DIRECTORS' REPORT ON THE OPERATIONS OF PBG S.A.

for the period January 1st–December 31st 2017

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SECTION I: CORPORATE GOVERNANCE REPORT

I. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RULES

1. Corporate governance code adopted by PBG S.A.

PBG S.A. ("Company", "PBG", "parent") complies with the corporate governance standards set forth in the "Best Practice for WSE Listed Companies 2016" ("Best Practice") published on http://www.corp-gov.gpw.pl, adopted under the WSE Supervisory Board's Resolution No. 27/1414/2015 of October 13th 2015, effective as of January 1st 2016.

2. Departure from the corporate governance standards adopted by PBG S.A.

Following publication of the Best Practice, the Company revisited its own model of Corporate Governance and, on March 18th 2016, following its review by the Management Board and then by the Supervisory Board, it posted a statement of compliance with the Best Practice, available on the Company's website at: http://www.pbg-sa.pl/relacje-inwestorskie/lad-korporacyjny/dobre-praktyki-spolek-notowanych-oswiadczenia.html

During 2017, there were no changes in the scope of application of the Best Practice. The Company seeks to ensure the greatest degree of transparency, quality of its communication with investors and protection of shareholder rights, also in areas not regulated by law. Therefore, the Company has taken or will take steps to ensure the fullest possible compliance with the Best Practice for WSE Listed Companies.

The Management Board does not comply with the following standards:

Detailed principle I.Z.1.15 - The Company does not have a written diversity policy, nevertheless applies the principles of diversity in practice. In 2017, the Supervisory Board was composed of 7 persons, including: 2 women, 5 men with different areas of qualifications, i.e. 1 lawyer, 1 engineer, 5 economists and a wide age range: 1 person over 60 years of age, 2 people over 50 years of age, 2 people over 40 years of age, and 1 person over 30 years of age. The Management Board consisted of 4 persons, including: 1 woman, 3 men, with the following qualifications: 2 engineers, 1 lawyer, 1 economist and, as in the case of the Supervisory Board, representing a wide age range: 1 person over 60 years of age, 1 person over 50 years of age, 1 person over 40 years of age, and 1 person over 30 years of age.

Recommendation IV.R.2. – The Company did not broadcast its General Meetings. In the Management Board's opinion, the publication of all resolutions passed by the General Meeting on the Company's website and other publicly accessible internet sites, such as www.gpwinfostrefa.pl, ensures wide access to information and adequate communication with the shareholders. However, the Company does not rule out that it might implement this rule in the future.

Recommendation VI.R.3. – The Remuneration Committee operates on the basis of the rules of procedure for the Supervisory Board.

Detailed principle II.Z.7. – The appointed committees operate on the basis of the rules of procedure for the Supervisory Board.

Detailed principle IV.Z.2. – The Company did not broadcast its general meetings. In the Management Board's opinion, the publication of all resolutions passed by the General Meeting on the Company's website and other publicly accessible internet sites, such as www.gpwinfostrefa.pl, ensures wide access to information and adequate communication with the shareholders. However, the Company does not rule out that it might implement this rule in the future.

Detailed principle V.Z.6. - As at the date of publication of the financial statements for the financial year 2017, ("Report Date"), the Company was at the final stage of preparing procedures based on the above principle. The procedures are planned to be implemented during the first half of 2018 across the PBG Group.

Detailed principle VI.Z.1. – The base pay and bonuses for Management Board members are determined by the Supervisory Board based on the level of a member's involvement and scope of responsibilities.

Detailed principle VI.Z.4. – The Company complies with the laws of general application in this respect.

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 separate as well as consolidated financial statements and periodic reports, prepared

and published in accordance with the applicable laws. In 2017, the process of preparation of financial statements was coordinated in the Company by the Accounting Coordination Director, but the process itself was contractually outsourced to a third-party service provider. The Group's controlling departments play an important role in the preparation of financial statements.
The principal measures mitigating contractual risks at the Company involve correct assessment and analysis of executed contracts, including recognised revenues and expenses. Budgets for individual projects are drawn up in compliance with IAS 11 and IAS 18 by duly trained project managers using their best knowledge and experience. In the course of preparation and performance of contracts, budgets are reviewed and updated on an ongoing basis. Controlling departments play an important role in these processes. This is where contracts signed with customers are analysed and then revenues under these contracts are duly recognised. After IFRS 15 entered into force on January 1st 2018, the Company is obliged to compile more detailed analyses of concluded agreements and their possible breakdown when recognising revenues. Mitigation of contractual risks is the responsibility of the Company's controlling departments. Ongoing monitoring of the implementation of the divestment plan, as a significant source of financing for the obligations under the arrangement and the bonds, is also of key importance for the Company. The Company's financial information is presented using consistent accounting policies, which are in line with the measurement and presentation policies applied across the Group. The financial statements are signed by a person representing the third-party service provider responsible for the preparation of financial statements of PBG and the PBG Group under outsourcing arrangements. Persons responsible for controlling and coordinating the process of preparing financial statements have relevant knowledge and experience in the field, and all of them are bound by non-disclosure agreements. This applies to both employees of the Company as well as employees of the entities cooperating in the preparation of financial statements.
At PBG, persons responsible for the area related to the preparation of financial statements are: Member of the Management Board and the Accounting Coordination Director. In accordance with the procedures in place, during the preparation of financial statements, the above persons managing the process are kept informed and review on an ongoing basis all the work of the team preparing the financial statements. The financial statements, after being prepared and accepted by responsible persons representing the Company, are – in accordance with applicable laws – audited or reviewed by an authorised entity selected by the Company's Supervisory Board from among reputable audit firms offering high-quality audit services and satisfying the criteria of independence.
Managing the risk associated with the preparation of financial statements involves an ongoing identification and assessment of relevant risk areas together with definition and implementation of mitigating measures.

4. Shareholders holding directly or indirectly major 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 those shares represent at the General Meeting

See Section V *Shares and Shareholders*.

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.

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

The PBG Articles of Association as currently in effect ("Articles of Association") do not provide for any limitations on the voting rights of holders of a given percentage or number of voting rights.
The restrictions on transferability of shares by Jerzy Wiśniewski are described in Section V.VII of this Report – *Restrictions on transfer of ownership rights to PBG securities.*

7. Governing bodies of the Company – legal basis and composition

General Meeting – formal and legal basis

The General Meeting is convened and operates in accordance with:
- Art. 393 – 429 of the Commercial Companies Code;
- Art. 20 – 28 of the Company's Articles of Association, available on the Company's website at: http://www.pbg-sa.pl/relacje-inwestorskie/lad-korporacyjny/statut-spolki.html;
- Rules of Procedure for the General Meeting, available on the Company's website at: http://www.pbg-sa.pl/relacje-inwestorskie/lad-korporacyjny/walne-zgromadzenie-14.html.

The main powers of the General Meeting are set out in Art. 26 and 28 of the Articles of Association.
In 2017, two General Meetings were held, including an Extraordinary General Meeting on January 16th 2017 and the Annual General Meeting on April 27th 2017. An important decision made by the Extraordinary General Meeting was to provide more precise wording of the terms and conditions of series I subscription warrants which permitted Jerzy Wiśniewski to fulfil his obligation to keep his shareholding in the Company at no less than 23.61%.
An important decision made by the Annual General Meeting was, in addition to the resolutions passed in connection with the closing of the 2016 financial year, a change in the way the Company is represented and adoption of new Rules of Procedure for the Supervisory Board.
In 2017, an Extraordinary General Meeting was also called for November 28th 2017 in order to decide on the Company's merger with PBG AVATIA Sp. z o. o. Due to the lack of quorum the meeting was finally cancelled. Another meeting concerning the merger took place on January 9th 2018 and passed a resolution approving the merger. The merger was registered on March 21st 2018.
All the information regarding the agenda and resolutions adopted by the General Meeting is available on the Company's website at: http://www.pbg-sa.pl/relacje-inwestorskie/wza.html.

Supervisory Board – legal basis and composition in the reporting period

The Supervisory Board is appointed and operates in accordance with:
- Art. 381 – 392 of the Commercial Companies Code;
- Art. 29 – 36 of the Company's Articles of Association, available on the Company's website at: http://www.pbg-sa.pl/relacje-inwestorskie/lad-korporacyjny/statut-spolki.html;
- Rules of Procedure for the Supervisory Board, available on the Company's website at: http://www.pbg-sa.pl/pub/pl/uploaddocs/raport-biezacy-19-2017-zalacznik-nr-1-regulamin-rn.3348079567.pdf.
including:
- the principles of appointment to the Supervisory Board are defined in Art. 29 and 50 of the Articles of Association;
- the powers of the Supervisory Board are described in Art. 34 - 36 of the Articles of Association.

Composition of the Supervisory Board

The composition of the Supervisory Board of the ninth term of office commenced on November 17th 2016, in the period January 1st–December 31st 2017:

Helena Fic – Chair of the Supervisory Board;
Małgorzata Wiśniewska – Deputy Chair of the Supervisory Board;
Andrzej Stefan Gradowski – Secretary of the Supervisory Board (as of January 25th 2017);
Dariusz Sarnowski – Member of the Supervisory Board;
Faustyn Wiśniewski – Member of the Supervisory Board;
Maciej Stańczuk – Member of the Supervisory Board;
Przemysław Lech Figarski – Member of the Supervisory Board.

Five of the members of the Supervisory Board were appointed by the Main Shareholder, Mr Jerzy Wiśniewski, in the exercise of powers vested in him personally, as provided for inArt. 50 of the Articles of Association, while two members, i.e. Mr Maciej Stańczuk and Mr Przemysław Lech Figarski, were appointed by the Company's General Meeting.

Biographical notes of the Supervisory Board members:

Helena Fic

Chair of the Supervisory Board, member of the Remuneration Committee

In 2000−2005, Ms Helena Fic worked as a lawyer at PUT KOMA S.A. Poznań (currently: INEA S.A.). In 2005−2012, she worked for law firm Kancelaria Prawna Maciej Bednarkiewicz, Andrzej Wilczyński i Wspólnicy sp. k. as a legal counsel. Currently, she runs her own practice Kancelaria Radcy Prawnego Helena Fic (sole proprietorship) and is a partner in Fic i Wspólnicy Kancelaria Radców Prawnych sp. k.

In 2000, Ms Helena Fic received a *Magister* degree in law from the Adam Mickiewicz University of Poznań.

Małgorzata Wiśniewska

Deputy Chair of the Supervisory Board, member of the Remuneration Committee

In 1984−1991, Ms Małgorzata Wiśniewska was an assistant designer at Przedsiębiorstwo Uprzemysłowionego Budownictwa Rolniczego of Poznań. From January 1st 1998 to January 2nd 2004, Ms Wiśniewska worked for the Company as Quality System Director, Public Relations Director and Member of the Management Board. From January 2nd 2004 to November 14th 2006, she served as Vice President of the Management Board. Ms Małgorzata Wiśniewska is also a supervisory board member at certain Group companies, including PBG Dom Sp. z o.o., PBG ERIGO Sp. z o.o., PBG AVATIA Sp. z o.o (until March 21st 2018), and RAFAKO S.A.

Ms Małgorzata Wiśniewska is a graduate of the Faculty of Civil Engineering at the Poznań University of Technology. She completed post-graduate studies in management and public relations at the Faculty of Finance and Banking of the Poznań School of Banking, and a one-year management programme run by the Canadian International Management Institute. In addition, she completed a two-year MBA programme (Executive Master of Business Administration) organised by the Gdańsk Foundation for Management Development and the University of Gdańsk in association with the Rotterdam School of Management.

Andrzej Stefan Gradowski

Secretary of the Supervisory Board, until June 29th 2017 Member of the Remuneration Committee and from June 29th 2017 Chair of the Audit Committee, independent

Since 1996, Andrzej Stefan Gradowski has been the owner of G.C. Consulting Sp. z o.o. In 1996–2002, he was as an adviser to the president of BZ WBK S.A. In 2002, he became a member of the supervisory boards of MACOPHARMA S.A. and LOOK Investment S.A. In 2010–2012 he served as a supervisory board member at Alterco S.A. and Trigon S.A.

Mr Andrzej Stefan Gradowski earned a *Magister* degree from the Warsaw School of Economics, and then completed post-graduate programmes in management in Dublin and London.

Dariusz Sarnowski

Member of the Supervisory Board, Member of the Audit Committee

Mr Dariusz Sarnowski began his professional career in 1996 at W. Frąckowiak i Partnerzy Sp. z o.o., as an assistant in the Consulting Department, and subsequently in the Audit Department. In 1998, Mr Dariusz Sarnowski worked as an inspector at BZ WBK S.A.'s Capital Markets Department Advisory Division, in 1999 as a manager at the Trade Institute - Reemtsma Polska S.A. (currently Imperial Tobacco Polska S.A.), and in 2000 as an assistant at BDO Polska Sp. z o.o.'s Audit Department. In 2000–2003, he worked for HLB Frąckowiak i Wspólnicy Sp. z o.o. as an assistant, senior and finally head of the Audit Department. In 2003–2004, he served as vice president of the management board of Usługi Audytorskie DGA Sp. z o.o. In 2004−2009, he held the position of president of the management board at Sarnowski & Wiśniewski Spółka Audytorska Sp. z o.o., and in 2009−2015 he was member of the management board of SWGK Audyt Sp. z o.o. Since 2011, Dariusz Sarnowski has been a member of the management board of SWGK Podatki Sp. z o.o. and SWGK Księgowość Sp. z o.o., and since 2014 has served as president of the management board of SWGK Consulting Sp. z o.o.

Mr Dariusz Sarnowski graduated from the Poznań University of Economics with a *Magister* degree in company management. He was certified as a statutory auditor by the National Chamber of Statutory Auditors.

Maciej Stańczuk

Member of the Supervisory Board, Member of the Audit Committee, independent

Mr Maciej Stańczuk was a management board member at Polski Bank Rozwoju and president of the management board of WestLB Bank Polska (currently Nest Bank S.A.), where he worked for 20 years. Mr Stańczuk was acting president of the management board of Polimex-Mostostal S.A. from May 9th 2014 to April 2nd 2015. Previously, from February 2014, he had been vice president of the management board of Polimex-Mostostal S.A.

Mr Maciej Stańczuk graduated from the Faculty of Foreign Trade of the Central School of Planning and Statistics in Warsaw (currently the Warsaw School of Economics) and Faculty of Economics of the University of Göttingen. He then went on to complete a post-graduate programme at the Faculty of International Economic Relations of the University of Mannheim. He also completed the Advanced Management Programme at the IESE Business School of the University of Navarra.

Przemysław Lech Figarski

Member of the Supervisory Board

From 1989, Mr Przemysław Lech Figarski worked for Bank PEKAO S.A., where he was responsible for product implementation and development, to be subsequently appointed as management board member. From January 2012 to May 2014, Mr Figarski served as vice president of the management board at Bank Ochrony Środowiska S.A. Since 2016, he has been vice president of the management boards of Dotpay S.A., eCard S.A. and Mobiltek S.A., as well as member of the management board of Eurokoncept Sp. z o.o.

Mr Przemysław Figarski graduated from the Kraków University of Economics, where his principal field of study was international economic relations, having earned a *Magister* degree in economics.

Faustyn Wiśniewski

Member of the Supervisory Board, until June 29th 2017 Member of the Audit Committee

Mr Faustyn Wiśniewski commenced his professional career in 2010 as a sole trader. Since 2015, he has been director of international business development at PBG oil and gas Sp. z o.o., and since 2016 − regional director for international markets at RAFAKO S.A.

Mr Faustyn Wiśniewski earned a Bachelor of Business Administration degree from the European University of Geneva, Switzerland. Then he earned an MBA from the European University of Montreux, Switzerland, and OMB − International Business from the same university.

The Supervisory Board's term of office is three years.

As at December 31st 2017 and as at the date of issue of this Report, the composition of the Supervisory Board did not change.

Supervisory Board committees

Under the Rules of Procedure for the Supervisory Board, an Audit Committee and a Remuneration Committee were set up, appointed by the Supervisory Board from among its members.

The Audit Committee operates under its rules of procedure approved by resolution of the Supervisory Board. The Audit Committee's powers and responsibilities include: (i) monitoring of the financial reporting process; (ii) monitoring of the effectiveness of the internal control, internal audit and risk management systems; (iii) monitoring of financial auditing procedures; (iv) monitoring of the independence of auditors and the entity qualified to audit financial statements; (v) recommending to the Supervisory Board a qualified auditor to perform financial audit procedures at the Company.

The Remuneration Committee operates under its rules of procedure approved by resolution of the Supervisory Board. The Remuneration Committee's powers and responsibilities include: (i) overall monitoring of the applied remuneration policies and the levels of remuneration at the Company; (ii) defining the terms and conditions of employment for members of the Company's Management Board and management personnel; (iii) defining the bonus scheme for a given financial year.

The Remuneration Committee elects the Chair from among its members. The Remuneration Committee convenes on an ad hoc basis, at least once a quarter, and submits annual reports on its activities, which are subsequently included in reports on the Supervisory Board's activities, submitted to the shareholders at the General Meeting.

Management Board

The Management Board is appointed and operates under the provisions, powers and competences laid down in:
- Art. 368 – 380 of the Commercial Companies Code;
- Art. 37 – 40 of the Articles of Association, available on the Company's website at: http://www.pbg-sa.pl/relacje-inwestorskie/lad-korporacyjny/statut-spolki.html;
including:
- the rules of appointment to the Management Board are defined in Art. 37 and Art. 50 of the Articles of Association;
- the powers of the Management Board are laid down in Art. 40 of the Articles of Association.

Members of the Management Board in the period January 1st–December 31st 2017 were appointed to the Management Board whose term of office commenced on November 20th 2016 by Mr Jerzy Wisniewski, the Entitled Founder, in the exercise of his powers under Art. 50.9 and 50.10 of the Articles of Association.
Composition of the Management Board in the reporting period:
Jerzy Wiśniewski – President of the Management Board;
Mariusz Łożyński – Vice President of the Management Board
Dariusz Szymański – Vice President of the Management Board;
Kinga Banaszak-Filipiak − Member of the Management Board.

Biographical notes of the Management Board members:

Jerzy Wiśniewski – President of the Management Board
Mr Jerzy Wiśniewski began his professional career in 1984 as head of the gas transmission system operations at PGNiG S.A. In 1994−1998, he was the owner of Piecobiogaz J. Wiśniewski, M. Wiśniewska s.c. He also worked for Gazmontaż S.A. In 1998−2004, he was a shareholder and president of the management board of Technologie Gazowe Piecobiogaz Sp. z o.o. (the legal predecessor of PBG); in 2004−2012 and then since 2014 he has served as President of the PBG Management Board. Since 2012, he has sat on the supervisory board of RAFAKO, currently as its chair.
Mr Jerzy Wiśniewski is a graduate of the Faculty of Civil Engineering at the Poznań University of Technology. He completed an MBA programme run by the Gdańsk Foundation for Management Development, University of Gdańsk and Rotterdam School of Management – Erasmus Graduate School of Business. In addition, he completed the 'Management 2000' professional development course for managers organised by the Canadian International Management Institute. He also completed a course for candidates to supervisory boards at state-owned companies. Mr Wiśniewski holds numerous certificates confirming his qualifications in construction.

