pardubice Holding A.S. - Plynostav Regulace Plynu A.S. (Consortium Partners).	Submission by the Employer of a notice of termination of the contract of November 19th 2008 for the project "Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bn m3, sub-phase: 1.2bn m3," with reference to the stage of completion of the Contract as at the date of the notice. In the notice of termination, the Employer also called for payment of contractual penalties of PLN 133.4m, or 10% of the gross remuneration payable to the Contractor, which under the Contract may be due to the Employer if the Contract is terminated for causes attributable to the Contractor (cf. Current Report No. 82/2008 of November 19th 2008).	The Consortium members are jointly and severally liable towards the Employer. PBG's interest in the Consortium is 42.38%. The Company's Management Board's stance is that by April 2nd 2014, the Wierzchowice Underground Storage Facility project had been 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. 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 to note 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 97%" and that "the facility has reached and maintains a storage capacity of 1.2bn m3"

For more details, see PBG Current Report No. 7/2014: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/7-2014-oswiadczenie-pgnig-o-odstapieniu-od-znaczacej-umowy.html			
Apr 8 2014 Consortium's position on effectiveness of PGNiG's notice of termination of significant contract	**Employer:** Polskie Górnictwo Naftowe i Gazownictwo S.A. **Contractor:** Consortium of PBG S.A. (Consortium Leader), Tecnimont SpA, Société Française d'Etudes et de Réalisations d'Equipements Gaziers "SOFREGAZ" and Plynostav Pardubice Holding A.S. - Plynostav Regulace Plynu A.S. (Consortium Partners).	The Consortium's position, based on legal analyses of the Employer's Notice and assessment of the actual state of affairs is that the Consortium retains the right to continue to perform the Contract and deliver the Project to the Employer as specified in the Contract. The Consortium deems it advisable to hold consultations with the Employer, as per the procedures provided for in the Contract.	
For more details, see PBG Current Report No. 8/2014: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/8-2014-stanowisko-konsorcjum-odnosnie-skutecznosci-oswiadczenia-pgnig-o-odstapieniu-od-znaczacej-umowy.html			
May 6 2014 Additional Agreement with OHL concerning construction of sport stadium in Białystok	PBG Obrascon Huarte Lain S.A. ("OHL")	Under the additional agreement, OHL took over from PBG the execution of, and has assumed all liability related to, the "Construction of a football stadium with training facilities in the north-eastern part of Poland" project executed by a consortium of OHL and PBG for Stadion Miejski Sp. z o.o. of Białystok as the Employer.	OHL has provided a performance bond for the contract with the Employer, replacing the existing security in the form of a guarantee issued by Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A., thus relieving PBG of the obligation. It was agreed that OHL (acting as the Consortium Leader) will be responsible for 99.99% of the contracted works. Under the Agreement OHL also indemnified PBG against any claims related to the Project, and agreed that, should any claims be brought against PBG by third parties in relation to the Białystok Project, it would release PBG from liability towards such third parties.
For further information, see PBG Current Report No. 12/2014: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/12-2014-zawarcie-z-ohl-umowy-dodatkowej-w-sprawie-realizacji-stadionu-w-bialymstoku.html			

The criterion upon which the agreement is considered a reportable significant agreement:

Legal basis:

Par. 5.1.3 of the Regulation on current and periodic information to be published by issuers of securities, dated October 19th 2005.

Art. 56.5 of the Public Offering Act – Information update

Legal basis:

Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009.

III. BUSINESS COMBINATIONS, INCORPORATION OF NEW SUBSIDIARIES

There were no changes in organisational links in the reporting period and subsequent to the reporting date.

IV. EVENTS OF DEFAULT ON CREDIT FACILITIES, GUARANTEES AND BONDS

There were no events of default on any agreements in the reporting period and subsequent to the reporting date.

V. RELATED-PARTY TRANSACTIONS

In 2014, the Company executed transactions with related parties on an arm's-length basis, and the nature and terms of those transactions were determined by day-to-day operations.
Transactions between the Company and its subsidiaries are disclosed in Note 14 to the 2014 separate financial statements of PBG S.A. w upadłości układowej (in company voluntary arrangement).

VI. CONTRACTED BANK BORROWINGS, LOAN AGREEMENTS

For information on bank borrowings and loan agreements executed in the reporting period, see the Company's financial statements.

VII. LOANS ADVANCED

For information on loans advanced in the reporting period, see notes to the statement of financial position in the Company's financial statements.

VIII. NON-RECURRING FACTORS AND EVENTS

In June 2012, three PBG Group companies, including PBG S.A., HYDROBUDOWA POLSKA S.A. and Aprivia S.A., filed arrangement bankruptcy petitions. The reasons for filing the petitions were liquidity problems resulting from execution of capital-intensive road construction contracts, failure to settle all works performed under the National Stadium contract, and protracting negotiations with banks on possible additional financing. Two weeks later another eight companies, i.e. PBG Avatia Sp. z o.o., Dromost Sp. z o.o., Przedsiębiorstwo Robót Inżynieryjno-Drogowych SA, Metorex Sp. z o.o., KWG Sp. z o.o., PBG Technologia Sp. z o.o., PBG Energia Sp. z o.o., Strateg Capital Sp. z o.o., and - on August 10th 2012 - Energomontaż Południe SA, filed arrangement bankruptcy petitions with a view to protecting themselves and the interests of all their creditors and employees. The decision to make their filings made by 12 companies of the PBG Group almost simultaneously was prompted by the fact that the companies had provided cross guarantees to secure the repayment of bank loans and trade creditors, and (in some cases) assumed joint and several liability under consortium-delivered contracts. At present, arrangement proceedings are under way with respect to PBGDROMOST and PRID, and liquidation proceedings with respect to HYDROBUDOWA POLSKA, APRIVIA, PBG TECHNOLOGIA, KWG, Strateg Capital and Energomontaż Południe. PBG AVATIA successfully completed performance of its arrangement. The arrangement bankruptcy proceedings conducted at PBG have been affecting its operations, and consequently the financial performance it generates. The economic position and the ongoing arrangement proceedings at companies mentioned above that used to make up the PBG Group may have a negative effect on the condition of PBG.

IX. MAJOR R&D ACHIEVEMENTS

In the period covered by this Report, the Company did not have any major R&D achievements which would have a significant effect on the Group's performance.

X. CONTROL SYSTEMS FOR EMPLOYEE PLANS

PBG does not operate any employee plans.

XI. LITIGATION, ARBITRATION OR ADMINISTRATIVE PROCEEDINGS

As at the date of this Report, the Company was involved in litigations in which it acted as the defendant or the plaintiff.

Key litigation and other disputes instigated by the Company

1. **PBG S.A. w upadłości układowej (in company voluntary arrangement) against the State Treasury – General Director for National Roads and Motorways (GDDKiA), court docket No. IC 1022/12**

The case concerns a Court amendment to Contract No. 2811/30/2010 (construction of the A4 motorway). The party requested a PLN 270,100 thousand rise in the VAT-exclusive remuneration payable to the Consortium due to a sharp increase in the prices of construction materials and services (the prices of steel, aggregate, concrete, bitumen, and fuels, including transport costs). The case is pending.

2. **PBG S.A. w upadłości układowej (in company voluntary arrangement) against Control Process S.A. – a case for payment including petition for exemption from court fees and a petition for a temporary injunction order**

The Company is pursuing claims against Control Process S.A. in connection with the provision of general contracting services related to the 'LMG Project - Central Facility, Well Areas, Pipelines and Other Infrastructure.' In a payment order issued on January 10th 2014, the Regional Court of Poznań ordered the Defendant to pay the Plaintiff an amount of PLN 996 thousand with interest and cost of proceedings within 14 days, or to lodge an objection. In a letter of April 18th 2014, the Plaintiff's attorney responded to the objection to payment order, and addressed all arguments raised by the Defendant in their objection to payment order. The date of the next hearing, to be held for the purpose of questioning witnesses, was set for March 19th 2015.

