



**DIRECTORS' REPORT ON THE OPERATIONS OF THE PBG GROUP**

**for the period January 1st–June 30th 2015**

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## SECTION I: THE GOVERNING BODIES

### I. COMPOSITION OF AND CHANGES IN THE SUPERVISORY AND MANAGEMENT BOARDS IN H1 2015

#### 1. Composition of the Supervisory Board

Composition of the Supervisory Board in the period **January 1st–June 30th 2015**:

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

The persons listed above were appointed to the Supervisory Board for an annual term of office by the Annual General Meeting on June 21st 2013. Then, on April 24th 2015, the Annual General Meeting appointed the same five persons to the Supervisory Board.

Composition of the Supervisory Board in the reporting period and at present:

<b>Full name</b>	<b>Maciej Bednarkiewicz</b>
<b>Position</b>	<b>Chairman of the Supervisory Board, Independent Member of the Board; Mr Bednarkiewicz does not conduct any activity competitive to the business of PBG S.A.</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ University of Warsaw – Faculty of Law</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Member of Polish Parliament, 1989–1991</li> <li>➤ Judge of the State Tribunal of the Republic of Poland</li> <li>➤ President of the Central Board of Lawyers (Naczelna Rada Adwokacka)</li> <li>➤ General Partner in Kancelaria Prawna Maciej Bednarkiewicz, Andrzej Wilczyński i Wspólnicy Sp. Komandytowa</li> <li>➤ Member of the Supervisory Board of BIG Bank S.A.</li> <li>➤ Chairman of the Supervisory Board of Millenium Bank S.A.</li> <li>➤ Member of the Supervisory Board of PZU S.A.</li> <li>➤ Member of the Supervisory Board of Techmex S.A.</li> <li>➤ Current Chairman of the PBG Supervisory Board</li> </ul>

<b>Full name</b>	<b>Małgorzata Wiśniewska</b>
<b>Position</b>	<b>Deputy Chairwoman of the Supervisory Board</b> <i>Non-independent Member of the Board; Ms Wiśniewska does not conduct any activity competitive to the business of PBG S.A.</i>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Graduate of the Poznań University of Technology – Faculty of Civil Engineering</li> <li>➤ MBA – Rotterdam School of Management</li> <li>➤ Canadian International Management Institute – management programme</li> <li>➤ Postgraduate programme in Management and Public Relations at the Faculty of Finance and Banking at the Poznań School of Banking.</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Assistant Designer at Przedsiębiorstwo Uprzemysłowane Budownictwa Rolniczego of Poznań</li> <li>➤ At PBG S.A.: Quality System Director, Public Relations Director, Member of the Management Board and Vice-President of the Management Board.</li> <li>➤ President of the Management Board of INFRA S.A.</li> <li>➤ Chair of the Supervisory Board of Hydrobudowa Polska S.A.</li> <li>➤ Deputy Chair of the Supervisory Board of Hydrobudowa 9 S.A.</li> <li>➤ Chair of the Supervisory Board of PBG Dom Sp. z o.o.</li> <li>➤ Chair of the Supervisory Board of APRIVIA S.A.</li> <li>➤ Member of the Supervisory Board of GasOil Engineering AS</li> <li>➤ Member of the PBG Supervisory Board in the period November 21st 2006–August 31st 2008 and since April 21st 2010, currently Deputy Chairwoman of the PBG Supervisory Board</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Member of the Supervisory Board of RAFAKO S.A.</li> <li>➤ Deputy Chairwoman of the Supervisory Board of PBG Oil and Gas Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of Energotechnika Engineering Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of RAFAKO Engineering Sp. z o.o.</li> </ul>
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<b>Full name</b>	<b>Dariusz Sarnowski</b>
<b>Position</b>	<b>Member of the Supervisory Board</b> <i>Independent Member of the Board; Mr Bednarkiewicz does not conduct any activity competitive to the business of PBG S.A.</i>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Economics – Accounting</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Certified Chartered Auditor</li> <li>➤ Consulting Department Assistant, Audit Department Assistant at W. Frąckowiak i Partnerzy Sp. z o.o.</li> <li>➤ BZ WBK S.A. – inspector in the consultancy division of the Capital Markets Department</li> <li>➤ Manager at Trade Institute – Reemtsma Polska S.A.</li> <li>➤ Audit Department Assistant at BDO Polska Sp. z o.o.</li> <li>➤ Audit Department Assistant at HLB Frąckowiak i Wspólnicy Sp. z o.o.</li> <li>➤ Shareholder in HLB Sarnowski &amp; Wiśniewski Sp. z o.o. (currently SWGK)</li> <li>➤ Vice-President of the Management Board of Usługi Audytorskie DGA Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of Mostostal Poznań S.A.</li> <li>➤ Member of the Supervisory Board of Browary Polskie BROK-STRZELEC S.A.</li> <li>➤ Member of the Supervisory Board of NZOZ Szpital w Puszczykowie Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of Swarzędz S.A.</li> <li>➤ Member of the Management Board of Dmp Inwestycje Sp. z o. o.</li> <li>➤ President of the Management Board of Salus-Med.Sp. z o.o.</li> <li>➤ President of the Management Board of Ecdf Księgowość Sp. z o.o.</li> <li>➤ Member of the PBG Supervisory Board since 2005</li> <li>➤ Member of the Supervisory Board of RAFAKO S.A.</li> </ul>

<b>Full name</b>	<b>Przemysław Szkudlarczyk</b>
<b>Position</b>	<b>Member of the Supervisory Board</b> <i>Non-independent Member of the Board; Mr Szkudlarczyk does not conduct any activity competitive to the business of PBG.</i>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Technology – Faculty of Machines and Motor Vehicles</li> <li>➤ Warsaw University of Technology – Gas Engineering</li> <li>➤ MBA – Rotterdam School of Management</li> <li>➤ Canadian International Management Institute – management programme</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ PGNiG S.A. – technical assistant (natural gas transmission)</li> <li>➤ Technologie Gazowe Piecobiogaz – Development Manager, member of the Management Board</li> <li>➤ KRI S.A. – President of the Management Board</li> <li>➤ Hydrobudowa Śląsk S.A. – Commercial Proxy</li> <li>➤ Chairman of the Supervisory Board of Strateg Capital Sp. z o.o. (currently in liquidation bankruptcy)</li> <li>➤ Vice-President of the Management Board, currently member of the Supervisory Board of PBG S.A.</li> <li>➤ Chairman of the Supervisory Board of PBG oil and gas Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of PBG Dom Sp. z o.o.]</li> <li>➤ Member of the Supervisory Board of PBG Erigo Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of City Development Sp. z o.o.</li> </ul>

<b>Full name</b>	<b>Stefan Gradowski</b>
<b>Position</b>	<b>Secretary of the Supervisory Board</b> <i>Independent Member of the Board; Mr Słowik does not conduct any activity competitive to the business of PBG S.A.</i>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Warsaw School of Economics</li> <li>➤ Various postgraduate programmes in organisation, management and finance at universities in Poland and abroad (University of London, University of Dublin).</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Adviser to the President of the Management Board of Bank BZ WBK</li> <li>➤ MACOPHARMA Polska – Member of the Management Board and Supervisory</li> </ul>

	<p>Board</p> <ul style="list-style-type: none"> <li>➤ LOOK Investment – Member of the Management Board and Supervisory Board</li> <li>➤ G.C. Consulting Sp. z o.o. – co-owner</li> <li>➤ Alterco S.A. – Member of the Supervisory Board</li> <li>➤ Trigon S.A. – Member of the Supervisory Board</li> <li>➤ Member of the PBG Supervisory Board</li> </ul>
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As at June 30th 2015 and as at the date of approval of this report for issue, the Supervisory Board consisted of:

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

## 2. Composition of the Management Board

Composition of the Management Board in the period January 1st–June 30th 2015:

- 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.

<b>Full name</b>	<b>Jerzy Wiśniewski</b>
<b>Position</b>	<b>President of the Management Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Technology – Faculty of Civil Engineering</li> <li>➤ MBA – Rotterdam School of Management</li> <li>➤ Canadian International Management Institute – management programme</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ PGNiG S.A. – manager in charge of gas transmission system operation</li> <li>➤ PBG S.A. – founder, main shareholder, President of the Management Board, and Chairman of the Supervisory Board in 2012–2014, President of the Management Board since April 2014</li> <li>➤ Member of the Supervisory Board of PBG Dom Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of PBG Erigo Sp. z o.o.</li> <li>➤ Deputy Chairman and Chairman of the Supervisory Board of RAFAKO S.A.</li> <li>➤ Chairman of the Supervisory Board and since April 2014 President of the Management Board of PBG oil and gas Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of E003B7 Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of E001RK Sp. z o.o.</li> <li>➤ Commercial Proxy of Stand4them Promotions Sp. z o.o.</li> </ul>
<b>Field of expertise</b>	➤ <b>Gas industry</b>
<b>Areas of responsibility at the PBG Group</b>	<b>Strategy and development, restructuring</b>

<b>Full name</b>	<b>Mariusz Łożyński</b>
<b>Position</b>	<b>Vice-President of the Management Board</b>
<b>Qualifications</b>	➤ Poznań University of Technology – Faculty of Civil Engineering
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ BORM Biuro Projektów – senior assistant</li> <li>➤ GEOBUD Poznań – senior assistant designer</li> <li>➤ Concret – Service Poznań – office manager</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Kulczyk TRADEX – project specialist</li> <li>➤ PTC Poznań – specialist in charge of project planning/designing</li> <li>➤ 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</li> <li>➤ Member of the Supervisory Board of Przedsiębiorstwo Gospodarki Lokalami Dom Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of Poner Sp. z o.o.</li> </ul>
<b>Areas of responsibility at the PBG Group</b>	<b>Support of Group's legacy contracts, organisational support</b>

<b>Full name</b>	<b>Kinga Banaszak-Filipiak</b>
<b>Position</b>	<b>Vice-President of the Management Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań School of Banking (Wyższa Szkoła Bankowa w Poznaniu), Finance and Banking, International Finance</li> <li>➤ Poznań University of Economics (Uniwersytet Ekonomiczny w Poznaniu), Faculty of Management, International Relations</li> <li>➤ Poznań School of Banking, postgraduate studies in Controlling</li> <li>➤ Executive MBA programme of the Poznań School of Banking and the Helsinki School of Economics (currently Aalto University School of Economics).</li> <li>➤ Poznań School of Banking, postgraduate studies in Equity Investments</li> <li>➤ post-graduate programme in Bankruptcy and Restructuring Law at the Adam Mickiewicz University of Poznań;</li> <li>➤ licensed insurance agent</li> <li>➤ certificate of LCCI (London Chamber of Commerce and Industry)</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ 1999 – PTE Norwich Union S.A. of Warsaw, junior sales representative</li> <li>➤ 1999 – PTE Norwich Union S.A. of Warsaw, sales representative</li> <li>➤ 2000 – Office of the Committee for European Integration (UKIE), Warsaw, internship at the Law Harmonisation Department</li> <li>➤ 2004 – Group 4 Sp. z o.o. of Warsaw, Poznań Branch, assistant to the Western Region Director</li> <li>➤ 2004–2005 – Rybhand Trzcielińscy spółka jawna of Jarocin, assistant</li> <li>➤ 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</li> <li>➤ Member of the Supervisory Board of TESGAS S.A.</li> <li>➤ Vice-President of the Management Board, Member of the Supervisory Board of PBG Oil and Gas Sp. z o.o. in 2013–2014</li> <li>➤ Member of the Management Board of FCS Business Solutions Sp. z o.o.</li> </ul>
<b>Areas of responsibility at the PBG Group</b>	<b>Economics and finance, investors relations, restructuring</b>

<b>Full name</b>	<b>Bożena Ciosk</b>
<b>Position</b>	<b>Member of the Management Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań Academy of Economics (now Poznań University of Economics), Finance and Banking</li> <li>➤ Poznań School of Banking, postgraduate studies in Controlling</li> <li>➤ Advisory and Management Training Centre – Project Management</li> <li>➤ Post-graduate programme in Bankruptcy and Restructuring Law at the Adam Mickiewicz University of Poznań</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Elektrim-Megadex S.A. of Warsaw, assistant to the Management Board</li> <li>➤ PBG S.A., holding successively the following positions: Clerk, Deputy Financial Manager, Deputy Chief Financial Officer, Chief Financial Officer</li> <li>➤ Remaxbud Sp. z o.o. – Member of the Supervisory Board</li> <li>➤ TEGAS S.A. – Member of the Supervisory Board</li> <li>➤ KWG S.A. (currently in liquidation bankruptcy) – Member of the Supervisory Board</li> <li>➤ Member of the Management Board of FCS Business Solutions Sp. z o.o.</li> </ul>
<b>Areas of responsibility at the PBG Group</b>	<b>Relations with financial institutions, debt restructuring</b>

The term of office of the Management Board presented above commenced on June 29th 2012 and expired on June 29th 2015; the mandates of the Management Board members expire on the date of approval of the 2015 financial statements.

No changes in the composition of the Management Board occurred during the reporting period.

As at June 30th 2015 and as at the date of approval of this report for issue, the PBG Management Board consisted of:

- Mr Jerzy Wiśniewski – President of the Management Board;
- Mr Mariusz Łożyński – Vice-President of the Management Board;
- Ms Kinga Banaszak-Filipiak – Vice-President of the Management Board;
- Ms Bożena Ciosk – member of the Management Board.

### 3. Planned changes in the composition of the Management or Supervisory Boards

Pursuant to Resolution No. 3 of the Company's Extraordinary General Meeting held on July 31st 2015, after the decision approving the Arrangement with Creditors becomes final, the Articles of Association will be amended where they pertain to the rules of appointment of members to the Management and Supervisory Boards, with the powers to appoint distributed among the Main Shareholder, Creditors, and General Meeting:

- 1) Upon registration of the Articles of Association amended as per Resolution No. 3/2015 of the Extraordinary General Meeting of July 31st 2015 (the "Registration Date"), the mandates of existing Supervisory Board members will expire, and the current term of office will be shortened.
- 2) The Supervisory Board appointed for the new term of office will consist of seven members.
- 3) The first Supervisory Board members serving after the Registration Date will be appointed for the new three-year term of office in the following manner:
  - a. 2 (two) Supervisory Board members will be appointed by the Entitled Founder (Jerzy Wiśniewski), who will also designate one of them as the Chairman;
  - b. other members of the Supervisory Board will be appointed by the Security Agent acting on behalf of Financial Creditors (within the meaning of the Restructuring Agreement) (the "**Agent**", i.e. Bank Pekao S.A.).



- 4) The right to appoint Supervisory Board members referred to in item 2 above will be exercised by delivery to the Company of a written statement on appointment of Supervisory Board members within 3 (three) days of the Registration Date.
- 5) If the Agent does not appoint Supervisory Board members in the manner referred to in item 3 above and within the time limit set in item 4 above, the right to appoint those Supervisory Board members will be transferred to the Entitled Founder.
- 6) If the Entitled Founder does not appoint Supervisory Board members in the manner referred to in item 3 above and within the time limit set in item 4 above, the right to appoint those Supervisory Board members will be transferred to the Agent.
- 7) 5 (five) days after the Registration Date, the mandates of existing Management Board members will expire, and their term of office will be shortened.
- 8) The Management Board appointed for the new term of office will consist of four members.
- 9) The first President of the Management Board and the first Management Board members serving after the Registration Date will be appointed for the new, three-year term of office by the Entitled Founder.
- 10) The right to appoint Management Board members referred to in item 9 will be exercised by delivery to the Company of a written statement on appointment of Management Board members.
- 11) Subsequent Supervisory and Management Board members will be appointed and removed in line with Art. 29, Art. 30 and Art. 37 of the Articles of Association. The Entitled Founder will not have the right to remove members of the Supervisory Board appointed by the Agent or by the General Meeting.

The amendments to the Articles of Association are described in detail in Current Report No. 24/2015 of July 31st 2015.

## II. COMPANY SHARES OR RIGHTS TO THE COMPANY SHARES (OPTIONS) HELD BY PBG SUPERVISING OR MANAGING PERSONNEL

**Table 1: Company shares or rights to the Company shares (options) held by PBG supervising personnel as at June 30th 2015**

Supervisory staff	Number of shares	
	As at Jun 30 2015	As at the date of this Report
Małgorzata Wiśniewska	3,279	3,279
Przemysław Szkudlarczyk	2,390	2,390

**Table 2: Company shares or rights to Company shares (options) held by PBG management staff as at June 30th 2015**

Management staff	Number of shares	
	As at Jun 30 2015	As at the date of this Report
Jerzy Wiśniewski	3,881,224	3,881,224
Mariusz Łożyński	3,553	3,553
Bożena Ciosk	208	208

### III. REMUNERATION, BONUSES AND BENEFITS PAID TO THE SUPERVISORY BOARD AND MANAGEMENT BOARD MEMBERS

#### 1. Remuneration of 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 respective scope of duties and responsibilities of particular Supervisory Board members.

**Table 3: Remuneration of Supervisory Board members for holding office at the Parent (PLN '000)**

Remuneration (PLN '000)	Jun 1–Jun 30 2015			Jun 1–Jun 30 2014		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Maciej Bednarkiewicz	60	-	60	52	-	52
Małgorzata Wiśniewska	48	-	48	37	-	37
Dariusz Sarnowski	18	-	18	18	-	18
Przemysław Szkudlarczyk	18	-	18	18	-	18
Andrzej Stefan Gradowski	30	-	30	22	-	22
<b>TOTAL</b>	<b>174</b>	<b>-</b>	<b>174</b>	<b>147</b>	<b>-</b>	<b>147</b>

**Table 4: Remuneration of Supervisory Board members for holding office at subsidiaries, jointly-controlled entities or associates (PLN '000)**

Remuneration (PLN'000)	Jun 1–Jun 30 2015			Jun 1–Jun 30 2014		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Maciej Bednarkiewicz	-	-	-	-	-	-
Małgorzata Wiśniewska	294	9	303	294	-	294
Dariusz Sarnowski	114	120	234	54	-	54
Przemysław Szkudlarczyk	360	-	360	200	-	200
Andrzej Stefan Gradowski	-	-	-	-	-	-
<b>TOTAL</b>	<b>768</b>	<b>129</b>	<b>897</b>	<b>548</b>	<b>-</b>	<b>548</b>

#### 2. Remuneration of Management Board Members

The Management Board members are appointed by the Supervisory Board by way of a resolution. 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 of individual Management Board members.