Mariusz Łożyński – Vice President of the Management Board
Mariusz Łożyński began his professional career in 1983 as senior assistant at Biuro Projektów Organizacji i Mechanizacji Robót Elektrownianych. He was a senior assistant designer at GEOBUD Poznań and served as office director at Concret-Service Poznań. In 1991−1999, he worked for KULCZYK TRADEX. In 1999, Mariusz Łożyński joined Poznańskie Towarzystwo Ciepłownicze in a managerial position, and in 2000 started to work for PBG's legal predecessor Technologie Gazowe Piecobiogaz Sp. z o.o., first as head of the engineering unit, then head of the contract execution support department and manager in charge of contract preparation. After Technologie Gazowe Piecobiogaz Sp. z o.o. had been transformed into PBG S.A., Mr Mariusz Łożyński was responsible for contract acquisition, first as director and commercial proxy, and then as Member and subsequently Vice President of the Management Board.
Mr Mariusz Łożyński graduated from the Faculty of Civil Engineering at the Poznań University of Technology. In 2002, he also completed the 'Management 2002' professional development course for managers organised by the Canadian International Management Institute.

Dariusz Szymański – Vice President of the Management Board

Mr Dariusz Szymański began his professional career in 2001, setting up his own legal counsel practice. In 2005−2015, he served as president of the management board of Pomerania Development Spółka z o.o. In 2008−2012, he was a partner at law firm Skoczyński Wachowiak Strykowski Kancelaria Prawna. In 2007−2015, Mr Dariusz Szymański was president of the management boards at the following companies: Domus S.A., Domdar Spółka z o.o., Jastarport Spółka z o.o., Mierzeja Development Spółka z o.o., Słowian Invest Spółka z o.o., Avelar Spółka z o.o., Colima Spółka z o.o., Tambora Spółka z o.o., and Tacamo Spółka z o.o.
Mr Dariusz Szymański is also a sole trader running his own legal counsel practice.
Mr Szymański graduated from the Faculty of Law and Administration of the Adam Mickiewicz University in Poznań. He is a legal counsel at the Regional Chamber of Legal Counsels in Poznań.

Kinga Banaszak-Filipiak − Member of the Management Board

Ms Kinga Banaszak-Filipiak has been with the Company since 2005, holding the positions of Analyst, Research Director, Capital Market Relations Director and then Investor Relations Director, also serving as Press Officer. She has been on the PBG Management Board since 2013, first as Vice President and, since November 20th 2016, as Member of the Management Board. At PBG oil and gas Sp. z o.o. she served as vice president of the management board in 2013–2014, and since 2014 as supervisory board member. She sat on the supervisory board of TESGAS S.A. in 2009–2012. Since 2014, she has been a partner and now president of the management board of FCS Business Solutions Sp. z o.o. She is also a member of the management board of FCS Księgowość Sp. z o.o.
Ms Kinga Banaszak-Filipiak graduated in European Studies from the Poznań School of Banking (WSB), where she earned a *Magister* degree in International Finance. She completed a supplementary master's programme, receiving a diploma in International Relations from the Faculty of Management of the Poznań University of Economics. Ms Banaszak-Filipiak continued her education as a postgraduate student at the Poznań School of Banking in management control and equity investments. She obtained an Executive MBA title from WSB (based on a programme run in association with the Aalto University School of Economics). She holds an LCCI Certificate. She also completed postgraduate studies in Bankruptcy Law organised by the Faculty of Law and Administration of the Adam Mickiewicz University in Poznań.

The Management Board's term of office is three years.
As at December 31st 2017 and as at the issue date of this Report, the composition of the Management Board did not change.

8. Planned changes in the composition of the Management Board and the Supervisory Board

Not applicable.

9. Powers of the Company's governing bodies to decide on issue or buyout of shares

In accordance with Art. 28 of the Articles of Association available on the Company's website at: http://www.pbg-sa.pl/relacje-inwestorskie/lad-korporacyjny/statut-spolki.html decision-making powers regarding share capital increase and buyout of shares lie with the General Meeting.
Other shareholder rights, as laid down in Art. 328 – 367 of the Commercial Companies Code, are more precisely defined in Art. 14 – 18 of the Articles of Association.

10. Procedures for amendments to the Company's Articles of Association

Pursuant to Art. 26.2 of the Articles of Association, amendments to the Articles of Association require a resolution of the General Meeting passed by at least three quarters (3/4) of votes, in the form of a notarial deed (with the proviso that pursuant to Art. 26.8 of the Articles of Association, a resolution on a material change in the Company's business requires a resolution passed by at least three quarters (3/4) of votes, with shareholders representing at least a half of the share capital present at the meeting). In addition, amendments to the Articles of Association regarding change of the provisions on personal rights require prior written consent of the Entitled Party.

11. Charitable activities

The direction of the PBG Group's CSR activities is defined in the document entitled "Integrated Management System Policy", in which the Group declares its commitment to quality improvement, environment protection, occupational health and safety, as well as active engagement with local communities, helping those in need, and supporting talent.

The Company's CSR policy in the charity area is implemented through the PBG Foundation established specifically for that purpose and in cooperation with the Marketing Office of RAFAKO S.A. Detailed information on the current charity activities is presented in the non-financial statement for the PBG Group.

II. COMPANY SHARES OR RIGHTS TO COMPANY SHARES (OPTIONS) HELD BY PBG MANAGMENT OR SUPERVISORY PERSONNEL

Company shares or rights to Company shares (options) held by PBG supervisory personnel as at December 31st 2017

Supervisory personnel	Number of shares	
	As at Dec 31 2017	As at this Report filing date
Małgorzata Wiśniewska	3,279	3,279

Company shares or rights to Company shares (options) held by PBG managing personnel as at December 31st 2017

Managing personnel	Number of shares	
	As at Dec 31 2017	As at this Report filing date
Jerzy Wiśniewski	189,836,345	189,902,366

III. REMUNERATION, BONUSES AND BENEFITS OF THE SUPERVISORY AND MANAGEMENT BOARD MEMBERS

1. Remuneration of the Supervisory Board members

Remuneration payable to members of the Supervisory Board was determined by a resolution of the PBG S.A. Extraordinary General Meeting of December 10th 2005.

The amounts of their remuneration depend on each Supervisory Board member's duties and remit of responsibilities.

Remuneration of Supervisory Board members for holding office at the parent

Remuneration (PLN '000)	Jan 1 – Dec 31 2017			Jan 1 – Dec 31 2016		
	Base pay	Other benefits	Total	Base pay	Other benefits	Total
Helena Fic	120	-	120	15	-	15
Małgorzata Wiśniewska	96	-	96	96	3	99
Dariusz Sarnowski	36	-	36	36	-	36
Andrzej Stefan Gradowski	58	-	58	58	-	58
Faustyn Wiśniewski	47	-	47	4	-	4
Maciej Stańczuk	36	-	36	1	-	1
Przemysław Lech Figarski	36	-	36	1	-	1
Maciej Bednarkiewicz	-	-	-	100	-	100
Jacek Krzyżaniak	-	-	-	36	-	36
Roman Wenski	-	-	-	3	-	3
TOTAL	**429**	**-**	**429**	**350**	**3**	**353**

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

Remuneration (PLN '000)	Jan 1 – Dec 31 2017			Jan 1 – Dec 31 2016		
	Base pay	Other benefits	Total	Base pay	Other benefits	Total
Helena Fic	-	-	-	-	-	-
Małgorzata Wiśniewska	898	240	1,138	891	240	1131
Dariusz Sarnowski	195	-	195	228	600	828
Andrzej Stefan Gradowski	-	-	-	-	-	-
Faustyn Wiśniewski	244	7	251	-	-	-
Maciej Stańczuk	-	-	-	-	-	-
Przemysław Lech Figarski	-	-	-	-	-	-
TOTAL	**1,337**	**247**	**1,584**	**1,119**	**840**	**1,959**

2. Remuneration of the Management Board members

In accordance with the Company's Articles of Association, members of the Management Board are entitled to such base pay, bonuses and perquisites as provided for in Supervisory Board's resolutions. The amounts of their remuneration depend on each Management Board member's duties and remit of responsibilities.

Remuneration of Management Board members for holding office at the parent

Remuneration (PLN '000)	Jan 1 – Dec 31 2017			Jan 1 – Dec 31 2016		
	Base pay	Other benefits	Total	Base pay	Other benefits*	Total
Jerzy Wiśniewski	750	-	750	750	-	750
Mariusz Łożyński	468	-	468	360	2	362
Kinga Banaszak-Filipiak	384	-	384	384	3	387
Dariusz Szymański	540	-	540	540	-	540
Bożena Ciosk	-	-	-	273	-	273
TOTAL	**2,142**	**-**	**2,142**	**2,307**	**5**	**2,312**

Remuneration of Management Board members for holding office at subsidiaries, jointly-controlled entities and associates

Remuneration (PLN '000)	Jan 1 – Dec 31 2017			Jan 1 – Dec 31 2016		
	Base pay	Other benefits	Total	Base pay	Other benefits	Total
Jerzy Wiśniewski	1,688	960	2,648	1,689	780	2,469
Mariusz Łożyński	54	-	54	51	-	51
Kinga Banaszak – Filipiak	120	-	120	120	-	120
Dariusz Szymański	108	-	108	108	-	108
TOTAL	**1,970**	**960**	**2,930**	**1,968**	**780**	**2,748**

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

The Company has executed non-compete agreements with members of the Management Board: Mariusz Łożyński, Vice President of the Management Board, and Kinga Banaszak-Filipiak, Member of the Management Board. After their employment with the Company is terminated, those members of the Management Board may not engage, whether personally or through third parties, in any activities competing with the Company's business. The non-compete agreements will remain in effect for 12 months from the date of termination of the relevant employment contracts. Over that period, the Company is obliged to pay monthly compensation to the Management Board members equal to 100% of their remuneration from before the termination of employment.

V. AUDITOR OF THE FINANCIAL STATEMENTS

The auditor appointed to audit the Company's separate financial statements and the PBG Group's consolidated financial statements for 2017 is Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly Ernst & Young Audit Sp. z o.o.) ("E&Y").

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. also audits the financial statements of the RAFAKO Group companies, PBG oil and gas Sp. z o.o., PBG Dom Sp. z o.o., and Górecka Projekt Sp. z o.o.

1. Agreement date
PBG executed a relevant agreement with Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. on March 23rd 2017.

2. Total fees
Total fees due to Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. for the review of the interim condensed financial statements of PBG and the interim condensed consolidated financial statements of the PBG Group for H1 2017 as well as for the audit of the financial statements of the Company and of the consolidated financial statements of the PBG Group for 2017 amount to PLN 350,000, VAT exclusive.

Due to the provisions of Art. 134.1 of the Act on Qualified Auditors, the agreement can not be continued.

VI. NON-FINANCIAL STATEMENT OF THE PBG GROUP

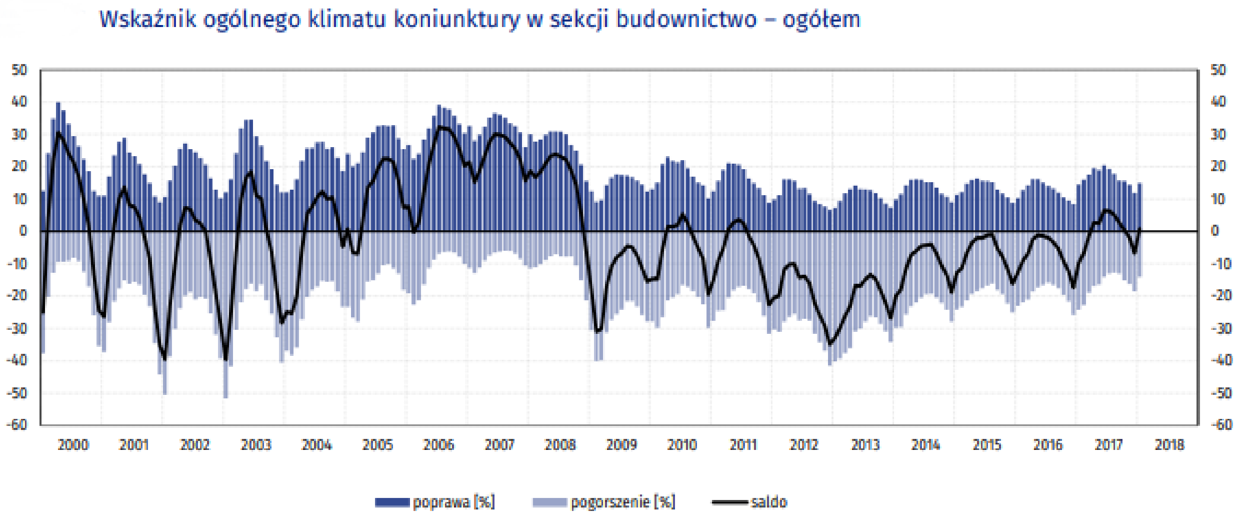
PBG, individually as a company, does not meet the criteria to be considered a company subject to the obligation to report the non-financial information specified in Art. 49b of the Accounting Act. However, it is obliged to publish a non-financial statement for the PBG Group, taking into account the lower-level parent's group, made up by RAFAKO S.A., which is exempt from the requirement to publish the statement under Art. 49b.11 of the Accounting Act. The non-financial statement is a separate document.

SECTION II: RISKS AND FINANCIAL RISK MANAGEMENT REPORT

I. RISKS AND THREATS

EXTERNAL RISKS AND THREATS

1. Risks from macroeconomic conditions
The Company's business is conducted in Poland. As a result, its operations are affected by macroeconomic factors related to the Polish market. Macroeconomic developments, including GDP growth, inflation rate, unemployment, average pay, levels of industrial and construction output, investment expenditure, foreign exchange rates and relations between fuel and energy prices, have an impact in particular on the sector of specialist services for the oil, gas and fuel industry and the power construction sector, including the number of investment projects carried out in the sectors, and thus also on the number and value of the Group companies' prospective contracts. As a consequence, the Group companies are exposed to the risks and fluctuations due to the effect of economic conditions on the level of investment in the sectors of (i) specialist services for the oil, gas and fuel industry; and (ii) construction services for the power industry, in which they operate. Moreover, the economic conditions in Poland may deteriorate in future.
In January 2018, the general business climate in the construction industry in Poland was regarded as slightly better than in the last three months and in the corresponding month of the last nine years. The general business climate indicator stood at 0.8%. Market conditions were seen as improving by 14.9% of businesses, while 14.1% stated the conditions were deteriorating. Other companies did not perceive any changes in their situation.



Source: *http://stat.gov.pl*

General business climate indicator in the construction sector	Wskaźnik ogólnego klimatu koniunktury w sekcji budownictwo-ogółem
improvement (%)	Poprawa
deterioration (%)	pogorszenie
net	saldo

Opinions about order books and construction and assembly output are a bit less negative than those voiced in December last year. Forecasts regarding construction and assembly output and financial position are less pessimistic than expectations formulated in the corresponding month of the last nine years. Growing delays in payments for completed construction works continue to be reported. Forecasts indicate that employment levels may remain unchanged over the next three months. A rise in the price of construction and assembly works is expected. From among the surveyed entities, 30.6% (24.9% a year before) plan to carry out construction and assembly works abroad.

2. Competition risk

PBG operates mainly in the market of specialist construction services for the gas and oil upstream and downstream sectors and power construction. In the past, the Company also secured and executed contracts in the infrastructure and residential construction segments, in which it holds relevant experience.
The Company operates in a market divided up between large players, with some medium-sized entities also present. Contracts are typically awarded through public tenders announced by contracting authorities, and projects can take as much as several years to complete. Apart from pricing, other important sources of competitive advantage include experience in the execution of complex specialist projects, relevant credentials, high quality of services and efficient organisation enabling contract delivery on an EPC basis.
Competition risk within the Group is mitigated by PBG through:

- assuring high quality of services rendered;
- entering into strategic alliances with reputable foreign partners operating in the Polish and foreign markets;
- Gaining new credentials (and know-how) enabling the Company to broaden its offering to the market.

The table below presents Polish and international competitors active in the Company's markets:

MARKET	BUSINESS SEGMENT	DOMESTIC COMPETITORS	INTERNATIONAL COMPETITORS
OIL AND GAS	UNDERGROUND GAS STORAGE FACILITIES	- ABB - IDS-BUD - Control Process - Stalbud Tarnów - ZPUH Metalnaft - PGNiG Technologie	- KT- Kinetics Technology - Tecnimont - Sofregas - CKD Praha
	LNG PLANTS	- Polimex Mostostal - Mostostal Warszawa - Budimex	- Tractebel - Tecnimont - Linde - Saipem - KT - Kinetics Technology - Thermo Design Engineering - DAEWOO Engeneering&Construction - Costain
	TRANSMISSION	- IDS-BUD - ZRUG Poznań - MTM Nowum - ZRUG Zabrze - Gazoprojekt - Izostal - Energotest - IDS-BUD - Energy System - TESGAS - Budimex - ATREM - ALSI - GPT - POLAQUA - POLDE - Instal-Gaz - REDGAZ - WIERTCONSULTING - Eda-Serwis - JT ZAKŁAD BUDOWY GAZOCIĄGÓW - Górnośląski Zakład Obsługi Gazownictwa - Gazobudowa Poznań - PGNiG Technologie - Control Process	- FCC CONSTRUCCION - AB Kauno dujotiekio statyba - A.Hak Leidingbouw B.V. - OT INDUSTRIES - KVV CONTRACTOR - PPS Pipeline Systems - PSJ Hydrotransit - Moravsky Plynostav - Denys NV - Bilfinger Infrastucture - SICLISALDO
	REFINERIES	- KTI Polska - Polimex Mostostal	- ABB - PSJ Hydrotranzit - Techint
	DELIVERY OF SPECIALIST GAS EQUIPMENT AND AUXILIARY INFRASTRUCTURE	- Control Process - Budimex - Polimex Mostostal - Stalbud - PGNiG Technologie - ABB - Górnośląski Zakład Obsługi Gazownictwa	- ABB - KAWASAKI
	OIL AND GAS 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
CONSTRUCTION	INDUSTRIAL CONSTRUCTION SPECIALIST CONSTRUCTION RESIDENTIAL CONSTRUCTION	- WARBUD - POL-AQUA - Budimex - Dom Development - Hochtief Polska - Echo Investment - Instal Kraków - SKANSKA S.A. - IDS-BUD S.A.	- SKANSKA - STRABAG - PSJ Hydrotranzit, a.s.
POWER ENGINEERING	CONSTRUCTION OF POWER GENERATING UNITS POWER EQUIPMENT	- Polimex Mostostal - Mostostal Warszawa - Budimex - Energoinstal - Erbud - IDS-BUD - Control Process - KB Pomorze - Mostostal Zabrze - Stalbud Tarnów - Instal Warszawa - WARBUD - Strabag	- Alstom - Siemens - Samsung - Iberdrola - SNC-Lavalin - GE - Abener - COVEC - CNEEC - Metso - SEC - Saipem - Mitsubishi Hitachi Power Systems - Posco Engineering & Construction - Bilfinger Berger Power Systems - Foster Wheeler - CNIM - Andritz - Gama Güç Sistemleri Mühendislik ve Taahhüt - Doosan Power Systems - Sener Ingenieria y Sistemas - Tecnicas Reunidas - Ansaldo Energia

3. Poland's membership in the European Union

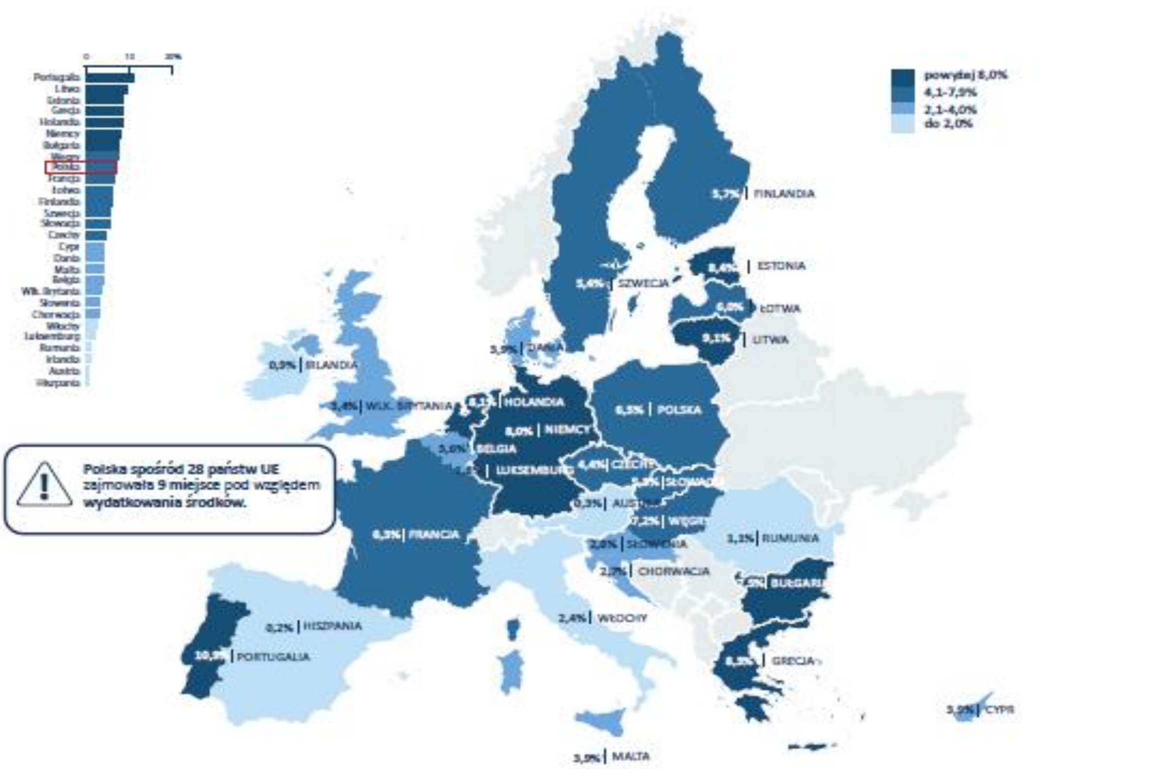
Most of the Group companies' contracts are won through public procurement. In the European Union, and consequently also in Poland, the amount of dedicated EU funding is a key factor determining the value of contracts tendered under the public procurement regime. As a result, the main driver of the infrastructure construction segment in the coming years may be an inflow of new EU funds.