3. PBG S.A. w upadłości układowej (in company voluntary arrangement) against Marian Siska for payment

Action for payment of PLN 1,200 thousand in connection with disposal of shares in GasOil Engineering As. The case is conducted under Slovakian law by barrister Ireneusz Piotr Giebel. By virtue of a payment order, the Regional Court of Poprad ordered the defendant to make the payment as demanded in the statement of claim. In pleadings of February 18th 2014, Marian Siska appealed against the payment order. The case is pending.

4. PBG S.A. w upadłości układowej (in company voluntary arrangement) against Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. ("MWiK"), court docket No. VIII KC 282/12/K

Proceedings brought before the Regional Court in Bydgoszcz by the Company against Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. ("MWiK") for determining that:

a) the termination notice served by MWiK on June 5th 2012, dissolving contract No. 2004PL16CPE003-12/3 "Rainwater discharge from the water intake protection zone areas of Las Gdański and Czyżkówko and extension of the rainwater system in Bydgoszcz. Part 3", concluded on April 3rd 2008 (the "Contract") with PBG and Hydrobudowa Polska S.A. (currently in bankruptcy by liquidation) as a Consortium member, is ineffective;
b) MWiK is not entitled to claim payment for non-performance or improper performance of the Contract by the Company and Hydrobudowa Polska;
c) MWiK is not entitled to claim any contractual penalty for dissolution of the Contract for reasons attributable to the Company and Hydrobudowa Polska

together with a request to secure the said claims by imposing an injunction on MWiK prohibiting the use of advance payment guarantee No. GZo/329/08-081 granted on May 27th 2008 by Powszechny Zakład Ubezpieczeń S.A. of Warsaw ("PZU"), in particular by demanding any payments under the advance payment guarantee, until the final conclusion of the proceedings; and if any amounts have already been paid by PZU to MWiK under the said guarantee, also by ordering that MWiK returns to the Guarantor any such amounts without delay. The first hearing was scheduled for October 8th 2013.
Value of the claim: PLN 30,849 thousand.
On November 6th 2014, the Court issued a ruling dismissing the action. The Company decided not to lodge an appeal.

5. PBG S.A. w upadłości układowej (in company voluntary arrangement) against the Bankruptcy Administrator of Maxer S.A. w upadłości (in bankruptcy) – court docket No. IX GNc 1254/13/7

On September 2nd 2013, the Company filed a claim for payment with the Regional Court of Poznań, 9th Commercial Division, against the Bankruptcy Administrator of Maxer S.A. (in bankruptcy). Value of the claim: PLN 820 thousand. On February 3rd 2015, the Company received a notification regarding the mediation proceedings. The case is pending.

6. **PBG SA in company voluntary arrangement against the State Treasury, Regional Water Management Authority of Wrocław – court docket No. I Nc 704/13**

On August 28th 2013, the Company filed a claim for payment with the Regional Court of Poznań, 9th Commercial Division, against the State Treasury, Regional Water Management Authority of Wrocław. Value of the claim: PLN 4,092 thousand. The case is pending.

Disputes pending against the Company:

1. **Litigation concerning construction of the National Stadium in Warsaw**

The Company was a member of the consortium ("the Consortium") selected in a tender as the general contractor for the National Stadium project in Warsaw. The contract between the Consortium and Narodowe Centrum Sportu Sp. z o.o. ("NCS") was signed on May 4th 2009 (the "Contract"). The Consortium provided the NCS with an insurance guarantee for the amount of PLN 152,479 thousand, securing claims the NCS might have as the employer relating to non-performance or improper performance of the Contract. The guarantee was issued by Zurich Insurance plc. Niederlassung für Deutschland ("Guarantor" or "Zurich").

On June 1st 2012, the NCS called on the Consortium to pay a penalty of PLN 308,832 thousand for delay in completion of the National Stadium project. On July 5th 2012, the NCS demanded payment of PLN 152,479 thousand from the Guarantor under the insurance guarantee. According to the Consortium (including the Company), the claim for payment of the penalty was unfounded as the delay was caused by reasons for which the Consortium could not be held liable.

As a result, on March 1st 2013 the Consortium (including the Company) brought an action before the Regional Court in Warsaw against the NCS and the State Treasury – the Minister of Sport and Tourism (i) for determining that the defendants are not entitled to claim payment of penalty for delay in the completion of the National Stadium construction project, and (ii) for ordering the defendants to cease the unlawful use of the guarantee issued by Zurich. In addition, the Consortium filed a request for an injunctive relief with respect to the above claims by prohibiting the defendants from accepting any payments under the guarantee provided by the NCS until the final conclusion of the proceedings. By its decision of March 22nd 2013, the Regional Court in Warsaw dismissed the request for injunctive relief. On April 9th 2013, the Consortium filed a complaint against the decision to the Court of Appeals in Warsaw.

On April 22nd 2013 Zurich received the NCS' demand for payment from the performance bond. Then, the Court of Appeals dismissed the appeal. By its decision of September 25th 2013, the District Court of Warsaw suspended the proceedings ex-officio following declaration of bankruptcy of two other plaintiffs, i.e. Alpine Bau Deutschland AG and Alpine Bau GmbH. Pursuant to a representation of December 4th 2013, the administrator of Alpine Bau Deutschland AG and the administrator of Alpine Bau GmbH acceded to the proceedings and moved for resumption of the proceedings. So far, the District Court has not yet issued a decision to resume the proceedings.

Notwithstanding the foregoing, it needs to be emphasised that during performance of the Contract, the Consortium completed a large number of additional works ordered by the NCS in the course of the project, for which it has not received any consideration. Currently, the Consortium (including PBG) is demanding payment for the additional works. Moreover, the Consortium also suffered financial losses in connection with the non-performance or improper performance of the Contract by the NCS. Therefore, the Consortium is planning to bring one or several actions, as the need may be, concerning the claims it has against the NCS and the State Treasury. The exact value of the litigation has not yet been determined. The Consortium is planning to bring the action in 2014. Alpine eliminated formal defects indicated in the decision issued by the Regional Court on May 27th, and the court resumed the proceedings. However, on February 3rd 2015 the parties filed a joint request to suspend the proceedings due to the negotiations initiated by the defendant. On February 3rd 2015, the Court suspended the proceedings for 3 months.

In the meantime, on June 18th 2013, PBG and Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation) (another Consortium member) filed a call for a conciliation hearing at the District Court of Warsaw against the State Treasury – the Minister of Sport and Tourism, concerning an amount of PLN 162,984 thousand in payment for the auxiliary work specified above plus damages. The conciliation hearing was held on October 10th 2013, but the parties failed to reach an agreement (court docket No. VIII GCo 552/13).

On April 22nd 2013, the NCS lodged a claim demanding payment by Zurich of a relevant amount under the insurance policy provided as a performance bond (court docket No. XX GC 211/13). On December 16th 2013, the Company filed a defendant-side intervention. On December 18th 2013, a defendant-side intervention was also filed by the bankruptcy administrator of Hydrobudowa. The date of hearing has not yet been determined. Value of the claim: PLN 152,479 thousand. The parties filed a joint request to suspend the proceedings due to the negotiations initiated by the defendant.
On September 20th 2013, Imtech Polska sp. z o.o. (one of the main subcontractors working for the Warsaw National Stadium Construction Consortium) filed a claim for payment of PLN 115,037 thousand against PBG S.A., Alpine Construction Polska sp. z o.o., the NCS and the State Treasury – the Minister of Sport and Tourism. Imtech demands payment for the work performed during the construction of the National Stadium in Warsaw and compensation for damages it sustained as a result of its inability to perform the work within the original schedule. On December 12th 2013, the Company received the claim, and filed its response on March 28th 2014 (court docket No. XXVI GC 762/13). By virtue of the court's decision of July 8th 2014, the dispute was referred to mediation (the mediation hearing date was set for September 3rd 2014).
Notwithstanding the foregoing, on July 25th 2014 PBG filed with the District Court for the Capital City of Warsaw a petition requesting a call for a conciliation hearing (the court docket number has not yet been assigned). The mediation and the court proceedings in this case have been suspended until the claim filed by Imtech against the State Treasury is resolved. Imtech does not accept the terms set forth in the call for a conciliation hearing filed by PBG. In view of the above, the proceedings pending before the District Court of Warsaw have been postponed.

