DIRECTORS' REPORT ON THE OPERATIONS OF THE PBG GROUP

for the period January 1st–December 31st 2015

TABLE OF CONTENTS

SECTION I: CORPORATE GOVERNANCE REPORT

PBG PUBLISHED THE TEXT OF THE STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES ON ITS WEBSITE AT:
http://www.pbg-sa.pl/relacje-inwestorskie/lad-korporacyjny/lad-korporacyjny-na-gpw.html

I. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

1. Corporate governance principles adopted by PBG

PBG adopted the corporate governance principles set forth in the Code of Best Practice for WSE Listed Companies published at http://www.corp-gov.gpw.pl, adopted by the WSE Supervisory Board on November 21st 2012, effective as of January 1st 2013. Currently, the Company is reviewing its corporate governance based on the Code of Best Practice introduced in January 2016.

2. Corporate governance principles which PBG did not comply with in 2015

The PBG Management Board represents that in 2015 the Company complied with the recommendations set forth in Section I, and with the applicable corporate governance principles set forth in Sections II–IV of the Code of Best Practice for WSE Listed Companies, except for:

a) Recommendation I.5: In 2015, the Company did not implement the recommendation regarding establishment of the remuneration policies in relation to management and supervisory bodies. The rules of remuneration of the Supervisory Board were set out in a resolution of the Extraordinary General Meeting of PBG of December 10th 2005. The amount of remuneration depends on the responsibilities and tasks assigned to individual Supervisory Board members. The amount of remuneration paid to members of the Management Board is determined by the Supervisory Board by way of a resolution. The remuneration amount depends on the scope of duties and responsibilities assigned to the individual Management Board members;

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

   In 2015, the composition of the Supervisory Board was as follows:

   - in the period from January 1st to December 31st 2015 – one woman, four men,

   while the composition of the Management Board was as follows:

   - in the period from January 1st to September 4th 2015 – two women, two men,
   - in the period from September 4th to December 31st 2015 – two women, three men;

c) Recommendation I.12: In 2015, as in the previous years, the Company did not implement the recommendation regarding on-line broadcasting of General Meetings due to inadequate IT infrastructure. The Company publishes recordings of its General Meetings on its website. The Company may begin to webcast General Meeting proceedings in the future.
d) Best practice IV.10: The Company did not comply with this principle due to significant risk related to the technical quality of IT infrastructure (similarly to item 2.c) above).
e) Best practice III.3: The Supervisory Board decided to assess independence of Supervisory Board members based on the criteria set forth in Art. 86.5 of the Act on Qualified Auditors and the recommendations issued by the Polish Financial Supervision Authority in November 2010, and not to apply the criteria set forth in Annex II of the Commission Recommendation of February 15th 2005, on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. In the making of the decision, the Supervisory Board took into account the Company's current situation, and concluded that one of the most important conditions of effective supervision over PBG is complete knowledge of the structure and the current standing of the Group companies.

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

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

The PBG Management Board is responsible for the internal control system and for its effectiveness in the process of producing financial statements and periodic reports, prepared and published in accordance with the Minister of Finance's Regulation of February 19th 2009. In 2015, the process of preparing the financial statements was coordinated by the Accounting Coordination Director; however, the process itself has been contractually outsourced to a third-party service provider, supported by the Company employees who performed the task until October 2014. Due to the nature of the industry in which the Company operates, the Controlling Department plays an important role in the preparation of financial statements. The key measures used to mitigate the risks include correct assessment and analysis of construction contracts. As required by IAS 11, revenue and expenses associated with construction work contracts are estimated on the basis of budgets of individual contracts. These budgets are expertly drawn up by contract managers with relevant expertise. The procedures are consistent both in PBG and in its execution and engineering subsidiary PBG oil and gas Sp. z o.o. In the course of contract preparation and execution, the budgets are reviewed on an on-going basis and updated by the personnel in charge of the budgets. Results of the reviews and any adjustments to the budgets are discussed at monthly meetings. The process is formalised, based on procedural guidelines applied by the Company, and closely supervised by the Management Board. The Company's financial information is presented using consistent accounting policies, which are in line with the valuation and disclosure policies applied in all PBG Group companies. The financial statements are signed by the person representing the third-party service provider responsible for the preparation of separate and consolidated financial statements of the Company and its Group. The persons responsible for controlling and coordinating the process of preparing financial statements are professionals with relevant expertise in the field; all of them are bound by non-disclosure agreements. The third-party service provider has been bound by a similar non-disclosure agreement since October 2014**.**

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

The financial statements are audited or reviewed by an entity qualified to audit financial statements, selected by the Company's Supervisory Board from among reputable audit firms offering high-quality audit services which also satisfy the criteria of independence.

While auditing the financial statements and accounting records, the auditor holds meetings with key members of the Company's staff, including members of the Management Board and members of the Audit Committee, to discuss individual aspects of the financial statements. The final version of the financial statements is then prepared, re-read and signed by the persons responsible for the preparation of the financial statements and the managing personnel, and contains any agreed-upon corrections or adjustments made by the qualified auditor, the responsible persons or the managing personnel. Every year, the Supervisory Board assesses consistency of the Company's audited financial statements with the accounting records and documentation as well as with facts, and presents its findings to the shareholders in the Supervisory Board's annual statement, published by the Company.

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

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

See Section V, Shares and Shareholders, page 55.

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

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

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

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

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

PBG Management Board

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

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

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

The Management Board may grant powers of proxy upon consent of all members of the Management Board. A power of proxy may be revoked by any member of the Management Board acting individually. Due to the fact that the Company filed the arrangement bankruptcy petition in 2012, the previously granted powers of proxy automatically expired, and since past judicial decisions concerning the grant of powers of proxy by the management boards of companies in arrangement bankruptcy are ambiguous, the procedure requires approval by the Court Supervisor and the judge commissioner.

Acting in the best interest of the Company, the Management Board sets forth the strategy and the main objectives of the Company's operations, and submits them to the Supervisory Board for approval. The Management Board is responsible for implementation and performance of the same. The Management Board is responsible for transparency and effectiveness of the Company's management system and the conduct of its business in accordance with legal regulations and best practice.

Members of the Management Board are appointed, removed from office and suspended from duties by the Supervisory Board in accordance with the rules set forth in the Commercial Companies Code and the Company's Articles of Association. Candidates are nominated by the President of the Management Board. The Supervisory Board enters into and terminates employment contracts with members of the Management Board. The Chairperson or Deputy Chairperson of the Supervisory Board is authorised to execute such contracts on behalf of the Supervisory Board. Other actions concerning the employment relationship with members of the Management Board are dealt with in the same manner.

The Supervisory Board determines remuneration for members of the Management Board, taking into account the incentivising role of the remuneration in ensuring effective management of the Company. Execution of an agreement between the Company and a member of the Management Board is subject to approval by the Supervisory Board.

Mandate of a Management Board member expires:

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

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

Without the consent of the Supervisory Board, a Management Board member may not:

1) conduct any activity competing with the Company's business,
2) be a partner in any partnership under civil law or another type of partnership, or a member of a governing body of an incorporated company or a member of the governing body of any other competing legal entity,
3) participate in a competing company in which a given member holds at least 10% of shares or rights entitling that member to appoint at least one member of the management board.

A Management Board member is obliged to immediately notify the Supervisory Board of any occurrence of the circumstances specified above. The Management Board member should remain fully loyal to the Company and refrain from taking any actions which could lead to the gaining of personal profits only. If the member of the Management Board receives information on the possibility of investment or any other profitable transaction concerning the Company's business, such member should promptly present the information to the Management Board so that it can be considered in terms of its possible use by the Company. The use of such information by a member of the Management Board or its conveying to a third party may only take place with the Management Board's consent and only if it does not infringe upon the Company's interest. Members of the Management Board should notify the Supervisory Board of each actual or potential conflict of interests in relation to the position they hold. A member of the Management Board should treat his or her shareholding in the Company as a long-term investment.

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

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

Until the closing of arrangement proceedings, resolutions of the Management Board on matters which go beyond the ordinary management activities, require approval of the Court Supervisor.
With respect to all matters not listed above, members of the Management Board should be responsible for managing the Company's affairs individually, as per the division of powers. They are obliged to promptly notify the Management Board of any hindrance in their performance of duties. The President of the Management Board will decide which other Management Board member will perform the duties instead.

Supervisory Board

The Supervisory Board acts pursuant to the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board.
The Supervisory Board is composed of no less than five members appointed by the General Meeting by way of a secret ballot for a one-year term of office. The Supervisory Board members' mandates expire on the date of the General Meeting which approves the financial statements for the previous full financial year when the members held the office.
Members of the Supervisory Board may be re-elected. The Supervisory Board is comprised of independent members, the criteria of their independence are provided for in the relevant laws or regulations contained in documents on public companies that specify the rules of corporate governance.
A member of the Supervisory Board is considered independent if he or she meets the independence criteria set forth in Art. 86.5 of the Accountancy Act.

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

Until the date when the court's decision sanctioning the arrangement concluded in the course of the proceedings initiated with respect to the Company, the following matters in particular require approval of the Supervisory Board:

a) acquisition of a business or of an organised part of business,
b) opening or closing Company branches in Poland and abroad,
c) assumption of liability for third party obligations (sureties, guarantees and avals) whose value exceeds the Company's share capital; however, assumption of liability for obligations of the Group companies does not require such approval,
d) involvement of Management Board members in competitive business activity, participation in competitive companies in the capacity of a partner or member of their governing bodies,
e) purchase, acquisition, disposal, and waiver of pre-emptive rights to shares other than shares in public companies in an amount not exceeding 1% (one percent) of their overall number,
f) payment of interim dividend,
g) provision by the Company of any benefits other than benefits arising from the employment relationship to members of the Company's Management Board,
h) execution by the Company or its subsidiary of a significant agreement with a related party (except agreements executed with the Group companies), as supervisory board member, a management board member or their related parties,
i) acquisition or disposal of real estate, perpetual usufruct to, or an interest in, real estate."
, and in particular:
a) appointment of the auditor;
b) acting on behalf of the Company in agreements and disputes between the Company and Management Board members,
c) approval of the Rules of Procedure for the Management Board,
d) appointment and removal from office of Management Board members,
e) issuing opinions on matters submitted by the Management Board.

As of the Date of the Decision Sanctioning the Arrangement Becoming Final, the powers and responsibilities of the Supervisory Board include:

a) approving acquisition of a business or of an organised part of business;
b) issuing opinions on sale or lease of the Company's business or its organised part, or creation of any usufruct rights therein, or assumption of an obligation to dispose of or encumber the Company's business or an organised part of the Company's business;
c) approving sale, encumbrance or any other disposal of, or assumption of an obligation to sell, encumber or otherwise dispose of, any real property or perpetual usufruct right to, or interest in, any real property;
d) approving sale, encumbrance or any other disposal of, or assumption of an obligation to sell, encumber or otherwise dispose of, any of the Company's assets, including any equity

interests or shares in companies or any other securities with a market or book value exceeding PLN 10,000,000 (ten million złoty);

e) approving application of proceeds from divestment of assets – in accordance with the Restructuring Plan adopted by the Company in connection with the arrangement entered into in the course of the proceedings initiated against the Company by virtue of a decision of the District Court of Poznań-Stare Miasto in Poznań, 11th Commercial Insolvency and Arrangement Division, of June 13th 2012, to declare the Company insolvent in voluntary arrangement – towards the financing of projects yielding a gross margin of less than 5% (five percent);

f) approving sale, encumbrance (including with a property right or lease) or any other disposal of, or assumption of an obligation to sell, encumber (including with a property right or lease) or otherwise dispose of, any equity interests or shares in the following companies:

   i. RAFAKO S.A.,
   ii. Multaros Trading Company Limited of Cyprus,
   iii. PBG Dom sp. z o.o.,
   iv. PBG Oil and Gas Sp. z o.o.,
   v. Wschodni Invest sp. z o.o.,
   vi. PBG ERIGO sp. z o.o.,
   vii. any company which is the owner or a perpetual usufructuary of a real property with a value in excess of PLN 5,000,000 (five million złoty), and
   viii. any company which is a shareholder in a company referred to in item vii above;

g) approving exercise by the Company of rights attached to any shares or equity interests in any of the companies specified in Art. 36.1.f) above;

h) approving any steps to be taken by the Company which would result in, or which are taken with a view to, losing its status of the parent in relation to any of its subsidiaries;

i) approving acquisition by the Company, or assumption by the Company of an obligation to acquire, any assets, including real property, equity interests in companies, shares or other securities, with a market or book value exceeding PLN 20,000,000 (twenty million złoty);

j) approving acquisition by the Company of its own shares and definition of material terms and conditions of acquisition of its own shares in cases specified in Art. 362.1.1 of the Commercial Companies Code;

k) issuing opinions on acquisition by the Company of its own shares in cases specified in Art. 362.1.2) of the Commercial Companies Code;

l) approving issuance by the Company of any securities other than shares and bonds convertible into shares or conferring pre-emptive rights;

m) issuing opinions on issuance by the Company of shares and bonds convertible into shares or conferring pre-emptive rights;

n) approving accession to, or execution, amendment, dissolution, termination or rescission of, any contract by the Company where:

i. the value or amount of contract-related liabilities of any party to such contract exceeds PLN 50,000,000 (fifty million złoty); or

ii. the value of the subject matter of performance by any party to such contract exceeds PLN 50.000.000 (fifty million złoty); or

iii. the aggregate value or amount of liabilities of any party to such contract and liabilities under a contract(s) concluded within the 2 (two) preceding years with the same partner or parties related to that partner exceeds PLN 50.000.000 (fifty million złoty); or

iv. the aggregate value of the subject matters of performance by any party to such contract and performance under a contract(s) concluded within the 2 (two) preceding years with the same partner or parties related to that partner exceeds PLN 50,000,000 (fifty million złoty); or

o) approving assumption by the Company of any monetary liability (including a contingent liability) where the principal amount (individually or in aggregate) of such liability contracted during a calendar year exceeds PLN 20.000.000 (twenty million złoty), or change of the terms of such a liability other than a reduction of its amount, and in particular:
   i. taking out a loan, concluding a lease or factoring agreement or executing any other debt instrument, where the principal amount of such loan, lease, factoring or other debt instrument exceeds PLN 20,000,000 (twenty million złoty), and
   ii. arranging a letter of credit, bank guarantee or insurance guarantee with the principal amount exceeding PLN 20,000,000 (twenty million złoty) or extending the term of such letter of credit or guarantee;

p) approving any issuance, amendment or termination by the Company of any guarantee agreement, surety agreement, debt accession agreement, assumption of an off-balance sheet obligation, as well as issuance of a promissory note or cheque, endorsement or guarantee of a promissory note or cheque, excluding transactions related to or resulting in the creation of debt or liability whose value in a calendar year, whether individually or in aggregate, does not exceed PLN 10,000,000 (ten million złoty);

q) approving acknowledgement of a claim, release from debt, waiver of a claim, or entry into settlement, excluding transactions related to debts or claims whose value, in a calendar year, whether individually or in aggregate, does not exceed PLN 10,000,000 (ten million złoty);

r) approving opening or closing of Company branches in Poland and abroad;

s) approving execution, amendment or termination by the Company of a material agreement with its related party (other than any company of the Company's group);

t) approving execution, amendment or termination of any agreement between the Company and a Company shareholder holding 20% (twenty percent) or more of the Company shares or such shareholder's related party;

u) approving execution, amendment or termination by the Company of any agreement with a Supervisory or Management Board member or such member's related party;

v) approving conduct by members of the Management Board of activities competing with the Company's business and participation in competing companies as a general partner or member of the governing bodies;

w) approving payment of interim dividend.

Also, in particular:

a) appointment of the auditor;

b) acting on behalf of the Company in agreements and disputes between the Company and Management Board members;
c) approval of the Rules of Procedure for the Management Board and the Rules of Procedure for the Supervisory Board;
d) appointment and removal of Management Board members, subject to the provisions of Art. 37 of the Articles of Association;
e) providing opinions on matters submitted by the Management Board."

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

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

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

a) an actual conflict of interests with the Company. In such a case, the Supervisory Board Member should refrain from expressing opinions or voting on adoption of resolutions concerning the matter which has given rise to the conflict of interests. Information on the conflict of interests so reported should be recorded in the minutes of the Supervisory Board meeting,
b) personal and factual relationships or organisational links between a Supervisory Board Member and a particular shareholder, especially the majority shareholder, which may affect the Company's affairs.

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

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

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

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

In 2015, the Company's Articles of Association were amended by resolution No. 21 of the Annual General Meeting of May 22nd 2015 with regard to powers of the Supervisory Board.

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

9. 1 Manner of operation of the General Meeting

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

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

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

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

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

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

9.2 Key powers of the General Meeting

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

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

9.3 Shareholders' rights and the manner of exercising those rights

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

1. A shareholder may participate in the General Meeting and exercise his/her voting rights personally, through a proxy or another representative. Powers of proxy to act on behalf of a Shareholder should be granted in writing under the pain of nullity and attached to the minutes of the General Meeting. Other representatives should duly document their authority to act on behalf of Shareholders.

2. The General Meeting elects its Chairperson from among the participants.

3. The Management Board convenes annual or extraordinary General Meetings. If the Management Board fails to adopt a resolution to call the Annual General Meeting before the lapse of the fifth month

as from the end of the last financial year or convenes the Annual Meeting for a date later than the deadline specified in item 2, then the right to convene the Annual General Meeting will also extend to the Supervisory Board. Shareholders representing at least a half of the share capital or at least a half of the total vote in the Company also have the right to convene the General Meeting and to appoint the Meeting's Chairperson.

A Shareholder or Shareholders representing at least one-twentieth of the share capital may request that the Extraordinary General Meeting be convened and certain items be included in the agenda of the Meeting. The request must be submitted to the Management Board in a written or electronic form. If the Extraordinary General Meeting is not convened within two weeks after the submission of such request to the Management Board, the registry court may authorise the Shareholders submitting the request to convene the Extraordinary General Meeting.

4. Each participant of the General Meeting has the right to put questions to the Management Board, Supervisory Board and the auditor on the matters in the agenda which are currently under discussion.

5. Each participant of the General Meeting may submit a motion concerning a procedural matter. The Chairperson may allow participants to speak out of turn on procedural matters. At a participant's request, his/her written statement is included in the minutes of the meeting.

6. Shareholders may propose amendments to the agenda of the General Meeting, and draft resolutions, pursuant to the provisions of the Commercial Companies Code.

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

10.1 Composition and activities of the Supervisory Board and its committees

Composition of the Supervisory Board of the seventh term (beginning of the term: June 21st 2013) in 2015, and then, from April 24th 2015, of the eighth term:

- from January 1st 2015 to October 7th 2015:

Maciej Bednarkiewicz – Chairman of the Supervisory Board;
Małgorzata Wiśniewska – Deputy Chairwoman of the Supervisory Board;
Stefan A. Gradowski − Secretary of the Supervisory Board;
Dariusz Sarnowski – Member of the Supervisory Board;
Przemysław Szkudlarczyk – Member of the Supervisory Board;

- from October 7th to December 31st 2015:

Maciej Bednarkiewicz – Chairman of the Supervisory Board;
Małgorzata Wiśniewska – Deputy Chairwoman of the Supervisory Board;
Stefan A. Gradowski − Secretary of the Supervisory Board;
Dariusz Sarnowski – Member of the Supervisory Board;
Jacek Krzyżaniak – Member of the Supervisory Board.

By the date of audit of the 2015 financial statements, the composition of the Supervisory Board did not change.

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

Full name	**Małgorzata Wiśniewska**
Position	**Deputy Chairperson of the Supervisory Board; *Ms Wiśniewska does not meet the independence criteria; Ms Wiśniewska does not conduct any activity competing with the business of PBG S.A.* *Member of the Audit Committee, Member of the Remuneration Committee until April 24th 2015; from June 30th 2015 Member of the Remuneration Committee***
Qualifications	➢ Poznań University of Technology – Faculty of Civil Engineering ➢ MBA – Rotterdam School of Management ➢ Canadian International Management Institute – management programme ➢ Postgraduate programme in Management and Public Relations at the Faculty of Finance and Banking at the Poznań School of Banking
Experience	➢ Assistant Designer at Przedsiębiorstwo Uprzemysłowione Budownictwa Rolniczego of Poznań ➢ At PBG: Quality System Director, Public Relations Director, member of the Management Board and Vice-President of the Management Board ➢ President of the Management Board of Poznańskie Stowarzyszenie Oświatowe since 1997 ➢ President of the Management Board of INFRA S.A. ➢ Chair of the Supervisory Board of Hydrobudowa Polska S.A. ➢ Deputy Chair of the Supervisory Board of Hydrobudowa 9 S.A. ➢ Chair of the Supervisory Board of PBG Dom Sp. z o.o. ➢ Chair of the Supervisory Board of APRIVIA S.A. ➢ Member of the Supervisory Board of GasOil Engineering AS ➢ Member of the PBG Supervisory Board in the period November 21st 2006–August 31st 2008 and since April 21st 2010 ➢ President of the PBG Foundation

Full name	**Stefan A. Gradowski**
Position	***Secretary of the Supervisory Board since April 24th 2014;* *Independent Member of the Board; Mr Gradowski does not conduct any activity competing with the business of PBG* *since June 30th 2015, Member of the Audit Committee***
Qualifications	➢ Warsaw School of Economics ➢ Completed several postgraduate programmes in organisation, management and finance at universities in Poland and abroad (e.g. University of Lyon, University of Dublin)
Experience	➢ BZ WBK S.A. – Adviser to the President of the Management Board ➢ G.C. Consulting Sp. z o.o – owner of a consultancy business; ➢ Member of the Supervisory Boards of MACOPHARMA Polska, LOOK Investment, ALTRECo S.A., and TRIGON S.A.

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

Full name	**Przemysław Szkudlarczyk**
Position	***Member of the Supervisory Board until October 7th 2015;*** ***Non-independent Member of the Supervisory Board; Mr Szkudlarczyk does not conduct any activity competing with the business of PBG*** ***Member of the Audit Committee until April 24th 2015***
Qualifications	➢ Poznań University of Technology – Faculty of Machines and Motor Vehicles ➢ Warsaw University of Technology – Gas Engineering ➢ MBA – Rotterdam School of Management ➢ Canadian International Management Institute – management programme
Experience	➢ PGNiG S.A. – technical assistant (natural gas transmission) ➢ Technologie Gazowe Piecobiogaz – Development Manager, member of the Management Board ➢ KRI S.A. – President of the Management Board ➢ Hydrobudowa Śląsk S.A. – Commercial Proxy ➢ PBG S.A. – Vice-President of the Management Board, Member of the Supervisory Board

Full name	**Jacek Krzyżaniak**
Position	***Member of the Supervisory Board since October 7th 2015;*** ***Non-independent Member of the Supervisory Board; Mr Krzyżaniak does not conduct any activity competing with the business of PBG***
Qualifications	➢ Agricultural Academy – Agricultural Economics
Experience	➢ Europa XXI Foundation ➢ WIL Lobbying – Member of the Management Board, Chief Executive Officer, President of the Management Board ➢ PBG S.A. – Investor Relations Director and Press Officer ➢ Purple Investments Sp. z o.o. – Vice-President of the Management Board ➢ Gricon Sp. z o.o. – Vice-President of the Management Board ➢ Mr Krzyżaniak has sat on the Supervisory Boards of PBG, Hydrobudowa Włocławek S.A., PC Guard, Stanusch Technologies S.A. and other companies

Members of the Supervisory Board are appointed for one-year terms, and their remuneration is determined by the General Meeting. The Supervisory Board is responsible for exercising on-going supervision over the Company's activities in all aspects of its operations.

Duties of the Supervisory Board are regulated by the Company's Articles of Association and the Rules of Procedure for the Supervisory Board. The Supervisory Board carries out its duties as a collective body, with some of its powers delegated to specific persons or committees, as described below.

The following committees operate within the PBG Supervisory Board:
1. Audit Committee;
2. Remuneration Committee.

In 2015, the Audit Committee consisted of:

- Dariusz Sarnowski;
- Małgorzata Wiśniewska (until April 24th 2015);
- Przemysław Szkudlarczyk (until April 24th 2015);
- Andrzej S. Gradowski (since June 30th 2015);

The Audit Committee convenes on an ad hoc basis, at least once per quarter. In particular, the Committee is responsible for:
a) monitoring the financial reporting process;
b) monitoring the internal control, internal audit and risk management systems for their effectiveness;
c) monitoring the auditing procedures;
d) monitoring the independence of auditors and of entities qualified to review financial statements;
e) providing the Supervisory Board with a recommendation regarding an entity authorised to review financial statements and to perform auditing procedures.

In 2015, the Remuneration Committee consisted of:

- Maciej Bednarkiewicz;
- Małgorzata Wiśniewska.

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

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

Remuneration of the Supervisory Board Members

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

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

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

Remuneration (PLN '000)	Jan 1 – Dec 31 2015			Jan 1 – Dec 31 2014		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	-	-	-	38	-	38
Maciej Bednarkiewicz	120	4	124	112	-	112
Dariusz Sarnowski	36	1	37	36	-	36
Małgorzata Wiśniewska	96	3	99	85	-	85
Przemysław Szkudlarczyk	28	0	28	36	-	36
Andrzej Gradowski	60	0	60	52	-	52
Jacek Krzyżaniak	8	0	8	-	-	-
Norbert Słowik	-	-	-	36	-	36
TOTAL	**348**	**8**	**356**	**395**	**-**	**395**

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

Remuneration (PLN'000)	Jan 1 – Dec 31 2015			Jan 1 – Dec 31 2014		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	-	-	-	-	-	-
Dariusz Sarnowski	228	121	349	146	180	326
Małgorzata Wiśniewska	687	129	816	588	-	588
Przemysław Szkudlarczyk	608	0	608	560	-	560
TOTAL	**1,523**	**250**	**1,773**	**1,294**	**180**	**1,474**

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

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

Supervisory staff	Number of shares	
	As at Dec 31 2015	As at the date of this Report
Jerzy Wiśniewski	3,881,224	3,881,224
Małgorzata Wiśniewska	3,279	3,279
Przemysław Szkudlarczyk	2,390	2,390

10.2 Composition and manner of operation of the Management Board

The composition of the Management Board in the period from January 1st to December 31st 2015 was as follows:

- Jerzy Wiśniewski – President of the Management Board;
- Mariusz Łożyński – Vice-President of the Management Board;
- Kinga Banaszak-Filipiak – Vice-President of the Management Board;
- Bożena Ciosk – Member of the Management Board;
- Dariusz Szymański – Vice-President of the Management Board as of September 4th 2015.

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

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

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

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

Full name	**Dariusz Szymański**
Position	**Vice-President of the Management Board**
Qualifications	➢ The Adam Mickiewicz University of Poznań – graduate of the Faculty of Law and Administration ➢ Regional Chamber of Legal Counsels in Poznań, apprenticeship in legal counsel services
Experience	➢ Kancelaria Radców Prawnych Maciej Bednarkiewicz, Andrzej Wilczyński i Wspólnicy Spółka Komandytowa of Warsaw (2006 - until now) - partner and legal counsel ➢ Skoczyński Wachowiak Strykowski Kancelaria Prawna Spółka Komandytowa of Poznań (2009 - 2012) – partner and legal counsel ➢ Kancelaria Radcy Prawnego Dariusz Szymański - legal counsel of Poznań (2001 - until now) – legal counsel ➢ Kancelaria Prawna Piszcz i Wspólnicy Spółka Komandytowa of Poznań (2001 - 2006) – legal counsel, then managing partner ➢ Business activity (1991 - 1999) – owner of a commercial company ➢ Member of the Supervisory Board of RAFAKO S.A. - since June 2015
Areas of responsibility at PBG	Formal and legal matters, disclosure requirements, implementation of the arrangement with regard to divestment

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

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

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

Remuneration of the Members of PBG Management Board

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

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

Remuneration of Management Board members (PLN '000)	Jan 1 – Dec 31 2015			Jan 1 – Dec 31 2014		
	Base remuneration	Other benefits*	Total	Base remuneration	Other benefits	Total
Paweł Mortas	-	-	-	220	-	220
Jerzy Wiśniewski	750	0	750	515	-	515
Tomasz Tomczak	-	-	-	158	-	158
Mariusz Łożyński	360	2	362	360	-	360
Kinga Banaszak-Filipiak	384	0	384	384	-	384
Dariusz Szymański	113	0	113	-	-	-
Bożena Ciosk	300	0	300	288	10	298
TOTAL	**1,907**	**2**	**1,909**	**1,925**	**10**	**1,925**

**** Maternity benefit***

Table 5: Remuneration of Management Board members for holding office at subsidiaries, jointly-controlled entities or associates5

Remuneration of Management Board members (PLN '000)	Jan 1 – Dec 31 2015			Jan 1 – Dec 31 2014		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	1,991	781	2,772	2,045	600	2,645
Paweł Mortas	-	-	-	509	387	896
Tomasz Tomczak	-	-	-	200	30	230
Mariusz Łożyński	49	0	49	-	47	47
Kinga Banaszak-Filipiak	28	0	28			
Dariusz Szymański	58	0	58			
Total	**2,126**	**781**	**2,907**	**2,754**	**1,064**	**3,818**

**** Discretionary bonus***

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

Management staff	Number of shares	
	As at Dec 31 2015	As at the date of this Report
Mariusz Łożyński	3,553	3,553
Bożena Ciosk	208	208

11. Litigation, arbitration or administrative proceedings

See Section IV: Report on the PBG Group's operations in 2015.

12. Internal audit

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

The Office is responsible for:

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

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

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

III. AUDITOR OF THE FINANCIAL STATEMENTS

The auditor selected to review the Company's and the Group's H1 2015 interim financial statements and to audit the separate financial statement of PBG S.A. w upadłości układowej (in company voluntary arrangement) and the consolidated financial statements of the Company's Group for 2015 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. is the auditor of financial statements of RAFAKO S.A., a PBG Group company.

1. Execution date

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

2. Total fees

Total fees payable to Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. for review of the interim financial statements of PBG and the PBG Group as at June 30th 2015 and for audit of the full-year separate financial statements of the Company and the consolidated financial statements of the Group as at December 31st 2015 amount to PLN 350,000, VAT-exclusive.

3. Other fees under the contract

Under the agreement, Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. reviewed the interim financial statements of PBG and the PBG Group as at June 30th 2014 and audited the full-year separate financial statements of the Company and the consolidated financial statements of the Group as at December 31st 2014, against fees in the amount of PLN 350,000, VAT-exclusive.