**Table 5: Remuneration of Management Board members for holding office at the Parent (PLN '000)**

Remuneration of Management Board members (PLN '000)	Jun 1–Jun 30 2015			Jun 1–Jun 30 2014		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits*	Total
Jerzy Wiśniewski	375	-	375	140	-	140
Mariusz Łożyński	180	-	180	180	-	180
Kinga Banaszak-Filipiak	192	-	192	192	-	192
Bożena Ciosk	150	-	150	150	-	150
<b>TOTAL</b>	<b>897</b>	<b>-</b>	<b>897</b>	<b>662</b>	<b>-</b>	<b>662</b>

**Table 6: Remuneration of Management Board members for holding office at subsidiaries, jointly-controlled entities or associates (PLN '000)**

Remuneration of Management Board members (PLN '000)	Jun 1–Jun 30 2015			Jun 1–Jun 30 2014		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	1,068	300	1,368	666	189	855
Mariusz Łożyński	25	-	25	24	-	24
Kinga Banaszak-Filipiak	-	-	-	-	-	-
Bożena Ciosk	-	-	-	-	-	-
<b>TOTAL</b>	<b>1 093</b>	<b>300</b>	<b>1 393</b>	<b>690</b>	<b>189</b>	<b>879</b>

## SECTION II: REPORT ON RISKS AND FINANCIAL RISK MANAGEMENT

### I. RISKS AND THREATS

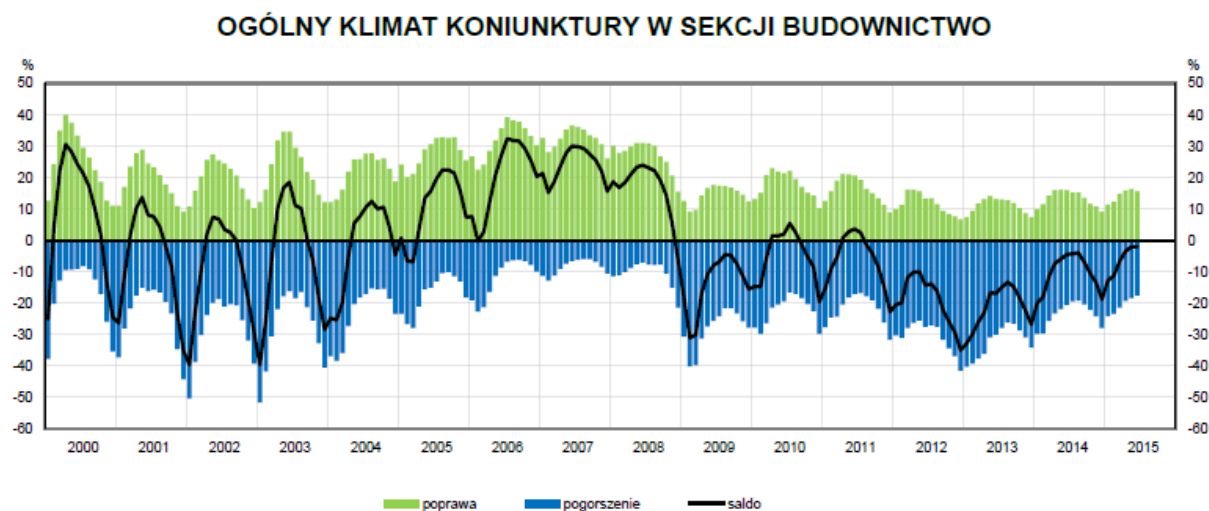
#### EXTERNAL RISKS AND THREATS

##### 1. Economic environment in Poland

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

As shown by the data compiled by Poland's Central Statistics Office (GUS), in H1 2015 Poland's economy grew at a moderate but steady pace. Compared with other EU countries, the Polish economy enjoys a high growth rate. Since the onset of the economic crisis in 2008, Poland has been considered the growth leader in the region. Experts forecast that the GDP growth rate will remain unchanged or grow slightly in the second half of the year.

**Figure 1: General economic climate in the construction sector**



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

Source: [www.stat.gov.pl](http://www.stat.gov.pl).

Figure 2: Annual and quarterly macroeconomic forecasts of IBnGR

		2014		2015				2014	2015	2016
		III	IV	I	II	III	IV			
GDP	% y/y	3.3	3.3	3.6	3.7	3.7	3.9	3.4	3.7	3.8
GDP	% q/q	0.9	0.8	1.0	1.0	1.1	1.2	x	x	x
Added value										
in industry	% y/y	3.8	4.0	4.6	4.3	5.2	5.4	4.1	5.0	5.2
in construction	% y/y	3.3	2.3	4.0	3.8	5.8	6.1	4.7	5.5	6.9
in market services	% y/y	3.2	2.6	3.5	3.6	3.6	3.7	3.2	3.6	3.7
Domestic demand	% y/y	5.1	5.0	2.6	3.1	3.5	3.6	4.9	3.4	4.0
Total consumption	% y/y	3.6	3.8	3.1	3.3	3.4	3.5	3.4	3.3	3.6
incl. individual consumption	% y/y	3.2	3.0	3.1	3.5	3.7	3.8	3.1	3.5	3.8
Gross fixed capital formation	% y/y	9.2	8.6	11.4	10.2	9.0	9.0	9.2	9.5	9.9
Sold production of										
industry	% y/y	1.8	3.1	5.3	3.9	4.9	5.2	3.3	4.9	5.5
construction	% y/y	1.3	1.1	3.5	2.1	4.6	5.8	3.6	4.2	5.9
Inflation (CPI; average)	%	-0.3	-0.7	-1.5	-0.9	-0.3	0.3	0.0	-0.6	1.1
Inflation (CPI; end of period)	%	-0.3	-1.0	-1.5	-0.8	0.0	0.5	-1.0	0.5	1.8
Money supply (3M, end of period)	%	7.9	8.4	8.9	8.3	8.6	9.0	8.4	9.0	9.2
Real gross remuneration	% y/y	3.7	3.8	5.8	4.2	4.0	3.9	3.4	4.3	4.4
Average employment (national economy)	% y/y	0.3	0.9	0.8	1.2	1.5	1.6	0.6	1.4	1.9
Registered unemployment rate (end of period)	%	11.5	11.5	11.7	10.3	9.7	9.9	11.5	9.9	9.0
Exports (GUS/RN)	%	3.6	5.6	8.0	8.2	7.8	7.9	5.7	8.0	8.2
Imports (GUS/RN)	%	7.4	9.5	6.0	6.8	7.2	7.4	9.1	6.9	8.4
Current account balance (rolling)	% of GDP	-1.2	-1.3	-0.6	0.1	0.5	0.4	-1.3	0.4	-1.5
USD average FX rate (NBP)	PLN/USD	3.15	3.37	3.72	3.70	3.7	3.8	3.16	3.7	3.8
EUR average FX rate (NBP)	PLN/EUR	4.18	4.21	4.19	4.09	4.1	4.2	4.19	4.1	4.2

Source: Historical data – Central Statistics Office, National Bank of Poland; estimates and forecasts – IBnGR.

According to estimates by the Institute for Market Economics (IBnGR), towards the end of 2015 Poland's GDP growth rate is expected to reach 3.7%, i.e. slightly higher than in 2014. In Q1 and Q2 2015, the economic growth rate was 3.6% and 3.7%, respectively. IBnGR forecasts that in Q3 and Q4 2015 the economic growth will first continue at the current rate, to accelerate slightly later, with minor differences between individual quarters: in the third quarter the GDP will grow by 3.7%, and in the fourth quarter – by 3.9%. In 2016, economic growth is projected to accelerate even stronger, possibly to 3.8%.

IBnGR estimates the national demand growth rate at 3.1% in the second quarter. This would mean a slight improvement compared with the first quarter, when demand in Poland collapsed. Among the key components of domestic demand gross capital investment demonstrated the strongest growth in Q2 2015.

Another factor supporting the growth of investments will be the inflow of EU funds for infrastructure projects. In 2016, national demand will grow by 4.0% on the back of higher private consumption (up 3.8%) and capital expenditure (up 9.9%). In 2015–2016, national demand will remain the key driver of Poland's economic growth.

## 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). 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 Engineering&Construction - KT - Kinetics Technology - Thermo Design Engineering - Saipem - Tecnimont
	TRANSMISSION	- Gazobudowa Poznań - ZRUG Poznań - PGNiG Technologie - Gazoprojekt - Control Process - IDS-BUD - TEGAS - ATREM - GPT - POLDE - REDGAZ - WIERTCONSULTING - Eda-Serwis - Instal-Gaz - ALSI - JT ZAKŁAD BUDOWY GAZOCIĄGÓW - Górnośląski Zakład Obsługi Gazownictwa - POLAQUA	- FCC CONSTRUCCION - AB Kauno dujotiekio statyba - A.Hak Leidingbouw B.V. - OT INDUSTRIES - KVV CONTRACTOR - PPS Pipeline Systems - PSJ Hydrotransit - Moravsky Plynostav - Denys NV

		- Budimex	
	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	- 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	- Polimex Mostostal - Mostostal Warszawa - Budimex - Energoinstal - Erbud - IDS-BUD	- Alstom - Hitachi - Siemens - Samsung - Doosan Babcock - Iberdrola - SNC-Lavalin - Ansaldo Energia - GE - Tecnicas Reunidas - Sener Ingeniería 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 in H1 2015 PBG was still in the process of company voluntary arrangement, it was 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 tender 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 the examination of potential 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 is present in the power construction market through RAFAKO, its subsidiary. RAFAKO is among Europe's largest producers of steam generators and environmental protection systems for the power sector. Its offering also comprises a vast range of services for the industry. The acquisition of RAFAKO enabled the PBG Group to secure a major position on the Polish power construction market.

### **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 large portion of its revenue from foreign markets.

To use the opportunities arising from Poland's membership in the EU in a 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, 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. Compared with Q1 2015, in Q2 2015 the mid EUR/PLN exchange rate increased by 2.4%, while the mid USD/PLN exchange rate grew by 0.5%. The FX market analysts expect a slight appreciation of the Polish

złoty against the euro and US dollar in 2015–2016. However, given the persistently low interest rates, the appreciation trend will not be as clear as expected several years ago. IBnGR estimates 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 3: EUR/PLN exchange rate in January 1st–June 30th 2015 (NBP's mid exchange rates)**



Source: <http://www.finance.egospodarka.pl>

### **7. Risk of the decision approving PBG's Arrangement with Creditors not becoming final or of the Company's failure to perform the Arrangement**

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 Company new shares and the option to convert arrangement claims into bonds to be acquired in the performance of the Arrangement (the text of the Company's Current Arrangement



Proposals of April 28th 2015 is available at [www.pbg-sa.pl](http://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 companies prevents them from winning new contracts or participating in public tenders or reduces the probability of success. 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**

The Parent'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 and career development opportunities.

At present, the Parent is additionally facing the risk of loss of key personnel due to their difficult financial condition and the ongoing arrangement proceedings. However, in recent months there were no significant changes in the Company's senior management staff.

### **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. The Group currently performs for these customers two contracts of substantial value, worth respectively PLN 2.2bn and PLN 279m (VAT exclusive). The contract for Polskie LNG is performed within the framework of a consortium: the contract value attributable to PBG is 33% of the total. In turn, the largest contract in

RAFAKO's order book is construction of a power generating unit at the Jaworzno III Power Plant for the TAURON Group, worth PLN 4.4bn (VAT exclusive). However, PBG's and RAFAKO's strategy provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenue in the future, once PBG finalises the arrangement with its Creditors. In order to mitigate the risk of dependence on its key customers, the PBG Group gradually attracts new customers for its services, such as KGHM, PGE, TAURON or ENERGA.

The Group seeks to mitigate the risk further by acquiring new customers.

#### **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**

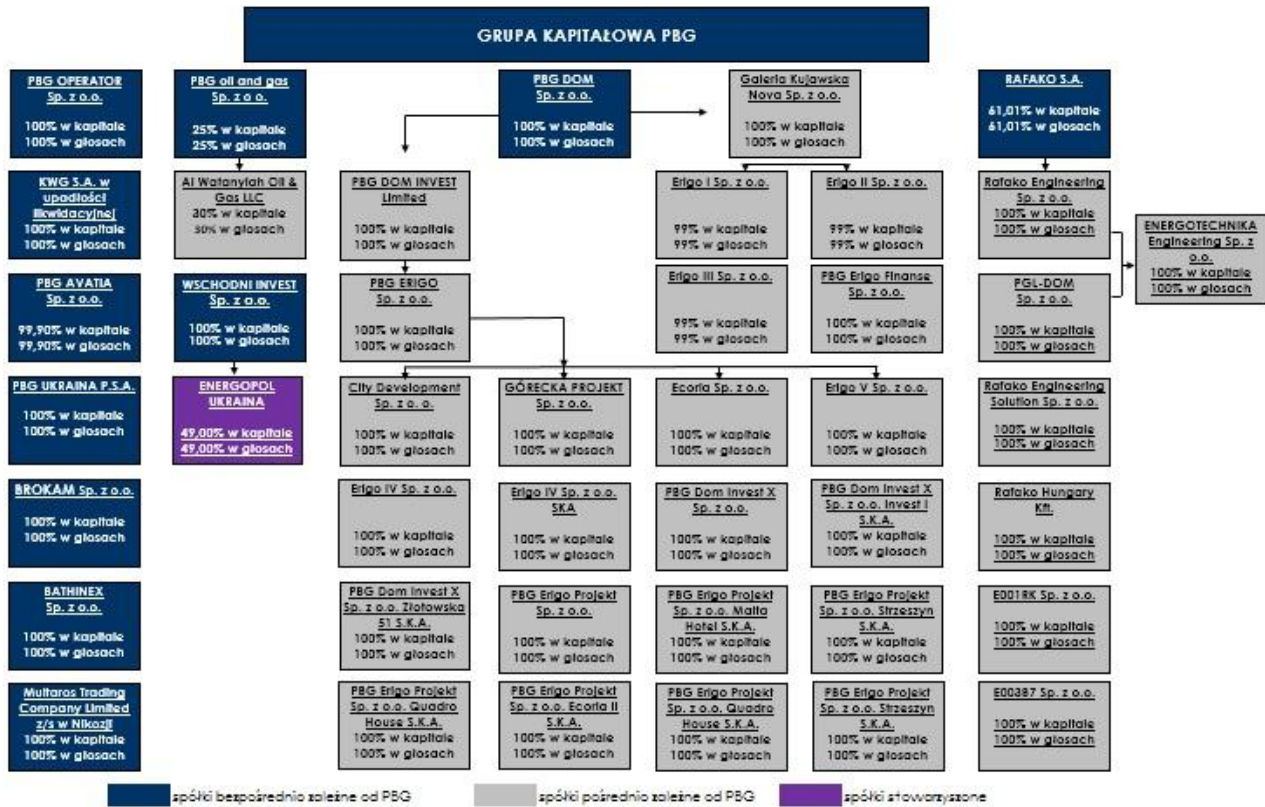
The methods for identifying and managing financial risk have not changed relative to those published in the most recent consolidated annual financial statements for 2014.

**SECTION III: THE PBG GROUP**

**I. STRUCTURE OF THE PBG GROUP**

As at the date of this Report, the PBG Group was composed of 43 companies, including its Parent, PBG, 11 direct subsidiaries, 31 indirect subsidiaries, and one associate.

**Figure 1: Structure of the PBG Group as at the date of filing this Report**



Grupa Kapitałowa PBG	PBG Group
w upadłości układowej	in company voluntary arrangement
w kapitale	of share capital
w głosach	of votes
Spółki bezpośrednio zależne od PBG	PBG's direct subsidiaries
Spółki pośrednio zależne od PBG	PBG's indirect subsidiaries
Spółki stowarzyszone	Associates

**II. STRATEGY**

**1. Strategy**

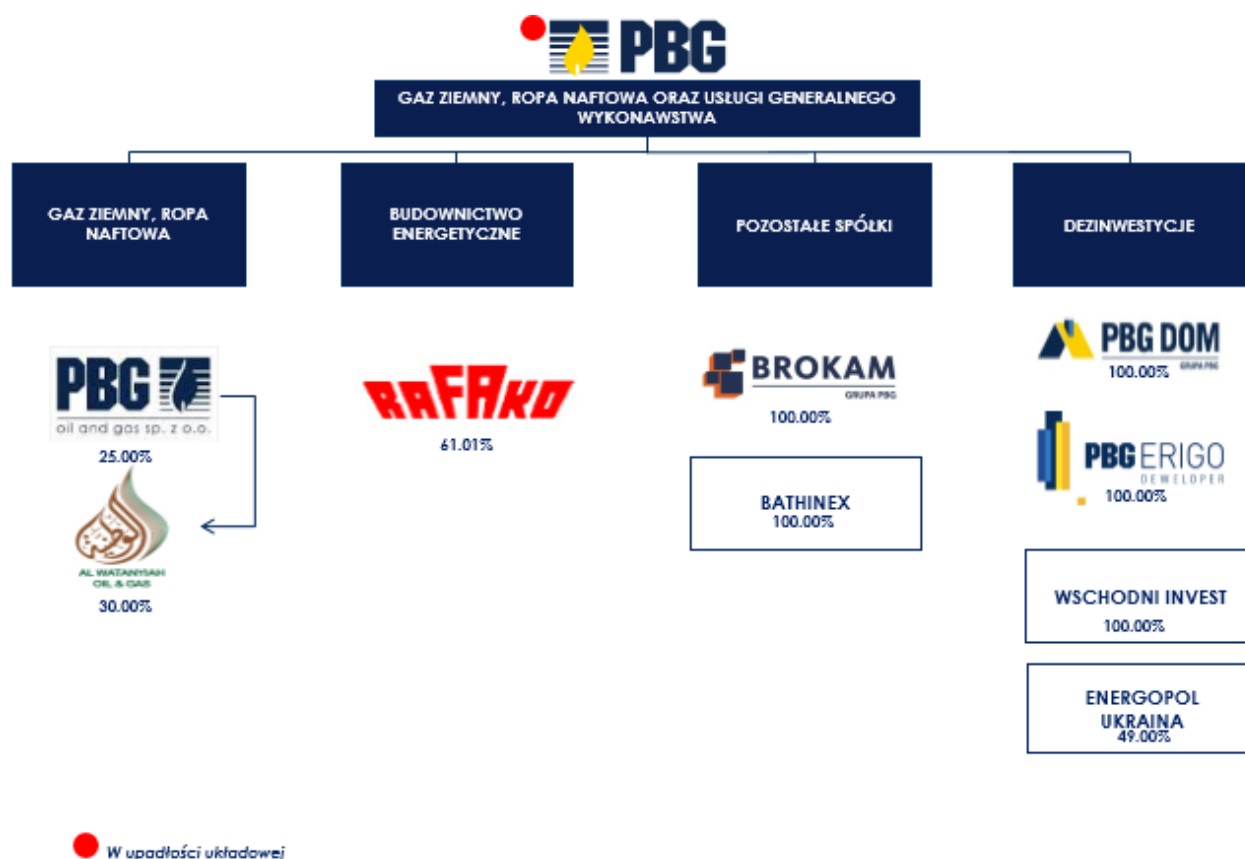
At the beginning of 2012, PBG decided to update the PBG Group's strategy and to focus its efforts on the strategic segments: power construction and gas, oil and fuels. A decision was also made to withdraw from the following areas of operations: roads, infrastructure and residential construction, as well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

Since June 2012, the process of approval of PBG's voluntary arrangement with creditors has been on-going. In H1 2015, the Company 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. The execution of the Arrangement will enable the Company to continue 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.

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 and resources.

**Figure 6: Organisational structure of the PBG Group as at June 30th 2015 and as the date of this Report (percentage of voting rights held by PBG)**



GAZ ZIEMNY, ROPA NAFTOWA ORAZ USŁUGI GENERALNEGO WYKONAWSTWA	NATURAL GAS, CRUDE OIL, AND GENERAL CONTRACTOR SERVICES
GAZ ZIEMNY, ROPA NAFTOWA	NATURAL GAS AND CRUDE OIL
BUDOWNICTWO ENERGETYCZNE	POWER CONSTRUCTION
POZOSTAŁE SPÓŁKI	OTHER COMPANIES
DEZINWESTYCJE	DIVESTMENTS

Within the Group, the **natural gas, crude oil, and fuels markets** are the responsibility of PBG, which has traded in these segments since its inception. PBG is the leader on these markets in Poland. It has gained its current position through strategic co-operation with international companies, which has enabled PBG to introduce technologically advanced solutions on the Polish market. PBG was able to use the resulting credentials and

necessary experience to win contracts for execution of the largest projects on the Polish gas, oil, and fuels market. Actively bidding for new contracts under the public procurement law, the subsidiary PBG oil and gas is also an important part of the Group's oil and gas business. The crude oil and natural gas market is a strategic area of the PBG Group's operations.