Under the new EU financial framework for **2014–2020**, Poland has received a record funding allocation of **EUR 120.1bn**. The most sizeable portion of that amount (EUR 27.41bn) is earmarked for the Infrastructure and Environment Programme, the largest scheme to drive Poland's sustainable development, as under the previous framework. Funds allocated under the programme will support, among other things, the development of a low-emission economy, environmental protection, including measures to combat and adapt to climate change, energy security and improvement of Poland's technical infrastructure. As set out in the programme, a substantial part of the funds may be channelled into transport projects (approximately EUR 19.8bn). Next in terms of the funding amount will be environmental protection (EUR 3.5bn), followed by heat and power industry (EUR 2.8bn). Public sector entities, including local government units and (particularly large) business enterprises, will be the main beneficiaries. In the Partnership Agreement for 2014-2020, Poland has committed itself to active participation in reaching the 11 thematic objectives of cohesion policy. This share is implemented by achieving the objectives of the priority axes grouped into operational programmes. For each priority axis of each operational programme, managing authorities have agreed with the European Commission upon an implementation framework, i.e. indicators and their values to be achieved at the end of 2018 and at the end of 2023. The targets defined and quantified in this way will be analysed by the European Commission during the mid-term review planned for 2019. The results of the review may affect the final amount of the funds for a given priority axis.

In February 2016, the Council of Ministers adopted an action plan for increasing efficiency and speeding up the implementation of programmes under the partnership agreement in which it set out measures to be taken for timely and effective implementation of the programmes. The pace of launching national and regional operational programmes for 2014-2020 was slower than in the years 2007-2013. Delays ranged from 6 to 9 months.

From among the 28 EU countries, Poland ranks 9th in terms of spending funds.

Wydatkowanie europejskich funduszy strukturalnych i inwestycyjnych na lata 2014–2020 w państwach członkowskich UE według stanu na 30 czerwca 2017 r. [w %]



Źródło: Opracowanie własne NIK na podstawie „Implementation by Member State for EU Overview (Total Cost)% of Planned (Daily update)" wg stanu z 30.06.2017 r. https://cohseiondata.ec.europa.eu/overview# (dostęp: 15.11.2017 r.)

Spending of EU structural and investment funds in 2014-2020 in EU Member States as at June 30th 2017 (%)	Wydatkowe europejskich funduszy strukturalnych i inwestycyjnych na lata 2014-2020 w państwach członkowskich UE według stanu na 30 czerwca 2017 r. [w %]
From among the 28 EU countries, Poland ranked 9th in terms of spending.	Polska spośród 28 państw UE zajmowała 9 miejsce pod względem wydatkowania środków
Source: In-house study of the Supreme Audit Office based on "Implementation by Member State for EU Overview (Total Costs) % of Planned (Daily update)" as at June 30th 2017 https://cohesiondata.ec.europa.eu/overview# (access: November 15th 2017)	Źródło: Opracowanie własne NIK na podstawie „Implemenatation by member State for EU Overview (Total Cos)% of Planned (Daily update) wg stanu z 30.06.2017 r. https://cohseionata.ec.europa.eu/overview# (dostęp: 15.11.2017 vr.)

Therefore, the Company cannot rule out the risk of future delays or reductions in EU spending on projects related to the Group companies' business.
Furthermore, following Poland's accession to the European Union, there has been increased interest in entering the Polish market from international contractors providing services similar to those offered by the Group companies. This may result in fiercer competition and squeeze profit margins. However, international operators usually bid for contracts jointly with Polish companies to secure local execution capabilities.
To best leverage the opportunities arising from Poland's membership in the EU, the Company:

- forms strategic alliances to implement projects with foreign companies operating in Poland;
- has implemented and works on improving an effective management culture;
- offers the required service quality, as 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, PN-EN ISO 1090-1:2012, AQAP 2110:2009.

4. Seasonality risk

Given the structure of its order book, which predominantly comprises contracts for the provision of business and organisational support services, the Company's operations are not currently subject to seasonality and so the presented results do not exhibit any material fluctuations over the year. However, as one of the Company's strategic goals is to recover its market position by leveraging the Group's capabilities and win new construction contracts, the Group's revenue structure may change and the significance of seasonality, typical of the entire industry, may grow.

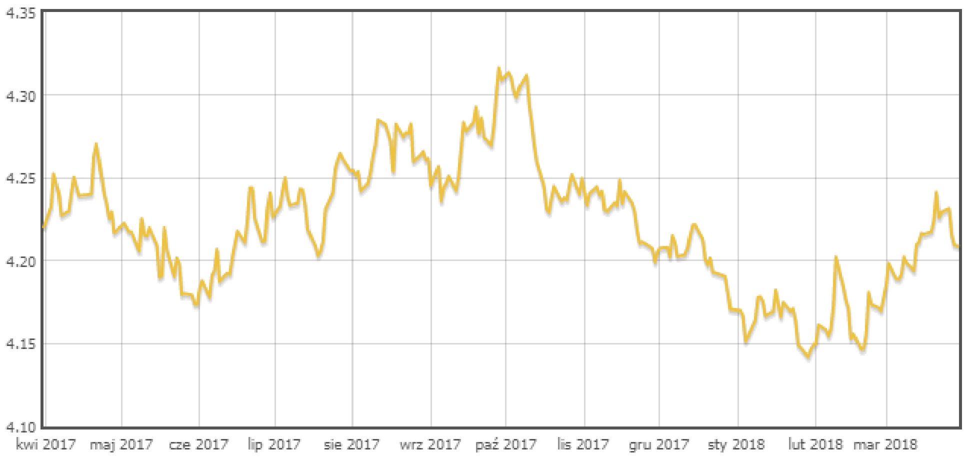
5. Adverse changes in tax legislation

In Poland, laws governing the taxation of business are subject to change. There is a risk that the tax legislation currently in effect may be changed and the new regulations will be less favourable to the Company or its customers, directly or indirectly affecting the Company's financial results.
PBG monitors any developments in the tax legislation, and makes necessary changes to mitigate the attendant risk.

6. Foreign exchange rates

2017 can be described as a very good year for the Polish economy. The GDP growth rate was at its five-year high and there was a budget surplus for many months. The lowest unemployment in twenty six years was reported and wages rose as a result of which the Polish currency strengthened significantly against the euro, US dollar, franc, and pound.
According to Jarosław Kosaty, the PKO BP foreign exchange strategist, in the first half of 2018 the slower pace of monetary policy tightening in the US (only one rate increase) with relatively stable economic conditions in emerging markets should favour Polish złoty. In the second half of the year, further tightening of the monetary policy in the US (balance sheet reduction + three rate hikes) as well as the economic slowdown in China will be conducive to gradual weakening of Polish zloty.

EUR/PLN exchange rate in March 31st 2017 – March 31st 2018 (average rates of the National Bank of Poland)



***Source:* [*http://www.finanse.egospodarka.pl*](http://www.finanse.egospodarka.pl)**

7. Risk of significantly limited ability to win new contracts
Most contracts are won by the Company through public procurement. The Company's ability to win new contracts depends, among others, on the availability of guarantee limits. In recent years, funding provided to construction companies has been heavily constrained after financial institutions changed the rules of granting credit, and because of a number of bankruptcies or financial distress faced by construction companies since 2012.

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.
There is a potential risk of losing staff of key importance to the Company. The risk related to loss of key personnel is mitigated by:

- Strong organisational culture, which helps employees identify with the Company,
- Career and professional development opportunities.

2. Risk of failure to meet contractual obligations
Construction contracts include a number of clauses related to their proper performance, timely completion and removal of defects, which involves the provision by PBG of performance bonds or similar security issued by banks or insurance companies.
Such security is usually provided on the contract execution date and settled on contract completion. The amount of such security depends on the contract type, usually standing at 10% of the contract sum. If PBG fails to perform or improperly performs a contract, there is a risk that its client might claim liquidated damages or terminate the contract.
To mitigate that risk, PBG takes the following measures:

- Insurance of contracts, including contracts with subcontractors;
- Extensive use of IT tools in project planning and management.

3. Risk of dependence on key customers
The main customer for services provided by PBG in the gas, oil and fuel segment is the NATO Security Investment Programme Management Office (ZIOTP), for which the Company is executing a contract worth PLN 279m, exclusive of VAT – the amount outstanding under the contract is PLN 98m, exclusive of VAT.
In the support services area, the Company's key customers are its subsidiaries: RAFAKO, PBG oil and gas, and PBG DOM. It should be noted that the Company's strategy for its Group provides for delivery of high value

contracts, which may significantly increase the share of sales to a single customer in total revenue once any such contract is secured.

4. Operational risk

PBG's operations, in particular work on live facilities, involve certain risks of human and material losses.
The Company mitigates these risks by:

- Holding liability insurance policies;
- Regularly supplying employees with advanced protective equipment;
- Drill, practice and improvement of employee skills;
- Ongoing monitoring of equipment;
- Regular training and ongoing health/safety oversight.

5. Risk of failure by the Company to meet its obligations under the arrangement

Risk of failure by the Company to meet its obligations under the arrangement is described in Section VI.IX: *Going concern assumption*.

II. FINANCIAL RISK IDENTIFICATION AND MANAGEMENT

As at the date of authorisation of this Report, the Company held a final court decision sanctioning the arrangement with its creditors. The going concern assumption is based on the conviction that the Company will be able to perform the arrangement with its creditors.
PBG is exposed to many risks related to financial instruments, including in particular:

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

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

- hedging 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.

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 with a liquidity planning tool. The tool is used to monitor the maturities of financial assets (mainly receivables) and projected cash flows from operating and investing activities.
As at December 31st 2017, the Company did not use external sources of funding in the form of credit facilities. However, in 2016 and 2017 the Company issued bonds.
As at December 31st 2017 and as at the date of authorisation of this Report, the Company focused on maintaining financial liquidity necessary both to meet its current liabilities as well as make repayments under the arrangement and redeem the bonds.

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

Item	Current:		Non-current:			Total undiscounted liabilities	Carrying amount
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years		
As at Dec 31 2017							
Credit facilities	0	0	0	0	0	0	0
Bank overdrafts	0	0	0	0	0	0	0
Liabilities under closed forwards	0	0	0	0	0	0	0
Non-bank borrowings	10,002	10,728	0	11,104	0	31,834	31,835
Debt instruments	50,329	14,950	338,356	0	0	403,635	367,619
Finance lease liabilities	442	446	1,825	638	0	3,351	3,105
Derivative financial instruments	0	0	0	0	0	0	0
Trade payables, contract liabilities and other financial liabilities	30,066	9,714	112,217	4	21	152,022	144,994
Total exposure to liquidity risk	**90,839**	**35,838**	**452,398**	**11,746**	**21**	**590,842**	**547,553**
As at Dec 31 2016							
Credit facilities	0	0	0	0	0	0	0
Bank overdrafts	0	0	0	0	0	0	0
Liabilities under closed forwards	0	0	0	0	0	0	0
Non-bank borrowings	4,308	0	0	21,929	0	26,237	26,237
Debt instruments	36,725	19,665	285,815	0	0	342,205	342,204
Finance lease liabilities	435	438	1,792	1,560	0	4,225	3,835
Derivative financial instruments	0	0	0	0	0	0	0
Trade payables, contract liabilities and other financial liabilities	26,661	9,136	173,394	0	0	209,191	227,502
Total exposure to liquidity risk	**68,129**	**29,239**	**461,001**	**23,489**	**0**	**581,858**	**599,778**

The table below presents the maturities of financial assets used by the Company as a source of funding. The maturities are based on contractual undiscounted payments. The excess of financial liabilities over the disclosed amount of financial assets implies negative net working capital. For a detailed description of the Management Board's strategy to cover the deficit in working capital, see Section VI.IX *Going concern assumption*.

Maturity of the Company's financial assets as at the reporting date (PLN '000)

Item	Current		non-current			Total financial assets; net of discount	Carrying amount of financial assets
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years		
As at Dec 31 2017							
Non-current assets:	***1***	***0***	***39,547***	***892***	***72***	***40,512***	***79,574***
Receivables	0	0	397	892	72	1,361	1,248
Contract receivables and amounts due from customers for construction contract work	0	0	39,150	0	0	39,150	39,150
Loans advanced	0	0	0	0	0	0	39,175
Other non-current financial assets	1	0	0	0	0	1	1
Current assets:	***12,061***	***491***	***0***	***0***	***0***	***12,552***	***101,241***
Trade and other receivables	10,140	491	0	0	0	10,631	10,631
Loans advanced	0	0	0	0	0	0	88,689

Cash and cash equivalents	1,921	0	0	0	0	1,921	1,921
Total financial assets	**12,062**	**491**	**39,547**	**892**	**72**	**53,064**	**180,815**
As at Dec 31 2016							
Non-current assets:	***1***	***0***	***56,894***	***97,482***	***488***	***154,865***	***146,419***
Receivables	0	0	455	72	488	1,015	980
Contract receivables and amounts due from customers for construction contract work	0	0	20,051	0	0	20,051	20,051
Loans advanced	0	0	36,388	97,410	0	133,798	125,387
Other non-current financial assets	1	0	0	0	0	1	1
Current assets:	***33,362***	***33,473***	***0***	***0***	***0***	***66,835***	***66,835***
Trade and other receivables	3,482	23	0	0	0	3,505	3,505
Loans advanced	26,291	33,450	0	0	0	59,741	59,741
Cash and cash equivalents	3,589	0	0	0	0	3,589	3,589
Total financial assets	**33,363**	**33,473**	**56,894**	**97,482**	**488**	**221,700**	**213,254**

2. Market risk

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

The market 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:

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

2.1. Currency risk

Exposure to currency risk arises in connection with transactions entered into by the Company. It arises when the Company executes sale or purchase transactions in currencies other than its functional currency.

The Company is exposed to risk related to fluctuations in exchange rates (including UAH/PLN, EUR/PLN and USD/PLN) in connection with loans advanced, trade receivables, cash and trade payables denominated in currencies other than PLN.

The Company's currency risk management strategy provides for the use of natural hedging to the largest possible extent.

The Company's financial assets and liabilities 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	UAH	PLN	PLN	PLN
As at Dec 31 2017						
Financial assets (+):	*344*	*2*	*368,581*	*1,489*	*179,326*	*180,815*
Financial liabilities (-):	(33)	-	-	(140)	(547,413)	(547,553)
Total exposure to currency risk	**311**	**2**	**368,581**	**1,349**	**(368,087)**	**(366,738)**
As at Dec 31 2016						
Financial assets (+):	*332*	*23*	*368,579*	*75,342*	*117,861*	*193,203*
Financial liabilities (-):	(9)	-	-	(36)	(561,056)	(561,092)
Total exposure to currency risk	**323**	**23**	**368,579**	**75,306**	**(443,195)**	**(367,889)**

As at December 31st 2017, the Company had no open positions hedging currency risk.

2.2. Interest rate risk

The management of interest rate risk focuses on minimising the fluctuations in interest cash flows on financial assets and liabilities bearing variable rates of interest.

The Company is exposed to interest rate risk in connection with the following categories of financial assets and liabilities:

- loans advanced,
- deposits,
- borrowings,
- debt securities issued,
- finance leases.

The Company's exposure to the risk of changes in market interest rates relates primarily to its non-current financial liabilities and receivables.

As at December 31st 2017, the Company had no open positions hedging interest rate risk.

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:

- creditworthiness of customers with whom the Group enters 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 determined by the carrying amounts of financial assets presented in the table below.

The Company's maximum exposure to credit risk, as determined by the carrying amounts of the disclosed financial assets

Item	as at Dec 31 2017	as at Dec 31 2016
Non-bank borrowings	127,864	185,128
Trade receivables, contract receivables, amounts due from customers for construction contract work and other financial receivables	51,029	24,536
Cash and cash equivalents	1,921	3,589
Total exposure to credit risk	**180,814**	**213,253**

The Company monitors its clients' and debtors' outstanding payments by analysing credit risk individually, or for individual asset classes identified 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 2017 amounted to PLN 1,921 thousand (2016: PLN 3,589 thousand).

The Company is exposed to credit risk in connection with the loans it has advanced. As at December 31st 2017, the outstanding balance of loans advanced by the Company was PLN 127,864 thousand, of which PLN 127,864 thousand was advanced to related parties. To limit the risk, the Company monitors, on an ongoing basis, the financial position and performance of its borrowers.

Credit risk related to loans advanced is material to the Company.
The Company has a long history of relationships with several customers operating in diverse sectors. Based on the 2017 revenue, the largest customers included:

Largest customers based on the 2017 revenue

No.	Customer	Share (%)
	TOTAL	**100.00%**
1	PBG oil and gas Sp. z o.o.	37.32%
2	RAFAKO S.A.	27.86%
3	NATO Security Investment Programme Management Office (ZIOTP)	9.00%
4	RAFAKO ENGINEERING Sp. z o.o.	6.61%
5	Other	19.22%

The Company's credit risk exposure is closely related to its core business. It results from outstanding trade contracts and is related to the risk of occurrence of such credit events as the trading partner's insolvency, only partial collection of receivables or material delays in their payment. Trade credit is now an essential part of business activity. However, the Company undertakes a number of measures to mitigate the risk of entering into trade relations with potentially unreliable customers. It is the Company's policy that all customers who wish to trade on credit are subject to prior credit verification. Customers who are found 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 their defaulting on payments due to the Company.
In 2017, PBG's key customers were its Group companies and the NATO Security Investment Programme Management Office (ZIOTP).

