



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

**for the period January 1st – June 30th 2014**



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## SECTION I: THE GOVERNING BODIES

### I. COMPOSITION OF THE SUPERVISORY AND MANAGEMENT BOARDS AND CHANGES THEREIN IN H1 2014

#### 1. Composition of the Supervisory Board

Composition of the Supervisory Board in the period **January 1st–June 30th 2014**:

- Mr Jerzy Wiśniewski – Chairman of the Supervisory Board until April 24th 2014;
- Mr Maciej Bednarkiewicz – Deputy Chairman of the Supervisory Board, Chairman of the Supervisory Board since April 24th 2014;
- Ms Małgorzata Wiśniewska – Secretary of the Supervisory Board;
- Mr Dariusz Sarnowski – Member of the Supervisory Board;
- Mr Przemysław Szkudlarczyk – Member of the Supervisory Board;
- Mr Stefan Gradowski – Member of the Supervisory Board;
- Mr Norbert Słowik – 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. Until April 24th 2014, the Supervisory Board of the current term of office was composed of seven members. Subsequently, following the resignation of Mr Jerzy Wiśniewski, it was composed of six members.

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

<b>Full name</b>	<b>Jerzy Wiśniewski</b> <i>Non-independent Member of the Board; Mr Wiśniewski does not conduct any activity competitive to the business of PBG.</i>
<b>Position</b>	<b>Chairman of the Supervisory Board – until April 24th 2014</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, CEO and President of the Management Board</li> <li>➤ PBG S.A. in company voluntary arrangement – Chairman of the Supervisory Board</li> <li>➤ RAFAKO S.A. – Deputy Chairman and Chairman of the Supervisory Board</li> </ul>

<b>Full name</b>	<b>Maciej Bednarkiewicz</b>
<b>Position</b>	<b>Deputy Chairman of the Supervisory Board – since April 24th 2014 Chairman 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>➤ 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 Millennium Bank S.A.</li> <li>➤ Secretary of the Supervisory Board of PZU S.A.</li> <li>➤ Member of the Supervisory Board of Techmex S.A.</li> <li>➤ PBG S.A. – Chairman and Deputy Chairman of the Supervisory Board</li> </ul>

<b>Full name</b>	<b>Małgorzata Wiśniewska</b>
<b>Position</b>	<b>Secretary 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</li> </ul>

<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 Sarnowski 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; President of Sarnowski &amp; Wiśniewski Spółka Audytorska</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> </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>➤ PBG S.A. – Vice-President of the Management Board</li> </ul>

<b>Full name</b>	<b>Stefan Gradowski</b>
<b>Position</b>	<b>Member of the Supervisory Board</b> <i>Independent Member of the Board; Mr Gradowski 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 Board</li> <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> </ul>

<b>Full name</b>	<b>Norbert Słowik</b>
<b>Position</b>	<b>Member 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>➤ University of Łódź</li> <li>➤ Centre for European Studies at the University of Łódź</li> <li>➤ International School for Consultants run by the University of Łódź and the Lyon University (France)</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Co-owner and general partner at Norbert Słowik i Wspólnicy Spółka komandytowa</li> <li>➤ INFRA Sp. z o.o. – Director for Strategy and Development</li> <li>➤ National Fund for Environmental Protection and Water Management – Director of the Cohesion Initiatives Department</li> <li>➤ Office of the Committee for European Integration – Minister's legal counsel</li> <li>➤ Regional Development Agency of Łódź (Łódzka Agencja Rozwoju Regionalnego S.A.) – manager and specialist at the PHARE – STRUDER programme management team</li> <li>➤ Central Planning Office – legal counsel</li> <li>➤ Wiertmar Sp. z o.o. – Member of the Supervisory Board</li> <li>➤ Geotermia Podhalańska S.A. – Member of the Supervisory Board</li> <li>➤ Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w Krakowie S.A. – Member of the Supervisory Board</li> <li>➤ Grupowa Oczyszczalnia Ścieków of Łódź – Member of the Supervisory Board</li> </ul>

As at June 30th 2014 and as at the date of approval of these financial statements for issue, the Supervisory Board consisted of:

- Mr Maciej Bednarkiewicz – Chairman of the Supervisory Board since April 24th 2014;
- Ms Małgorzata Wiśniewska – Secretary of the Supervisory Board;
- Mr Dariusz Sarnowski – Member of the Supervisory Board;
- Mr Przemysław Szkudlarczyk – Member of the Supervisory Board;
- Mr Stefan Gradowski – Member of the Supervisory Board;
- Mr Norbert Słowik – Member of the Supervisory Board.

## 2. Composition of the Management Board

Composition of the Management Board in the period January 1st – June 30th 2014:

- Mr Jerzy Wiśniewski – CEO and President of the Management Board since April 24th 2014;
- Mr Paweł Mortas – CEO and President of the Management Board; Vice-President of the Management Board since April 24th 2014;

- Mr Tomasz Tomczak – Vice-President of the Management Board until resignation on May 6th 2014;
- 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.

<b>Full name</b>	<b>Jerzy Wiśniewski</b>
<b>Position</b>	<b>CEO and President of the Management Board since April 24th 2014</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</li> <li>➤ PBG S.A. in company voluntary arrangement – Chairman of the Supervisory Board</li> <li>➤ RAFAKO S.A. – Deputy Chairman and Chairman of the Supervisory Board</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>Paweł Mortas</b>
<b>Position</b>	<b>CEO and President of the Management Board; Vice-President of the Management Board since April 24th 2014</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ University of Łódź, Faculty of Economics, specialising in industrial economics</li> <li>➤ Executive MBA programme of the Institute of Economics of the Polish Academy of Sciences in Warsaw (Instytut Nauk Ekonomicznych Polskiej Akademii Nauk w Warszawie)</li> <li>➤ Executive DBA programme of the Institute of Economics of the Polish Academy of Sciences in Warsaw (Instytut Nauk Ekonomicznych Polskiej Akademii Nauk w Warszawie)</li> <li>➤ Accounting course for candidate chief accountants, at the Foundation for Development of Accounting in Poland (Fundacja Rozwoju Rachunkowości w Polsce)</li> <li>➤ Preparatory course for investment advisers, at the Post-Graduate School for Investment Advisers and Securities Analysts (Studium dla Doradców Inwestycyjnych i Analityków Papierów Wartościowych)</li> <li>➤ Qualified to sit on supervisory boards of state-owned companies</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ 1997 – one-month internship at Bankowe Towarzystwo Ubezpieczeniowe HEROS S.A. of Bełchatów</li> <li>➤ 1997–1999 – Tongheung-ZTS Polska Sp. z o.o. of Grójec, positions held: financial specialist, head of economics division</li> <li>➤ 2001 – Medim Sp. z o.o. of Warsaw, positions held: financial inspector, finance and organisation director</li> <li>➤ 2003–2005 – TBS-Bemowo Sp. z o.o. of Warsaw, vice-president of the management board (finance)</li> <li>➤ 2003–2005 – TBS-Wola Sp. z o.o. of Warsaw, vice-president of the management board</li> <li>➤ 2005 – TBS-WOLA Sp. z o.o., liquidator</li> <li>➤ 2006 – TBS-Bemowo Sp. z o.o. of Warsaw, president of the management board</li> <li>➤ 2007 – Kaskada Sp. z o.o. of Warsaw, president of the management board</li> <li>➤ 2007 – BDM Grupa Inwestycyjna S.A. of Warsaw, president of the management board</li> <li>➤ 2007–2009 – ENEA S.A. of Poznań, positions held: acting president of the management board, president of the management board</li> <li>➤ 2009–2010 – ALSTOM Sp. z o.o. of Warsaw, adviser</li> <li>➤ 2010–present – sales director at PBG</li> </ul>
<b>Field of expertise</b>	➤ Power construction
<b>Areas of responsibility at the PBG Group</b>	<b>Consolidation and development of the power sector</b>

<b>Full name</b>	<b>Tomasz Tomczak – until May 6th 2014</b>
<b>Position</b>	<b>Vice-President of the Management Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Technology – Faculty of Machines and Motor Vehicles</li> <li>➤ University of Science and Technology in Kraków – Faculty of Oil and Gas Drilling</li> <li>➤ MBA – Business School of the Poznań University of Economics (MBA programme run in cooperation with Nottingham Trent University)</li> <li>➤ Canadian International Management Institute – management programme</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ VOLVO SERVICE – assistant service manager</li> <li>➤ Piecobiogaz – technical assistant to the management board</li> <li>➤ Technologie Gazowe Piecobiogaz – technical assistant to the management board; site manager; project manager; technical manager</li> <li>➤ PBG – technical manager; Member of the Management Board; Vice-President of the Management Board</li> </ul>
<b>Field of expertise</b>	<ul style="list-style-type: none"> <li>➤ Natural gas and crude oil</li> <li>➤ Fuels</li> </ul>
<b>Areas of responsibility at the PBG Group</b>	<b>Contract execution in the natural gas, crude oil and fuels sectors</b>

<b>Full name</b>	<b>Mariusz Łożyński</b>
<b>Position</b>	<b>Vice-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> </ul>
<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> <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> </ul>
<b>Areas of responsibility at the PBG Group</b>	<b>Bidding processes, acquisition of contracts for the PBG Group, support of Group 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>➤ 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, as 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>➤ 2013–2014 – PBG Oil and Gas Sp. z o.o. of Wysogotowo, Vice-President of the Management Board</li> <li>➤ PBG Oil and Gas Sp. z o.o. – Member of the Supervisory Board</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> </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. (in company voluntary arrangement) – Member of the Supervisory Board</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, which commenced on June 29th 2012, will expire on June 29th 2015.

Changes in the composition of the Management Board during the reporting period:

- On April 24th 2014, the PBG Supervisory Board accepted the resignation of Mr Jerzy Wiśniewski from his position on the Supervisory Board and appointed Mr Jerzy Wiśniewski as President of the Management Board, having appointed Mr Paweł Mortas as Vice-President of the Management Board (Mr Mortas previously held the position of President of the Management Board).
- On May 6th 2014, Mr Tomasz Tomczak, Vice-President of the Management Board, resigned from the PBG Management Board.

As at June 30th 2014 and as at the date of approval of these financial statements for issue, the PBG Management Board consisted of:

- Mr Jerzy Wiśniewski – President of the Management Board;
- Mr Paweł Mortas – Vice-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.

## 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 2014**

Supervising person	Number of shares	
	As at Jun 30 2013	As at the filing date of this Report
Małgorzata Wiśniewska	3,279	3,279
Jerzy Wiśniewski	3,881,224	not a member of the Supervisory Board
Przemysław Szkudlarczyk	2,390	2,390

**Table 2: Company shares or rights to the Company shares (options) held by PBG managing personnel as at June 30th 2014**

Managing person	Number of shares	
	As at Jun 30 2013	As at the filing date of this Report
Jerzy Wiśniewski	not a member of the Management Board	3,881,224
Tomasz Tomczak	3,250	not a member of the Management Board
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)	Jan 1 – Jun 30 2014			Jan 1 – Jun 30 2013		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Maciej Bednarkiewicz	52	-	52	48	-	48
Małgorzata Wiśniewska	37	-	37	30	1	31
Dariusz Sarnowski	18	-	18	18	-	18
Jerzy Wiśniewski	38	-	38	60	5	65
Przemysław Szkudlarczyk	18	-	18	18	-	18
Andrzej Stefan Gradowski	22	-	22	3	-	3
Norbert Stowik	18	-	18	3	-	3
<b>TOTAL</b>	<b>203</b>	<b>-</b>	<b>203</b>	<b>180</b>	<b>6</b>	<b>186</b>

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

Remuneration (PLN'000)	Jan 1 – Jun 30 2014			Jan 1 – Jun 30 2013		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Maciej Bednarkiewicz	-	-	-	-	-	-
Małgorzata Wiśniewska	294	-	294	54	-	54
Dariusz Sarnowski	54	-	54	3	-	3
Jerzy Wiśniewski	473	189	662	114	-	114
Przemysław Szkudlarczyk	200	-	200	31	-	31
<b>TOTAL</b>	<b>1,021</b>	<b>189</b>	<b>1,210</b>	<b>202</b>	<b>-</b>	<b>202</b>

## 2. Remuneration of Management Board Members

The Management Board members are appointed by the Supervisory Board by way of a resolution. They are employed under employment contracts. 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)	Jan 1 – Jun 30 2014			Jan 1 – Jun 30 2013		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits*	Total
Jerzy Wiśniewski	140	-	140	-	-	-
Tomasz Tomczak	158	-	158	210	-	210
Mariusz Łożyński	180	-	180	177	-	177
Paweł Mortas	180	-	180	180	-	180
Kinga Banaszak-Filipiak	192	-	192	82	73	155
Bożena Ciosk	150	-	150	111	-	111
<b>TOTAL</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>760</b>	<b>73</b>	<b>833</b>

\*Other benefits: Social Security Institution (ZUS)

**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)	Jan 1 – Jun 30 2014			Jan 1 – Jun 30 2013		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	193	-	193	-	-	-
Tomasz Tomczak	80	6	86	18	-	18
Mariusz Łożyński	24	-	24	-	-	-
Paweł Mortas	302	387	689	334	-	334
Kinga Banaszak – Filipiak	-	-	-	-	-	-
Bożena Ciosk	-	-	-	-	-	-
<b>TOTAL</b>	<b>599</b>	<b>393</b>	<b>992</b>	<b>352</b>	<b>-</b>	<b>352</b>