2. **Przemysłw Rzodkiewicz Agencja MINT against PBG SA w upadłości układowej (in company voluntary arrangement), court docket No. XX GC 619/13**

Action for payment of PLN 2,217 thousand before the Regional Court of Warsaw − date of filing the statement of claim: September 17th 2012.

The Company filed its response to the claim. The hearing took place on December 17th 2014, and on December 30th 2014 the court awarded PLN 1,644 thousand from the Company to the Plaintiff. The Company appealed against the decision.

3. **SAN-BUD Sp. z o.o. against PBG S.A. w upadłości układowej (in company voluntary arrangement), court docket No. IX GC 206/13/**

Action for payment of PLN 1,572 thousand before the Regional Court of Wrocław, 10th Commercial Division; date of filing the statement of claim: March 28th 2013. The response to the statement of claim was submitted on June 27th 2013. So far, three hearings have taken place, and the date of the next hearing was scheduled by the Court for March 27th 2015. The case is pending.

4. **Towarzystwo Ubezpieczeń Euler Hermes S.A. of Warsaw against PBG S.A. in company voluntary arrangement, court docket No. XVI GNc 1157/13**

On October 9th 2013, Towarzystwo Ubezpieczeń Euler Hermes brought a claim against the Company with reference to a PLN 5,075 thousand payment order on the basis of a promissory note.
Towarzystwo Ubezpieczeń Euler Hermes provided to Hydrobudowa Polska S.A. general insurance in connection with various construction contracts. By way of providing security in respect of potential recourse claims against TU Euler Hermes, Hydrobudowa issued a blank promissory note, for which the Company provided its surety. Following the bankruptcy of Hydrobudowa Polska S.A., the bankruptcy administrator withdrew Hydrobudowa Polska S.A. from a contract performed for the Municipality of Poznań. The Municipality of Poznań demanded satisfaction of its claims from TU Euler Hermes (as the insurer). TU Euler Hermes satisfied the Municipality of Poznań's claim, and then filled in the promissory note and brought an action for payment against the Company (as the entity that backed the promissory note with surety). Based on the information obtained from the Regional Court of Warsaw on July 23rd 2014 it was determined that Nakano Sp. z o.o. acceded to the proceedings as purchaser of TU Euler Hermes' debt claim. In an order issued by the Regional Court of Warsaw on July 3rd 2014, Nakano Sp. z o.o. was requested to demonstrate by means of an official document that the disputed debt claim was transferred to it, which is why the Company had not been officially notified of the changes in the parties to the proceedings.

5. **Dimark Sp. z o.o. against PBG S.A. w upadłości układowej (in company voluntary arrangement), court docket No. I Aca 245/14**

Action for payment of PLN 1,644 thousand before the Regional Court of Poznań – date of filing of the statement of claim: July 31st 2014.
The Company filed its response to the claim. The hearing took place on December 17th 2014, and on December 30th 2014 the court awarded PLN 1,644 thousand from the Company to the Plaintiff. The Company appealed against the decision.

ADMINISTRATIVE PROCEEDINGS

Administrative proceedings instigated ex officio by the Polish Financial Supervision Authority are currently pending against the Company. The proceedings seek the imposition of an administrative sanction on the Company under Art. 96.1c of the Act on Public Offering, Conditions Governing the

Introduction of Financial Instruments to Organised Trading, and Public Companies, of July 29th 2005. The Polish Financial Supervision Authority extended the proceedings until March 31st 2015.

XII. CHANGES IN SIGNIFICANT MANAGEMENT POLICIES

In the reporting period, PBG S.A. did not make any major changes in its significant management policies.

SECTION V: SHARES AND SHAREHOLDERS

I. SHARE CAPITAL STRUCTURE AND LARGE HOLDINGS OF SHARES

Currently, the Company's share capital amounts to PLN 14,295 thousand and is divided into 3,740,000 registered shares with voting preference and 10,555,000 ordinary bearer shares. The par value of the preferred and ordinary shares is PLN 1 per share. Each preferred share confers the right to two votes at the General Meeting. Nearly 99.9% of the preferred shares are held by Mr Jerzy Wiśniewski, the founder and main shareholder of PBG, who also, until April 24th 2014, served as Chairman of the PBG Supervisory Board and then, until the release of this report, as President of the PBG Management Board.

Table 16: Share capital of PBG

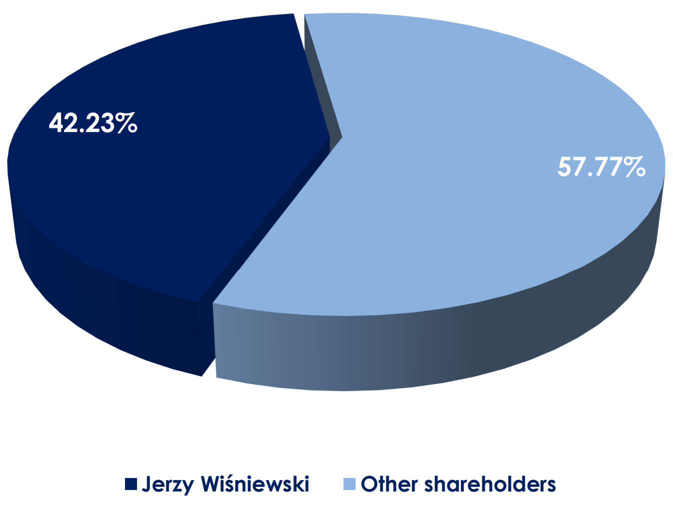
PBG shares	Number of shares	Type of shares	Number of shares	Number of votes	Free float
Series A	**5,700,000**	Conferring voting preference	3,740,000	7,480,000	0
		ordinary	1,960,000	1,960,000	1,960,000
Series B	**1,500,000**	ordinary	1,500,000	1,500,000	1,500,000
Series C	**3,000,000**	ordinary	3,000,000	3,000,000	3,000,000
Series D	**330,000**	ordinary	330,000	330,000	330,000
Series E	**1,500,000**	ordinary	1,500,000	1,500,000	1,500,000
Series F	**1,400,000**	ordinary	1,400,000	1,400,000	1,400,000
Series G	**865,000**	ordinary	865,000	865,000	865,000
		Total	**14,295,000**	**18,035,000**	**10,555,000**

On April 19th 2012, the District Court of Poznań registered a conditional share capital increase at PBG by up to PLN 14,295,000.00, through the issue of no more than 14,295,000 Series H ordinary bearer shares with a par value of PLN 1.00 per share. Registration of the share capital increase was effected on the basis of a resolution adopted on April 3rd 2012 by the Extraordinary General Meeting of PBG SA to issue Series A1 through A12 bonds convertible into Series H shares, issue Series H shares as a part of a conditional share capital increase, and to disapply the pre-emptive rights of the existing shareholders with respect to Series A1 through A12 bonds convertible into Series H shares and Series H shares. The resolution provides for the option to issue PBG bonds convertible into shares. The bonds may be divided into tranches and acquired by both trade and financial investors. The maximum number of tranches is 12. The nominal value of the Bonds is PLN 100,000.00 per Bond and the total nominal value of the Bonds is up to PLN 1,200,000,000.00. The Terms and Conditions of the Bonds for individual series of Bonds may provide for different rights and obligations of the issuer and bondholders, including in particular the issue price, redemption date, exchange price, Premium amount and interest rate. The bondholders of all series are entitled to acquire Series H ordinary bearer shares.