As at December 31st 2017, 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 51,029 thousand (December 31st 2016: PLN 24,536 thousand). Concentration of credit risk at the Company is related to its key completed contracts. In consequence, as at December 31st 2017, receivables under cash deposited as performance bonds and uninvoiced amounts due from customers for construction contract work with three customers (PGNiG, Sofregaz, and ZIOTP) represented 79% of total trade receivables, contract receivables, amounts due from customers for construction contract work and other financial receivables as at the end of the reporting period.
With respect to receivables, the Company is exposed to credit risk related to a single major trade partner.

III. INTERNAL CONTROL SYSTEM

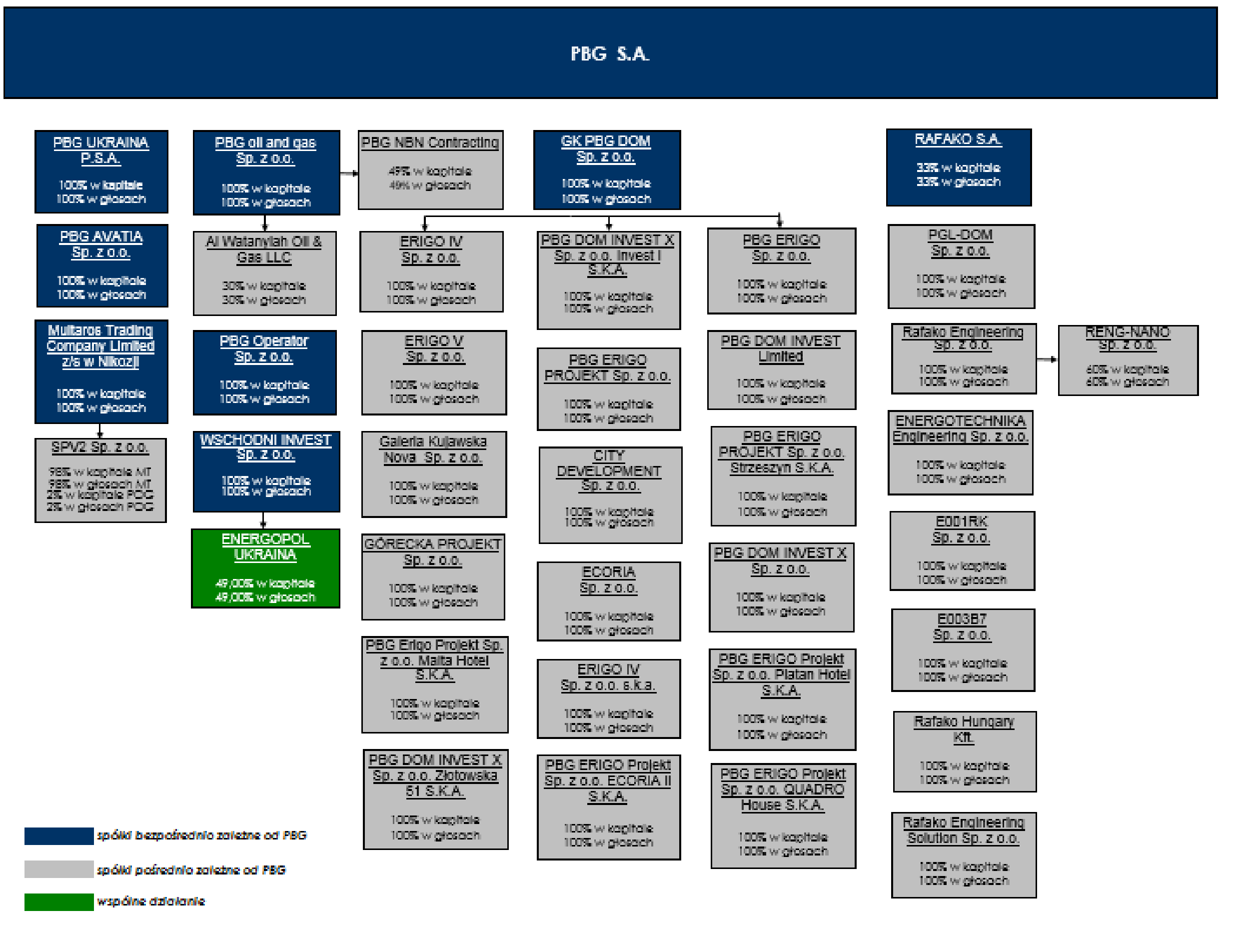
The Company has an Internal Audit Office operating within the organisational support area. The Office is subordinated directly to the President of the Management Board.
In 2017, its main tasks included:
- ✓ overseeing the implementation of consistent IT tools across the Group to support process optimisation and the quality of management data acquisition, including progress reporting to the Management and Supervisory Boards;
- ✓ providing information on the status of monitored areas, identifying areas where internal regulations need to be revised, and providing examples of adequate and effective solutions;
- ✓ checking the accuracy and correctness of documents and their flow, verifying the authenticity, compliance, completeness and timely preparation of documentary evidence;
- ✓ assessing the adequacy of workflow organisation in achieving optimum results;
- ✓ monitoring compliance with applicable laws and internal regulations, including the provisions of the Integrated Management System, and their effect on the Company's day-to-day operations.

SECTION III: COMPANY OVERVIEW

I. COMPANY OVERVIEW

PBG is the holding company of, and sets operational directions and strategic objectives for, its Group consisting of 39 companies, including the parent – PBG, eight direct subsidiaries, 29 indirect subsidiaries and one joint operation.

Structure of the PBG Group as at December 31st 2017



On March 21st 2018, PBG, as the Acquirer, merged with PBG AVATIA Sp. z o.o., as the Acquiree, following the registration of the merger by the District Court for Poznań-Nowe Miasto and Wilda in Poznań.

II. BRANCHES

The Company has no branches.

III. STRATEGY

At the beginning of 2018, PBG decided to update its strategy and assign to RAFAKO the leading role in both key segments of the PBG Group's activities.

The Strategy seeks to deliver long-term growth in the Group's value by building the largest engineering and construction group in Poland around the RAFAKO Group, which enjoys a strong position in international

markets as the supplier of specialist construction services for the power sector and for the oil and gas upstream and downstream sectors.

The Group conducts its business taking into account its corporate social responsibility, with respect for the natural environment, in compliance with ethical principles, and with care for the employees' and customers' satisfaction.

The Group's strategic objectives are to:

1. Build a leading position in the domestic power construction market through RAFAKO, by delivering and participating in the largest capital investment projects in Poland, capturing a market share in the market for services related to the modernisation of power and heat infrastructure and ensuring compliance with BAT regulations;
2. Regain its position of the Polish market's leader in the provision of comprehensive services involving management and execution of projects in the oil and gas sector, leveraging synergies between PBG Group companies;
3. Expand the business in foreign markets in both of the Group's core business segments;
4. Capture a market share in the industrial construction market;
5. Ensure financing for the Group's operations.
6. Restore the Group's full creditworthiness by paying off obligations under bonds and the arrangement made by PBG with its creditors.

One of the factors contributing to achievement of the Group's strategic objectives will be the way in which the Group is organised, with EPC and general contractor capabilities in the upstream and downstream oil and gas sectors to be transferred to the RAFAKO Group. The internal reorganisation of the Group will be effected through the merger of RAFAKO Engineering, PBG oil and gas, and PGL Dom, as a result of which RAFAKO will acquire a majority interest in the combined entity. This will increase the RAFAKO Group's capacity to bid for and deliver projects with its extended capabilities and will naturally facilitate business growth by leveraging synergies of the merged companies. PBG will remain the Group's parent, responsible for: 1) setting the overall direction and strategic objectives for the Group, 2) exercising oversight of the core business lines, 3) providing a broad range of organisational support services to its subsidiaries, and 4) supervising the divestment process. Such an organisational structure will increase the PBG Group's transparency, while reducing the risk of conflicts of interest in bidding for new contracts.

Natural gas and crude oil segment

The experience, credentials and know-how acquired by PBG during more than 20 years of its operations in this specialist construction services market will be concentrated within the RAFAKO Group. PBG was the leader of this market in Poland. Having executed a number of multi-billion projects, it gained credentials unique on the European scale, which can now be presented when bidding for new contracts and which represent an added value for the entire Group. The credentials include experience as a general contractor in turnkey projects covering the design, delivery, assembly, construction and commissioning of the complete LMG (Lubiatów-Międzychód-Grotów) oil and gas production facility, a power plant worth PLN 1,397m net, and unique experience in implementing a turnkey project to construct an LNG terminal with a value of PLN 2,368m net. The LMG facility is the largest oil and gas production facility in Poland with production capacities reaching 1,300 tonnes of crude oil per day and 35,000 Nm^3 of gas per hour. Since 2013, also PBG oil and gas has played an important role in the PBG Group's activities in the gas and oil upstream and downstream segment. Between 2013 and 2017, PBG oil and gas generated revenue totalling over PLN 400m and gained credentials relevant for construction, repair and modernisation of gas pipelines and expansion of underground gas storage facilities. In 2017, PBG oil and gas successfully completed the construction of the Radoszyn production facility. It is the third largest oil and gas production facility in Poland, with daily production capacity of 80 tonnes of crude oil. Thanks to its active participation in the market and contract performance, PBG oil and gas has the competencies in managing projects at each stage of execution. These competences include planning of design, production and construction work necessary to execute an entire project, and comprehensive management of the supply chain and logistics to ensure timely delivery and high quality of products and services. The company also has the experience and competencies required for start-up and commissioning of projects.

The Group intends to actively participate in the market of investment projects related to gas and oil production and to the development and modernisation of gas networks in Poland and abroad. The Group is interested in participating in projects of key importance to Poland's energy security, related to the expansion of underground gas and oil storage facilities and distribution infrastructure, including gas compressor stations. In 2018, in the gas and oil upstream and downstream sector, the Group plans to bid for contracts in the Polish and foreign markets with a total estimated value of almost PLN 3.2bn, and assumes to secure contracts for at least PLN 400m by the end of 2018. Tenders in this segment mainly relate to installations for liquefying natural gas and LNG storage, compressor stations, gas pipelines, gas production facilities, and modernisation of existing installations and facilities.

Power construction
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 owns a comprehensive technology for the construction of traditional generating units and is among Europe's largest manufacturers of steam generators and environmental protection facilities for the power sector. 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 its consolidated revenue. In the near future, the Group intends to focus on further developing and improving its competences relevant to EPC and general contracting services in the power engineering sector through the participation in and execution of the largest projects in Poland. Given the Group's experience as well as the solutions and technologies it has on offer, the Group also plans to actively participate in the market for modernisation of heat and power infrastructure, in particular 200 MW range units, and in the market for modernisation of environmental protection facilities in accordance with the IED (Directive 2010/75/EU on industrial emissions) and BAT (Best Available Techniques). Given its proprietary technologies and credentials, RAFAKO is well prepared to take part in such tenders and meet market expectations.

In 2018, in the power engineering sector, the Group plans to bid for contracts on the Polish and foreign markets with a total value of over PLN 4.44bn, and expects to secure contracts for at least PLN 500m by the end of 2018. In these tenders, contracts are to be awarded for the construction of generating units and waste thermal treatment plants, construction and delivery or modernisation of steam generators and related facilities, as well as construction and upgrade of existing flue gas desulfurisation, denitrification and dust removal units.

Foreign operations
Development plans for the PBG Group's operations on foreign markets concern both strategic business segments, i.e. the natural gas, crude oil and fuels segment and the power construction segment. The Group intends to expand its activities, including:

- in the markets where the Group was present in the past and is continuously active;
- in the markets where the Group was present in the past and where it intends to return in the future, i.e. Asian markets, such as India;

and in new markets where the Group has not been active so far and has never delivered its products or services, including in particular Central Asia, Vietnam, Mongolia and Indonesia.
In the countries where the Group was active in the past, mainly as a subcontractor for steam generator facilities (e.g. Western European countries), the Group plans to continue cooperation with the customers who purchased steam generators and pressurised sections manufactured by the Boiler Production Plant. In addition to supplying steam-generator components, the Group will also be involved in the execution of projects to upgrade power facilities using the technologies provided in the past by the Group. A new business area in the EU countries are installations for gas, oil, and fuel segment operators, which are an element of strategic plans to end the EU countries' dependence on oil and gas supplies from countries east of Poland.

In expanding back into the foreign markets where the Group was present in the past and where it intends to return, the Group plans to develop its business by collaborating with both international players and selected local partners.
As many countries have made commitments to bring their coal-fired generation plants and industrial enterprises in compliance with the increasingly stringent environmental protection requirements, the Group may now more easily enter the market for environmental protection facilities, including in the countries where RAFAKO was present as a supplier of steam generator systems in the past (e.g. India). The Group's proprietary technologies and credentials based on which local strategic partners may carry out projects give the Group a competitive advantage for building its presence on those markets. The Group will focus here on exporting technologies as a consortium or technology partner, including issuing contractor licences to local businesses. For the markets including, but not limited to, Central Asia, Vietnam, Mongolia, and Indonesia, the Group plans to develop its activities by collaborating with strong local partners who know the local markets and can guarantee access to local contractors. With regard to new markets, the Group – in addition to cooperating with local players – relies on the expertise of internationally recognised legal, tax, and financial advisers.

The Group also has the benefit of being able to win contracts based on a greater use of the financial instruments offered by the companies of the PFR Group, which in 2017, through Fundusz Inwestycji Polskich Przedsiębiorstw, acquired a significant equity interest in RAFAKO.

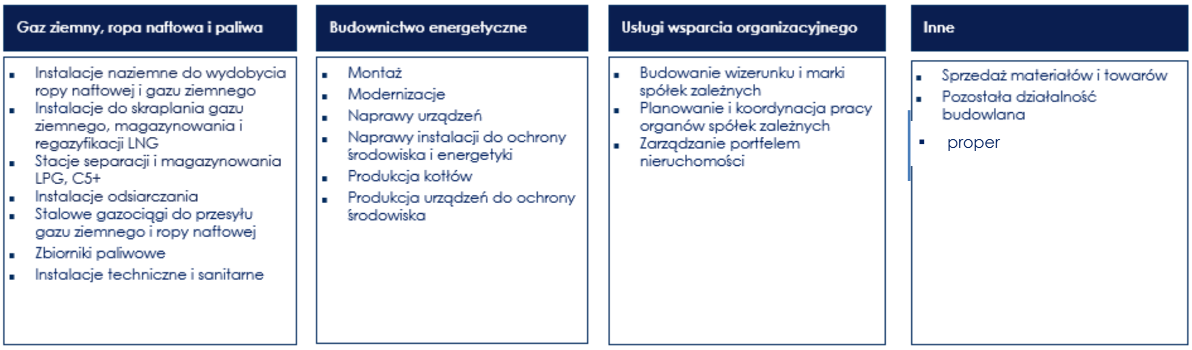
The potential of foreign markets for the Group is as follows: Indonesia – ca. USD 7.5bn; Mongolia – ca. USD 1.2bn; Balkans – ca. PLN 0.55bn; Turkey and India – USD 0.82bn; Kazakhstan, Uzbekistan, other post-Soviet states, Central and Eastern Europe – EUR 500m; Iran and the Gulf countries – ca. PLN 4.1bn.

The delivery of the Group's strategic objectives will only be possible on condition of the smooth discharge by PBG of all its obligations under the arrangement with creditors and the bonds. In addition to financial obligations, such as repayment of claims under the arrangement and redemption of bonds at fixed dates, these also include other obligations imposed on PBG. One of the main sources of funds to meet PBG's financial obligations under the arrangement and the bonds will be the divestment of the Group's non-core assets, in particular certain properties in Poland, as well as exit from the Ukrainian project. Implementation of the divestment plan in accordance with its assumptions and schedule will be key to the success of the restructuring plan.

IV. BUSINESS PROFILE

The Company's business comprises general contractor services related to natural gas, crude oil and fuel facilities. The Company also executes power construction projects and provides other specialist construction services. Last year, the key segment of the Company's operations were business and organisational support services for its subsidiaries.
In the 'Other services' segment, the Company discloses, *inter alia*, its property rental income.

Services rendered in each of the segments are listed below.



Gas, oil and fuels	Gaz ziemny, ropa naftowa i paliwa
Surface installations for crude oil and natural gas production	Instalacje naziemne do wydobycia ropy naftowej i gazu ziemnego
Installations for liquefying natural gas and for LNG storage and regasification	Instalacje do skraplania gazu ziemnego, magazynowania i regazyfikacji LNG
LPG, C5+ separation and storage facilities	Stacje separacji i magazynowania LPG, C5+
Desulfurisation units	Instalacje odsiarczania
Steel pipelines for gas and oil transmission	Stalowe gazociągi do przesyłu gazu ziemnego i ropy naftowej
Fuel tanks	Zbiorniki paliwowe
Technical and sanitary systems	Instalacje techniczne i sanitarne
Power construction	Budownictwo energetyczne
Assembly	Montaż
Upgrades	Modernizacje
Repair of equipment	Naprawy urządzeń
Repair of environmental protection facilities and power equipment	Naprawy instalacji do ochrony środowiska i energetyki
Manufacture of steam generators	Produkcja kotłów
Manufacture of environmental protection equipment	Produkcja urządzeń do ochrony środowiska
Organisational support	Usługi wsparcia organizacyjnego
Image and brand building for subsidiaries	Budowanie wizerunku i marki spółek zależnych
Planning and coordination of work of subsidiaries' governing bodies	Planowanie i koordynacja pracy organów spółek zależnych
Property portfolio management	Zarządzanie portfelem nieruchomości
Other	Inne
Sale of merchandise and materials	Sprzedaż materiałów i towarów
Other construction activities	Pozostała działalność budowlana
property rental	najem

V. CHANGES ON THE GROUP'S MARKETS

In 2017, revenue streams from each segment were generated on the Polish market and were as follows:

PBG's operating segments

Revenue	2017 (PLN '000)	2016 (PLN '000)	Change (PLN '000)	Change (%)
Gas, oil and fuels	1,565	17,255	- 15,690	- 90.93
Power construction	390	0	390	-
Corporate support for subsidiaries	10,696	10,384	312	3.00
Other	797	653	144	22.05
Total revenue	**13,448**	**31,995**	**- 14,844**	**- 52.47**

Geographical presence
PBG's operations are focused on the domestic market, which the Company perceives as significant because of a pipeline of planned power construction and gas infrastructure projects. However, efforts are made to enter foreign markets in both of the Company's and the Group's strategic business segments.

Entities sales to which, or purchases from which, reached at least 10% of the Company's total revenue
In the reporting period, customers and suppliers with which the Company executed transactions with a value reaching at least 10% of the Group's total revenue included:

- - customers: RAFAKO S.A., PBG oil and gas sp. z o.o.;
- - suppliers: none.

SECTION IV: REPORT ON THE COMPANY'S OPERATIONS IN 2017

I. AGREEMENTS AND EVENTS MATERIAL TO THE COMPANY'S BUSINESS

Agreements/contracts considered material by the Company are those that meet the criteria described in Article 17.1 of the MAR.

1. **Contracts related to operating activities concluded during the reporting period and after the reporting date**

In the reporting period, the Company did not enter into any significant contracts related to its operating activities.