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.

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.

### III. BUSINESS PROFILE

The business of the Group comprises general contractor services related to natural gas, crude oil, water and fuels facilities, provided on a "turn key" basis, as well as contractor services in the power construction sector. At present, PBG divides its business into the following three operating segments:

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

The list of the services performed as part of each individual segment is presented below.

**Figure 6: Services by segments**



Gaz ziemny, ropa naftowa & paliwa	Budownictwo energetyczne	Inne
<ul style="list-style-type: none"> <li>▪ Instalacje naziemne do wydobycia gazu ziemnego i ropy naftowej</li> <li>▪ Instalacje do skraplania gazu ziemnego, magazynowania i regazyfikacji LNG</li> <li>▪ Stacje separacji i magazynowania LPG, C5+</li> <li>▪ Instalacje odsiarczania</li> <li>▪ Stalowe gazociągi do przesyłu gazu ziemnego i ropy naftowej</li> <li>▪ Zbiorniki paliwowe</li> <li>▪ Instalacje techniczne i sanitarne</li> </ul>	<ul style="list-style-type: none"> <li>▪ Montaż</li> <li>▪ Modernizacje</li> <li>▪ Naprawy urządzeń</li> <li>▪ Naprawy instalacji do ochrony środowiska i energetyki</li> <li>▪ Produkcja kotłów</li> <li>▪ Produkcja urządzeń do ochrony środowiska</li> </ul>	<ul style="list-style-type: none"> <li>▪ Budownictwo mieszkaniowe</li> <li>▪ Budownictwo przemysłowe</li> <li>▪ Woda</li> <li>▪ Drogi</li> </ul>

<p><b>Gaz ziemny, ropa naftowa i paliwa</b></p> <ul style="list-style-type: none"> <li>▪ Instalacje naziemne do wydobycia ropy naftowej i gazu ziemnego</li> <li>▪ Instalacje do skraplania gazu ziemnego, magazynowania i regazyfikacji LNG</li> <li>▪ Stacje separacji i magazynowania LPG, C5+</li> <li>▪ Instalacje odsiarczania</li> <li>▪ Stalowe gazociągi do przesyłu gazu ziemnego i ropy naftowej</li> <li>▪ Zbiorniki paliwowe</li> <li>▪ Instalacje techniczne i sanitarne</li> </ul>	<p><b>Natural gas, crude oil and fuels</b></p> <ul style="list-style-type: none"> <li>▪ Surface installations for crude oil and natural gas production</li> <li>▪ Installations for liquefying natural gas and for LNG storage and regasification</li> <li>▪ LPG, C5+ separation and storage facilities</li> <li>▪ Desulphurisation units</li> <li>▪ Steel pipelines for oil and gas transmission</li> <li>▪ Fuel tanks</li> <li>▪ Technical and sanitary systems</li> </ul>
<p><b>Budownictwo energetyczne</b></p> <ul style="list-style-type: none"> <li>▪ Montaż</li> <li>▪ Modernizacje</li> <li>▪ Naprawy urządzeń</li> <li>▪ Naprawy instalacji do ochrony środowiska i energetyki</li> <li>▪ Produkcja kotłów</li> <li>▪ Produkcja urządzeń ochrony środowiska</li> </ul>	<p><b>Power construction</b></p> <ul style="list-style-type: none"> <li>▪ Assembly</li> <li>▪ Upgrades</li> <li>▪ Repairs</li> <li>▪ Repairs of environmental protection and power generation facilities</li> <li>▪ Manufacture of steam generators</li> <li>▪ Manufacture of environmental protection equipment</li> </ul>
<p><b>Inne</b></p> <ul style="list-style-type: none"> <li>▪ Budownictwo mieszkaniowe</li> <li>▪ Budownictwo przemysłowe</li> <li>▪ Woda</li> <li>▪ Drogi</li> </ul>	<p><b>Other</b></p> <ul style="list-style-type: none"> <li>▪ Residential construction</li> <li>▪ Industrial construction</li> <li>▪ Water</li> <li>▪ Roads</li> </ul>

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 H1 2015, revenue streams from the individual segments were generated mainly on the domestic market (except for RAFAKO, which also sells to international markets) and were as follows:

**Table 8: Operating segments**

Revenue	for the period Jan 1–Jun 30 2015 (PLN '000)	for the period Jan 1–Jun 30 2014 (PLN '000)	Change (PLN '000)	Change (%)
<b>Gas, oil and fuels</b> (transmission, distribution, production)	67,735	128,709	(60,974)	- 47%
<b>Power construction</b> (construction of power generating units)	690,161	460,845	229,316	- 50%
<b>Other</b> (sale of merchandise, materials and products, other services)	14,061	32,959	(18,898)	- 57%
<b>Total revenue</b>	<b>771,957</b>	<b>622,513</b>	<b>149,444</b>	<b>24%</b>

#### 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 the planned projects in the oil and gas sector. The Group is also making efforts to enter foreign markets, primarily in the gas and oil sector. Historically, PBG performed contracts for customers in Latvia, Pakistan and Norway.

#### V. SEGMENT OPERATIONS

##### 1. Natural gas, crude oil and fuels 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 9: Sale of services in the natural gas and crude oil segment**

<b>Revenue</b>	<b>H1 2015 (PLN '000)</b>	<b>H1 2014 (PLN '000)</b>	<b>Change (PLN '000)</b>	<b>Change (%)</b>
<b>Gas, oil and fuels</b> (transmission, distribution, production)	67,735	128,709	(60,974)	- 47%

In H1 2015, the segment of natural gas, oil and fuels accounted for 8.8% of the Group's revenue. The segment's total revenue in the reporting period was PLN 67.7m, down nearly PLN 61m on H1 2014. The Group's largest ongoing project in the segment is the contract for construction of a liquefied natural gas (LNG) terminal in Świnoujście.



## 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.

### **RAFAKO ENGINEERING SOLUTION Sp. z o.o.**

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 generating units in Jaworzno.

### **SALES**

The Group renders the 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 (KGHM, PGE and TAURON).

**Table 10: Sales of power construction services**

Revenue	H1 2015 (PLN '000)	H1 2014 (PLN '000)	Change (PLN '000)	Change (%)
<b>Power construction</b>	690,161	460,845	229,316	50%

In H1 2015, power construction services contributed 89.4% to the Group's total revenue. Compared to the corresponding period of the previous year, the revenue rose 50% to PLN 690.2m in H1 2015. Over the next several years, power construction contracts will play a leading role in the Group's operations.

#### 4. Other areas of operations

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. Management and optimisation of real estate assets (buildings and land) owned by the Group, including management and commercialisation of office space.

##### **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. To date, the company has executed a number of comprehensive residential projects, including Złotowska 51, Quadro House, City Development, and Ecoria stage I. PBG Erigo also manages rental apartments for the consortium currently working on the LNG terminal project in Świnoujście. In the commercial and hotel property sector, the company manages the Hampton by Hilton hotel in Świnoujście (PBG Erigo supervised adaptation of the hotel's design to Hilton's exacting standard). In commercial and office property segment of the market, PBG Erigo manages and participates in the commercialisation of the Skalar office building, located at ul. Górecka 1 in Poznań.

##### **Górecka Projekt Sp. z o.o.**

The company carried out a comprehensive office real estate project – the Skalar Office Center in Poznań. Currently Górecka Projekt commercialises (rents) 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.**

Carried out a residential development project in Poznań. Its current business consists in buying and selling residential property and leasing residential units under long-term rental contracts (apartments in Świnoujście).

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

Carried out a residential development project in Poznań. Its current business consists in buying and selling residential property and leasing residential units under long-term rental contracts (apartments in Świnoujście).

**ECORIA Sp. z o.o.**

Property developer in Poznań. Currently commercialises its completed projects.

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

Property developer; prepares execution of a residential project on land owned by the company.

**CITY DEVELOPMENT Sp. z o.o.**

Operated as property developer in Gdańsk; holds land for residential property development.

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

Property developer; holds land for residential property development.

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

Constructed a 3-star hotel in Świnoujście; currently provides hospitality services under a franchise agreement with Hilton.

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

Property developer; holds land property 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 ERIGO FINANSE Sp. z o.o.**

Special purpose vehicle for future development projects.

**PBG DOM Invest Limited**

Established as part of the tax optimisation strategy of the Group's property development subsidiaries.

**ERIGO I Sp. z o.o.**

Special purpose vehicle for future development projects.

**ERIGO II Sp. z o.o.**

Special purpose vehicle for future development projects.

**ERIGO III Sp. z o.o.**

Special purpose vehicle for future development projects.

**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.**

Owns land and licence to launch aggregate production. Addition of BROKAM to the PBG Group helped establish a resource base for the road construction segment.

**BATHINEX Sp. z o.o.**

Owns land and licence to launch aggregate production at the Brodziszów-Kłośnik quarry with reserves of granodiorite, an acidic fine-crystalline intrusive igneous rock. Addition of BATHINEX to the PBG Group helped 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)**

Established to research the Ukrainian market and initiate contacts with providers of construction and related services.

**Wschodni Invest Sp. z o.o.**

Owns and manages Energopol-Ukraina, a property developer.

**Energopol-Ukraina**

Holds legal title to a 63,000 m<sup>2</sup> land property in Kiev, to be used for a 250,000 m<sup>2</sup> development project. Provides a wide range of property development-related services, including general construction, production and design works. It is experienced in trading activities and upgrades/modernisato in of industrial facilities.

On July 24th 2013, the Parent executed an agreement with WSCHODNI INVEST Sp. z o.o. and IMIDŹ 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 obtain the title to the Energopol-Ukraina shares and investment certificates following payment and execution of separate sale agreements by December 31st 2015. Pursuant to the Agreement, the certificates will be repurchased for a price higher than their carrying amount disclosed in the Company's accounts.

**PBG AVATIA Sp. z o.o.**

Provides IT services, including IT consulting, implementation of IT systems, data processing and services relating to IT and computer-based technologies. In the Group, PBG AVATIA provides IT support to all PGB Group companies.

**SALES**

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

**Table 15: Sales of the Other segment**

Revenue	2014 (PLN '000)	2013 (PLN '000)	Change (PLN '000)	Change (%)
<b>Other</b> (sale of merchandise, materials and products, other services)	14,061	32,959	(18,898)	- 57%

In H1 2015, the share of the 'Other' segment in the Group's total revenue was 1.8%, down 57% on H1 2014. The PBG Group will gradually withdraw from this segment.

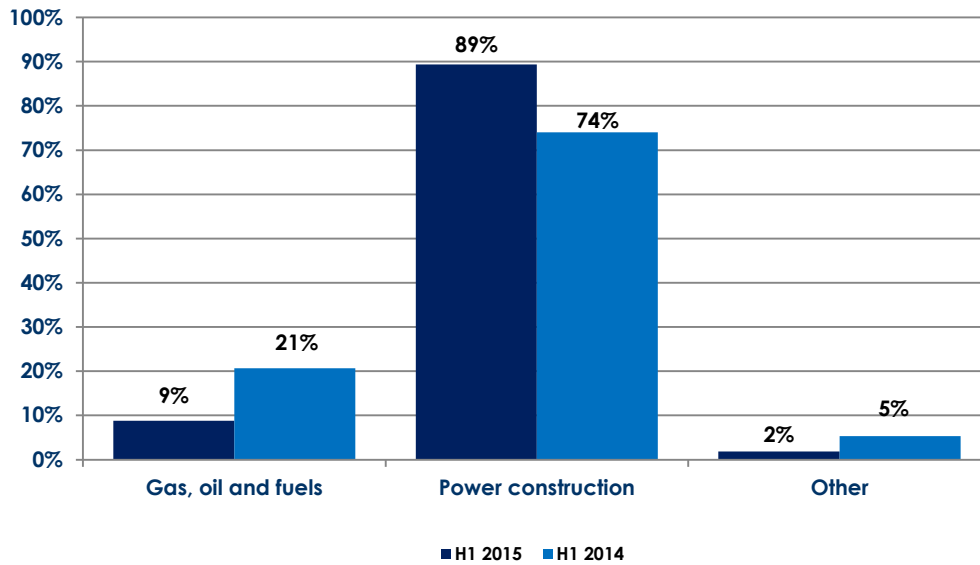
**Customers and suppliers with at least 10% share in the PBG Group's total revenue**

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. and EDF POLSKA S.A.,
- suppliers: none

**SHARE OF THE PBG GROUP'S SEGMENTS IN REVENUE**

**Chart 2: Share of the PBG Group's segments in revenue in H1 2015 and H1 2014**



## VI. COMPANIES OF THE PBG GROUP

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

**Table 14: Parent**

Company	Address	Tel./Fax	WWW	email
<b>PBG S.A. w upadłości układowej (in company voluntary arrangement)</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 700 (061) 66 51 701	<a href="http://www.pbg-sa.pl">www.pbg-sa.pl</a>	<a href="mailto:polska@pbg-sa.pl">polska@pbg-sa.pl</a>

Table 15: 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	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	none
Bathinex Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(0) 663 750 374 (061) 66 46 387	none	<a href="mailto:bathinex.kopalnia@op.pl">bathinex.kopalnia@op.pl</a>
Brokam Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(0) 691 470 133 (061) 66 41 981	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:polska@pbg-sa.pl">polska@pbg-sa.pl</a>
PBG Dom Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 22 531 (0) 502 746 085	<a href="http://www.pbgdom.pl">www.pbgdom.pl</a>	<a href="mailto:info@pbgdom.pl">info@pbgdom.pl</a>
PBG oil and gas Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 700 (061) 66 61 701	<a href="http://www.pbg-og.pl">www.pbg-og.pl</a>	<a href="mailto:biuro@pbg-og.pl">biuro@pbg-og.pl</a>
RAFAKO SA	ul. Łąkowa 33, 47-400 Racibórz	(032) 41 01 000 (032) 41 53 427	<a href="http://www.rafako.com.pl">www.rafako.com.pl</a>	<a href="mailto:info@rafako.com.pl">info@rafako.com.pl</a>
PBG Ukraina PSA	ul. Kondratiuka 1, 04-201 Kiev	(061) 66 51 700 (061) 66 51 701	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	none
Wschodni Invest Sp. z o.o.	ul. Mazowiecka 42, 60-623 Poznań	(061) 66 51 700 (061) 66 51 701	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	none
PBG AVATIA Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 46 440 (061) 66 46 441	<a href="http://www.avatia.pl">www.avatia.pl</a>	<a href="mailto:biuro@avatia.pl">biuro@avatia.pl</a>
Multaros Trading Company Limited of Limassol, Cyprus	Vasili Michalidi 9, 3026 Limassol, CYPRUS	-	-	-

Table 16: Indirect subsidiaries

Company	Address	Tel./Fax	WWW	email
PBG ERIGO Projekt Sp. z o.o. QUADRO House SKA	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 72 022 (061) 66 30 369	<a href="http://www.pbg-erigo.pl">www.pbg-erigo.pl</a>	<a href="mailto:polska@pbg-erigo.pl">polska@pbg-erigo.pl</a>
PBG ERIGO Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 72 022 (061) 66 30 369	<a href="http://www.pbg-erigo.pl">www.pbg-erigo.pl</a>	<a href="mailto:polsk@pbg-erigo.pl">polsk@pbg-erigo.pl</a>
PBG ERIGO PROJEKT SP. Z O.O. PLATAN HOTEL S.K.A.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 72 022 (061) 66 30 369	<a href="http://www.pbg-erigo.pl">www.pbg-erigo.pl</a>	<a href="mailto:polska@pbg-erigo.pl">polska@pbg-erigo.pl</a>
Górecka Projekt Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 351 (061) 66 41 960	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:biuro@pbgdom.pl">biuro@pbgdom.pl</a>
City Development Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 72 022 (061) 66 30 369	<a href="http://www.pbg-erigo.pl">www.pbg-erigo.pl</a>	<a href="mailto:polska@pbg-erigo.pl">polska@pbg-erigo.pl</a>
PBGDOM INVEST LIMITED	Afentrikas 4, Larnaka 6018, Cyprus	(061) 66 51 351 (061) 66 41 960	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:biuro@pbgdom.pl">biuro@pbgdom.pl</a>
ERIGO I Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 41 986 (061) 66 41 960	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:biuro@pbgdom.pl">biuro@pbgdom.pl</a>
ERIGO II Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 41 986 (061) 66 41 960	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:biuro@pbgdom.pl">biuro@pbgdom.pl</a>
ERIGO III Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 41 986 (061) 66 41 960	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:biuro@pbgdom.pl">biuro@pbgdom.pl</a>
ERIGO IV Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 41 986 (061) 66 41 960	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:biuro@pbgdom.pl">biuro@pbgdom.pl</a>

<b>ERIGO IV Sp .z.o.o. SKA</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 41 986 (061) 66 41 960	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:biuro@pbgdom.pl">biuro@pbgdom.pl</a>
<b>ERIGO V Sp. z o.o.</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 41 986 (061) 66 41 960	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:biuro@pbgdom.pl">biuro@pbgdom.pl</a>
<b>PBG Dom Invest X Sp. z o.o.</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 351 (061) 66 22 590	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:biuro@pbgdom.pl">biuro@pbgdom.pl</a>
<b>PGL-DOM Sp. z o.o.</b>	ul. Bukowa 1, 47-400 Racibórz	(032) 41 55 529 (032) 41 55 502	none	<a href="mailto:domrac@poczta.onet.pl">domrac@poczta.onet.pl</a>
<b>RAFAKO ENGINEERING Sp. z o.o.</b>	ul. Łąkowa 33, 47-400 Racibórz, Poland	(032) 41 01 107 (032) 41 53 427	<a href="http://www.rafako.com.pl">www.rafako.com.pl</a>	<a href="mailto:info@rafako.com.pl">info@rafako.com.pl</a>
<b>RAFAKO ENGINEERING SOLUTION doo</b>	ul. Łąkowa 33, 47-400 Racibórz, Poland	(032) 41 01 107 (032) 41 53 427	<a href="http://www.rafako.com.pl">www.rafako.com.pl</a>	<a href="mailto:info@rafako.com.pl">info@rafako.com.pl</a>
<b>RAFAKO Hungary Kft.</b>	ul. Łąkowa 33, 47-400 Racibórz, Poland	(032) 41 01 107 (032) 41 53 427	<a href="http://www.rafako.com.pl">www.rafako.com.pl</a>	<a href="mailto:info@rafako.com.pl">info@rafako.com.pl</a>
<b>ENERGOTECHNIKA ENGINEERING Sp. z o.o.</b>	ul. Bojkowska 43C 44-100 Gliwice	(032) 46 12 560 (032) 46 12 561	<a href="http://www.ete.com.pl">www.ete.com.pl</a>	<a href="mailto:office@ete.com.pl">office@ete.com.pl</a>
<b>PBG Dom Invest X Sp. z o.o. Invest I S.K.A.</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 351 (061) 66 22 590	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:biuro@pbgdom.pl">biuro@pbgdom.pl</a>
<b>PBG Dom Invest X Sp. z o.o. Złotowska 51 S.K.A.</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 51 351 (061) 66 22 590	<a href="http://www.grupapbg.pl">www.grupapbg.pl</a>	<a href="mailto:biuro@pbgdom.pl">biuro@pbgdom.pl</a>
<b>PBG ERIGO Projekt Sp. z o.o. ECORIA II SKA</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 72 022 (061) 66 30 369	<a href="http://www.ecoria.pl">www.ecoria.pl</a>	<a href="mailto:polska@pbg-erigo.pl">polska@pbg-erigo.pl</a>
<b>PBG ERIGO Projekt Sp. z o.o. Słrzeszyn SKA</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 72 022 (061) 66 30 369	<a href="http://www.pbg-erigo.pl">www.pbg-erigo.pl</a>	<a href="mailto:polska@pbg-erigo.pl">polska@pbg-erigo.pl</a>
<b>PBG ERIGO PROJEKT Sp. z o.o.</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 72 022 (061) 66 30 369	<a href="http://www.pbg-erigo.pl">www.pbg-erigo.pl</a>	<a href="mailto:polska@pbg-erigo.pl">polska@pbg-erigo.pl</a>
<b>PBG ERIGO FINANSE Sp. z o.o.</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 72 022 (061) 66 30 369	<a href="http://www.pbg-erigo.pl">www.pbg-erigo.pl</a>	<a href="mailto:polska@pbg-erigo.pl">polska@pbg-erigo.pl</a>
<b>Ecoria Sp. z o.o.</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 72 022 (061) 66 30 369	<a href="http://www.ecoria.pl">www.ecoria.pl</a>	<a href="mailto:polska@pbg-erigo.pl">polska@pbg-erigo.pl</a>
<b>PBG Erigo Projekt Sp. z o.o. Malta Hotel S.K.A.</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 72 022 (061) 66 30 369	<a href="http://www.pbg-erigo.pl">www.pbg-erigo.pl</a>	<a href="mailto:polska@pbg-erigo.pl">polska@pbg-erigo.pl</a>
<b>E001RK Sp. z o.o.</b>	ul. Łąkowa 33, 47-400 Racibórz, Poland	(032) 41 01 107 (032) 41 53 427	<a href="http://www.rafako.com.pl">www.rafako.com.pl</a>	<a href="mailto:info@rafako.com.pl">info@rafako.com.pl</a>
<b>E003B7 Sp. z o.o.</b>	ul. Łąkowa 33, 47-400 Racibórz, Poland	(032) 41 01 107	<a href="http://www.rafako.com.pl">www.rafako.com.pl</a>	<a href="mailto:info@rafako.com.pl">info@rafako.com.pl</a>