Table 17: Shareholders holding over 5% of shares

As at December 31st 2014				
Shareholder	**Number of shares**	**Total par value (PLN)**	**Ownership interest (%)**	**% of total voting rights**
Jerzy Wiśniewski	3,881,224 shares, including: 3,735,054 registered preferred shares and 146,170 ordinary shares	3,881,224	27.15%	42.23%
As at the date of this Report				
Shareholder	**Number of shares**	**Total par value (PLN)**	**Ownership interest (%)**	**% of total voting rights**
Jerzy Wiśniewski	3,881,224 shares, including: 3,735,054 registered preferred shares and 146,170 ordinary shares	3,881,224	27.15%	42.23%

Figure 6: PBG shareholders holding over 5% of shares



The Company is not aware of any other shareholders holding 5% or more of the total vote at the General Meeting. By the date of the Report, the Company has not been notified of any such shareholders.

II. CHANGES IN THE COMPANY'S SHAREHOLDING STRUCTURE

during the reporting period or subsequent to the reporting date, no significant changes in the holdings of the Company shares were reported.

III. KEY DATA ON PBG SHARES

1. Share price

Figure 7: PBG stock price from January 1st 2014 to December 30th 2014 against the WIG and WIG-BUDOW indices

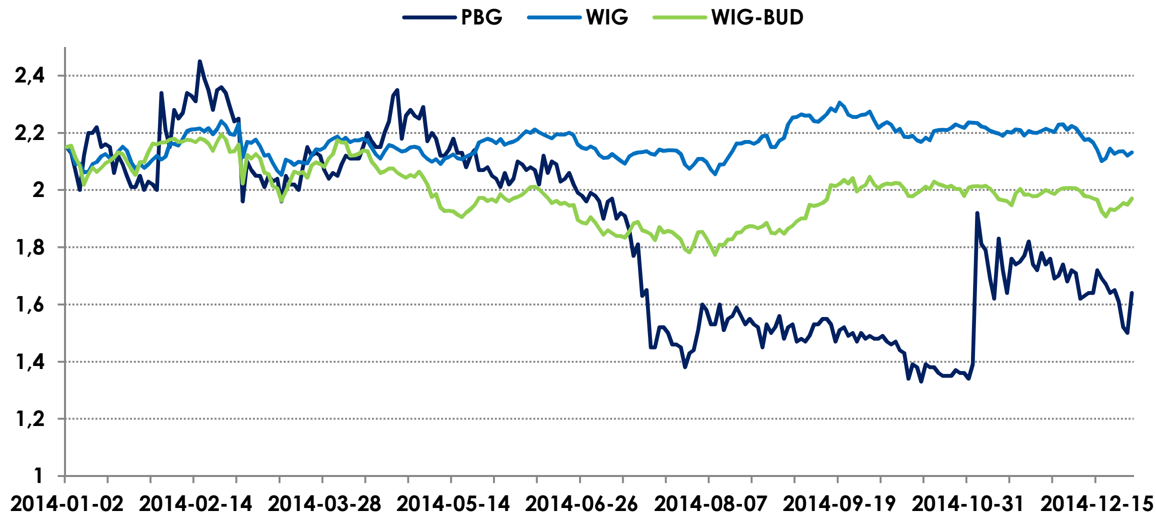
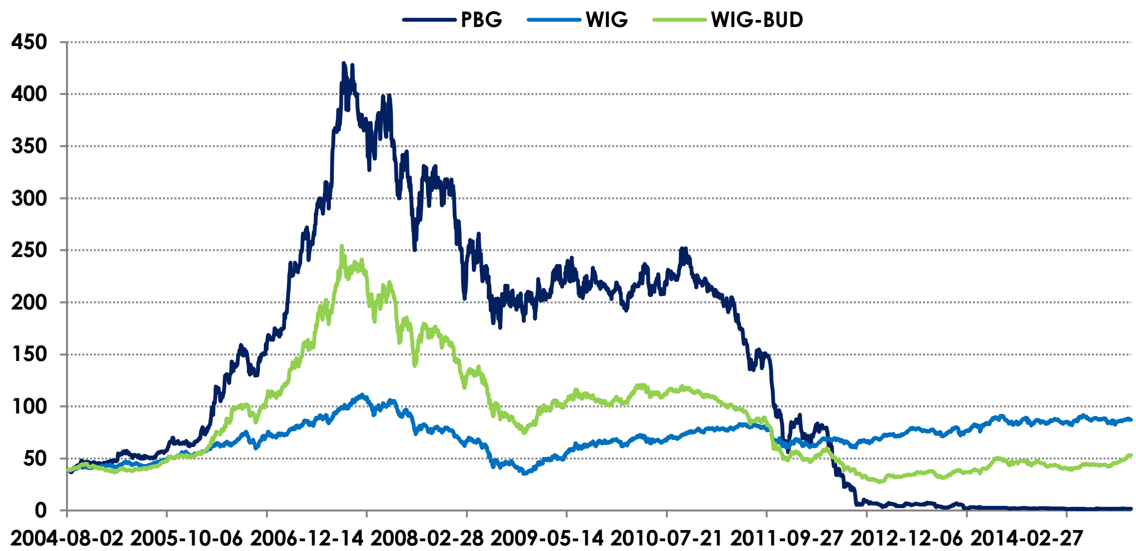


Figure 8: PBG stock price from the Company's IPO to March 17th 2015 against the WIG and WIG-BUDOW indices



2. Key data on PBG shares

Table 18: Per-share data

Key per-share data		2014	2013	Y-o-y change
Period high	**PLN**	2.45	7.61	-68
Period low	**PLN**	1.33	1.63	-18
Share price at year end	**PLN**	1.64	2.21	-26
Number of shares at end of period	**Number**	14,295,000	14,295,000	-
Free float	**Number**	10,555,000	10,555,000	-
Capitalisation at year end	**PLN '000**	23,444	31,591	-26
Average daily trading value	**PLN '000**	124	970	-83
Average daily trading volume	**Number**	64,009	246,289	-74

IV. SHARE BUY-BACKS

In the period covered by this Report, the Company did not buy back any of its shares.

V. HOLDERS OF SECURITIES CONFERRING SPECIAL CONTROL RIGHTS

There are no securities conferring special control rights with respect to the Company. There are no restrictions with respect to the transfer of the Company shares or limitations on the voting rights attached to them.

VI. RESTRICTIONS ON VOTING RIGHTS

The currently applicable Articles of Association of PBG do not provide for any limitations on the voting rights of holders of a given percentage or number of votes.

VII. RESTRICTIONS ON TRANSFER OF PBG SECURITIES AND LIMITATIONS ON THE VOTING RIGHTS

In accordance with Art. 11.1 of the Company's Articles of Association, the disposal of Series A registered shares requires the Management Board's approval.

VIII. AGREEMENTS WHICH MAY RESULT IN CHANGE IN SHAREHOLDINGS

As on the date of filing the report, the Management Board has no information on agreements which might result in change in shareholdings.
Pursuant to the Company's Arrangement Proposals of November 3rd 2014, a proposal was made to selected creditors to convert their debt claims into new Company shares. If the Arrangement is put to vote and approved, the targeted shareholding structure of PBG will change: the financial creditors will hold approximately 75% of share capital, Mr Jerzy Wiśniewski approximately 23.6%, and the existing

shareholders approximately 1.4% of share capital. The Arrangement Proposals are accessible in the Company's Web page (bookmark "Restructuring").

IX. EVENTS WHICH MAY RESULT IN CHANGE IN SHAREHOLDINGS

On April 3rd 2012, the Extraordinary General Meeting was held. The main matter put to vote was the resolution concerning the issue of Series A1 through A12 bonds convertible into Series H shares, issue Series H shares as a part of a conditional share capital increase; to waive pre-emptive rights of the existing shareholders with respect to Series A1 through A12 bonds convertible into Series H shares and Series H shares. The resolution was passed with the 96% majority.

The resolution provides for the option to issue PBG bonds convertible into shares. The bonds may be divided into tranches and acquired by both trade and financial investors. The maximum number of tranches is 12. The nominal value of the Bonds is PLN 100,000.00 per Bond and the total nominal value of the Bonds is up to PLN 1,200,000,000.00. The Terms and Conditions of the Bonds for individual series of Bonds may provide for different rights and obligations of the issuer and bondholders, including in particular the issue price, redemption date, exchange price, Premium amount and interest rate. The bondholders of all series are entitled to acquire Series H ordinary bearer shares on the following terms.