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

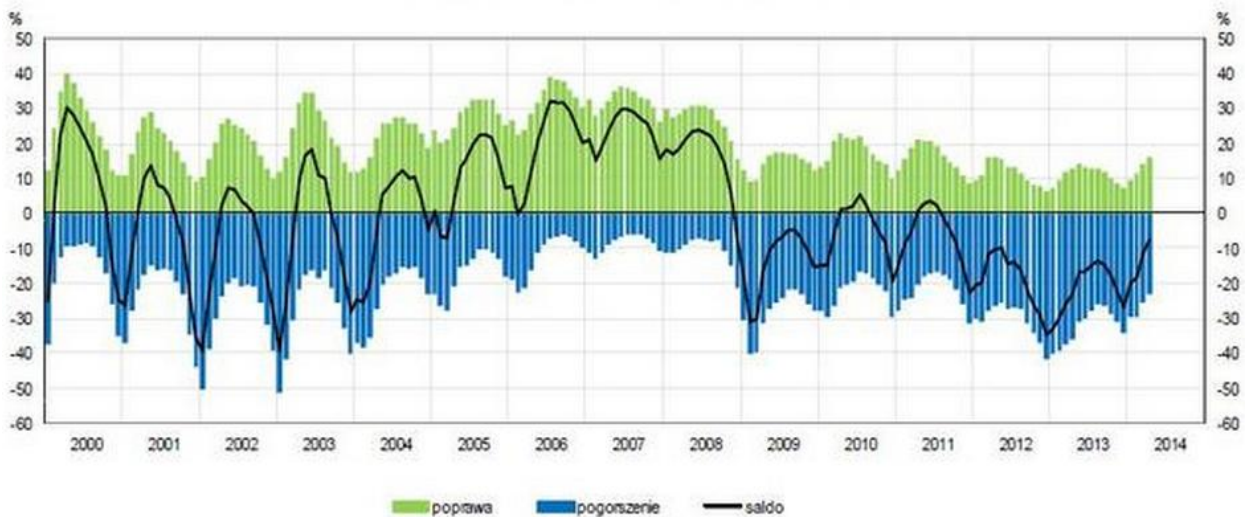
**I. RISKS AND THREATS**

**EXTERNAL RISKS AND THREATS**

**1. Economic environment in Poland**

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

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



Source: <http://www.muratorplus.pl/biznes/raporty-i-prognozy/koniunktura-w-budownictwie-blizej-zera-82066.html>

poprawa	improvement
pogorszenie	deterioration
saldo	net improvement/deterioration

According to estimates by the Institute for Market Economics (IBnGR), in Q2 2014 Poland's **GDP** grew by 3.4% on Q2 2013, which means that Q2 2014 was the fifth consecutive quarter in which the GDP growth rate accelerated or remained unchanged on the previous quarter. Thus, the GDP growth rate was the highest since Q2 2012, when it stood at 3.7%. Taking into account seasonality, in April–June 2014 the GDP grew 0.8% on the previous quarter.

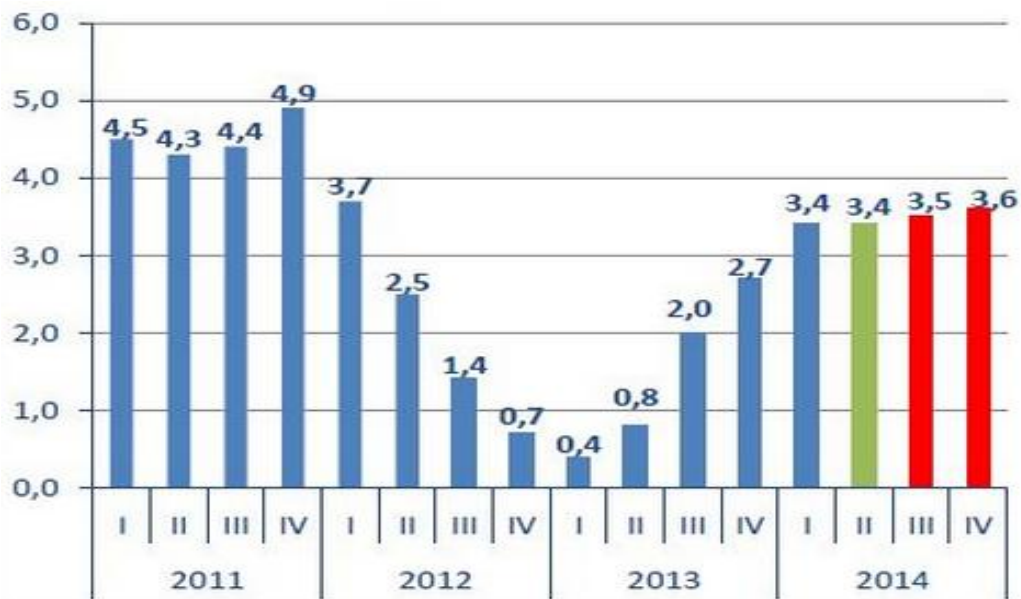
The key driver behind the increase was **internal demand**. The IBnGR estimates that domestic demand increased by 3.8%; it was the fourth consecutive when the demand increased. Among the key components of domestic demand **gross capital investment** demonstrated the strongest growth in Q2 2014 and grew 9.3% in April–June 2014. It was slightly less than in the prior quarter. However, the stronger performance in Q1 2014 was largely attributable to favourable weather conditions (mild winter and early spring), which allowed a much broader scope of construction works to be performed, as opposed to Q1 2013. The relatively high

growth rate of capital expenditure seen in the first half of 2014 clearly marks an improvement in the macroeconomic environment and sets a positive outlook for economic growth in the coming quarters.

**Total consumption**, and private consumption as its largest component, increased in Q2 2014 by 2.7% and 3.0%, respectively. The construction industry was the fastest growing sector of Polish economy in Q2 2014 and in the prior quarter. The added value in the construction and the sector's output were up 8.3% and 10.1%, respectively. Such strong growth, reported for the second consecutive quarter, signals that the negative trend seen in the previous seven quarters, when the added value was declining, reversed. The added value in the manufacturing also increased, though at a slower rate than in the construction industry. The IBnGR estimates its growth in Q2 2014 at 3.9%, with the increase of the manufacturing output estimated at 3.7%. Similarly, the added value in services rose by 3.9%.

The Polish **GDP** growth rate is expected to come in at 3.5% in 2014, i.e. significantly more than in 2013. According to the IBnGR forecast, in Q3–Q4 2014, the economic growth will accelerate, but there will be little difference between the quarters, with the GDP up by 3.5% and 3.6% in Q3 and Q4 2014, respectively. In 2015, the economic growth may be even stronger, at 3.8%.

**Figure 2: Quarterly GDP growth rate**



Source: Central Statistics Office, IBnGR

In 2014, the **added value** in the manufacturing will rise 4.1% (IBnGR). In H2 2014, the growth rate is expected to be relatively stable, at approximately 4.3%. According to the IBnGR, the economic conditions in the construction sector are expected to improve markedly, with the added value expanding by 6.1%, compared with a 9.0% decline a year before. A clear improvement is also to be expected in the market services sector, with the added value forecast to increase by 3.7% in 2014. In 2015, the general situation in the manufacturing will continue to improve, driving added value up by 5.6% according to the IBnGR forecast. In the construction sector the added value will grow by 8.5% reflecting continued improvement in market conditions. In 2015, the upward momentum in the sector will be driven by infrastructural investments financed under the new EU's budget framework.

The **domestic demand** in 2014 will grow at a rate of 3.8%, which marks a significant improvement after two years of zero growth. According to the Institutes's forecast, in 2014 **private consumption** will increase by 2.7%,



while **gross capital expenditure** will be up by 8.8%. The growth in investments will be mostly driven by higher capital expenditure on replacement of tangible assets in the corporate sector. Investments will also be driven by the inflow of new EU funds earmarked for financing of infrastructural projects. In 2015, national demand will grow by 4.4% on the back of higher private consumption (up 3.5%) and capital expenditure (up 9.0%). It is expected that in 2014-2015 domestic demand will make a stronger contribution to GDP than in 2013.

**Figure 3: Annual and quarterly macroeconomic forecasts of IBnGR**

		2014				2013	2014	2015
		I	II	III	IV			
GDP	% y/y	3.4	3.4	3.5	3.6	1.6	3.5	3.8
GDP	% q/q	1.1	0.8	0.8	0.9	x	x	x
Added value								
in industry	% y/y	4.0	3.9	4.2	4.4	3.0	4.1	5.6
in construction	% y/y	8.0	8.3	5.1	4.6	-9.0	6.1	8.5
in market services	% y/y	4.0	3.9	3.7	3.3	2.3	3.7	3.4
Domestic demand								
Total consumption	% y/y	2.2	2.7	2.9	3.1	1.2	2.7	3.3
incl. individual consumption	% y/y	2.6	3.0	3.2	3.3	0.8	3.0	3.5
Gross fixed capital formation	% y/y	10.7	9.3	8.4	7.9	-0.2	8.8	9.0
Sold production of								
industry	% y/y	4.9	3.7	5.9	6.3	2.2	5.2	5.7
construction	% y/y	8.9	10.1	7.4	6.1	-12.0	7.8	8.4
Inflation (CPI; average)								
Inflation (CPI; end of period)	%	0.6	0.3	0.8	1.0	0.9	0.7	1.8
Money supply (3M, end of period)								
Real gross remuneration	% y/y	3.7	4.0	3.9	3.7	2.5	3.8	4.0
Average employment (national economy)								
Registered unemployment rate (end of period)	%	13.5	12.0	11.8	12.2	13.4	12.2	11.5
Exports (GUS/RN)								
Imports (GUS/RN)	%	7.6	5.2	5.0	5.3	4.6	5.8	5.1
Current account balance (rolling)								
USD average FX rate (NBP)	PLN/USD	3.05	3.04	3.0	3.1	3.2	3.0	3.0
EUR average FX rate (NBP)	PLN/EUR	4.18	4.17	4.2	4.2	4.2	4.2	4.2

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

## 2. Competition risk

The PBG Group operates on the competitive market of specialist construction services in the gas and oil industry. Apart from pricing, there are also other important factors which determine the competitive advantage of a business, 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;
- Consistent enhancement of staff qualifications in new technologies, helping the Group create and offer competitive service mix.

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	- Polimex Mostostal - Investgas	- ABB - Sofregas
		- Control Process - PGNiG Technologie S.A.	- Maire Tecnimont
	LNG PLANTS	- Polimex Mostostal	- Tractebel - Linde - Costain - Air Products - DAEWOO Engeneering&Construction
	TRANSMISSION	- Gazobudowa Poznań - POL-AQUA - ZRUG Poznań - PGNiG Technologie - Gazoprojekt - Nafta Gaz Serwis - Control Process	- FCC CONSTRUCCION
	REFINERIES	- Naftomontaż Krosno - Polimex Mostostal	- ABB
	DELIVERY OF SPECIALIST GAS EQUIPMENT AND AUXILIARY INFRASTRUCTURE	- Control Process - Bartimpex - Stalbud - Polimex Mostostal	- KT Kinetics Technology - Maire Tecnimont - APS Engineering Company Roma S.p.A. - ABB - KAWASAKI
	EXTRACTION FACILITIES	- Naftomontaż Krosno - Control Process - Dimark - IDS Bud - PGNiG Technologie S.A. - ZRUG Poznań - POL-AQUA - Polimex Mostostal	- Tractebel - Linde - Costain - Air Products
FUELS	FUEL TERMINALS	- Naftoserwis Sp. z o.o. - PetroEnergoRem Sp. z o.o. - KB Pomorze Sp. z o.o. - Przedsiębiorstwo AGAT S.A. - Mostostal Płock S.A. - Mostostal Kraków S.A. - Naftomech Sp. z o.o. - Izotechnik Sp z o.o.	- ABB - APS Engineering Company Roma S.p.A.  - Bilfinger Berger

### 3. Poland's membership in the European Union

Following Poland's accession to the European Union, international companies providing services similar to the PBG 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.

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

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

To use the opportunities arising from Poland's accession to 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 standards: PN-EN ISO 9001:2009, PN-EN ISO 14001:2005; PN-N-18001:2004, and PN-EN ISO 3834-2:2007.

#### **4. Seasonality risk**

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

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

#### **5. Adverse changes in tax legislation**

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

The PBG Group companies monitor developments in the tax legislation, and make necessary modifications in their organisations to mitigate the risk.