2. **Financing agreements concluded during the reporting period and after the reporting date (credit facility agreements, guarantees, notes/bonds)**

Event	Parties	Date	Important information
Issue of 3,871,566 Series B, C, D, E, F, G, H and I PBG Bonds with a nominal value of PLN 100 each	PBG S.A.	**Feb 27 2017**	Introduction of bearer Bonds of PBG S.A. (series B–I) to the Catalyst alternative trading system.
			For more information, see: PBG Current Report No. 10/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/10-2017-podjecie-przez-gpw-uchwaly-w-sprawie-wprowadzenia-do-alternatywnego-systemu-obrotu-na-catalyst-obligacji-pbg-s-a.html
		Mar 10 2017	Date of the first listing of Series B–I bearer Bonds of PBG S.A. in the Catalyst alternative trading system.
			For more information, see: PBG Current Report No. 12/2017:http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/12-2017-wyznaczenie-przez-gpw-pierwszego-dnia-notowania-obligacji-pbg.html
Issue of 852,910 Series B1, C1, D1, E1, F1, G1, H1 and I1 Second Issue Bonds of PBG with a nominal value of PLN 100.00 each (series B1 Bonds matured before the date of admission of the Bonds to trading, i.e. on March 31st 2017)	PBG S.A.	**Feb 10 2017**	Summary of bond subscription: invitations to acquire the bonds were directed to the Company's eligible creditors classified under the arrangement into Group 1, Group 3, Group 4 and Group 5, in partial satisfaction of their claims under the arrangement, on the following terms: 1) subscription period: December 30th 2016 – February 9th 2017; 2) allotment date: February 9th 2017; 3) issue date: February 10th 2017; 4) number of second issue bonds available for subscription: 1.180.488Obligacji; 5) number of second issue bonds covered by subscription orders and allotted: 852,910; 6) subscription price: PLN 100.00 per bond; 7) number of entities that subscribed for the bonds: 6 entities, including one Group 1 entity, three Group 5 entities, one entity classified in both Group 1 and Group 4, as well as one Group 3 entity (the Groups as defined under the arrangement); 8) number of entities that were allotted the bonds: 6; 9) the Company did not conclude any underwriting agreement with respect to the bonds; 10) subscription value (product of the number of securities offered and the issue price): 118,048,800.00 PLN.
			For more information, see: PBG Current Report No. 6/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/6-2017-podsumowanie-subskrypcji-obligacji-drugiej-emisji.html
	PBG S.A. RAFAKO S.A.	**Feb 10 2017**	Acquisition of Bonds by RAFAKO S.A. of February 10th 2017.
			For more information, see: PBG Current Report No. 7/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/7-2017-zawiadomienie-o-transakcji-na-papierach-wartosciowych-spolki.html
	PBG S.A.	**Apr 6 2017**	Introduction of 849,300 Second Issue bearer Bonds of PBG S.A. (Series C1–I1) to the Catalyst alternative trading system.
			For more information, see: PBG Current Report No. 16/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/16-2017-podjecie-przez-gpw-uchwaly-w-sprawie-wprowadzenia-do-alternatywnego-systemu-obrotu-na-catalyst-obligacji-pbg-s-a.html
		Apr 20 2017	Date of the first listing of PBG's Second Issue Bonds in the Catalyst alternative trading system.
			For more information, see: PBG Current Report No. 18/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/18-2017-wyznaczenie-przez-gpw-pierwszego-dnia-notowania-obligacji-pbg.html

3. Other events occurring in the reporting period or subsequent to the reporting date

Event	Event date and description
Changes in PBG S.A.'s share capital Information on the shares	Definition, by the Extraordinary General Meeting of PBG S.A. held on January 16th 2017, of the terms of subscription for Series I shares in the exercise of subscription warrants by extending the list of cases where holders of subscription warrants would be entitled to exercise their rights, and adoption of a resolution to amend Art. 9.4, Art. 37.7.c and Art. 50.8 of the Company's Articles of Association.
	For more information, see: PBG Current Report No. 1/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/1-2017-uchwaly-podjete-przez-nadzwyczajne-walne-zgromadzenie-spolki-pbg-s-a-w-dniu-16-stycznia-2017-roku.html
	Acquisition by Jerzy Wiśniewski of 45,000,000 Subscription Warrants and the exercise of 6,459,105 Subscription Warrants through the acquisition of 6,459,051 Series I Shares – increase of the Company's share capital to PLN 15,543.298.50.
	For more information, see: PBG Current Report No. 3/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/3-2017-dojscie-do-skutku-emisji-serii-i-oraz-podwyzszenie-kapitalu-zakladowego-spolki.html
	Becoming aware, on May 30th 2017, following a review of the Company's records in the National Court Register, that an appeal had been filed against the decision of a court clerk of the District Court for Poznań – Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register, dated November 10th 2016, on registration of changes in PBG's share capital and Articles of Association. No copy of the appeal was served on the Company. On June 7th 2017, the Court upheld its decision on the entry made in the National Court Register on November 10th 2016. On June 17th 2017, the Company was notified of an appeal lodged against the decision issued on June 7th 2017.
	For more information, see: PBG Current Report No. 22/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/22-2017-zaskarzenie-postanowienia-referendarza-sadowego-dotyczacego-rejestracji-podwyzszenia-kapitalu-zakladowego-pbg-s-a.html **For more information, see: PBG Current Report No. 28/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/28-2017-utrzymanie-w-mocy-postanowienia-referendarza-sadowego.html **For more information, see: PBG Current Report No. 37/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/37-2017-doreczenie-apelacji-od-postanowienia-sadu-z-dnia-7-czerwca-2017-roku.html
	Court registration, on June 13th 2017, of an increase in the Company's share capital to PLN 15,954,057.70 following the issue of 20,537,960 Series H shares.
	For more information, see: PBG Current Report No. 8/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/8-2017-oswiadczenie-zarzadu-w-przedmiocie-podwyzszenia-kapitalu-pbg.html **PBG Current Report No. 23/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/23-2017-zarejestrowanie-przez-sad-rejestrowy-zmian-statutu.html
	Approval, on June 23rd 2017, by the Polish Financial Supervision Authority of the issue prospectus prepared in connection with seeking the admission and introduction of 776,948,780 Series H registered shares and 12,806,811 Series I ordinary bearer shares to trading on the main market of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).
	For more information, see: PBG Current Report No. 29/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/29-2017-zatwierdzenie-przez-komisje-nadzoru-finansowego-prospektu-emisyjnego-dla-akcji-serii-h-i-serii-i.html
	Introduction to trading on the main market of the WSE of 3,740,000 Series A shares and conversion into book-entry form and introduction to trading on the main market of the WSE of 776,948,780 Series H shares and 12,806,811 Series I shares on August 8th 2017. Thus, 804,050.591 ordinary bearer shares in PBG S.A. were floated on the stock exchange on that date.
	For more information, see: PBG Current Report No. 31/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/31-2017-podjecie-uchwal-dotyczacych-wprowadzenia-akcji-pbg-do-obrotu.html **PBG Current Report No. 32/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/32-2017-uchwala-zarzadu-kdpw-w-sprawie-asymilacji-akcji-pbg-serii-a.html **PBG Current Report No. 33/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/33-2017-komunikat-dzialu-operacyjnego-kdpw-w-sprawie-rejestracji-akcji-pbg-serii-a.html
	Court registration, on January 19th 2018, of an increase in the Company's share capital to PLN 16,085,284.02 following the issue of 213,610 Series H shares.
	For more information, see: PBG Current Report No. 27/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/27-2017-oswiadczenie-zarzadu-w-przedmiocie-podwyzszenia-kapitalu-pbg.html **PBG Current Report No. 3/2018:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/3-2018-podwyzszenie-kapitalu-zakladowego-pbg.html
	Exercise, on January 22nd 2018, of the rights attached to 66,021 Subscription Warrants by Jerzy Wiśniewski, and the acquisition of 66,021 Series I Shares and increase of the Company's share capital to PLN 16,086.604.44.
	For more information, see: PBG Current Report No. 4/2018: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/4-2018-dojscie-do-skutku-emisji-serii-i-oraz-podwyzszenie-kapitalu-zakladowego-spolki.html

	A sharp and expected decline of the PBG share price, following the introduction of the shares to trading on August 8th 2017, to PLN 0.44 per share, down from PLN 2.86 per share at the close of trading on August 7th 2017, that is by almost 86%. The listing of Series H shares satisfied the condition for the entry into effect of agreements concluded between Jefferies International Limited and several of the Company's creditors which had acquired Series H shares, as announced by the Company in Current Report No. 49/2016 of November 19th 2016, based on a notification from Jefferies International Limited. Pursuant to the agreements, Jefferies International Limited was gradually acquiring PBG shares between August 8th and August 21st 2017, then partly selling them on the market and partly transferring them to VTT Fund Limited, which in turn sold the shares in block transactions out of a regulated market. Following the transactions executed in the above period, at the close of trading on August 21st 2017 both Jefferies International Limited's and VTT Fund Limited's equity interest in PBG fell below 5%. Thus, the PBG free float shares represent 54.34% of the Company's share capital.
	For more information, see: PBG Current Report No. 35/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/35-2017-otrzymanie-zawiadomienia-w-trybie-art-69-ust-1-pkt-2-w-zwiazku-z-art-69b-ust-5-art-87-ust-1-pkt-5-oraz-art-87-ust-5-ustawy-o-ofercie.html **PBG Current Report No. 36/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/36-2017-otrzymanie-zawiadomienia-w-trybie-art-69-ust-1-pkt-2-i-art-69-ust-2-pkt-1-lit-a-w-zwiazku-z-art-69b-ust-5-art-87-ust-1-pkt-5-oraz-art-87-ust-5-ustawy-o-ofercie.html **PBG Current Report No. 38/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/38-2017-otrzymanie-zawiadomienia-w-trybie-art-69-ust-1-pkt-1-w-zwiazku-z-art-69b-ust-5-art-87-ust-1-pkt-5-oraz-art-87-ust-5-ustawy-o-ofercie.html **PBG Current Report No. 39/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/39-2017-otrzymanie-zawiadomienia-w-trybie-art-69-ust-1-pkt-2-w-zwiazku-z-art-87-ust-1-pkt-5-ustawy-o-ofercie.html **PBG Current Report No. 40/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/40-2017-otrzymanie-zawiadomienia-w-trybie-art-69-ust-1-pkt-2-i-art-69-ust-2-pkt-1-lit-a-w-zwiazku-z-art-69b-ust-5-art-87-ust-1-pkt-5-oraz-art-87-ust-5-ustawy-o-ofercie.html **PBG Current Report No. 41/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/41-2017-otrzymanie-zawiadomienia-w-trybie-art-69-ust-1-pkt-2-w-zwiazku-z-art-87-ust-1-pkt-5-ustawy-o-ofercie.html **PBG Current Report No. 42/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/42-2017-otrzymanie-zawiadomienia-w-zwiazku-z-art-69-ust-1-w-zwiazku-z-art-69b-i-w-zwiazku-z-art-87-ust-1-pkt-5-oraz-art-87-ust-5-ustawy-o-ofercie-korekta.html **PBG Current Report No. 43/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/43-2017-otrzymanie-zawiadomienia-w-trybie-art-69-ust-1-pkt-2-w-zwiazku-z-art-69b-ust-5-art-87-ust-1-pkt-5-oraz-art-87-ust-5-ustawy-o-ofercie.html **PBG Current Report No. 44/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/44-2017-otrzymanie-zawiadomienia-w-zwiazku-z-art-69-ust-1-w-zwiazku-z-art-69b-i-w-zwiazku-z-art-87-ust-1-pkt-5-oraz-art-87-ust-5-ustawy-o-ofercie-korekta.html **PBG Current Report No. 46/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/46-2017-otrzymanie-zawiadomienia-w-zwiazku-z-art-69-ust-1-w-zwiazku-z-art-69b-i-w-zwiazku-z-art-87-ust-1-pkt-5-oraz-art-87-ust-5-ustawy-o-ofercie.html **PBG Current Report No. 47/2017:** http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/47-2017-otrzymanie-zawiadomienia-w-zwiazku-z-art-69-ust-1-w-zwiazku-z-art-69b-i-w-zwiazku-z-art-87-ust-1-pkt-5-oraz-art-87-ust-5-ustawy-o-ofercie.html
Submission of final asset distribution plan for Strateg Capital Sp. z o.o.	On March 21st 2017, the PBG Management Board was notified that the bankruptcy administrator of Strateg Capital Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy) submitted a final plan for distribution of the company's assets. PBG, as one of the creditors, was to receive PLN 19 thousand.
Merger of PBG S.A. as the Acquirer and PBG AVATIA Sp. z o.o. as the Acquiree	On October 20th 2017, the Company's Management Board decided to merge the Company with its subsidiary PBG AVATIA Sp. z o.o. PBG holds 100% of shares in PBG AVATIA. The merger will be effected in accordance with Art. 492.1.1. and Art. 515.1 in conjunction with Art. 516 of the Commercial Companies Code of September 15th 2000, i.e. through the transfer of all assets of the Acquiree to the Acquirer (merger by acquisition), without increasing the Company's share capital, without exchanging the Acquiree's shares for the Acquirer's shares, and without making amendments to the Acquirer's Articles of Association. PBG AVATIA provided IT services to PBG Group companies. In the Management Board's opinion, the merger of PBG AVATIA with PBG will help to optimise the PBG Group's costs and streamline its organisational structure.
	For more information, see: PBG Current Report No. 49/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/49-2017-podjecie-przez-zarzad-decyzji-o-zamiarze-polaczenia-ze-spolka-zalezna.html
	Adoption, by the Extraordinary General Meeting of PBG S.A. of January 9th 2018, of resolutions to merge PBG with PBG AVATIA spółka z ograniczoną odpowiedzialnością under Art. 492.1.1 of the Commercial Companies Code, i.e. by transferring all assets of PBG AVATIA to PBG, and to approve the Merger Plan, which was agreed upon and signed by the Management Boards of the merging companies on October 27th 2017 **The merger was registered by the Court on March 21st 2018.**
	For more information, see: PBG Current Report No. 1/2018: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/1-2018-uchwaly-podjete-przez-nadzwyczajne-walne-zgromadzenie-spolki-pbg-s-a-w-dniu-9-stycznia-2018-roku.html **PBG Current Report No. 10/2018:** http://www.pbg-sa.pl/pub/pl/uploaddocs/raport-biezacy-10-2018.3640896075.pdf

	Announcement by the PBG Management Board, on July 26th 2017, of the Company's position on RAFAKO's plans, including PBG's intention to endorse the resolutions to increase RAFAKO's share capital and amend its Articles of Association, and PBG's intention to dispose of its pre-emptive rights to new RAFAKO Shares in the increased share capital of RAFAKO to an interested investor or investors. The PBG Management Board announced that despite a possible reduction of PBG's interest in RAFAKO, PBG would remain the main shareholder in RAFAKO holding no less than 33% of RAFAKO's share capital and total voting rights at its general meeting (directly or indirectly through Multaros) and exerting significant influence over RAFAKO's strategy. On August 11th 2017, the PBG Management Board confirmed that PBG will retain control of RAFAKO (by fully consolidating the company in the consolidated financial statements of the PBG Group) if the proposed amendments to RAFAKO's Articles of Association are accepted and, consequently, will maintain the ability to direct its key activities, which also means the practical ability to appoint the majority of members of RAFAKO's Supervisory Board, whose responsibilities include appointing members of the Management Board of RAFAKO.
	For more information, see: PBG Current Report No. 30/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/30-2017-stanowisko-spolki-dotyczace-planowanego-walnego-zgromadzenia-i-podwyzszenia-kapitalu-zakladowego-rafako-s-a.html **PBG Current Report No. 34/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/34-2017-stanowisko-spolki-dotyczace-planowanego-walnego-zgromadzenia-i-podwyzszenia-kapitalu-zakladowego-rafako-s-a-informacja-uzupelniajaca.html**
	Agreement, reached on October 24th 2017, by PBG and FUNDUSZ INWESTYCJI POLSKICH PRZEDSIĘBIORSTW FUNDUSZ INWESTYCYJNY ZAMKNIĘTY AKTYWÓW NIEPUBLICZNYCH, managed and represented by Towarzystwo Funduszy Inwestycyjnych BGK S.A., on the terms of sale by PBG and its subsidiary Multaros Trading Company Limited of Cyprus of individual pre-emptive rights to series K shares in RAFAKO S.A. Having agreed on the terms of the sale, PBG, Multaros, and FIPP FIZ AN entered into a cooperation agreement concerning RAFAKO.
	For more information, see: PBG Current Report No. 50/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/50-2017-uzgodnienie-warunkow-przeprowadzenia-transakcji-sprzedazy-jednostkowych-praw-poboru-akcji-serii-k-rafako-s-a-i-zawarcie-umowy-o-wspolpracy-dotyczacej-rafako.html
Auditor's letter to AOC and PFSA in connection with audit of financial statements	On February 26th 2018, PBG S.A. was notified by its auditor Ernst & Young Audyt Polska Sp. z o.o. Sp.k. (acting pursuant to Article 12.1.(b) and (c) of Regulation No 537/2014 of the European Parliament and of the Council) of a letter sent by the auditor to the Audit Oversight Commission and the Polish Financial Supervision Authority in connection with the statutory audit of the separate financial statements of PBG S.A. and the consolidated financial statements of the PBG Group for the financial year ended December 31st 2017, concerning: 1) material threats to or uncertainty over continued existence of PBG S.A. 2) Issues that may cause the auditor to refuse to give an opinion, or to give an adverse or qualified opinion, on the financial statements presented for audit.
For more information, see: PBG Current Report No. 8/2018: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/8-2018-informacja-o-skierowaniu-przez-bieglego-rewidenta-pisma-do-kna-oraz-knf-w-zwiazku-z-badaniem-sprawozdania-finansowego.html	
Adoption of updated Strategy by PBG Management Board.	On April 5th 2018, the PBG Management Board approved the updated Strategy for the PBG Group. The Strategy seeks to deliver long-term growth in the Group's value by building the largest engineering and construction group in Poland around the RAFAKO Group, which enjoys a strong position in international markets, offering specialist construction services for the power sector and for the oil and gas upstream and downstream sectors.
For more information, see: PBG Current Report No. 11/2018: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/11-2018-przyjecie-przez-zarzad-pbg-zaktualizowanej-strategii-dla-grupy-kapitalowej-pbg.html	
Completion of negotiations on transfer of significant claim	On April 25th 2018, negotiations were completed regarding the sale of the Company's claim against Imidż Finans Group Sp. z o.o. of Kiev, Ukraine under an agreement obliging the Company to sell the claim. Pursuant to the negotiated agreement on the sale of the claim, the Transferee will pay PLN 80m to PBG, including a non-refundable advance payment of PLN 20m payable by June 25th 2018; the balance of PLN 60m will be paid by June 25th 2019.
For more information, see: PBG Current Report No. 14/2018: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/14-2018-zakonczenie-negocjacji-w-zakresie-przeniesienia-istotnej-wierzytelnosci.html	

II. CHANGES IN ORGANISATIONAL LINKS

Date	Parties	Type of transaction	Transaction overview
Jan 27 2017	PBG S.A. Jerzy Wiśniewski	Notice of transaction in Company shares	On January 27th 2017, the Company received a notification of a transaction in Company shares, given under Article 19(1) of the MAR by Mr Jerzy Wiśniewski, President of the Company's Management Board, concerning his acquisition of Series I shares.
For more information, see: PBG Current Report No. 4/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/4-2017-zawiadomienie-o-transakcji-na-akcjach-spolki.html			
Jun 14 2017	PBG S.A. Jerzy Wiśniewski	Notice of transaction in Company shares	On June 14th 2017, the Company received a notice of a transaction in Company shares, given under Article 19(1) of the MAR by Mr Jerzy Wiśniewski, President of the Company's Management Board, in connection with his acquisition of Series I shares.
For more information, see: PBG Current Report No. 26/2017: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/26-2017-zawiadomienie-o-transakcji-na-akcjach-spolki.html			
Nov 17 2017	RAFAKO S.A. PBG and Multaros Tarding Company Ltd	Notification of change in holding of RAFAKO shares	On November 17th 2017, RAFAKO S.A. received a notification from PBG S.A. and Multaros Trading Company Ltd., given under Art. 69b.1 of the Act, that following the settlement on November 13th 2017 of transactions to sell individual pre-emptive rights to Series K shares in RAFAKO S.A., executed by the notifying parties, their share in RAFAKO S.A.'s share capital and total voting rights fell from 50%+1 voting right to 33.32% of total voting rights.
For more information, see: RAFAKO Current Report No. 55/2017: https://www.rafako.com.pl/pub/File/raporty_biezace/2017/RB_55_2017_ZAWIADOMIENIE_69_PBG_MULT_ZMIANA_STA.pdf			
Dec 28 2017	RAFAKO S.A. PBG and Multaros Tarding Company Ltd	Notification of change in holding of RAFAKO shares	On December 28th 2017, RAFAKO S.A. received a notification from PBG S.A. and Multaros Trading Company Ltd. that following the registration by the District Court of Gliwice, 10th Commercial Division of the National Court Register, on December 22nd 2017, of an increase in RAFAKO S.A.'s share capital effected through issue of 42,500,000 Series K shares, the joint share of the notifying parties' in RAFAKO S.A.'s share capital and total voting rights decreased from 50%+1 voting right to 33.33% of total voting rights.
For more information, see: RAFAKO Current Report No. 65/2017: https://www.rafako.com.pl/pub/File/raporty_biezace/2017/RB_65_2017_zawiadomienie_PBG_MTC.pdf			

III. PERFORMANCE OF THE ARRANGEMENT

For information on the performance of the arrangement with creditors, see Section VI.IX *Going concern assumption*.