SECTION II: REPORT ON RISKS AND RISK MANAGEMENT

I. RISKS AND THREATS

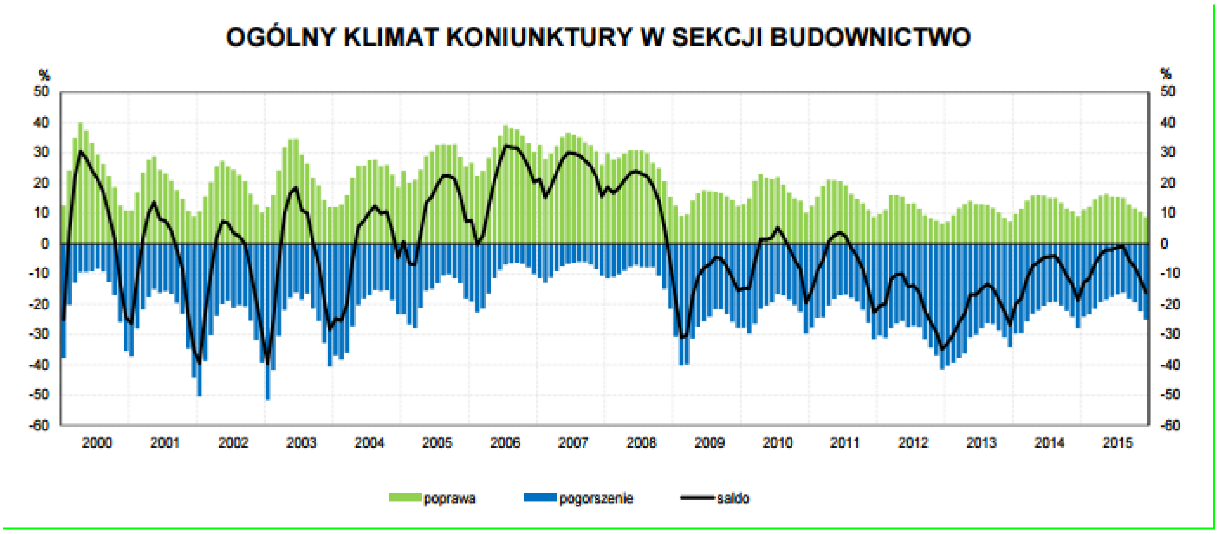
EXTERNAL RISKS AND THREATS

1. Economic environment in Poland

Delivery of the strategic goals set by the Company and PBG Group, and of the earnings guidance, is affected by the macroeconomic factors discussed below, which include: GDP growth, infrastructure investments, general situation of the Polish economy, and legislative changes. Favourable developments in macroeconomic factors may contribute to an increase in planned revenue. On the other hand, any adverse developments may reduce revenue and adversely affect the Company's and the Group's financial standing.

According to the Gdańsk Institute for Market Economics (Instytut Badań nad Gospodarką Rynkową, IBnGR), Poland's GDP grew by 3.3% in Q3 2015. It was the eighth quarter in a row when the economic growth rate remained within a relatively narrow range between 3.0% and 3.6%, which attests to a stabilisation of economic processes in Poland.

Figure 1: General economic climate in the construction sector



OGÓLNY KLIMAT KONIUNKTURY W SEKCJI BUDOWNICTWO	OVERALL BUSINESS CONFIDENCE IN THE CONSTRUCTION SECTOR
poprawa	improvement
pogorszenie	deterioration
saldo	net improvement/deterioration

Source: www.stat.gov.pl.

Allowing for seasonality, in July–September 2015, the GDP growth rate was 0.9% quarter on quarter. In Q3 2015, domestic demand was the main driver of economic growth, additionally supported by foreign demand. The 2.7% increase in total consumption was the largest contributor to the domestic demand growth in Q3 2015. In the same period, the growth of individual consumption amounted to 3.0%. Among the components of domestic demand, the highest growth rate was recorded in the case of gross capital investment. The Polish GDP growth rate is forecast to come in at 3.4% in 2015, up by 0.1 pp on 2014.

According to the IBnGR's forecast, Polish exports will increase by 6.7%, while imports will grow by 6.0%, which translates into a positive contribution of foreign trade to GDP. In 2016, exports growth is expected to go up slightly, to 7.5%, and imports will also grow, by 7.2%. Foreign trade developments will be driven predominantly by economic trends in the European Union. Accordingly, the forecast acceleration of Polish exports growth in 2016 is conditional on whether the economic situation in Poland's key trade partners improves. The European Commission's current forecasts indicate at an improvement in Europe's economic situation in 2016.

Figure 2: Annual and quarterly macroeconomic forecasts of IBnGR

		2015		2016					
		III	IV	I	II	III	IV	2015	2016
GDP	% q/q	0.9	1.0	1.0	1.0	1.1	1.2		
GDP	% y/y	3.3	3.4	3.4	3.4	3.6	3.8	3.4	3.6
Added value									
in industry	% y/y	4.9	5.1	4.5	4.8	5.2	5.4	5.0	5.0
in construction	% y/y	2.0	3.5	4.8	6.2	7.3	7.7	3.3	6.7
in market services	% y/y	3.2	3.4	3.3	3.3	3.5	3.7	3.3	3.5
Domestic demand	% y/y	3.1	3.3	3.3	3.3	3.5	3.7	3.2	3.5
Total consumption	% y/y	2.7	2.9	3.0	3.0	3.3	3.5	2.8	3.2
incl. individual consumption	% y/y	3.0	3.2	3.2	3.2	3.5	3.7	3.1	3.4
Gross fixed capital formation	% y/y	6.5	7.5	4.8	6.8	8.2	8.5	7.2	8.0
Sold production of									
industry	% y/y	4.3	4.9	4.5	4.7	5.0	5.4	4.6	4.9
construction	% y/y	0.7	2.6	4.0	5.8	6.7	7.0	1.7	6.0
Inflation (CPI; average)	%	-0.7	-0.3	0.3	0.8	1.2	1.4	-0.5	0.9
Inflation (CPI; end of period)	%	-0.8	-0.1	0.6	1.1	1.4	1.6	-0.1	1.6
Money supply (3M, end of period)	%	8.4	8.6	8.6	8.9	9.1	9.3	8.6	9.0
Real gross remuneration	% y/y	3.8	3.9	4.0	4.1	3.9	3.9	3.9	4.1
Average employment (national economy)	% y/y	1.0	1.2	1.2	1.4	1.5	1.7	1.1	1.5
Registered unemployment rate (end of period)	%	9.7	10.1	10.6	9.3	9.0	9.2	10.1	9.2
Exports (GUS/RN)	%	6.5	6.9	7.0	7.3	7.8	7.9	6.7	7.5
Imports (GUS/RN)	%	6.0	6.4	6.5	6.9	7.6	7.8	6.2	7.2
Current account balance (rolling)	% of GDP	-0.3	-0.4	-0.7	-1.3	-1.4	-1.3	-0.4	-1.3
USD average FX rate (NBP)	PLN/USD	3.76	3.9	3.8	3.8	3.7	3.7	3.8	3.7
EUR average FX rate (NBP)	PLN/EUR	4.19	4.3	4.3	4.2	4.2	4.1	4.2	4.2

Source: www.egospodarka.pl

A stabilisation of the economic situation is forecast for H1 2016, with the GDP growth rate of 3.4%, the same as in Q4 2015. A slight acceleration is forecast for H2 2016, with GDP expected to grow by 3.6% in Q3 and 3.8% in Q4 2016.

Figure 3: Quarterly GDP growth rate

Source: www.egospodarka.pl

2. Competition risk

The PBG Group operates on the competitive market of specialist construction services in the gas and oil upstream and downstream sectors and power construction. Historically, the Group also obtained and executed contracts in the infrastructure construction segment (the Water and Roads construction segment) and residential construction. Apart from pricing, there are also other important factors which determine the competitive advantage of a business, including: experience in execution of complex and specialist projects, relevant credentials, high quality of offered services and efficient organisation enabling timely and efficient contract execution.

The PBG Group mitigates competition risk through:

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

The table below presents domestic and international competitors present on the PBG Group's current markets:

Table 7: Domestic and international competitors

MARKET	BUSINESS SEGMENT	DOMESTIC COMPETITORS	INTERNATIONAL COMPETITORS
NATURAL GAS AND CRUDE OIL	UNDERGROUND GAS STORAGE FACILITIES	- PGNiG Technologie - Control Process - Stalbud Tarnów - ZPUH Metalnaft - IDS-BUD - ABB	- KT- Kinetics Technology - Tecnimont - Sofregas - CKD Praha
	LNG PLANTS	- Polimex Mostostal - Mostostal Warszawa - Budimex	- Tractebel - Linde - Costain - Air Products - DAEWOO Engeneering&Construction - KT - Kinetics Technology - Thermo Design Engineering - Saipem - Tecnimont
	TRANSMISSION	- Gazobudowa Poznań - ZRUG Poznań - PGNiG Technologie - Gazoprojekt - Control Process - IDS-BUD - TESGAS - ATREM - GPT - POLDE - REDGAZ - WIERTCONSULTING - Eda-Serwis - Instal-Gaz - ALSI - JT ZAKŁAD BUDOWY GAZOCIĄGÓW - Górnośląski Zakład Obsługi Gazownictwa - POLAQUA - Budimex - Energy System - Energotest - Izostal - ZRUG Zabrze - MTM Nowum - IDS-BUD	- 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 - Stalbud - Polimex Mostostal - ABB - PGNiG Technologie - Górnośląski Zakład Obsługi Gazownictwa	- ABB - KAWASAKI
	EXTRACTION FACILITIES	- PGNiG Technologie - Control Process - Stalbud Tarnów - ZPUH Metalnaft - IDS-BUD - ABB	- KT- Kinetics Technology - Tecnimont - CKD Praha - Techint
FUELS	FUEL TERMINALS	- Polimex Mostostal - Przedsiębiorstwo AGAT S.A. - Przedsiębiorstwo Remontowe NAFTO-SERWIS - SKANSKA S.A. - IDS-BUD S.A.	- Bilfinger Berger - PSJ Hydrotranzit - Techint

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 SECTOR	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	- Alstom - Hitachi - Siemens - Samsung - Doosan Babcock - Iberdrola - SNC-Lavalin - Ansaldo Energia - GE - Tecnicas Reunidas - Sener Ingenieria y Sistemas - Abener - Gama Güç Sistemleri Mühendislik ve Taahhüt - Mitsubishi Hitachi Power Systems - Posco Engineering & Construction - Saipem

In the **natural gas, crude oil and fuels segments**, PBG enjoys a strong position on the Polish market, achieved thanks to the high quality of services, extensive experience of the employees and credentials that enable PBG to perform a broad range of works. The natural gas, crude oil and fuels construction market may be subdivided into a segment of specialist construction services, where adequate know-how and credentials are required and where PBG competes almost exclusively with foreign operators; and a segment of less complicated construction services, such as construction of gas pipelines, where PBG faces practically only domestic competition. Historically, in the natural gas and crude oil construction market, the PBG Group was very effective in winning contracts – this efficiency could be measured at 34% *(percentage of contracts awarded to the Group in the aggregate number of tenders in which the PBG Group participated in 2008-2011)*. Given the fact that PBG is still in the process of company voluntary arrangement, it is impossible for the Company to win new contracts in public procurement procedures. The Group participates in procedures and wins new contracts in the natural gas and crude oil construction market through other PBG Group companies, primarily PBG oil and gas Sp. z o.o.

Pursuant to Art. 24.1.2 of the Public Procurement Law, the Company will regain its ability to participate in public procurement procedures on the date on which the Bankruptcy Court's decision approving the Arrangement with Creditors becomes final. This date will depend on the time required for examination of appeals against the decision that may be filed by the Company's creditors participating in the Arrangement.

Power construction is now the principal area of the PBG Group's activity. The Group operates in this market through RAFAKO. RAFAKO is among Europe's major producers of steam generators and environmental protection systems for the power sector. Its offering also comprises a vast range of services for the industry.

3. Poland's membership in the European Union

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

RAFAKO also derives a portion of its revenue from foreign markets.

To use the opportunities arising from Poland's membership in the EU in the most efficient manner, the PBG Group companies:

- Implement projects by forming strategic alliances with foreign companies operating in Poland,
- Have implemented and work on improving an effective management culture,
- Offer the required quality of services, 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 and AQAP 2110:2003.

4. Seasonality risk

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

- Weather conditions in winter, significantly hindering construction works; The weather may be more severe than the average weather conditions and thus reduce the Group's revenues;
- Customers schedule most of their projects in such a way as to ensure they are completed in the final months of the year.

5. Adverse changes in tax legislation

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

6. Exchange rate

In Q1 2015, the Polish złoty steadily appreciated against the euro, to below PLN 4.0, but at the end of April it began to gradually return to the level seen at the beginning of the year. The PLN/USD exchange rate stabilised. In Q2 2015, the average EUR/PLN exchange rate increased by 2.4% and the average USD/PLN exchange rate by 0.5%, quarter on quarter. In Q3 2015, these rates grew by 2.4% and 1.8%, respectively, relative to the previous quarter. In the fourth quarter, the EUR/PLN exchange rate stabilised, while the Polish złoty depreciated against the US dollar. Compared with Q3 2015, in Q4 2015 the average EUR/PLN exchange rate increased by 1.8%, while the average USD/PLN exchange rate grew by 3.4%. The FX market analysts expect a slight appreciation of the Polish złoty against the euro and US dollar in 2016. However, given the persistently low interest rates, the appreciation trend will not be as clear as expected several years ago. The IBnGR has estimated the annual average EUR and USD exchange rates at PLN 4.1 and PLN 3.7, respectively, in 2015, and at PLN 4.2 and PLN 3.8, respectively, in 2016.

Figure 4: EUR/PLN exchange rate in January 1st–December 31st 2015 (NBP's mid exchange rates)

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

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

7. Risk of failure to reach agreement with creditors

After more than three years from declaring PBG insolvent in voluntary arrangement, on August 25th 2015 the Judge Commissioner issued a decision confirming the execution of an Arrangement with Creditors consistent with the Company's Arrangement Proposals of April 28th 2015.

A vast majority of the creditors, representing 94.61% of the total claims entitling the creditors to vote at the Meeting of Creditors, which is significantly more than required by the bankruptcy law (two-thirds of total claims and 50% plus 1 creditor). This favourable result of voting on the Arrangement is to a large extent attributable to the Company's agreement concluded with the creditors holding arrangement claims with the highest values. While the Arrangement was declared executed, a risk still exists that the court refuses to approve the Arrangement if any eligible participant of the arrangement proceedings lodges an objection to the Arrangement or the decision approving the Arrangement is effectively appealed against and does not become final. If the court does not approve the Arrangement or the approving decision is effectively appealed against, the voluntary arrangement proceedings will transform into liquidation bankruptcy proceedings. Liquidation proceedings would necessitate a change of the Company's going concern assumption and thus affect the valuation of its assets and liabilities.

If the decision approving the Arrangement becomes final, the Company will have to perform its obligations under the Arrangement, including payment of funds in defined amounts and by defined dates (depending on the creditor group, the Arrangement provides for satisfying from 8% to 21% of a claim), as well as a partial conversion of claims into new Company shares and the option to convert arrangement claims into bonds to be acquired in performance of the Arrangement (the text of the Company's Current Arrangement Proposals of April 28th 2015 is available at www.pbg-sa.pl, the Restructuring section). In PBG failed to perform the Arrangement, the approved Arrangement would be cancelled and liquidation bankruptcy proceedings against PBG would commence.

8. Risk of significantly limited ability to win new contracts

The PBG Group companies win most of their contracts in public procurement procedures. The present legal status of the Parent, PBG w upadłości układowej (in company voluntary arrangement), prevents it from participating in public tenders and reduces its chances of success in winning new contracts. Further, the ability to win new contracts is also limited by the fact that no guarantee limits are available to the Company. However, contracts may still be won outside of the public procurement market or where the Company's seeks contracts as subcontractor.

INTERNAL RISKS AND THREATS

1. Risk related to loss of key personnel

PBG's and other Group companies' business operations are chiefly based on the knowledge and experience of highly qualified personnel, in particular the engineers.

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

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

- High internal organisational culture, which helps employees identify themselves with the Company and the PBG Group,
- Personal development and career opportunities within the PBG Group

2. Risk of default on contracts

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

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

To mitigate this risk, the PBG Group takes the following measures:

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

3. Risk of dependence on key customers

At present, the main customers for services provided by PBG's gas, oil and fuels segment are Polskie LNG (a wholly-owned subsidiary of Gaz-System) and the NATO Security Investment Programme Management Office ZIOTP. This is related to the execution for these customers of two contracts with a substantial value, worth PLN 2.37bn and PLN 279m (VAT-exclusive), respectively. The contract for Polskie LNG is being performed in a consortium: the contract value attributable to PBG is 33% of the total.

In turn, the largest contract in RAFAKO's order book is the construction of a power generation unit at the Jaworzno III Power Plant for the TAURON Group, worth PLN 4.4bn (VAT-exclusive). Apart from that contract with an exceptionally high unit value, two other contracts in the RAFAKO's portfolio should be noted: the manufacture and delivery of wet flue gas desulfurisation units at four companies of the EDF Polska Group (PLN 775m, VAT-exclusive) and the construction of a new CHP plant at Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (PLN 320m, VAT-exclusive).

However, the PBG Group's strategy provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenues in the future. In order to mitigate the risk of dependence on its key customers, the PBG Group gradually attracts new customers for its services, including PGE, TAURON and ENERGA.

4. Operating risk

The Group's operations, in particular on-site operations, involve certain risks of human and material loss. The Group mitigates these risks by:

- Holding third-party insurance policies,
- Supplying the employees with protective equipment on a regular basis,
- Training and professional development of employees,
- Ongoing monitoring of equipment,
- Regular training and ongoing health and safety oversight.

II. FINANCIAL RISK IDENTIFICATION AND MANAGEMENT

The PBG Group is exposed to a number of risks related to financial instruments, including in particular:

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

The Group's financial risk management is coordinated by the Parent in close collaboration with management boards and chief financial officers of its subsidiaries. The following are the key objectives of the financial risk management:

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

1.1. Liquidity risk

The PBG Group is exposed to liquidity risk, that is the loss of ability to timely meet financial liabilities. The PBG Group companies monitor the risk of losing operating cash flows by means of a periodic liquidity planning tool. The tool is used to control both maturities of financial assets (mainly receivables) and projected cash flows from operating and investing activities.
As at December 31st 2015 and as at the date of approval of this Report, the PBG Group companies were focusing their efforts on maintaining financial liquidity necessary to ensure uninterrupted execution of running contracts.

Table 8: The PBG Group's financial liabilities by maturity as at the reporting date, based on undiscounted contractual payments (PLN '000)

Item	Current:		Non-current:			Total undiscounted liabilities	Carrying amount of liabilities
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years		
As at Dec 31 2015							
Total exposure to liquidity risk	**565,017**	**32,839**	**24,219**	**43,048**	**37,985**	**703,108**	**2,261,675**
As at Dec 31 2014							
Total exposure to liquidity risk	**392,919**	**35,639**	**31,488**	**21,702**	**41,693**	**523,441**	**2,078,419**

The Parent's subsidiaries used external sources of financing (credit facilities). Credit limits available to the PBG Group as at December 31st 2015:

Table 9: Overdraft facility limits available to the PBG Group as at the reporting date

PLN '000	Dec 31 2015	Dec 31 2014
Credit limits granted	150,500	150,000
Drawn balances	110,507	129,426
Available credit limits in current account	**39,993**	**20,574**

1.2. Market risk

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

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

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

1.2.1. Currency risk

The PBG Group is exposed to currency risk in connection with transactions the Group enters into. Currency risk arises when the Group companies execute sell or buy transactions in currencies other than the transactions' valuation currency.

The PBG Group is exposed to risk related to fluctuations in exchange rates as materials for high unit-value contracts are imported and some of the Group's revenue is denominated in foreign currencies. The currency risk is mainly related to fluctuations in the PLN/EUR, PLN/GBP, PLN/CAD and PLN/HUF exchange rates.

In the period under review, more than 7% of the PBG Group's revenue was denominated in foreign currencies.

Table 10: 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	GBP	CAD	UAH	CHF	HUF	RSD	TRY	BAM	MZN	CZK	BGN	SEK	OMR	PLN	PLN	PLN
As at Dec 31 2015																		
Financial assets (+):	*5,611*	*338*	*649*	*-*	*2*	*2*	*258,537*	*14,526*	*360*	*5*	*42*	*-*	*-*	*3*	*-*	*202,804*	*712,777*	*915,581*
Financial liabilities (-):	*(34,429)*	*(429)*	*-*	*(542)*	*-*	*-*	*(104,458)*	*(4,465)*	*(380)*	*-*	*-*	*(137)*	*-*	*-*	*-*	*(147,011)*	*(2,118,843)*	*(2,265,854)*
Total exposure to currency risk	**(28,818)**	**(91)**	**649**	**(542)**	**2**	**2**	**154,079**	**10,061**	**(20)**	**5**	**42**	**(137)**	**-**	**3**	**-**	**55,793**	**(1,406,066)**	**(1,350,273)**
As at Dec 31																		

2014																		
Financial assets (+):	*7,533*	*504*	*933*	*-*	*2*	*136*	*42,338*	*10,978*	*27*	*5*	*42*	*-*	*-*	*3*	*147*	*55,658*	*585,176*	*640,834*
Financial liabilities (-):	*(36,154)*	*(427)*	*(117)*	*(542)*	*-*	*-*	*(2,642)*	*(3,091)*	*(17)*	*-*	*-*	*(17)*	*-*	*-*	*-*	*(162,504)*	*(1,927,291)*	*(2,089,795)*
Total exposure to currency risk	**(28,621)**	**77**	**816**	**(542)**	**2**	**136**	**39,696**	**7,887**	**10**	**5**	**42**	**(17)**	**-**	**3**	**147**	**(106,846)**	**(1,342,115)**	**(1,448,961)**

The PBG Group's financial risk management strategy provides for the use of both natural hedging as well as hedging strategies based on derivative instruments. The strategy also provides for the use of forward derivative instruments. The Group companies try to negotiate the terms of hedge derivatives so that they match the terms of the hedged position to ensure maximum hedging effectiveness.

As at December 31st 2015, the PBG Group companies had no derivative positions used to hedge currency risk.

1.2.2. Interest rate risk

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

The exposure of the PBG Group companies to the interest rate risk arises primarily in connection with liabilities under contracted bank borrowings and advanced loans.

Under a bank borrowing agreement the subsidiary was required to reduce interest rate risk. As required by the bank, on November 27th 2014 the subsidiary entered into an amortisable IRS transaction for the principal amount of EUR 13,850 thousand, maturing on November 5th 2019.
A PBG subsidiary in company voluntary arrangement uses interest rate swaps (IRS) to hedge against variable interest rate risk. Under a bank borrowing agreement the subsidiary was required to reduce interest rate risk. As required by the bank on November 27th 2014 the subsidiary entered into an amortisable IRS transaction for the principal amount of EUR 13,850 thousand, maturing on November 5th 2019.
The Group uses cash flow accounting with respect to the derivative transactions partially hedging the risk of interest rate changes affecting its cash flows.

In 2015, the effect of derivatives used to hedge interest rates, recognised in the consolidated statement of profit or loss as at December 31st 2015, was a negative PLN 339 thousand (disclosed in finance costs).
The Group's Parent, having received the court's decision declaring it insolvent in voluntary arrangement, stopped accruing interest on bank borrowings, bonds in issue and trade liabilities incurred prior to the court's decision. The amount of liabilities on which the Company stopped accruing interest is PLN 1,539,704 thousand. The amounts of liabilities incurred by the date on which the decision declaring

the Company insolvent in voluntary arrangement was issued may be reduced and interest terms may be amended after the court's decision confirming the creditors' approval of the arrangement becomes final.

1.3. Credit risk

Credit risk is understood as the inability of the PBG Group's debtors to meet their obligations towards the Group. The following are the key aspects of credit risk:

- creditworthiness of customers with whom the Group companies enter into transactions for physical delivery of products;
- creditworthiness of entities in which the Group companies invest.

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

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

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

Table 11: Company's maximum exposure to credit risk measured through carrying amount of the disclosed financial assets

PLN '000	Dec 31 2015	Dec 31 2014
Non-bank borrowings	378	419
Trade and other receivables	571,903	500,261
Derivative financial instruments	-	0
Other classes of other financial assets	70	0
Cash and cash equivalents	341,746	104,693
Total exposure to credit risk	**914,097**	**605,373**

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

With respect to such financial assets as cash and cash equivalents, the Group'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 Group'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 2015 amounted to PLN 341,746 thousand (December 31st 2014: PLN 104,693 thousand).

As at December 31st 2015, the outstanding balance of loans advanced by the PBG Group was PLN 378 thousand. To limit the risk, the PBG Group companies monitor, on an ongoing basis, the assets and financial performance of its borrowers. Credit risk of the loans is not significant.

The PBG Group's credit risk exposure is closely related to the core business of the Group companies. The exposure results from outstanding trade contracts and is related to the risk of occurrence of such credit events as the contractor's insolvency, only partial collection of receivables or material delays in repayment of receivables. Providing trade credit to trade partners is an essential part of the Group's business. However, the Group companies undertake a number of measures to mitigate the risk of entering into trade relations with potentially unreliable customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Customers who are deemed financially unreliable, based on the results of credit verification procedures performed by the Group companies, are required to provide appropriate financial security to limit the risk of insolvency of such customers to the PBG Group companies.

As at December 31st 2015, the total amount of the PBG Group's net trade receivables, excluding the fair value of accepted security, up to which the PBG Group may be exposed to credit risk, was PLN 571,903 thousand (December 31st 2014: PLN 500,261 thousand). Concentration of credit risk at the Group is related to its key contracts. As at December 31st 2015, receivables from the Group's seven largest customers represented 54% of total trade receivables. With respect to trade receivables, the PBG Group companies are exposed to credit risk related to a single major partner or a group of similar partners.

III. INTERNAL CONTROL SYSTEM

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

The Office is responsible for:

- overseeing the operational implementation and delivery of the Restructuring Plan and reporting to the Management Board and Supervisory Board on the progress made;
- providing information on the current status of the controlled business areas, identifying areas whose internal constitutive documents need to be revised, and providing examples of adequate and effective solutions;
- checking accuracy and correctness of documents, and verifying authenticity, compliance, completeness and timely preparation of documentary evidence;
- assessing the adequacy of business process organisation in achieving optimum results;
- assessing adequacy and effectiveness of the supervision and internal control system in place at the organisation;
- monitoring compliance with the law and internal regulations, including the provisions of the Integrated Management System;
- ensuring compliance with the provisions of the Integrated Management System;

- ensuring discharge of obligations imposed under the Polish Labour Code, work rules, and the organisation’s internal regulations.

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

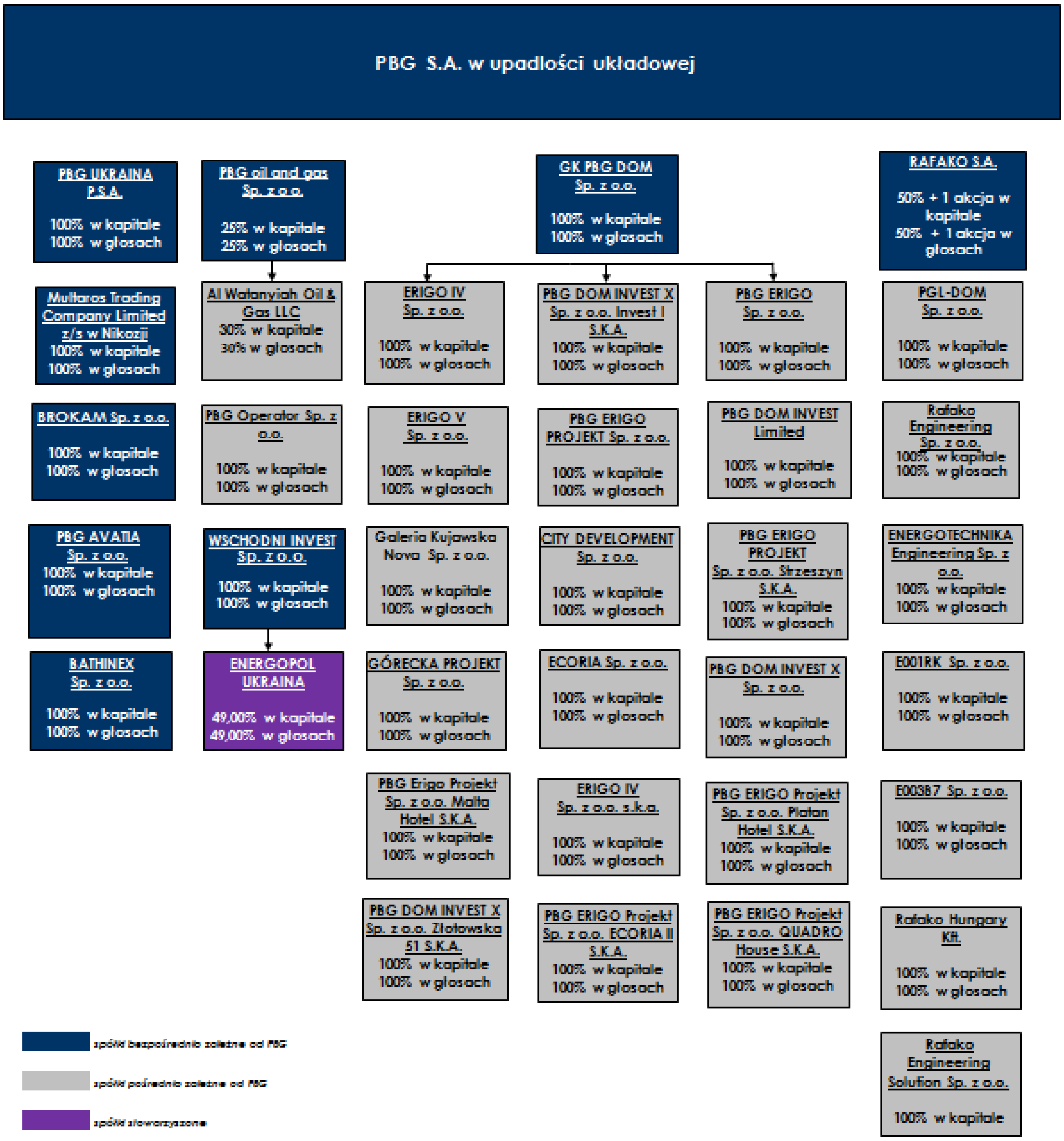
This matter is described in detail in Section I.3.

SECTION III: THE PBG GROUP

I. STRUCTURE OF THE PBG GROUP

As at the date of this Report, the PBG Group was composed of 38 companies, including its Parent – PBG, 8 direct subsidiaries, and 28 indirect subsidiaries. Additionally, one company was an associate.

Figure 5: Structure of the PBG Group as at the date of this Report



PBG S.A. w upadłości układowej	PBG S.A. w upadłości układowej (in company voluntary arrangement)
w kapitale	Equity interest

w głosach	Share of total voting rights
spółki zależne bezpośrednio od PBG	PBG's direct subsidiaries
spółki pośrednio zależne od PBG	PBG's indirect subsidiaries
spółki stowarzyszone	Associates

II. STRATEGY

1. Strategy

Since June 2012, the process of approval of PBG's voluntary arrangement with creditors has been on-going. In H1 2015, the Company's Management Board concluded the negotiations with the largest creditors, the Financial Creditors, following which the Restructuring Agreement was executed and the Arrangement Proposals were approved at the Meeting of PBG Creditors in August 2015. Currently, the Company is awaiting formal conclusion of the arrangement bankruptcy proceedings. An outcome favourable to PBG, that is dismissal of creditors' complaints against the court's decision sanctioning the arrangement, would enable the Company to continue its operations and rebuild its value in the future. The PBG restructuring process is complex. In parallel to the debt restructuring, the Company is also engaged in reorganisation of its operations and assets. All these efforts are being taken to prepare the organisation for effective performance of the arrangement and to enable the Group to operate as a regular business.

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

One of the factors contributing to the achievement of the PBG Group's strategic objectives is the way in which the Group is organised in the areas of its operations. Each company is responsible for project execution in line with its business profile, resources and competences.

Figure 6: Organisational structure of the PBG Group as at December 31st 2015 and as the date of this Report (percentage of voting rights held by PBG)

PARENT OF THE PBG GROUP			
NATURAL GAS AND CRUDE OIL	POWER CONSTRUCTION	MAINTENANCE	DIVESTMENTS
25.00%	50% + 1 share	51% RAFAKO 49% POG	100.00%
			100.00%
			WSCHODNI INVEST 100.00%
			ENERGOPOL UKRAINA 49.00%

Within the Group, the **natural gas, crude oil, and fuels market** is the responsibility of PBG, which has traded in these segments since its inception. Historically, PBG was the industry leader on the domestic market, where it stills holds a leading position, thanks, among other things, to its strategic cooperation with international players, resulting in the introduction of advanced technology solutions in the Polish market. PBG was able to use the resulting credentials and necessary experience to win contracts for execution of the largest projects on the Polish gas, oil, and fuels market. Actively bidding for new contracts under the public procurement law, the subsidiary PBG oil and gas is also an important part of the Group's oil and gas business. A strategic area of the PBG Group's operations is the crude oil and natural gas market, where the Group intends to strengthen its position.