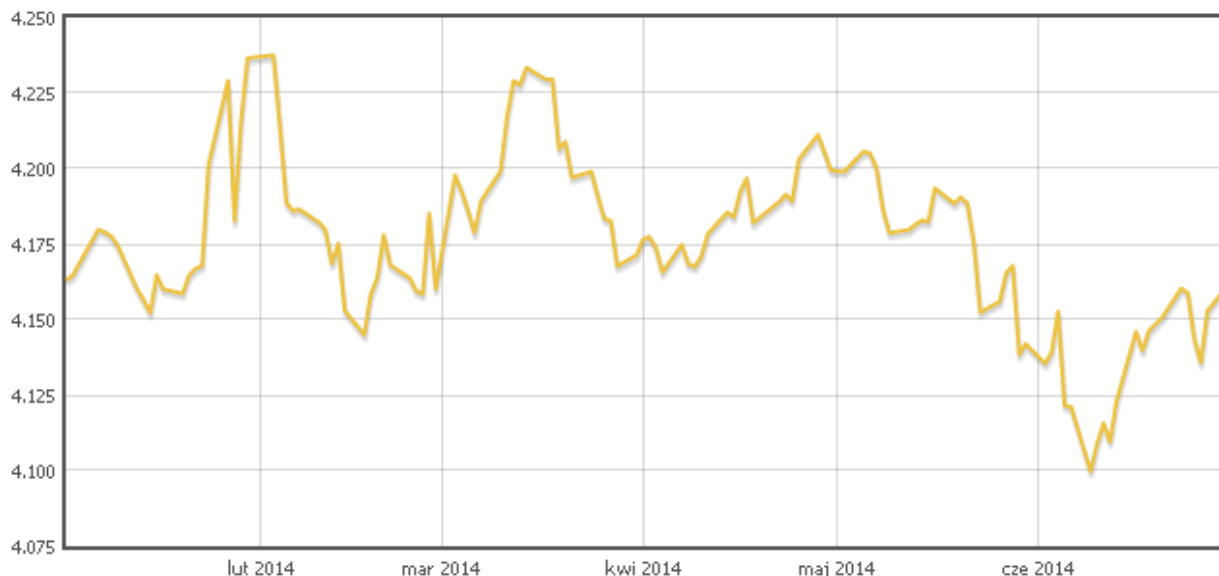
#### **6. Exchange rate**

According to financial analysts, in 2014 the PLN/USD and PLN/EUR exchange rates should stabilise, and at the end of the year the Polish złoty may reach the psychological threshold of PLN 4 per one euro.

It is expected that in 2015 the Polish złoty will be supported by strong performance of Polish economy with moderate inflation pressure.

**Source:** <http://pulsinwestora.pb.pl>

**Figure 4: EUR/PLN exchange rate in January 1st–June 30th 2014 (mid exchange rates quoted by the NBP)**



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

<i>lut</i>	<i>Feb</i>
<i>mar</i>	<i>Mar</i>
<i>kwi</i>	<i>Apr</i>
<i>maj</i>	<i>May</i>
<i>cze</i>	<i>Jun</i>

## **7. Risk of failure to reach an agreement with creditors in the process of company voluntary arrangement**

Currently PBG, the parent of the PBG Group, is in the process of company voluntary arrangement. Company voluntary arrangement may be reached only if it is accepted by a majority of the 50% of creditors representing two thirds of the liabilities submitted for arrangement. There is a risk that the Company will not be able to reach agreement with all creditors and the statutory majority will not be secured, which will lead to converting the process of company voluntary arrangement into company liquidation. Liquidation proceedings would necessitate a change of the Company's going concern assumption and thus affect the valuation of its assets and liabilities disclosed in its financial statements.

## **8. Risk of significant limitation in ability to win new contracts**

The PBG Group wins most of its contracts in public procurement procedures. Due to PBG's current formal and legal status, the Company is unable to participate in public tenders. Further, the ability to win new contracts is limited by the fact that it is difficult for the Company to secure guarantee limits.

## **INTERNAL RISKS AND THREATS**

### **1. Risk related to loss of key personnel**

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

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

In the past, the risk related to the loss of key personnel was limited by:

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

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

## **2. Risk of default on contracts**

Construction contracts include numerous clauses related to their proper and timely performance and proper removal of defects, which involves payment by the PBG Group companies 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 amounts to 10% of its value. If the PBG Group companies fail to perform or improperly perform the concluded contracts, there exists a risk that the Group's trading partner might claim payment of contractual penalties or terminate the contract.

To mitigate the risk, PBG takes the following measures:

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

## **3. Risk of dependence on key customers**

At present, the main customers for services provided by PBG's natural gas and crude oil and fuels segment are PGNiG and Polskie LNG (a wholly-owned subsidiary of Gaz-System). This is related to the execution of two contracts of substantial value for these customers, totalling nearly PLN 3.3bn (nearly PLN 1.1bn for PGNiG and over PLN 2.2bn for Polskie LNG). 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 Polskie LNG, KGHM, DALKIA or PGE.

The Group companies seek to mitigate the risk further by:

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

## **II. FINANCIAL RISK IDENTIFICATION AND MANAGEMENT**

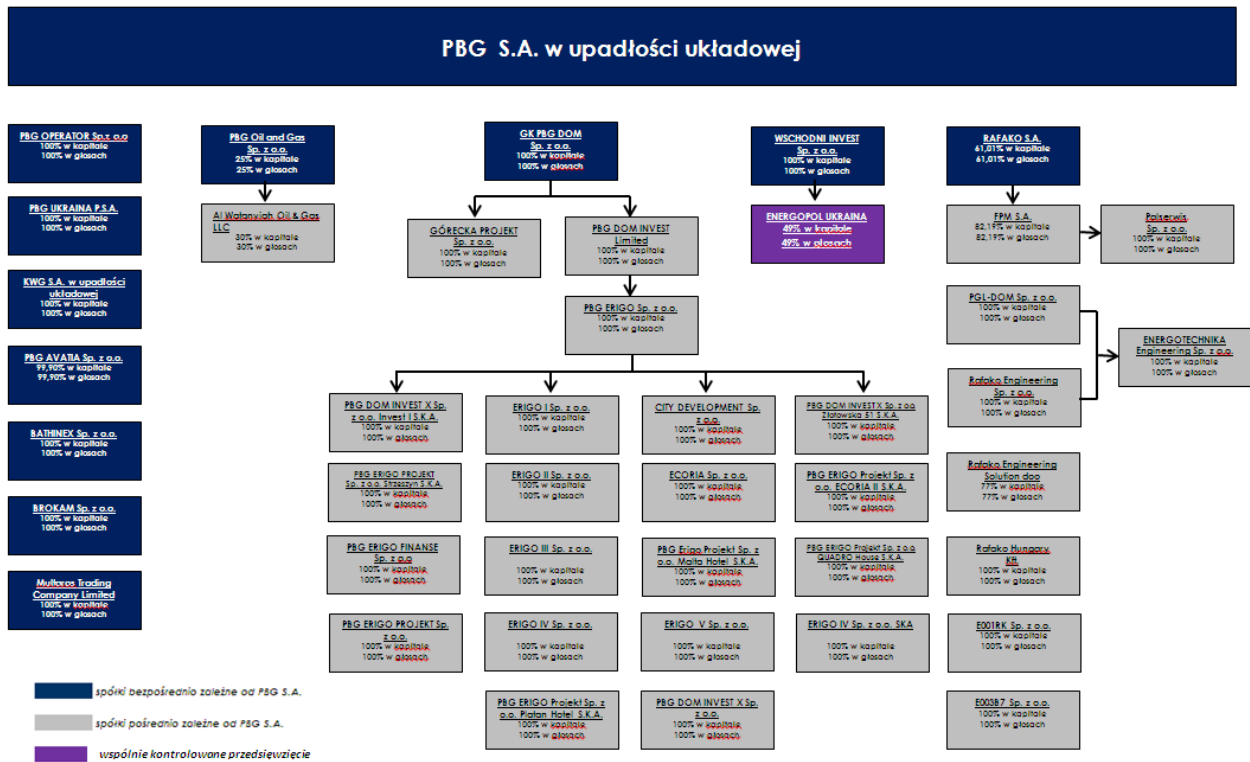
The methods for identifying and managing financial risk have not changed relative to those published in the most recent consolidated annual financial statements for 2013.

**SECTION III: THE PBG GROUP**

**I. STRUCTURE OF THE PBG GROUP**

As at the date of filing this Report, the PBG Group was composed of 45 companies, including its Parent, PBG, 11 direct subsidiaries, 33 indirect subsidiaries, and one associate.

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



<i>w upadłości układowej</i>	<i>in company voluntary arrangement</i>
<i>W kapitale</i>	<i>of share capital</i>
<i>W głosach</i>	<i>of votes</i>
<i>Spółki bezpośrednio zależne od PBG S.A.</i>	<i>PBG S.A.'s direct subsidiaries</i>
<i>Spółki pośrednio zależne od PBG S.A.</i>	<i>PBG S.A.'s indirect subsidiaries</i>
<i>Wspólnie kontrolowane przedsięwzięcie</i>	<i>Jointly-controlled venture</i>

**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. At the current stage of the process, PBG's key objective is to ensure that agreement is reached with the creditors on reasonable terms and conditions. Once approved, the arrangement will allow the Company to continue business activities and rebuild its value in the future. The PBG restructuring process is complex. In

parallel to the debt restructuring, the Company is also engaged in reorganisation of its operations and assets. All these efforts are being taken to prepare the organisation for effective performance of the arrangement and to enable the Group to operate as a regular business.

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

**Figure 5: Current organisational structure of the PBG Group (percentage of voting rights held by PBG; without specifying the PBG Dom Group companies)**



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

Within the Group, the natural gas, crude oil, and fuels markets are the responsibility of PBG, which has traded in these segments since its inception. PBG is the leader on these markets in Poland. It has gained its current position through strategic co-operation with international companies, which has enabled PBG to introduce technologically advanced solutions on the Polish market. PBG was able to use the resulting credentials and necessary experience to win contracts for execution of the largest projects on the Polish gas, oil, and fuels market. Actively bidding for new contracts under the public procurement law, the subsidiary PBG Oil and Gas is also an important part of the Group's oil and gas business.

The natural gas and crude oil market is PBG's main area of focus. The Group expects that over the next few years it will be a major contributor to its financial performance.

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

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

### III. BUSINESS PROFILE

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

At present, PBG divides its business into following, current or past, operating segments:

1. **Gas, oil and fuels**
2. **Water**
3. **Industrial and residential construction**
4. **Power construction.**

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

Figure 6: Services by segments



<b>Gaz ziemny, ropa naftowa i paliwa</b> <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>	<b>Natural gas, crude oil and fuels</b> <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>
<b>Woda</b> <ul style="list-style-type: none"> <li>▪ Systemy wodne i kanalizacyjne, w tym: wodociągi, systemy ściekowe, oczyszczalnie ścieków, ujęcia wody, spalarnie śmieci</li> <li>▪ Obiekty hydroinżynieryjne, w tym: tamy, zbiorniki retencyjne, zapory wodne</li> </ul>	<b>Water</b> <ul style="list-style-type: none"> <li>▪ Water supply and sewage systems, including: water pipelines, sewage systems, wastewater treatment plants, water intakes, waste incineration plants</li> <li>▪ Hydraulic engineering structures, including water dams and storage reservoirs</li> </ul>
<b>Bud. Przem. i Mieszk.</b> <ul style="list-style-type: none"> <li>▪ Przemysł budowlany</li> <li>▪ Budownictwo przemysłowe</li> <li>W tym obiekty sportowe, stadiony, szpitale</li> <li>▪ Budownictwo mieszkaniowe</li> <li>▪ Budownictwo komercyjne</li> </ul>	<b>Industrial and residential construction</b> <ul style="list-style-type: none"> <li>▪ Construction industry</li> <li>▪ Industrial construction including sports facilities, stadiums, hospitals</li> <li>▪ Residential construction</li> <li>▪ Commercial construction</li> </ul>
<b>Bud. energetyczne</b> <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>	<b>Power construction</b> <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>

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 2014, 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	H1 2014 (PLN '000)	H1 2013 (PLN '000)	Change (PLN '000)	Change (%)
<b>Gas, oil and fuels</b> (transmission, distribution, production)	128,709	212,352	-83,643	-40%
<b>Water</b> (hydraulic engineering and environmental protection, pipeline rehabilitation)	-3,339	11,844	-15,183	-
<b>Industrial and residential construction</b> (construction, infrastructure for industrial facilities)	23,865	53,499	-29,634	-55%
<b>Road construction</b> (road construction)	-	8,299	-	-
<b>Power construction</b> (construction of power generating units)	499,852	400,675	+99,177	+25%
<b>Other</b> (sale of merchandise, materials and products, other services)	12,433	18,620	-6,187	-33%
<b>Total revenue</b>	<b>661,520</b>	<b>708,616</b>	<b>-47,096</b>	<b>-7%</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. Moreover, RAFAKO derives a substantial share of its revenue from export contracts.

#### 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**

Revenue	H1 2014 (PLN '000)	H1 2013 (PLN '000)	Change (PLN '000)	Change (%)
<b>Gas, oil and fuels</b> (transmission, distribution, production)	128,709	212,352	-83,643	-40%

In H1 2014, the segment of natural gas, oil and fuels accounted for 19% of the Group's revenue. The segment's total revenue in the reporting period was PLN 128.7, down nearly PLN 84m on H1 2013. 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.

### **FPM S.A.**

The company's principal business activities consist in the manufacture of plant and equipment for domestic and foreign power, CHP and heating plants, as well as industrial power plants; it delivers its products to steelworks, mines, sugar factories, breweries, cement plants and chemical plants. FPM also manufactures machinery and mechanical equipment, as well as steel structures based on working documentation prepared in line with customers' project method statements or based on working documentation provided by customers.