		(032) 41 53 427		
<b>Al Watanyiah Oil&amp;Gas LLC</b>	P.O. Box 2053 PC 111 Sultanate of Oman	(061) 66 72 022 (061) 66 30 369	-	<a href="mailto:Wojciech.Tyburski@pbg-sa.pl">Wojciech.Tyburski@pbg-sa.pl</a>
<b>Galeria Kujawska Nova Sp. z o.o.</b>	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(061) 66 72 022 (061) 66 30 369	<a href="http://www.pbg-erigo.pl">www.pbg-erigo.pl</a>	<a href="mailto:polska@pbg-erigo.pl">polska@pbg-erigo.pl</a>

**Table 17: Associates**

Company	Address	Tel./Fax	WWW	email
<b>ENERGOPOL UKRAINA</b>	ul. Kondratiuka 1, 04-201 Kiev, Ukraine	+380 (44)4304720 +380 (44)4322967	21509.ua.all.biz	-

## VII. 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 H1 2015

### I. SHARES HELD IN RELATED ENTITIES

**Table 18: Shares held in related entities**

Related entity	Type of relation		As at Jun 30 2015		As at the representation date	
	Parent	Type of relation	Number of shares	Par value of shares	Number of shares	Par value of shares
<b>PBG Dom Sp. z o.o.</b>	PBG S.A.	subsidiary	550,000	PLN 55,000,000.00	550,000	PLN 55,000,000.00
<b>BROKAM Sp. z o.o.</b>	PBG S.A.	subsidiary	12,000	PLN 12,000,000.00	12,000	PLN 12,000,000.00
<b>PBG AVATIA Sp. z o.o.</b>	PBG S.A.	subsidiary	999	PLN 49,950.00	999	PLN 49,950.00
<b>Wschodni Invest Sp. z o.o.</b>	PBG S.A.	subsidiary	37,740	PLN 3,774,000.00	37,740	PLN 3,774,000.00
<b>PBG Ukraina Publiczna Spółka Akcyjna (public joint-stock company)</b>	PBG S.A.	subsidiary	222,227	UAH 888,908.00	222,227	UAH 888,908.00
<b>BATHINEX Sp. z o.o.</b>	PBG S.A.	subsidiary	50	PLN 50,000.00	50	PLN 50,000.00
<b>PBG Operator Sp. z o.o.</b>	PBG S.A.	subsidiary	50	PLN 5,000.00	50	PLN 5,000.00

<b>PBG oil and gas Sp. z o.o.</b>	PBG S.A.	subsidiary	50	PLN 5,000.00	50	PLN 5,000.00
<b>RAFAKO S.A.</b>	PBG S.A. Mutaros Trading Company Limited of Limassol, Cyprus	subsidiary	7,665,995	PLN 15,331,998.00	7,665,995	PLN 15,331,998.00
		indirect subsidiary	34,800,001	PLN 69,600,002.00	34,800,001	PLN 69,600,002.00
<b>E001RK Sp. z o.o.</b>	RAFAKO S.A.	indirect subsidiary	50	PLN 5,000	50	PLN 5,000
<b>E003B7 Sp. z o.o.</b>	RAFAKO S.A.	indirect subsidiary	50	PLN 5,000	50	PLN 5,000
<b>Mutaros Trading Company Limited of Limassol, Cyprus</b>	PBG S.A.	subsidiary	526,000	EUR 526,000.00	526,000	EUR 526,000.00
<b>PGL-DOM Sp. z o.o.</b>	RAFAKO S.A.	indirect subsidiary	607	PLN 6,070,000.00	607	PLN 6,070,000.00
<b>RAFAKO ENGINEERING Sp. z o.o.</b>	RAFAKO S.A.	indirect subsidiary	1000	PLN 500,000.00	1000	PLN 500,000.00
<b>RAFAKO ENGINEERING SOLUTION doo</b>	RAFAKO S.A.	indirect subsidiary	1	EUR 38,500.00	1	EUR 38,500.00
<b>RAFAKO Hungary Kft</b>	RAFAKO S.A.	indirect subsidiary	1	HUF 40,000.00	1	HUF 40,000.00
<b>Górecka Projekt Sp. z o.o.</b>	PBG Dom Sp. z o.o.	indirect subsidiary	1000	PLN 50,000.00	100	PLN 50,000.00
<b>PBG ERIGO Sp. z o.o.</b>	PBG S.A.	indirect subsidiary	100,000	PLN 5,000,000.00	100,000	PLN 5,000,000.00
<b>PBG ERIGO Sp. z o.o. PBG DOM Invest Limited</b>	PBG Dom Invest Limited	indirect subsidiary	120,000	PLN 6,000,000.00	120,000	PLN 6,000,000.00
<b>PBG ERIGO Sp. z o.o. PBG DOM Invest Limited ERIGO I Sp. z o.o.</b>	PBG Dom Sp. z o.o.	indirect subsidiary	4,000	EUR 4,000.00	4,000	EUR 4,000.00
	PBG ERIGO Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
<b>ERIGO II Sp z o.o.</b>	PBG ERIGO Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
<b>ERIGO III Sp. z o.o.</b>	PBG ERIGO Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
<b>ERIGO IV Sp. z o.o.</b>	PBG ERIGO Sp. z o.o.	indirect subsidiary	60	PLN 6,000.00	60	PLN 6,000.00
<b>ERIGO IV Sp. z o.o. SKA</b>	PBG ERIGO Sp. z o.o.	indirect subsidiary	50 000	PLN 50,000.00	50 000	PLN 50,000.00
<b>ERIGO V Sp. z o.o.</b>	PBG ERIGO Sp. z o.o.	indirect subsidiary	60	PLN 6,000.00	60	PLN 6,000.00
<b>Energopol-Ukraina</b>	Wschodni Invest Sp. z o.o.	indirect subsidiary	49	UAH 119,119.00	49	UAH 119,119.00
<b>ENERGOTECHNIKA ENGINEERING Sp. z o.o.</b>	RAFAKO ENGINEERING Sp. z o.o.	indirect subsidiary	500	PLN 5,000.00	500	PLN 5,000.00
<b>PBG ERIGO FINANSE Sp. z o.o.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
<b>PBG Dom Invest X Sp. z o.o. Invest I S.K.A.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	500,000	PLN 50,000.00	500,000	PLN 50,000.00
<b>PBG ERIGO PROJEKT Sp. z o.o.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00

<b>City Development Sp. z o.o.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	71,000	PLN 3,550,000.00	71,000	PLN 3,550,000.00
<b>ECORIA Sp. z o.o.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	1,000	PLN 50,000.00	1,000	PLN 50,000.00
<b>PBG ERIGO PROJEKT Sp. z o.o. Malta Hotel S.K.A.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	500,000	PLN 50,000.00	500,000	PLN 50,000.00
<b>PBG ERIGO PROJEKT Sp. z o.o. Strzeszyn S.K.A.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	500,000	PLN 50,000.00	500,000	PLN 50,000.00
<b>PBG Dom Invest X Sp. z o.o.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
<b>PBG ERIGO PROJEKT Sp. z o.o. PLATAN HOTEL S.K.A.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	8,900,000	PLN 890,000.00	8,900,000	PLN 890,000.00
<b>PBG Dom Invest X Sp. z o.o. Złotowska 51 S.K.A.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	1,250,000	PLN 125,000.00	1,250,000	PLN 125,000.00
<b>PBG ERIGO PROJEKT Sp. z o.o. ECORIA II S.K.A.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	500,000	PLN 50,000.00	500,000	PLN 50,000.00
<b>PBG ERIGO PROJEKT Sp. z o.o. QUADRO House S.K.A.</b>	PBG Erigo Sp. z o.o.	indirect subsidiary	500,000	PLN 50,000.00	500,000	PLN 50,000.00
<b>Galeria Kujawska Nova Sp. z o.o.</b>	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00

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

**Table 19: Shares held in other entities as at the date of approval of this Report**

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.	475	475,000.00	15.97
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
9.	KWG S.A. w likwidacji (in liquidation)	28,700	PLN 2,870,000.00	100.00

## II. AGREEMENTS SIGNIFICANT TO THE GROUP'S OPERATIONS

**Table 20: 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
Jan 20 2015	E003B7 Sp. z o.o.  UNISERV-PIECBUD Spółka Akcyjna	Execution of a significant conditional agreement by a subsidiary of RAFAKO S.A.	<p>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.</p> <p>The Contract provides for the following terms:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. The value of the Agreement for the performance of the full scope of works is PLN 164,800,000 (VAT-exclusive).</li> <li>3. The Agreement caps the aggregate value of contractual penalties at 25% of its value (VAT-exclusive).</li> <li>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.</li> <li>5. The Subcontractor's total liability (compensation, claims and demands) may not exceed 100% of the value of the Agreement.</li> </ol> <p>The Agreement will become effective provided it is approved by:</p> <ol style="list-style-type: none"> <li>a) the guarantors, i.e. PKO BP S.A., BGK, and PZU S.A. (the "Guarantors"),</li> <li>b) the Employer (with respect to the terms and conditions of the Agreement),</li> <li>c) RAFAKO.</li> </ol> <p>As at the date of issue of this current report, SPV had received RAFAKO's approval for execution of the contract.</p> <p>The Contract is considered a reportable significant agreement as its value exceeds 10% of RAFAKO Group's revenue generated in the last four quarters.</p>

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](http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_02_umowa%20SPV-Uniserv-Piecbud.pdf)

<p>Feb 10 2015</p>	<p>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 bankruptcy by liquidation)</p> <p>Narodowe Centrum Sportu Sp. z o.o., the State Treasury – the Minister of Sport and Tourism</p>	<p>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</p>	<p>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 bankruptcy by liquidation), in Current Report No. 86/2012 of July 31st 2012.</p> <p>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.</p>
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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>

<p>Feb 27 2015</p>	<p>Polskie Górnictwo Naftowe i Gazownictwo S.A.</p> <p>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.</p>	<p>Consortium performing the Underground Gas Storage Facility project summoned to a conciliation hearing</p>	<p>On November 21st 2014, Polskie Górnictwo Naftowe i Gazownictwo S.A. filed, with the District Court for Poznań-Stare Miasto of Poznań, 10th Commercial Division, a request to summon the companies of the Consortium comprising 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. performing the project 'Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bcm, sub-phase: 1.2bcm', to a conciliation hearing.</p> <p>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.</p> <p>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.</p>
<p>For more information, see PBG Current Report No. 5/2015: <a href="http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/5-2015-zawezwanie-konsorcjum-realizujacego-zadanie-budowy-pmgw-przez-zamawiajacego-do-proby-ugodowej.html">http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/5-2015-zawezwanie-konsorcjum-realizujacego-zadanie-budowy-pmgw-przez-zamawiajacego-do-proby-ugodowej.html</a></p>			
<p>Aug 2 2015</p>	<p>PBG S.A. w upadłości układowej (in company voluntary arrangement)</p> <p>Financial Creditors</p>	<p>Execution of restructuring documents with Financial Creditors</p>	<p>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").</p>
<p>For more information, see PBG Current Report No. 26/2015: <a href="http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/26-2015-podpisanie-dokumentacji-restrukturyzacyjnej-z-wierzycielami-finansowymi.html">http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/26-2015-podpisanie-dokumentacji-restrukturyzacyjnej-z-wierzycielami-finansowymi.html</a></p>			

<p>Aug 4 2015</p>	<p>PBG S.A. w upadłości układowej (in company voluntary arrangement)</p> <p>Jerzy Wiśniewski</p>	<p>Execution of agreements between the Company and the Main Shareholder</p>	<p>On August 3rd 2015, the Company and its Main Shareholder, Mr Jerzy Wiśniewski, executed the following agreements:</p> <p>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;</p> <p>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.</p> <p>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.</p>
<p>For more information, see PBG Current Report No. 28/2015: <a href="http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/28-2015-zawarcie-przez-spolke-umow-z-glownym-akcjonariuszem.html">http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/28-2015-zawarcie-przez-spolke-umow-z-glownym-akcjonariuszem.html</a></p>			
<p>Aug 19 2015</p>	<p>E003B7 Sp. z o.o. Energopol – Szczecin S.A.</p>	<p>Amendments to a significant agreement with a subsidiary</p>	<p>Further to Current Report No. 17/2014, in which the Company announced that a conditional subcontractor agreement was executed between E003B7 Sp. z o.o. of Racibórz ("Employer") (a wholly-owned subsidiary of RAFAKO) and Energopol – Szczecin S.A. of Szczecin ("Subcontractor") ("Subcontractor Agreement"), and Current Report No. 49/2014, in which the Company announced that all conditions precedent under the Subcontractor Agreement had been fulfilled and that the Subcontractor Agreement became effective, the Management Board of RAFAKO S.A. of Racibórz (the "Company", "RAFAKO") announced that on August 18th 2015 the Employer and the Subcontractor executed Annex No. 2 to the Subcontractor Agreement ("Annex No. 2").</p> <p>Under Annex No. 2 the parties agreed that:</p> <ol style="list-style-type: none"> <li>1. the scope of Subcontractor's work will be reduced and the Subcontractor will perform the work by December 15th 2015;</li> <li>2. in connection with the reduction of the scope of work, the Subcontractor's remuneration will be reduced from PLN 380,000,000, VAT-exclusive, to PLN 30,000,000, VAT-exclusive.</li> </ol> <p>The Contract is considered a reportable significant agreement as its value exceeds 10% of the RAFAKO Group's revenue generated in the last four quarters.</p>
<p>For more information, see RAFAKO Current Report No. 30/2015: <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_30_aneks%20do%20umowy%20z%20Energopol_E003B7.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_30_aneks%20do%20umowy%20z%20Energopol_E003B7.pdf</a></p>			

**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**

Date	Parties	Type of transaction	Transaction overview
Feb 23 2015	RAFAKO S.A. TDJ S.A.	Agreement for sale of shares in FPM S.A.	<p>Further to Current Reports Nos. 54/2014, 1/2015, and 5/2015, in which the Company reported that it agreed to execute a final agreement to sell 1,376,508 shares ("Shares" or "Assets") in FPM S.A. of Mikołów ("FPM") (par value of PLN 3.17 per Share) to TDJ S.A. of Katowice ("TDJ"), the Management Board of RAFAKO S.A. of Racibórz (the "Company", "RAFAKO") reported that on February 23rd 2015 the final agreement was signed and the Shares were sold for a total of PLN 48m.</p> <p>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.</p> <p>There are no links between RAFAKO or the management or supervisory personnel of RAFAKO and TDJ or its management personnel.</p> <p>The Assets are considered significant as their value exceeds 10% of the Company's equity.</p>
<p style="text-align: center;"><b>For more information, see PBG Current Report No. 6/2015:</b>  <a href="http://www.rafako.com.pl/pub/file/raporty_biezace/2015/RB_06_sprzedaz%20FPM.pdf">http://www.rafako.com.pl/pub/file/raporty_biezace/2015/RB_06_sprzedaz%20FPM.pdf</a></p>			

<p>Mar 10 2015</p>	<p>ING Towarzystwo Funduszy Inwestycyjnych S.A.</p>	<p>Notification of change in holding of shares in RAFAKO S.A. by ING Towarzystwo Funduszy Inwestycyjnych S.A.</p>	<p>The Management Board of RAFAKO S.A. of Racibórz (the "Company", "RAFAKO") announced that it received a notification from ING Towarzystwo Funduszy Inwestycyjnych S.A. ("ING TFI"), acting on behalf of investment funds under its management ("Funds"), to the effect 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.</p> <p>According to the notification, ING TFI's share in total voting rights at the General Meeting of RAFAKO changed following the acquisition of RAFAKO shares on March 5th 2015 by ING Specjalistyczny Fundusz Inwestycyjny Otwarty Akcji 2, Fundusz Własności Pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty, and by a subfund of ING Parasol Funduszu Inwestycyjnego Otwartego.</p> <p>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.</p> <p>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.</p>
<p style="text-align: center;"><b>For more information, see PBG Current Report No. 7/2015:</b>  <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_07_znaczny%20pakiet%20akcji%20RAFAKO_ING%20TFI.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_07_znaczny%20pakiet%20akcji%20RAFAKO_ING%20TFI.pdf</a></p>			

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

Table 21: Events of default and amendments to financing agreements

Agreement /call/termination/declaration date	Parties	Agreement/call/termination/declaration subject matter	Key terms
<b>Apr 30 2015</b>	RAFAKO S.A.  Powszechna Kasa Oszczędności Bank Polski S.A.	Execution of annex to multi-purpose credit facility agreement with PKO BP S.A.	<p>The Management Board of RAFAKO S.A. of Racibórz (the "Company") announced that on April 29th 2015 the Company and Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw (the "Bank") executed an annex (the "Annex") to the multi-purpose credit facility agreement (the "Agreement") (see Current Report No. 24/2014).</p> <p>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.</p> <p>The other material terms and conditions of the Agreement were not amended under the annex.</p> <p>The criterion for recognising the Agreement as a reportable significant agreement was its value in excess of 10% of RAFAKO Group's revenue generated in the last four financial quarters.</p>
<p><b>For more information, see PBG Current Report No. 8/2015:</b>  <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_8_Aneks%20nr%2018%20do%20umowy%20LKW_rev1.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_8_Aneks%20nr%2018%20do%20umowy%20LKW_rev1.pdf</a></p>			
<b>May 29 2015</b>	RAFAKO S.A.  Powszechna Kasa Oszczędności Bank Polskim S.A.	Execution of annex to multi-purpose credit facility agreement with PKO BP S.A.	<p>The Management Board of RAFAKO S.A. of Racibórz (the "Company") announced that on May 29th 2015 the Company and Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw (the "Bank") executed an annex (the "Annex") to the multi-purpose credit facility agreement (the "Agreement") (see Current Reports Nos. 24/2014 and 8/2015).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The other material terms and conditions of the Agreement were not amended under the annex.</p> <p>The criterion for recognising the Agreement as a reportable significant agreement was its value in excess of 10% of RAFAKO Group's revenue generated in the last four financial quarters.</p>