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

RAFAKO ENGINEERING is the Group's company responsible for the market of power equipment maintenance and assembly, as well as for the gas and oil area.

The other areas of operations of the PBG Group are currently viewed as non-strategic and the Group plans to exit those operations by discontinuation or divestment.

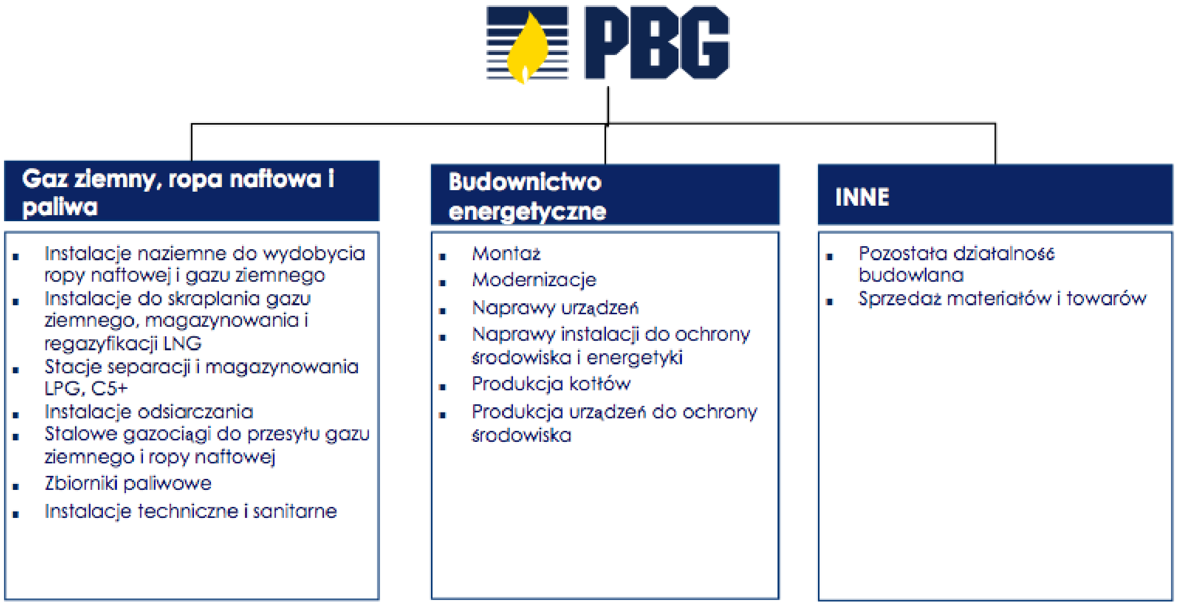
II. BUSINESS PROFILE

The business of the PBG Group comprises general contractor services related to natural gas, crude oil, water and fuels facilities, provided on a "turn key" basis, as well as general contractor services in the power construction sector.

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

1. **Gas, oil and fuels;**
2. **Power construction;**
3. **and the Other segment, including other construction services, as well as sale of materials and merchandise.**

Figure 7: Services by segments



PBG		
Gas, oil and fuels	Power construction	OTHER
• Surface installations for crude oil and natural gas production • Installations for liquefying natural gas and for LNG storage and regasification • LPG, C5+ separation and storage facilities • Desulfurisation units • Steel oil and gas transmission pipelines • Fuel tanks • Technical and sanitary systems	• Installation/assembly • Upgrades • Equipment repairs • Repair of environmental protection and power systems • Manufacture of steam generators • Manufacture of environmental protection systems	• Other construction • Sale of merchandise and materials

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

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

IV. CHANGES ON PBG'S MARKETS

In 2015, revenue streams of the PBG Group's individual segments were generated mainly on the domestic market and were as follows:

Table 12: Segments

Revenue	2015	2014	Change (PLN '000)	Change (%)
Gas, oil and fuels (transmission, distribution, production)	222,964	236,176	-13,212	-0.1
Power construction (construction of power generating units)	1,552,389	1,259,215	+293,174	+23
Other (sale of merchandise, materials and products, other services)	23,462	105,996	-82,528	-78
Total revenue	**1,798,815**	**1,601,387**	**+197,428**	**+12**

Geographical presence

PBG's operations focus primarily on the domestic market, which the Company perceives as its key market because of the projects in the power construction sector and planned projects in the oil and gas sector. However, steps are being taken to increase the number of contracts acquired on the international market.

V. SEGMENT OPERATIONS

1. Natural gas and crude oil segment

PBG introduced to the Polish market a method of working on live gas pipelines in air-tight conditions, developed by T.D. Williamson. In 1999, PBG was the first company in Poland to design and perform, under a general contractor formula, an unmanned gas production facility. The Company was also the first in Poland to design and construct a liquefied natural gas (LNG) regasification unit. The unit is used in supplying gas and heat to towns, municipalities and industrial customers. PBG designs and builds co-generation systems, as well as CNG and LCNG units.

The technologies it has developed and the experience acquired during construction of a natural gas extraction facility are now used in the development of an oil production facility. In 2003, PBG built its first unmanned crude oil production facilities. In 2005, in connection with more stringent requirements in the area of environmental protection, PBG was the first in Poland to construct a formation water purification system. A year later, the Company designed and implemented a system of underground crude oil heating to facilitate its extraction.

The PBG Group also provides general contracting services relating to projects involving construction of new facilities and modernisation of existing fuel terminals and their auxiliary infrastructure. In the area of construction and repair of storage tanks, the Group also conducts work on live facilities. The Group is engaged in projects, commissioned by NATO, involving modernisation and extension of existing storage facilities for propellants and lubricants, and delivery and execution of underground storage tanks for F-16 jet fighters at military bases throughout Poland. The execution of military construction projects requires access to classified information marked as "CONFIDENTIAL". We are one of few contractors in Poland that meet the Investor's requirements in that respect.

PBG GROUP COMPANIES IN THE NATURAL GAS, CRUDE OIL AND FUELS SEGMENT

PBG S.A. w upadłości układowej (in company voluntary arrangement)

The Company provides comprehensive specialist contracting services for natural gas, crude oil, and fuel facilities. It acts as a general contractor or sub-contractor with respect to: engineering design work, construction, repairs, operation, and maintenance in the field of: production of natural gas and crude oil, transmission of natural gas and crude oil, storage of natural gas, fuels, LNG, LPG, C5+, and CNG. In the fuels segment, the PBG Group provides general contracting services relating to projects involving construction of new facilities and upgrading of existing fuel terminals and their auxiliary infrastructure.

PBG oil and gas sp. z o. o.

The company provides comprehensive specialist contracting services for natural gas, crude oil, and fuel facilities.

Al Watanyiah Oil and Gas LLC

The company provides comprehensive specialist contracting services for natural gas, crude oil, and fuel facilities. Al Watanyiah Oil and Gas LLC operates in Oman.

SALES

The Group renders its services in the natural gas and crude oil segment primarily in Poland. The largest customer in this segment is Polskie LNG, a subsidiary of Gaz-System.

Table 13: Sale of services in the natural gas and crude oil segment

Revenue	2014 (PLN '000)	2014 (PLN '000)	Change (PLN '000)	Change (%)
Gas, oil and fuels (transmission, distribution, production)	222,964	236,176	-13,212	-0.1

In 2015, the segment of natural gas, oil and fuels accounted for 12% of the Group's revenue. The segment's total revenue in the reporting period was PLN 13m lower than the previous year's result, i.e. PLN 223m. The significant contribution of the natural gas and crude oil segment to total revenue was attributable to the LNG terminal contract in Świnoujście, executed for Polskie LNG.

2. Power construction

RAFAKO S.A.

The company offers general contractor services for the construction of fossil fuel-fired power generating units, specialising in boiler islands comprising a steam generator, flue gas treatment plant, and waste incineration and biomass combustion plant. The company also offers design and construction of a wide array of steam generators fired with lignite, hard coal, oil, gas, or a combination of these fuels, including conventional, supercritical, fluidised bed, and stoker fired generators. Additionally, for a number of years the company has manufactured waste incinerators, biomass-fired generators, as well as heat recovery boilers. A variety of maintenance services – from diagnostics to repairs, overhauls, supply of replacement parts, and comprehensive upgrades of steam generators and accompanying equipment – complement the company's offering. The company designs, manufactures and assembles turn-key environmental protection solutions, including flue gas desulphurisation, nitrogen oxide removal systems and fly-ash removal equipment.

RAFAKO ENGINEERING Sp. z o. o.

Construction and process design, urban planning; power equipment maintenance and assembly; natural gas and crude oil area.

RAFAKO ENGINEERING SOLUTION doo

Process design, construction, industry, and environmental protection consultancy and supervision.

RAFAKO Hungary Kft.

Equipment assembly in the power and chemical industry.

ENERGOTECHNIKA ENGINEERING Sp. z o.o.

Engineering activities and related technical consultancy.

E001RK Sp. z o.o.

An SPV responsible for the construction of generating units in Opole.

E003B7 Sp. z o.o.

An SPV responsible for the construction of a generating unit in Jaworzno.

SALES

The Group renders its services in the power construction segment primarily in Poland. However, the backlog of foreign contracts has been growing, for both services and delivery of power installations and environmental protection equipment. The Group's main customers are private entities, as well as businesses co-owned by the State Treasury and responsible for the implementation of Poland's energy security strategy.

Table 14: Sales of power construction services

Revenue	2015 (PLN '000)	2013 (PLN '000)	Change (PLN '000)	Change (%)
Power construction	1,552,389	1,259,215	+293,174	+23

In 2015, the share of the power construction segment in the Group's revenue was 86%, up 23 pp year on year, delivering revenue of PLN 1,552,389m, with the largest contribution from RAFAKO. The PBG Group has recognised revenue from the segment as of Q3 2011. Over the next several years, the power construction segment will be a strategic focus of the Group's operations.

3. Other areas of operation

In addition to the companies listed above, there are also other companies in the PBG Group operating in areas not described above.

PBG Dom Sp. z o.o.

Property developer; The company is responsible for optimising the PBG Group's real property resources (including buildings, structures and land). Also the company itself owns land for investment projects.

PBG ERIGO Sp. z o.o.

Comprehensive management of property development projects, including production planning and preparation, project execution, and sales. PBG Erigo provides its services principally to the Group's property development subsidiaries.

Górecka Projekt Sp. z o.o.

The company executed the turn-key construction of the Skalar Office Center at the intersection of Hetmańska and Górecka Streets in Poznań, together with auxiliary amenities, including car parks. Górecka Projekt comprehensively manages the Skalar Office Center, as well as the car parks forming part of the project. In particular, the company is responsible for commercialisation of the office space.

PBG DOM INVEST X Sp. z o.o. Invest I S.K.A.

The company's business consists in buying and selling residential property and leasing its residential units under long- and short-term rental contracts (apartments in Świnoujście).

PBG DOM INVEST X Sp. z o.o. Złotowska 51 S.K.A.

The company carried out a residential development project in Złotowska Street in Poznań.

PBG ERIGO Projekt Sp. z o.o. QUADRO House S.K.A.

The company carried out a residential development project in Smardzewska Street in Poznań.

ECORIA Sp. z o.o.

Property developer in Poznań; currently commercialises its completed projects in Karpia Street.

PBG ERIGO Projekt Sp. z o.o. ECORIA II S.K.A.

Property developer; prepares the execution of a residential project on land owned by the company, located in Karpia Street in Poznań.

CITY DEVELOPMENT Sp. z o.o.

The company operated as a property developer in Gdańsk.

PBG ERIGO PROJEKT Sp. z o.o. Strzeszyn S.K.A.

Property developer; holds land for residential property development, located in the Strzeszyn district of Poznań.

PBG ERIGO Projekt Sp. z o.o. Platan Hotel S.K.A.

The company constructed a 3-star hotel in Świnoujście; currently provides hospitality services under a franchise agreement with Hilton hotels&resorts.

PBG Erigo Projekt Sp. z o.o. Malta Hotel S.K.A.

Property developer; PBG Erigo Projekt Sp. z o.o. Malta Hotel S.K.A owns land for investment projects, located by the Malta Lake in Poznań.

PBG DOM INVEST X Sp. z o.o.

General partner in two property development special purpose vehicles (partnerships limited by shares).

PBG ERIGO PROJEKT Sp. z o.o.

General partner in five property development special purpose vehicles (partnerships limited by shares).

PBG DOM Invest Limited

The company was established as part of the tax optimisation strategy of the Group's property development subsidiaries.

ERIGO IV Sp. z o.o.

General partner in ERIGO IV Sp.z.o.o. s.k.a.

ERIGO IV Sp.z.o.o. s.k.a.

Special purpose vehicle for future development projects.

ERIGO V Sp. z o.o.

Special purpose vehicle for future development projects.

Galeria Kujawska Nova Sp. z o.o.
Special purpose vehicle which acted as general partner for a company responsible for a commercial development project in Bydgoszcz. Currently special purpose vehicle for future development projects.

PGL-DOM Sp. z o.o.
Management of real estate.

BROKAM Sp. z o.o.
The company owns land with aggregate deposits. Historically, its addition to the PBG Group was designed to establish a resource base for the road construction segment.

BATHINEX Sp. z o.o.
The company owns land with deposits of granodiorite, fine-crystalline acid intrusive igneous rock. Historically, its addition to the PBG Group was designed to establish a resource base for the road construction segment.

PBG Operator Sp. z o.o.
Special purpose vehicle.

PBG UKRAINA Publiczna Spółka Akcyjna (the company is likely to discontinue operations)
The company was established to research the Ukrainian market and initiate contacts with providers of construction and related services.

Wschodni Invest Sp. z o.o.
An SPV, which owns and manages Energopol-Ukraina, a property developer.

Energopol-Ukraina
The company holds legal title to a 63,000 m2 land property in Kiev, to be used for a 250,000 m2 development project. It provides a wide range of property development-related services, including general construction, production and design works. It is experienced in trading activities and upgrades/modernisation of industrial facilities.
On July 24th 2013, the Parent executed an agreement with WSCHODNI INVEST Sp. z o.o. and IMIDŻ FINANS GRUP spółka z ograniczoną odpowiedzialnością of Kiev, incorporated under Ukrainian law ('Buyer') ('Agreement'). The Buyer agreed to purchase the shares of Energopol Ukraina S.A. of Kiev from WSCHODNI INVEST Sp. z o.o. and to buy WSCHODNI INVEST's claims under loans advanced to Energopol Ukraina. The Buyer also committed to purchase from PBG 234,103 registered investment certificates in Dialog Plus, a closed-end non-diversified venture-type investment fund established under the laws of Ukraine, with a par value of UAH 1,000 per certificate; and to buy Energopol-Ukraina's claims under a loan advanced to PBG.
The Buyer will acquire title to the Energopol-Ukraina shares and investment certificates following payment of the agreed consideration and execution of separate sale agreements, but not later than

December 24th 2015. Under an annex to the agreement signed on December 7th 2015, the purchase deadline was extended until December 31st 2016.

PBG AVATIA Sp. z o.o.

The company provides IT services, including IT consulting, implementation of IT systems, data processing and services relating to IT and computer-based technologies.

SALES

The industrial and residential construction services are provided to customers throughout Poland.

Table 15: Sale of services in the industrial and residential construction segment

Revenue	2015 (PLN '000)	2014 (PLN '000)	Change (PLN '000)	Change (%)
Other (sale of merchandise, materials and products, other services)	23,462	105,996	-82,528	-78

In 2015, the share of the 'Other' segment in the Group's total revenue was 0.01%, down 78 pp on 2014. The PBG Group will gradually withdraw from this segment.

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

In the reporting period, customers and suppliers with an at least 10% share in the Group's total revenue included:

- customers: Tauron Wytwarzanie S.A.,

– suppliers: none.

VI. MARKET OUTLOOK

General information

The PBG Group's core business is the provision of specialist construction and engineering services for infrastructure projects in the oil & gas and power sectors in Poland. In terms of geography, Poland is the Group's home market.

Construction industry in Poland

The construction sector has seen a recovery, with sales in January-June 2015 up 9.2% year on year. The number of bankruptcies in the sector fell to 66 in H1 2015 (from 98 in H1 2014). A halting of the downward trend in average employment was also seen in H1 2015; according to the Central Statistics Office's data, it increased by 1.5% year on year.

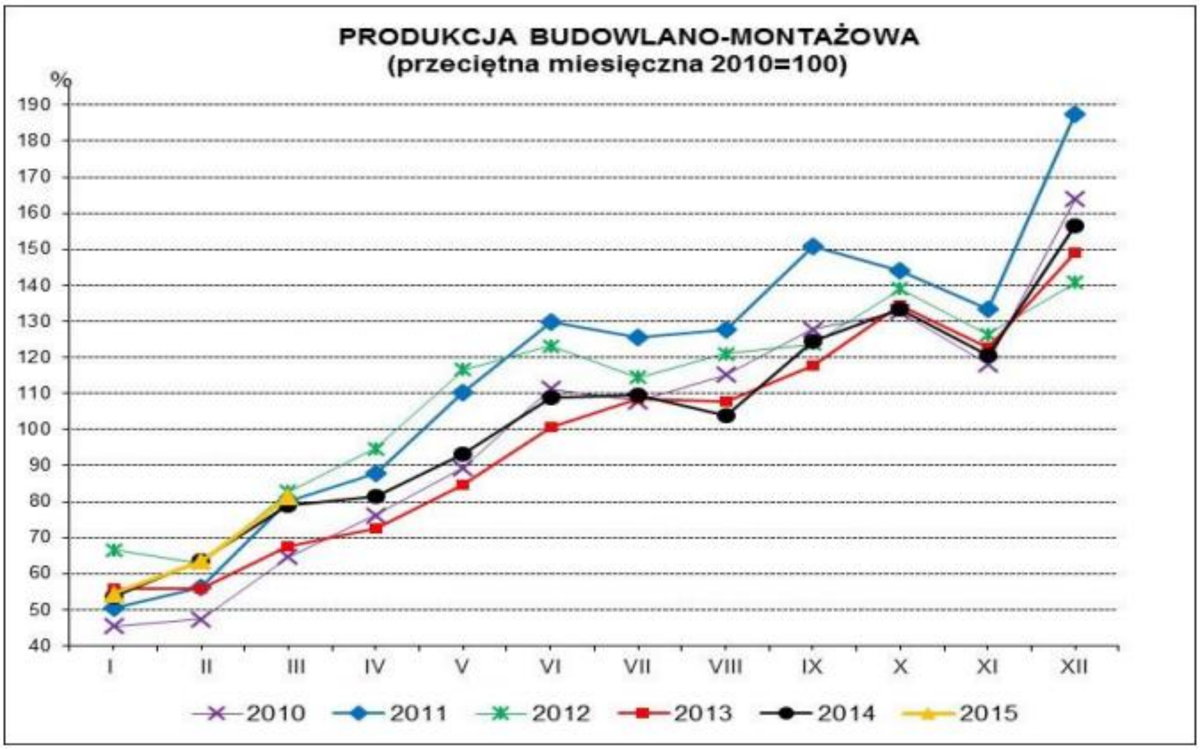
In H1 2015, revenue of the WSE-listed construction companies went up 10%. The average sales margin (operating income net of cost of sales) is also on the rise. In 2014, it stood at 7.2%, to grow to 8.3% in H1 2015. The WIG BUDOW index of the listed construction companies gained as much as 24% at the end of June 2015, while the WIG index grew by 4% only. The market capitalisation of construction companies listed on the WSE was PLN 9.11bn (on June 30th 2015), having risen by PLN 1.67bn on the end of December 2014.

In a longer term, a further increase of employment in the infrastructure construction segment is expected, reflecting an inflow of new EU funds. Demand should also grow for power construction specialists. The inflow of new EU funds will be the strongest driver of improvement in the infrastructure construction segment in the coming years. In the new 2014−2020 EU financial framework, Poland will receive a record amount of EUR 82.5bn in cohesion funds, with EUR 25.8bn earmarked for infrastructure construction projects.

Deloitte estimates the cost of selected infrastructure needs at approximately PLN 310bn until 2020. The figure includes mainly expenditure on road infrastructure (approximately PLN 112bn), including around PLN 97bn on the construction of express roads and motorways. Equally expensive investment projects will be necessary in power infrastructure. Approximately PLN 42bn is expected to be spent on the transmission grid and another PLN 55bn on power generation capacities. A total amount earmarked for power infrastructure is projected at approximately PLN 115bn. Funds required to be invested in railway infrastructure are estimated at around PLN 69bn and in environmental protection − at approximately PLN 13.5bn.

Deloitte's experts believe that the development prospects of construction companies in Poland will depend on the efficiency of the public sector, which issues tenders for major infrastructure projects. According to forecasts, if the construction sector maintains its current growth rate, in 2017 it should recover after several hard years.

Figure 8: Construction output (2010–2015)



PRODUKCJA BUDOWLANO-MONTAŻOWA (przeciętna miesięczna 2010=100)	CONSTRUCTION OUTPUT (2010 monthly average=100)

Source: *www.stat.gov.pl*

The projected annual GDP growth of approximately 4% in the years to come, coupled with the expected reduction in public debt to around 46% by 2016, should increase the public sector's willingness to invest in infrastructure. Considering that, Deloitte is optimistic about the prospects of the construction market in Poland.

The spending structure in the construction market segment in which the PBG Group operates is expected to change, with expenditure shifting towards non-transport infrastructure, chiefly power construction.

Competition

In each segment we face competition from both domestic and foreign construction companies. All these segments require know-how, equipment and highly qualified personnel, which is why only a limited number of construction companies are able to provide services of the required quality.

For over a decade now, the Polish market has been popular with foreign construction companies, attracting most of Europe's builders. Having entered the Polish market, they either operate independently or take over large Polish companies.

Although many Polish enterprises have been acquired by foreign operators, contracts on the Polish market continue to attract a large number of bidders from abroad, who prefer to team up with local partners. This is connected with the fact that a bidding entity must possess local credentials and track record, and foreign competitors and international companies are only interested in high value projects, for which they bring in the necessary technologies, technical expertise and equipment, assigning the actual execution to local operators. For further information on our competitors, refer to the descriptions of the respective segments of our business.

NATURAL GAS, CRUDE OIL AND FUEL MARKET; SHALE GAS

NATURAL GAS

The Polish market of contractor services related to gas infrastructure is viewed as having strong prospects for growth, given the anticipated multi-billion investments, following primarily from the need to implement the objectives of Poland's energy policy and ensure compliance with the requirements of Poland's membership in the European Union. Responsibility for the implementation of Poland's energy policy rests primarily with the PGNiG Group and OGP Gaz-System. In consequence, these companies are the leading owners of gas infrastructure projects, which cover a wide range of works − from construction of gas stations to construction of gas extraction facilities and pipelines − which are an attractive source of contracts for companies specialising in gas-related contractor services.

'Poland's Energy Policy until 2030' of November 10th 2009, drawn up by the Ministry of Economy, outlines the main development directions for the gas sector. In order to ensure the country's energy security and support its economic growth, the Ministry of Economy has set eight main areas in state-owned companies should focus their investment efforts:

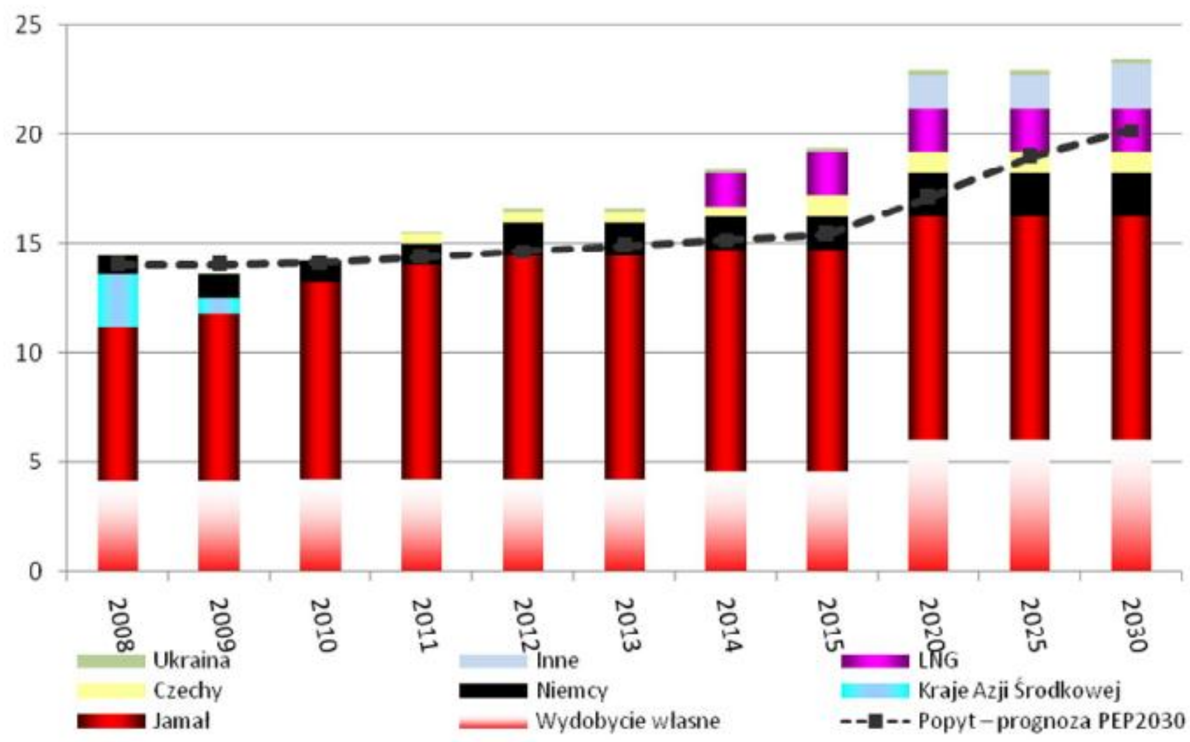
- discovery of new natural gas resources;
- increase of natural gas production capacity in Poland;
- securing alternative sources and directions of gas supply to the country;
- extension of the natural gas transmission and distribution system;
- expansion of natural gas storage capacity;
- gaining access to natural gas deposits outside of Poland;
- gas production in coal-to-gas process;
- commercial use of methane produced from surface wells.

Poland's current demand for gas is approximately 14.5bn cubic metres per year, 30% of which is met by domestic production. The balance is imported, mainly from Russia under the Yamal Contract.

In connection with an expected increase in demand for natural gas in the coming years, but also in the context of the 2009 gas crisis between Ukraine and Russia, investment in gas infrastructure to improve Poland's energy security has come to the very top of the government's agenda. The goal of enhancing Poland's energy security can only be achieved through large-scale projects, requiring billions of złoty in capital expenditure. Development of the Polish gas infrastructure will be funded by the PGNIG Group and OGP Gaz-System as well as by EU funds (under the Infrastructure and Environment Operational Programme). The PGNiG Group alone plans to spend ca. PLN 40bn−50bn on strategy-related projects by 2020. The EU funds will also play a crucial role in the financing of projects. The European Commission has earmarked EUR 27.41bn for the implementation of the Infrastructure and Environment Operational Programme in 2014–2020. In the gas sector, the programme priorities include:

- **Priority IV - support of transition to a low-carbon economy across all sectors – EUR 1.8bn**
  i. Increasing the share of renewable energy sources in the gross final energy consumption
  ii. Improving the industry's energy efficiency
  iii. Improving the energy performance of multi-family residential and public buildings
  iv. Development of smart networks
  v. Increasing the efficiency of heat transfer
  vi. Increasing the share of energy from high-efficiency co-generation
- **Priority VII – strengthening the country's energy security infrastructure – EUR 1.0bn**

Figure 9: Forecast demand and structure of supplies of natural gas to Poland until 2030



Ukraina, Czechy, Jamał, Inne, Niemcy, Wydobycie własne, LNG, Kraje Azji Środkowej, Popyt – prognoza PEP2030	Ukraine, Czech Republic, Yamal Contract, Other, Germany, Domestic production, LNG, Central Asia countries, Forecast, Poland's Energy Policy until 2030

Source: *Górnictwo i geologia, Tom 5, Zeszyt 3, 2010, Maciej Kaliski, Stanisław Nagy, Stanisław Rychlicki, Jakub Siemek, Adam Szurlej – „Gaz ziemny w Polsce – wydobycie, zużycie iimport do 2013 roku".*

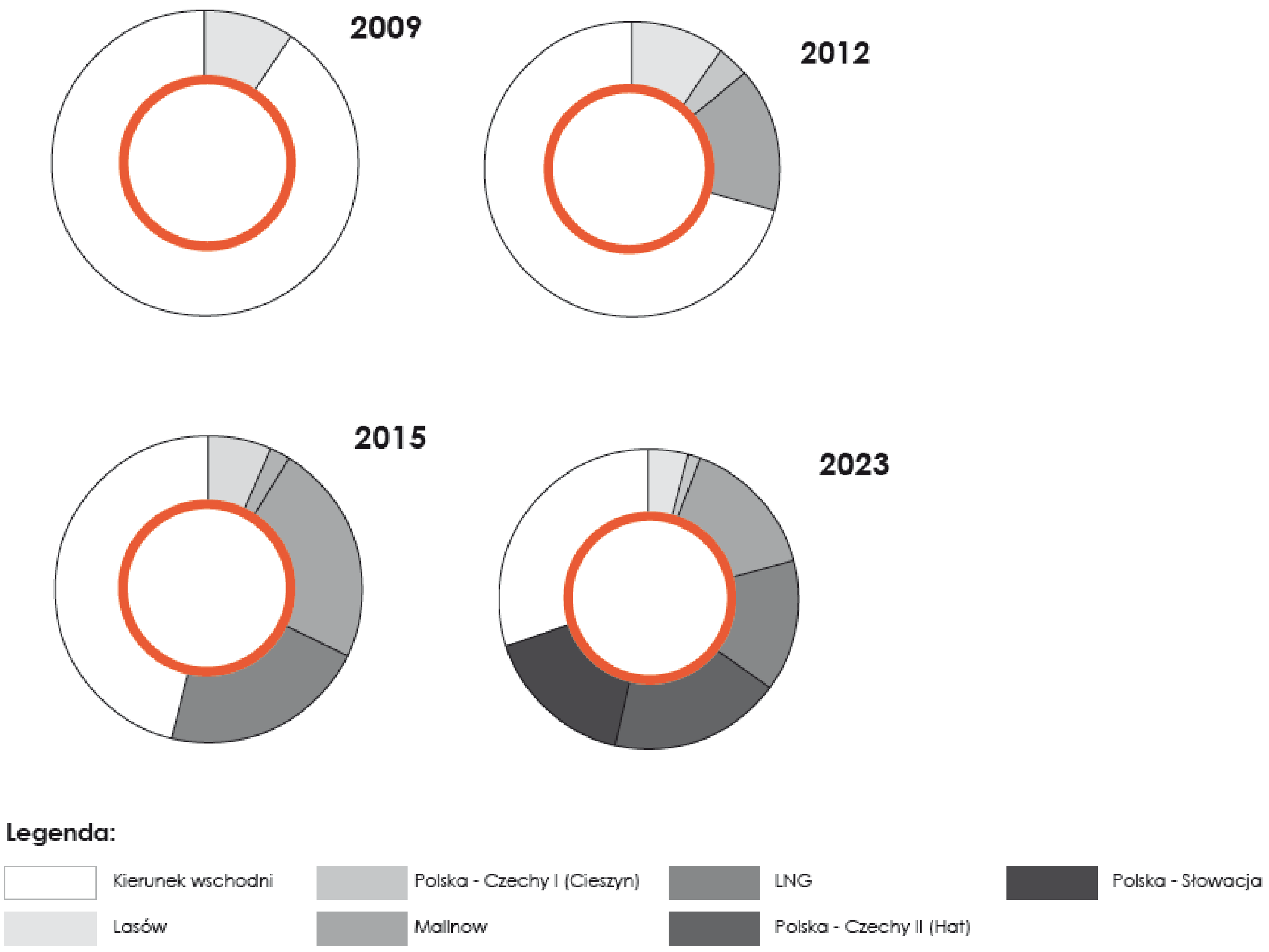
Poland's energy policy until 2050

The Ministry of Economy is working on a draft of Poland's new energy policy. Preliminary drafts of the document's main body, forecast section and assessment of the implementation of Poland's previous energy policy, i.e. the proposed Draft Assessment of the Implementation of Poland's Energy Policy until

2030, Draft Poland's Energy Policy until 2050, and Draft Conclusions from the Forecast Analyses in August 2014 have been released for preliminary public consultation.