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

Construction and process design, urban planning.

### **RAFAKO ENGINEERING SOLUTION doo**

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

### **RAFAKO Hungary Kft.**

Equipment assembly in the power and chemical industry.

### **ENERGOTECHNIKA ENGINEERING Sp. z o.o.**

Engineering activities and related technical consultancy.

**PALSERWIS Sp. z o.o.**

Production and overhaul business.

**SALES**

The Group renders the services in the power construction segment primarily in Poland. However, the foreign order book 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, TAURON and Dalkia).

**Table 10: Sale of services in the power construction segment**

Revenue	H1 2014 (PLN '000)	H1 2013 (PLN '000)	Change (PLN '000)	Change (%)
<b>Power construction</b>	499,852	400,675	+99,177	+25%

In H1 2014, power construction services contributed 76% to the Group's total revenue. Compared to the corresponding period of the previous year, the revenue rose 25% to PLN 499.7m in H1 2014. Over the next several years, power construction contracts will play a leading role in the Group's operations.

**3. Water segment**

The Group plans to reduce its activity in the water segment.

Projects executed by the PBG Group in the water segment are aimed to reduce the pollution of water, soil and air. Thus, the Group's activities in the area help significantly improve the condition of the natural environment. The PBG Group offers comprehensive execution capabilities for water engineering, environmental protection, and water and sewage projects.

**PBG GROUP COMPANIES OPERATING IN THE WATER SEGMENT**

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

KWG S.A. specialises in the execution of infrastructure projects in the environmental protection sector, such as water supply and sewage systems, intermediate pumping stations and sewage treatment plants, as well as high-, medium- and low- pressure gas systems, pressure reduction and metering stations, and gas boiler houses.

**SALES**

The market for water segment services covers the entire territory of Poland, which follows from the fact that the Group has signed contracts with a wide array of employers whereby it has been engaged to execute projects at specific locations. The Group's key customers include local governments as well as water and sewage operators, including municipal companies.

**Table 11: Sale of services in the water segment**

Revenue	H1 2014 (PLN '000)	H1 2013 (PLN '000)	Change (PLN '000)	Change (%)
<b>Water</b> (hydraulic engineering and environmental protection, pipeline rehabilitation)	-3,339	11,844	-15,183	-

The water segment's negative revenue in H1 2014 resulted from the adjustment of the revenue under a contract performed by KWG. As the management of the contract had been handed over to an external company, the scope of works to be performed by KWG was significantly limited, causing the revenue estimates made at the end of 2013 to be adjusted in H1 2014.

#### **4. Industrial and residential construction segment**

PBG is discontinuing its activity in the segment.

Projects executed by the PBG Group in this segment relate to the infrastructure for construction of residential buildings and industrial facilities, as well as provision of property development services in the commercial property sector. PBG is discontinuing its activity in the segment.

#### **PBG GROUP COMPANIES OPERATING IN THE RESIDENTIAL CONSTRUCTION SEGMENT**

##### **PBG Dom Sp. z o.o.**

The company's business consists in managing and optimising real estate assets (buildings and land) owned by the Group; its responsibilities also include comprehensive execution of projects undertaken by special purpose vehicles and lease of office space.

##### **PBG DOM INVEST X Sp. z o.o.**

The company operates in the construction and property development sectors.

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

The company's purpose is to execute a property development project.

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

The company operates in the construction and property development sectors.

##### **Górecka Projekt Sp. z o.o.**

The company operates in the construction and property development sectors.

The company owns Skalar Office Center, an office building, in Poznań.

##### **PBG DOM Invest Limited**

A transfer company established for tax optimisation purposes.

##### **PBG ERIGO FINANSE Sp. z o.o.**

The company's purpose is to execute a property development project.

##### **PBG ERIGO PROJEKT Sp. z o.o.**

The company's purpose is to execute a property development project.

**PBG ERIGO PROJEKT Sp. z o.o. Malta Hotel S.K.A.**

The company's purpose is to execute a property development project.

**Ecoria Sp. z o.o.**

The company's purpose is to execute a property development project.

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

The company's purpose is to execute a property development project.

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

The company's purpose is to execute a property development project.

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

The company's purpose is to execute a property development project.

**ERIGO IV Sp. z o.o.**

The company's purpose is to execute a property development project.

**ERIGO V Sp. z o.o.**

The company's purpose is to execute a property development project.

**ERIGO IV Sp. z o.o. S.K.A.**

The company's purpose is to execute a property development project.

**PBG ERIGO Sp. z o.o.**

The company's purpose is to execute a property development project.

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

The company's purpose is to execute a property development project.

**PBG ERIGO PROJEKT Sp. z o.o. PLATAN HOTEL SKA**

The company's purpose is to execute a property development project.

**PBG ERIGO PROJEKT Sp. z o.o. ECORIA II SKA**

The company's purpose is to execute a property development project.

**PBG ERIGO PROJEKT Sp. z o.o. QUADRO House SKA**

The company's purpose is to execute a property development project.

**PGL-DOM Sp. z o.o.**

The company's business is the management of real estate.

**City Development Sp. z o.o.**

The company's business is the management of real estate.

## SALES

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

**Table 12: Sale of services in the industrial and residential construction segment**

Revenue	H1 2014 (PLN '000)	H1 2013 (PLN '000)	Change (PLN '000)	Change (%)
<b>Industrial and residential construction</b> (construction, infrastructure for industrial facilities)	23,865	53,499	-29,634	-55%

In H1 2014, the share of the industrial and residential construction segment in the Group's total revenue was 4%, down 4 p.p. on H1 2013.

### 5. Road construction segment

PBG is discontinuing its activity in the segment.

In the road construction segment, the PBG Group carries out projects relating to road and bridge construction works. The Group operates bitumen mastic production plants and research laboratories responsible for the oversight of its production activities. The Group also produces asphalt mixes for heavy-traffic road applications.

#### PBG GROUP COMPANIES OPERATING IN THE ROAD CONSTRUCTION SEGMENT

##### **BROKAM Sp. z o.o.**

BROKAM Sp. z o.o. owns land and licences to launch aggregate production. Addition of the company to the PBG Group helped establish a materials base for the subsidiaries operating in the road construction segment.

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

The company owns land and licences to launch aggregate production; the Brodziszów-Kłośnik quarry with reserves of granodiorite, an acidic fine-crystalline intrusive igneous rock. Addition of the company to the PBG Group helped establish a materials base for the subsidiaries operating in the road construction segment.

## SALES

**Table 13: Sale of services in the road construction segment**

Revenue	H1 2014 (PLN '000)	H1 2013 (PLN '000)	Change (PLN '000)	Change (%)
<b>Road construction</b> (road construction)	-	8,299	-	-

The PBG Group did not recognise the road construction segment in its revenue for H1 2014. Given the nature of road construction contracts and their capital intensity, the PBG Group has resolved to withdraw from the segment.

### 6. Other operating areas

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

## **CONSTRUCTION**

### **PBG Operator Sp. z o.o.**

Special purpose vehicle.

## **FOREIGN OPERATIONS**

### **PBG UKRAINA Publiczna Spółka Akcyjna (the company is likely to discontinue operations)**

PBG Ukraina was established to conduct activities primarily involving research of the Ukrainian market and to establish contacts with companies providing construction and related services.

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

Wschodni Invest Sp. z o.o. has Energopol-Ukraine in its portfolio, and manages its property development business.

### **Energopol-Ukraine**

The company holds a legal title to a land property with an area of 63,000 m<sup>2</sup> located in Kiev, which is planned to be developed, with the development project's area at ca. 250,000 m<sup>2</sup>. The company provides a wide range of services in the investment process, including general construction, production and design works. It is experienced in trading and works related to upgrading/modernising industrial facilities.

## **SUPPORT FOR THE PBG GROUP COMPANIES**

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

The company provides IT services, including IT consulting, implementation of IT systems, data processing and services relating to IT and computer-based technologies. As a company of the PBG Group, PBG Avatia provides IT support to all PGB Group companies.

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

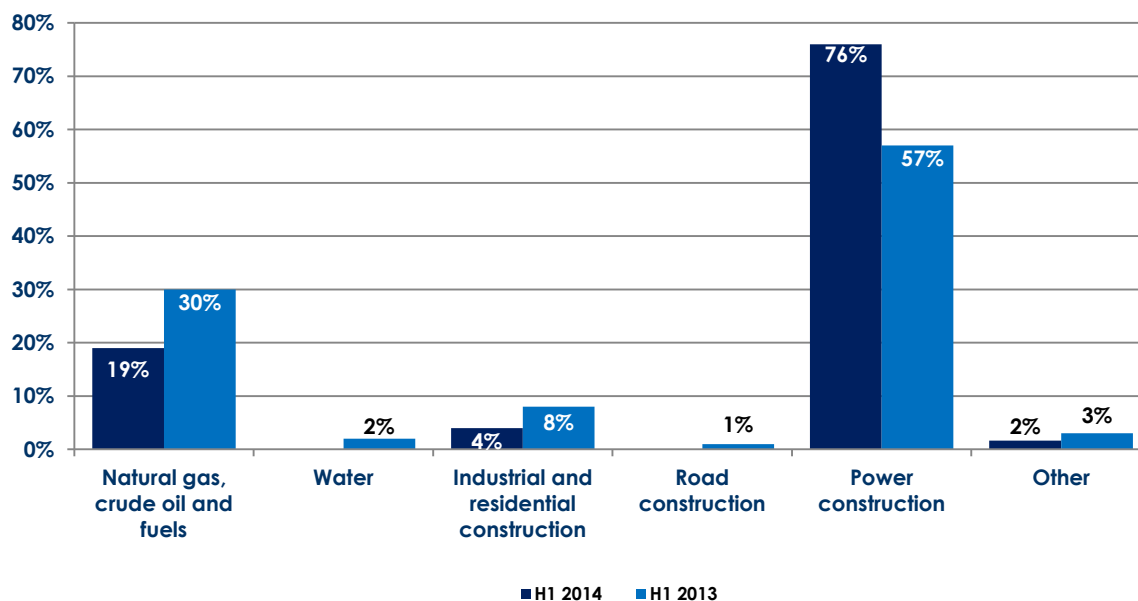
In the reporting period, customers and suppliers with at least 10% share in the Group's total revenue included:

- customers: none
- suppliers: none



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

Chart 2: Share of the PBG Group's segments in revenue in H1 2014 and H1 2013



## 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
<b>KWG S.A. w upadłości układowej (in company voluntary arrangement)</b>	ul. Pomorska 35 , 70-812 Szczecin	(091) 43 21 130 (091) 46 92 424	<a href="http://www.kwg.com.pl">www.kwg.com.pl</a>	<a href="mailto:biuro@kwg.com.pl">biuro@kwg.com.pl</a>
<b>PBG Operator Sp. z o.o.</b>	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
<b>Bathinex Sp. z o.o.</b>	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>
<b>Brokam Sp. z o.o.</b>	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>

<b>PBG Dom Sp. z o.o.</b>	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>
<b>PBG Oil and Gas Sp. z o.o.</b>	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>
<b>RAFAKO SA</b>	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>
<b>PBG Ukraina PSA</b>	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
<b>Wschodni Invest Sp. z o.o.</b>	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
<b>PBG Avatia Sp. z o.o.</b>	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>
<b>Multaros Trading Company Limited of Nicosia</b>	Kostacki Pandelidi 1, Kolokasides Building, 3rd floor, 1010 Nicosia, Cyprus	-	-	-

**Table 16: Indirect subsidiaries**

<b>Company</b>	<b>Address</b>	<b>Tel./Fax</b>	<b>WWW</b>	<b>email</b>
<b>PBG ERIGO Projekt Sp. z o.o. QUADRO House 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 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:polsk@pbg-erigo.pl">polsk@pbg-erigo.pl</a>
<b>PBG ERIGO PROJEKT SP. Z O.O. PLATAN 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>Górecka Projekt Sp. z o.o.</b>	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>
<b>City Development 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>PBGDOM INVEST LIMITED</b>	Afentrikas 4, Lamaka 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>
<b>ERIGO I 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>ERIGO II 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>ERIGO III 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>ERIGO IV 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>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,	(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>