In order to vest the right to acquire Series H shares to the holders of series from A1−A12 convertible bonds, on April 19th 2012, the District Court of Poznań registered a conditional share capital increase at PBG by up to PLN 14,295,000.00, through the issue of no more than 14,295,000 Series H ordinary bearer shares with a par value of PLN 1.00 per share.

Series H shares shall confer the right to dividend as of January 1st 2012, i.e. for the financial year 2012, with the proviso that Series H shares confer the right to dividend payable for a given financial year if credited to the securities account of the former bondholder holding the shares not later than on the dividend record date defined by the General Meeting in a resolution concerning the distribution of profit and setting the dividend record date.

As the Company prepares to conclude the Arrangement with the Creditors, it is planned to abandon the conditional share capital increase on the rules stipulated under a resolution adopted by the Extraordinary general Meeting held on April 3rd 2012.

Pursuant to the Company's Arrangement Proposals of November 3rd 2014, a proposal was made to selected creditors to convert their debt claims into new Company shares. The Company expects that after the conversion of claims into Company shares in accordance with the arrangement proposals, the Company’s shareholder structure will be as follows:

a) Creditors eligible for conversion of claims into shares will hold ordinary shares representing approximately 75% of the Company’s share capital and voting rights;
b) Jerzy Wiśniewski will hold ordinary shares representing approximately 23.6% of the Company’s share capital and voting rights;
c) Other shareholders will hold ordinary shares representing approximately 1.4% of the Company’s share capital and voting rights.

X. INVESTOR RELATIONS

Investor relations have always played an important role in PBG's activities. The investor community has highly favourably assessed PBG's performance of obligations related to investor relations. However, PBG was able to follow the best market standards in this area only until it placed application for arrangement bankruptcy. Currently, potential investors' interest in investing in PBG shares is significantly reduced and brokerage houses (in line with their policies) ceased to carry day-to-day research and to issue recommendations. The Company is not included in any of the indices listed on Giełda Papierów Wartościowych w Warszawie (Warsaw Stock Exchange), which is also connected with the Company's current legal status and which further limits investors' interest. Under such circumstances, investor relations focus on maintaining relations with the existing shareholders, who may at any time contact the Investor Relations Department.

The Investor Relations Department reports to Vice-President of the Management Board responsible for economics and finance. The Department's main responsibility is to establish an open platform for communication with Company investors and shareholders, with a view to ensuring the easiest possible access to information. In its communications with the market, the Company observes the transparency principle.

An important communications channel is the Company's Web page with the 'Investor Relations' bookmark, where each interested person may find ample information on the Company and from where they can download annual, periodic and current reports, video and audio records of conferences, financial calendar, information on the General Meeting and analysts' historical recommendations.

1. Brokers' recommendations

Upon declaring PBG S.A. insolvent in voluntary arrangement in early June 2012, brokerage houses which had issued recommendations concerning the Company stock, suspended assessing the Company stock, in line with the internal procedures they are expected to follow when a company they cover declares insolvency.

2. The Company and its shares

Table 19: IR contact data

Investor Relations Department	Magdalena Wiśniewska-Karwańska
Phone	+48 (0) 61 66 46 431
Email	magdalena.wisniewska@pbg-sa.pl
Website	www.pbgsa.pl
Warsaw Stock Exchange	PBG
Reuters	PBGG.WA

SECTION VI: FINANCIAL OVERVIEW

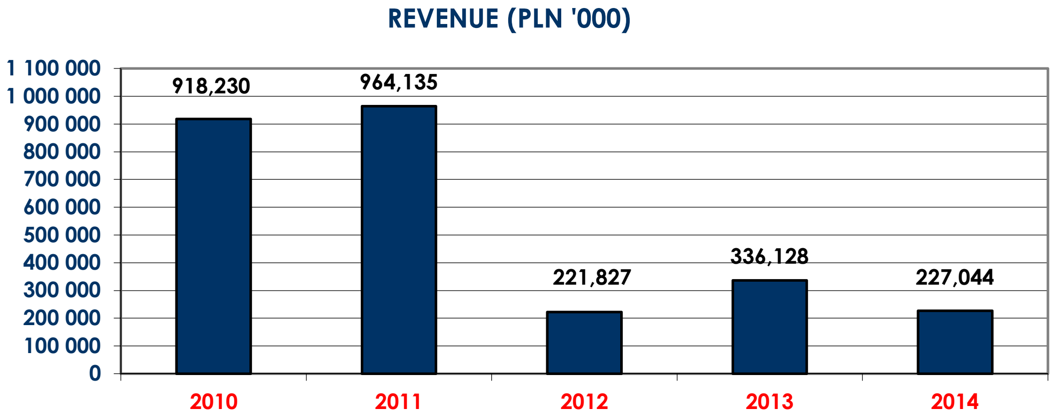
I. ANALYSIS OF PBG'S FINANCIAL POSITION

All financial data and indicators are sourced from the IFRS-compliant financial statements.

Revenue

At the end of 2014, PBG reported a 32% revenue drop year on year, from PLN **336,128 thousand in 2013** to PLN **227,044 thousand in 2014.** Cost of sales decreased by 34%, to PLN 263,841 thousand at the end of 2014.

Figure 9: Historical development of revenue (past five years)



Historically, sales of the PBG's services remained in an upward trend. However, the trend reversed in 2012 due to the difficult situation of the Company, which made it practically impossible for the Company to win new contracts. In 2014, revenue amounted to PLN 227m, having dropped year on year by more than PLN 109m.

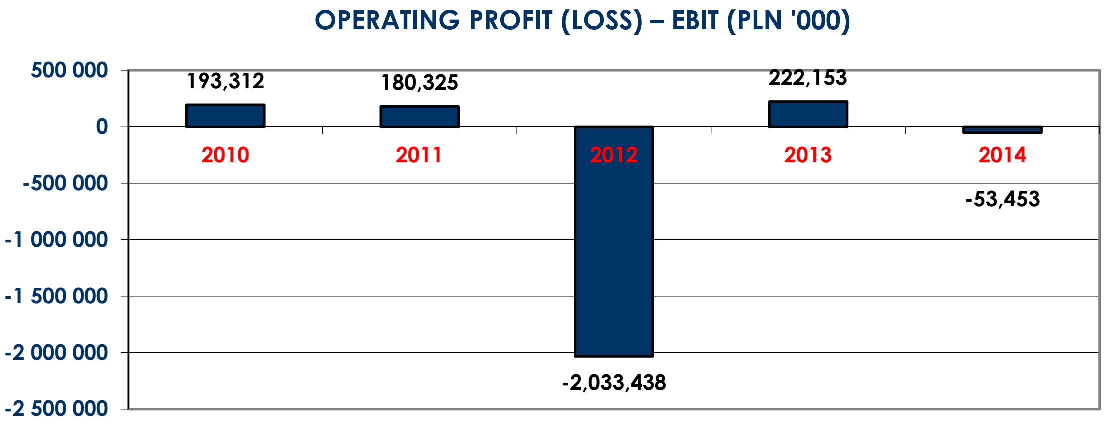
For more than a year PBG has not won any new contracts and is currently completing the work under contracts from the current order book. As at January 1st 2015, the value of the Company's order book (calculated as the total revenue remaining to be invoiced under contracts in progress) was approximately PLN 300m, with ca. PLN 195m of that amount for completion in 2015 and the remaining ca. PLN 105m in 2016.

3. Operating loss

PBG's operating loss in 2014 was **PLN -53,453 thousand, in contrast to operating profit of PLN 222,153 thousand in 2013.**

The operating loss was mainly due to a PLN 36.8m operating loss on running contracts, an impairment loss on a loan advanced to INFRA S.A. of almost PLN 23m, and exchange differences recognised following the valuation of investment certificates in Dialog Plus, of PLN 32m. The operating result was positively affected by revaluation of the provision recognised by the Company for liabilities under the sureties and guarantees issued and under joint and several liability to subcontractors related to projects performed under consortium agreements (PLN 90m).