The flagship project for enhancing Poland's energy security is the LNG terminal in Świnoujście. The project, the cost of which is currently put at approximately PLN 2.4bn (VAT-exclusive), is to be carried out by Polskie LNG Sp. z o.o., a special-purpose company fully owned by OGP Gaz-System. The contract was signed on July 15th 2010. The contractor is a consortium comprising PBG, Saipem (as the consortium leader), Techint Compagnia Tecnica Internazionale, Snamprogetti Canada and EGBP. Initially, the Świnoujście terminal will be able to receive 5bn cubic metres of gas per year. In the next stage, depending on demand, it will be possible to increase the regasification capacity to 7.5bn cubic metres, which represents ca. 50% of the country's current annual demand for natural gas. Also, an international study was carried out in late 2012/early 2013 to research the market potential and demand for services of the LNG terminal in Świnoujście. Its results indicate significant demand for increased regasification capacity, as well as for other services which could be provided by the terminal, while the market potential justifies the extension of the terminal to add a third tank. In 2020, the demand for services, combined with the already reserved regasification capacity, is expected to reach a level close to the extended terminal's maximum capacity.

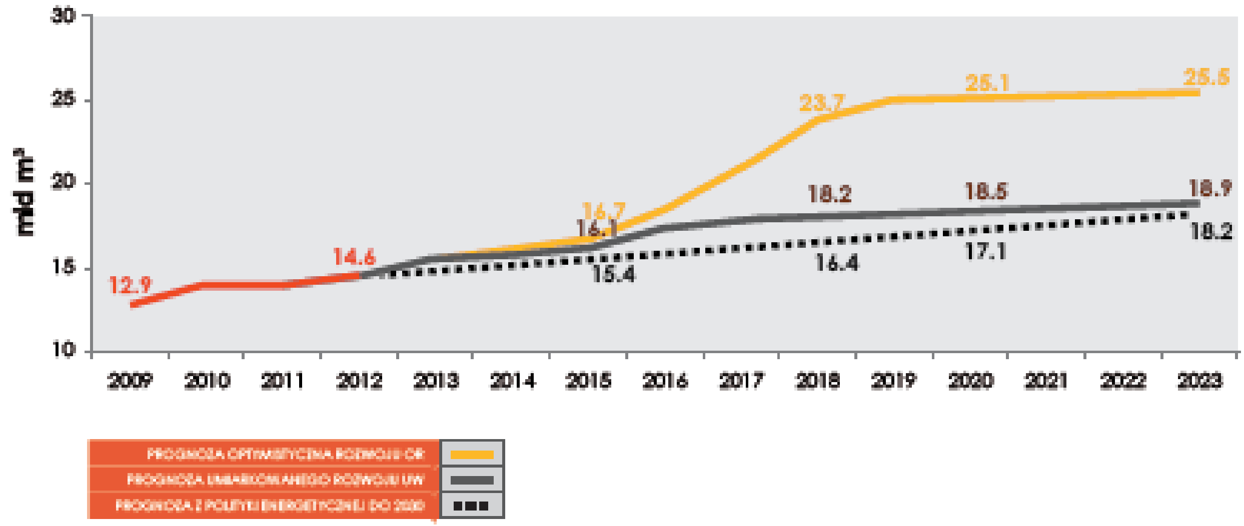
Figure 10: Changes in the structure of natural gas importing capacities



Legenda:	Legend:
Kierunek wschodni Polska i Czechy I (Cieszyn) LNG Polska-Słowacja Polska i Czechy II (Hat)	East: Poland and Czech Republic (Cieszyn) LNG Poland-Slovakia Poland and Czech Republic II (Hat)

Source: OGP Gaz-System S.A.'s development plan for 2014–2023.

Figure 11. Comparison of forecasts – annual demand for the transmission service (as a function of domestic demand)



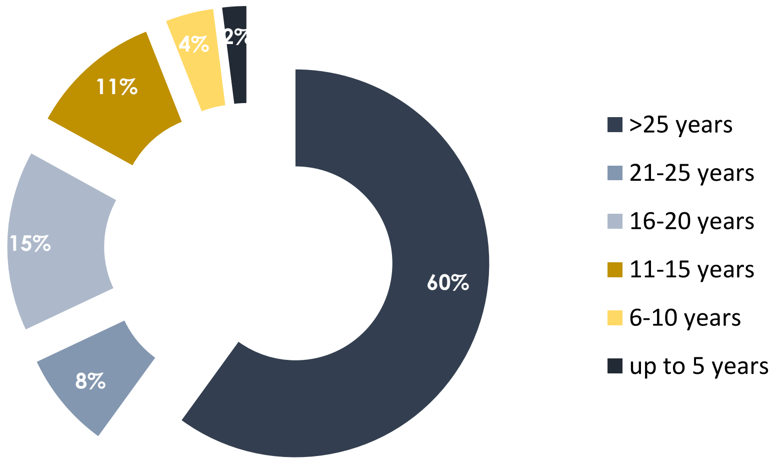
mld m3	billion m3
PROGNOZA OPTYMISTYCZNA ROZWOJU	OPTIMISTIC GROWTH FORECAST
PROGNOZA UMIARKOWANEGO ROZWOJU UW	MODERATE GROWTH FORECAST
PROGNOZA Z POLITYKI ENERGETYCZNEJ DO 2030	FORECAST IN ENERGY POLICY UNTIL 2030

***Source**: OGP Gaz–System SA's development plan for 2014–2023.*

The yellow line illustrates the volume under the optimum growth scenario, the green line – under the moderate growth scenario, while the dotted purple line illustrates the forecast included in Poland's Energy Policy until 2030.

Pursuant to the most recent Annual Report 2012 of the President of the Energy Regulatory Office, the technical condition of transmission infrastructure is the key factor determining the security of supply of gas fuels. Although in 2008 the operation of the transmission system was unobjectionable, the system's age and considerable wear and tear may affect continuity of gas supplies in the future.

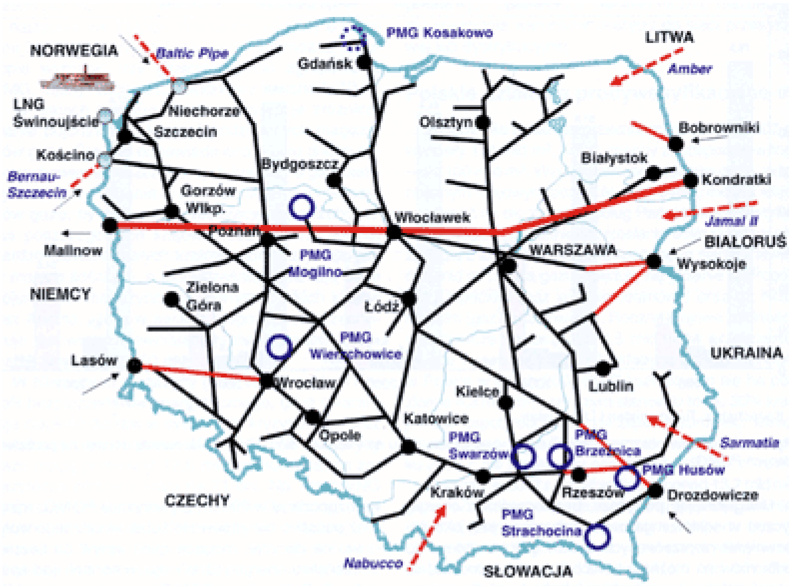
Figure 12: Aging of gas transmission pipelines in Poland



Source: *2011 National Report of the President of the Energy Regulatory Office.*

Moreover, the President of the Energy Regulatory Office has highlighted certain issues, such as poorly developed gas transmission network, shortage of throughput capacity reserves and insufficient integration of the Polish gas system with the gas systems of the neighbouring countries, especially the EU member states. The President of the Energy Regulatory Office has emphasised first of all the necessity to eliminate the system bottlenecks, i.e. the points where the throughput capacity is limited. The greatest difficulties with transfer of high-methane gas and increasing the customers' collection capacities at points of exit from the transmission system are encountered in the north-western part of Poland, where the largest capital expenditure on system enhancement will be required in the near future – also in connection with the construction of the LNG terminal in Świnoujście.

Figure 13: Existing coverage and projected expansion of natural gas transmission network in Poland



NORWEGIA	NORWAY
LNG Świnoujście	Świnoujście LNG Terminal
NIEMCY	GERMANY
PMG Kosakowo	Kosakowo UGS
PMG Mogilno	Mogilno UGS
PMG Wierzchowice	Wierzchowice UGS
PMG Swarzów	Swarzów UGS
PMG Strachocina	Strachocina UGS
LITWA	LITHUANIA
Jamał II	Yamal II
BIAŁORUŚ	BELARUS
UKRAINA	UKRAINE
PMG Brzeźnica	Brzeźnica UGS
PMG Husuów	Husów UGS
CZECHY	CZECH REPUBLIC
SŁOWACJA	SLOVAKIA

Source: *http://www.rynek-gazu.cire.pl*

'Implementation of the investment programme provided for in the endorsed OGP Gaz–System SA Development Plan for 2014-2023 will ensure a considerable degree of diversification of the gas sources and directions of gas transmission. The Polish transmission system will have a large throughput capacity, and new interconnectors will provide access to stable and competitive gas supply sources. Thus technical conditions will be created to enable connection of new large customers to the network, and new opportunities for businesses will open. The Polish gas network will become an integral part of the European transmission infrastructure. As part of its obligations as a transmission system operator, GAZ-SYSTEM S.A. submitted its ten-year Development Plan to the President of the Energy Regulatory Office for endorsement with regard to its consistency with the present and future demand for gaseous fuels in 2014-2023 ('Development Plan for 2014-2023'). In his letter of April 4th 2014, the President of the Energy Regulatory Office endorsed the draft Development Plan to the extent covering the years 2014-2023.'

'Currently, the company [GAZ-SYSTEM] is implementing an investment programme for 2015-2023, which provides for construction of about 2,000 km of gas pipelines in western, southern and eastern Poland. The company also intends to build new gas system interconnections which will connect Poland's network with the networks of other EU countries (e.g. Poland – Czech Republic, Poland – Slovakia, Poland – Lithuania). Outlook until 2018 – preparation and implementation of the most important projects as part of the North-South Corridor, whose aim is to ensure conditions for development of a regionally integrated gas market in Central and Eastern Europe. Outlook until 2023 – completion of modernisation of the transmission system in eastern Poland and creating conditions conducive to integration of the Baltic States' gas market with the gas market of CEE countries.'

The development plan for 2014-2023 provides for extension of the national transmission system and construction of new interconnections to the neighbouring countries' systems. The President of the Energy Regulatory Office has found the investment expenditure of PLN **7.1bn** planned until **2018** to be reasonable.

INVESTMENT PROJECTS UNTIL 2018: 796.9 km

9 Polkowice − Żary 300 63.7

10 Lasów – Jeleniów 700 17.5

11 Gałów – Kiełczów 500 41.7

12 Czeszów – Wierzchowice 1,000 14

13 Czeszów – Kiełczów 1,000 33

14 Zdzieszowice – Wrocław 1,000 130

15 Zdzieszowice – Kędzierzyn 1,000 19

16 Poland – Czech Republic* 1,000 60

17 Tworóg – Kędzierzyn 1,000 47

18 Tworzeń – Tworóg 1,000 56

19 Lwówek – Odolanów 1,000 179

20 Hermanowice – Strachocina 700 72

21 Mory – Piotrków Tryb. section Wolbórz – Piotrków Tryb. 400 6

22 Rembelszczyzna − Mory 700 28

23 Wronów − Kozienice 500 30

24 Mory Junction

25 Tworzeń Junction

26 Wygoda Junction

27 Jeleniów Junction

28 Jeleniów II Compressor Station

29 Rembelszczyzna Compressor Station

30 Kędzierzyn Compressor Station

31 Odolanów Compressor Station

INVESTMENT PROJECTS UNTIL 2023: 1209 km

32 Pogórska Wola – Tworzeń 1,000 160

33 Strachocina – Pogórska Wola* 700 98

34 Poland – Slovakia* 1,000 64

35 Leśniewice – Łódź 700 66

36 Mory – Wola Karczewska 700 82

37 Rembelszczyzna – Wronów* 700 135

38 Rozwadów – Końskowola – Wronów* 700 103

39 Jarosław – Rozwadów* 700 60

40 Hermanowice – Jarosław 700 39

41 Poland – Lithuania 700 357

42 Goleniów − Płoty 700 45

43 Goleniów Compressor Station

44 Strachocina Compressor Station'

Source: http://www.gaz-system.pl/

Figure 14: Expansion of the MOP 8.4 MPa system in 2009−2023.

MOP 8.4 MPa gas pipelines

Figure 15: Gas transmission network – OGP GAZ – SYSTEM SA's projects until 2018

Inwestycje zakończone w 2011 r.	Investment projects completed in 2011
Inwestycje w perspektywie w 2014 r.	Investment projects planned until 2014
Inwestycje w perspektywie w 2018 r.	Investment projects planned until 2018

Source: *OGP Gaz – System SA*

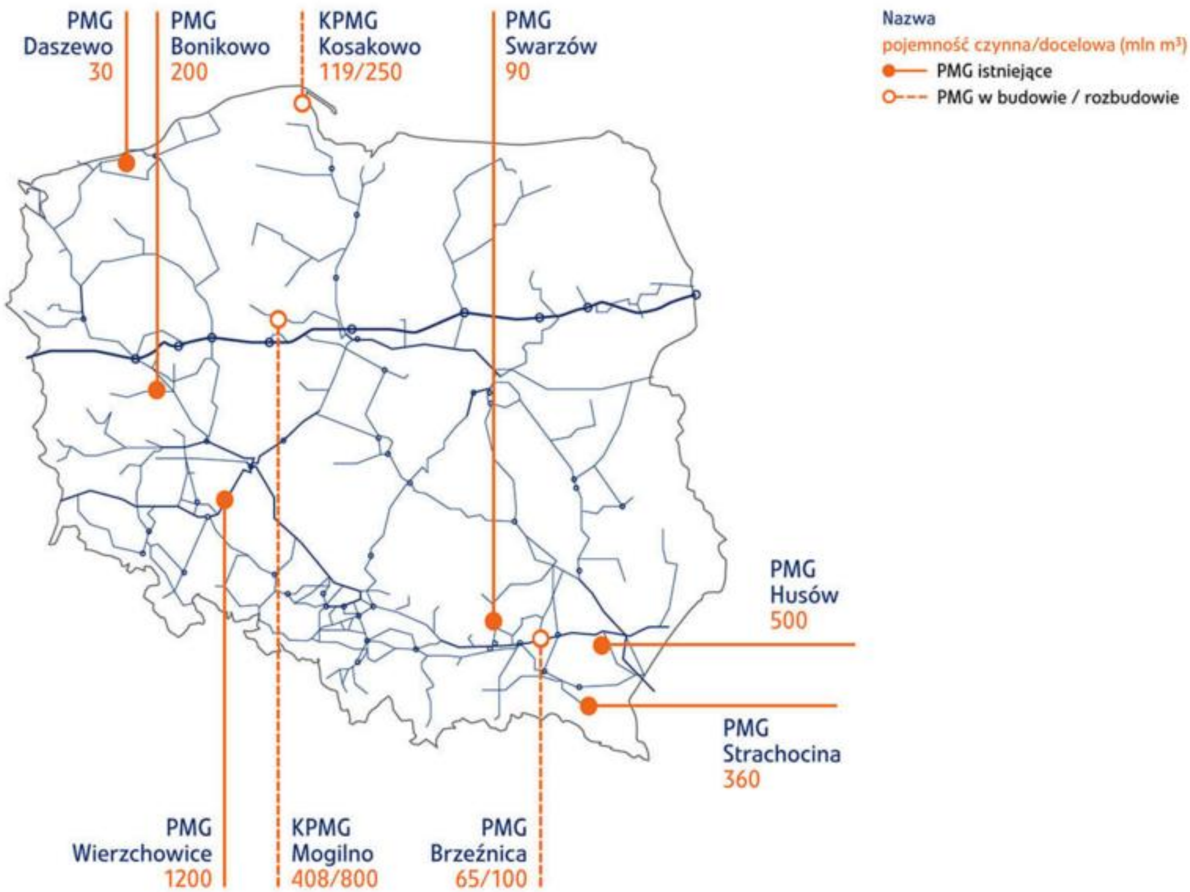
Extension of the gas distribution grid managed by the PGNiG Group may be expected to take place in parallel to the development of the gas transmission network.

Increasing gas production by domestic operators to further enhance the country’s energy security will also involve significant expenditure. The PGNiG Group will be the key investor and its projects will include development of gas production in Poland, but also ensuring access to gas produced abroad, e.g. from the Norwegian fields.

In accordance with its strategy adopted in 2008, in the coming years the PGNiG Group’s annual gas production target is approximately 6.2bn cubic metres, including domestic output of approximately 4.5bn cubic metres and production from newly launched foreign fields. Ultimately, after 2015, at least 1.5bn cubic metres will be derived from the Norwegian Continental Shelf as equity gas (i.e. gas produced by a consortium of which PGNiG is a member, holding rights to a proportionate interest in total production). The most important project, implemented to increase domestic production of natural gas and double the crude output, is the development of the Lubiatów-Międzychód-Grotów oil and gas fields. In 2008, the PGNiG Group awarded a PLN 1.7bn (VAT included) contract for construction of the oil and gas production facility to the PBG Group. The facility was placed in service in March 2013.

Another key aspect of enhancing Poland’s energy security relates to the development of gas storage facilities. Such facilities enable storage of adequate volumes of reserves as a safety buffer in case of short interruptions in gas supply, or in the event of failures or limitations in provision of the commodity. Moreover, the storage facilities enable upstream operators to maintain steady gas production volumes throughout a year. In periods of lower demand for gas, gas is injected into a storage facility; it can be withdrawn at times of peak demand. PGNiG owns nine underground gas storage facilities (UGS), located in two different types of geological structures – salt caverns (underground gas storage cavern facilities − UGSC) or partly depleted gas and oil reservoirs. Seven of them are used to store methane-rich gas (Wierzchowice UGS, Husów UGS, Mogilno UGSC, Strachocina UGS, Swarzów UGS and Brzeźnica UGS, and two caverns undergoing testing for natural gas injection at the Kosakowo UGSC), while the other two hold nitrogen-rich gas (Daszewo UGS and Bonikowo UGS).

Figure 16: Location and storage capacity of underground gas storage facilities in Poland



PMG Daszewo	Daszewo UGS
PMG Bonikowo	Bonikowo UGS
KPMG Kosakowo	Kosakowo UGSC
PMG Swarzów	Swarzów UGS
Nazwa	Name
PMG Wierzchowice	Wierzchowice UGS
KPMG Mogilno	Mogilno UGSC
PMG Brzeźnica	Brzeźnica UGS
PMG Husów	Husów UGS
PMG Strachocina	Strachocina UGS
pojemność czynna/docelowa (mln m3)	Working/target capacity (million m3)
PMG istniejące	Existing UGS
PMG w budowie/rozbudowie	UGS under construction/extension

Source: *PGNiG*

Figure 17: Gas storage levels as at March 13th 2016

Stan napełnienia wszystkich instalacji	GWh
Stan napełnienia instalacji magazynowych na początek doby	11 175,4
Ilość gazu zatłoczonego	0,0
Ilość gazu odebranego	114,3
Stan napełnienia instalacji magazynowych na koniec doby	11 061,1

Stan napełnienia wszystkich instalacji	Total amount of gas stored
Stan napełnienia instalacji magazynowych na początek doby	Gas in storage at the start of the day
Ilość gazu zatłoczonego	Amount of gas injected
Ilość gazu odebranego	Amount of gas drawn
Stan napełnienia instalacji magazynowych na koniec doby	Gas in storage at the end of the day
GWh	GWh

Source: *https://www.osm.pgnig.pl/pl/magazyny/dane-operacyjne*

OIL AND FUELS

The PBG Group's position in the **oil segment** depends on the investment plans of PKN ORLEN S.A., LOTOS S.A., NATO, OLPP, PERN Przyjaźń S.A. and other entities active in the fuels sector.

Important drivers of the development of the oil and fuels market include:

- **PKN Orlen S.A.'s investment plans** for 2014–2017 providing for capital expenditure of **PLN 16.3bn** (including power generation and hydrocarbon production, maintenance of plant operability and meeting the regulatory requirements).
- **Grupa Lotos S.A.'s investment plans**
- Increase in the production of crude oil planned by **Polskie Górnictwo Naftowe i Gazownictwo.**
- **Extension of oil pipelines:** Adamowo-Płock-Gdańsk; Adamowo-Płock-Heinersdorf (Germany); Gdańsk-Płock; Gdańsk-Płock-Heinersdorf (Germany):

PERN Przyjaźń S.A.'s crude oil transport infrastructure comprises the following three basic sections:

Eastern Section of the Druzbha pipeline connects the Adamów Storage Depot at the Poland-Belarus border with the Płock Feedstock Depot. The annual capacity of this section is 50m tonnes of crude oil.

Western Section of the Druzbha pipeline connects the Płock Feedstock Depot with an oil depot in Schwedt, Germany. Feedstock is transported over this section to two German refineries: PCK Raffinerie GmbH Schwedt and TOTAL Raffinerie Mitteldeutschland GmbH in Spergau. The annual capacity of the Western Section reaches 27m tonnes of crude oil.

The Pomorski Pipeline connects the Płock Feedstock Depot with the Gdańsk Handling Depot. Russian crude oil for Grupa LOTOS S.A.'s Gdańsk refinery and for export through Naftoport is transported over this pipeline.

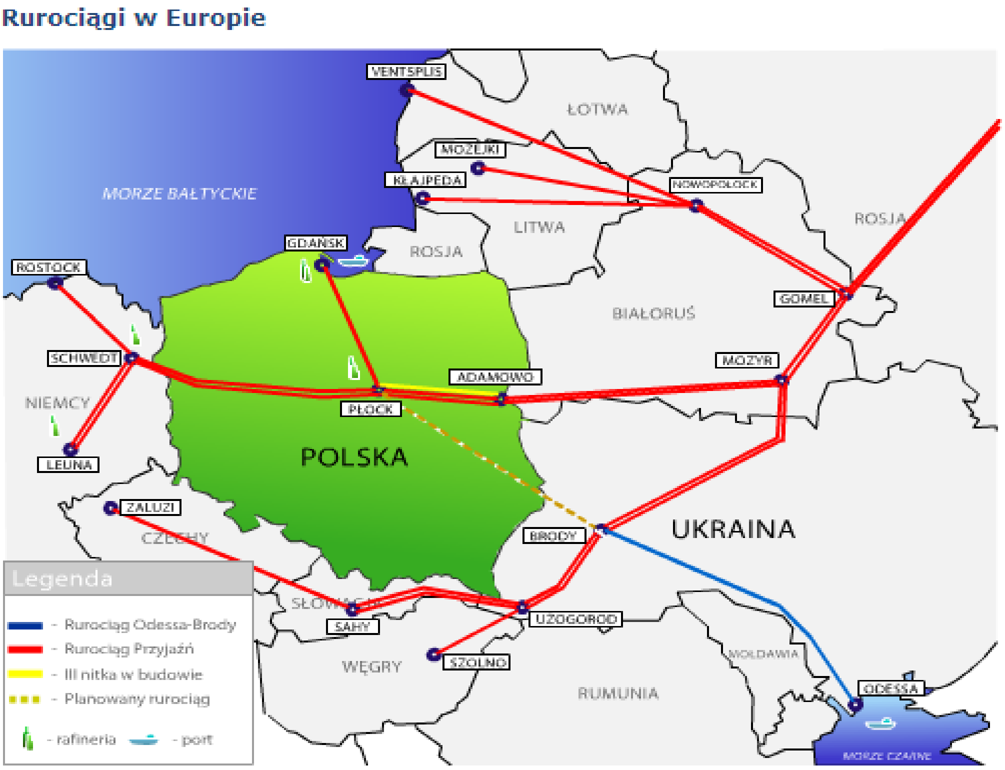
The Pomorski Pipeline is used to transport the feedstock in both directions. In the Gdańsk-Płock direction, the pipeline's annual capacity is approximately 30m tonnes of crude oil, while in the other direction it is approximately 27m tonnes.

Figure 18: PERN pipeline

Source: www.pern.com.pl

Podstawowe dostawy rurociągiem "Przyjaźń"	Key supplies via the Druzhba pipeline
Dostawy uzupełniające "z morza"	Supplementary shipments by sea
Naftoport	Naftoport
Rafinerie	Refineries

Figure 19: Pipelines in Europe



Rurociągi w Europie	Europe's gas pipeline network
Legenda	Legend
Rurociąg Odessa-Brody	Odessa-Brody pipeline
Rurociąg Przyjaźń	Druzhba pipeline
III nitka w budowie	3rd line under construction
Planowany rurociąg	Planned pipeline
rafineria	Refinery
port	Seaport

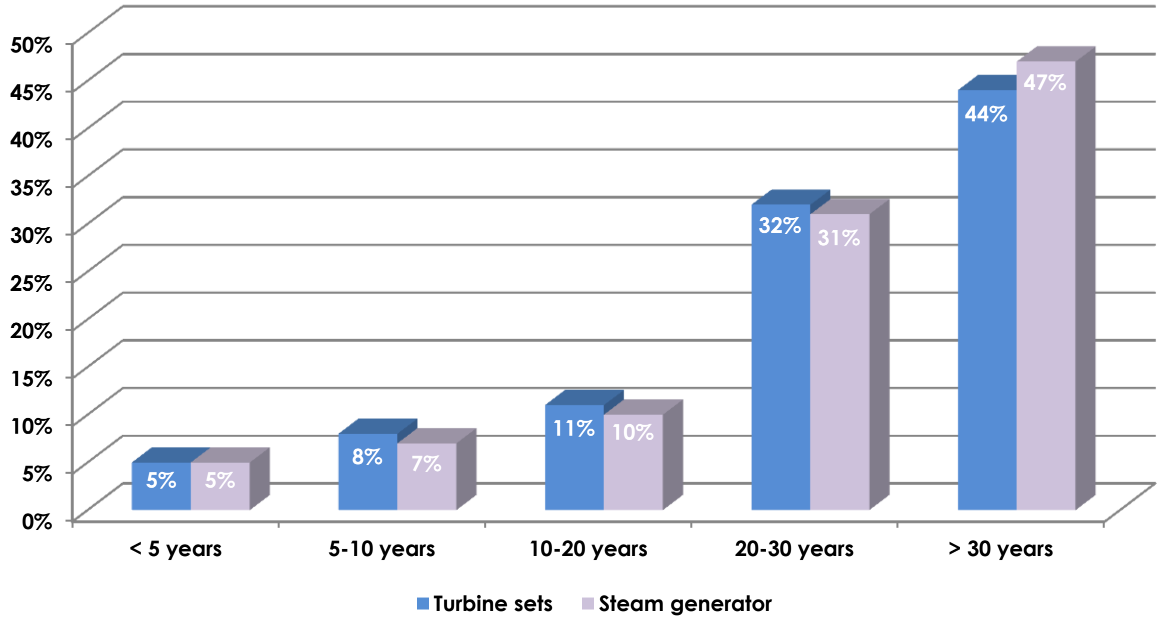
Source: www.pern.com.pl

POWER CONSTRUCTION MARKET

Power generation infrastructure in Poland

Given the continuing wear of power generation units and the ever more stringent EU emission standards, the existing units will either be retired or upgraded. According to 'Poland's Energy Policy until 2050', almost 45% of Poland's electricity generation assets are more than 30 years old, and approximately 77% are more than 20 years old. As the expected useful life of a coal-fired generation unit is between 40 and 45 years, it will be necessary to install 13–18 GW in new capacities just to replace the current generation potential.

Figure 20: Age of power units in Poland



Source: URE.

In 'Poland's Energy Policy until 2030', the new capacities to come on stream or existing capacities to be replaced with new generation units are estimated at 4.9 GWh in 2011–2015, 8.5 GWh in 2016–2020, 8.2 GWh in 2021–2025, and approximately 10.4 GWh in 2026–2030. Factoring in the phase-out of existing capacities in the Polish power system, the maximum net capacity of the country's generation units is expected to increase to the region of 46.4 GW in 2030. The most significant decline in net capacity is expected in the case of coal-fired commercial power plants (from 14,536 MWh in 2008 to 5,433 MWh in 2030). Since lignite-fired power plants will gradually be replaced with new units, their maximum capacity is to remain stable until 2025, when it should begin to grow. Nuclear power plants planned to be built will bring a combined installed capacity of 4,500 MW. The highest growth in generation capacities will be seen in the case of renewable energy sources, particularly wind and biogas. By 2030, onshore and offshore wind farms should contribute an additional 6,000 MWh and 2,550 MW in installed capacities respectively, although the new capacities are not expected to translate into higher power output due to the wind farm capacity factor. Biomass-fired power and CHP plants should reach a combined capacity of some 1,400 MWe by 2030, while biogas-fired units should contribute 631 MWe. New capacities are planned to be built in response to an expected increase in electricity demand in Poland.

Investment in energy infrastructure

The Ministry of Economy forecasts a steady increase in electricity demand in Poland, to 194.6 TWh in 2020 and 217.4 TWh in 2030. The rising demand for electricity will translate into more investment projects in the power sector. In accordance with the Company's in-house estimates (based on public data), power companies are planning to invest in Poland over PLN 129bn by 2020.

Ongoing projects include the construction of two units at the Opole Power Plant, and one unit at each of the Jaworzno III Power Plant and the Kozienice Power Plant. In aggregate, these projects will deliver nearly 4 thousand MW of new capacity.

Among large power units currently being built, three most advanced projects should be specifically mentioned, all implemented under contracts signed in 2012: (i) construction of a 449 MW CCGT unit at the Stalowa Wola CHP Plant (Elektrociepłownia Stalowa Wola) for Tauron/PGNiG by Spain's Abener Energia, valued at PLN 1.6bn (VAT-exclusive) − the unit will be placed in service in 2015; (ii) construction of a 1,075 MW hard coal-fired unit at the Kozienice Power Plant for Enea by Polimex-Mostostal in cooperation with Hitachi Power Europe, valued at more than PLN 5.1bn (VAT-exclusive), and (iii) construction of a 463 MWe gas-fired unit at the Włocławek Power Plant for PKN Orlen by the General Electric International and SNC-Lavalin Polska consortium, with the value estimated at PLN 1.4bn (VAT-exclusive) − the unit is expected to come online in the fourth quarter of 2015.