For more information, see PBG 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](http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_11_Aneks%20nr%2019%20do%20umowy%20LKW%20rew%205.pdf)

<p><b>Jun 12 2015</b></p>	<p>RAFAKO S.A.  Powszechna Kasa Oszczędności Bank Polski S.A.</p>	<p>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</p>	<p>Further to Current Report No. 11/2015 of May 29th 2015, the Management Board of RAFAKO S.A. of Racibórz (the "Company") announced that on June 12th 2015 it amended, by way of a notarial deed, 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 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.</p> <p>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.</p> <p>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.</p>
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For more information, see PBG Current Report No. 13/2015:

[http://www.rafako.com.pl/pub/File/raporty\\_biezace/2015/RB\\_13\\_zmiana%20hipoteki\\_2.pdf](http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_13_zmiana%20hipoteki_2.pdf)

<p><b>Jul 25 2015</b></p>	<p>Jarosław Kotarski, Court Enforcement Officer at the District Court for Poznań-Stare Miasto of Poznań</p> <p>Banco Espirito Santo de Investimento S.A. (Creditor)</p> <p>PBG S.A. w upadłości układowej (in company voluntary arrangement)</p>	<p>Information on cancellation of enforcement proceedings</p>	<p>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.</p>
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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>

**V. PBG'S ARRANGEMENT BANKRUPTCY PROCEEDINGS**

Date of petition/decision	Subject matter of petition/decision	Key terms
Feb 23 2015	Decision by the Judge Commissioner to set the date for Meeting of PBG Creditors	<p>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:</p> <ul style="list-style-type: none"> <li>- the meeting of Creditors who are entitled to vote and belong to Creditor Group 1 and Creditor Group 2 will be held in Room 201 at 10am on April 27th 2015, and in Room 201 at 10am on April 28th 2015 at the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, ul. Grochowe Łąki 6, Poznań, Poland;</li> <li>- the meeting of Creditors who are entitled to vote and belong to the other Creditor groups will be held in room 201 at 10am on April 29th 2015 at the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, ul. Grochowe Łąki 6, Poznań, Poland.</li> </ul> <p>Further, the Judge Commissioner ordered that voting be held at the Meeting of PBG Creditors, including by written ballot.</p> <p>Pursuant to Art. 281 of the Bankruptcy and Restructuring Law, the Court will serve a notice on the Creditors providing details of the Meeting.</p>
<p>For more information, see PBG Current Report No. 4/2015: <a href="http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/4-2015-postanowienie-sedziego-komisarza-w-sprawie-wyznaczenia-terminu-zgromadzenia-wierzycieli-pbg.html">http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/4-2015-postanowienie-sedziego-komisarza-w-sprawie-wyznaczenia-terminu-zgromadzenia-wierzycieli-pbg.html</a></p>		

<p>Apr 13 2015</p>	<p>Filing a motion by the Management Board of the Company for changing the date of the Meeting of Creditors</p>	<p>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 original date of the vote was set by the Judge Commissioner for April 27th, 28th and 29th 2015.</p> <p>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. Negotiations are currently underway on the restructuring agreement (see Current Report No. 24/2013 of September 3rd 2013), with its key provision being the Financial Creditors' obligation to vote in favour of the Arrangement. One of the reasons why the filing of the Motion was necessary from the formal point of view was that on March 27th 2015 some of the Financial Creditors filed a petition requesting the Judge Commissioner to change the decision of October 19th 2012 by permitting the creation, subject to the Court Supervisor's approval, of a financial and registered pledge on the shares in RAFAKO S.A. of Racibórz, held by the Company and its subsidiary, Multaros Trading Company Limited of Cyprus, as security for the repayment of future claims under bonds, which the Company may issue on the basis of and in performance of the Arrangement, in accordance with the Company's arrangement proposals of November 3rd 2014 (see Current Report No. 23/2014).</p> <p>To the best of the Management Board's knowledge, the Creditors' petition to encumber the RAFAKO shares has not been considered to date. The Creditors have requested that a hearing be held to consider the petition, which is relevant to the Company in determining the entity competent to approve the creation of the security requested by the Creditors.</p> <p>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.</p>
<p>For more information, see PBG Current Report No. 7/2015: <a href="http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/7-2015-zlozenie-przez-zarzad-spolki-wniosku-o-zmiane-terminu-zgromadzenia-wierzycieli.html">http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/7-2015-zlozenie-przez-zarzad-spolki-wniosku-o-zmiane-terminu-zgromadzenia-wierzycieli.html</a></p>		

<p>Apr 17 2015</p>	<p>Judge Commissioner's decision concerning the Company's motion to change the date of the Meeting of Creditors</p>	<p>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.</p> <p>The Judge Commissioner also made the setting of a new date of the Meeting of Creditors conditional upon the Company filing updated Arrangement Proposals.</p> <p>PBG reported on the motion to change the date of the Meeting of Creditors 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, in Current Report No. 7/2015 of April 13th 2015.</p>
<p><b>For more information, see PBG Current Report No. 8/2015: <a href="http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/8-2015-rozpatrzenie-przez-sedziego-komisarza-wniosku-spolki-o-zmiane-terminu-zgromadzenia-wierzycieli.html">http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/8-2015-rozpatrzenie-przez-sedziego-komisarza-wniosku-spolki-o-zmiane-terminu-zgromadzenia-wierzycieli.html</a></b></p>		
<p>Apr 29 2015</p>	<p>Approval of Arrangement Proposals by the Company and their filing with the court</p>	<p>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.</p> <p>On April 29th 2015, the PBG 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, as announced by the Company in Current Report No. 8/2015 of April 17th 2015. Along with the Current Arrangement Proposals, the Company filed a request to set a new date for a Meeting of Creditors to vote on the arrangement between the Company and its Creditors.</p>
<p><b>For more information, see PBG Current Report No. 3/2015: <a href="http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/13-2015-zatwierdzenie-przez-spolke-oraz-zlozenie-w-sadzie-propozycji-ukladowych.html">http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/13-2015-zatwierdzenie-przez-spolke-oraz-zlozenie-w-sadzie-propozycji-ukladowych.html</a></b></p>		
<p><b>May 18 2015</b></p>	<p>Decision by the Judge Commissioner to set a new date for Meeting of PBG Creditors</p>	<p>On May 14th 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:</p> <ul style="list-style-type: none"> <li>- for Creditors with the right to vote, classified in Groups 1 and 2, the Meeting will be held at 10.00 am on August 3rd 2015, and 10.00 am on August 4th 2015;</li> <li>- for Creditors with the right to vote classified in the other groups, the Meeting will be held at 10.00 am on August 5th 2015.</li> </ul> <p>Further, the Judge Commissioner ordered that voting be held at the Meeting of PBG Creditors, including by written ballot.</p> <p>Pursuant to Art. 281 of the Bankruptcy and Restructuring Law, the Court will serve a notice on the Creditors providing details of the Meeting.</p>

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>

<b>Apr 3 2015</b>	Decision by the Judge Commissioner concerning further proceedings of the Meeting of Creditors	<p>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, including in particular by means of a letter containing a voting card, posted at a public operator's post office. In view of the above, an appropriate period of time is needed to count all votes cast, and to determine the final voting results by the Judge Commissioner.</p> <p>The Management Board explains that today's Decision of the Judge Commissioner is of organisational nature, which means that the Creditors will continue voting, as planned, on August 4th and 5th 2015; on August 25th 2015, the Judge Commissioner will announce results of the vote.</p>
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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>



<p>Apr 5 2015</p>	<p>Results of voting at the Meeting of Creditors</p>	<p>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.</p> <p>The Meeting of Creditors was convened by the Judge Commissioner for August 3rd–5th 2015 to vote on the Company's Arrangement Proposals of April 28th 2015 ("Arrangement Proposals"). When setting the date of the Meeting of Creditors, the Judge Commissioner also agreed for the Arrangement Proposals to be voted on by a written ballot. The filing of the Arrangement Proposals and the their terms were reported by the Company in Current Report No. 13/2015 of April 29th 2015.</p> <p>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 zloty) 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.</p> <p>Once the conversion is completed, the existing holdings of the Company shares will be diluted. Following the transaction, the Company's shareholder base will include creditors participating in the Arrangement (they will hold in total approximately 75% of the Company's share capital), Mr Jerzy Wiśniewski holding approximately 23.6% of the Company's share capital, as well as other (existing) Company shareholders whose holdings will be diluted to approximately 1.4% following the issue of Series H shares, as reported by the Company in Current Report No. 23/2014 of November 4th 2014 and Current Report No. 13/2015 of April 29th 2015.</p> <p>On February 19th 2015, the Judge Commissioner ordered that the Company's Creditors be divided into interest groups specified in the Arrangement Proposals, as reported by the Company in Current Report No. 4/2015 of February 23rd 2015.</p> <p>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.</p> <p>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.</p> <p>The final determination of the voting results will require verification by the Judge Commissioner of the validity of votes cast and the correctness of written ballots that could be sent by the creditors entitled to vote until August 5th 2015. The Judge Commissioner set the date for announcement of the voting results for August 25th 2015.</p>
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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>

<p><b>Aug 25 2015</b></p>	<p>Confirmation of execution of Arrangement with Creditors</p>	<p>Further to Current Report No. 32/2015 of August 5th 2015, the Management Board of PBG S.A. w upadłości układowej (in company voluntary arrangement) of Wysogotowo (the "Company" or "PBG") announces that in its Decision of 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, reported by the Company in Current Report No. 13/2015 of April 29th 2015.</p> <p>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.</p> <p>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:</p> <p><u>Group 1:</u></p> <ul style="list-style-type: none"> <li>- out of 44 creditors with claims totalling PLN 222,912,923.93;</li> <li>- 34 (77.27%) creditors voted in favour, representing PLN 193,337,772 (86.73%) of the claims in this Group;</li> </ul> <p><u>Group 2:</u></p> <ul style="list-style-type: none"> <li>- out of 256 creditors with claims totalling PLN 14,345,258.23;</li> <li>- 235 (91.80%) creditors voted in favour, representing PLN 12,982,129 (90.50%) of the claims in this Group;</li> </ul> <p><u>Group 4:</u></p> <ul style="list-style-type: none"> <li>- out of 9 creditors with claims totalling PLN 104,822,513.90;</li> <li>- 5 (55.56%) creditors voted in favour, representing PLN 86,151,155 (82.19%) of the claims in this Group;</li> </ul> <p><u>Group 5:</u></p> <ul style="list-style-type: none"> <li>- out of 58 creditors with claims totalling PLN 2,311,394,119.12;</li> <li>- 39 (67.24%) creditors voted in favour, representing PLN 2,217,181,536 (95.92%) of the claims in this Group;</li> </ul> <p><u>Group 6:</u></p> <ul style="list-style-type: none"> <li>- 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;</li> </ul> <p>Group 3 and Group 7 creditors were not entitled to vote.</p>
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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>

## **VI. RELATED-PARTY TRANSACTIONS**

In H1 2015, companies of the PBG Group 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.

The most frequent types of related-party transactions include:

- construction contracts,
- contracts for provision of maintenance services,
- loan agreements.

In H1 2015, companies of the PBG Group did not provide sureties or guarantees to related parties.

After the end of the reporting period, on August 3rd 2015, in the performance of the Restructuring Agreement the Company entered into several agreements with the Main Shareholder, Mr Jerzy Wiśniewski, who is also the President of the Company's Management Board. For more information on the agreements, see Section II - Agreements significant to the Company's business.

## **VII. CONTRACTED BANK BORROWINGS, LOAN AGREEMENTS**

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

## **VIII. NON-RECURRING FACTORS AND EVENTS**

The following events and transactions took place in the reporting period covered by these interim condensed consolidated financial statements:

### **CHANGES IN THE GROUP STRUCTURE**

#### **Sale of shares in FPM S.A.**

On December 30th 2014, subsidiary RAFAKO S.A. executed a preliminary conditional agreement for the sale of shares in FPM S.A., its subsidiary, to TDJ S.A., for PLN 48m. The transaction was conditional on:

- TDJ S.A. obtaining clearance from the President of the Polish Office of Competition and Consumer Protection (UOKiK),
- Approval of the sale of FPM S.A. shares by the Supervisory Board of subsidiary RAFAKO S.A.

On January 12th 2015, the Supervisory Board of subsidiary RAFAKO S.A. gave its approval for the sale of FPM S.A. shares, and on February 19th 2015 RAFAKO S.A. received a notification from TDJ to the effect that TDJ obtained transaction clearance from the President of the Polish Office of Competition and Consumer Protection. On February 23rd 2015, a share sale agreement was executed for an aggregate amount of PLN 48m. The sold assets represent 82.19% of FPM S.A.'s share capital and 82.19% of total voting rights at the FPM S.A. General Meeting. Following the transaction, subsidiary RAFAKO S.A. holds no FPM S.A. shares.

FPM S.A.'s operations represented an important separate line of the Group's business, therefore, in accordance with IFRS 5, the results generated by FPM S.A. have been classified as discontinued operations. Revenue generated by FPM S.A. in 2014 exceeded PLN 71m.

As at February 19th 2015, FPM S.A. was excluded from the Group, and its results for the period from January 1st to February 19th 2015 were presented as discontinued operations.

## **INVESTMENT AGREEMENTS IN THE REPORTING PERIOD**

### **Execution of significant conditional agreement by subsidiary**

On January 20th 2015, subsidiary E003B7 Sp. z o.o. (SPV) and UNISERV-PIECBUD Spółka Akcyjna of Katowice executed an agreement for the performance of work related to the supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II. The Agreement will become effective provided it is approved by:

- a) the guarantors, i.e. PKO BP S.A., BGK, and PZU S.A.,
- b) the Employer (with respect to the terms and conditions of the Agreement),
- c) RAFAKO.

As at the date of these interim condensed consolidated financial statements, all the conditions precedent were fulfilled, and the agreement came into force.

## **OTHER EVENTS IN THE REPORTING PERIOD**

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

On February 27th 2015, the Management Board of the Parent was notified that on November 21st 2014 Polskie Górnictwo Naftowe i Gazownictwo S.A. filed a request to summon the companies of the Consortium performing the project "Construction of the Wierchowice Underground Gas Storage Facility, phase: 3.5bcm, sub-phase: 1.2 bcm", to a conciliation hearing. The request was filed with the District Court for Poznań – Stare Miasto of Poznań, 10th Commercial Division. 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.

### **Adoption of a share capital increase resolution by the Management Board of a subsidiary**

On May 13th 2015, acting under Art. 444, Art. 446 and Art. 447 of the Polish Commercial Companies Code of September 15th 2000 (the "Commercial Companies Code"), and Art. 7a of the Articles of Association of RAFAKO S.A. (the "Articles of Association"), the RAFAKO Management Board adopted the following resolutions concerning an increase of RAFAKO S.A.'s share capital within the limit of the authorised capital by an amount not lower than PLN 2 and not higher than PLN 30,664 thousand, through an issue of no fewer than 1 and no more than 15,331,998 Series J ordinary bearer shares with a par value of PLN 2 per share ("Series J Shares"), i.e.:

- (i) Resolution No. 47 by the RAFAKO Management Board to increase RAFAKO S.A.'s share capital within the limit of the authorised capital through an issue of Series J ordinary bearer shares, to waive

- the existing shareholders' pre-emptive rights with respect to Series J Shares, and to amend the company's Articles of Association (the "Private Placement Resolution"), and
- (ii) Resolution No. 48 by the RAFAKO Management Board to increase RAFAKO S.A.'s share capital within the limit of the authorised capital through an issue of Series J ordinary bearer shares, to waive the existing shareholders' pre-emptive rights with respect to Series J Shares, to amend the company's Articles of Association, and to seek admission and introduction of RAFAKO S.A. Series J Shares to trading on the regulated market operated by the Warsaw Stock Exchange and to convert RAFAKO S.A. Series J Shares into book-entry form ("Open Subscription Resolution") (jointly "Management Board Resolutions").

**For more information, see RAFAKO's Current Report No. 9/2015**

[http://www.rafako.com.pl/pub/File/raporty\\_biezace/2015/RB\\_09\\_podwy%C5%BCzenie%20kapita%C5%82u\\_seria%20J\\_FINA%C5%81.pdf](http://www.rafako.com.pl/pub/File/raporty_biezace/2015/RB_09_podwy%C5%BCzenie%20kapita%C5%82u_seria%20J_FINA%C5%81.pdf)

**Representations by PBG S.A. w upadłości układowej (in company voluntary arrangement) and Multaros Trading Company Limited, stating that neither company intends to exercise its Subscription Rights in private placement**

On June 9th 2015, the Management Board of RAFAKO, a subsidiary, reported that RAFAKO received representations whereby the Eligible Shareholders, i.e. (i) PBG S.A. w upadłości układowej (in company voluntary arrangement) of Wysogotowo, holding directly 11.01% of RAFAKO shares on the date of the resolution of the Extraordinary General Meeting, and (ii) Multaros Trading Company Limited of Limassol, holding directly 50% of shares + 1 share in RAFAKO on the date of the resolution of the Extraordinary General Meeting, declare they do 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.

**Events related to the Meeting of Creditors convened to hold a vote on the Arrangement between the Parent and the Creditors**

On February 12th 2015, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division ("Court"), issued a correction of Judge Commissioner's decision of December 9th 2014. On February 19th 2015, the Court issued a decision on the date of a Meeting of Creditors convened to hold a vote on the Arrangement between the Parent and the Creditors in the bankruptcy proceedings. On April 13th 2015, the Parent filed a motion with the Court to change the date of the Meeting of Creditors, given the progress of negotiations between the Parent and the Financial Creditors. On April 15th 2015, the Judge Commissioner revoked the initial date of voting.

At a meeting held on April 20th 2015, the Parent's Supervisory Board expressed a positive opinion on the draft Restructuring Agreement and draft Terms and Conditions of the Bonds. On April 28th 2015, the Management Board of the Parent finalised negotiations with legal advisers of certain Financial Creditors on updating the Parent'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. Accordingly, on April 29th 2015, the Current Arrangement

Proposals and a motion to set a new date of the Meeting of Creditors to hold a vote on the arrangement between the Company and its Creditors were filed with the Court.

On May 18th 2015, the Management Board of the Parent was notified about the Court's Decision to set the following dates for the Meeting of PBG Creditors:

- for Creditors with the right to vote, classified in Groups 1 and 2 – 10.00 am on August 3rd 2015, and 10.00 am on August 4th 2015;
- for Creditors with the right to vote classified in the other groups – 10.00 am on August 5th 2015.

The Judge Commissioner also ordered that voting be held at the Meeting of PBG Creditors, including by written ballot.