IV. RELATED-PARTY TRANSACTIONS

In the first half of 2017, the Company executed transactions with related parties on an arm's-length basis, with the nature and terms of those transactions determined by day-to-day operations.
The most common types of related-party transactions:

- construction contracts;
- agreements concerning: sales support, property portfolio management and organisational support services;
- maintenance contracts.

Transactions between the Company and its related parties are disclosed in Note 14 to PBG's financial statements for 2017.
In 2017, the Company did not issue any sureties or guarantees to related parties.

V. CONTRACTED BANK BORROWINGS, LOAN AGREEMENTS

For information on bank and non-bank borrowings, see Note 4.11 to the Company's financial statements for 2017.

VI. NON-RECURRING FACTORS AND EVENTS

The Company's Management Board completed negotiations of an agreement to assign its claim arising under the conditional sale agreement with IMIDŻ FINANS GRUP Sp. z o.o. of July 24th 2013. The agreement will be signed after all legal documents required by the buyer are obtained. Considering the risk to cash flows from the development project located in Ukraine, arising from the country's unstable political situation, the Company resolved to sell the claim. In exchange for accelerating the cash inflow and significant reduction of the risk involved, the Company expects to receive PLN 80m (net of the agreed rebate) out of PLN 109m under the conditional sale agreement. Expected dates and amounts of cash receipts: PLN 20m in the first half of 2018 and PLN 60 in the first half of 2019.

VII. MAJOR R&D ACHIEVEMENTS

In the reporting period, the Company did not have any major R&D achievements that would have an effect on its performance.

VIII. CONTROL SYSTEM FOR EMPLOYEE PLANS

PBG does not operate any employee plans.

IX. LITIGATION, ARBITRATION OR ADMINISTRATIVE PROCEEDINGS

For information on the litigation, arbitration and administrative proceedings, see Note 10 to the Company's financial statements for 2017.

X. CHANGES IN SIGNIFICANT MANAGEMENT SYSTEMS

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

SECTION V: SHARES AND SHAREHOLDERS

I. SHARE CAPITAL STRUCTURE AND MAJOR HOLDINGS OF SHARES

As at December 31st 2017, the Company's share capital was PLN 16,081,011.82 and comprised 804,050,591 shares. As at the issue date of this Report, the Company's share capital was PLN 16,086,604.44 and comprised 804,330,222 shares with a par value of PLN 0.02 per share.

PBG's share capital as at December 31st 2017

PBG shares	Number of shares	Type of shares	Number of shares	Number of voting rights	Free float
Series A	**5,700,000**	ordinary bearer	5,700,000	5,700,000	5,700,000
Series B	**1,500,000**	ordinary bearer	1500000	1,500,000	1,500,000
Series C	**3,000,000**	ordinary bearer	3,000,000	3,000,000	3,000,000
Series D	**330,000**	ordinary bearer	330,000	330,000	330,000
Series E	**1,500,000**	ordinary bearer	1,500,000	1,500,000	1,500,000
Series F	**1,400,000**	ordinary bearer	1,400,000	1,400,000	1,400,000
Series G	**865,000**	ordinary bearer	865,000	865,000	865,000
Series H	**776,948,780**	ordinary bearer	776,948,780	776,948,780	776,948,780
Series I	**12,806,811**	ordinary bearer	12,806,811	12,806,811	12,806,811
		Total	**804,050,591**	**804,050,591**	**804,050,591**

PBG's share capital as at the date of this Report

PBG shares	Number of shares	Type of shares	Number of shares	Number of voting rights	Free float
Series A	5,700,000	ordinary bearer	5,700,000	5,700,000	5,700,000
Series B	1,500,000	ordinary bearer	1500000	1,500,000	1,500,000
Series C	3,000,000	ordinary bearer	3,000,000	3,000,000	3,000,000
Series D	330,000	ordinary bearer	330,000	330,000	330,000
Series E	1,500,000	ordinary bearer	1,500,000	1,500,000	1,500,000
Series F	1,400,000	ordinary bearer	1,400,000	1,400,000	1,400,000
Series G	865,000	ordinary bearer	865,000	865,000	865,000
Series H	776,948,780	ordinary bearer	776,948,780	776,948,780	776,948,780
Series H	213,610	registered, before conversion into book entry form	213,610	213,610	-
Series I	12,806,811	ordinary bearer	12,806,811	12,806,811	12,806,811
Series I	66,021	ordinary, before conversion into book entry form	66,021	66,021	-
		Total	804,330,222	804,330,222	804,050,591

Shareholdings above 5%

Shareholder	Number of shares	% ownership interest	% of voting rights held
as at December 31st 2017			
Jerzy Wiśniewski	189,836,345	23.61%	23.6100%
Powszechna Kasa Oszczędności Bank Polski S.A.	53,060,500	6.60%	6.5991%
Bank Polska Kasa Opieki S.A.	62,848,380	7.82%	7.8165%
Shareholder	Number of shares	% ownership interest	% of voting rights held
as at the issue date of this Report			
Jerzy Wiśniewski	189,902,366	23.61%	23.61%
Powszechna Kasa Oszczędności Bank Polski S.A.	53,060,500	6.60%	6.5969%
Bank Polska Kasa Opieki S.A.	62,848,380	7.82%	7.8138%

The Company is not aware of any other shareholders holding 5% or more of the total voting rights at the General Meeting. By the date of this Report, the Company had not been notified of any such shareholdings.

For information on changes in the share capital structure, see Note 4.19.1 to the Company's financial statements for 2017.

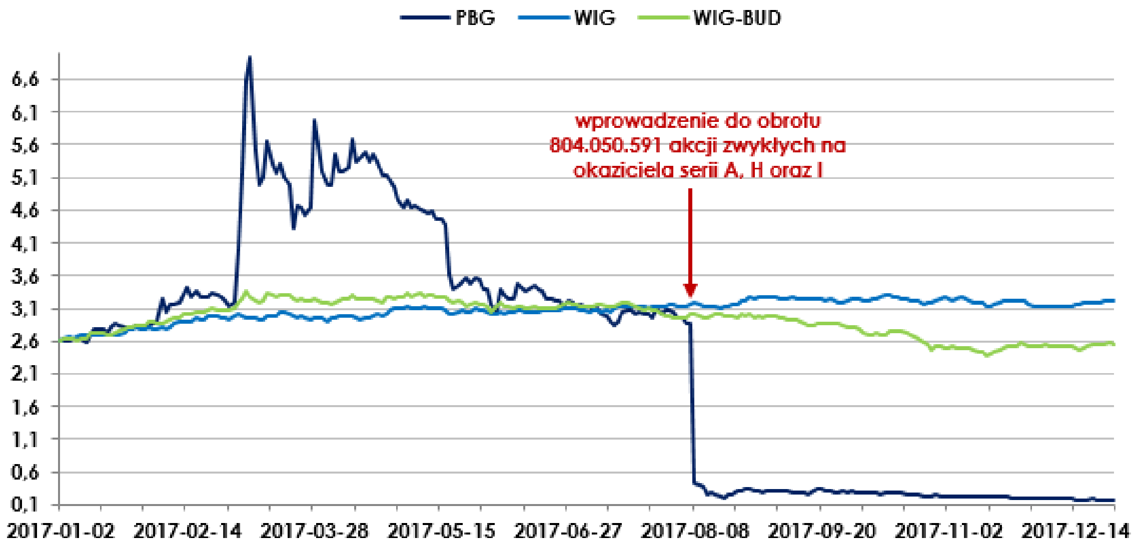
II. CHANGES IN THE COMPANY'S SHAREHOLDING STRUCTURE

In the reporting period, there were changes in the Company's shareholding structure. In 2017, some changes were identified based on shareholder notifications, published in Current Reports No. 35/2017 – 36/2017, 38/2017 – 44/2017, 46/2017 – 47/2017 and 53/2017.

III. KEY DATA ON PBG SHARES

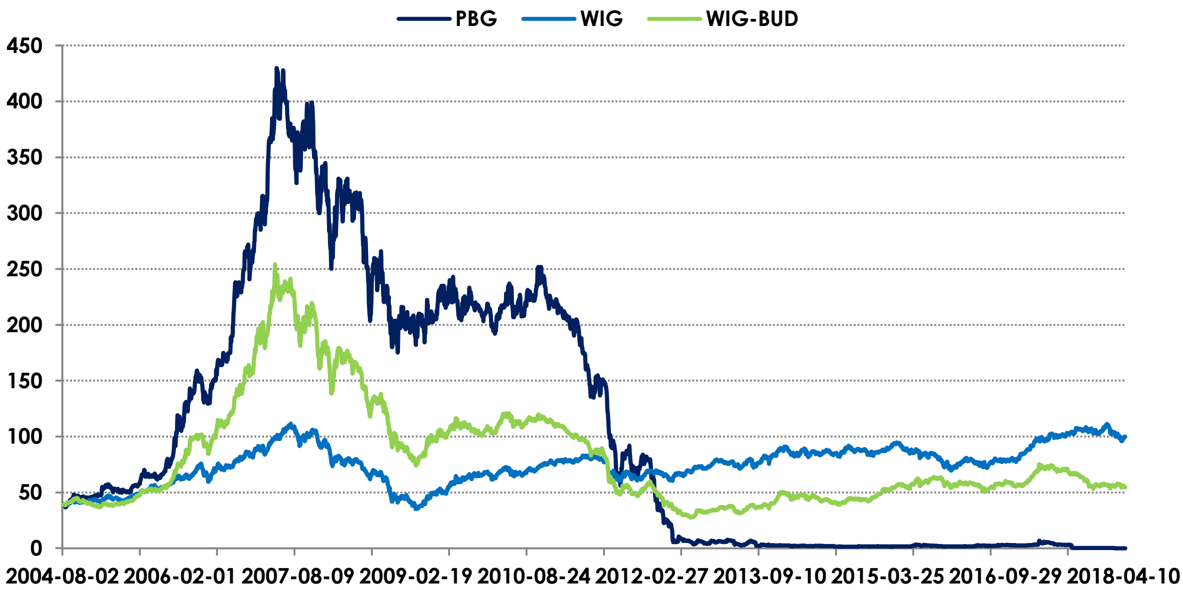
1. Share price

PBG share price from January 1st 2017 to December 31st 2017 against the WIG and WIG-BUD indices



Introduction of 804,050,591 Series A, H, and I ordinary bearer shares to trading	Wprowadzenie do obrotu 804.050.591 akcji zwykłych na okaziciela serii A, H oraz I

Price of PBG shares from IPO to April 10th 2018



2. Key information about shares

Share data

Key share data		2017	2016	Y-o-y change (%)
Period high	**PLN**	6.93	3.19	+117
Period low	**PLN**	0.16	1.57	-90

Share price at year end	**PLN**	0.16	2.5	-94
Number of shares at period end	**Number of shares**	804,051,000	770,705,820	+4
Free float	**Number of shares**	804,051,000	10,555,000	+7517
Capitalisation at year end	**PLNm**	128 .648,160	1,926,764,550	-94
Average daily trading value	**PLN '000**	1,824	156	+1069
Average daily trading volume	**Number of shares**	4,532,692	62,703	+7126

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.

VI. RESTRICTIONS ON VOTING RIGHTS

The PBG Articles of Association do not provide for any limitations on the exercise of voting rights by holders of any given percentage or number of voting rights, other than the limitation imposed under Art. 26.12 of the Company's Articles of Association on a shareholder having personal rights, concerning the exercise of voting rights carried by shares representing up to 23.61% of total voting rights at the Company.

VII. RESTRICTIONS ON TRANSFER OF OWNERSHIP RIGHTS TO PBG SECURITIES

Jerzy Wiśniewski (the Company's majority shareholder), in performance of the restructuring agreement to which he is party, has signed the PBG shares lock-up agreement relating to the shares held by him, obliging him to hold the shares until the Company discharges all of its obligations under the bonds in issue, which will be offered to eligible creditors under the arrangement (see the Company's Current Report No. 26/2015 of August 2nd 2015, Section I.1.d.iii). Under the lock-up agreement, the majority shareholder undertook towards the financial creditors who are parties to the restructuring agreement not to assume any obligations and not to make any disposals involving PBG shares, any rights attached to the shares or any rights to the shares, in each case whether held at the time of execution of the agreement or acquired in the future under the arrangement, without prior consent of the financial creditors.

VIII. EVENTS WHICH MAY RESULT IN CHANGE OF SHAREHOLDINGS

Not applicable.

IX. THE COMPANY AND ITS SHARES

Investor relations:

Investor Relations Department	Jacek Krzyżaniak
Phone	+48,605,470,599
Email	gielda@pbg-sa.pl
Website	www.pbg-sa.pl
WARSAW STOCK EXCHANGE	PBG
Reuters	PBGG.WA
LEI CODE	259400X248CV8DJRIM55

SECTION VI: FINANCIAL OVERVIEW

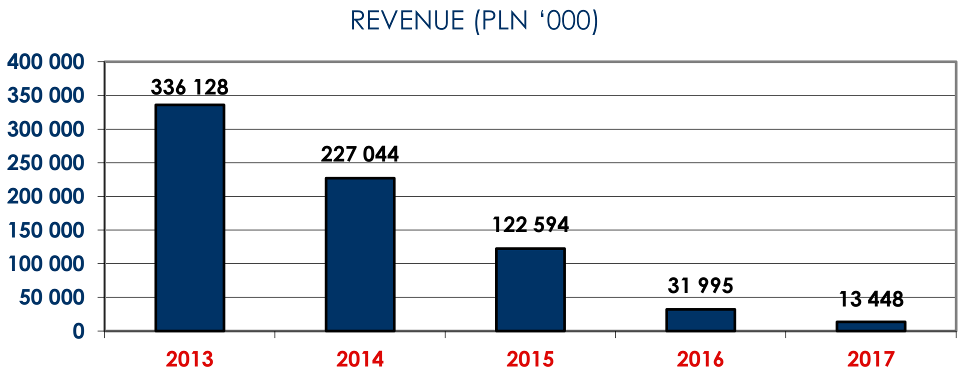
ANALYSIS OF PBG'S FINANCIAL CONDITION

All financial data and ratios are sourced from the IAS-compliant financial statements.

1. Revenue

In 2017, PBG generated revenue of PLN 13.4m. Year on year, revenue fell by nearly 58%, from PLN 31.9m in 2016. In 2017, PBG earned revenue primarily from the provision of business and organisational support services to subsidiaries, which is consistent with the adopted strategy for PBG to assume the role of a holding company. In 2016, the largest contributor to revenue was the construction of an LNG terminal (revenue recognised from that contract accounted for nearly 52% of the overall sales figure).

Historical development of revenue (past five years)

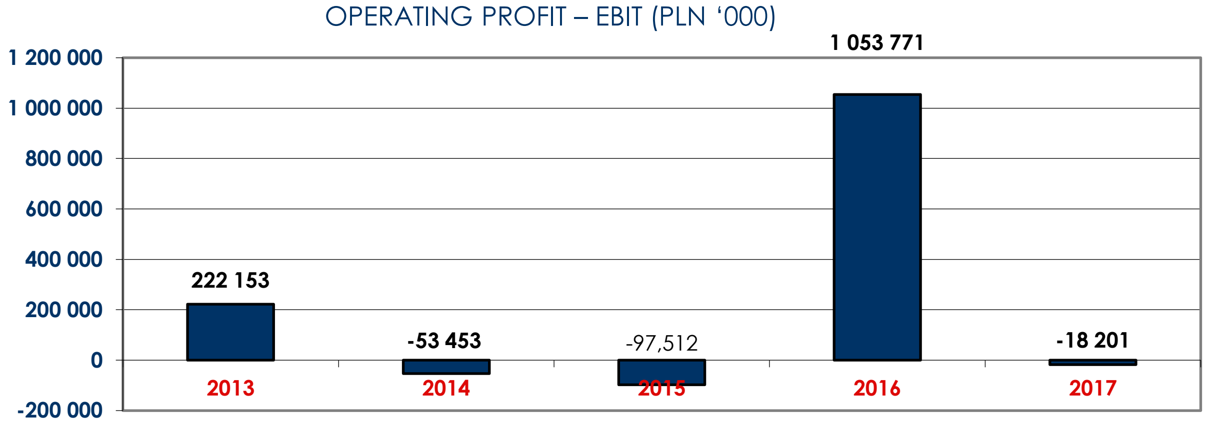


Since 2013, when PBG's voluntary arrangement process was already under way, revenue has been on a steady downward trend. This is attributable to the Company's distressed position and as a result – its exclusion from public procurement pending the arrangement process and limited access to financing. In September 2016, when the arrangement proceedings were closed, PBG regained full capacity to engage in business. However, pursuant to the current strategy, PBG is to act as a holding company while the other Group companies are to engage in contract performance. As at January 1st 2018, the value of PBG's backlog of orders (calculated as the total unbilled revenue under contracts in progress) was approximately PLN 125.4m, with ca. PLN 13.2m of that amount scheduled for execution in 2018 and the remaining ca. PLN 112.2m – for the following years. The largest value contract in PBG's order book is the one for construction and delivery of fuel terminals for NATO.

2. EBIT

In 2017, PBG recorded an operating loss of about PLN 18.2m, compared with an operating profit of PLN 1,053.8bn in 2016. However, the results are not fully comparable, because the operating profit generated in 2016 was primarily attributable to the recognition in the Company's accounts of the bankruptcy court's decision to approve the arrangement becoming final on June 13th 2016 – its effect on the Company's EBIT was PLN 1,060.5bn. In 2017, in addition to the Company's principal operations, operating result was affected by the recognition, under "Loss on arrangement with creditors", of the effect of revaluation of the discount of non-current liabilities in the arrangement and zero-coupon bonds issued to partially repay those liabilities, totalling over PLN 19.2m.