Company	Address	Tel./Fax	WWW	email
FPM S.A.	ul. Towarowa 11 43-190 Mikotów	(032) 73 79 000	<a href="http://www.fpmsa.com">www.fpmsa.com</a>	<a href="mailto:sekretariat@fpmsa.com">sekretariat@fpmsa.com</a>
PALSERWIS Sp. z o.o.	ul. Towarowa 11, 43-190 Mikotów	(032) 73 79 440 (032) 73 79 441	<a href="http://www.palserwis.pl">www.palserwis.pl</a>	<a href="mailto:palserwis@palserwis.pl">palserwis@palserwis.pl</a>
PGL-DOM Sp. z o.o.	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>
RAFAKO ENGINEERING Sp. z o.o.	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>
RAFAKO ENGINEERING SOLUTION doo	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>
RAFAKO Hungary Kft.	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>
ENERGOTECHNIKA ENGINEERING Sp. z o.o.	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>
PBG Dom Invest X Sp. z o.o. Invest I S.K.A.	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>
PBG Dom Invest X Sp. z o.o. Złotowska 51 S.K.A.	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>
PBG ERIGO Projekt Sp. z o.o. ECORIA II SKA	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>
PBG ERIGO Projekt Sp. z o.o. Śirzeszyn 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 PROJEKT 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>
PBG ERIGO FINANSE 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>
Ecoria 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.ecoria.pl">www.ecoria.pl</a>	<a href="mailto:polska@pbg-erigo.pl">polska@pbg-erigo.pl</a>
PBG Erigo Projekt Sp. z o.o. Malta 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>
E001RK Sp. z o.o.	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>
E003B7 Sp. z o.o.	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>
Al Watanyiah Oil&Gas LLC	P.O. Box 2053 PC 111 Sultanate of Oman	(061) 66 72 022 (061) 66 30 369	-	<a href="mailto:Wojciech.Tyburski@pbgsa.pl">Wojciech.Tyburski@pbgsa.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 2014

## I. SHARES HELD IN RELATED ENTITIES

Table 18: Shares held in related entities

Related entity	Principal business activity	Type of relation		Number of shares	Total par value of shares as at Jun 30 2014	Ownership interest (%)
		Parent	Type of relation			
<b>KWG S.A. w upadłości układowej (in company voluntary arrangement)</b>	infrastructure projects in the environmental protection sector	PBG S.A. w upadłości układowej (in company voluntary arrangement)	subsidiary	28,700	PLN 2,870,000.00	100%
<b>WSCHODNI INVEST Sp. z o.o.</b>	special purpose vehicle	PBG S.A. w upadłości układowej (in company voluntary arrangement)	subsidiary	37,740	PLN 3,774,000.00	100%
<b>PBG Dom Sp. z o.o.</b>	building construction	PBG S.A. w upadłości układowej (in company voluntary arrangement)	subsidiary	550,000	PLN 55,000,000.00	100%
<b>Brokam Sp. z o.o.</b>	owner of undeveloped property with granodiorite reserves	PBG S.A. w upadłości układowej (in company voluntary arrangement)	subsidiary	12,000	PLN 12,000,000.00	100%
<b>PBG Avatia Sp. z o.o.</b>	IT services; as a company of the PBG Group, PBG Avatia provides IT support to all PBG Group companies	PBG S.A. w upadłości układowej (in company voluntary arrangement)	subsidiary	999	PLN 49,950.00	99.90%
<b>PBG Ukraina PSA</b>	special purpose vehicle	PBG S.A. w upadłości układowej (in company voluntary arrangement)	subsidiary	222,227	UAH 888,908.00	100%
<b>Bathinex Sp. z o.o.</b>	owner of undeveloped property with granodiorite reserves	PBG S.A. w upadłości układowej (in company voluntary arrangement)	subsidiary	50	PLN 50,000.00	100%
<b>PBG Operator Sp. z o.o.</b>	special purpose vehicle	PBG S.A. w upadłości układowej (in company voluntary arrangement)	subsidiary	50	PLN 5,000.00	100%
<b>PBG Oil and Gas Sp. z o.o.</b>	engineering, design and execution company; project management, turn-key deliveries and supervision of natural gas and crude oil projects	PBG S.A. w upadłości układowej (in company voluntary arrangement)	subsidiary	50	PLN 5,000.00	25%
		Jerzy Wiśniewski	-	150	PLN 15,000.00	75%

Related entity	Principal business activity	Type of relation		Number of shares	Total par value of shares as at Jun 30 2014	Ownership interest (%)
		Parent	Type of relation			
<b>Al Watanyiah Oil &amp; Gas LLC</b>	The company provides comprehensive specialist contracting services for natural gas, crude oil, and fuel facilities. Al Watanyiah Oil & Gas LLC operates in Oman.	Al Watanyiah United Engineering & Contracting Co. LLC	-	338.1	OMR 338,100.00	69%
		PBG oil and gas Sp. z o.o.	subsidiary	147.0	OMR 147,000.00	30%
		Salim Sid Hamad Al Fannah Al Arsimi	-	4.9	OMR 4,900.00	1%
<b>Multaros Trading Company Limited</b>	special purpose vehicle	PBG S.A. w upadłości układowej (in company voluntary arrangement)	subsidiary	526.000	EUR 526,000.00	100%
<b>RAFAKO S.A.</b>	The company designs and constructs a wide array of boilers, including supercritical and fluidised bed boilers, as well as environmental protection equipment, including flue gas desulfurization units and electrostatic precipitators	PBG S.A. w upadłości układowej (in company voluntary arrangement)	subsidiary	7,665,999	15,331,998.00	11.01%
		Multaros Trading Company Limited	subsidiary	34,800,001	PLN 69,600,002.00	50%

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.	399	399,000.00	19.00
2.	Energia Wiatrowa PL Sp. z o.o.	230	11,500.00	18.70
3.	Lubickie Wodociągi Sp. z o.o.	60	30,000.00	15.00
4.	Towarzystwo Ubezpieczeń Wzajemnych TUZ	60	600.00	0.01
5.	Strateg Capital Sp. z o.o. w upadłości likwidacyjnej (in bankruptcy by liquidation)	250	250,000.00	100.00
6.	Hydrobudowa Polska S.A. w likwidacji (in liquidation)	82,302,263	82,302,263.00	39.09
7.	PBG Technologia Sp. z o.o. w likwidacji (in liquidation)	46,100	23,050,000.00	100.00
8.	Aprivia S.A. w likwidacji (in liquidation)	14,775,999	14,775,999.00	20.52
9.	Energomontaż Południe S.A. w likwidacji (in liquidation)	46,333,520	46,333,520.00	65.28
10.	ENERGOPOL UKRAINA	49	49,362.90	49.00

## 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 14 2014	<p><b>Principal:</b> RAFAKO SA</p> <p><b>Contractor:</b> ENERGOMONTAŻ-POŁUDNIE S.A. in liquidation bankruptcy,</p>	Termination of contract for delivery and assembly of steel structures in SCR reactors at the Kozienice Power Plant	<p>Further to Current Report No. 24/2012 of May 23rd 2012, the Bankruptcy Administrator of ENERGOMONTAŻ-POŁUDNIE S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation) (the "Issuer", the "Company", the "Contractor") reports that on January 14th 2014, acting pursuant to Art. 98.1 of the Bankruptcy and Restructuring Law, the Administrator informed RAFAKO S.A. (the "Principal") that the Company terminated the contract with the Principal.</p> <p>The subject matter of the contract was delivery and assembly of steel structures in SCR reactors to be used in construction of Catalytic Flue Gas Denitration System for OP-650 steam generators Nos. 4, 5, 6, 7, 8 at the Kozienice Power Plant.</p> <p>As the principal aim of the bankruptcy proceedings is quick and effective sale of the bankrupt's assets and, consequently, best satisfaction of the creditors' claims, the bankruptcy administrator believes that continuation of the contract would have had an adverse effect on the bankruptcy estate, exposing the entity to additional costs.</p> <p>As at the date of this report, the estimated value of work to be completed under the contract totalled approximately PLN 9.5m (VAT exclusive).</p> <p>Termination of the contract reduces the Issuer's revenue.</p>

For further information, see EPD Current Report No. 2/2014:

[http://www.inwestor.energomontaz.pl/artykuly/2676,955/d.raporty\\_bezace\\_podstrona,odstapienie-od-kontraktu-na-dostawe-i-](http://www.inwestor.energomontaz.pl/artykuly/2676,955/d.raporty_bezace_podstrona,odstapienie-od-kontraktu-na-dostawe-i-)

<p><b>Jan 17 2014</b></p>	<p>RAFAKO SA</p> <p>MOSTOSTAL WARSZAWA S.A.</p>	<p>RAFAKO S.A. terminated the Additional Agreement, causing the Additional Agreement to expire. The Additional Agreement was terminated by RAFAKO after the company and TAURON Wytwarzanie S.A. (the "Employer") had failed to sign a contract for execution of the Jaworzno project by the date of this Report.</p>	<p>Under the Additional Agreement:</p> <p>a) RAFAKO agreed to pay PLN 130m + VAT to MOSTOSTAL WARSZAWA for the reduction of MOSTOSTAL WARSZAWA's share in the remuneration and the scope of work under the Jaworzno Project to 0.01%. The amount was to be paid in three instalments, depending on the date of execution of the contract for the Jaworzno Project with the Employer and on receipt of prepayments for the contract from the Employer.</p> <p>b) RAFAKO agreed to be solely responsible towards the Employer for the performance of the contract, and to release MOSTOSTAL WARSZAWA from any responsibility towards the Employer for the performance of the contract;</p> <p>c) RAFAKO agreed to offer and negotiate in good faith subcontracts for the Jaworzno Project with MOSTOSTAL WARSZAWA and entities indicated by MOSTOSTAL WARSZAWA, for a total amount of PLN 360m; and</p> <p>d) RAFAKO granted the entities indicated by MOSTOSTAL WARSZAWA the last matching right (i.e. the entities indicated by MOSTOSTAL WARSZAWA were entitled to make a final offer at the same, or lower, price as the price offered by subcontractors previously selected by RAFAKO in competitive tenders) for the agreed scope of work on the Jaworzno Project, for a total amount of PLN 140m.</p>
<p style="text-align: center;"><b>For more information, see RAFAKO Current Report No. 4/2014:</b>  <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2013/RB_4_warunki%20umowy%20dodatkowe%20z%20MWA_odtajnienie(1).pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2013/RB_4_warunki%20umowy%20dodatkowe%20z%20MWA_odtajnienie(1).pdf</a></p>			



<p><b>Mar 12 2014</b></p>	<p>Galeria Kujawska Nova Sp. z o.o. spółka komandytowa</p> <p>ECE Projektmanagement Polska sp. z o.o. of Warsaw</p>	<p>Conditional Sale Agreement (the "Agreement") with respect to undeveloped property comprising four plots of land in Bydgoszcz, designated for construction of shopping centre (the "Property").</p> <p>The Agreement was executed on February 21st 2014 with ECE Projektmanagement Polska sp. z o.o. of Warsaw ("ECE"). Subsequently, the buyer's rights under the Agreement were transferred, pursuant to an agreement signed between Galeria, ECE and Centrum Handlowe Polska 6 Sp. z o.o. Sigma Spółka komandytowa (the "Buyer") on March 3rd 2014, to the Buyer.</p>	<p>The sale price of the Property is PLN 130,503,000.00 (including value added tax of PLN 24,403,000.00). The Agreement may be terminated by either Party on or before August 14th 2014 in the event of improper performance of contractual obligations by the other Party.</p> <p>Transfer of the Property to the Buyer will be made under a separate final agreement (the "Final Agreement"), executed upon fulfilment of the condition stating that the Municipality of Bydgoszcz does not exercise its statutory right of first refusal over any of the plots comprising the Property.</p> <p>The Agreement provides for the following contractual penalties:</p> <p>1) Galeria has the right to demand from the Buyer a contractual penalty of PLN 20,000,000 if the Buyer fails to execute the Final Agreement for reasons attributable to the Buyer;</p> <p>2) The Buyer has the right to demand from Galeria a contractual penalty of PLN 20,000,000 if any representation on the condition of the Property made by the Gallery proves incorrect or untrue, or if Galeria breaches the terms of the Agreement, including the obligation to prevent any events which may have an adverse effect on the Property.</p> <p>In the Agreement, the parties agreed to secure Galeria's liability towards the Buyer, related to claims which may arise under the Agreement, by voluntary submission to enforcement for up to PLN 80,421,969. The Buyer will have the right to request the court to append an enforcement clause until May 24th 2016. In addition, an entry will be made for the benefit of the Buyer in the land and mortgage register for the plots making up the Property, up to PLN 80,421,696, as security for the Buyer's claim under the Agreement, as referred to above.</p>
<p>For more information, see RAFAKO Current Report No. 3/2014: <a href="http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/3-2014-zawarcie-przez-spolke--grupy-kapitalowej-spolki-zaleznej-pbg-dom-warunkowej-umowy-sprzedazy-nieruchomosci.html">http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/3-2014-zawarcie-przez-spolke--grupy-kapitalowej-spolki-zaleznej-pbg-dom-warunkowej-umowy-sprzedazy-nieruchomosci.html</a></p>			