## **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 an 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**

As at **June 30th 2015**, Group companies were parties to the following court proceedings:

### **PROCEEDINGS INSTIGATED BY THE GROUP:**

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

### **KEY LITIGATION AND OTHER DISPUTES INSTIGATED BY THE COMPANY:**

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

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

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

The Company is pursuing claims against Control Process S.A. in connection with the provision of general contracting services related to the 'LMG Project - Central Facility, Well Areas, Pipelines and Other Infrastructure.' In a payment order issued on January 10th 2014, the Regional Court of Poznań ordered the Defendant to pay the Plaintiff an amount of PLN 996 thousand with interest and cost of proceedings within 14 days, or to lodge an objection. In a letter of April 18th 2014, the Plaintiff's attorney responded to the

objection to payment order, and addressed all arguments raised by the Defendant in their objection to payment order. As the President of the Management Board of Control Process again failed to appear, the Court dismissed the request to hear him as a party. Concurrently, the Defendant's attorney declared that Control Process requested the Company to start negotiations with a view to reaching a settlement. During a hearing held on June 18th 2015, the parties entered into a settlement whereby Control Process undertook to pay PBG S.A. PLN 500 thousand and waived the PLN 1,700 thousand claim as settlement of PBG's liability under Art. 5.18 of the agreement of February 19th 2009, presented during the proceedings for set-off against PBG's claim. On July 27th 2015, Control Process paid the settlement amount.

### **3. PBG S.A. in company voluntary arrangement against Marian Siska for payment**

Action for payment of PLN 1,200 thousand in connection with disposal of shares in Gas Oil Engineering As. The case is conducted under Slovakian law by barrister Ireneusz Piotr Giebel. By virtue of a payment order, the Regional Court of Poprad ordered the Defendant to make the payment as demanded in the statement of claim. In pleadings of February 18th 2014, Marian Siska appealed against the payment order. The case is pending. No hearing date has been set by the Regional Court of Poprad.

### **4. PBG SA in company voluntary arrangement against the Bankruptcy Administrator of Mazer S.A. w upadłości (in bankruptcy) – court docket No. IX GNC 1254/13/7**

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

DISPUTES PENDING AGAINST THE COMPANY:

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

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

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

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

Regional Court in Warsaw dismissed the request for injunctive relief. On April 9th 2013, the Consortium filed a complaint against the decision to the Court of Appeals in Warsaw.

The Court of Appeals dismissed the appeal. By its decision of September 25th 2013, the Court suspended the proceedings ex-officio following declaration of bankruptcy of two other plaintiffs, i.e. Alpine Bau Deutschland AG and Alpine Bau GmbH. Pursuant to a representation of December 4th 2013, the administrator of Alpine Bau Deutschland AG and the administrator of Alpine Bau GmbH acceded to the proceedings and moved for resumption of the proceedings. The case is presently pending before the Regional Court of Warsaw.

Notwithstanding the foregoing, it needs to be emphasised that during performance of the Contract, the Consortium completed a large number of additional works ordered by the NCS in the course of the project, for which it has not received any consideration. Currently, the Consortium (including PBG) is demanding payment for the additional works. Moreover, the Consortium also suffered financial losses in connection with the non-performance or improper performance of the Contract by the NCS.

In the meantime, on June 17th 2013, PBG and the bankruptcy administrator for Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation) ("HBP") filed a call for a conciliation hearing against the State Treasury and the NCS, concerning payment of PLN 162,984 thousand for the auxiliary work specified above plus damages. The conciliation hearing was held on October 10th 2013, but the parties failed to reach an agreement.

The Company and the bankruptcy administrator for Hydrobudowa Polska w likwidacji (in bankruptcy by liquidation) are planning to bring an action for payment against the State Treasury and the NCS.

Alpine Group companies filed an action for payment of PLN 138,946 thousand in damages. As regards the claim concerning auxiliary work, the companies, like PBG and Hydrobudowa's bankruptcy administrator, filed a call for a conciliation hearing, but without bringing an action.

In October 2014, the Consortium comprising Zurich entered into negotiations with the State Treasury and the NCS to settle the case amicably, conclude any other proceedings related to the construction of the National Stadium in Warsaw and agree on a mutual waiver of claims. In the course of the talks, the parties filed a joint request to suspend the proceedings due to the negotiations initiated by the defendant. On February 3rd 2015, the Court suspended the proceedings for three months. At the moment, the case is still suspended because of the pending settlement negotiations.

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

Action for payment of PLN 2,217 thousand before the Regional Court of Warsaw – date of filing the statement of claim: September 17th 2012. The response to the statement of claim was prepared on October 1st 2013. No hearing date has yet been set by the court. The case is pending.

The Company filed its response to the claim. The hearing took place on December 17th 2014, and on December 30th 2014 the court awarded PLN 1,644 thousand from the Company to the Plaintiff. The Company appealed against the decision. The proceedings have been suspended as SIAC was declared bankrupt.

**3. SAN-BUD Sp. z o.o. against PBG SA in company voluntary arrangement, court docket No. IX GC 206/13/**

Action for payment of PLN 1,572 thousand before the Regional Court of Wrocław, 10th Commercial Division; date of filing the statement of claim: March 28th 2013. The response to the statement of claim was submitted



on June 27th 2013. So far, three hearings have taken place, and the date of the next hearing was scheduled by the Court for March 27th 2015. On July 7th 2015, the Court discontinued proceedings against PBG with respect to the claim of PLN 127,337.79 and proceedings against SIAC Construction following satisfaction of SAN-BUD's claims from the SIAC's list of claims. PBG SA did not appeal against the decision. The case is pending.

**4. Dimark Sp. z o.o. against PBG S.A. w upadłości układowej (in company voluntary arrangement), court docket No. IX GC 855/14/6**

Action for payment of PLN 1,644 thousand before the Regional Court of Poznań – date of filing of the statement of claim: July 31st 2014.

The Company filed its response to the claim. The hearing took place on December 17th 2014, and on December 30th 2014 the court awarded PLN 1,644 thousand from the Company to the Plaintiff. The Company appealed against the above decision, and the date of the appeals hearing has been set for December 10th 2015. The case is pending.

**5. Gispro Sp. z o.o. of Szczecin, Okręgowe Przedsiębiorstwo Geodezyjno-Kartograficzne w Bydgoszczy Sp. z o.o. and Geomar S.A. of Szczecin against PBG S.A. w upadłości układowej (in company voluntary arrangement), Bankruptcy Administrator for Aprivia S.A. w upadłości likwidacyjnej (in liquidation bankruptcy), SRB Civil Engineering Ltd and John SISK & Son Ltd., court docket No. IX GC 592/13/3**

Claim for payment of PLN 47 thousand, filed on March 14th 2013. The response to the statement of claim was prepared on June 3rd 2013, and the hearing was held on October 2nd 2013. During a hearing of August 11th 2014, the Court issued a non-final decision in favour of the opposing party. Explaining its decision, the Court stated that no arguments supporting the principal claim of the absence of joint and several liability had been presented. Consequently, a motion for preparation and delivery of a written statement of grounds for the decision was filed. The decision with a statement of grounds was delivered to the Company on October 24th 2014 and an appeal was lodged (court docket No. X Ga 240/15 and X Ga 241/15, formerly – IX GC 592/13/3). During the first appeals hearing, held on May 29th 2015, the appeal was upheld. The next hearing was set for July 30th 2015, but the hearing was postponed until September 30th 2015 due to an illness of one of the judges.

**6. SRB Civil Engineering Ltd John Sisk & Son Ltd against General Director for National Roads and Motorways (GDDKiA) – PBG joined the case on the plaintiff's side - XXV C 911/13**

The case concerns the construction of the A1 Toruń-Stryków motorway, Section Brzezie – Kowal. On July 9th 2013, a suit concerning the construction of the A1 Toruń-Stryków motorway, section Brzezie–Kowal, and contractual penalties of PLN 86,411,973.46 with interest of PLN 8,956,068.37 was filed with the Regional Court. The basis for the suit was the termination of the contract for construction of the A1 Toruń-Stryków motorway, section 3 Brzezie–Kowal, for reasons attributable to the Employer (GDDKiA). On April 22nd 2015, the Court notified the Company of the pending proceedings, requesting it to decide whether it wishes to join the proceedings as an additional participant. PBG joined the proceedings as a plaintiff by virtue of a letter of May 5th 2015 and supported all motions and evidence presented in the case. Subsequent hearings were scheduled for July 20th, July 22nd, September 1st and September 3rd 2015. On June 9th 2015, the Court obliged the plaintiffs to present a list of questions for the witnesses.

**7. State Treasury – General Director for National Roads and Motorways (GDDKiA) against Bank PEKAO S.A. (the defendant and counterclaim plaintiff) – PBG joined the case as an additional participant for the Bank – court docket No. XXV C 97/13**

The suit concerns the contract for the construction of the A4 motorway, section Krzyż–Dębica Pustynia. The value of the claim is PLN 43,760 thousand. The aim of the dispute is to determine whether the Bank is obliged to return the performance bond in connection with the recession of the contract by the Consortium on July 24th 2012. PBG's legal interest may consist in the fact that if the Bank is ordered to pay any amount under the bond to the GDDKiA, PBG will be obliged to return that amount to the Bank. On April 1st 2015, a letter on PBG joining the proceedings as an additional party on the side of the Bank was filed, and on April 17th 2015 GDDKiA objected against PBG joining the proceedings. During a hearing held on April 20th 2015, the Court set a two-week deadline for addressing the objection. On May 4th 2015, PGB, as the additional participant, filed a statement explaining its legal interest in joining the proceedings. On June 19th 2015, PBG orally presented the arguments confirming its legal interest in taking part in the proceedings. Upon hearing of the parties, the Court dismissed the objection. PBG will therefore participate in the proceedings as an additional participant. The case is pending.

**8. Consortium comprising SIAC, PBG S.A. w upadłości układowej (in company voluntary arrangement), APRIVIA S.A. w upadłości likwidacyjnej (in liquidation bankruptcy), HYDROBUDOWA POLSKA S.A. w upadłości likwidacyjnej (in liquidation bankruptcy) State Treasury – General Director for National Roads and Motorways (GDDKiA) – case for increasing the Consortium's VAT-exclusive remuneration, court docket No. IC1022/12**

"The case concerns a court amendment to Contract No. 2811/30/2010 (construction of the A4 motorway). The party requested a PLN 270,100 thousand rise in the VAT-exclusive remuneration payable to the Consortium due to a sharp increase in the prices of construction materials and services (the prices of steel, aggregate, concrete, bitumen, and fuels, including transport costs). The key and most significant element of evidentiary hearing will be the opinion of experts in the economics of road building. Several hearings took place during which witnesses were heard.

On April 8th 2014, the attorney of the defendant filed a letter specifying the objections concerning the documents submitted as scans on a CD. The letter also pertained to the factual circumstances related to the performance of the contract.

On June 3rd 2014, the plaintiffs' attorney presented a letter addressing the evidentiary motion filed by the defendant's attorney, requesting that it be dismissed or, alternatively, that the defendant provide more detailed evidence.

The opinion of the Mineral Resources and Energy Management Institute of the Polish Academy of Sciences in Kraków provided by PBG and SIAC as evidence has been approved. Given the foregoing, an appropriate statement has been filed and the parties are awaiting response from the Institute. The case is pending.

**PROCEEDINGS INSTIGATED BY SUBSIDIARIES:**

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

On November 3rd 2009, RAFAKO S.A., a subsidiary, 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. demands a refund

of about 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 S.A. 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 Donetskoblenenergo of Ukraine**

In another material litigation involving RAFAKO S.A., the company is seeking compensation from Donetskoblenenergo of Ukraine in the amount of USD 11,500 thousand (PLN 38,151 thousand). RAFAKO 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 S.A. 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 S.A. did not recognise the awarded amount in revenue. RAFAKO S.A.'s attorney reported that in July 2012 the Commercial Court for the Donetsk region resumed the examination of the case having received Donetskoblenenergo'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.

### **ACTIONS AGAINST SUBSIDIARIES:**

#### **1. FISIA BABCOCK ENVIRONMENT GmbH against RAFAKO S.A.**

An action brought by Steinmüller Babcock Environment GmbH (formerly FISIA BABCOCK ENVIRONMENT GmbH) is pending before the International Court of Arbitration at the International Chamber of Commerce in Vienna against RAFAKO S.A., a subsidiary. The proceedings were initiated following the filing of a claim for payment of about EUR 3.8m in connection with a licence agreement relating to wet flue gas desulfurization units. The principal claims relate to payment of the allegedly due outstanding licence fees. In RAFAKO S.A.'s opinion, the claims are groundless. Parent's position is that the contract for upgrading four desulfurization units, in relation to which the dispute arose, had been performed based RAFAKO's proprietary technological solutions, without any licensed know-how. In its response to the statement of claim, RAFAKO S.A. also argued that the other party's potential claim had become prescribed. Pursuant to the letter from the Arbitration

Court, grant or dismissal of the claim will depend on the scope of the modernisation (whether the work performed was a modernisation in the strict sense of the term or consisted in the delivery of a new unit) and the use of the plaintiff's technology in performing the contract. The parties were obliged to prepare technical documentation relevant to this issue. At present, the parties are exchanging communications to determine the scope of the required documents.

In connection with the arbitration proceedings, the Group has recognised a provision for arbitration costs of approximately PLN 586 thousand. The provision was partially used in 2014 and its balance as at June 30th 2015 was PLN 477 thousand. In the opinion of RAFAKO S.A.'s Management Board, as at June 30th 2015 there were no circumstances which would justify the recognition of any provisions for the claim.

## **2. 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 644.5 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 position is that the fee claimed by ESPD is not due since no services have been provided. The proceedings are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw.

## **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 plans to close the case in 2015.

## **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.

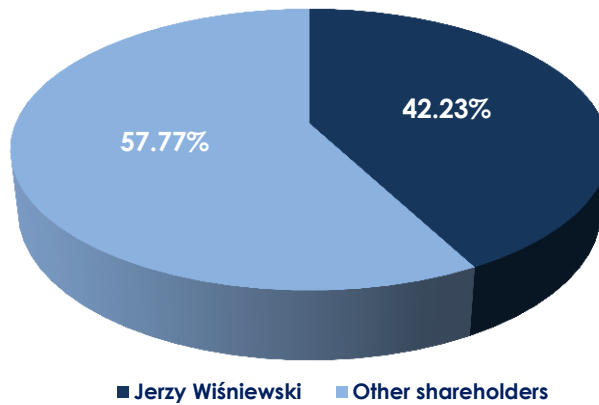
**Table 22: Share capital of PBG**

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
		<b>Total</b>	<b>14 295 000</b>	<b>18,035,000</b>	<b>10,555,000</b>

**Table 23: Shareholders holding over 5% of shares**

As at Jun 30 2013				
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 preference 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 preference shares, and 146,170 ordinary shares	3,881,224	27.15%	42.23%

**Figure 3: PBG Shareholders holding over 5% of shares**



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

**II. CHANGES IN THE COMPANY'S SHAREHOLDING STRUCTURE**

In H1 2015 and before the date of approval of this Report for issue, no notifications of exceeding a shareholding threshold reportable to the Polish Financial Supervision Authority were received by the Company from any of its shareholders . Accordingly, the shareholder structure remained unchanged, with Mr Jerzy Wiśniewski being the only shareholder holding over 5% of the Company shares.

**III. KEY DATA ON PBG SHARES**

**1. Share price**

**Figure 4: Price of PBG shares between January 1st 2015 and June 30th 2015**

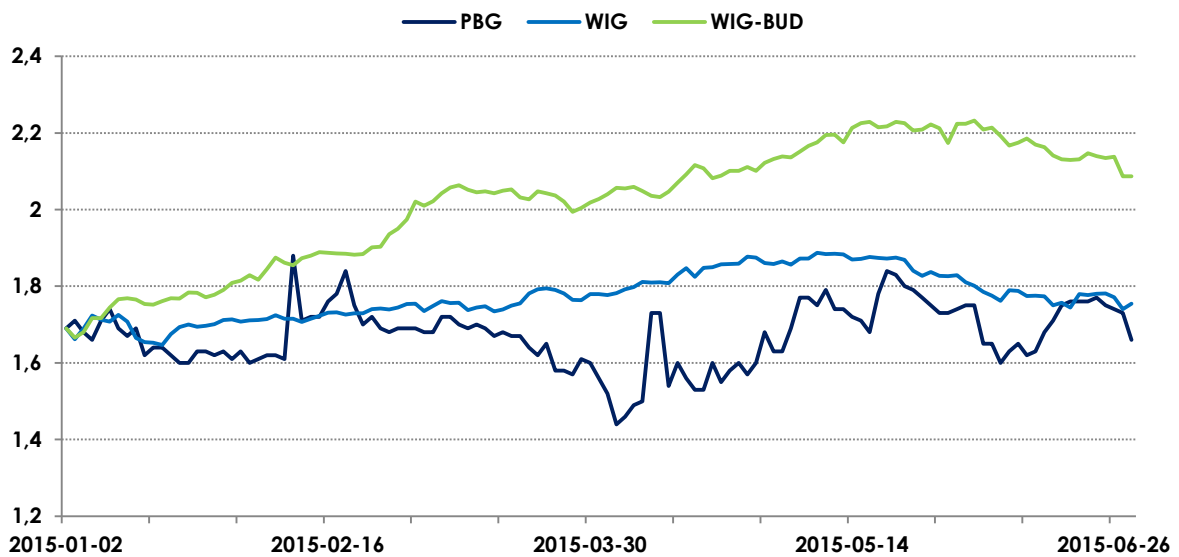
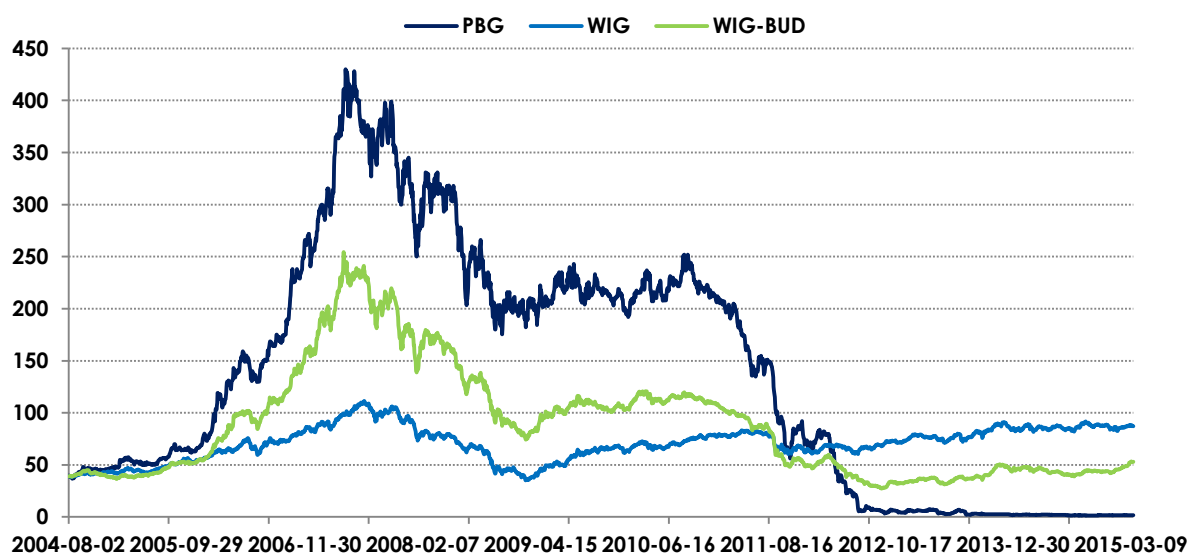


Figure 5: Price of PBG shares between the first listing and August 26th 2015



As PBG was declared insolvent in voluntary arrangement, its shares were excluded from all WSE indices.

Given PBG's current situation, brokerage houses no longer cover the Company's stock.