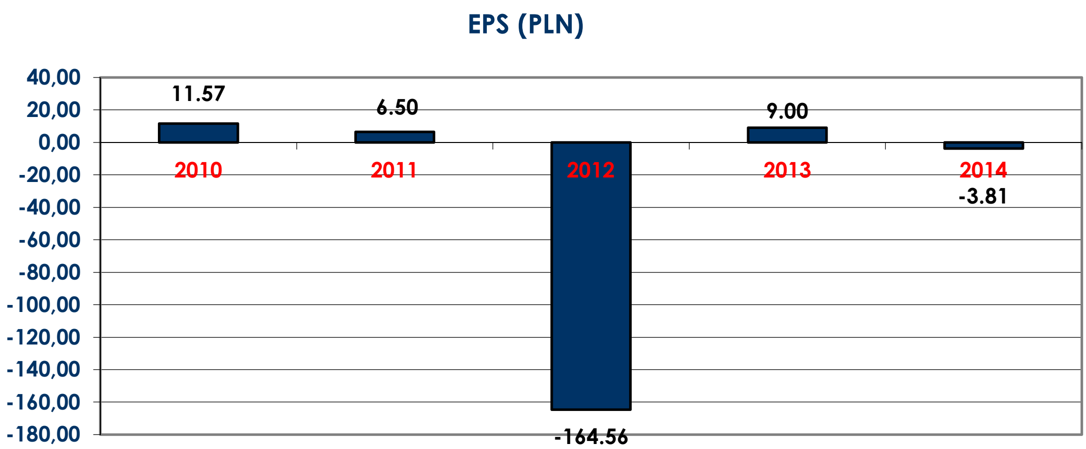
Figure 10: Historical development of EBIT (past five years)



4. Earnings per share (EPS)

In 2014, the Company recorded loss per share of PLN -3.81.

Figure 12: Historical development of EPS (past five years)



5. Liquidity ratios

Table 20: Liquidity ratios

NAME	FORMULA	2014	2013
Current ratio	(current assets / current liabilities)*100	0.18	0.21
Quick ratio	(current assets – inventories) / current liabilities)*100	0.17	0.21
Cash ratio	(cash balance at end of period / current liabilities)*100	0.02	0.06

The current ratio was down year on year, it stood at 0.18, compared with 0.21 as at the end of 2013. Similarly, as at the end of 2014, the quick ratio dropped compared with the previous year: from 0.21 at the end of 2013 to 0.17 at the end of 2014.

In the periods under review, the ratios were at levels considered unsafe, pointing to the Company's inability to meet liabilities promptly as they come due.

The cash ratio declined from 0.06 at the end of 2013 to 0.02 at the end of 2014. The ratio suggests that PBG is able to cover 2% of its current liabilities with the most liquid assets.

6. Debt

Table 21: Debt ratios

NAME	FORMULA	2014	2013
Structure of equity and liabilities	equity / debt capital	-0.47	-0.42
Structure of assets	non-current assets / current assets	2.69	2.56

As in the previous year, in 2013 equity was negative.

The assets structure ratio increased by 13pp year on year. In 2013, non-current assets represented 156% of current assets, while in 2014 non-current assets accounted for 169% of current assets, which indicates lower flexibility of assets and lengthening of the period when funds remain tied-up.

II. CHANGES IN THE STATEMENT OF PROFIT OR LOSS AND COST ANALYSIS

1. Statement of profit or loss

Table 22: Changes in the statement of profit or loss

PBG's income statement (PLN '000)	2014	2013	2014/2013
Net revenue from sale of products, merchandise and materials	227,044	336,128	68%
Cost of sales	263,841	399,739	66%
Gross profit (loss)	**-36,797**	**-63,611**	**58%**
Administrative expenses	21,785	23,494	93%
Gross profit	**-58,582**	**-87,105**	**67%**
Other income	109,176	365,044	30%
Other expenses	97,054	55,786	174%
Restructuring costs	-	-	-
Operating profit (loss)	**-53,453**	**222,153**	**-**
Finance costs	1,005	93,495	1%
Profit (loss) before tax	**-54,458**	**128,658**	**-**
Income tax expense	-	-	-
Net profit	**-54,458**	**128,658**	**-**

As at the end of 2014, the Company posted a net loss of more than PLN 54m. With revenue of PLN 227m, the Company's cost of sales was PLN 264m. The Company's gross loss amounted to PLN 36.8m in 2014, compared with a loss of more than PLN 63m reported in 2013. The 2014 results point to a downtrend on most levels of the statement of profit or loss.

Administrative expenses were PLN 21.8m, which represents a 7% drop year on year.

Other income was PLN 109m, with the largest items including a revision of estimates of the provision for the Company's potential liabilities under the sureties and guarantees issued and under joint and several liability to subcontractors related to projects performed under consortium agreements. Following the submission with the Court of the final arrangement proposals (approved by the Company's Supervisory Board) on November 3rd 2014, the provision was remeasured and as at December 31st 2014 amounted to PLN 354m. This resulted in the recognition of other income of PLN 90m.

The Company's other expenses were in excess of PLN 97m. The most significant items of other expenses included PLN 41.7m impairment losses on assets, PLN 34.5m exchange differences on operating activities, and PLN 12.4m fair value measurement of investment property.

The Company's finance costs in 2014 stood at PLN 2m and are disclosed in the statement of profit or loss at PLN 1m, i.e. net of finance income of PLN 1m. The largest items include interest, fees and commissions due to banks of PLN 1m and a PLN 0.8m impairment loss on financial assets available for sale.

Finance income includes interest on cash of PLN 0.8m.

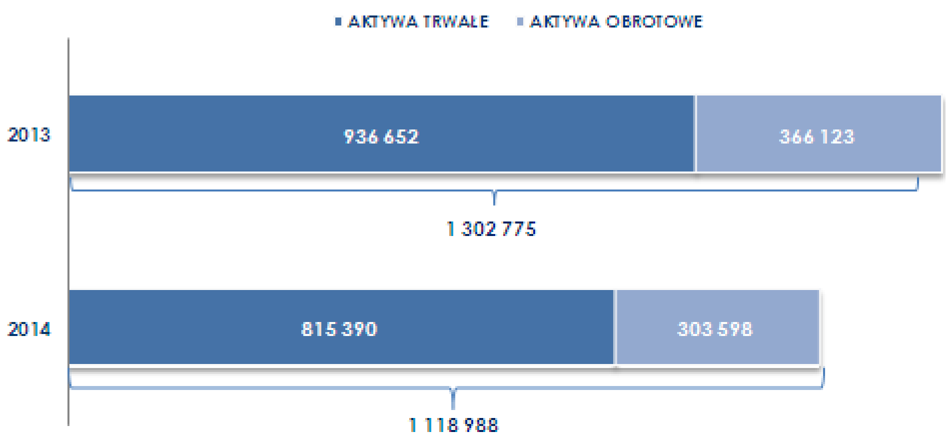
III. ASSETS, FINANCIAL STANDING AND FUNDING OF THE ASSETS

1. Assets

The asset structure changed slightly during the period under review. As at the end of 2014, non-current assets represented 73% of total assets, which represented an increase of 1% year on year. In 2014, the share of current assets in total assets decreased to 27% year on year. Investments in subsidiaries was the largest item of non-current assets, accounting for 69% of total non-current assets. The second largest item of non-current assets, accounting for approximately 16% of total non-current assets, was non-current loans advanced, comprising primarily the loans advanced to the PBG Group companies of PLN 127m (net of impairment losses).

During the period under review, the structure of current assets also changed slightly. Current loans advanced had the largest share in current assets in 2014, and accounted for 47% of total current assets. The second largest item were trade and other receivables, which accounted for 19% of the current assets value. The third largest item of current assets were amounts due from customers for construction contract work, also representing 19% of current assets.