<p>19.03.2014</p>	<p>Galeria Kujawska Nova Sp. z o.o. spółka komandytowa</p> <p>Centrum Handlowe Polska 6 Sp. z o.o. Sigma spółka komandytowa of Warsaw.</p>	<p>Agreement for the transfer of ownership of undeveloped property comprising four plots of land in Bydgoszcz, designated for construction of shopping centre (the "Property" or the "Agreement").</p> <p>The Agreement was executed in performance of the conditional agreement of February 21st 2014.</p>	<p>The sale price of the Property as specified in the Agreement is PLN 130,503,000.00 (including value added tax of PLN 24,403,000.00), and is to be paid within seven days of the date of execution of the Agreement. With the advance payment of PLN 41,820,000 made under the preliminary sale agreement, the Buyer will be paying Galeria a total of PLN 88,683,000.00, including PLN 53,883,000 to be paid to Galeria's bank account and PLN 34,800,000 to Galeria's creditor.</p> <p>Under the Agreement, the Buyer declared that it will submit to enforcement under Art. 777.1.5 of the Polish Code of Civil Procedure, for up to PLN 113,598,000, with respect to the obligation to pay the Total Final Sale Price less the Advance Payment.</p> <p>The PBG Management Board also notes that on March 13th 2014 it was notified that Erigo I Sp. z o.o. ("Erigo I"), a PBG Dom Group company, Galeria and the Buyer entered into an agreement on accession to Galeria's debt. The beneficiary under the agreement is the Buyer. Under this agreement, Erigo I acceded to Galeria's debt as a joint and several debtor next to Galeria under any and all claims arising under the Conditional Agreement announced in Current Report No. 3/2014, for all of Galeria's existing and future financial liabilities towards the Buyer. These may include any and all claims for damages payable by Galeria to the Buyer as well as reimbursement claims for any amounts or costs paid or incurred by the Buyer.</p>
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For more information, see RAFAKO Current Report No. 4/2014: <http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/4-2014-zawarcie-przez-spolke-z-grupy-kapitalowej-spolki-zaleznej-pbg-dom-umowy-przeniesienia-wlasnosci-nieruchomosci.html>

<p>Apr 2 2014</p>	<p><b>Employer:</b></p> <p>Polskie Górnictwo Naftowe i Gazownictwo S.A. "PGNiG",</p> <p><b>Contractor:</b></p> <p>Consortium of PBG S.A. (Consortium Leader), Tecnimont SpA, Société Française d'Etudes et de Réalisations d'Equipements Gaziers "SOFREGAZ" and Plynostav Pardubice Holding A.S. - Plynostav Regulace Plynu A.S. (Consortium Partners).</p>	<p><b>Notice of rescission by PGNiG of material contract and call for payment of contractual penalties of PLN 133.4m (10% of the contractor's VAT-inclusive remuneration).</b></p> <p>Contract dated November 19th 2008, providing for execution of the "Construction of the Wierchowice Underground Gas Storage Facility, phase: 3.5bn m3, sub-phase: 1.2bn m3" project</p>	<p>The Company's Management Board has taken the stance the Wierchowice Underground Storage Facility project had been fully executed except for a 72-hour test of one of the installed devices, which however does not affect the functionality of the entire system. Technical acceptance of the project by the Employer took place on November 18th 2013. The Parties also made a full settlement of the Consortium's remuneration for the work performed until the date of technical acceptance. It is worth to note that PGNiG's Current Report No. 42/2014, dated April 2nd 2014, concerning PGNiG's notice of termination, reads that "progress of work on expanding the Wierchowice Underground Gas Storage Facility to 1.2bn m3 is 97%" and that "the facility has reached and maintains a storage capacity of 1.2bn m2"</p>
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For more details, see RAFAKO Current Report No. 7/2014: <http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/7-2014-oswiadczenie-pgnig-o-odstapieniu-od-znaczacej-umowy.html>

<p><b>Apr 15 2014</b></p>	<p>E003B7 Sp. z o.o. (RAFAKO's wholly-owned subsidiary)</p> <p>Consortium of Siemens Aktiengesellschaft of Munich and Siemens sp. z.o.o. of Warsaw</p>	<p>Conditional contract for the production, delivery and installation of a turbine island system for the purposes of the "Development of new coal-fired generation capacities at Tauron Wytwarzanie S.A. – Construction of supercritical 800-910 MW generating unit at the Jaworzno III Power Plant – Power Plant II" project implemented by the Company.</p>	<p>The Contract has been executed on the following terms:</p> <ol style="list-style-type: none"> <li>1. The subject matter of the contract is the manufacture, delivery and installation of a turbine island system for the purposes of the Jaworzno Project, as well as provision of services and delivery of components necessary to start up and operate the turbine island as part of the Jaworzno Project.</li> <li>2. Total remuneration due to the Contractors for performing the contract is EUR 208,350,000.</li> </ol> <p>The Contractors are obliged to provide a performance bond equal to</p> <p>20% of their remuneration, and a defects liability bond equal to 3% of their remuneration, in the form of bank guarantees.</p> <ol style="list-style-type: none"> <li>4. Under the Contract, RAFAKO may charge contractual penalties for improper performance of the Contract by the Contractors, up to 25% of the Contractors' remuneration.</li> </ol> <p>The Contract stipulates the following conditions precedent:</p> <ol style="list-style-type: none"> <li>1. Execution of the main contract for the Jaworzno Project by the Employer and the consortium executing the Jaworzno Project;</li> <li>2. Execution by the Employer, RAFAKO, a subsidiary, and the Contractors of an agreement specifying the method for settlement and payment of remuneration to the Contractors by the Employer, and defining the parties' responsibility for payment of the remuneration to the Contractors; and</li> <li>3. Provision of a performance bond by the Contractors.</li> </ol> <p>The contract is one of the key elements necessary to enter into the main contract for the Jaworzno Project with the Employer.</p> <p>The Contract is considered a reportable significant agreement as its value exceeds</p> <p>10% of the RAFAKO Group's revenue generated in the last four quarters.</p>
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For more information, see RAFAKO Current Report No. 16/2014:  
[http://www.rafako.com.pl/pub/File/raporty\\_biezace/2014/RB\\_16\\_2014.pdf](http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB_16_2014.pdf)

<p><b>Apr 17 2014</b></p>	<p>E003B7 Sp. z o.o. ("SPV" - wholly owned subsidiary of Rafako)</p> <p>Energopol – Szczecin S.A. of Szczecin</p>	<p>Conditional contract for the execution of construction work for the purposes of the Company's 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".</p>	<p>The Contract has been executed on the following terms:</p> <p>1. The subject matter of the Contract is the performance of construction works, delivery of supplies and provision of services under the Jaworzno Project.</p> <p>Remuneration due to the Subcontractor for performing the contract is ca. PLN 380,000,000 (VAT exclusive).</p> <p>3. The Subcontractor is obliged to provide a performance bond equal to 10% of its gross remuneration. The performance bond provided by the Subcontractor will also secure SPV's warranty claims for defects in the work performed by the Subcontractor; the value of security for warranty claims will equal 30% of the performance bond.</p> <p>4. Under the Contract, the SPV may charge contractual penalties for improper performance of the Contract by the Subcontractor, up to 15% of the Subcontractor's remuneration. The SPV may also seek compensation in excess of the contractual penalties provided for in the Contract.</p> <p>The Contract stipulates the following conditions precedent:</p> <p>1. Execution of the main contract for the Jaworzno Project by the Employer and the consortium executing the Jaworzno Project (the "Main Contract");</p> <p>2. The Employer's and RAFAKO's consents for the SPV to hire the Subcontractor to perform the Main Contract;</p> <p>3. The SPV's consent for the Contract to be secured with the performance bond provided by the Subcontractor;</p> <p>4. The Employer's consent for making advance payments due to the Subcontractor under the Contract directly to and for the Subcontractor.</p> <p>The contract is one of the key elements necessary to execute the main contract for the Jaworzno Project with the Employer.</p> <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><b>For more information, see RAFAKO Current Report No. 17/2014:</b>  <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2017_2014.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2017_2014.pdf</a></p>			

<p><b>Apr 17 2014</b></p>	<p>E003B7 Sp. z o.o. ("SPV" - wholly owned subsidiary of Rafako)</p> <p>Powszechna Kasa Oszczędności Bank Polski S.A. ("PKO BP"), Powszechny Zakład Ubezpieczeń S.A. ("PZU") and Bank Gospodarstwa Krajowego ("BGK")</p>	<p>Agreement for bank and insurance guarantees (the "Agreement") for the benefit of the SPV, to be provided in connection with the Company's project "Development of new coal-fired generation capacities at Tauron Wytwarzanie S.A. (the "Employer") – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II" ("Jaworzno Project") implemented by RAFAKO and the SPV.</p>	<p>The Contract has been executed on the following terms:</p> <ol style="list-style-type: none"> <li>1. PKO BP undertook to issue, to the Employer, (i) an advance payment bank guarantee up to PLN 48,000,000 and (ii) a performance bond bank guarantee for the Jaworzno Project (the "Main Contract") up to PLN 126,334,000, subject to the conditions precedent stipulated in the Agreement.</li> <li>2. PZU undertook to issue, to the Employer, (i) an advance payment insurance guarantee up to PLN 48,000,000 and (ii) a performance bond insurance guarantee for the Main Contract up to PLN 126,333,000, subject to the conditions precedent stipulated in the Agreement.</li> <li>3. BGK undertook to issue, to the Employer, (i) an advance payment bank guarantee up to PLN 48,000,000 and (ii) a performance bond bank guarantee for the Main Contract up to PLN 126,334,000, subject to the conditions precedent stipulated in the Agreement.</li> <li>4. RAFAKO undertook to provide to the Principal a PLN 70,000,000 cash performance bond in respect of the Main Contract, provided that the detailed terms of payment of the amount by the company will be defined in a separate agreement executed between RAFAKO, the Employer and the Guarantors.</li> </ol> <p>On the date hereof, all conditions precedent referred to in items 1–3 were satisfied. Accordingly, the Guarantors issued the guarantees and the performance bonds.</p> <p>In order to secure the Guarantors' claims under legal recourse arising from the guarantees and performance bonds issued by the Guarantors, RAFAKO and the SPV established, for the Guarantors' benefit, a number of security instruments customarily established with respect to such transactions, including: (i) a surety for the SPV's liabilities under the Agreement, valid until April 17th 2028, established by RAFAKO for the Guarantors; (ii) a registered pledge over the assets forming the SPV's enterprise; (iii) a registered and financial pledge over SPV shares representing 100% of the SPV's share capital and conferring the right to 100% of voting rights at the SPV's general meeting, held by RAFAKO, in each case up to the amount of PLN 1,046,000,000; and (iv) registered and ordinary or financial pledges over SPV's and RAFAKO's bank accounts and receivables under the Main Contract; as well as RAFAKO's and SPV's representations on submission to enforcement.</p> <p>RAFAKO S.A. and the SPV concluded relevant security agreements with the Guarantors. The registered pledges established under the agreements took effect upon their registration in the register of pledges. Depending on the type of security, the instruments were established for the benefit of each Guarantor separately or for the benefit of one Guarantor acting as the security agent on behalf of all Guarantors. None of the Guarantors is RAFAKO S.A.'s related party or an entity managing or supervising RAFAKO S.A.</p> <p>RAFAKO S.A. also undertook to establish a second ranking registered pledge for the benefit of the Guarantors over the assets forming the RAFAKO S.A. enterprise, up to PLN 1,046,000,000 thousand by the date agreed upon between RAFAKO S.A. and the Guarantors.</p> <p>The guarantees issued under the Agreement are one of the key elements necessary for the Jaworzno Project's main contract to be concluded with the Employer.</p> <p>The Agreement is considered a reportable significant agreement as the aggregate value of the guarantees exceeds 10% of the RAFAKO Group's revenue in the last four quarters.</p>
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<p style="text-align: center;"><b>For more information, see RAFAKO Current Report No. 18/2014:</b>  <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2018_2014.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2018_2014.pdf</a></p>			
<b>Apr 17 2014</b>	<p>RAFAKO S.A. of Racibórz</p> <p>Powszechna Kasa Oszczędności Bank Polski S.A. ("PKO BP")</p>	<p>An agreement establishing a registered pledge over a set of RAFAKO S.A.'s movables and rights ("Agreement"), on the basis of which, upon registration in the register of pledges, a pledge will be created over a set of RAFAKO S.A.'s movables and rights up to the maximum security amount of PLN 300,000,000.</p>	<p>The pledge secures PKO BP's claims of up to PLN 150,000 thousand (one hundred and fifty million złoty, 00/100) under a current account overdraft facility agreement of February 7th 2012 (current account No. nr 49102024720000620203440104), as amended (including in particular claims relating to repayment of the principal, interest, commissions and enforced collection costs).</p> <p>The Agreement was executed to establish a registered pledge over a set of RAFAKO S.A. movables and rights other than (i) receivables and (ii) movables and rights which are already pledged as security for the benefit of PKO BP and RAFAKO S.A.'s other creditors, or which may be pledged on account of liabilities incurred by RAFAKO S.A. As at December 31st 2013, the value of the set of RAFAKO S.A.'s movables and rights was PLN 822,159,800.</p>
<p style="text-align: center;"><b>For more information, see RAFAKO Current Report No. 19/2014:</b>  <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2019_2014.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2019_2014.pdf</a></p>			
<b>Apr 17 2014</b>	<p>RAFAKO S.A.</p> <p>E003B7 Sp. z o.o. of Racibórz ("SPV-RAFAKO" – a wholly-owned subsidiary of RAFAKO S.A.)</p>	<p>A subcontractor agreement for the project "Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. - Construction of a supercritical 910 MW power generation unit at Jaworzno III Power Plant – Power Plant II: steam generator, turbine generator set, main building, electrical and I&amp;C systems" (the 'Jaworzno Project' or 'Main Contract').</p>	<p>Under the Subcontractor Agreement, the parties agreed that:</p> <ul style="list-style-type: none"> <li>•SPV-RAFAKO will perform, as a subcontractor, approximately 90% of the work and services for which the Company is responsible under the Jaworzno Project, in particular, SPV-RAFAKO will supply specialist equipment, instruments, tools, and quick-wearing parts, will provide operator training and secure insurance coverage in the scope and in accordance with the rules set forth in the Jaworzno Project contract;</li> <li>•SPV-RAFAKO will be responsible for entering into agreements with further subcontractors to ensure successful execution of the Jaworzno Project;</li> <li>•SPV-RAFAKO is obliged to closely cooperate with an independent technical consultant in the course of the Jaworzno Project;</li> <li>•SPV-RAFAKO may represent the Company during execution of the Jaworzno Project, as authorised under the power of proxy granted on the basis of the Subcontractor Agreement;</li> <li>•SPV-RAFAKO's remuneration for the performance of work as part of the Jaworzno Project contracted under the Subcontractor Agreement is PLN 3,943,841,172.70 (three billion, nine hundred and forty-three million, eight hundred and forty-one thousand złoty, 70/100).</li> </ul> <p>SPV-RAFAKO intends to limit its operations to the performance of the Main Contract, and will not be involved in any other projects throughout the term of the Main Contract.</p> <p>The Subcontractor Agreement is considered a reportable significant agreement as SPV-RAFAKO's remuneration under the Agreement exceeds 10% of the RAFAKO Group's revenue generated in the last four financial quarters.</p>