## 2. Key data on PBG shares

Table 24: Per-share data

Key per-share data		H1 2015	H1 2014	Y-o-y change (%)
Period high	PLN	1.88	2.45	-23
Period low	PLN	1.44	1.96	-27
Share price at half-year end	PLN	1.66	1.99	-17
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 half-year end	PLNm	23.7	28.5	-17
Average daily trading value	PLN '000	174	146	+19
Average daily trading volume	Number of shares	77,259	66,228	+16

## 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**

PBG's Articles of Association 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.

When the decision approving the Arrangement with Creditors becomes final, the provisions of Art. 11.1 of the Articles of Association will be deleted as Series A shares will lose their preference.

Furthermore, Mr Jerzy Wiśniewski (the Company's Majority Shareholder), in the performance of the Restructuring Agreement to which he is a party, has signed the PBG Shares Lock-Up Agreement relating to the shares he holds, obliging him to hold the shares until the Company meets all of its obligations under the Bonds held by all Financial Creditors, that is until the end of June 2020 (Current Report No. 26/2015 of August 2nd 2015, Section I.1.d. iii). Under the Lock-Up Agreement, the Majority Shareholder undertook before the Financial Creditors who are parties to the Restructuring Agreement not to assume any obligations and make any disposals involving PBG shares, any rights attached to the shares or any rights to the shares without prior consent of the Financial Creditors.

## **VIII. EVENTS WHICH MAY RESULT IN CHANGE IN SHAREHOLDINGS**

On August 25th 2015, the Company published Current Report No. 34/2015, in which it announced that the Court confirmed the execution of the Arrangement with Creditors. Once the decision approving the Arrangement becomes final, the Company will commence to implement the Arrangement Proposals announced in Current Report No. 13/2015 of April 29th 2015.

After the issue of all new shares to be issued under the Arrangement Proposals of April 28th 2015, the Company's shareholding structure will be as follows:

- a) financial creditors will hold ordinary bearer shares representing approximately 75% of the Company's share capital;
- b) Jerzy Wiśniewski will hold ordinary bearer shares representing approximately 23.45% of the Company's share capital;
- c) other shareholders will hold ordinary bearer shares representing approximately 1.46% of the Company's share capital.

Furthermore, after the decision approving the Arrangement becomes final, Resolution No. 22 of the Annual General Meeting of May 22nd 2015, concerning a reduction of the Company's share capital with its simultaneous increase and amendments to the Company's Articles of Association, will take effect. Under the resolution, the Company's share capital is to be reduced by PLN 14,009,100.00 (through par value reduction



from PLN 1.00 per share to PLN 0.02 per share), to PLN 285,900.00. In connection with the reduction of the Company's share capital, no repayments of share capital shall be made to the Company's shareholders, nor shall the Company's shareholders be released from the obligation to make payments towards the share capital. Concurrently with its reduction, the Company's share capital will be increased to PLN 14,295,000.00 or more pursuant to the Arrangement, which provides for the conversion of creditor claims into Series H ordinary registered shares in the Company with a par value of PLN 0.02 per share, at the issue price of PLN 0.02 per share.

The reduction of the share capital with its simultaneous increase, as provided for in the resolution, will be effected upon the entry into the Register of Entrepreneurs of the National Court Register of the increase in the Company's share capital under the Arrangement.

The Court's decision approving the Arrangement becoming final is also a precondition for Resolution No. 23 of the Annual General Meeting of May 22nd 2015 taking effect. The resolution cancels the voting preferences attached to 3,740,000 Series A registered shares and converts those shares into ordinary bearer shares.

## IX. THE COMPANY AND ITS SHARES

**Table 25: IR contact data**

<b>Investor Relations</b>	Wiktoria Wiśniewska
<b>Phone</b>	+48 (0) 61 66 88 242
<b>Email</b>	<a href="mailto:wiktoria.wisniewska@pbg-sa.pl">wiktoria.wisniewska@pbg-sa.pl</a>
<b>Website</b>	<a href="http://www.pbgsa.pl">www.pbgsa.pl</a>
<b>Warsaw Stock Exchange</b>	PBG
<b>Reuters</b>	PBGG.WA

## SECTION VI: FINANCIAL OVERVIEW

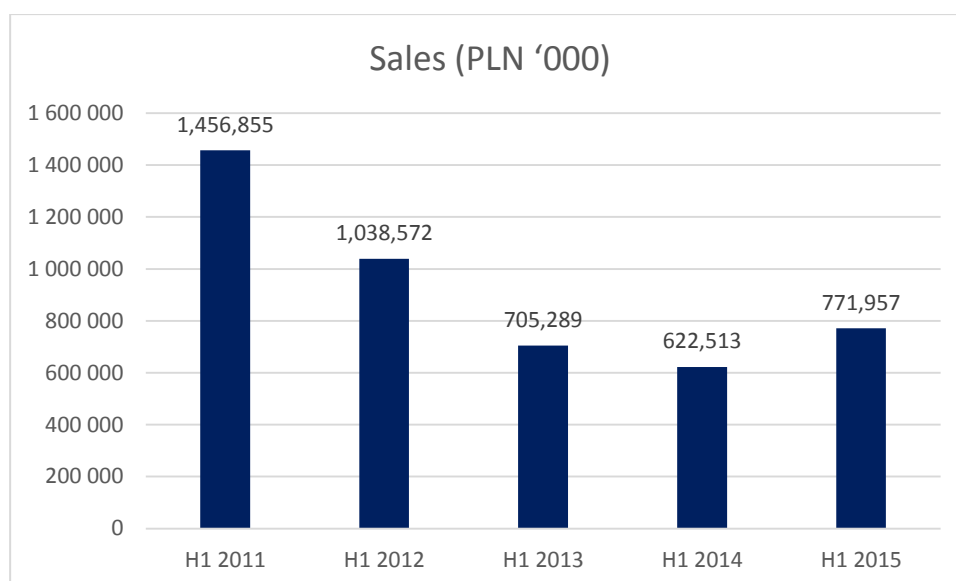
### I. ANALYSIS OF THE GROUP'S FINANCIAL POSITION

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

#### Revenue

At the end of H1 2015, PBG reported a 24% revenue growth year on year, from **PLN 622,513 thousand in H1 2014** to **PLN 771,957 thousand in H1 2015**.

**Figure 6: Historical development of revenue** (past five years)

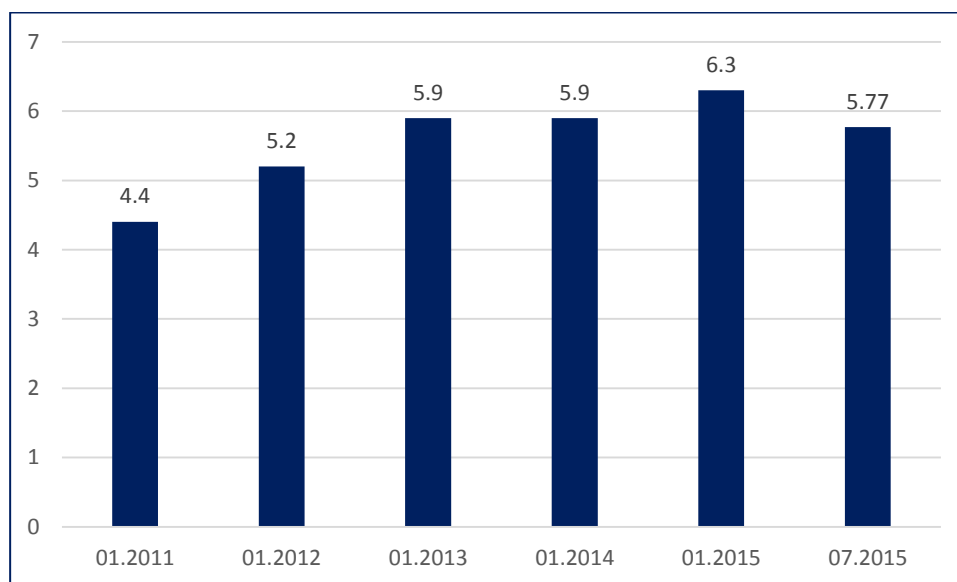


Historically, that is until 2011, sales of the PBG Group's services remained in an upward trend. However, the trend reversed in H1 2012 due to the difficult financial standing of the individual PBG Group companies. H1 2015 saw the downward trend reverse and revenue grow by as much as PLN 149m year on year. In the period under analysis, revenue growth was primarily attributable to higher turnover in the power construction segment, driven in particular by RAFAKO Group companies, responsible for the execution contracts with high unit values, including the construction of generating units for the Jaworzno power plant. In the period under discussion, the RAFAKO Group reported revenue of PLN 696m, compared with PLN 498m in H1 2014.

## 2. Order book

**As at July 1st 2015**, the value of the PBG Group's order book was approximately **PLN 5.77bn**, of which about PLN 1.01bn represented orders to be executed in 2015, with the balance of PLN 4.76bn scheduled for execution in the coming years. Power construction projects account for the largest proportion of the order book value (91%), with the balance (9%) attributable to the oil, gas and fuels segment.

**Figure 7: Historical development of the Group's order book (PLNbn, past five years)**



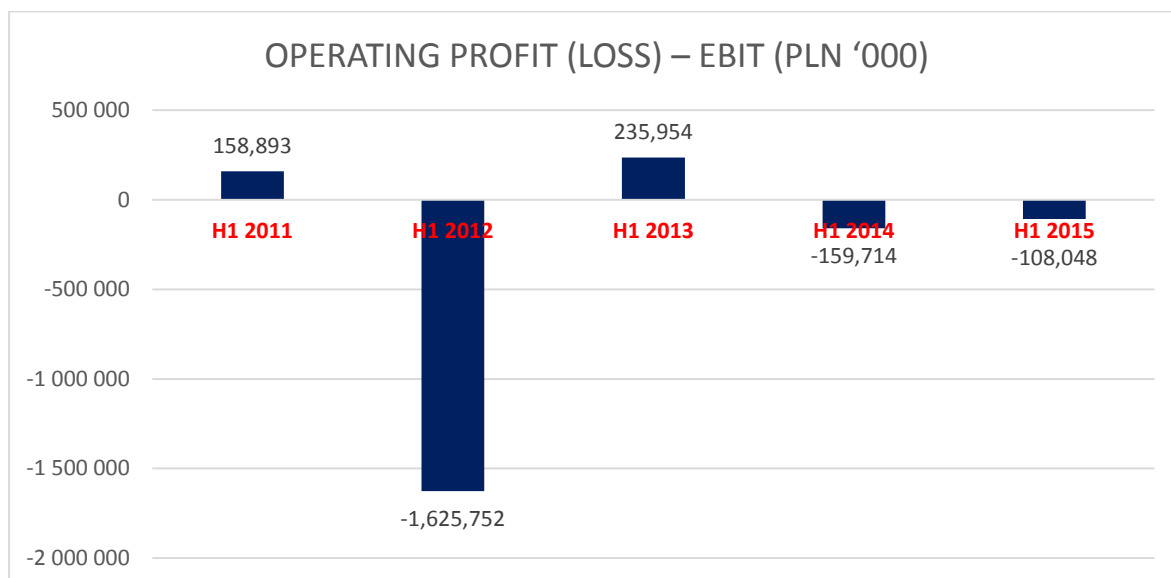
**Table 26: Structure of the order book as at July 1st 2014**

ORDER BOOK AS AT JULY 1ST 2014 (% and PLNbn)		
Gas, oil and fuels	9	0.5
Power construction	91	5.27
<b>TOTAL</b>	<b>100.0%</b>	<b>5.77</b>

## 3. EBIT

In H1 2015, the PBG Group reported an operating loss of **PLN -108,048 thousand**, compared with a loss of **PLN -159,714 thousand** in H1 2014, which represents an improvement of nearly PLN 52m. It should be noted, though, that the materially poorer EBIT for H1 2014 was primarily attributable to non-recurring events, including in particular a PLN 114m loss on investment in related entities (including PLN 92m related to the exclusion of Energopol Ukraina from consolidation). It should also be noted that at the end of H1 2015 EBIT was materially adversely affected by an impairment loss on goodwill related to the remeasurement of Rafako shares (PLN 70.3m).

**Figure 8: Historical development of EBIT (past five years)**



## 5. Liquidity ratios

**Table 27: Liquidity ratios**

NAME	FORMULA	H1 2015	H1 2014
Current ratio	(current assets / current liabilities)	0.48	0.46
Quick ratio	(current assets – inventories) / current liabilities)	0.45	0.42
Cash ratio	(cash balance at end of period / current liabilities)	0.03	0.06

The current ratio was slightly up year on year, from 0.46 at the end of H1 2014 to 0.48 at the end of H1 2015, which means that in both periods the PBG Group would not have been able to meet its short-term obligations if they had become immediately due and payable.

A slight increase was also recorded in the quick ratio, from 0.42 at the end of H1 2014 to 0.45 at the end of H1 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 fell from 0.06 at the end of H1 2014 to 0.03 at the end of H1 2015. The ratio suggests that the PBG Group is able to cover 3% of its current liabilities with the most liquid assets.

## 6. Debt

**Table 28: Debt ratios**

NAME	FORMULA	H1 2015	H1 2014
Capital structure	Equity attributable to owners of the Parent / debt capital	-0.36	-0.35
Asset structure	non-current assets / current assets	0.88	0.98

In both H1 2015 and H1 2014, the PBG Group equity was negative.

The assets structure ratio decreased by 10pps year on year. In H1 2015, non-current assets represented 88% of current assets, compared with 98% in H1 2014. This means higher flexibility of assets and shortening of the period when funds remain tied up.

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

### 1. Statement of profit or loss

**Table 29: Changes in the statement of profit or loss**

PBG's statement of profit or loss (PLN '000)	H1 2015	H1 2014	H1 2015/H1 2014
Revenue	771,957	622,513	124%
Cost of sales	740,824	570,880	130%
<b>Gross profit (loss)</b>	<b>31,133</b>	<b>51,633</b>	-
Distribution costs	10,960	23,231	47%
Administrative expenses	42,095	38,705	109%
<b>Net profit on sales</b>	<b>-21,922</b>	<b>-10,303</b>	-
Other income	17,728	56,448	31%
Other expenses	96,300	205,859	47%
Restructuring costs	7,554	0	-
<b>Operating profit (loss)</b>	<b>-108,048</b>	<b>-159,714</b>	-
Net finance costs	-46	-3,383	-
Share of profit/(loss) of equity-accounted entities	<b>1,031</b>	<b>0</b>	
<b>Profit (loss) before tax</b>	<b>-107,063</b>	<b>-163,097</b>	-
Income tax expense	4,829	2,081	-
<b>Net profit/(loss)</b>	<b>-111,892</b>	<b>-165,178</b>	-

As at the end of H1 2015, the PBG Group reported a gross profit in excess of PLN 31m, compared with PLN 51.6m at the end of H1 2014.

**Administrative expenses** amounted to almost PLN 42m, up 9% year on year, while distribution costs went down by nearly PLN 12.3m, to PLN 11m.

As at the end of H1 2015, **other income** stood at PLN 17.7m, with major items being: reversal of impairment losses on receivables (PLN 6.4m), interest related to operating activities (PLN 4.4m), gain on disposal of non-

financial non-current assets (PLN 1.4m), lease and rental income (PLN 1m), write-down of past-due liabilities (PLN 0.9m), reversal of unused provisions (PLN 0.6m) and fair-value measurement of property (PLN 0.6m).

The Group's **other expenses** totalled PLN 96.3m. The most material item of other expenses were impairment losses on assets, including goodwill (PLN 70.3m), receivables (PLN 16.7m, loans advanced (PLN 2.5m) and inventory write-downs (PLN 0.8m). The balance primarily includes interest on trade and other payables (PLN 1.2m) and VAT adjustment (PLN 1.2m).

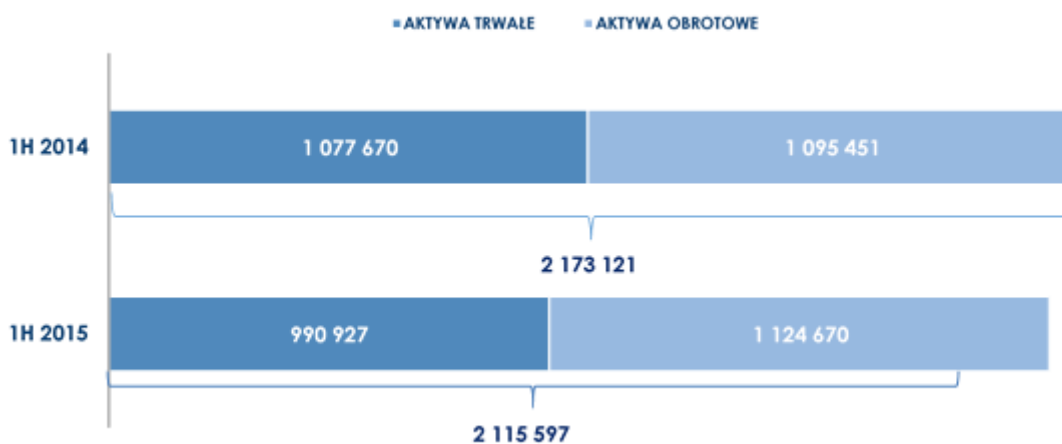
### III. ASSETS, FINANCIAL STANDING AND FUNDING OF THE ASSETS

#### 1. Assets

The asset structure did not change significantly during the period under review. As at the end of H1 2015, non-current assets accounted for almost 47% of total assets, which represented an almost 3pps decrease year on year. In H1 2015, the share of current assets in total assets increased to over 53% year on year. The largest item of non-current assets, accounting for 31% of total non-current assets, was goodwill acquired through business combinations. The second largest item of non-current assets was property, plant and equipment, which accounted for 26% of total non-current assets. The third largest item was investment property, accounting for 21% of total non-current assets.