In H2 2013, other projects were also launched, which were less cost-intensive. These include a 50 MW coal-fired unit at the Tychy plant and a 75 MW coal-fired unit at the Zofiówka plant, built for Tauron and Jastrzębska Spółka Węglowa, respectively, by Energoinstal and Elektrobudowa, with the total value of approximately PLN 1.1bn, as well as a 138 MW CCGT unit at the Gorzów plant, to be constructed for PGE by Siemens at a cost of approximately PLN 0.5bn.

Other projects under way in 2014 included the construction of a 200−270 MW CCGT unit in Szczecin (PGE) and a 596 MW CCGT unit in Płock, constructed for PKN Orlen by a consortium of Siemens AG and Siemens Spółka z o.o. The estimated VAT-exclusive value of the contract is PLN 1.3bn. The unit is scheduled to come online by the end of 2017.

Another planned project involves the construction of a 1,000 MW coal-fired power generation unit in Wola for Kompania Węglowa. PGNiG is planning to build a 400−500 MW CCGT unit at the Żerań CHP plant, while Tauron is contemplating the construction of a 412−490 MW gas-fired unit at the power station in Łagisza.

By 2020, PGE is planning to allocate some PLN 50bn to investments, primarily in new conventional capacity, as well as modernisation and development, of which PLN 6bn will be invested in distribution and PLN 14bn in generation. The Tauron Group assumes that the value of its investment projects in 2014−2023 will reach PLN 37bn. In 2013, the French corporation EdF commenced to modernise its Polish assets. The value of EdF's entire investment programme is estimated at about PLN 3.3bn. The largest project will involve comprehensive modernisation of the Rybnik Power Plant, at an estimated cost of about PLN 1.4bn. The Enea Group expects to spend PLN 20bn on investments in 2014−2020, whereas the Energa Group plans to earmark for this purpose PLN 18.2bn in 2014−2022.

In accordance with the Energy Regulatory Office, a trend to expand generation capacities has recently been seen in the heat segment, including the construction of 12 advanced municipal waste thermal treatment plants under the Infrastructure and Environment Operational Programme. Work has begun on projects in Szczecin, Bydgoszcz, Białystok, Poznań, Konin and Kraków, to be completed by the end of 2015.

Environmental protection construction projects

In accordance with the 'Environmental Protection 2014' report prepared by the Central Statistics Office of Poland, the last decade has seen an increase in spending on fixed assets for environmental protection purposes. In 2013, the expenditure was approximately PLN 10.9bn – up by 7% on 2012. Spending on environmental protection assets has remained at 0.6%–0.8% of GDP for several years. Spending on fixed assets for environmental protection purposes in Poland's overall capital expenditure has been around 5% over the past years. This points to a potential increase in environmental protection spending in the coming years and greater investment in construction projects related to environmental protection.

In accordance with the General Inspectorate for Environmental Protection's 2014 'State of the Environment in Poland' report, the share of investors' equity in environmental protection projects is 40%–50% of total expenditure on such assets.

Dedicated funds, such as environmental protection and water management funds (the National Fund for Environmental Protection and Water Management and provincial funds for environmental protection and water management), remain an important source of financing for such projects. In 2012, their share in total expenditure on fixed assets for environmental protection and water management purposes was 13.9% and 17.3% respectively. The funds are financed with charges for economic use of the environment, fines for violations of environmental requirements and repayment of loans advanced to investors. Environmental protection and water management projects are also financed from the budgets of counties and municipalities.

The share of government funding, taking into account all levels of financing (including the central and provincial governments), was close to 10% in the case of environmental protection projects and nearly 20% for water management projects.

In 2012, the largest item of capital expenditure on environmental protection was wastewater management (55.9%), 22.9% was allocated to air and climate protection projects, and 7.5% to waste management projects.

The PBG Group is expected to be actively involved in PGNiG's investment and modernisation programmes. Another factor driving up investment in the power sector are the policies of the European Union and the Polish government, paired with public financial aid for renewable energy projects. According to Poland's Energy Policy until 2030, one of the key objectives of the national energy policy is to ensure that the current energy demand is met, in particular through construction of new generation capacities which could balance the domestic electricity demand.

Electricity – production, demand and consumption

According to Eurostat data, the Polish electricity and heat generation segment is the largest one in Central Europe, and one of the largest in Europe. Polish gross electricity consumption in 2014 was 158.73 TWh. The Ministry of Economy further forecasts that gross energy consumption in Poland may increase by as much as 42% in 2015-2013. At the same time, average energy consumption in Poland is lower than in more developed EU countries, offering a significant growth potential.

Table 16: Electricity demand in selected European countries

(kWh/per capita)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Poland	**3,662**	**3,733**	**3,724**	**3,792**	**3,872**	**3,945**	**3,958**	**3,976**	**4,008**	**4,068**
France	7,770	7,918	7,720	7,882	7,902	7,852	7,821	7,802	7,794	7,826
Germany	7,189	7,159	6,787	7,001	7,166	7,166	7,194	7,231	7,273	7,331
Italy	5,701	5,655	5,265	5,298	5,320	5,315	5,337	5,382	5,432	5,488
Spain	6,290	6,319	6,069	6,095	6,217	6,302	6,412	6,531	6,658	6,815
United Kingdom	6,152	6,055	5,693	5,706	5,707	5,712	5,740	5,752	5,785	5,817

***Source:** EIU.*

Table 17: Forecast change in generation capacity and the structure of commercial power plants and CHP plants according to PSE S.A.

<table>
<tr><th>Option</th><th>2000</th><th>2005</th><th colspan="2">2010</th><th colspan="2">2015</th></tr>
<tr><td></td><td></td><td></td><td>Lower</td><td>Upper</td><td>Lower</td><td>Upper</td></tr>
<tr><td>Gross maximum capacity, including:</td><td>30.8</td><td>32.1</td><td>32.0</td><td>32.8</td><td>33.9</td><td>36.2</td></tr>
<tr><td>Lignite-fired – electricity</td><td>8.4</td><td>8.6</td><td colspan="2">8.1</td><td colspan="2">8.1</td></tr>
<tr><td>Hard coal-fired – electricity</td><td>15.5</td><td rowspan="2">20.1</td><td colspan="2" rowspan="2">19.3</td><td colspan="2" rowspan="2">19.0</td></tr>
<tr><td>Hard coal-fired – electricity and heat</td><td>4.7</td></tr>
<tr><td>Natural gas – electricity</td><td>0</td><td>0.3</td><td rowspan="2">2.2</td><td rowspan="2">3.0</td><td rowspan="2">4.5</td><td rowspan="2">5.5</td></tr>
<tr><td>Natural gas – electricity and heat</td><td>0.055</td><td>0.9</td></tr>
<tr><td>Hydroelectric power plants</td><td>2.1</td><td>2.2</td><td>2.2</td><td>2.2</td><td>2.2</td><td>2.2</td></tr>
<tr><td>Other RES</td><td>0</td><td>0</td><td>0</td><td>0.4</td><td>0</td><td>1.5</td></tr>
</table>

***Source:** www.ure.gov.pl.*

Competition

The Group operates on a market dominated by large, mainly international players. On this market, contracts are typically awarded in tenders announced by customers, and projects can take as much as several years to complete.

Given the significance of such criteria as experience, credentials as well as technological and financial capabilities in bidding for new contracts, the Group faces a limited number of competitors, typically companies specialising in EPC projects. In line with market requirements, the majority of the Group's projects are also implemented in the EPC model.

The Group operates on the domestic and foreign markets. Given the limited number of projects and customers on each market, as well as specific contract requirements, contractors competing with the Company for projects in Poland (major foreign companies often have branches in Poland) usually also bid for foreign contracts.

There is considerable competition in terms of products and services which are part of EPC projects. Each company which the Company believes to be its significant competitor has proprietary technologies for the power sector, extensive credentials and many years of experience in EPC contracts. While some of them specialise in specific types of steam generators, others offer a comparable range of products and technologies allowing them to bid for contracts within the same product scope as the Group. Complete generation units are constructed by Alstom, Mitsubishi Hitachi Power Europe, Doosan Power Systems, COVEC, CNEEC, SEC, Bilfinger Berger Power Systems, Foster Wheeler and CNIM, all of which have proprietary power generation technologies, as well as organisational capacities necessary to pursue EPC contracts. These companies, like the Group, offer products necessary to construct complete generation units running on any kind of fuel.

On the Polish market, there are several companies, such as WARBUD, BUDIMEX and POLIMEX, which have ambitions to enter the power construction industry as EPC contractors or, at the very least, as providers of assembly and construction services. However, the companies do not have any technologies on a par with those offered by the Group, and their role is essentially that of subcontractors. Developing capabilities necessary to design and manufacture equipment for the power sector is an arduous process, requiring considerable expenditures over long periods of time. In their competition with the Group, the companies rely solely on technologies and products supplied by the Group's direct competitors, including Alstom, Mitsubishi Hitachi Power Europe, Doosan Power Systems, Bilfinger Berger Power Systems, CNIM and many others.

With respect to specific products, such as steam generators, desulfurisation units, denitrification units and waste incineration facilities, the Group's major competitors again include Alstom, Mitsubishi Hitachi Power Europe, Doosan Power Systems, Bilfinger Berger Power Systems, Foster Wheeler and CNIM, as well as Andritz, Metso and Strabag.

Furthermore, given the nature of large EPC contracts, it cannot be ruled out that the Group will partner with any of those companies for certain projects, where they would act as subcontractors supplying steam generators, their pressure components or flue gas desulfurisation units.

VII. COMPANIES OF THE PBG GROUP

As at the report filing date, the PBG Group comprised the companies listed below.

Table 18: Parent

Company	Address	Tel./Fax	WWW	email
PBG S.A. w upadłości układowej (in	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 665 17 00 (061) 665 17 01	www.pbg-sa.pl	polska@pbg-sa.pl

Table 19: Direct subsidiaries

Company	Address	Tel./Fax	WWW	email
PBG Operator Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 700 (061) 66 51 701	www.grupapbg.pl	none
Bathinex Sp. z o.o.	ul. Mazowiecka 42, 60-623 Poznań	(061) 858 04 00	none	s.kizewska@sk-biuro.pl
Brokam Sp. z o.o.	ul. Mazowiecka 42, 60-623 Poznań	(061) 858 04 00	www.grupapbg.pl	s.kizewska@sk-biuro.pl
PBG oil and gas Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 700 (061) 66 51 701	www.grupapbg.pl	none
PBG Dom Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 700 (061) 66 51 701	www.pbgdom.pl	polska@pbg-sa.pl
RAFAKO S.A.	ul. Łąkowa 33, 47-400 Racibórz	(032) 410 10 00 (032) 415 34 27	www.rafako.com.pl	info@rafako.com.pl
PBG Ukraina PSA	ul. Kondratiuka 1, 04-201 Kiev	(061) 665 17 00 (061) 665 17 01	www.grupapbg.pl	none
Wschodni Invest Sp. z o.o.	ul. Mazowiecka 42, 60-623 Poznań	(061) 858 04 00	www.grupapbg.pl	s.kizewska@sk-biuro.pl
PBG Avatia Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 46 440 (061) 66 46 441	www.avatia.pl	biuro@avatia.pl
Multaros Trading Company Limited of Nicosia	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 665 17 00 (061) 665 17 01	www.pbg-sa.pl	none

Table 20: Indirect subsidiaries

Company	Address	Tel./Fax	WWW	email
PBG ERIGO Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 700 (061) 66 51 701	www.pbg-erigo.pl	polska@pbg-sa.pl
Górecka Projekt Sp.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań,	(061) 66 51 700	www.skalaroffice.pl	polska@pbg-sa.pl

z o.o.	Poland	(061) 66 51 701		
PBGDOM INVEST LIMITED	Afentrikas 4, Larnaka 6018, Cyprus	(061) 66 51 700 (061) 66 51 701	www.pbg-erigo.pl	polska@pbg-sa.pl
PBG Dom Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 700 (061) 66 51 701	www.pbgdom.pl	polska@pbg-sa.pl
Ecoria Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 855 22 19 (061) 66 30 369	www.pbg-erigo.pl	polska@pbg-sa.pl
PBG ERIGO Projekt Sp. z o.o. Platan Hotel s.k.a.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 700 (061) 66 51 701	www.hampton.com	polska@pbg-sa.pl
PGL-DOM Sp. z o.o.	ul. Bukowa 1, 47-400 Racibórz	032/415-55-29, 032/415-55-02	none	domrac@poczta.onet.pl
RAFAKO ENGINEERING Sp. z o.o.	ul. Łąkowa 33, 47-400 Racibórz, Poland	(32) 410-11-07 (32) 415-34-27	www.rafako.com.pl	info@rafako.com.pl
RAFAKO ENGINEERING SOLUTION doo	ul. Łąkowa 33, 47-400 Racibórz, Poland	(32) 410-11-07 (32) 415-34-27 (32) 4101013	www.rafako.com.pl	slawomir.muszynski@rafako.com.pl
RAFAKO Hungary Kft.	ul. Łąkowa 33, 47-400 Racibórz, Poland	(32) 410-11-07 (32) 415-34-27 (36) 30/924 37 90	www.rafako.com.pl	jarolaw.sonta@rafako.com.pl

Table 21: Associates

Company	Address	Tel./Fax	WWW	email
ENERGOPOL UKRAINA	ul. Kondratiuka 1, 04-201 Kiev, Ukraine	+380 (44)4304720 +380 (44)4322967	21509.ua.all.biz	none

VIII. BRANCHES

Branches of the Parent – PBG S.A. w upadłości układowej (in company voluntary arrangement):

none

RAFAKO S.A. branches:

Turkey branch

SECTION IV: REPORT ON THE PBG GROUP'S OPERATIONS IN 2015

I. SHARES HELD IN RELATED ENTITIES

Table 22: Shares held in related entities

Related entity	Type of relation		As at Dec 31 2015		As at the representation date	
	Parent	Type of relation	Number of shares	Par value of shares	Number of shares	Par value of shares
PBG Dom Sp. z o.o.	PBG S.A.	subsidiary	550,000	PLN 55,000,000.00	550,000	PLN 55,000,000.00
BROKAM Sp. z o.o.	PBG S.A.	subsidiary	12,000	PLN 12,000,000.00	12,000	PLN 12,000,000.00
PBG AVATIA Sp. z o.o.	PBG S.A.	subsidiary	1,000	PLN 50,000.00	1,000	PLN 50,000.00
Wschodni Invest Sp. z o.o.	PBG S.A.	subsidiary	37,740	PLN 3,774,000.00	37,740	PLN 3,774,000.00
PBG Ukraina Publiczna Spółka Akcyjna (public joint-stock company)	PBG S.A.	subsidiary	222,227	UAH 888,908.00	222,227	UAH 888,908.00
BATHINEX Sp. z o.o.	PBG S.A.	subsidiary	50	PLN 50,000.00	50	PLN 50,000.00
PBG Operator Sp. z o.o.	PBG S.A.	subsidiary	50	PLN 5,000.00	50	PLN 5,000.00
PBG oil and gas Sp. z o.o.	PBG S.A.	subsidiary	50	PLN 5,000.00	50	PLN 5,000.00
RAFAKO S.A.	PBG S.A.	subsidiary	7,665,995	PLN 15,331,998.00	7,665,995	PLN 15,331,998.00
	Multaros Trading Company Limited of Nicosia	indirect subsidiary	34,800,001	PLN 69,600,002.00	34,800,001	PLN 69,600,002.00
E001RK Sp. z o.o.	RAFAKO S.A.	indirect subsidiary	50	PLN 5,000	50	PLN 5,000
E003B7 Sp. z o.o.	RAFAKO S.A.	indirect subsidiary	50	PLN 5,000	50	PLN 5,000
Multaros Trading Company Limited of Nicosia	PBG S.A.	subsidiary	526,000	EUR 526,000.00	526,000	EUR 526,000.00
PGL-DOM Sp. z o.o.	RAFAKO S.A.	indirect subsidiary	607	PLN 6,070,000.00	607	PLN 6,070,000.00
RAFAKO ENGINEERING Sp. z o.o.	RAFAKO S.A.	indirect subsidiary	2,000	PLN 1,000,000.00	2,000	PLN 1,000,000.00
	PBG oil and gas Sp. z o.o.	indirect subsidiary	1,918	PLN 959,000.00	1,918	PLN 959,000.00

RAFAKO ENGINEERING SOLUTION doo	RAFAKO S.A.	indirect subsidiary	1	EUR 38,500.00	1	EUR 38,500.00
RAFAKO Hungary Kft	RAFAKO S.A.	indirect subsidiary	1	HUF 40,000.00	1	HUF 40,000.00
Górecka Projekt Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	1000	PLN 50,000.00	100	PLN 50,000.00
PBG ERIGO Sp. z o.o.	PBG S.A.	subsidiary	100,000	PLN 5,000,000.00	100,000	PLN 5,000,000.00
	PBG Dom Invest Limited	indirect subsidiary	120,000	PLN 6,000,000.00	120,000	PLN 6,000,000.00
PBG DOM Invest Limited	PBG Dom Sp. z o.o.	indirect subsidiary	4,000	EUR 4,000.00	4,000	EUR 4,000.00
Galeria Kujawska Nova Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
ERIGO IV Sp. z o.o.	PBG ERIGO Sp. z o.o.	indirect subsidiary	60	PLN 6,000.00	60	PLN 6,000.00
ERIGO IV Sp. z o.o. SKA	PBG ERIGO Sp. z o.o.	indirect subsidiary	50 000	PLN 50,000.00	50 000	PLN 50,000.00
ERIGO V Sp. z o.o.	PBG ERIGO Sp. z o.o.	indirect subsidiary	60	PLN 6,000.00	60	PLN 6,000.00
Energopol-Ukraina	Wschodni Invest Sp. z o.o.	associate	49	UAH 119,119.00	49	UAH 119,119.00
ENERGOTECHNIKA ENGINEERING Sp. z o.o.	RAFAKO ENGINEERING Sp. z o.o.	indirect subsidiary	500	PLN 5,000.00	500	PLN 5,000.00
PBG Dom Invest X Sp. z o.o. Invest I S.K.A.	PBG Erigo Sp. z o.o.	subsidiary	500,000	PLN 50,000.00	500,000	PLN 50,000.00
PBG ERIGO PROJEKT Sp. z o.o.	PBG Erigo Sp. z o.o.	subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
City Development Sp. z o.o.	PBG Erigo Sp. z o.o.	subsidiary	71,000	PLN 3,550,000.00	71,000	PLN 3,550,000.00
ECORIA Sp. z o.o.	PBG Erigo Sp. z o.o.	subsidiary	1,000	PLN 50,000.00	1,000	PLN 50,000.00
PBG ERIGO PROJEKT Sp. z o.o. Malta Hotel S.K.A.	PBG Erigo Sp. z o.o.	subsidiary	500,000	PLN 50,000.00	500,000	PLN 50,000.00
PBG ERIGO PROJEKT Sp. z o.o. Strzeszyn S.K.A.	PBG Erigo Sp. z o.o.	subsidiary	500,000	PLN 50,000.00	500,000	PLN 50,000.00
PBG Dom Invest X Sp. z o.o.	PBG Erigo Sp. z o.o.	subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
PBG ERIGO PROJEKT Sp. z	PBG Erigo	subsidiary	8,900,000	PLN 890,000.00	8,900,000	PLN 890,000.00

o.o. PLATAN HOTEL S.K.A.	Sp. z o.o.					
PBG Dom Invest X Sp. z o.o. Złotowska 51 S.K.A.	PBG Erigo Sp. z o.o.	subsidiary	1,250,000	PLN 125,000.00	1,250,000	PLN 125,000.00
PBG ERIGO PROJEKT Sp. z o.o. ECORIA II S.K.A.	PBG Erigo Sp. z o.o.	subsidiary	500,000	PLN 50,000.00	500,000	PLN 50,000.00
PBG ERIGO PROJEKT Sp. z o.o. QUADRO House S.K.A.	PBG Erigo Sp. z o.o.	subsidiary	500,000	PLN 50,000.00	500,000	PLN 50,000.00

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

Table 23: Shares held in other entities

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

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

II. AGREEMENTS SIGNIFICANT TO THE GROUP'S OPERATIONS

Table 24: Agreements material to the PBG Group's operations and concluded during the reporting period or subsequent to the reporting date

Execution date	Parties	Subject matter	Key terms
20.01.2015	E003B7 Sp. z o.o. UNISERV-PIECBUD	Execution of a significant conditional agreement by a subsidiary of RAFAKO S.A.	On January 20th 2015, E003B7 Sp. z o.o. ("SPV"), a wholly-owned subsidiary of RAFAKO and UNISERV-PIECBUD Spółka Akcyjna of Katowice ("Subcontractor") executed a contract for the performance of works related to the supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II (the "Contract"), in connection with the project 'Development of new coal-fired generation capacities at Tauron Wytwarzanie S.A. (the "Employer") – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II' (the "Jaworzno Project") implemented by RAFAKO and the SPV. The Contract provides for the following terms: 1. Subcontractor will design, deliver and assemble for the SPV a cooling tower along with the related equipment, to be used at the supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II. 2. The value of the Agreement for the performance of the full scope of works is PLN 164,800,000 (VAT-exclusive). 3. The Agreement caps the aggregate value of contractual penalties at 25% of its value (VAT-exclusive). 4. If the cost of damage resulting from non-performance or improper performance of works under the Agreement exceeds the amount of contractual penalties, the SPV may seek additional compensation on general terms, in compliance with the Polish Civil Code. 5. The Subcontractor's total liability (compensation, claims and demands) may not exceed 100% of the value of the Agreement.
For more information, see RAFAKO Current Report No. 2/2015: http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_02_umowa%20SPV-Uniserv-Piecbud.pdf			

10.02.2015	Bankruptcy administrator of Alpine Bau Deutschland AG, bankruptcy administrator of Alpine Bau GmbH, Alpine Construction Polska Sp. z o.o. and PBG S.A. w upadłości układowej (in company voluntary arrangement), and bankruptcy administrator of Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in liquidation bankruptcy)	Court's decision to stay proceedings instituted by the Consortium against Narodowe Centrum Sportu Sp. z o.o. and the State Treasury – the Minister of Sport and Tourism in the case related to the construction of the National Stadium in Warsaw	On February 3rd 2015, the Regional Court of Warsaw, 26th Commercial Division, issued a decision to stay the proceedings instituted by the Consortium constructing the multi-purpose National Stadium in Warsaw with ancillary infrastructure against Narodowe Centrum Sportu Sp. z o.o. and the State Treasury, Minister of Sport and Tourism (Employer). PBG reported on the case, filed by the bankruptcy administrator of Alpine Bau Deutschland AG, bankruptcy administrator of Alpine Bau GmbH, Alpine Construction Polska Sp. z o.o. and PBG S.A. w upadłości układowej (in company voluntary arrangement), as well as the bankruptcy administrator of Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in liquidation bankruptcy), in Current Report No. 86/2012 of July 31st 2012. The order was issued by the Court upon a joint motion of the parties to the proceedings, and it opens the way for settlement negotiations between the parties.
For more information, see PBG Current Report No. 2/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/2-2015-zawieszenie-przez-sad-postepowania-wszczetego-z-powodztwa-konsorcjum-dotyczacego-budowy-stadionu-narodowego-przeciwko-narodowemu-centrum-sportu-sp-z-o-o-skarbowi-panstwa-ministrowi-sportu.html			
27.02.2015	Polskie Górnictwo Naftowe i Gazownictwo S.A. PBG S.A. w upadłości układowej (in company voluntary arrangement), Tecnimont S.p.A., TCM FR (formerly: Société Française d'Etudes et de Réalisations d'Equipements Gaziers SOFREGAZ), Plynostav Pardubice Holding a.s., and Plynostav – Regulace Plynu a.s.	Consortium performing the Underground Gas Storage Facility project summoned to a conciliation hearing	On November 21st 2014, PGNiG filed a motion with the District Court for Poznań – Stare Miasto of Poznań, 10th Commercial Division, to summon the companies of the Consortium performing the project "Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bcm, sub-phase: 1.2 bcm", to a conciliation hearing. PBG S.A. w upadłości układowej (in company voluntary arrangement), Tecnimont S.p.A., TCM FR (formerly: Société Française d'Etudes et de Réalisations d'Equipements Gaziers SOFREGAZ), Plynostav Pardubice Holding a.s., and Plynostav – Regulace Plynu a.s. PGNiG summoned the companies to enter into a settlement whereby they would agree to pay to PGNiG, within 14 days of the settlement date, the amount of PLN 143,661,535.26, including a contractual penalty of PLN 133,398,952.81 and accrued interest of PLN 10,262,582.40. The Company reiterates its position with regard to the contractual penalty, as stated in current reports No. 7/2014 of April 2nd 2014 and No. 8/2014 of April 8th 2014, and will uphold this position during the settlement negotiations.
For more information, see PBG Current Report No. 5/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/5-2015-zawezwanie-konsorcjum-realizujacego-zadanie-budowy-pmgw-przez-zamawiajacego-do-proby-ugodowej.html			

02.08.2015	PBG S.A. w upadłości układowej (in company voluntary arrangement) Financial Creditors	Execution of restructuring documents with Financial Creditors	On July 31st and August 1st 2015, the Company and certain Arrangement Creditors holding Group 5 and Group 6 claims ("Financial Creditors") executed agreements setting out the terms of restructuring of the Company's liabilities filed by the Financial Creditors in the course of the bankruptcy proceedings pending before the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, court docket No. XI GUp 29/12 ("Arrangement"). One of the objectives of the agreements is to implement the Company's arrangement proposals of April 28th 2015 ("Arrangement Proposals").
For more information, see PBG Current Report No. 26/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/26-2015-podpisanie-dokumentacji-restrukturyzacyjnej-z-wierzycielami-finansowymi.html			
04.08.2015	PBG S.A. w upadłości układowej (in company voluntary arrangement) Jerzy Wiśniewski	Execution of agreements between the Company and the Main Shareholder	On August 3rd 2015, the Company and its Main Shareholder, Mr Jerzy Wiśniewski, executed the following agreements: conditional agreement for sale of shares in PBG oil and gas Sp. z o.o. ("POG"), whereby the Main Shareholder sold 150 shares with a total par value of PLN 15,000.00 to the Company for PLN 10,500,000.00. The shares represented 75% of the share capital in POG and 75% of total voting rights at the POG General Meeting. The transfer of the ownership title to the Shares will be effected upon fulfilment of the condition precedent, i.e. once the decision to approve the Arrangement becomes final; a PLN 10,500,000.00 loan agreement, payable on the date on which the decision to approve the Arrangement becomes final, with the loan maturing on the date on which the decision confirming execution of the Arrangement becomes final. The loan was granted to the Company on market terms, to be used for payment of liabilities related to PBG's acquisition of the POG Shares from the Main Shareholder. The agreements have been executed in performance of the Restructuring Agreement with the Company's Creditors; for details, see Section I.1)b.ii. and I.1)d.i. of the Current Report No. 26/2015 of August 2nd 2015.
For more information, see PBG Current Report No. 28/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/28-2015-zawarcie-przez-spolke-umow-z-glownym-akcjonariuszem.html			
19.08.2015	E003B7 Sp. z o.o. Energopol – Szczecin S.A.	Amendments to a significant agreement with a subsidiary	On August 18th 2015, the Employer and the Subcontractor executed Annex No. 2 to the Subcontractor Agreement. Under the Annex, the parties agreed that: 1. the scope of the Subcontractor's work would be reduced and the Subcontractor would perform the work by December 15th 2015; 2. in connection with the reduction of the scope of work, the Subcontractor's remuneration would be reduced from PLN 380,000,000, VAT-exclusive, to PLN 30,000,000, VAT-exclusive.
For more information, see RAFAKO Current Report No. 30/2015: http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_30_aneks%20do%20umowy%20z%20Energopol_E003B7.pdf			

09.09.2015	Polskie LNG S.A. („PLNG") Saipem S.p.A. as the consortium leader, and Saipem S.A., SAIPEM Canada Inc. (formerly Snamprogetti Canada Inc.), Techint Compagnia Tecnica Internazionale S.p.A., PBG S.A. w upadłości układowej (in company voluntary arrangement) and EGBP Sp. z o.o. w upadłości układowej (in company voluntary arrangement) (formerly PBG Export Sp. z o.o.) as consortium partners.	Conclusion of negotiations and execution of annex 2 to a significant agreement	The following material amendments to the contract were made under the annex: (1) May 31st 2016 was indicated as the deadline for project completion, taking into account relevant changes to the intermediate project delivery milestones and detailed schedule of works; (2) in view of the above, the Consortium agreed to extend the Performance Bond accordingly; (3) the Consortium's liability for failure to meet completion deadlines was extended by: a. increasing the total amount of contractual penalties that may be imposed on the Consortium for failure to meet the conditions required for signing the Project Handover Certificate and the Milestones, to 12.5% of the Contract Price; b. increasing the total amount of all Contractual Penalties that may be imposed by the Employer under the Contract, to 22.5% of the Contract Price; (4) the Consortium agreed to be properly engaged in the process of ordering and collecting LNG by PLNG; under the Annex, the Consortium assumed liability for any direct loss suffered or costs incurred by PLNG as a result of any action taken by PLNG in reliance on information provided by the Consortium regarding the delivery of LNG for commissioning purposes, in particular, the Consortium agreed to reimburse PLNG 70% of costs that may be incurred by PLNG in connection with a delay in the delivery. The Consortium's total liability in this respect is limited to 5% of the Contract Price. Furthermore, the Parties agreed to suspend the exercise of guarantee rights resulting from a contractual penalty having been levied for a delay in the delivery of the "April 15th 2014" Key Milestone, in order to enable the Parties to accurately assess the actual scope of the delay and the extent to which the delay can be attributed to the Consortium. As new project completion deadlines, including for LNG deliveries, were negotiated and agreed by the parties, in the Annex PLNG also undertook to ensure that the statement of claim of March 20th 2015 filed in proceedings pending before the Regional Court of Szczecin (court docket No. VIII GC 140/5) is withdrawn, and to file for discontinuation of the proceedings (the Company became aware of the statement of claim for setting the date of the first LNG delivery on May 7th 2015). The Company further reports that, according to the information received on September 9th 2015, the statement of claim filed by PLNG was rejected on the grounds of lack of jurisdiction of the common court.
For more information, see PBG Current Report No. 39/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/39-2015-zakonczenie-negocjacji-i-zawarcie-aneksu-nr-2-do-umowy-znaczacej.html			

21.10.2015	RAFAKO S.A. ENEA Wytwarzanie Sp. z o.o.	Execution of a contract with ENEA Wytwarzanie Sp. z o.o.	On October 21st 2015, the Company and ENEA Wytwarzanie Sp. z o.o., (the "Employer") effectively singed a contract for the construction of a flue gas desulfurisation unit for Boilers K7 and K8 at the Białystok CHP Plant. The value of the contract is PLN 78,500,000, VAT-exclusive (PLN 96,555,000, VAT-inclusive). The contract term is 26 months as of its date. The aggregate value of contractual penalties is limited to 30% of the contract price (VAT-exclusive), with the proviso that the payment of the maximum amount of contractual penalties does not preclude the Employer's right to seek damages in excess of that amount. The Company's maximum total liability may not exceed 130% of the contract price (VAT-exclusive). The other terms and conditions of the contract do not differ from customary terms and conditions commonly applied in contracts of this kind.
For more information, see RAFAKO Current Report No. 38/2015: http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_38_umowa_z_ENEA_Wytwarzanie.pdf			
12.11.2015	E003B7 Sp. z o.o. Consortium: KOPEX S.A., STAL-SYSTEMS S.A.	Execution of a significant conditional agreement by a subsidiary of RAFAKO S.A.	On November 12th 2015, E003B7 Sp. z o.o. (the "SPV", RAFAKO S.A.'s wholly-owned subsidiary) and a Consortium comprising KOPEX S.A. of Katowice (Consortium Leader) and STAL-SYSTEMS S.A. of Wólka Pełkińska (Consortium Partner) (jointly: the "Subcontractor") concluded a contract for the supply and assembly of the steel structure of a building housing the turbine house, boiler house, bunkering room, LUVO and SCR, assembly of coal bunkers, as well as hoisting and laying of steam blowers (the "Contract"), in connection with the project "Development of new coal-fired generation capacities at Tauron Wytwarzanie S.A. (the "Employer") – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II" (the "Jaworzno Project") implemented by RAFAKO and the SPV. The Contract was executed on the following terms: 1. The contractual price for the performance of the full scope of works is PLN 179,952,200.00 (VAT-exclusive). 2. The amount of contractual penalties for delayed performance imposed on the Subcontractor under the Contract may not exceed 15% of its VAT-inclusive price. The SPV may incur a penalty equal to 15% of the Contract's VAT-inclusive price for terminating the Contract for any reason for which the SPV is responsible. 3. If the cost of damage resulting from non-performance or improper performance of works under the Contract exceeds the amount of contractual penalties, the SPV may seek additional compensation on general terms, in compliance with the Polish Civil Code, in an amount of up to 100% of the Contract's value. The Contact stipulates no other specific provisions and its terms and conditions do not differ from those used in contracts of this type.
For more information, see RAFAKO Current Report No. 40/2015: http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_40_umowa_E003B7_Kopex_Stal_Sy.pdf			

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

Legal basis:

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

Art. 56.5 of the Public Offering Act – Information update

Legal basis:

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

Both PBG and RAFAKO S.A., whose shares are listed on the WSE, adopted the materiality criterion for assets and agreements of 10% of the Group's revenue generated over the four most recent financial quarters.