For more information, see RAFAKO Current Report No. 20/2014:  
[http://www.rafako.com.pl/pub/File/raporty\\_biezace/2014/RB%2020\\_2014.pdf](http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2020_2014.pdf)

<p><b>Apr 17 2014</b></p>	<p><b>Contractor:</b></p> <p>Consortium comprising: RAFAKO S.A. (consortium leader) and Mostostal Warszawa S.A.</p> <p><b>Employer:</b></p> <p>Tauron Wytwarzanie S.A.</p>	<p>A contract for the construction of a supercritical 910 MW power generation unit at Jaworzno III Power Plant - Power Plant II: steam boiler, turbine generator set, main building, electrical and I&amp;C systems.</p>	<p>The Contract has been executed on the following terms:</p> <ol style="list-style-type: none"> <li>1. The Contract provides for the design and delivery by the Contractor, on a turn-key basis, of a supercritical 910 MW power generation unit consisting of a steam generator, turbine generator set, main building, and electrical and I&amp;C systems.</li> <li>2. The remuneration due to the Contractor for performing the contract is PLN 4,399,038,500 VAT exclusive, to be increased by applicable VAT. The Contractor's remuneration is fixed. In accordance with the consortium agreement (see Current Report No. 31/2013), RAFAKO is responsible for the performance of 99.99% of the scope of work and deliverables under the Contract, and is entitled to receive remuneration reflecting this share.</li> <li>3. The time for performing the contract is 59 months as of the contract date.</li> <li>4. The Contractor is entitled to receive an advance payment equal to 10% of its remuneration under the Contract (VAT inclusive).</li> <li>5. The Contractor is obliged to provide the Employer with: (i) an advance payment guarantee equal to the amount of the received advance payment, and (ii) a performance bond in the amount of 10% of the Contractor's remuneration (VAT inclusive). The Contractor has provided the required security instruments in the form of bank and insurance guarantees as well as in cash, in the amount sufficient to satisfy the conditions precedent for the Contract. Once the unit has been commissioned, the performance bond will be reduced to 3% of the Contractor's remuneration (VAT inclusive) and will serve as the Employer's security for claims under the defect warranty for 24 months following the commissioning of the unit,</li> </ol> <p>with the proviso that some structural elements of the unit will be covered by an extended warranty period of 60 months.</p> <ol style="list-style-type: none"> <li>6. The Employer may charge contractual penalties for improper performance of the Contract by the Contractor, up to 25% of the Contractor's remuneration (VAT-exclusive). The Employer may also seek compensation in excess of the contractual penalties provided for in the Contract.</li> <li>7. The Contractor is responsible for the proper performance of the Contract by subcontractors engaged to perform the Contract.</li> </ol> <p>The Contract is considered a reportable significant agreement as RAFAKO's remuneration under the Contract exceeds 10% of the RAFAKO Group's revenue generated in the last four quarters.</p>
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For more information, see RAFAKO Current Report No. 21/2014:  
[http://www.rafako.com.pl/pub/File/raporty\\_biezace/2014/RB%2021\\_2014.pdf](http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2021_2014.pdf)



<p><b>Apr 17 2014</b></p>	<p>Consortium comprising: RAFAKO S.A. (consortium leader) and Mostostal Warszawa S.A.</p> <p>Tauron Wytwarzanie S.A. (Employer),</p> <p>Siemens Sp. z o.o.,</p> <p>Siemens Aktiengesellschaft</p> <p>E003B7 Sp. z o.o. z (SPV-Rafako),</p> <p>Bank Gospodarstwa Krajowego,</p> <p>PKO BP S.A.</p> <p>PZU S.A.</p>	<p>Agreement defining the terms of collaboration between the parties in connection with performance of Contract No. 2013/0929/Ri – Construction of a supercritical 910 MW power generation unit at Jaworzno III Power Plant – Power Plant II (the "Agreement").</p>	<p>Under the Agreement, the Employer accepted the terms of the subcontract agreement between RAFAKO and SPV-RAFAKO (the "SPV-RAFAKO Subcontract Agreement") and approved its execution, and the parties to the Agreement agreed that SPV-RAFAKO will perform its obligations under the SPV-RAFAKO Subcontract Agreement towards the Employer. The Employer also accepted the terms of the subcontract agreement between SPV-RAFAKO and Siemens (the "Siemens Subcontract Agreement"), and approved its execution.</p> <p>Under the Agreement, the parties:</p> <ul style="list-style-type: none"> <li>•agreed that in order to perform the Employer's obligation to pay remuneration to RAFAKO under the Agreement as well as RAFAKO's obligation to pay remuneration to SPV-RAFAKO under the SPV-RAFAKO Subcontract Agreement for the works performed under the SPV-RAFAKO Subcontract Agreement, the Employer will pay the remuneration under the Main Contract directly to SPV-RAFAKO in the form of fund transfer as defined in Art. 9211<sup>1</sup> of the Polish Civil Code;</li> <li>•agreed that in order to perform the Employer's obligation to pay remuneration to RAFAKO under the Agreement, RAFAKO's obligation to pay remuneration to SPV-RAFAKO under the SPV-RAFAKO Subcontract Agreement, and SPV-RAFAKO's obligation to pay remuneration to Siemens under the relevant Siemens Subcontract Agreement for the works performed by Siemens under the Siemens Subcontract Agreement, the Employer will pay</li> </ul> <p>the remuneration under the Main Contract directly to Siemens in the form of fund transfers as defined in Art. 9211 of the Polish Civil Code;</p> <ul style="list-style-type: none"> <li>•the parties agreed that the Performance Bond will be provided partly in the form of bank and insurance guarantees issued by the Financial Institutions at the request of SPV-Rafako, with the proviso that the Employer will be the beneficiary of the guarantees</li> </ul> <p>(see Current Report No. 18/2014), and part of the Performance Bond will be provided by RAFAKO in cash; Rafako will provide PLN 40,000,000.00 prior to the execution of the Contract, and PLN 30,000,000.00 not later than within 6 months from the date of execution of the Agreement;</p> <ul style="list-style-type: none"> <li>•determined the manner in which the Advance Payment Guarantee (within the meaning of the Contract) will be delivered to the Employer, and in which the Employer will make the Advance Payment under this Contract;</li> <li>•RAFAKO agreed to provide SPV-RAFAKO with adequate support in the performance of the Agreement and the SPV-RAFAKO Subcontract Agreement in the form of appropriate technical, financial and human resources.</li> </ul> <p>The agreement executed between the Employer, RAFAKO, SPV-Rafako, Siemens and the Financial Institutions is considered a reportable significant agreement as it concerns the Jaworzno Project, from which the company is generating revenue in excess of 10% of the Rafako Group's revenue generated in the last four financial quarters.</p>
<p><b>For more information, see Rafako Current Report No. 22/2014:</b>  <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2022_2014.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2022_2014.pdf</a></p>			



<p><b>Apr 18 2014</b></p>	<p>E003B7 Sp. z o.o. (RAFAKO's wholly-owned subsidiary)</p> <p>Consortium of Siemens Aktiengesellschaft of Munich, Siemens Sp. z o.o. of Warsaw and Energopol – Szczecin S.A. of Szczecin</p>	<p>Regarding:</p> <p>1. Conditional subcontract agreement with Siemens Aktiengesellschaft of Munich and Siemens Sp. z o.o. of Warsaw</p> <p>2. Conditional subcontract agreement with Energopol – Szczecin S.A. of Szczecin concerning the project "Development of new coal-fired generation capacities at Tauron Wytwarzanie S.A. (the "Employer") – Construction of a supercritical 800–910 MW power generation unit at Jaworzno III Power Plant – Power Plant II".</p>	<p>On April 17th 2014:</p> <p>1. All the conditions precedent provided for in the Siemens Subcontract Agreement had been satisfied, as a result of which that agreement came into force;</p> <p>2. All the conditions precedent provided for in the Energopol Subcontract Agreement, including: (i) execution of the main contract concerning the Jaworzno Project with the Employer, and (ii) consent by E003B7 Sp. z o.o. (the "SPV-RAFAKO") for the provision by Energopol – Szczecin S.A. of a performance bond in respect of the Energopol Subcontract Agreement, had been satisfied.</p>
<p style="text-align: center;"><b>For more information, see Rafako Current Report No. 23/2014:</b>  <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2023_2014.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB%2023_2014.pdf</a></p>			
<p><b>May 6 2014</b></p>	<p>PBG S.A. w upadłości układowej (in company voluntary arrangement)</p> <p>Obrascon Huarte Lain S.A. ("OHL")</p>	<p>Additional agreement under which OHL took over from PBG the execution of, and has assumed all liability related to, the "Construction of a football stadium with training facilities in the north-eastern part of Poland" project executed by a consortium of OHL and PBG for Stadion Miejski Sp. z o.o. of Białystok as the Employer.</p>	<p>OHL has provided a performance bond for the contract with the Employer, replacing the existing security in the form of a guarantee issued by Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A., thus relieving PBG of the obligation. It was agreed that OHL (acting as the Consortium Leader) will be responsible for 99.99% of the contracted works.</p> <p>Under the Agreement OHL also indemnified PBG against any claims related to the Project, and agreed that, should any claims be brought against PBG by third parties in relation to the Białystok Project, it would release PBG from liability towards such third parties.</p>
<p><b>For further information, see Rafako Current Report No. RFK 12/2014:</b> <a href="http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/12-2014-zawarcie-z-ohl-umowy-dodatkowej-w-sprawie-realizacji-stadionu-w-bialymstoku.html">http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/12-2014-zawarcie-z-ohl-umowy-dodatkowej-w-sprawie-realizacji-stadionu-w-bialymstoku.html</a></p>			

<p><b>May 23 2014</b></p>	<p><b>Employer:</b> Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.</p> <p><b>Contractor:</b> RAFAKO S.A.</p>	<p>Contract for execution of Phase 1 of the "New CHP Plant at Grupa Azoty Zakłady Azotowe Kędzierzyn S.A." project.</p> <p>The contract provides for:</p> <ul style="list-style-type: none"> <li>• construction and supply of equipment and services, as well as start-up of a steam-generator house with a coal-fired pulverised-fuel steam generator, with a capacity of 140 Mg/h of steam with temperature of 495°C and pressure of 7.5 MPa,</li> <li>• construction and supply of equipment and services, as well as start-up of a 25 MWe pass-out and condensing turbine in the existing turbine house, to be fed inlet steam with temperature of 490°C and pressure of 7.0 MPa,</li> <li>• construction of a building (housing the central control room, DCS control system and social amenities), including equipment supply and start-up.</li> </ul>	<p>The value of the contract is PLN 320m, VAT exclusive (PLN 393.6m VAT inclusive).</p> <p>All work and deliveries under the contract are to be completed by October 2016.</p> <p>The aggregate value of contractual penalties is limited to 25% of the contract remuneration (VAT exclusive), with the proviso that the payment of the maximum amount of contractual penalties does not preclude the Employer's right to seek damages in excess of that amount.</p> <p>The Company's maximum total liability may not exceed 100% of the contract value (VAT exclusive).</p> <p>The other terms and conditions of the contract do not differ from customary terms and conditions commonly applied in contracts of this kind.</p>
<p style="text-align: center;"><b>For more information, see RAFAKO Current Report No.:</b> <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB_30_umowa%20ZAK.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB_30_umowa%20ZAK.pdf</a></p>			
<p><b>Jul 18 2014</b></p>	<p><b>Contractor:</b> RAFAKO S.A.</p> <p><b>Employer:</b> Hitachi Zosen Inova AG of Zurich</p>	<p>The contract provides for the supply, installation and start-up of municipal waste incinerators for the Hereford &amp; Worcestershire thermal waste treatment plant in the United Kingdom.</p>	<p>In the last 12 months, RAFAKO S.A. and the Employer entered into contracts for a total amount of about EUR 23.8m (approximately PLN 100m). The highest-value contract, worth EUR 12,600 thousand (PLN 53,943,120.00), effectively entered into on September 23rd 2013, provides for the supply, installation and start-up of a municipal waste incinerator for the Buckinghamshire thermal waste treatment plant, also in the United Kingdom.</p> <p>The aggregate value of contractual penalties is limited to 20% of the contract remuneration (VAT exclusive), with the proviso that the payment of the maximum amount of contractual penalties does not preclude the Employer's right to seek damages in excess of that amount.</p>
<p style="text-align: center;"><b>For further information see: RAFAKO Current Report No. 41/2014:</b> <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB_2014_41.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB_2014_41.pdf</a></p>			