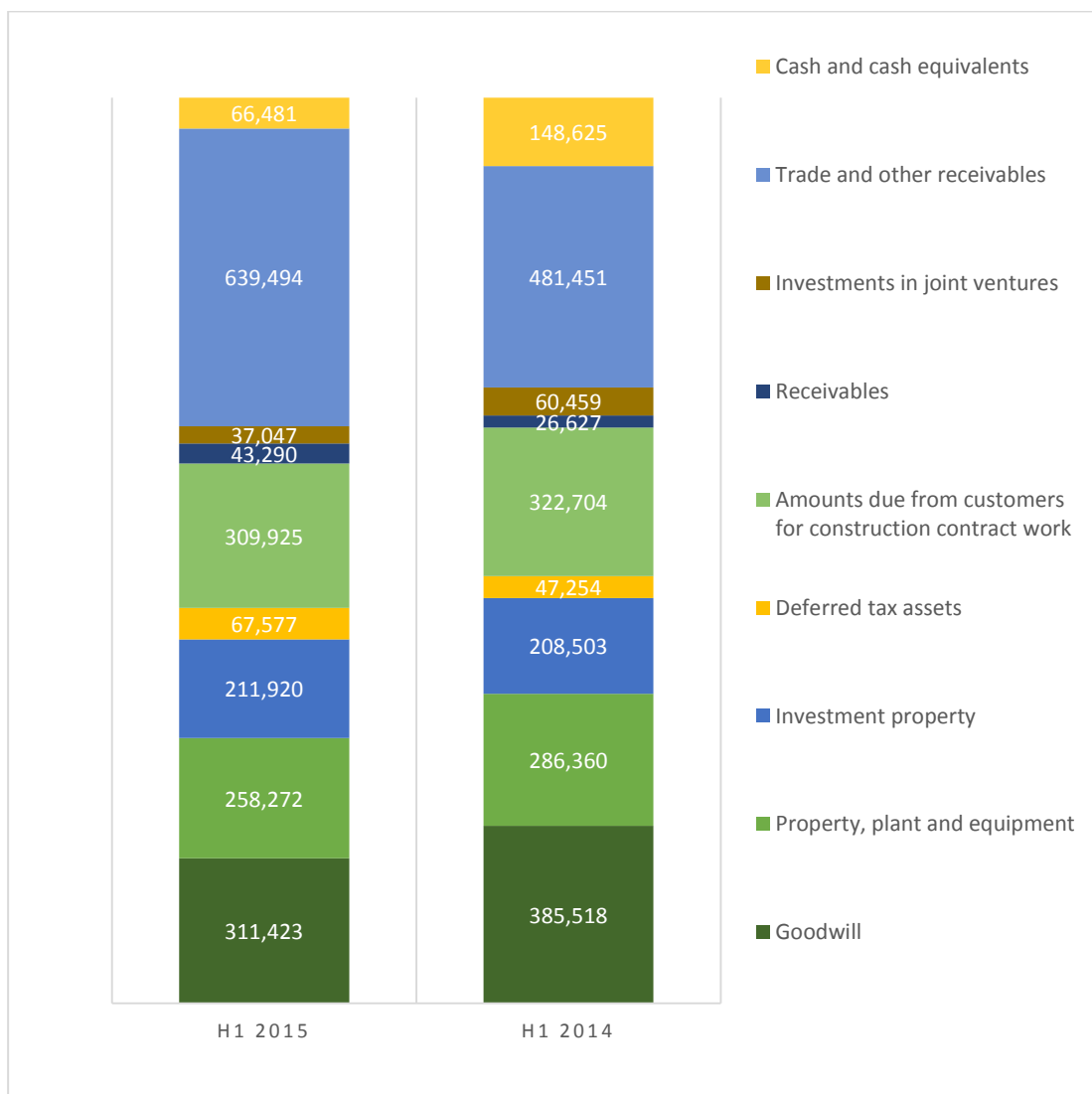
During the period under review, the structure of current assets also changed. Trade and other receivables had the largest share in current assets in H1 2015, and accounted for 57% of total current assets. The second largest item were receivables under construction contracts, which accounted for 27% of current assets.

Figure 10: Assets (PLN '000)



Aktywa trwałe	Current assets
Aktywa obrotowe	Non-current assets

**Figure 11: Largest items of assets (PLN '000)**



**Table 36: Asset ratios (%)**

NAME	FORMULA	H1 2015	H1 2014
Basic asset structure ratio	$(\text{non-current assets} / \text{current assets}) * 100$	88%	98%
Non-current assets to total assets	$(\text{non-current assets} / \text{total assets}) * 100$	47%	50%
Current assets to total assets	$(\text{current assets} / \text{total assets}) * 100$	53%	50%
Inventories to current assets	$(\text{inventories} / \text{current assets}) * 100$	5.07%	8.59%
Current receivables to current assets	$(\text{current receivables} / \text{current assets}) * 100$	84%	73%

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

There were considerable changes in the value of particular items of assets and in the structure of total assets. In H1 2015, non-current assets were down 8pps year on year. An increase was seen in current assets, which rose by almost 3pps. As at the end of H1 2015, the share of non-current assets in total assets increased by 3% year on year. At the same time, current assets' share in PBG's total assets amounted to 53%.

## 2. Equity and liabilities

In H1 2015, the Group's equity remained negative. Non-current liabilities decreased by PLN 18m, to over PLN 559m. Current liabilities fell to PLN 2.361bn as at the end of H1 2015, from PLN 2.381bn as at the end of H1 2014. In non-current liabilities, other non-current provisions of PLN 374m represented the largest item. The largest item of current liabilities were borrowings and other debt instruments, which amounted to PLN 1.376bn.

Figure 12: Equity and liabilities (PLN '000)

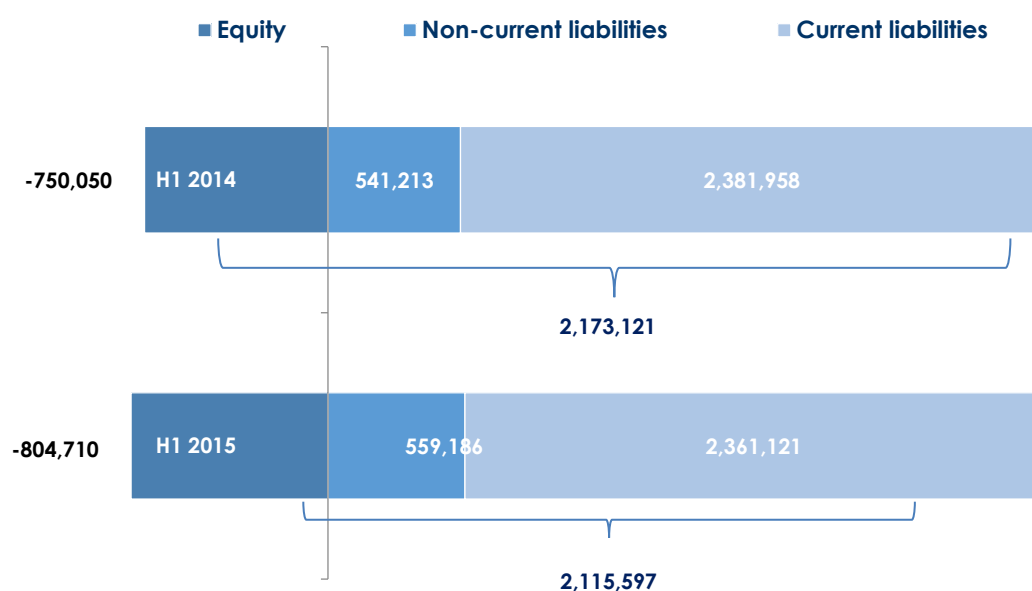




Figure 13: Largest items of equity and liabilities (PLN '000)



#### IV. STATEMENT OF CASH FLOWS

Table 30: Cash flows (PLN '000)

	H1 2015	H1 2014
Net cash from operating activities	-97,452	67,312
Net cash from investing activities	11,621	35,382
Net cash from financing activities	20,305	-128,306
Net cash at the end of the period	66,481	148,625

In H1 2015, cash flows from operating activities generated by the Group were negative at PLN -97.5m. In the period under review, the Group sold FPM S.A., a subsidiary, for PLN 48m, less cash of PLN 28m held by the subsidiary, recognised as other capital expenditure. Additionally, the Group acquired property, plant and equipment totalling PLN 11.5m, which resulted in PLN 11.6m net cash provided by investing activities. Net cash from financing activities in the period under review was PLN 20.3m and included proceeds from bank

borrowings of approximately PLN 30m, repayment of only PLN 2m under loans and borrowings, lease liabilities of PLN 3m, and interest of almost PLN 4m.

**Table 31: Cash flow profile**

	H1 2014	H1 2013
Net cash from operating activities	-	+
Net cash from investing activities	+	+
Net cash from financing activities	+	-
Net cash at the end of the period	+	+

## V. NET DEBT

**Table 32: Data used by PBG to compute net debt (PLN '000)**

	H1 2015	H1 2014	Y-o-y change
Non-current bank and other borrowings	49,239	34,330	43%
Current bank and other borrowings	537,640	559,939	-4%
Non-current finance lease liabilities	12,495	13,451	-7%
Current finance lease liabilities	2,974	2,582	15%
Bonds	838,772	838,772	0%
Net cash	66,481	148,625	-55%
<b>Net debt</b>	<b>1,374,639</b>	<b>1,300,449</b>	6%

As at June 30th 2015, net debt was PLN 1.375bn, having increased year on year. This amount comprises interest-bearing debt, including PLN 49.2m in non-current borrowings, PLN 537.6bn in current borrowings, PLN 12.5m in non-current finance lease liabilities, PLN 3m in current finance lease liabilities, and PLN 838.8m in bonds. Net cash of PLN 66.5m as at the end of H1 2015 was deducted from these amounts.

Given that individual Group companies were declared insolvent in voluntary arrangement, their liabilities incurred prior to the Court's decision declaring them insolvent are not measured at amortised cost but at nominal value, increased by interest accrued to the date of the Court declaration (in accordance with the Bankruptcy and Restructuring Law), save for interest on liabilities secured on tangible property, which continue to accrue after the date of insolvency declaration, in accordance with the Bankruptcy and Restructuring Law. Other liabilities incurred after the court's decision declaring the Company insolvent in voluntary arrangement are measured at amortised cost.

## **VI. INVESTMENTS**

### **1. Equity investments**

In H1 2015, the Group incurred no capital expenditure.

### **2. Expenditure on property, plant and equipment**

In H1 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 PLN 11.5m.

### **3. Feasibility of the Group's investment plans**

Given the current difficult financial position of PBG S.A., the Group's Parent, no major equity investments are planned to be made by the Parent. It may, however, prove necessary to incur expenditure on property, plant and equipment required for the execution of contracts. With a view to raising additional funds, the Parent intends to sell non-core assets.

## **VII. FINANCIAL OUTLOOK**

Currently, the parent of the PBG Group is still in the process of company voluntary arrangement. From August 3rd to August 5th 2015, a Meeting of Creditors was held during which an approval of the arrangement was voted on. On August 25th 2015, the Judge Commissioner issued a decision approving the Arrangement executed at the Meeting of Creditors. Currently, the Parent awaits the Bankruptcy Court's final approval of the decision. The Group's financial outlook largely depends on the moment the decision approving the Arrangement becomes final. Until that time, the Parent's ability to win new contracts and raise new financing will be limited. Notwithstanding the arrangement procedures, PBG has also been taking steps designed 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 enter into and execute 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 these interim condensed consolidated financial statements as at June 30th 2015, the PBG Group discloses, as off-balance-sheet items, contingent liabilities of PLN 2,987,025 thousand. The contingent liabilities pertain to liabilities under sureties issued for credit facilities and trade payables, sureties for guarantees issued by PBG

Group companies for third parties, 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 1,685,756 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 arrangement is approved by vote and 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 the contingent liabilities which may result in a future outflow of cash.

As at June 30th 2015, the provision was PLN 347,527 thousand.

The value of contingent liabilities disclosed by the PBG Group as at June 30th 2015 net of the provision was **PLN 2,639,498 thousand**.

As at June 30th 2015, the PBG Group disclosed contingent receivables recognised as off-balance-sheet items of **PLN 651,211 thousand**. The contingent receivables are related mainly to performance bonds of PLN 609,584 thousand and promissory notes of PLN 34,027 thousand. Another item of contingent receivables are received sureties of PLN 7,600 thousand.

The PBG Group does not have any data regarding the amount of off-balance receivables and liabilities for the comparative period, i.e. as at June 30th 2014. The PBG Group would have to incur disproportionately high costs and make undue effort to obtain the comparative data, therefore the Group decided to present the data for the current period only.

#### **X. GOING CONCERN ASSUMPTION**

The Parent's current financial position puts in question its ability to continue as a going concern. However, the financial statements were prepared on the assumption that the Parent would continue as a going concern in the foreseeable future, i.e. for at least 12 consecutive months from the date of preparation of these financial statements. This assumption was made due to the Parent's ongoing arrangement bankruptcy proceedings and the Management Board's efforts leading to the execution of arrangement with the creditors during the Meeting of Creditors of August 3rd–August 5th 2015. Execution of the Arrangement will allow the Parent to continue its business activities. The bankruptcy court's approval of the Arrangement will be another formal step in the proceedings pending before this court. Once the decision approving the Arrangement becomes final, the Parent's bankruptcy proceedings will be closed.

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

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

On June 4th 2012, the Parent's Management Board made a decision to file an arrangement bankruptcy petition (grounds for the decision were presented in the Parent's full-year report for 2012). On June 13th 2012, the District Court for Poznań–Stare Miasto in Poznań, 11th Commercial Insolvency and Arrangement Division, declared the Company insolvent, in a voluntary arrangement. The Court's decision became final on June

22nd 2012. Overall, twelve companies of the PBG Group filed arrangement bankruptcy petitions. The decision to make their filings almost simultaneously was prompted by the fact that the companies had provided cross guarantees to secure the repayment of bank loans and trade creditors, and (in some cases) assumed joint and several liability under consortium-delivered contracts. The formal and legal circumstances and the financial condition of the companies undergoing insolvency proceedings are very difficult, which affects both their business activities (for instance, their ability to secure new contracts) and the highly complex restructuring processes.

The voluntary arrangement procedure ensures proper satisfaction of the Creditors' claims following approval and implementation of the arrangement. Since 2012, the Parent's Management Board has been actively involved in negotiations with the Creditors. During this time, the Creditors involved in financing the Parent'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 Parent. The plan has been prepared by the Parent and its financial adviser PwC Polska Sp. z o.o. On November 3rd 2014, the Management Board and its legal adviser Weil, Gotshal&Manges, Paweł Rymarz Sp. k. completed the preparation of the Arrangement Proposals. On the same date, the Parent filed the Arrangement Proposals along with the grounds therefor, with the Bankruptcy Court, as reported by the Parent in Current Report No. 23/2014. Then, on April 28th 2015, the Parent's Management Board finalised negotiations with legal advisers to certain Financial Creditors on updating the Company's Arrangement Proposals of November 3rd 2014. As a consequence, the Arrangement Proposals of April 28th 2015 (Current Arrangement Proposals) were filed with the Bankruptcy Court on April 29th 2015, as reported by the Parent in Current Report No. 13/2015. In accordance with the Current Arrangement Proposals, the Parent'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 as filed with the court is available on the Parent's website at [www.pbg-sa.pl](http://www.pbg-sa.pl) in the 'Restructuring' section.

On June 12th 2013, the Parent 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 by the court supervisor was PLN 2,776,254 thousand. On July 4th 2013, the Judge announced that the drafting of the list of claims had been completed. On December 24th 2013, the Judge Commissioner announced completion by the court supervisor of the first supplementary list of claims as at November 29th 2013. The total amount of the acknowledged claims specified in the first supplementary list of claims by the Court Supervisor was PLN 191.25m. On May 28th 2014, the Judge Commissioner announced completion by the court supervisor of the second supplementary list of claims as at April 22nd 2014. The total amount of the acknowledged claims included in the second supplementary list of claims by the court supervisor was PLN 89.7m. On August 13th 2014, the Judge Commissioner announced completion of the third supplementary list of claims as at July 29th 2014. The total amount of the acknowledged claims specified in the third supplementary list of claims by the court supervisor was PLN 70.7m. Subsequently, on May 28th 2015, the Judge Commissioner announced completion of the fourth supplementary list of claims as at April 28th 2015. The total amount of the acknowledged claims specified in the fourth supplementary list of claims by the court supervisor was PLN 137.5m.

On December 9th 2014, the Judge Commissioner approved: (i) the list of claims; (ii) the first supplementary list of claims; (iii) the second supplementary list of claims, and (iv) the third supplementary list of claims, as

reported by the Parent in Current Report No. 28/2014. On July 8th 2015, the Judge Commissioner approved the fourth supplementary list of claims, as reported by the Parent in Current Report No. 22/2015.

On February 19th 2015, the Judge Commissioner set the date and time of the Meeting of PBG Creditors, as reported by the Parent in Current Report No. 4/2015. In accordance with the Judge's decision, the dates of the Meeting of PBG Creditors were set for April 27th, 28th and 29th 2015. Considering the state of negotiations between the Parent and its Financial Creditors, who are the Parent's major Creditors, holding more than two-thirds of all claims against the Parent covered by the arrangement, on April 13th 2015 the Parent filed a motion with the District Court for Poznań-Stare Miasto in Poznań to change the date of the Meeting of Creditors convened by the Judge Commissioner for the purpose of voting on adoption of the arrangement, on which the Parent reported in Current Report No. 7/2015. The Parent requested that a new date of the Meeting be set for the end of June 2015. Having considered the Parent's request of April 13th 2015, on April 15th 2015 the Judge Commissioner issued a decision revoking the date of voting originally set for April 27th, 28th and 29th 2015 (See Current Report No. 8/2015.). Concurrently, the Judge Commissioner required that the Parent file updated Arrangement Proposals. The Parent complied with the requirement and on April 29th 2015 filed Current Arrangement Proposals of April 28th 2015, as reported in Current Report No. 13/2015.

On May 14th 2015, The Judge Commissioner set the date of the Meeting of Creditors for August 3rd, August 4th and August 5th, as reported by the Parent in Current Report No. 14/2015. The Meeting of Creditors of the Parent was held on the dates set by the Judge Commissioner. 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, as reported in Current Report No. 27/2015. 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. 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 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 Parent in Current Report No. 32/2015. On August 25th 2015, the Judge Commissioner confirmed the execution of the Arrangement with Creditors consistent with the Parent's Arrangement Proposals of April 28th 2015, as reported by the Parent in 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 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 Parent's liabilities. The executed documents include in particular two key agreements, i.e. the Restructuring Agreement and the Issue and Agency Agreement. Additionally, the Parent executed a number of related documents. The documents comprehensively define the terms of restructuring which had been negotiated by the Parent and its largest arrangement creditors since September 2013. Detailed information on the agreements executed on July 31st and August 1st 2015 was presented by the Parent in Current Report No. 26/2015.

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

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

- restructuring of Parent's non-operational non-current assets, the sale of which will be 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.

To be able to continue trading, the RAFAKO Group must maintain its financial liquidity, that is ability to secure full financing for the current contracts. In view of the above, the subsidiary's Management Board has prepared financial projections for the 12 months from June 30th 2015 and for the following years, based on a number of assumptions, the most important of which relate to:

- timely delivery and execution of the contracts in the subsidiary's current order book, including in particular the timely generation of cash flows from the contracts and renegotiation of selected contracts to optimise cash flows,
- achievement of the currently assumed margins on the contracts in the subsidiary's order book, without increasing the losses already recognised on some contracts,
- continued financing of the subsidiary's operations with a credit facility subsequent to May 31st 2016 – pursuant to the annex executed on May 29th 2015, the repayment date for the credit facility used by the parent was extended until May 31st 2016,
- release of cash locked in performance bonds against delivery of appropriate bank guarantees to the subsidiary's trading partners. As at the date of these interim condensed consolidated financial statements, the subsidiary had PLN 145m available in open guarantee lines provided by several financial institutions, with half of the limit currently used. Availability of the unused portion of the facilities and success in negotiations with financial institutions concerning further bank/insurance guarantees will enable the subsidiary to perform new contracts it expects to be awarded during the 12 months after June 30th 2015.

During the first seven months of 2015, the subsidiary signed an Annex with PKO BP S.A. whereby repayment of the PLN 150m facility was extended until May 31st 2016. The subsidiary also sold shares of FPM S.A. for approximately PLN 48m, and issued shares worth approximately PLN 93.5m to finance contractual security arrangements in building the Group's order book, and to increase research and development expenditure. All these efforts have significantly improved the RAFAKO Group's liquidity.

The subsidiary's Management Board believes that the above key assumptions underlying the financial projections will materialize, which – coupled with the share issue proceeds – will significantly improve the RAFAKO Group's liquidity during at least the 12 months subsequent to the reporting date.

In light of the above, the RAFAKO Management Board believes that the targets set forth in the financial projections for the coming year will be met.

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**SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS**

<b>President of the Management Board</b>	<b>Jerzy Wiśniewski</b>
<b>Vice-President of the Management Board</b>	<b>Kinga Banaszak – Filipiak</b>
<b>Vice-President of the Management Board</b>	<b>Mariusz Łożyński</b>
<b>Member of the Management Board</b>	<b>Bożena Ciosk</b>