The agreements executed with the Main Shareholder were considered material due to the relationship between the parties and the importance of the agreements for the performance of the Arrangement.

III. BUSINESS COMBINATIONS, INCORPORATION OF NEW SUBSIDIARIES

Table 25: Changes in organisational links in the reporting period and subsequent to the reporting date

Date	Parties	Type of transaction	Transaction overview
23.02.2015	RAFAKO S.A. TDJ S.A.	Agreement for sale of shares in FPM S.A.	On February 23rd 2015, a final agreement was executed to sell the Shares for a total price of PLN 48m. The sold Assets represent 82.19% of FPM S.A.'s share capital and confer the right to 1,376,508 votes at the FPM S.A. General Meeting (82.19% of total vote). The carrying amount of the shares in the Company's accounting books was approximately PLN 35.2m. Following the transaction, RAFAKO holds no FPM shares. There are no links between RAFAKO or the management or supervisory personnel of RAFAKO and TDJ or its management personnel.
For more information, see PBG Current Report No. 6/2015: http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_06_sprzedaz%20FPM.pdf			

10.03.2015	ING Towarzystwo Funduszy Inwestycyjnych S.A.	Notification of change in holding of shares in RAFAKO S.A. by ING Towarzystwo Funduszy Inwestycyjnych S.A.	ING Towarzystwo Funduszy Inwestycyjnych S.A. ("ING TFI"), acting on behalf of investment funds under its management (the "Funds"), notified Rafako S.A. that following the acquisition of RAFAKO shares, the number of votes at the General Meeting of RAFAKO held jointly by all the funds managed by ING TFI rose above the threshold of 5% of total voting rights. Prior to the change, ING TFI funds held jointly 3,478,023 shares in RAFAKO and the same number of votes at its General Meeting, representing 4.99% of RAFAKO's share capital and the same percentage of votes at its General Meeting. As at the date of exceeding the threshold, the funds held jointly 3,508,403 shares in RAFAKO and the same number of votes at its General Meeting, representing 5.04% of RAFAKO's share capital and the same percentage of votes at its General Meeting.
For more information, see PBG Current Report No. 7/2015: http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_07_znaczny%20pakiet%20akcji%20RAFAKO_ING%20TFI.pdf			
21.07.2016	RAFAKO S.A.	Closing of public offering and allotment of Series J ordinary bearer shares in RAFAKO S.A.	The Management Board of RAFAKO S.A. (the "Company") announced the success of the public offering and issue of 15,331,998 Series J ordinary bearer shares with a par value of PLN 2 per share ("Series J Shares"), issued under Resolution No. 48 of the Company Management Board of May 13th 2015, concerning an increase in the share capital of the Company, within the authorised capital, by way of the issue of Series J ordinary bearer shares, waiver of all of the existing shareholders' pre-emptive rights to series J Shares, amendment to the Company's Articles of Association, as well as seeking the admission and introduction of Series J Shares to trading on the regulated market operated by the Warsaw Stock Exchange and the conversion of Series J Shares into book-entry form in connection with Resolution No. 14/2015 of the Company Supervisory Board of May 12th 2015, amended by Resolution No. 15/2015 of the Company Supervisory Board of May 13th 2015, concerning approval of the disapplication by the Management Board of all existing shareholders' pre-emptive rights to Series J Shares. 15,331,998 Series J Shares were duly subscribed and paid for. Accordingly, on July 21st 2015, 15,331,998 Series J Shares were allotted, which means that all offered shares were allotted. The legal basis for publication of that Current Report was Art. 56.1.1 of the Polish Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies of July 29th 2005 (consolidated text in Dz. U. of 2013, item 1382).
For more information, see RAFAKO Current Report No. 23/2015: http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_23_zakonczenie%20oferty%20publicznej_przydzia%C5%82%20akcji%20serii%20J.pdf			

31.07.2015	RAFAKO S.A. NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. (previously ING TFI S.A.)	Notification of change in the holding of Company shares by NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. (previously ING TFI S.A.)	Pursuant to Art. 69.1.1 in conjunction with Art. 87.1.2.a) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, following the registration of rights to new shares in RAFAKO S.A. by the CSDP on July 28th 2015, NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. (previously ING TFI S.A.), acting on behalf of the investment funds under its management, notified the Company that following the entry of new Company shares in the Business Register the holding of Company shares by NN's investment funds will fall below 5% of total voting rights at the General Meeting of RAFAKO S.A. As at the date of the notification, the investment funds managed by NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. held a total of 3,512,217 RAFAKO S.A. shares, representing 5.05% of the Company's share capital, and 3,512,217 voting rights, representing 5.05% of total voting rights at the General Meeting of RAFAKO S.A. Given the registration of the new rights to shares in RAFAKO S.A. with the CSDP, following the registration the investment funds managed by NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. will be entitled to 3,512,217 voting rights, representing 4.14% of total voting rights at the Company's General Meeting, and the shares held by the investment funds will represent 4.14% of the Company's share capital.
For more information, see RAFAKO Current Report No. 28/2015: **http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_28_przydzia%C5%82%20praw%20do%20akcji_NN%20TFI.pdf**			
10.09.2015	RAFAKO S.A. PBG S.A. Multaros Trading Company Limited	Notification from PBG S.A. w upadłości układowej (in company voluntary arrangement) and Multaros Trading Company Limited on change in holding of RAFAKO S.A. shares	PBG S.A. w upadłości układowej (in company voluntary arrangement), acting on its own behalf and on behalf of its subsidiary MULTAROS TRADING COMPANY LTD, announced that following the issue of Series J shares by RAFAKO S.A. ("RAFAKO") and the entry in the Business Register of the National Court Register on September 7th 2015 of a share capital increase at RAFAKO by 15,331,998 Series J shares, to PLN 169,863,996.00, the Company's direct and indirect (through Multaros Trading Company Limited ("MULTAROS")) holding of RAFAKO S.A. shares was reduced. Following the increase of RAFAKO's share capital, the shareholdings in RAFAKO were reduced as follows: - in the case of PBG: to 9.026% of the share capital and total vote; - in the case of MULTAROS: to 40.974% of the share capital and total vote. PBG's aggregate shareholding in RAFAKO was reduced to 50.000001%.
For more information, see RAFAKO Current Report No. 33/2015: **http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_33_zawiadomienie%20od%20PBG%20i%20Multaros.pdf**			

10.09.2016	RAFAKO S.A. Quercus Towarzystwo Funduszy Inwestycyjnych S.A.	Notification of change in holding of RAFAKO S.A. shares by QUERCUS Towarzystwo Funduszy Inwestycyjnych S.A.	Quercus Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of the investment funds under its management, including QUERCUS Parasolowy SFIO, QUERCUS Absolutnego Zwrotu FIZ, QUERCUS Absolute Return FIZ and Acer Aggressive FIZ (the "Funds"), notified the Company that the Funds increased their share of the total vote in RAFAKO S.A. and that the percentage of total vote at the RAFAKO General Meeting held by the Funds jointly and individually by QUERCUS Parasolowy SFIO rose above 5%. The exceeding by the Funds jointly, and by QUERCUS Parasolowy SFIO individually, of the threshold of 5% of the total vote at the Company's General Meeting was a result of the registration by the court of the increase in the Company's share capital following the issue of Series J shares. After the share capital was increased and after the rights to the Company shares held by the Funds were converted to shares, the Funds jointly hold 7,662,062 Company shares, representing 9.02% of the Company's share capital and total vote at its General Meeting. After the share capital was increased and after the rights to the Company shares held by the Fund were converted to shares, QUERCUS Parasolowy SFIO holds 5,791,025 of Company shares, representing 6.82% of the Company's share capital and total vote at its General Meeting.
For more information, see RAFAKO Current Report No. 34/2015: **http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_34_zawiadomienie%20od%20QUERCUS.pdf**			

IV. AGREEMENTS (CREDIT FACILITIES, GUARANTEES AND BONDS)

Table 26: Agreements

Agreement/call/termination/declaration date	Parties	Agreement/call/termination/declaration subject matter	Key terms
30.04.2015	RAFAKO S.A. Powszechna Kasa Oszczędności Bank Polski S.A	Execution of annex to multi-purpose credit facility agreement with PKO BP S.A.	On April 29th 2015, Rafako S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw executed an annex to a multi-purpose credit facility agreement, as announced by the Company in Current Report No. 24/2014. Under the Annex, the term and repayment date of the overdraft facility and the period during which the Bank may issue guarantees under the Agreement were extended until May 31st 2015. The other material terms and conditions of the Agreement were not amended under the annex.
For more information, see RAFAKO Current Report No. 8/2015: http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_8_Aneks%20nr%2018%20do%20umowy%20LKW_rev1.pdf			
29.05.2015	RAFAKO S.A. Powszechna Kasa Oszczędności Bank Polskim S.A.	Execution of annex to multi-purpose credit facility agreement with PKO BP S.A.	On May 29th 2015, Rafako S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw executed an annex to a multi-purpose credit facility agreement, as announced by the Company in Current Reports Nos. 24/2014 and 8/2015. Under the Annex, the term and repayment date of the overdraft facility and the period during which the Bank may issue guarantees under the Agreement were extended until May 31st 2016. In addition, under the Annex the Company agreed to amend the terms of the joint contractual mortgage of up to PLN 300,000,000.00 (see Current Report No. 34/2013) to make it an instrument securing not only the amounts due under the overdraft facility, the working capital revolving facility, interest and PKO BP S.A.'s other costs, but also amounts due under payments made in respect of the bank guarantees issued under the Agreement. The Annex also introduces additional security for the repayment of the facility – declaration of voluntary submission to enforcement in the form of a notarial deed, pursuant to the procedure set out in Art. 777 of the Code of Civil Procedure, in respect of any amounts due that may arise under the Agreement, up to 150% of the available facility.
For more information, see RAFAKO Current Report No. 11/2015: http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_11_Aneks%20nr%2019%20do%20umowy%20LKW%20rew%205.pdf			

12.06.2015	RAFAKO S.A. Powszechna Kasa Oszczędności Bank Polski S.A.	Amendment of joint contractual mortgage of up to PLN 300,000,000.00 and declaration of voluntary submission to enforcement in the form of a notarial deed, pursuant to the procedure set out in Art. 777.1.5 of the Code of Civil Procedure	On June 12th 2015, the joint contractual mortgage of up to PLN 300,000,000.00 was amended by way of a notarial deed (see Current Report No. 34/2013) to make it an instrument securing not only the amounts due under the overdraft facility of PLN 150,000,000.00, the working capital revolving facility of PLN 50,000,000.00, interest and other costs of Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw ("PKO BP"), but also amounts due under payments made in respect of bank guarantees issued under the multi-purpose credit facility agreement of February 7th 2012, as amended (the "Credit Facility Agreement") (see Current Reports Nos. 11/2015, 8/2015 and 24/2014). The mortgage will be amended once a relevant entry is made in the land and mortgage register for the property encumbered with the mortgage. In addition, by way of a notarial deed of June 12th 2015 the Company made a declaration of voluntary submission to enforcement pursuant to the procedure set out in Art. 777.1.5 of the Code of Civil Procedure, in respect of its obligation to pay PKO BP any amounts due that may arise under the Credit Facility Agreement, up to PLN 300,000,000.00. The criterion for recognising the mortgage as significant was its value in excess of EUR 1,000,000, translated at the mid rate quoted by the National Bank of Poland for the date on which the disclosure obligation arose.
For more information, see RAFAKO Current Report No. 13/2015: http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_13_zmiana%20hipoteki_2.pdf			
25.07.2015	Jarosław Kotarski, Court Enforcement Officer at the Distric Court for Poznań-Stare Miasto of Poznań Banco Espirito Santo de Investimento S.A. (Creditor) PBG S.A. w upadłości układowej (in company voluntary	Information on cancellation of enforcement proceedings	On July 24th 2015, the Company received a notice from Jarosław Kotarski, Court Enforcement Officer at the District Court for Poznań-Stare Miasto of Poznań, who participates in the enforcement proceedings against PBG initiated by the Company's creditor, Banco Espirito Santo de Investimento S.A. ("Creditor"), on the cancellation of enforcement actions on which the Company reported in Section 1 of Current Report No. 109/2012 of November 8th 2012, containing information on the initiation of enforcement proceedings for payment of a principal amount of PLN 4,080,249.99, plus interest and other costs and expenses, and seizure of shares in the following companies of the PBG Group: PBG AVATIA Sp. z o.o., Bathinex Sp. z o.o., PBG Erigo Sp. z o.o., BROKAM Sp. z o.o., and PBG Dom Sp. z o.o.
For more information, see PBG Current Report No. 23/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/23-2015-informacja-dotyczaca-uchylenia-wszczetych-postepowan-egzekucyjnych.html			

07.12.2015	RAFAKO S.A. Powszechna Kasa Oszczędności Bank Polski S.A.	Execution of annex to multi-purpose credit facility agreement with PKO BP S.A.	On December 7th 2015, Rafako S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw executed an annex to a multi-purpose credit facility agreement, as amended, the conclusion of which was announced by the Company in Current Reports Nos. 24/2014 and 11/2015. In particular, the Annex provides for the following amendment: 1) The Bank grants to the Company: a) an overdraft facility of up to PLN 150,000,000 under a disbursement notice, and b) bank guarantees under notices to issue a guarantee, and a revolving working capital facility to finance payments under bank guarantees, for up to PLN 100,000,000, with the proviso that the total amount drawn under the overdraft facility and any outstanding bank guarantees under the Agreement may not exceed PLN 200,000,000. The other material terms and conditions of the Agreement were not amended under the annex.
For more information, see RAFAKO Current Report No. 43/2015: **http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_43_Aneks_nr_20_do_umowy_LKW.pdf**			

25.02.2016	E003B7 Sp. z o.o. Powszechna Kasa Oszczędności Bank Polski S.A. Powszechny Zakład Ubezpieczeń S.A. Bank Gospodarstwa Krajowego mBank S.A.	Amendment to a reportable significant agreement executed by a subsidiary of RAFAKO S.A., change and establishment of security over assets of RAFAKO S.A. and its subsidiary.	On February 24th 2016, E003B7 Sp. z o.o. (the "SPV") (a wholly-owned subsidiary of RAFAKO S.A.) concluded with (i) Powszechna Kasa Oszczędności Bank Polski S.A. ("PKO BP"), (ii) Powszechny Zakład Ubezpieczeń S.A. ("PZU"), (iii) Bank Gospodarstwa Krajowego ("BGK"), and (iv) mBank S.A. ("mBank", collectively with PKO BP, PZU, and BGK, the "Guarantors"), an Annex (the "Annex") to an agreement of April 16th 2014 for the grant of bank and insurance guarantees to the SPV (the "Agreement") in connection with the project "Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. (the "Employer") – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II" ("Jaworzno Project") implemented by RAFAKO and the SPV, as announced by the Company in Current Report No. 18/2014. Under the Annex, mBank undertook to issue to the Employer (i) an advance payment bank guarantee of PLN 48,000,000 and (ii) a performance bond bank guarantee for the Jaworzno Project (the "Main Contract") of PLN 126,334,000, subject to the conditions precedent stipulated in the Agreement. As a result of concluding the Annex and in connection with the change of the form of performance bond relating to the Main Contract, after the guarantees issued by mBank have been posted, the amount of PLN 40,000,000 deposited in cash by Rafako to secure performance of the Main Contract, as reported by the Company in Current Report No. 22/2014, will be returned to the Company. In order to secure the Guarantors' (including mBank's) claims under legal recourse arising from the guarantees and performance bonds provided by the Guarantors, RAFAKO and the SPV made changes to the security reported by the Company in Current Report No. 18/2014 and created security interests for the benefit of mBank identical to those created for the benefit of PKO, BGK and PZU, in particular by creating or changing the scope of the following security: (i) a surety for the SPV's liabilities under the Agreement, valid until April 17th 2028, provided by RAFAKO in favour of the Guarantors; (ii) a registered pledge over assets comprising the SPV's business; (iii) a registered and financial pledge over SPV shares representing 100% of the SPV's share capital and conferring the right to 100% of voting rights at the SPV's general meeting, held by RAFAKO, and (iv) registered and ordinary or financial pledges over the SPV's and RAFAKO's bank accounts and receivables connected with the Main Contract; as well as RAFAKO's and the SPV's statements on submission to enforcement. All the registered pledges secure claims up to a maximum amount of PLN 1,300,000,000. The Company and the SPV concluded relevant annexes or security agreements with the Guarantors. The registered pledges established or changed under the agreements will take effect upon their registration in the register of pledges. None of the Guarantors is RAFAKO S.A.'s related party or an entity managing or supervising RAFAKO S.A. In addition, as part of the security interests, Rafako also concluded an annex to the agreement of October 29th 2014 on creation of a registered pledge over movables and rights of the Company, reported by the Company in Current Report No. 47/2014. Under the annex, the scope of the pledge was extended so that, in addition to existing and future receivables of PKO, BGK and PZU, it also secures receivables of mBank, as providers of performance bond and advance payment guarantees for the Company in connection with the Main Contract. Also, the maximum security amount was changed to PLN 1,300,000,000. The change to the registered pledge under the aforementioned annex will take effect upon its entry in the register of pledges. Accession to the Agreement by mBank, provision of the advanced payment guarantee and change of the form of performance bond to a bank guarantee will improve cash flows on the Jaworzno Project. The Agreement is considered a reportable significant agreement as the aggregate value of the guarantees exceeds 10% of the RAFAKO Group's revenue in the last four quarters.
For more information, see RAFAKO Current Report No. 03/2016: http://www.rafako.com.pl/pub/File/raporty_biezace/2016/RB_3_2016_wejscie_mBank_FINAL1.pdf			

V. PBG'S ARRANGEMENT BANKRUPTCY PROCEEDINGS

Date of petition/decision	Subject matter of petition/decision	Key terms
23.02.2015	Decision by the Judge Commissioner to set the date for Meeting of PBG Creditors	On February 19th 2015, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, issued a decision to set the date of a Meeting of PBG Creditors for April 27th, 28th, and 29th 2015.
For more information, see PBG Current Report No. 4/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/4-2015-postanowienie-sedziego-komisarza-w-sprawie-wyznaczenia-terminu-zgromadzenia-wierzycieli-pbg.html		
13.04.2015	Filing a motion by the Management Board of the Company for changing the date of the Meeting of Creditors	On April 13th 2015, the Company filed a motion with the District Court for Poznań-Stare Miasto in Poznań, 11th Commercial Insolvency and Arrangement Division, to change the date of the Meeting of Creditors (the "Motion") convened by the Judge Commissioner to hold a vote on the arrangement between the Company and its Creditors proposed in the course of the PBG's insolvency proceedings (the "Arrangement"), by cancelling the original date and setting a new date of the Meeting for the end of June 2015. The decision to file the Motion was made by the Management Board on April 2nd 2015 considering the state of negotiations held between the Company and its Financial Creditors. The latter are financial institutions being the Company's major Creditors, who hold more than two-thirds of all claims against the Company covered by the Arrangement and are entitled to vote on the Arrangement and, therefore, will decide the final outcome of the vote. The Company filed the Motion in consultation with the Financial Creditors and their legal advisers, after having received a letter from the attorney-in-fact representing a significant number of Financial Creditors.
For more information, see PBG Current Report No. 7/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/7-2015-zlozenie-przez-zarzad-spolki-wniosku-o-zmiane-terminu-zgromadzenia-wierzycieli.html		
17.04.2015	Judge Commissioner's decision concerning the Company's motion to change the date of the Meeting of Creditors	Having considered the Company's motion of April 13th 2015, on April 15th 2015 the Judge Commissioner issued a decision revoking the date of the vote originally set for April 27th, 28th and 29th 2015. The Judge Commissioner also made the setting of a new date of the Meeting of Creditors conditional upon the Company filing updated Arrangement Proposals.
For more information, see PBG Current Report No. 8/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/8-2015-rozpatrzenie-przez-sedziego-komisarza-wniosku-spolki-o-zmiane-terminu-zgromadzenia-wierzycieli.html		

29.04.2015	Approval of Arrangement Proposals by the Company and their filing with the court	On April 28th 2015, the Management Board of the Company finalised negotiations with legal advisers of certain Financial Creditors on updating the Company’s Arrangement Proposals of November 3rd 2014. The Management Board approved the updated text as Arrangement Proposals of April 28th 2015 ("Current Arrangement Proposals"), and the Supervisory Board expressed a positive opinion on the document. On April 29th 2015, the Management Board filed the Current Arrangement Proposals with the District Court for Poznań–Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, thus fulfilling the obligation imposed by the Judge Commissioner.
For more information, see PBG Current Report No. 3/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/13-2015-zatwierdzenie-przez-spolke-oraz-zlozenie-w-sadzie-propozycji-ukladowych.html		
18.05.2015	Decision by Judge Commissioner to set a new date for Meeting of PBG Creditors	On May 14th 2015, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, issued a Decision to set the date of a Meeting of PBG Creditors for August 3rd, 4th, and 5th 2015. Further, the Judge Commissioner ordered that voting be held at the Meeting of PBG Creditors, including by written ballot.
For more information, see PBG Current Report No. 14/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/14-2015-postanowienie-sedziego-komisarza-w-sprawie-wyznaczenia-nowego-terminu-zgromadzenia-wierzycieli-pbg.html		
03.08.2015	Decision by the Judge Commissioner concerning further proceedings of the Meeting of Creditors	On the first day of voting at the Meeting of Creditors, the Judge Commissioner decided to adjourn the Meeting of Creditors until 10.00 am on August 25th 2015. The decision was related to the adoption of written ballot as an admissible form of voting, enabling Creditors to vote by the written procedure by the end of August 5th 2015.
For more information, see PBG Current Report No. 27/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/27-2015-postanowienie-sedziego-komisarza-dotyczacego-dalszych-obrad-zgromadzenia-wierzycieli.html		
05.08.2015	Results of voting at the Meeting of Creditors	On August 5th 2015, the Meeting of Creditors, convened as part of the arrangement bankruptcy proceedings pending against the Company following the decision of June 13th 2012 by the District Court for Poznań – Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declaring the Company insolvent in voluntary arrangement (the "Arrangement) ("Bankruptcy Proceedings"), was concluded today. At the end of the meeting of creditors, on August 5th 2015, the Judge Commissioner presented a preliminary summary of voting results in each group of creditors entitled to vote. The information provided by the Judge Commissioner suggests that in Group 1, Group 2, Group 4 and Group 5, the majority of creditors voted in favour of the arrangement (separately in each of the Groups and also considering the total number of creditors in all Groups), holding the required majority of two-thirds (2/3) of the total amount of claims, both in each Group and considering the total amount of claims. The creditors classified in Group 3 and Group 7 were not entitled to vote given their status of the Company’s related parties, while the creditors classified in Group 6 (holding conditional claims) were entitled to vote subject to the Judge Commissioner’s consent.

For more information, see PBG Current Report No. 32/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/32-2015-przebieg-glosowania-zgromadzenia-wierzycieli.html		
25.08.2015	Confirmation of execution of Arrangement with Creditors	On August 25th 2015, the Judge Commissioner confirmed the execution of an Arrangement with Creditors consistent with the Company's Arrangement Proposals of April 28th 2015. The Judge Commissioner justified his Decision to declare the Arrangement executed by citing the results of a vote held at the Meeting of Creditors convened as part of the arrangement bankruptcy proceedings pending against the Company following the decision of June 13th 2012 by the District Court for Poznań – Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declaring the Company insolvent in voluntary arrangement. In the Decision, the Judge Commissioner stated that out of the 356 creditors entitled to vote, whose claims totalled PLN 2,668,353,081.04, the majority, i.e. creditors representing PLN 2,524,530,857.86 (94.61%) of the total claims conferring voting rights, voted in favour of the Arrangement. Specifically, the creditors voted as follows: Group 1: - out of 44 creditors with claims totalling PLN 222,912,923.93; - 34 (77.27%) creditors voted in favour, representing PLN 193,337,772 (86.73%) of the claims in this Group; Group 2: - out of 256 creditors with claims totalling PLN 14,345,258.23; - 235 (91.80%) creditors voted in favour, representing PLN 12,982,129 (90.50%) of the claims in this Group; Group 4: - out of 9 creditors with claims totalling PLN 104,822,513.90; - 5 (55.56%) creditors voted in favour, representing PLN 86,151,155 (82.19%) of the claims in this Group; Group 5: - out of 58 creditors with claims totalling PLN 2,311,394,119.12; - 39 (67.24%) creditors voted in favour, representing PLN 2,217,181,536 (95.92%) of the claims in this Group; Group 6: - the only creditor in this Group with claims of PLN 14,878,265.86 voted in favour of the Arrangement, representing 100% of the total vote and 100% of the claims in this Group; Group 3 and Group 7 creditors were not entitled to vote.
For more information, see PBG Current Report No. 34/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/34-2015-stwierdzenie-zawarcia-ukladu-z-wierzycielami.html		

08.10.2015	Court approval of arrangement with creditors	In its decision of October 8th 2015, the Bankruptcy Court approved the Arrangement executed on August 3rd–5th 2015 between PBG and its Creditors. The decision is not final.
For more information, see PBG Current Report No. 46/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/46-2015-zatwierdzenie-ukladu-z-wierzycielami.html		

V. RELATED-PARTY TRANSACTIONS

In 2015, the Parent and its subsidiaries executed transactions with related parties on an arm's-length basis, and the nature and terms of those transactions were determined by day-to-day operations. Transactions between the Parent and its subsidiaries are disclosed in Note 14 in the separate financial statements of PBG S.A. (in company voluntary arrangement) for 2015, whereas Note 38 to the consolidated financial statements for 2015 discloses transactions between the PBG Group companies and other related parties.

VI. CONTRACTED BANK BORROWINGS, LOAN AGREEMENTS

For information on contracted bank borrowings and loans, see the consolidated financial statements of the PBG Group.

VII. LOANS ADVANCED

For information on advanced loans, see the consolidated financial statements of the PBG Group.

VIII. NON-RECURRING FACTORS AND EVENTS

Court's decision to stay proceedings instituted by the Consortium against Narodowe Centrum Sportu Sp. z o.o. and the State Treasury – the Minister of Sport and Tourism in the case related to the construction of the National Stadium in Warsaw

On February 3rd 2015, the Regional Court of Warsaw, 26th Commercial Division, issued a decision to stay the proceedings instituted by the Consortium constructing the multi-purpose National Stadium in Warsaw with ancillary infrastructure against Narodowe Centrum Sportu Sp. z o.o. and the State Treasury, Minister of Sport and Tourism (Employer). The order was issued by the Court upon a joint motion of the parties to the proceedings, and it opens the way for settlement negotiations between the parties.

Decision by the Judge Commissioner to set the date for Meeting of PBG Creditors

On February 19th 2015, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, issued a decision on the date of a Meeting of PBG Creditors. The Meeting of PBG Creditors was held on August 3rd, 4th and 5th 2015 and resolved to make an arrangement consistent with the Company's Arrangement Proposals of April 28th 2015. For information on the current status of the matter, see Note 2.3.

Consortium performing the Underground Gas Storage Facility project summoned to a conciliation hearing

On November 21st 2014, PGNiG filed a motion with the District Court for Poznań – Stare Miasto of Poznań, 10th Commercial Division, to summon the companies of the Consortium performing the project "Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bcm, sub-phase: 1.2 bcm", to a conciliation hearing. PGNiG summoned the following companies: PBG S.A. w upadłości układowej (in company voluntary arrangement), Tecnimont S.p.A., TCM FR (formerly: Société Française d'Etudes et de Réalisations d'Equipements Gaziers SOFREGAZ), Plynostav Pardubice Holding a.s., and Plynostav – Regulace Plynu a.s., to enter into a settlement whereby they would agree to pay to PGNiG, within 14 days of the settlement date, the amount of PLN 143,661 thousand, comprising a contractual penalty of PLN 133,399 thousand and accrued interest of PLN 10,263 thousand.

The Company reiterates its position with regard to the contractual penalty, as stated in current reports No. 7/2014 of April 2nd 2014 and No. 8/2014 of April 8th 2014, and will uphold this position during the settlement negotiations.

Opinion issued by the Company's Supervisory Board on certain restructuring documents

At a meeting held on April 20th 2015, the Company's Supervisory Board expressed a positive opinion on the draft Restructuring Agreement and draft Terms and Conditions of the Bonds. The submitted draft documents had been agreed upon in the course of negotiations with the Financial Creditors. The Supervisory Board also accepted the revised Arrangement Proposals of November 3rd 2014, submitted by the Management Board, in the part dealing with the creation of pledges over the RAFAKO S.A. shares held directly and indirectly by the Company, in favour of the creditors whose claims are covered by the arrangement (except for Group 3 and Group 7, that is the claims of RAFAKO S.A. and Mr Jerzy Wiśniewski), as security for those claims. Management Board

Updated Arrangement Proposals filed with the Court.

On April 28th 2015, the Management Board of the Company finalised negotiations with legal advisers of certain Financial Creditors on updating the Company's Arrangement Proposals of November 3rd 2014. The Management Board approved the updated text as Arrangement Proposals of April 28th 2015, and the Supervisory Board expressed a positive opinion on the document. Accordingly, on April 29th 2015, the Current Arrangement Proposals and a motion to set a new date of the Creditors' Meeting to hold a vote on the arrangement between the Company and its Creditors were filed with the District Court for Poznań-Stare Miasto in Poznań, 11th Commercial Insolvency and Arrangement Division.

Decision by Judge Commissioner to set a new date for Meeting of PBG Creditors

On May 18th 2015, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, issued a Decision to set the date of a Meeting of PBG Creditors for August 3rd, 4th, and 5th 2015.