Figure 13: Assets (PLN '000)



AKTYWA TRWAŁE	NON-CURRENT ASSETS
AKTYWA OBROTOWE	CURRENT ASSETS

Figure 14: Largest items of assets (PLN '000)

Table 23: Asset ratios (%)

NAME	FORMULA	2014	2013
Basic asset structure ratio	(non-current assets / current assets)*100%	268.58	255.83
Non-current assets to total assets	(non-current assets / total assets)*100	72.87	71.90
Current assets to total assets	(current assets / total assets)*100	27.13	28.10
Inventories to current assets	(inventories / current assets)*100	0.50	0.26
Current receivables to current assets	(current receivables / current assets)*100	38.38	35.11

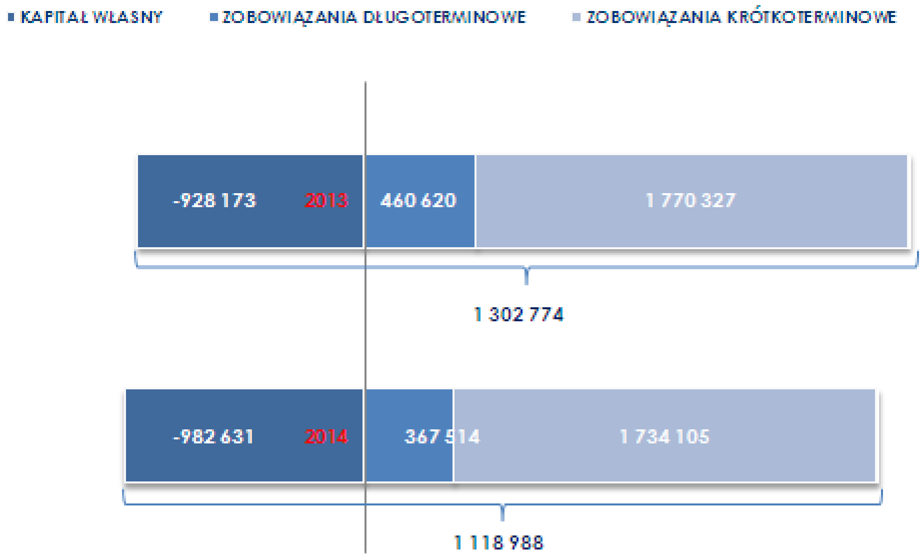
The basic asset structure ratio is discussed in detail in Section 1.6, Section VI.

There were significant changes in the value of particular items of assets and in the structure of total assets. In 2014, non-current assets fell 13% year on year. A decrease was seen in current assets, which fell 17%. As at the end of 2014, the share of non-current assets in total assets increased by 1% year on year. At the same time, the share of current assets in PBG's total assets dropped to 27%.

2. Equity and liabilities

As in the previous year, in 2014 equity was negative. The share of non-current liabilities in total equity and liabilities changed, as the value of non-current liabilities was down 20% year on year, and totalled PLN 368m. Current liabilities remained relatively flat year on year, at PLN 1,734m. The largest item of current liabilities, accounting for 70% of the total, was borrowings and other debt instruments, which comprised PLN 450m bonds issued by PBG in 2010, as well as PLN 375m bonds issued in 2009. In non-current liabilities, other provisions of PLN 362m represented the largest item.

Figure 15: Equity and liabilities (PLN '000)



Kapitał własny	Equity
Zobowiązania długoterminowe	Non-current liabilities
Zobowiązania krótkoterminowe	Current liabilities

Figure 16: Largest items of equity and liabilities (PLN' 000)

Table 24: Financial ratios (%)

NAME	FORMULA	2014	2013
Basic equity and liabilities structure ratio	(equity / debt capital)*100	-46.76	-41.60
Long-term capital to equity and liabilities ratio	(long-term capital / total equity and liabilities)*100	32.84	35.36
Capital reserves to equity and liabilities ratio	(capital reserves / total equity and liabilities)*100	35.70	37.76

The basic equity and liabilities structure ratio is discussed in detail in Section 1.9, Section VI.

Debt capital was PLN 2.102bn, down PLN 129m relative to the end of 2013. Over the same period, the share of long-term capital in total equity fell from 35% as at the end of 2013 to 33% one year later. The share of capital reserves in equity and liabilities decreased by 2 p.p., to 35.7% as at the end of 2013.

IV. STATEMENT OF CASH FLOWS

Table 25: Cash flows (PLN '000)

	2014	2013
Net cash from operating activities	-77,654	-13,526
Net cash from investing activities	+44,218	+32,505
Net cash from financing activities	-25,949	-14,404
Net cash at the end of the period	+40,421	+99,806

As in the previous year, cash flows from operating activities generated by PBG in 2014 were negative at PLN -77.7m. In the period under review, net cash from investing activities was positive at PLN 44.2m. Positive cash flows from investing activities were mainly attributable to repayment of loans advanced to subsidiaries (in particular companies from the PBG Dom Group), and partly to sale of non-operating assets. Net cash from financing activities in 2014 was negative at PLN -25.9m. The Company did not incur any bank borrowings in the reporting period, but repaid PLN 24m of claims not covered by the arrangement, due under credit facilities secured with Company's assets, through settlements with the creditors.

Table 26: Cash flow profile

	2014	2013
Net cash from operating activities	-	-
Net cash from investing activities	+	+
Net cash from financing activities	-	-
Net cash at the end of the period	+	+

V. NET DEBT

Table 27: Data used by PBG to compute net debt (PLN '000)

	2014	2013	Y-o-y change (%)
Non-current bank and other borrowings	0	0	-
Current bank and other borrowings	370,042	394,438	-6%
Finance lease liabilities (current and non-current)	5,173	5,848	-12%
Bonds	838,772	838,772	-
Net cash	40,421	99,806	-60%
Net debt	**1,173,566**	**1,139,252**	**+3%**

As at December 31st 2014, net debt was PLN 1.173bn, up 3% on the end of 2013. This amount comprises interest-bearing debt, including PLN 370m in current borrowings, PLN 5.2m in current and non-current finance lease liabilities, and PLN 838.8m in bonds, including 13.8m of interest (issued by the Company in two tranches: PLN 375m in 2009 and PLN 450m in 2010). Net cash of PLN 40.4m as at the end of 2014 was deducted from these amounts.

VI. INVESTMENTS

1. Equity investments

In 2014, PBG did not make any equity investments.

2. Expenditure on property, plant and equipment

In 2014, PBG did not incur any material expenditure on property, plant and equipment, as the aggregate value of such investments was only PLN 200 thousand.

3. Feasibility of the Group's investment plans in 2015

Given the current difficult financial position of the Company, no equity investments or major expenditure on property, plant and equipment are planned. It may, however, prove necessary to incur expenditure on property, plant and equipment required for the execution of contracts. With a view to raising additional funds, the Company intends to sell non-core assets.

VII. FINANCIAL OUTLOOK

Currently, PBG is in the process of company voluntary arrangement. Its expected financial condition and further operations to a large extent depend on the outcome of negotiations with financial institutions and other creditors. On June 12th 2013, the Company was notified that a list of claims had been delivered by the Court Supervisor to the Judge Commissioner. The total amount of the acknowledged claims placed in the list of claims by the court supervisor was PLN 2,776,254,806.77, which is in accordance with the Management Board's estimates. On July 4th 2013, the Judge announced that the drafting of the list of claims had been completed. Currently, in accordance with the Bankruptcy and Restructuring Law, examination of the objections raised against the list of claims, and revision of the claims are underway.

It should also be noted that on December 24th 2013, the Judge announced completion by the Court Supervisor of the first supplementary list of claims as at November 29th 2013. The total amount of the acknowledged claims included in the first supplementary list of claims by the court supervisor was PLN 191.25m. On May 28th 2014, the Judge announced completion by the court supervisor of the second supplementary list of claims as at April 22nd 2014. The total amount of the acknowledged claims included in the second supplementary list of claims by the court supervisor was PLN 89.7m. Subsequently, on August 13th 2014, the Judge announced completion of the third supplementary list of claims as at July 29th 2014. The total amount of the acknowledged claims included in the third supplementary list of claims by the court supervisor was PLN 70.7m.