Historical development of EBIT (past five years)



3. Liquidity ratios

Liquidity ratios

NAME	FORMULA	2017	2016
Current ratio	(current assets* / current liabilities)	0.88	0.85
Quick ratio	(current assets* – inventories) / current liabilities)	0.88	0.85
Cash ratio	(cash balance at end of period / current liabilities)	0.01	0.03

* including non-current assets held for sale

In 2017, the current ratio rose to 0.88, compared with 0.85 at the end of 2016. Despite the moderate improvement, its level still implies that the Company is in a difficult financial position and would not be able to repay its current liabilities if they fell immediately due. Quick ratio increased as well. The ratio levels considered safe for construction companies in general fall within the range from 1.2 to 2.0 in the case of the current ratio, and 1.0 to 1.2 in the case of the quick ratio.

The cash ratio went down from 0.03 at the end of 2016 to 0.01 at the end of 2017. Its level suggests that PBG is able to cover about 1% of its current liabilities with the most liquid assets, i.e. cash and cash equivalents. At the same time, it is widely considered that a safe level of the cash ratio is somewhere between 0.15 and 0.2, which means that a business entity should be able to cover with its most liquid assets (cash and cash equivalents) from about 15% to about 20% of its current liabilities.

4. Debt

Debt ratio

NAME	FORMULA	2017	2016
Capital structure	equity / debt capital	- 0.20	- 0.06
Structure of assets	non-current assets / current assets*	2.68	5.51
Total debt ratio	Total liabilities / total assets	1.25	1.06

* including non-current assets held for sale

As in the previous year, in 2016 equity was negative. At the end of 2017, the asset structure ratio fell to 2.68, from 5.51 a year earlier. The above change was mainly attributable to a decrease in the value of non-current assets following the recognition in 2017 of a PLN 65.2m impairment loss on the investment in RAFAKO shares, as well as the advancing process of divestment of the Company's non-core assets.

In 2017, the total debt ratio stood at 1.25, having increased by 0.19 year on year. In both the first half 2016 and the first half 2017, the ratio was at a level considered unsafe, characteristic of companies in a difficult economic and financial position.

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

Statement of profit or loss

Changes in the statement of profit or loss

PBG's statement of profit or loss (PLN '000)	2017	2016	2017/2016
Revenue	13,448	31,995	-58%
Cost of sales	7,117	35,257	-80%
Gross profit (loss)	**6,331**	**-3,262**	-
Gain on losing joint control of joint operation	0	24,239	-
Distribution costs	0	0	-
Administrative expenses	11,132	11,755	-5%
Other income	19,179	16,049	20%
Other expenses	13,419	28,143	-52%
Restructuring costs	0	3,852	-
Gain (loss) on arrangement with creditors	**-19,160**	**1,060,495**	-
Operating profit (loss)	**-18,201**	**1,053,771**	-
Finance income	0	0	-
Net finance costs	65,522	96,384	-32%
Profit (loss) before tax	**-83,723**	**957,387**	-
Income tax expense	0	0	-
Net profit (loss)	**-83,723**	**957,387**	-

In 2017, the Company posted gross profit of more than PLN 6.3m, compared with a gross loss of almost PLN 3.3m in 2016.

Administrative expenses for 2017 amounted to PLN 11.1m, down by 5% from PLN 11.8m in 2016.

In 2017, other income totalled close to PLN 19.2m, with the key contributors being a reversal of impairment losses on receivables (PLN 1.7m) and a reversal of impairment losses on loans advanced to the PBG DOM Group companies (PLN 9.1m) following a higher than originally estimated valuation of their assets which are to be sold as part of the divestment process. In addition, the Company recognised in 2017 other income from grants received (nearly PLN 1.1m), after the Company accounted for grants it had received in previous periods to finance non-current assets, which at the end of 2017 were recognised as non-current assets held for sale, and for the discount related to long-term items (approximately PLN 2.1m).

Other expenses in the reporting period were PLN 13.4m, and included mainly a PLN 1.5m impairment loss on real property in Łeba and foreign exchange losses, related mostly to the Dialog Plus investment certificates (Ministersky Project) (PLN 7.2m), and related to the provision recognised for the costs of court proceedings against the Company's subcontractors performing warranty maintenance services under the contract to construct the PGE National Stadium in Warsaw (approximately PLN 3.3m).

In 2017, under "Loss on arrangement with creditors", the Company recognised the effect of revaluation of the discount of non-current liabilities in the arrangement and zero-coupon bonds issued to partially repay those liabilities (a loss of PLN 19.2m). In the corresponding period (the full year 2016), the amount of PLN 1,060.5m represented a gain on the arrangement made with creditors, and was recognised as a result of the court decision approving the arrangement having become final.

All in all, in 2017 PBG reported an operating loss of PLN 18.2m, compared with an operating profit of PLN 1,053.8m generated in 2016.

In 2017, the Company posted a pre-tax and net loss of approximately PLN 83.7m, compared with a pre-tax and net profit of nearly PLN 957.4m for 2016. Weighing heavily on the pre-tax result for 2017 were net finance costs of PLN 65.5m, which included mostly the PLN 65.2m impairment loss recognised on RAFAKO shares. In 2017, the Company also incurred finance costs on a finance lease concluded in earlier periods and continued in the reported year.

III. ASSETS, FINANCIAL CONDITION AND FUNDING OF THE ASSETS

1. Assets

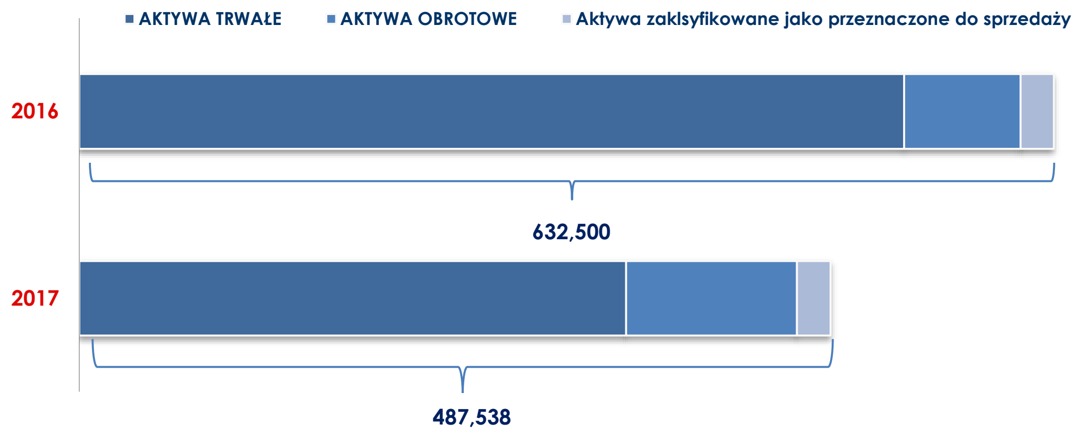
The asset structure did not change materially during the reported year. As at the end of 2017, non-current assets represented close to 73% of total assets, having decreased by nearly 12 pp year on year. At slightly over 27%, the share of current assets (including non-current assets held for sale) increased by nearly 12 pp year on year.

Investments in subsidiaries (mainly shares in RAFAKO S.A.) were the key item of non-current assets (73%). The second largest item were long-term loans (advanced to PBG DOM), representing 11% of non-current assets. A change to be noted is a significant decrease in the value of investments in subsidiaries, from nearly PLN 326m at the end of 2016 to nearly PLN 261m, following the aforementioned recognition of an impairment loss on RAFAKO shares (PLN 65.2m).

During the reporting period, there was also a shift in the structure of current assets. At the end of 2017, short-term loans, including loans advanced to PBG DOM, accounted for the largest part of current assets: 87%. The second largest item were non-current assets held for sale, representing 27% of current assets, followed by non-current classified as held for sale. Assets disclosed in this item as at December 31st 2017 included primarily the Company's properties located in its principal place of business, that is in Wysogotowo, with respect to which as at the end of 2017 the assumption that they would be sold within the next 12 months remained valid, as well as the Company's property located in Słupca. The next largest item were trade and other receivables, which accounted for just over 9% of the total value of current assets and non-current assets held for sale. In the Management Board's opinion, it is important to explain that the decrease in the value of the Company's non-current assets is related to the ongoing process of divestment of its non-core assets, which is generating proceeds applied for the most part towards repayments under the arrangement and redemption of the bonds.

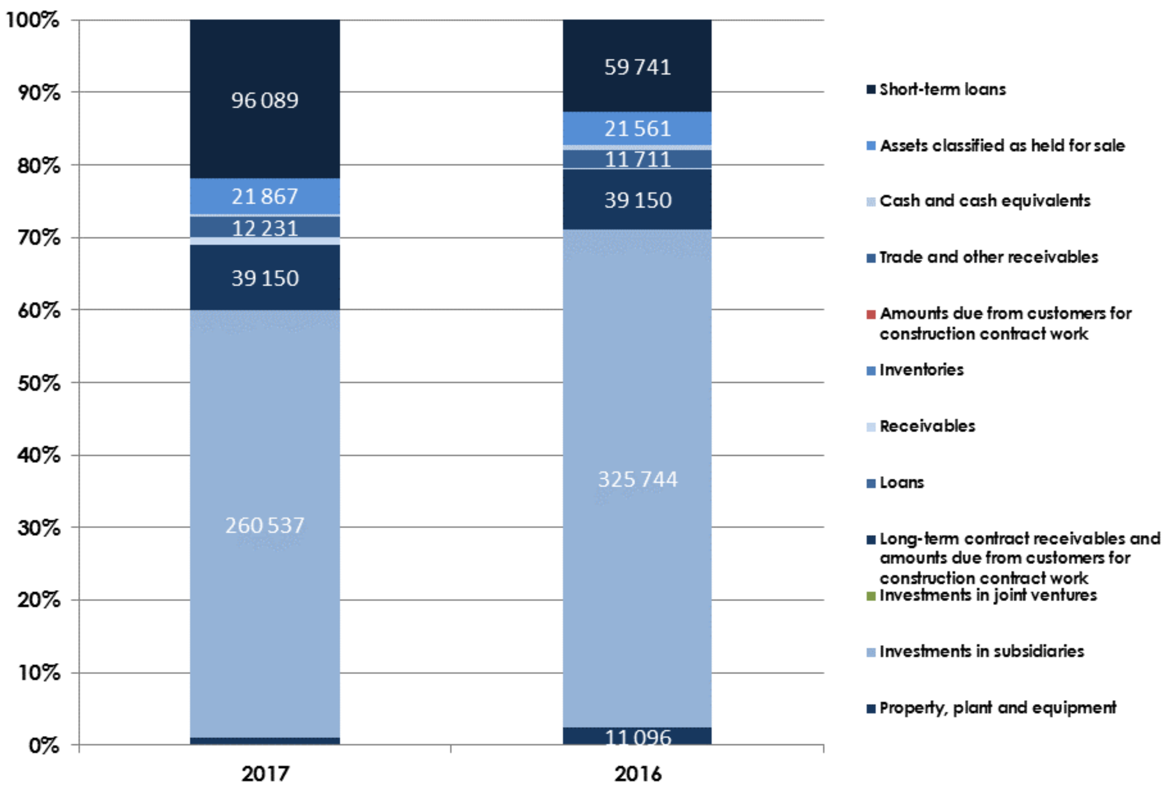
As at the end of 2017, the Group's total assets amounted to PLN 487,538 thousand, compared with PLN 632,500 thousand a year earlier (down by 22.92%).

Assets (PLN '000)



Non-current assets	Aktywa trwałe
Current assets	Aktywa obrotowe
Assets classified as held for sale	Aktywa zaklasyfikowane jako przeznaczone do sprzedaży

Largest items of assets (PLN '000)



Asset ratios (%)

NAME	FORMULA	2017	2016
Basic asset structure ratio	(non-current assets / current assets, including assets held for sale)*100%	267.52%	551.06%
Non-current assets to total assets	(non-current assets / total assets)*100	72.79%	84.64%
Current assets to total assets	(current assets, including assets held for sale / total assets)*100	27.21%	15.36%
Short-term trade and other receivables to current assets	(short term receivables / current assets, including assets held for sale)*100	9.22%	12.05%

The change in the structure of the Company's assets in 2017 as presented above was mainly attributable to: (i) the Company's recognition at the end of 2017 of an impairment loss of nearly PLN 62.5m on its investment in RAFAKO shares; (ii) sale in 2017 of the Company's assets intended for divestment, including primarily the land properties located in Łeba and the office buildings in Wysogotowo; and (iii) the Company's reclassification of a significant part of its non-current assets to non-current assets classified as held for sale within the 12 months from December 31st 2017, whose value as at December 31st 2017 was PLN 21.9m.

As far as current assets (including non-current assets held for sale) are concerned, they increased by nearly 37% between December 31st 2016 (PLN 97.1m) and December 31st 2017 (PLN 132.7m).Comparing the value of operating assets as at December 31st 2016 and December 31st 2017, the highest increase was recorded in loans advanced (from PLN 59.7m to PLN 96.1m), reflecting the assumption adopted by the Company's Management Board concerning the divestment process, under which the Company's subsidiaries would be able to raise funds for repaying intragroup loans.

2. Equity and liabilities

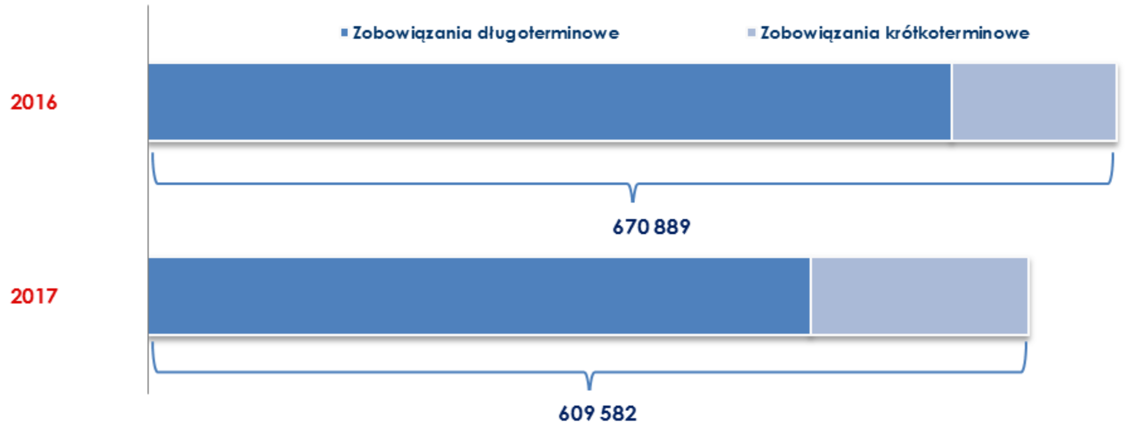
As in the corresponding period of the previous year, equity was negative (end of 2017: PLN -122.0m, end of 2016: PLN -38.4m). Therefore, no structure of equity is presented, and only an analysis of the structure of the Company's liabilities has been made. The significant, clearly noticeable decrease in equity (its higher negative value) was attributable to the net loss of PLN 84.7m incurred by the Company in 2017. As discussed above, the net loss generated by the Company was largely a result of its recognition of an impairment loss on RAFAKO shares at the end of 2017.

In 2017, PBG's liabilities totalled PLN 609.6m, of which 75.2% were non-current liabilities, with current liabilities representing the balance (24.8%). Non-current liabilities fell by 17.6% year on year, to PLN 458.6m (down by approximately PLN 92.2m). On the other hand, the value of current liabilities increased. At the end of 2017, current liabilities were PLN 151.0m, up by more than PLN 36.9m, or 32.3%, from the end of 2016 (PLN 114.1m). The increase in current liabilities was correlated with the decrease in non-current liabilities, largely as a result of classification of the Company's liabilities under the arrangement and bonds maturing in up to 12 months as non-current liabilities.

Both in non-current and current liabilities, the largest item was represented by borrowings and other debt instruments, which amounted respectively to PLN 316.5m (the non-current portion) and PLN 86.0m (the current portion), and which comprised mainly zero-coupon bonds (PLN 305.5m under non-current liabilities and PLN 65.3m under current liabilities). In 2017, the Company made repayments under the arrangement of close to PLN 19m, and redeemed maturing bonds for a total amount of over PLN 68m.

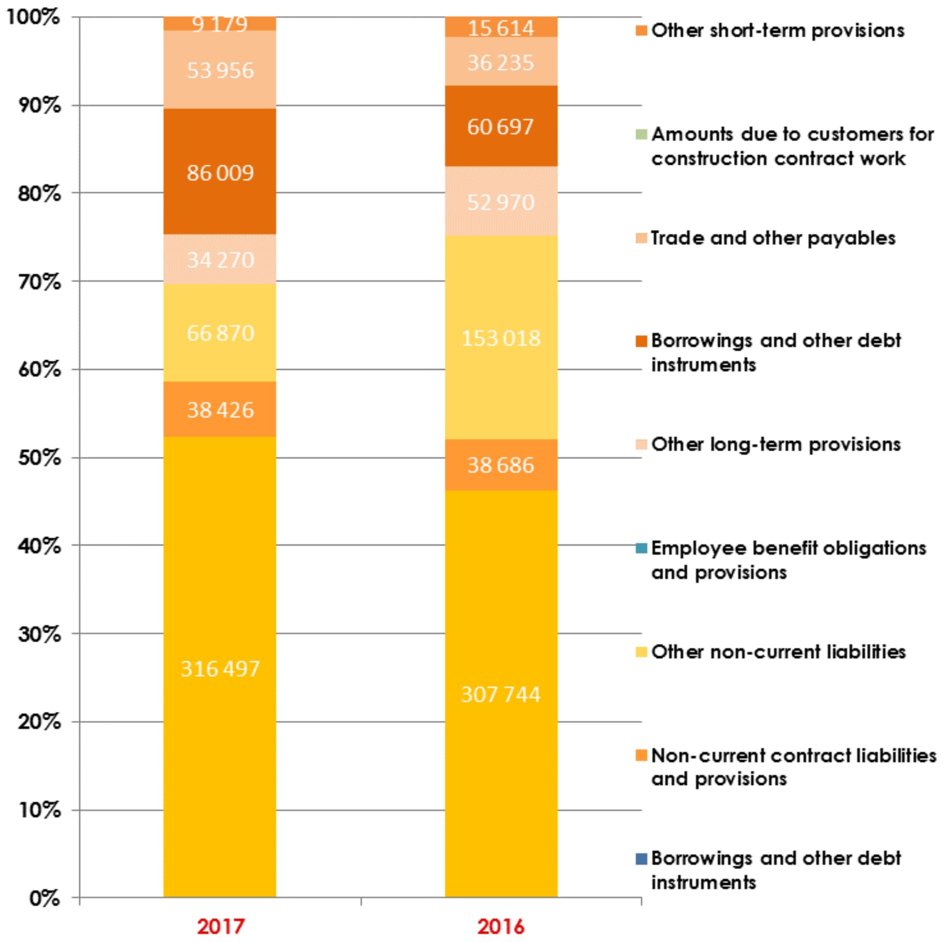
At the end of 2017, total liabilities were PLN 609,582 thousand, compared with PLN 670,889 thousand a year earlier (down by 9.14%).