Representations by the Company and its subsidiary Multaros Trading Company Limited stating that neither company intends to exercise its Subscription Rights in private placement

On June 9th 2015, the Company's Management Board and the Management Board of Multaros Trading Company Limited of Nicosia, Cyprus, delivered declarations to Rafako S.A., the Company's subsidiary, in which they represented that they did not intend to exercise the Subscription Right, referred to in the Management Board Resolution and the Resolution of the Extraordinary General Meeting, or exercise the right to participate in the Private Placement, irrespective of the final terms and conditions of the Private Placement. The Eligible Shareholders also represented to RAFAKO that they waive all of their rights and claims with respect to the Private Placement.

Execution of restructuring documents.

PBG and the Company's major creditors signed a set of restructuring documents which govern the Parties' obligations, including a restructuring agreement and issue agreement. The restructuring agreement obliged the creditors to vote in favour of the arrangement during the Meeting of Creditors held on August 3rd−5th 2015. It also stipulated the terms of the arrangement implementation, as well as the possibility of financing the Company's operations and new contracts. The restructuring documents were executed upon reaching an agreement with the creditors with respect to the detailed terms of the Company's restructuring.

Voting on PBG arrangement and declaration of the arrangement by the Bankruptcy Court.

The Meeting of PBG Creditors held on August 3rd, 4th and 5th 2015 resolved to make an arrangement consistent with the Arrangement Proposals of April 28th 2015. On August 25th 2015, the Judge Commissioner issued a decision declaring the arrangement concluded, as the thresholds required under the Bankruptcy and Restructuring Law had been met.

Court sanction of the arrangement with PBG creditors.

On October 8th 2015, the Bankruptcy Court sanctioned the PBG Arrangement. The decision is not final.

IX. MAJOR R&D ACHIEVEMENTS

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

X. CONTROL SYSTEMS FOR EMPLOYEE PLANS

The PBG Group does not operate any employee plans.

XI. LITIGATION, ARBITRATION OR ADMINISTRATIVE PROCEEDINGS

1. LITIGATIONS AND DISPUTES

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

In 2015, there were no major changes in the disputes and litigations instigated by the Parent that could affect its financial standing. The litigation instigated by the Parent against Control Process S.A. for the payment of PLN 996 thousand with interest was concluded. Control Process agreed to pay PLN 500 thousand to the Parent and waived the claim of PLN 1,700 thousand related to the settlement of the Parent's liabilities under Clause 5.18 of the contract of February 12th 2009. In July 2015, PLN 500 thousand was transferred to the Parent under the settlement.

On December 17th 2015, the court proceedings instigated by the Parent against the State Treasury, Regional Water Management Authority of Wrocław w upadłości (in bankruptcy), for payment of a claim were settled. Value of the claim: PLN 4,092 thousand. On February 8th 2016, the funds were transferred to the Parent.

No litigations against the Parent that could have a material effect on its financial standing were concluded in 2015.

A detailed description of the litigations to which the Parent is a party is presented in the financial statements prepared in accordance with the IFRSs, available at:

http://www.pbg-sa.pl/relacje-inwestorskie/raporty-okresowe/jednostkowy-raport-roczny-pbg-za-2014-rok.html

In 2015, the Company also received the following calls for conciliation hearings:

- petition from Polskie Górnictwo Naftowe i Gazownictwo S.A. to call the companies of the Consortium performing the project "Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bcm, sub-phase: 1.2 bcm", that is PBG S.A. w upadłości układowej (in company voluntary arrangement), Tecnimont S.p.A., TCM FR Plynostav Pardubice Holding a.s. and Plynostav – Regulace Plynu a.s., to enter into a settlement whereby they would agree to pay to PGNiG, within 14 days of the settlement date, the amount of PLN 143,661,535.26, comprising a contractual penalty of PLN 133,398,952.81 and accrued interest of PLN 10,262,582.40. The Company reiterates its position with regard to the contractual penalty, as stated in Current Reports No. 7/2014 of April 2nd 2014 and No. 8/2014 of April 8th 2014, and will uphold this position during the settlement negotiations (Current Report No. 5/2015 of February 27th 2015).

- petition to call for a conciliation hearing, dated August 14th 2015, filed by KGHM Polska Miedź S.A. in connection with the contract of July 30th 2010 for the delivery, installation and commissioning of four heat recovery steam generators, implemented as part of KGHM's project for the construction of CCGT units in Głogów and Polkowice. The petition filed by KGHM concerns the payment by PBG of PLN 357,371,250.00 and EUR 176,030,000.00 in total contractual penalties charged for delays in rectifying or failure to rectify the defects discovered during the final technical acceptance testing. The value of the

Contract performed by PBG was set in the contract with KGHM at PLN 23,550,000.00 and EUR 11,600,000.00, i.e. at approximately PLN 72m in total, translated as at the date of the Contract. The Management Board does not agree with the Employer's position in the dispute or the reasons for charging the contractual penalties (Current Report No. 41/2015 of October 7th 2015).

- petition to call for a conciliation hearing, dated August 14th 2015, filed by KGHM Polska Miedź S.A. in connection with the contract of July 9th 2010 for the manufacture, delivery, installation and commissioning of four complete Gas Turbine Generator Sets, implemented as part of KGHM's project for the construction of CCGT units in Głogów and Polkowice The petition to call for a conciliation hearing filed by KGHM concerns the payment by PBG of PLN 526,283,400.00 in total contractual penalties charged for delays in rectifying or failure to rectify the defects discovered during the final technical acceptance testing. The price of the Contract performed by PBG, as agreed with KGHM, was PLN 95,100,000.00. The Management Board does not agree with KGHM's position in the dispute, the reasons for charging the contractual penalties and the amount of the penalties in particular, given that the relevant agreement contains a provision limiting the amount of contractual penalties to 10% of the contract price. The CCGT units in Polkowice and Głogów, for which the Turbine Generator Sets were delivered, were both placed in service by KGHM (Current Report No. 49/2015 of November 21st 2015).

- petition to call for a conciliation hearing, dated June 12th 2015, filed by Zurich Insurance plc Niederlassung fur Deutschland of Frankfurt ("Zurich"), with a view to entering into a settlement under which PBG would pay to Zurich an amount of PLN 152,479,275.28. The claim specified by Zurich in the petition is a recourse claim against PBG arising from the indemnity agreement executed on June 11th 2010 in connection with a performance bond issued by Zurich at the request of PBG and Hydrobudowa Polska S.A. (currently in liquidation bankruptcy) in respect of the contract for construction of the National Stadium in Warsaw for Narodowe Centrum Sportu Sp. z o.o. (NCS). As at the last day of the validity period of the performance bond (July 31st 2012), the maximum guarantee amount was PLN 152,479,275.28. As provided for in the agreement, Zurich, as the Guarantor, may demand payment of the full amount of the performance bond from PBG and Hydrobudowa, as joint and several debtors, should the beneficiary (NCS) make a call for payment under the performance bond. The Company's position is that the claim pursued by Zurich through settlement is a claim covered by the arrangement scheme and, as such, should be satisfied in accordance with the Arrangement Proposals of April 28th 2015 (Current Report No. 47/2015 of October 9th 2015).

- petition to call for a conciliation hearing from the State Treasury, General Directorate for National Roads and Motorways (GDDKiA), dated September 25th 2015. The claim of PLN 193,190,177.00 comprises contractual penalties of 10% of the contract price, costs of remuneration for subcontractors and other business partners, and costs incurred in connection with the performance of repair and protection works. The claim specified by GDDKiA in the petition has been filed in connection with "non-performance of the contract 'Construction of the S5 expressway Poznań (the A2 motorway, Głuchowo junction) – Wrocław (the A8 motorway, Widawa junction) the Kaczkowo – Korzeńsko section, the Bojanów and Rawicz by-pass'". The Company's Management Board does not agree with the grounds on which GDDKiA is pursuing its claim referred to above (Current Report No. 48/2015 of November 6th 2015).

On February 3rd 2015, the Regional Court of Warsaw, 26th Commercial Division, issued a decision to stay the proceedings instituted by the Consortium constructing the multi-purpose National Stadium in Warsaw with ancillary infrastructure against Narodowe Centrum Sportu Sp. z o.o. and the State Treasury, Minister of Sport and Tourism (Employer). PBG reported on the case, filed by the bankruptcy administrator of Alpine Bau Deutschland AG, bankruptcy administrator of Alpine Bau GmbH, Alpine Construction Polska Sp. z o.o. and PBG S.A. w upadłości układowej (in company voluntary arrangement), as well as the bankruptcy administrator of Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in liquidation bankruptcy), in Current Report No. 86/2012 of July 31st 2012. The decision was issued by the Court upon a joint motion of the parties to the proceedings, opening the way for settlement negotiations between the parties (Current Report No. 2/2015 of February 10th 2015).

Below are described key disputes and litigations to which the subsidiary RAFAKO S.A. is a party.

1. **RAFAKO S.A. against ING Bank Śląski S.A.**

On November 3rd 2009, RAFAKO S.A. brought an action for payment to the Regional Court of Warsaw, 20th Commercial Division, against ING Bank Śląski S.A. In the action, RAFAKO S.A. demanded a refund of approximately PLN 9m which was unlawfully enforced from its accounts by ING Bank Śląski S.A. On November 29th 2010, the court of first instance issued a ruling in which it awarded an amount of PLN 8,996,566.00, plus statutory interest and litigation costs, to be paid by ING Bank Śląski S.A. to RAFAKO S.A. The attorney of ING Bank Śląski S.A. filed an appeal against the ruling of the court of first instance. On October 12th 2011, the Court of Appeals in Warsaw, having completed hearings, did not find the claims raised in the appeal by ING Bank Śląski S.A. justified, but resolved ex officio that the court of first instance failed to consider the substance of the dispute, reversed the ruling and remanded the case for re-examination by the court of first instance. In its ruling of April 1st 2014, the Regional Court in Warsaw ordered ING Bank Śląski S.A. to pay RAFAKO PLN 3,646,699.59, plus statutory interest for the period from November 3rd 2009 until the payment date. The court dismissed the remaining part of the claim. Both parties lodged appeals against the ruling. The amount awarded to RAFAKO pursuant to a final ruling of the Court of Appeals in Warsaw, issued on May 29th 2015, was PLN 3,636,226.62 with statutory interest from November 25th 2009. The costs of the appeal proceedings were offset. The awarded amount was credited to the account of RAFAKO S.A. in July 2015.

2. **RAFAKO S.A. against Donetskoblenergo of Ukraine**

In another material court proceedings involving RAFAKO S.A., the company is seeking compensation from Donetskoblenergo of Ukraine in the amount of USD 11,500 thousand (PLN 38,151 thousand). RAFAKO S.A. demands the compensation following the Customer's final decision to abandon a steam-generator construction project. In 2009, courts of the first and second instance ruled in favour of RAFAKO S.A. However, the High Commercial Court, having examined a cassation appeal, reversed the rulings and remanded the case for re-examination. On August 6th 2010, RAFAKO S.A. received a decision issued by the Judicial Chamber for business cases of the Supreme Court of Ukraine granting a cassation appeal lodged by RAFAKO S.A. on March 2nd 2010 and upholding the ruling of the Donetsk

Commercial Court of Appeals of December 23rd 2008, whereby RAFAKO was awarded UAH 56.7m (approximately USD 11.5m as at the date of filing the claim) in compensation, default interest, court expenses and legal representation costs. As the enforceability of the decision remains uncertain, RAFAKO did not recognise the awarded amount in revenue. RAFAKO's attorney reported that in July 2012 the Commercial Court for the Donetsk region resumed the examination of the case having received Donetskoblenergo's petition to declare the agreement of May 16th 1994 invalid. According to the attorney, there is no new evidence to grant the petition. Due to the current situation in Ukraine, no date for the next hearing has been set.

3. FISIA BABCOOK ENVIROMENT GmbH against RAFAKO S.A.

An action brought by FISIA BABCOCK ENVIRONMENT GmbH has been pending before the International Court of Arbitration at the International Chamber of Commerce in Vienna against RAFAKO S.A. The proceedings were initiated following the filing of claim for payment of about EUR 3.8m in connection with a licence agreement relating to wet flue gas desulfurisation units. The principal claims relate to payment of the allegedly due outstanding licence fees. In RAFAKO S.A.'s opinion, the claims are groundless. RAFAKO S.A.'s stance is that the contract for the upgrading of four desulfurisation units, in relation to which the dispute arose, had been performed based RAFAKO's proprietary technological solutions, without any licensed know-how. On December 18th 2015, the parties entered into an understanding to finally settle the agreement and thus conclude the dispute. Under the understanding, RAFAKO S.A. is to pay to Steinmüller Babcock Environment GmbH an amount of EUR 800 thousand in three instalments. On February 12th 2016, RAFAKO received from the Court of Arbitration a formal confirmation of the dispute conclusion.

4. ESPD Environmental Solutions and Project Development GmbH against RAFAKO S.A.

On December 9th 2014, RAFAKO S.A. received a claim for payment of EUR 612.6 thousand from ESPD Environmental Solutions and Project Development GmbH of Vienna (ESPD). The Company's liability is alleged to arise out of the cooperation agreement signed between the parties, under which ESPD agreed to provide support for RAFAKO S.A.'s efforts to win contracts for flue gas denitrification (DeNOx) units. RAFAKO S.A.'s stance is that the fee claimed by ESPD is not due since no services have been provided. On December 7th 2015, the Court of Arbitration at the Polish Chamber of Commerce in Warsaw issued a decision to award the full amount of the claim to ESPD. On January 21st 2016, RAFAKO filed a petition to the Court of Appeals in Katowice to overturn the decision. Currently, it is difficult to predict when the petition will be examined.

ADMINISTRATIVE PROCEEDINGS

Administrative proceedings instigated ex officio by the Polish Financial Supervision Authority are currently pending against the Parent. The proceedings seek the imposition of an administrative sanction on the Parent under Art. 96.1c of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005. The Polish Financial Supervision Authority is planning to close the case in late March 2016.

XI. CHANGES IN SIGNIFICANT MANAGEMENT POLICIES

In the period covered by this Report, the PBG Group companies did not make any major changes in its significant management policies.

XI. CHANGES IN SIGNIFICANT MANAGEMENT POLICIES

In the period covered by this Report, the PBG Group companies did not make any major changes in its significant management policies.

SECTION V: SHARES AND SHAREHOLDERS

I. SHARE CAPITAL STRUCTURE AND LARGE HOLDINGS OF SHARES

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

Table 27: Share capital of PBG

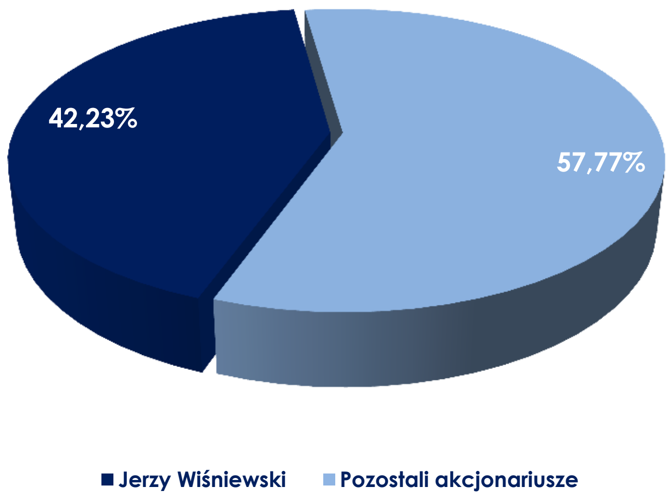
PBG shares	Number of shares	Type of shares	Number of shares	Number of votes	Free float
Series A	**5,700,000**	Conferring voting preference	3,740,000	7,480,000	0
		ordinary	1,960,000	1,960,000	1 960 000
Series B	**1,500,000**	ordinary	1,500,000	1,500,000	1 500 000
Series C	**3,000,000**	ordinary	3,000,000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

The Company's Management Board would like to stress that the terms of the Arrangement Proposals voted on at the Meeting of Creditors on August 3rd−5th 2015 provided, apart from cash repayments, for conversion of a portion of arrangement claims not subject to repayment into Series H shares in the Company. Following the conversion and based on the resolution of the Extraordinary General Meeting of the Company of May 22nd 2015 (see Current Report No. 16/2015 of May 22nd 2015), the Company's share capital will be increased by not less than PLN 14,009,100 (fourteen million, nine thousand and one hundred złoty) through an issue of not fewer than 700,455,000 (seven hundred million, four hundred and fifty-five thousand) Series H ordinary registered shares, with a par value of PLN 0.02 (02/100) per share.

Table 28: Shareholders holding over 5% of shares

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

Figure 21: PBG shareholders holding over 5% of shares



Pozostali akcjonariusze	Other shareholders

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

II. CHANGES IN THE COMPANY'S SHAREHOLDING STRUCTURE

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

III. KEY DATA ON PBG SHARES

1. Share price

Figure 22: PBG stock price from January 1st 2015 to December 30th 2015 against the WIG and WIG-BUDOW indices

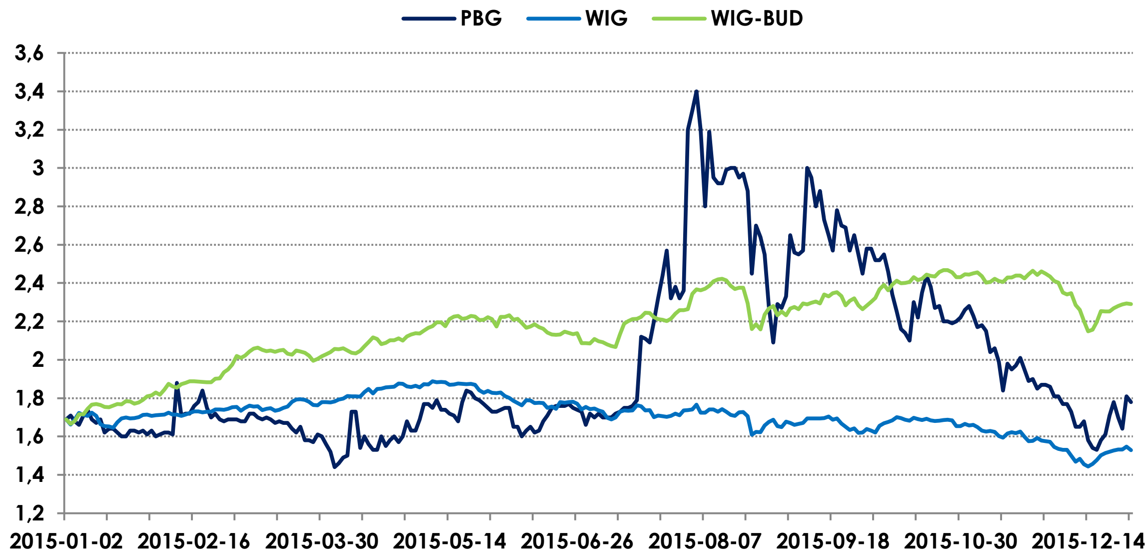
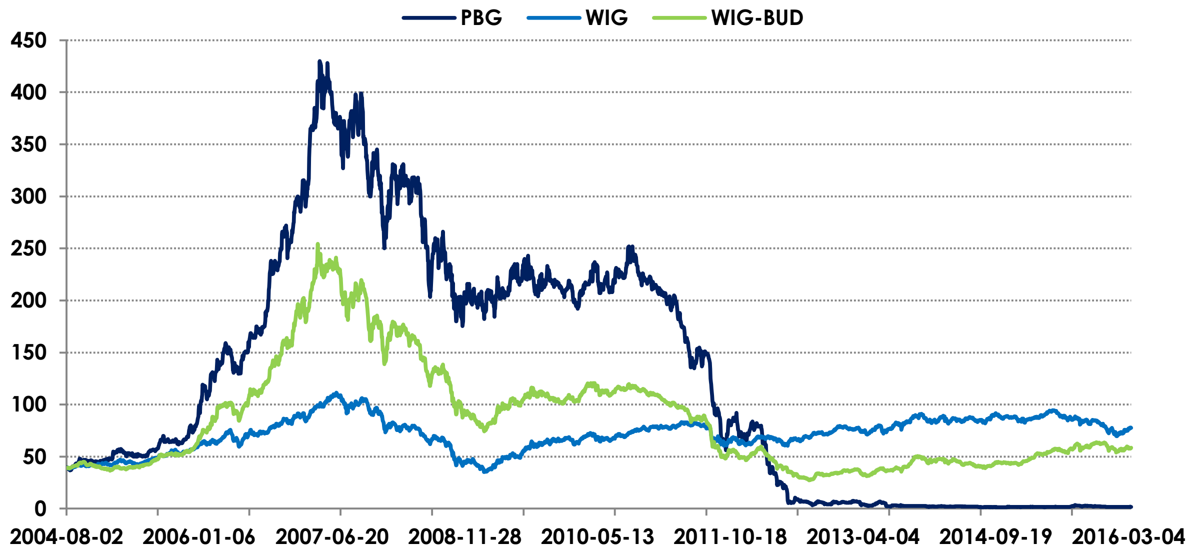


Figure 23: PBG stock price from the Company's IPO to March 15th 2016 against the WIG and WIG-BUDOW indices



2. Key data on PBG shares

Table 29: Per-share data

Key per-share data		2015	2014	Y-o-y change
Period high	**PLN**	3.4	2.45	+38
Period low	**PLN**	1.44	1.33	+8
Share price at year end	**PLN**	1.77	1.64	+8
Number of shares at end of period	**Number of shares**	14,295,000	14,295,000	-
Free float	**Number of shares**	10,555,000	10,555,000	-
Capitalisation at year end	**PLN '000**	25,445	23,444	+9
Average daily trading value	**PLN '000**	179	124	+44
Average daily trading volume	**Number of shares**	78,574	64,009	+23

IV. SHARE BUY-BACKS

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

V. HOLDERS OF SECURITIES CONFERRING SPECIAL CONTROL RIGHTS

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

VI. RESTRICTIONS ON VOTING RIGHTS

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

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

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

VIII. AGREEMENTS WHICH MAY RESULT IN CHANGE IN SHAREHOLDINGS

As on the date of filing the report, the Management Board has no information on agreements which might result in change in shareholdings.
Pursuant to the Company's Arrangement Proposals of April 28th 2015, a proposal was made to selected creditors to convert their debt claims into new Company shares. If the Arrangement sanction becomes final, the targeted shareholding structure of PBG will change: the financial creditors will hold approximately 75% of share capital, Mr Jerzy Wiśniewski approximately 23.6%, and the existing shareholders approximately 1.4% of share capital.

IX. EVENTS WHICH MAY RESULT IN CHANGE IN SHAREHOLDINGS

Pursuant to the Company's Arrangement Proposals of April 28th 2015, approved by the Meeting of Creditors held on August 3rd, 4th and 5th 2015, a proposal was made to selected creditors to convert their debt claims into new Company shares. The Company expects that after the conversion of claims into Company shares in accordance with the arrangement proposals, the Company's shareholder structure will be as follows:

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

X. INVESTOR RELATIONS

Investor relations have always played an important role in PBG's activities and their quality has been highly praised by the investor community. PBG had been able to meet the highest market standards in its investor relations before it filed an arrangement bankruptcy petition. The Company's formal and legal status since June 2012 has changed the views on its reliability. Currently, potential investors' interest in investing in PBG shares is significantly reduced and brokerage houses (in line with their policies) ceased to carry day-to-day research and to issue recommendations. The Company is not included in any of the indices listed on Giełda Papierów Wartościowych w Warszawie (Warsaw Stock Exchange), which is also connected with the Company's current legal status and which further limits investors' interest. Under such circumstances, investor relations focus on maintaining relations with the existing shareholders, who may at any time contact the Investor Relations Department.

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

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

1. Brokers' recommendations

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

2. The Company and its shares

Table 30: IR contact data

Investor Relations Department	Wiktoria Wiśniewska
Phone	+48 (0) 61 66 88 242
Email	gielda@pbg-sa.pl
Website	www.pbgsa.pl
Warsaw Stock Exchange	PBG
Reuters	PBGG.WA

SECTION VI: FINANCIAL OVERVIEW

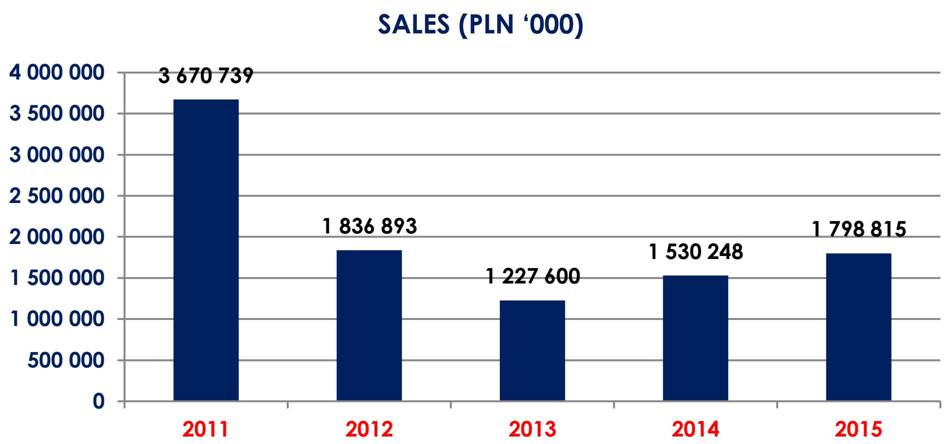
I. ANALYSIS OF THE GROUP'S FINANCIAL POSITION

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

Revenue

At the end of 2015, the PBG Group reported an 18% revenue growth year on year. The Group's revenue rose from PLN 1,530,248 thousand in 2014 to PLN 1,798,815 thousand in 2015. Cost of sales increased by 17%, to PLN 1,681,162 thousand as at the end of 2015.

Figure 24: Historical development of revenue (past five years)



Until 2011, the PBG Group's revenue had been increasing strongly year on year. Given the challenging conditions on the construction market and liquidity issues, which led a dozen or so PBG Group entities to file for arrangement bankruptcy, the trend was halted in 2012. Similar developments were observed in the entire construction sector. The downward trend in revenue continued into 2013, which was also attributable to a lower number of companies consolidated in the PBG Group. For the first time after 2011, 2014 brought a year-on-year increase in sales, mainly on the back of RAFAKO's intensified activities, which continued into 2015 sustaining the upward revenue trend.

2. Order book

As at January 1st 2016, the value of the PBG Group's order book was approximately PLN 4.92bn, of which about PLN 1.97bn represented orders to be executed in 2016, with the balance of ca. PLN 2.95bn scheduled for execution in the coming years. Power construction projects account for the largest proportion of the order book in value terms (94%), and include mainly the contract for construction of the power generation unit at the Jaworzno III Power Plant. The second largest contributor, with a 6% share in the value of the order book, is the gas, oil and fuels segment, in which the Group recognises its largest contract for the construction of the LNG Terminal in Świnoujście.

Figure 25: Historical development of the Group's order book (PLNm, past five years)

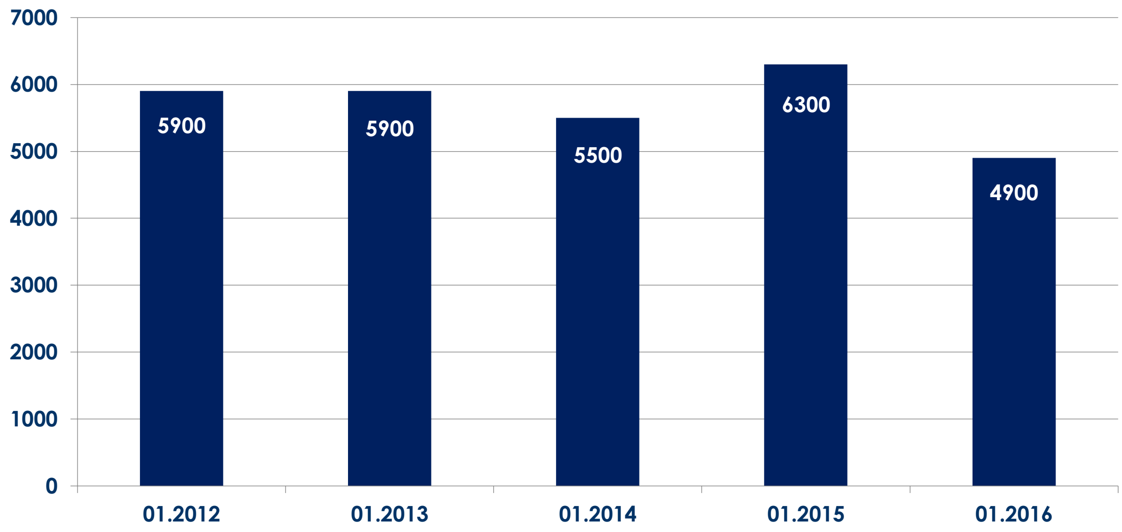


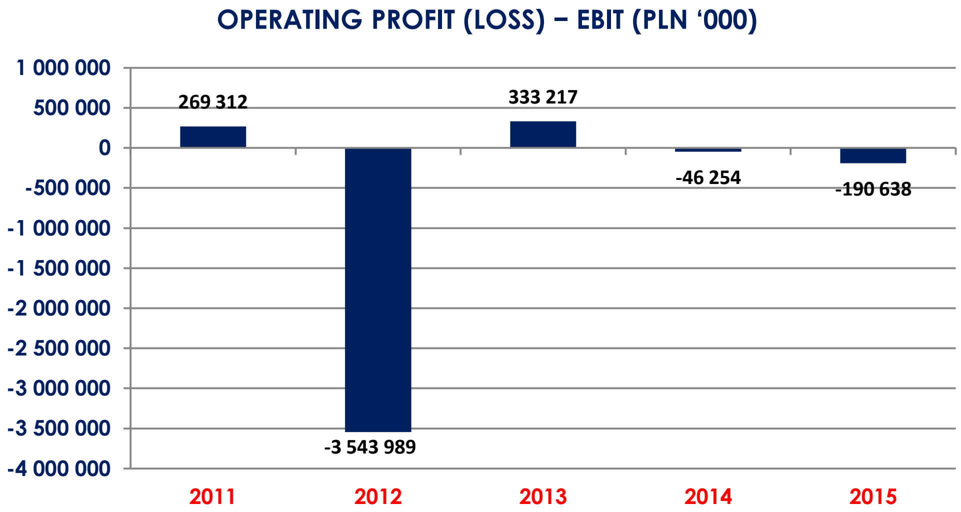
Table 31: Order book at January 1st 2016

ORDER BOOK AT JANUARY 1ST 2016 (% and PLNm)		
Gas, oil and fuels	6	270
Power construction	94	4,650
TOTAL	100.0%	4,920

3. Operating loss – EBIT

The PBG Group's operating loss in 2015 was **PLN -190,638 thousand**, compared with an operating loss of **PLN -46,254 thousand** in 2014. The negative EBIT was mainly attributable to: impairment losses on receivables (PLN 34.5m), an impairment loss on goodwill related to remeasurement of RAFAKO shares (PLN 90.9m), an impairment loss on non-regenerative natural resources (PLN 29m) and the fair-value measurement of investment property (PLN 19.6m). Positive contributors to EBIT included gross profit generated from the running contracts (PLN 117.7m), reversal of impairment losses on receivables (PLN 7.8m) and interest accrued on security deposits (PLN 5m).