On December 9th 2014, the Judge issued decisions approving: (i) the list of claims; (ii) the first supplementary list of claims; (iii) the second supplementary list of claims, and (iv) the third supplementary list of claims, as reported by the Company in Current Report No. 28/2014. On February 19th 2015, the Judge issued a decision setting the date and time of the Meeting of PBG Creditors, as reported by the Company in Current Report No. 4/2015. According to the decision, the Meeting of Creditors classified in Groups 1 and 2 was scheduled for 10.00 am on April 27th 2015 and 10.00 am on

April 28th 2015, whereas the Meeting of Creditors classified in all the other groups was set for 10.00 am on April 29th 2015.

It is another, and the most important, stage of the restructuring process. Its outcome is entirely up to the creditors and will decide the Company's future.

VIII. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

The main objective of capital management at PBG is to maintain good credit ratings and safe equity ratios that can support the operations of the Company and increase its value for shareholders. To maintain or adjust their capital structure, the Company may usually contract bank borrowings, issue bonds, decide to pay dividend to shareholders, return capital to shareholders, or issue shares or bonds. Due to the Company's ongoing insolvency in voluntary arrangement proceedings, at the date of approval of this Report capital management cannot be performed unless the Company enters into an arrangement with the creditors. Currently, the Company's key objective is to enter into and execute arrangement with its creditors, which would enable the Company to continue its operations and rebuild its shareholder value in the future.

IX. OFF-BALANCE-SHEET RECEIVABLES AND LIABILITIES

In the financial statements as at December 31st 2014, PBG disclosed contingent liabilities recognised as off-balance-sheet items of **PLN 1,713,404 thousand**. The contingent liabilities pertain to liabilities under sureties issued for credit facilities and trade payables, sureties issued to third parties by PBG Group companies, as well as liabilities under guarantees issued at the request of PBG Group companies to third parties and liabilities under promissory notes.

The Company has acknowledged the liabilities and once the arrangement is approved by vote and the court's decision approving the arrangement becomes final the liabilities will be paid in compliance with the arrangement. As at December 31st 2012, PBG estimated and recognised a provision for the contingent liabilities which may result in a future outflow of cash. As at December 31st 2014, the provision was PLN 354,510 thousand. Less the amount of recognised provision, the contingent liabilities disclosed by PBG as at December 31st 2014 amounted to PLN **1,358,894** thousand.

As at December 31st 2014, PBG disclosed contingent receivables of **PLN 38,495 thousand** as off-balance-sheet liabilities. The contingent receivables are related mainly to performance bonds of PLN 21,478 thousand and promissory notes of PLN 17,017 thousand.

PBG does not have any data regarding the amount of off-balance-sheet receivables and liabilities for the comparative period, i.e. as at December 31st 2013. PBG would have to incur disproportionately high costs and make undue effort to obtain the comparative data, therefore it decided to present the data for the current period only.

X. GOING CONCERN ASSUMPTION

The Company's current financial condition puts in question its ability to continue as a going concern. However, the financial statements were prepared on the assumption that the Parent would continue as a going concern in the foreseeable future, i.e. for at least 12 consecutive months from the date of preparation of these financial statements. This assumption was made due to the Parent's ongoing arrangement bankruptcy proceedings and the Management Board's efforts to arrange with the creditors and ensure that the Company may continue its business activities.

The Management Board wishes to indicate that, should the going concern assumption prove incorrect, the financial statements would have to reflect certain adjustments to the carrying amounts and classification of the Company's assets and liabilities which could be required if the Company were unable to continue its operations in the foreseeable future.

Below, the Company's Management Board presents the circumstances suggesting that the Company's and its Group's ability to continue as going concerns may be at risk, as well as the steps taken in order to mitigate the risk.

On June 4th 2012, the Company's Management Board made a decision to file an arrangement bankruptcy petition (grounds for the decision were presented in the Company's full-year report for 2012). On June 13th 2012, the District Court for Poznań–Stare Miasto in Poznań, 11th Commercial Insolvency and Arrangement Division, declared the Company insolvent, in a voluntary arrangement. The Court's decision became final on June 22nd 2012. Overall, twelve companies of the PBG Group filed arrangement bankruptcy petitions. The decision to make their filings almost simultaneously was prompted by the fact that the companies had provided cross guarantees to secure the repayment of bank loans and trade creditors, and (in some cases) assumed joint and several liability under consortium-delivered contracts. The formal and legal circumstances and the financial condition of the companies undergoing insolvency proceedings are very difficult, which affects both their business activities (for instance, their ability to secure new contracts) and the highly complex restructuring processes.

The voluntary arrangement procedure ensures proper satisfaction of the Creditors' claims following approval and implementation of the arrangement. Since 2012, the Company's Management Board has been actively involved in negotiations with the Creditors. The negotiations concern terms of debt repayment, including repayment periods, amounts and forms. During this time, the Creditors involved in financing the Company's or other Group companies' operations and representing the largest group of Creditors have been presented with a plan of the operational and asset restructuring of the Company. The plan has been prepared by the Company and its financial adviser PwC Polska Sp. z o.o. On November 3rd 2014, the Management Board and its legal adviser Weil, Gotshal&Manges, Paweł Rymarz Sp. k. completed the preparation of the Arrangement Proposals. On the same date, the Company filed the Arrangement Proposals along with the grounds therefor, with the Bankruptcy Court, as reported by the Company in Current Report No. 23/2014. Pursuant to the Arrangement Proposals, the Company's Creditors are to be satisfied in seven groups, depending on the category of interest they represent and the type and amount of their claims. The Creditors were divided into categories of interest in accordance with the Bankruptcy and Restructuring Law. The full text of the Arrangement Proposals as filed with the court is available on the Company's website at www.pbg-sa.pl in the 'Restructuring' section.

On June 12th 2013, the Company was notified that a list of claims had been delivered by the court supervisor to the judge commissioner. The total amount of the acknowledged claims included in the list of claims by the court supervisor was PLN 2,776,254 thousand. On July 4th 2013, the Judge announced that the drafting of the list of claims had been completed. On December 24th 2013, the Judge announced completion by the court supervisor of the first supplementary list of claims as at November 29th 2013. The total amount of the acknowledged claims included in the first supplementary list of claims by the court supervisor was PLN 191.25m. On May 28th 2014, the Judge announced completion by the court supervisor of the second supplementary list of claims as at April 22nd 2014. The total amount of the acknowledged claims included in the second supplementary list of claims by the court supervisor was PLN 89.7m. Subsequently, on August 13th 2014, the Judge announced completion of the third supplementary list of claims as at July 29th 2014. The total amount of the acknowledged claims included in the third supplementary list of claims by the court supervisor was PLN 70.7m.

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It is another, and the most important, stage of the restructuring process. Its outcome is entirely up to the creditors and will decide the Company's future.

In parallel to the steps taken to restructure debt, operational and asset restructuring efforts have also been undertaken.

The PBG Management Board believes that the arrangement would enable the Company to continue its day-to-day operations, which in turn would protect interests of the Creditors (in particular those with smaller claims), and would also help protect important social interests: jobs, interests of subcontractors, interests of project sponsors (awaiting performance of strategic contracts), and interests of local communities.

In the opinion of the Company's Management Board, the proper performance of the arrangement is guaranteed by:

- restructuring of Company's non-operating non-current assets, the sale of which will constitute one of the sources of payments to be made under the arrangement;
- divestment of the PBG Group's property development and other investment projects;
- ability to bid for profitable contracts in the power construction sector, based on cooperation with RAFAKO S.A., PBG's subsidiary;
- winning new contracts in the oil and gas sector, PBG's strategic segment.

CONTACT DETAILS

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SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS March 23rd 2015

President of the Management Board	**Jerzy Wiśniewski**
Vice-President of the Management Board	**Kinga Banaszak – Filipiak**
Vice-President of the Management Board	**Mariusz Łożyński**
Member of the Management Board	**Bożena Ciosk**