Liabilities (PLN '000)



Non-current liabilities	Zobowiązania długoterminowe
Current liabilities	Zobowiązania krótkoterminowe

Largest items of liabilities (PLN '000)



IV. STATEMENT OF CASH FLOWS

Cash flows (PLN '000)

	2017	2016
Net cash from operating activities	-93,817	-171,820
Net cash from investing activities	88,408	36,562
Net cash from financing activities	3,741	12,176
Net cash at end of period	1,921	3,589

In 2017, PBG's net cash from operating activities was negative, at nearly PLN -95m. During the reporting period, net cash from investing activities was PLN 88.4m. Net cash from financing activities reached PLN 3.7m. Net cash at end of 2017 amounted to PLN 1.9m. The most significant cash inflows from investing activities came from repayment of loans by the Company's subsidiaries (nearly PLN 54m) and net proceeds from sale of the Company's investment properties in Łeba and Wysogotowo. The repayment of loans by the Company's subsidiaries followed their divestment of non-core assets (real properties) under the divestment plan agreed with the Company's Bondholders. The negative net cash from operating activities was largely attributable to the recognition of repayments under the arrangement and redemption of bonds in operating cash flows. In 2017, the Company satisfied creditor claims under the arrangement for an amount of nearly PLN 19m, and redeemed a total of six series of bonds for an aggregate amount of almost PLN 68m.

Cash flow profile

	2017	2016
Net cash from operating activities	-	-
Net cash from investing activities	+	+
Net cash from financing activities	+	+
Net cash at end of period	+	+

V. INVESTMENTS

1. Equity investments

In 2017, PBG did not make any equity investments.

2. Expenditure on property, plant and equipment

In 2017, PBG did not incur any significant expenditure on property, plant and equipment.

3. Feasibility of the Company's investment plans for 2018

Given the constrained financial condition of the Company, no equity investments or expenditure on property, plant and equipment are planned. It may only be necessary to incur expenditure on property, plant and equipment needed to execute contracts. With a view to raising additional funds, the Company intends to sell non-core assets.

VI. FINANCIAL OUTLOOK

As the court's decision to approve the arrangement became final, the Company has been performing its obligations under the arrangement, and will continue to do so until June 2020. (in accordance with the arrangement, the last repayment falls due on June 30th 2020, and the last series of bonds issued by the Company also mature on the same date). For details of the arrangement and sources of its financing, as well as PBG's anticipated financial condition, see Section VI.IX. *Going concern assumption*.

VII. 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 its capital structure, the Company may usually contract bank borrowings, issue bonds, resolve to pay dividends to shareholders, return capital to shareholders, or issue shares or bonds.
Given that PBG S.A. was subject to a voluntary arrangement procedure from June 2012 to June 2016, capital management at the Company was virtually impossible. In September 2016, the PBG arrangement proceedings were formally closed, and the Company became again fully capable of engaging in commercial activity. Since then, the Company has also regained its ability to manage capital. That ability is limited, though, due to the Company's financial condition, which still remains precarious. Currently, PBG's key objective is to effectively implement the arrangement and redeem its bonds as they fall due, which will allow it to continue as a going concern and recover shareholder value.
The objectives and policies of financial risk management did not change relative to those disclosed in the most recent full-year financial statements for 2016.

VIII. OFF-BALANCE-SHEET RECEIVABLES AND LIABILITIES

As at the end of 2017, PBG disclosed contingent liabilities as off-balance-sheet items of PLN 6.8m. They included mainly liabilities under sureties issued by the Company for third parties, liabilities under guarantees issued at PBG's request for third parties and liabilities under promissory notes.

In the reporting period, the Company disclosed contingent receivables as off-balance-sheet items of PLN 252 thousand. The contingent receivables included mainly bank and insurance guarantees received as security for the performance of contracts, of nearly PLN 244 thousand, and promissory notes received of PLN 8 thousand.
In the twelve months of 2017, PBG recorded a decrease in contingent receivables, comprising mainly amounts receivable under instruments securing the performance of contracts (PLN 7.9m), including an almost PLN 0.2m decrease in receivables under guarantees and an approximately PLN 7.7m decrease in receivables under promissory notes.
In 2017, PBG recorded also a PLN 11.4m drop in contingent liabilities, including mainly a PLN 9.7m decrease in liabilities under guarantees issued and a PLN 1.7m decrease in sureties issued.
In accordance with the provisions of the Issue and Agency Agreement, as well as the Terms and Conditions of the Bonds, the Company and its selected subsidiaries secured the bonds up to an amount of PLN 1.065bn (i.e. 150% of the maximum value of the bond programme). The security is effective as of the bonds issue date. The security interests encumber assets owned by the Company and selected obligor companies. The bonds are secured by:

- Civil-law sureties provided by selected subsidiaries up to an amount of PLN 1.065bn (i.e. 150% of the maximum value of the bond programme);
- Registered pledges over the Company's shares in selected subsidiaries;
- Pledges over the Company's and selected subsidiaries' business assets;
- Mortgages on most real properties owned by the parent and its subsidiaries;
- Assignments by way of security of receivables of the Company and selected subsidiaries under: (a) insurance contracts in respect of mortgaged properties, (b) loan agreements between the Company or the obligor companies and subsidiaries, (c) loan agreements between the Company and PBG oil and gas Sp. z o.o. (POG), (d) intra-group service agreements and subcontractor agreements under construction contracts concluded by POG and the Company, and other subcontractor agreements under construction contracts;
- Registered pledges over receivables from the Company's bank account and from the bank accounts of its selected subsidiaries;
- Declarations of voluntary submission to enforcement, made by the Company and selected subsidiaries.

Furthermore, POG issued a surety to the security agent for the divestment account funds used by the Company or POG up to the lower of the amount equal at any time to 150% of the funds or PLN 120m.

GOING CONCERN ASSUMPTION

Current formal and legal status of the Company

On June 13th 2016, the decision of the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Restructuring Division, to approve the Company's voluntary arrangement with its creditors became final. Starting from that date, the Company has been performing its obligations under the arrangement. Apart from paying the repayment instalments and redeeming the bonds it has issued, the Company has been implementing other provisions of the restructuring documents when due. For detailed information on the Company's formal and legal status, see PBG's financial statements for the previous reporting periods, in particular its separate financial statements for 2015 and 2016.

Going concern assumption

Given the Company's current financial condition, there are risks to its going concern status. As at December 31st 2017, the Company's current liabilities (disclosed in the separate financial statements) exceeded its current assets and assets classified held for sale by approximately PLN 18.4m. However, the separate financial statements for 2017 have been prepared on the assumption that the Company will continue as a going concern for the foreseeable future, i.e. for at least 12 consecutive months from the date of authorisation of this Report for issue. The assumption was based on the court's decision to approve the arrangement with creditors having become final, allowing the Company to continue as a going concern. In 2016, the

Company began to perform its obligations under the arrangement and the bonds, which is scheduled to continue until June 2020. Also, presented below is the Management Board's plan of how it intends to cover the deficit in net working capital.

Detailed information on the final closing of the arrangement bankruptcy proceedings is presented in the financial statements for previous reporting periods, particularly in the 2015 and 2016 separate financial statements of PBG S.A.

Performance of the arrangement and redemption of the Bonds

On June 13th 2016, the Company began to perform its obligations under the arrangement with creditors. The provisions of the arrangement will be performed by the Company until the end of June 2020. Pursuant to the terms of the arrangement, the Company agreed to offer bonds to Group 1, 3, 4, 5 and 6 creditors. The obligation to issue bonds to refinance claims under the arrangement was also stipulated in the restructuring documents signed by the Company, including the restructuring agreement, subsequently amended by a supplementary agreement.

The original bond redemption schedule was amended in the course of negotiations with financial creditors and confirmed by documents signed on November 8th 2016: (i) a supplementary agreement to the restructuring agreement of July 31st 2016; (ii) annex 1 to the issue, agency and co-financing agreement of July 31st 2015; and (iii) the amended model terms and conditions of the bonds (see PBG Current Reports No. 15/2016, 30/2016, 34/2016, 35/2016).

As at the date of issue of the separate financial statements for 2017, the Company had issued Series A, B, C, D, E, F, G, H and I first issue bonds for PLN 388,795,000 (see PBG Current Report No. 54/2016), and Series B1, C1, D1, E1, F1, G1, H1 and I1 second issue bonds for PLN 85,291,000 (see PBG Current Report No. 6/2017). The Company made a commitment to have the bonds listed on the exchange. As at the date of issue of the financial statements, the Series E, E1, F, F1, G, G1, H, H1, I and I1 bonds were traded on the Catalyst multilateral trading facility operated by the Warsaw Stock Exchange (see PBG Current Reports No. 10/2017, No. 12/2017, No. 16/2017 and No. 18/2017).

To the best of the Company's knowledge, the schedule of payments under the arrangement and of the redemption of bonds, including payment of liabilities towards subsidiaries, is as follows (amounts rounded to the nearest whole złoty):

Period:	H1 2018	H2 2018	2019	H1 2020	Total
Repayment of the Company's liabilities under the arrangement and the bonds, including:	**68,455,629**	**25,130,180**	**133,019,662**	**298,430,057**	**525,035,527**
- redemption of bonds	*50,329,400*	*14,949,700*	*106,743,000*	*231,613,200*	**403,635,300**
- payment of arrangement instalments	*16,720,747*	*9,639,861*	*23,594,966*	*45,845,094*	**95,800,667**
- payment of contingent claims after the date of fulfilment of the condition	*1,405,482*	*540,619*	*2,681,696*	*7,936,756*	**12,564,553**
- payment of disputed claims	*0*	*0*	*0*	*13,035,007*	**13,035,007**

The Company recognised a provision of PLN 25,599,906 for the repayment of contingent or disputed claims. As estimated by the Company's Management Board, of that amount contingent claims of PLN 12,564,899 will become due and will be paid over the term of the arrangement (through payment of repayment instalments or conversion of the claims and then redemption of bonds), while disputed claims of PLN 13,035,007 will be paid when the dispute is resolved, but the time of their payment cannot be reasonably determined as at the date of this Report. Therefore, it was assumed that the disputed claims would be paid at the end of the arrangement term.

Amount of liabilities repaid from the date when the Company began to perform the arrangement (rounded to the nearest whole złoty)	
Liabilities repaid by the date of issue of these financial statements, including:	125,515,495
repayments under the arrangement	55,064,795
redemption of bonds	70,450,700

The Company's Management Board expects to receive the following cash proceeds during the term of the arrangement, mainly over the next 12 months (rounded to the nearest whole złoty):

Expected cash proceeds from:	H1 2018	Q3 2018	Q4 2018	H1 2019	H2 2019	H1 2020	Total
Sale of the Company's properties and other non-core assets	21,744,000	400,000	2,200,000	0	997,000	0	25,341,000
Repayment of loans by the Company's subsidiaries implementing the divestment plan	26,026,446	0	55,000,000	0	10,550,000	0	91,576,446
Sale of receivables under the *Ministersky* development project in Kiev	20,000,000	0	0	60,000,000	0	0	80,000,000
Cash flows under loans advanced to the Company by PBG oil and gas Sp. z o.o.	-65,647	-950,397	-2,588,976	6,370,622	3,696,294	3,647,443	10,109,339
Cash flows from the Company's other operations	-17,322,460	-3,174,605	3,574,758	19,660,366	14,140,091	6,957,927	23,836,078
Cash flows under loans granted to the Company	18,300,000	4,000,000	-22,300,000	0	8,800,000	6,000,000	14,800,000
Refinancing of the balloon payment	0	0	0	0		280,000,000	280,000,000
TOTAL	**68,682,339**	**274,998**	**35,885,783**	**86,030,987**	**38,183,385**	**296,605,371**	**525,662,862**

Divestments will be the main source of cash to repay the liabilities over the next 12 months, i.e. in the period from January 1st to December 31st 2018. In this period, the Company and its subsidiaries expect to raise a total of PLN 125.4m from divestments.

Cash balance after: (i) redemption of bonds; (ii) payment of arrangement instalments [PLN]	*H1 2018*	*Q3 2018*	*Q4 2018*	*H1 2019*	*H2 2019*	*H1 2020*
	226,710	501,708	11,257,311	14,694,113	2,452,021	627,335

Net working capital disclosed in the separate financial statements

As disclosed in the separate financial statements as at December 31st 2017, current assets and non-current assets held for sale totalled PLN 132.7m, while current liabilities were PLN 151.0m, which implies negative net working capital of approximately PLN -18.4m.

Considering the above, the Company's Management Board carried out a detailed analysis of sources of covering the deficit and concluded that within 12 months from the reporting date the Company would be able to generate cash of approximately PLN 17.2m in excess of the liabilities due in the same period.

A detailed analysis of current assets and assets classified as held for sale, which stood at PLN 132.7m as at the reporting date, indicates that within 12 months from the reporting date the Company will be able to release PLN 143.3m, and the difference between individual current assets and assets held for sale followed mainly from the following assumptions:

- Estimates concerning the Group's divestment process indicate that within 12 months from the reporting date loan repayments will total approximately PLN 101.0m, i.e. about PLN 4.9 more compared with the amount disclosed in the financial statements prepared in accordance with the IFRS. The higher amount is attributable to the repayment of loans by related entities. Valuation of the loans performed in accordance with the IFRS is higher than the one based on the Management Board's detailed plans, but by the end of the first half of 2018 the Company intends to raise an additional PLN 20m as a result of the performance of the agreement related to the Group's exit from the development project in Kiev.
- The Company's Management Board estimates that it will be possible to increase the amount of potential proceeds from non-current assets that may be sold in a short term by PLN 3.2m, mainly in connection with divestment of the Company's non-core assets.
- The Company's Management Board increased the estimated inflow of short-term receivables by about PLN 2.7m after a detailed assessment of the possibility of recovering a part of receivables for which impairment losses had been recognised in accordance with the IFRS, including the receivables that are to be offset within 12 months from the reporting date against the arrangement claims maturing in that period.

The amount of current liabilities disclosed in the Company's full-year financial statements as at December 31st 2017 was PLN 151.0m. However, the analysis carried out by the Company's Management Board indicates that approximately PLN 126.1m will become due and payable within 12 months from the reporting date. The difference follows mainly from the classification of some arrangement claims as current liabilities, which will ultimately be offset against trade receivables from creditors, and from the lack of necessity to repay loans to subsidiary PBG oil and gas in the short term.

Expected sources of funding the arrangement and redemption of the bonds

Implementation of the arrangement, in particular repayment of the creditors' claims and redemption of the bonds, will be based on four main potential sources of financing (amounts given below have been calculated for the period from January 1st 2018):

- Time-optimised proceeds from divestment of the Company's non-core assets – expected proceeds over the entire term of the arrangement – PLN 24.3m;
- Receivables under intra-group loans which can be realised after the sale of properties, and loans from other entities – expected proceeds over the entire term of the arrangement: PLN 171.6m, including PLN 80.0m from the sale of receivables under the Ministersky Project;
- Borrowings to be contracted at the end of the arrangement term to finance the last repayment under the arrangement in June 2020 – expected proceeds of PLN 280m;
- The balance will be covered with cash generated from core operations carried out jointly with other companies of the Group, including profits on current and potential future contracts, particularly in the power construction market, to be executed in close cooperation with RAFAKO S.A., and cash generated from other activities by the Company and PBG oil and gas Sp. z o.o.

The Company expects to receive funds specified above in such amounts and on such dates as to be able to make repayments under the arrangement in line with its terms and to redeem the bonds on the dates specified in the terms and conditions of each relevant series of the bonds issued by the Company and acquired by eligible creditors, in particular the Company's financial creditors who have signed or acceded to the restructuring agreement. The source of funding of the arrangement, i.e. the divestment of non-core assets, will be based on proceeds from the sale of properties owned by the Company and its subsidiaries, or from the sale of subsidiaries themselves. Proceeds from the sale of properties owned by subsidiaries will be transferred to the Company as repayment of loans granted to the subsidiaries to finance their property development and investment activities before the arrangement bankruptcy was declared.

The Company intends to partly finance payments under the arrangement with borrowed funds. The assumption that it will be possible to refinance the final repayment under the arrangement with another borrowing is based on the Company's judgement that repayment of liabilities under the arrangement and the bonds as they fall due, as well as the implementation of the assumed strategy, will allow the Company to regain its creditworthiness. During the term of the arrangement and repayment of the bonds, the Company's and its subsidiaries' creditworthiness is expected to gradually improve, to be fully regained by the time when all claims under the arrangement are repaid and all bonds are redeemed. With no financial liabilities other than the balloon payment and the last series of bonds outstanding at that time, the Company is expected to be able to finance the last payment under the arrangement and to redeem the last series of bonds with proceeds from a borrowing the Company would be able to contract on market terms, based on the Company's then-current revenue streams and expected future revenues as well as the Company's assets then existing.

Risks which, if materialised, may limit the Company's ability to perform the arrangement

Considering the expected duration of the arrangement, under which the Company is obliged to make final repayments to the creditors by June 30th 2020, the Company has identified possible risks that may occur in that period, which, if materialised, may significantly limit the Company's ability to perform the arrangement or redeem the bonds it has issued. Accordingly, to successfully implement the arrangement (and to ensure that all outstanding bonds are redeemed) the Company intends to rely in large part on funds to be raised by the Company or its subsidiaries from the divestment of properties owned by the Company and its subsidiaries, or of property development projects in which the Company had engaged before the arrangement bankruptcy was declared. This means that a potential unexpected downturn in the property market may significantly affect the Company's ability to secure funds required to satisfy claims under the arrangement or to redeem the bonds. Bearing in mind the aforementioned risk of not receiving the proceeds from the development project in Ukraine due to changes in or escalation of the political conflict in that country, the Company's Management Board negotiated a deal to sell its receivables under the conditional sale agreement with IMIDŻ FINANS GRUP Sp. z o.o. (for more information, see Section IV.VI). In connection with the change of the assumptions, the Company's Management Board will request the Bondholders for their consent to execute the transaction on the terms specified in the receivables sale agreement. A potential threat to implementation of the arrangement or the Company's ability to redeem outstanding bonds may also come from lower than expected operating cash receipts of the Company and its subsidiary PBG oil and gas, mainly due to the Company's and PBG oil and gas Sp. z o.o.'s failure to secure contracts the two companies intend to win and perform during the term of the arrangement. Another risk to the Company's ability to perform the arrangement and redeem the bonds may come from potential difficulty in obtaining, or inability to obtain, the borrowing which the Company expects to use to fund the PLN 280m balloon (last) payment under the arrangement and to redeem the bonds. A potential delay or failure by the Company to make repayments under the arrangement could prompt creditors to submit a request for the arrangement to be rescinded under Art. 302 of the Bankruptcy and Restructuring Law (as in effect until December 31st 2015, which is applicable to the proceedings), under which the court may rescind an arrangement upon a creditor's request if the debtor fails to perform any provisions of the arrangement or it is evident that the arrangement will not be implemented. In such a case, pursuant to Art. 304 of the Bankruptcy and Restructuring Law, the insolvency proceedings could be reopened and converted into liquidation bankruptcy. Moreover, in accordance with the terms and conditions of the bonds, bondholders have the right to demand acceleration or early redemption of the bonds upon the occurrence of any of the acceleration or early redemption triggers defined in the terms and conditions of the respective series of the bonds. Therefore, as the bonds are secured with assets of the Company and its selected subsidiaries, in a situation where it is impossible to redeem the bonds when due – which would constitute an acceleration trigger – there is a potential risk that the security agent, acting on behalf of bondholders, would commence enforcement of claims against the Company's and its selected subsidiaries' assets. The assets pledged as security for the bonds are described in detail in PBG Current Reports No. 26/2015, No. 34/2016, and No. 54/2016.

Notwithstanding the uncertainties described above, the Management Board is of the opinion that, based on the Company's financial estimates, the Company will be able to redeem the bonds in line with the agreed schedule and to pay all other claims under the arrangement, and therefore the assumption that the Company will continue as a going concern for the foreseeable future (i.e. for at least 12 consecutive months from the date of authorisation of this Report for issue) is justified.

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SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

President of the Management Board	**Jerzy Wiśniewski**
Vice President of the Management Board	**Dariusz Szymański**
Vice President of the Management Board	**Mariusz Łożyński**
Member of the Management Board	**Kinga Banaszak – Filipiak**