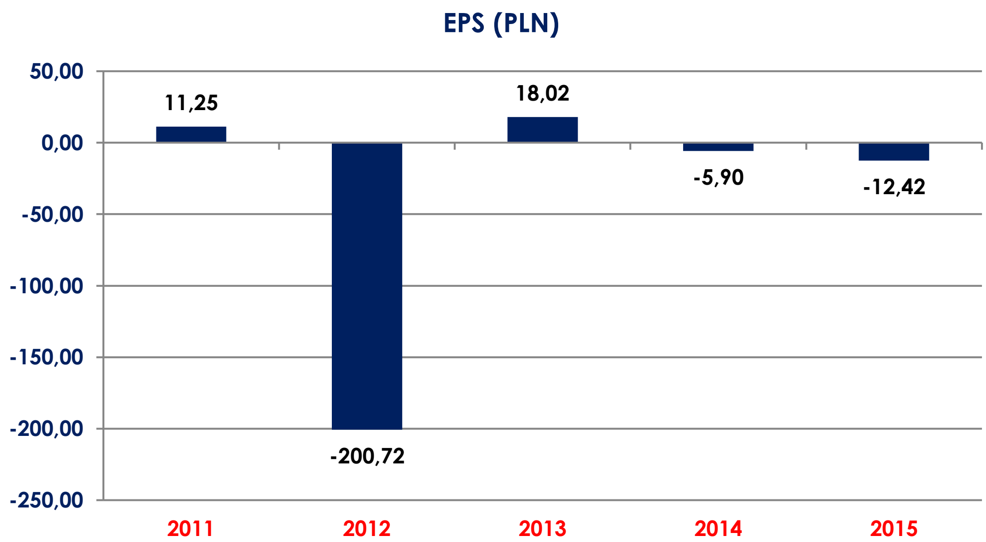
Figure 26: Historical development of EBIT (past five years)



5. Earnings (loss) per share (EPS)

In 2015, the net loss per share was PLN -12.42, compared with net loss per share of PLN -5.9 in 2014.

Figure 27: Historical development of EPS (past five years)



6. Liquidity ratios

Table 32: Liquidity ratios

NAME	FORMULA	2015	2014
Current ratio	(current assets / current liabilities)*100	0.54	0.48
Quick ratio	(current assets – inventories) / current liabilities)*100	0.52	0.45
Cash ratio	(cash balance at end of period / current liabilities)*100	0.14	0.04

The current ratio was up year on year, from 0.48 at the end of 2014 to 0.54 at the end of 2015, which means that in 2015 the PBG Group would again not have been able to meet its short-term obligations if they had become immediately due and payable.

The quick ratio increased from 0.45 at the end of 2014 to 0.52 at the end of 2015.

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

The cash ratio went up from 0.04 at the end of 2014 to 0.14 at the end of 2015. Its level suggests that the PBG Group is able to cover 14% of its current liabilities with the most liquid assets.

7. Debt

Table 33: Debt ratios

NAME	FORMULA	2015	2014
Structure of equity and liabilities	Equity attributable to owners of the Parent / debt capital	-0.39	-0.33
Structure of assets	non-current assets / current assets	0.67	0.96
Interest coverage ratio	Pre-tax profit + interest / interest	2.92	4.53

In the reporting period, the structure of equity and liabilities remained relatively unchanged. In 2015 and in 2014, the Group had a negative equity.

The assets structure ratio decreased by 29 pp year on year. In 2014, non-current assets represented 96% of the current assets value, while in 2015 non-current assets represented 67% of the current assets value.

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

1. Statement of profit or loss

Table 34: Changes in the statement of profit or loss

PBG Group's statement of profit or loss (PLN '000)	2015	2014	2015/2014
Net revenue from sale of products, merchandise and materials	1,798,815	1,530,248	18%
Cost of sales	1,681,162	1,435,754	17%
Gross profit (loss)	**117,653**	**94,494**	**25%**
Distribution costs	21,935	27,089	19%
Administrative expenses	89,955	84,357	7%
Gross profit	**5,763**	**-18,964**	**-**
Other income	31,954	162,161	80%
Other expenses	220,001	184,469	19%
Restructuring costs	8,354	6,993	19%
Operating profit (loss)	**-190,638**	**-52,912**	**-**
Net finance costs	4,458	15,140	71%
Share of profit/loss of equity-accounted entities	2,952	-8,228	-
Profit (loss) before tax	**-192,144**	**-66,882**	-
Income tax expense	8,903	9,104	2%
Net profit/(loss)	**-201,104**	**-80,800**	**-**
- owners of the Parent	**-177,575**	**-84,388**	**-**
- non-controlling interests	-23,529	3,588	-

As at the end of 2015, the Group posted net loss attributable to owners of the Parent of PLN -177.6m. With revenue of PLN 1.8bn, the Group's cost of sales was PLN 1.68bn. Gross profit was PLN 117.7m, compared with PLN 94.5m in the previous year.

Administrative expenses were in excess of PLN 89.9m, which represents a 7% increase year on year.

Other income of PLN 31.9m included mainly: a reversal of impairment losses on receivables of PLN 7.8m, interest on security deposits of PLN 5m, reversal of impairment losses on accrued contractual penalties of PLN 5,261 thousand and revaluation of the estimated provision for the Parent's potential liabilities under the sureties and guarantees issued and under joint and several liability related to projects of PLN 7,686 thousand.

The Group's **other expenses** totalled PLN 220m and included mainly: a PLN 90.9m impairment loss on RAFAKO's goodwill, PLN 34.5m impairment losses on receivables, PLN 27.2m impairment losses on property, plant and equipment and intangible assets, and PLN 19.6m fair value measurement of property.

Net finance costs amounted to PLN 4.5m and were by over PLN 10m lower than in 2014.

III. ASSETS, FINANCIAL STANDING AND FUNDING OF THE ASSETS

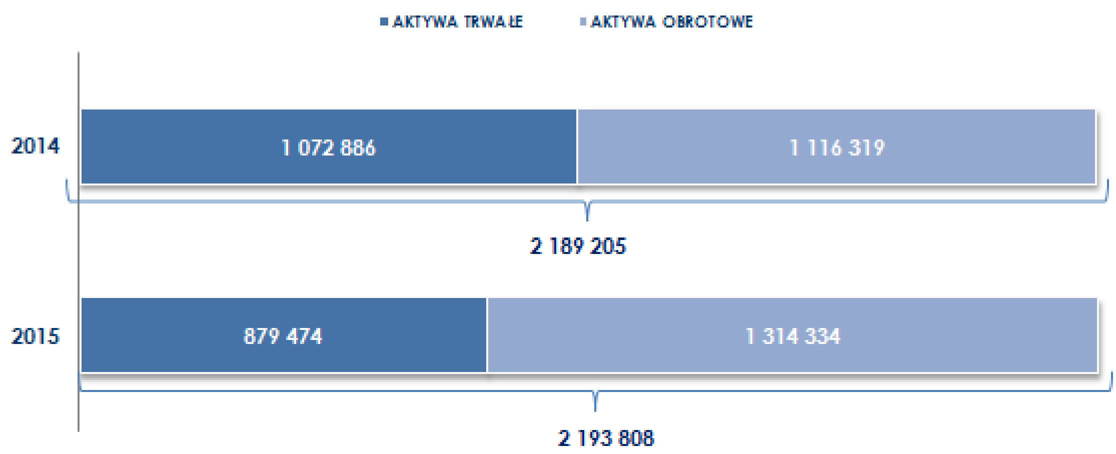
1. Assets

The asset structure changed during the period under review. As at the end of 2015, non-current assets represented 40% of total assets, which represented a decrease of 9% year on year. In 2015, the share of current assets in total assets increased year on year, to 60%.

The largest item of non-current assets, accounting for 33% of total non-current assets, was goodwill. The second largest item of non-current assets was property, plant and equipment, which accounted for 27% of total non-current assets.

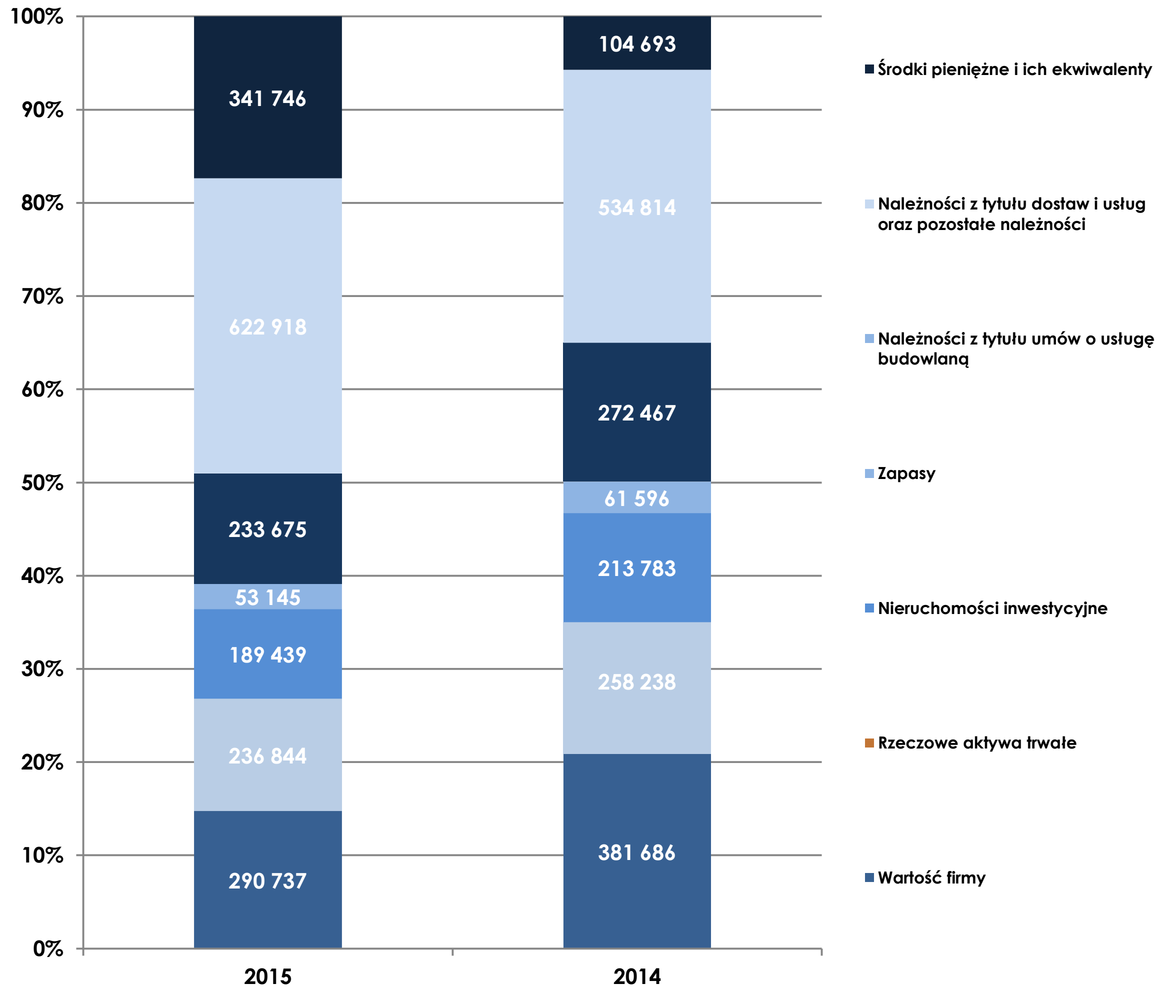
During the period under review, the structure of current assets also changed to some extent. Trade and other receivables had the largest share in current assets in 2015, accounting for 47% of total current assets. The second largest item of current assets was cash and cash equivalents, which represented 26% of total current assets. The third largest item of current assets were amounts due from customers for construction contract work, representing 18% of current assets.

Figure 28: Assets (PLN '000)



AKTYWA TRWAŁE	NON-CURRENT ASSETS
AKTYWA OBROTOWE	CURRENT ASSETS

Figure 29: Largest items of assets (PLN '000)



Środki pieniężne I ich ekwiwalenty	Cash and cash equivalents
Należności z tytułu dostaw i usług oraz pozostałe należności	Trade and other receivables
Należności z tytułu umów o usługę budowlaną	Amounts due from customers for construction contract work
Zapasy	Inventories
Nieruchomości inwestycyjne	Investment property
Rzeczowe aktywa trwałe	Property, plant and equipment
Wartość firmy	Goodwill

Table 35: Asset ratios (%)

NAME	FORMULA	2015	2014
Basic asset structure ratio	(non-current assets / current assets)*100%	66.9	96.1
Non-current assets to total assets	(non-current assets / total assets)*100	40.1	49.0
Current assets to total assets	(current assets / total assets)*100	59.9	51.0
Inventories to current assets	(inventories / current assets)*100	4.0	5.5
Current receivables to current assets	(current receivables / current assets)*100	65.2	72.3

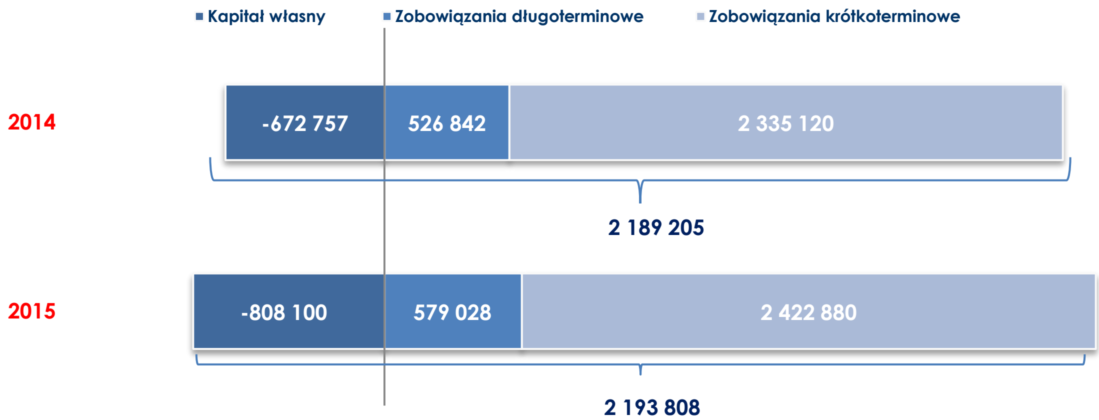
The basic asset structure ratio is discussed in detail in Section VI.I.6.

There were considerable changes in the value of particular items of assets and in the structure of total assets. In 2015, non-current assets fell 18% year on year. An increase was seen in current assets, which rose by 18%. As at the end of 2015, the share of non-current assets in total assets was 9% down on 2014. At the same time, the share of current assets in PBG's total assets amounted to almost 60%.

2. Equity and liabilities

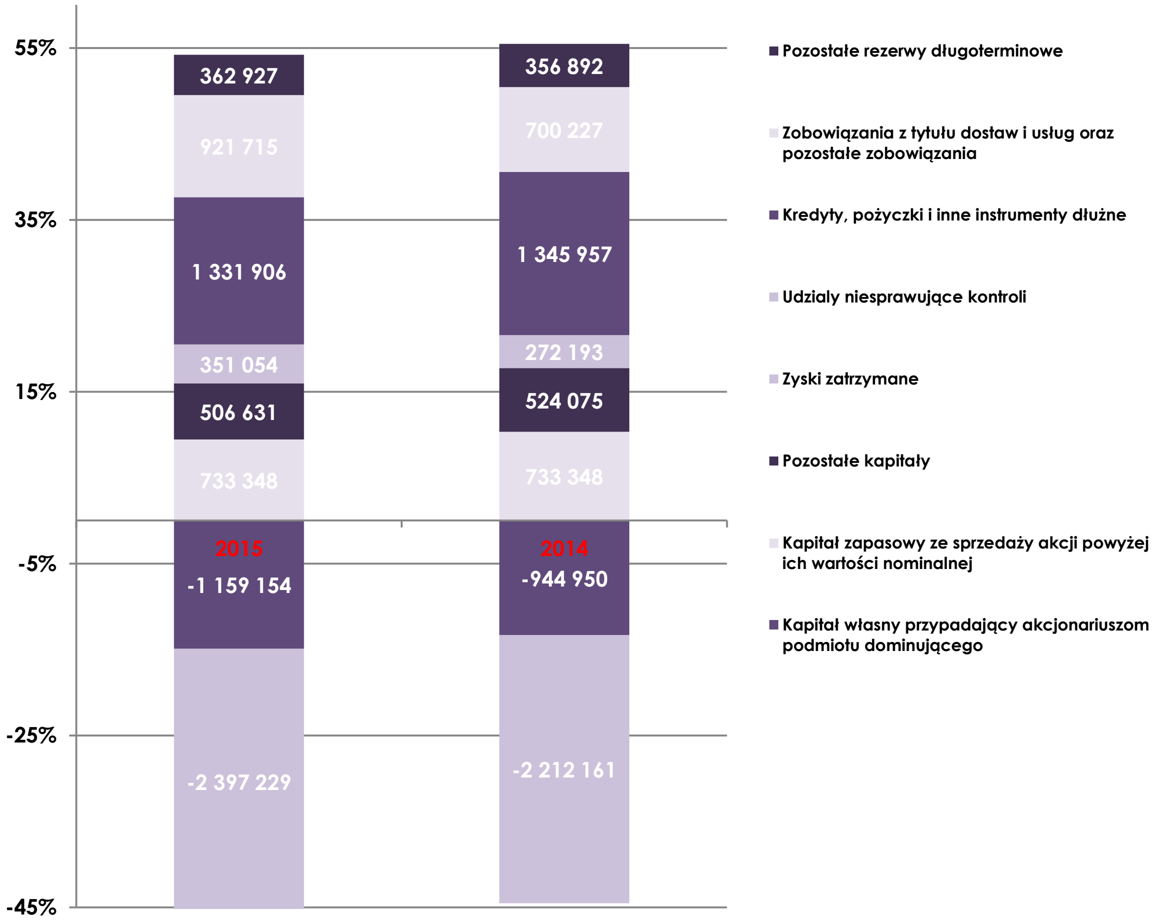
In the period under review, the structure of asset financing at the Group did not change significantly. In 2015 and in 2014, equity was negative. The share of non-current liabilities in total equity and liabilities rose 10% year on year, to PLN 579m. The share of current liabilities in the balance-sheet total rose, too. As at the end of 2015, current liabilities stood at PLN 2.42bn, compared with PLN 2.34bn a year earlier, which translates into a 4% increase. In non-current liabilities, other provisions of PLN 363m represented the largest item. The largest item of current liabilities were borrowings and other debt instruments, which amounted to PLN 1.33bn.

Figure 30: Equity and liabilities (PLN '000)



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

Figure 31: Largest items of equity and liabilities (PLN '000)



Pozostałe rezerwy długoterminowe	**Other non-current provisions**
Zobowiązania z tytułu dostaw i usług oraz pozostałe zobowiązania	**Trade and other payables**
Kredyty, pożyczki i inne instrumenty dłużne	**Borrowings, other debt instruments**
Udziały niesprawujące kontroli	**Non-controlling interests**
Zyski zatrzymane	**Retained earnings**
Pozostałe kapitały	**Other components of equity**
Kapitał zapasowy ze sprzedaży akcji powyżej ich wartości nominalnej	**Share premium**
Kapitał własny przypadający akcjonariuszom podmiotu dominującego	**Equity attributable to owners of the Parent**

IV. STATEMENT OF CASH FLOWS

Table 36: Cash flows (PLN '000)

	2015	2014
Net cash from operating activities	+152,778	+27,111
Net cash from investing activities	-2,477	+44,095
Net cash from financing activities	+60,052	-113,816
Net cash at the end of the period	+341,746	+131,742

In 2015, cash flows from operating activities generated by the PBG Group were positive at PLN 152.8m. During the period under review, net cash from investing activities was negative at PLN -2.5m. Net cash from financing activities in H1 2015 was positive at PLN +60m.
In the reporting period, the Group contracted borrowings for a total of PLN 12.9m, and repaid borrowings of PLN 4.5m and interest charged by banks of PLN 6.4m. As at the end of the period, the PBG Group's cash stood at PLN 341.8m, including restricted cash of PLN 123.1m (of which PLN 120m in joint escrow accounts and PLN 2.1m in grants for specific purposes, in particular R&D projects).

Table 37: Cash flow profile

	2015	2014
Net cash from operating activities	+	+
Net cash from investing activities	-	+
Net cash from financing activities	+	-
Net cash at the end of the period	+	+

V. NET DEBT

Table 38: Data used by the PBG Group to compute net debt (PLN '000)

	2015	2014	Y-o-y change (%)
Non-current bank and other borrowings	49,186	54,959	-11
Current bank and other borrowings	493,135	507,185	-3
Finance lease liabilities	13,692	15,550	-12
Bonds	838,772	838,772	-
Net cash	341,746	131,742	+159
Net debt	**1,053,039**	**1,284,724**	**-,18**

As at December 31st 2015, net debt was PLN 1.05bn, down 18% on the end of 2014. This amount comprises interest-bearing debt, including PLN 49.2m in non-current borrowings, PLN 493.1m current borrowings, PLN 13.7m in current and non-current finance lease liabilities, and PLN 838.8m in bonds, including 13.8m of interest (issued by the Company in two tranches: PLN 375m in 2009 and PLN 450m in 2010). Net cash of PLN 342m as at the end of 2015 was deducted from these amounts.

VI. INVESTMENTS

1. Equity investments

In 2015, the PBG Group did not make any significant equity investments.

2. Expenditure on property, plant and equipment

In 2015, the Group invested mainly in the enhancement of its plant, workshops and warehouses. A part of the funds was invested in the modernisation and extension of the existing office buildings. The investments totalled approximately PLN 27m.

3. Feasibility of the Group's investment plans

Given the current difficult financial position of the PBG Group and its Parent, no significant investments are planned. Expenditure may, however, be incurred on property, plant and equipment required for the execution of contracts and in connection with R&D activities.

In connection with the implementation of the arrangement and the need to raise funds for its implementation, the Parent intends to sell non-core assets.

VII. FINANCIAL OUTLOOK

Currently, the Parent of the PBG Group is waiting for the decision sanctioning the arrangement to become final. This is the last formal step in the bankruptcy proceedings. Notwithstanding the arrangement procedures, PBG has also been taking steps to stabilise the PBG Group companies' operations.

VIII. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

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

IX. OFF-BALANCE-SHEET RECEIVABLES AND LIABILITIES

In this Report as at December 31st 2015, the PBG Group disclosed contingent liabilities recognised as off-balance-sheet items of PLN **3,074,576** thousand. The contingent liabilities pertain to liabilities under sureties issued for credit facilities and trade payables, sureties issued to third parties by PBG Group companies, as well as liabilities under guarantees issued at the request of PBG Group companies to third parties and liabilities under promissory notes.

The PBG Group's total contingent liabilities include **PLN 1,664,380** thousand of the Parent's liabilities under joint and several liability for third parties, and liability arising in connection with sureties and guarantees issued by the Parent for other parties.

The Parent has acknowledged the liabilities and once the court's decision approving the arrangement becomes final the liabilities will be paid by the Parent in compliance with the arrangement. As at December 31st 2012, the Parent estimated and recognised a provision for contingent liabilities which may result in a future outflow of cash. As at December 31st 2015, the provision was PLN 337,282 thousand.

The value of contingent liabilities disclosed by the PBG Group as at December 31st 2015 net of the provision was **PLN 2,737,294 thousand**.

In the 12 months of 2015, the PBG Group recorded a PLN 43,545 thousand increase in contingent liabilities, including a PLN 43,804 thousand decrease in liabilities under guarantees issued, a PLN 76,534 thousand increase in liabilities under sureties issued, a PLN 4,117 thousand increase in liabilities under promissory notes issued and a PLN 6,698 thousand increase in guarantee claims paid.

As at December 31st 2015, the PBG Group disclosed contingent receivables recognised as off-balance-sheet items of **PLN 650,999 thousand**. The contingent receivables are related mainly to performance bonds of PLN 608,771 thousand and promissory notes of PLN 34,628 thousand. Another item of contingent receivables are sureties received of PLN 7,600 thousand.

In the 12 months of 2015, the PBG Group recorded an increase in contingent receivables, mainly comprising amounts received as security for performance of contracts (PLN 56,827 thousand), including a PLN 72,406 thousand increase in receivables under guarantees received, a PLN 3,601 thousand increase in receivables under promissory notes received and a PLN 19,180 thousand decrease in contingent receivables under letters of credit received.

X. GOING CONCERN ASSUMPTION

The Company's current financial position puts in question its ability to continue as a going concern due to the ongoing arrangement bankruptcy proceedings. However, the financial statements were prepared on the assumption that the Parent would continue as a going concern in the foreseeable future, i.e. for at least 12 consecutive months from the date of preparation of this Report. This assumption was made due to the Company's ongoing arrangement bankruptcy proceedings and the

Management Board's efforts which led to the execution of arrangement with the creditors following a vote during the Meeting of Creditors on August 3rd–August 5th 2015. As two creditors have filed complaints against the Bankruptcy Court's decision approving the arrangement, PBG is awaiting a review of the complaints by the Regional Court. This is the last formal stage of the Company's arrangement proceedings, which have continued for nearly four years. The outcome favourable to PBG, that is dismissal of the creditors' complaints against the court's decision, would enable the Company to continue its operations.

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

Below, the Company's Management Board presents the circumstances suggesting that the Company's ability to continue as a going concern may be at risk, as well as the steps taken to mitigate the risk.

On June 4th 2012, the Company's Management Board made a decision to file an arrangement bankruptcy petition (grounds for the decision were presented in the Company's full-year report for 2012). On June 13th 2012, the District Court for Poznań–Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division (the Bankruptcy Court), declared the Company insolvent, in voluntary arrangement. The Court's decision became final on June 22nd 2012. Overall, 12 companies of the PBG Group filed arrangement bankruptcy petitions. The decision to make their filings almost simultaneously was prompted by the fact that the companies had provided cross-guarantees to secure the repayment of bank loans and trade creditors, and (in some cases) assumed joint and several liability under consortium-delivered contracts. In the vast majority of cases, the current status of the proceedings involves liquidation of their assets.

The voluntary arrangement procedure ensures proper satisfaction of the creditors' claims following approval and implementation of the arrangement. Since 2012, the Company's Management Board has been actively involved in negotiations with the creditors. During this time, the Creditors involved in financing the Company's or other Group companies' operations and representing the largest group of Creditors have been presented with a plan of the operational and asset restructuring of the Company. The plan has been prepared by the Company and its financial adviser PwC Polska Sp. z o.o. On November 3rd 2014, the Management Board and its legal adviser Weil, Gotshal&Manges, Paweł Rymarz Sp. k. completed the preparation of the Arrangement Proposals. On the same day, the Company filed the Arrangement Proposals along with grounds therefor with the Bankruptcy Court (Current Report No. 23/2014). Then, on April 28th 2015, the Company's Management Board finalised negotiations with the legal advisers to certain Financial Creditors on updating the Arrangement Proposals of November 3rd 2014. As a consequence, the Company's Arrangement Proposals of April 28th 2015 (Current Arrangement Proposals) were filed with the Bankruptcy Court on April 29th 2015 (Current Report No. 13/2015). In accordance with the Current Arrangement Proposals, the Company's creditors are divided into seven groups, depending on the category of interest they represent and the type and amount of their claims. The creditors were divided into categories of interest in accordance with the Bankruptcy and Restructuring Law. The full text of the Current Arrangement Proposals is available on the Company's website at www.pbg-sa.pl in the 'Restructuring' section.

Concurrently with the restructuring process and negotiations concerning the terms of the Company's debt repayment, steps were taken to prepare a list of claims as part of the pending arrangement bankruptcy proceedings. On June 12th 2013, the Company was notified that a list of claims had been delivered by the Court Supervisor to the Judge Commissioner. The total amount of the acknowledged claims specified in the list of claims was PLN 2,776,254 thousand. On July 4th 2013, the Judge announced that the drafting of the list of claims had been completed. By April 28th 2015, the Judge Commissioner had announced preparation of four supplementary lists of claims, recognised and listed by the Court Supervisor, with a total value of PLN 489.15m as at the date of preparation. On December 9th 2014, the Judge approved: the list of claims, the first supplementary list of claims, the second supplementary list of claims, and the third supplementary list of claims (Current Report No. 28/2014). On July 8th 2015, the Judge approved the fourth supplementary list of claims.

Following approval of the list of claims and the supplementary lists, on February 19th 2015, the Judge set the date of a Meeting of PBG Creditors (Current Report No. 4/2015). In accordance with the Judge's decision, the Meeting was called for April 27th, 28th and 29th 2015. Considering the status of negotiations between the Company and its Financial Creditors, who are its major creditors and hold more than two-thirds of all claims against the Company covered by the arrangement, on April 13th 2015 the Company filed a motion to change the date of the Meeting of Creditors, as reported in Current Report No. 7/2015. Having examined the Company's motion, on April 15th 2015, the Judge Commissioner revoked the initial date of voting (Current Report No. 8/2015). The Judge Commissioner further required that the Company file updated Arrangement Proposals. The Company complied with the requirement and on April 29th 2015 filed Current Arrangement Proposals of April 28th 2015 (Current Report No. 13/2015).

On May 14th 2015, the Judge Commissioner called the Meeting of Creditors for August 3rd, August 4th and August 5th 2015 (Current Report No. 14/2015). The Meeting of the Company's Creditors was held on those dates. On the first day of the Meeting of Creditors (August 3rd 2015), the Judge Commissioner adjourned the Meeting until 10.00 am on August 25th 2015.The Judge's decision was related to the adoption of written ballot as an admissible form of voting (Current Report No. 27/2015). During the Meeting of Creditors on August 5th 2015, the Judge Commissioner presented a preliminary summary of voting results in each group of Creditors. The information provided by the Judge Commissioner suggested that in Group 1, Group 2, Group 4 and Group 5, the majority of Creditors had voted in favour of the arrangement (separately in each of the groups and also considering the total number of creditors in all groups), holding the required majority of two-thirds (2/3) of the total amount of claims, both in each group and considering the total amount of claims, as reported by the Company in Current Report No. 32/2015. On August 25th 2015, the Judge Commissioner confirmed the execution of an arrangement between the Company and its Creditors consistent with the Company's Current Arrangement Proposals of April 28th 2015 (Current Report No. 34/2015). The Judge Commissioner stated that out of the 356 Creditors entitled to vote, whose claims totalled PLN 2,668,353 thousand, the majority, i.e. creditors representing PLN 2,524,531 thousand (94.61%) of the total claims conferring voting rights, voted in favour of the Arrangement. On October 8th 2015, the Bankruptcy Court sanctioned the Arrangement (Current Report No. 46/2015). Two of the Company's Creditors appealed the decision on December 23rd and 28th 2015. Both appeal motions were found to have formal defects, which the two Creditors were asked to remedy. Following removal of the defects, the complaints will be examined by the court of second instance, which will be the last stage of the arrangement bankruptcy proceedings. If the complaints are dismissed by the court of second instance, the Bankruptcy Court's decision of October 8th 2015 approving the Arrangement will become final. However, it the complaints are found to be valid, there is a risk that the Arrangement's sanction will be denied, resulting in the arrangement bankruptcy proceedings being converted into liquidation bankruptcy proceedings.

On July 31st and August 1st 2015, the Company and certain Arrangement Creditors holding Group 5 and Group 6 claims executed agreements setting out the terms of restructuring of the Company's liabilities. The executed documents include in particular two key agreements, i.e. the Restructuring Agreement and the Issue and Agency Agreement. Additionally, the Company executed a number of related documents. The documents comprehensively define the terms of restructuring which had been negotiated by the Company and its largest Creditors since September 2013. Detailed information on the agreements executed on July 31st and August 1st 2015 was presented by the Company in Current Report No. 26/2015. The Company also reported on new Creditors acceding to the Restructuring Agreement.

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

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

•restructuring of Company's non-core non-current assets, the sale of which will constitute one of the sources of payments to be made under the Arrangement;

•divestment of the PBG Group's property development and other projects;

•ability to bid for profitable contracts in the power construction sector, based on cooperation with RAFAKO S.A., PBG's subsidiary;

•winning new contracts in the oil and gas sector, PBG's strategic segment.

CONTACT DETAILS

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SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS March 21st 2016

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