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

Legal basis:

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

Art. 56.5 of the Public Offering Act – Information update

Legal basis:

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

### III. BUSINESS COMBINATIONS, INCORPORATION OF NEW SUBSIDIARIES

Date	Parties	Type of transaction	Transaction overview
Apr 2 2014	PBG AVATIA	Decision of the District Court of Poznań – Stare Miasto in Poznań, approving the Arrangement entered into during the Meeting of Creditors of PBG AVATIA held on February 24th 2014.	
<p>For more information, see PBG's Current Report No. 9/2014: <a href="http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/9-2014-postanowienie-sadu-w-przedmiocie-zatwierdzenia-ukladu-zawartego-na-zgromadzeniu-wierzycieli-spolki-zaleznej-pbg-">http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/9-2014-postanowienie-sadu-w-przedmiocie-zatwierdzenia-ukladu-zawartego-na-zgromadzeniu-wierzycieli-spolki-zaleznej-pbg-</a></p>			
May 26 2014	Strateg Capital	Decision of the Judge Commissioner of the District Court of Wałbrzych to convert Strateg Capital's company voluntary arrangement proceedings into liquidation of the debtor's assets;	
<p>For more information, see PBG's Current Report No. 15/2014: <a href="http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/15-2014-wydanie-przez-sad-postanowienia-w-przedmiocie-zmiany-sposobu-postepowania-upadlosciowego-dla-strateg-capital.html">http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/15-2014-wydanie-przez-sad-postanowienia-w-przedmiocie-zmiany-sposobu-postepowania-upadlosciowego-dla-strateg-capital.html</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>Feb 4 2014</b>	RAFAKO S.A.  Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw	Annex to the credit facility agreement of February 8th 2012	In accordance with the Annex, the amount of overdraft granted under the credit facility agreement for funding of the Issuer's day-to-day operations currently amounts to PLN 240,000,000.  The other terms and conditions of the credit facility agreement have not been materially amended under the Annex.
<p style="text-align: center;"><b>For more information, see PBG's Current Report No. 7/2014:</b>  <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2013/RB_7_%20aneks%20do%20umowy%20z%20PKO.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2013/RB_7_%20aneks%20do%20umowy%20z%20PKO.pdf</a></p>			
<b>Mar 5 2014</b>	RAFAKO S.A.  Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw	Annex to the credit facility agreement of February 8th 2012	In accordance with the Annex, the amount of overdraft granted under the credit facility agreement for funding of the Issuer's day-to-day operations currently amounts to PLN 180,000,000.  The other terms and conditions of the credit facility agreement have not been amended under the Annex.
<p style="text-align: center;"><b>For more information, see PBG's Current Report No. 12/2014:</b>  <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2013/RB_12_Aneks%20nr%209%20z%20PKO.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2013/RB_12_Aneks%20nr%209%20z%20PKO.pdf</a></p>			
<b>Mar 27 2014</b>	RAFAKO S.A.  Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw	Annex to the credit facility agreement of February 8th 2012	In accordance with the Annex, the amount of overdraft granted under the credit facility agreement for funding of the Issuer's day-to-day operations currently amounts to PLN 150,000,000. The annex extended the term of the credit facility agreement until April 30th 2014.  The other terms and conditions of the credit facility agreement have not been amended under the Annex.
<p style="text-align: center;"><b>For more information, see PBG's Current Report No. 15/2014:</b>  <a href="http://www.rafako.com.pl/pub/File/raporty_biezace/2013/RB_15_Aneks%20nr%2010%20z%20PKO.pdf">http://www.rafako.com.pl/pub/File/raporty_biezace/2013/RB_15_Aneks%20nr%2010%20z%20PKO.pdf</a></p>			

<p><b>Apr 29 2014</b></p>	<p>RAFAKO S.A.  Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw</p>	<p>Annex to the credit facility agreement of February 8th 2012</p>	<p>The Annex consolidated the text of the Agreement, now renamed as "Multi-purpose credit facility agreement."</p> <p>Under the annex, the Bank made available to the company a multi-purpose credit facility (the "facility" or the "limit") of PLN 200,000,000,</p> <p>including:</p> <p>1) an overdraft credit facility of up to 75% of the limit (i.e. PLN 150,000 thousand), to finance obligations under day-to-day operations,</p> <p>2) bank guarantees, to be provided on such terms as defined in the facility agreement, and a working capital revolving facility to finance payments under realised bank guarantees granted by the Bank, of up to 25% of the limit (PLN 50,000 thousand).</p> <p>The facility bears interest at 1M WIBOR + bank margin. The agreement provides also for bank commissions payable by the Company. The interest is payable on a monthly basis.</p> <p>The facility will be secured with the security interests established in the amended Agreement, as reported by the Company in previous reports.</p> <p>The annex extended the term of the credit facility agreement until April 30th 2015. The other material terms and conditions of the Agreement have not been amended under the Annex.</p>
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For more information, see PBG's Current Report No. 24/2014:

[http://www.rafako.com.pl/pub/File/raporty\\_biezace/2014/RB\\_24\\_Aneks%20nr%2012%20z%20PKO%20FINAL.pdf](http://www.rafako.com.pl/pub/File/raporty_biezace/2014/RB_24_Aneks%20nr%2012%20z%20PKO%20FINAL.pdf)

## V. RELATED-PARTY TRANSACTIONS

In H1 2014, 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 2014, companies of the PBG Group did not provide sureties or guarantees to related parties.

## VI. CONTRACTED BANK BORROWINGS, LOAN AGREEMENTS

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

## VII. NON-RECURRING FACTORS AND EVENTS

### 1. Termination of the contract dated November 19th 2008, providing for execution of the project "Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bn m<sup>3</sup>, sub-phase: 1.2bn m<sup>3</sup>"

On April 2nd 2014, the Company received a letter from PGNiG S.A. containing PGNiG's notice of termination of the contract of November 19th 2008 for the "Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bn m<sup>3</sup>, sub-phase: 1.2bn m<sup>3</sup>" project, under which the Company had been engaged as the general contractor. In the notice, the Employer also called for payment by the Consortium of contractual penalties of PLN 133.4m, or 10% of the gross remuneration payable to the Contractor, which may be demanded by the Employer in accordance with the contract terms if the contract is terminated for causes attributable to the Contractor.

The Consortium, including the Company as its leader, considers the Employer's representation on contract termination to be ineffective, and thus considers the contractual penalties of PLN 133.4m assessed by PGNiG S.A. to be ineffective, too. The Employer was notified accordingly in the letter of April 7th 2014 and also on April 18th, when the Employer's note specifying the contractual penalties assessed on the Consortium, was sent back to the Employer as ungrounded. In the Company's opinion, until April 2nd 2014 the Project had been nearly 100% completed, as the Employer itself admitted in its current report and as was demonstrated in the project status report prepared as at the end of March 2014 concerning the work commissioned under the Contract. Moreover, by April 2nd 2014 the Employer had confirmed full operational availability of the Wierzchowice Underground Storage Facility's installations, as well as conformity of the USF's functionality with the requirements. The required occupancy permits for the Wierzchowice USF facilities had been obtained by December 2013, while the applicable permits for operation of the individual installations – by March 2014. The Consortium is of the opinion that the Contractor retains the right to continue to perform the Contract and deliver the Project to the Employer as specified in the Contract.

If the Company accepted the contractual penalties and included them in these condensed financial statements, the Company's net profit for H1 2014 would have been lower by PLN 56.5m. The effect on the balance sheet would include a PLN 13.2m reduction in amounts due from customers for construction contract work, and a PLN 43.3m increase in amounts due to customers for construction contract work.

For more information, see

**PBG's Current Report No. 7/2014:**

<http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/7-2014-oswiadczenie-pgnig-o-odstapieniu-od-znaczej-umowy.html>

**PBG's Current Report No. 8/2014:**

<http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/8-2014-stanowisko-konsorcjum-odnosnie-skuteczności-oswiadczenia-pgnig-o-odstapieniu-od-znaczej-umowy.html>

### 2. Sale of a 2% interest in Energopol Ukraina S.A.

In July 2013, the Parent entered into a conditional agreement with its subsidiary Wschodni Invest Sp. z o.o. and Imidż Finans Grup, incorporated under Ukrainian law (the "Buyer"). The Buyer committed to purchase the

shares of Energopol Ukraina S.A. of Kiev from Wschodni Invest Sp. z o.o. and to buy the claims under the loans advanced by Wschodni Invest to Energopol Ukraina S.A. Pursuant to the agreement, the portion of the price corresponding to the loans granted to Energopol Ukraina S.A. by the Company in the form of investment certificates will be transferred to the Company's bank account. Following the payment, the Buyer will become the owner of the investment certificates.

Currently, the Company holds indirectly a 49% interest in Energopol Ukraina S.A. after its subsidiary Wschodni Invest Sp. z o.o. sold 2% of Energopol Ukraina shares. Following the sale transaction, the Group controls 49% of Energopol Ukraina shares, recognising this investment as a joint venture (equity-accounted for in the consolidated financial statements). In April 2014, the Company signed an agreement under which the Buyer of the 2% interest in Energopol Ukraina committed to take steps aimed at securing complete fulfilment of the conditions agreed in the conditional sale agreement, which was to ensure that the Company received a cash payment of PLN 109m. The Management Board of the Parent resolved to change the method of accounting for the investment certificates held by the Parent in the interim consolidated financial statements for H1 2014, and the assets are presented as a PLN 60m increase in investment in Energopol Ukraina. In these financial statements, they are presented as long-term loans. No indication of impairment has been identified by the Management Board with respect to the investment.

**3. On November 30th 2013, RAFAKO S.A.** announced that an unpaid petition seeking declaration of the company's insolvency involving liquidation of its assets had been filed with the District Court of Gliwice, 12th Commercial Insolvency and Arrangement Division, by the company's subcontractor Jan Rędziniak, conducting business activity under the name JANAR. On January 9th 2014, RAFAKO S.A. and Jan Rędziniak, conducting business activity under the name JANAR, executed an agreement which sets out the amounts of mutual claims and the terms on which the parties will continue their co-operation on projects where JANAR acts as the company's subcontractor. In performance of the agreement, JANAR withdrew its petition to declare the company insolvent and filed a motion with the court to discontinue the company's insolvency case. The court issued a decision to discontinue the insolvency proceedings on January 15th 2014.

#### **VIII. 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.

#### **IX. CONTROL SYSTEMS FOR EMPLOYEE PLANS**

The PBG Group does not operate any employee plans.

#### **X. LITIGATION, ARBITRATION OR ADMINISTRATIVE PROCEEDINGS**

As at **June 30th 2014**, the Group companies were parties to the following court proceedings:

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

### **1. PBG S.A. 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 key and most significant element of evidentiary hearing will be the opinion of experts in the economics of road building. The court will consider evidence motions, including the key motion to admit the expert witness evidence based on which it will be possible to determine whether the loss incurred by the Consortium was substantial and whether the Consortium is entitled to claim the increased remuneration. Because not all witnesses appeared at the four hearings which have already been held, the Court has not yet made a decision concerning other evidence motions, including motions to admit as evidence expert witness opinions which are of key importance for resolving the case as to its merits.

As at the date of this Report, the Court has not yet made a decision admitting expert witness opinions as evidence.

### **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**

PBG has been pursuing claims against Control Process S.A. in connection with execution of the LMG Project – Central Facility, Well Areas, Pipelines and Other Infrastructure, including claims under Defendant's default to pay VAT invoices under an agreement for lease of containers with auxiliary facilities, an agreement for the provision of IT network access service, an agreement for lease of space at the construction site facilities, as well as recharged environmental analyses, recharged testing of guaranteed parameters, recharged factory testing, recharged emergency medical assistance, and recharged geodesic services. In the statement of claim, the Plaintiff also petitioned for exemption from court fees in full and for the court to issue a temporary injunction. By virtue of its decision of September 16th 2013, the Regional Court dismissed the petition for exemption from court fees. On September 26th 2013, the Plaintiff's attorney lodged a complaint against the dismissal of the petition for exemption from court fees to the Court of Appeals. By a decision of October 30th 2013, the Court of Appeals dismissed the complaint. 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. At the request by the attorney for the Plaintiff, by virtue of a decision of January 28th 2014, the Regional Court corrected an obvious spelling error concerning the deadline for payment of interest on one of the claimed amounts. Further, 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. On June 17th 2014, some of the witnesses were heard during a session at the Regional Court of Poznań; the next hearing, set for October 7th 2014, will continue to focus on evidence examination.

### **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 GasOil Engineering As. The case is conducted under Slovakian law by barrister Ireneusz Piotr Giebel. By virtue of a payment order, the Regional Court of Poprad ordered the defendant to make the payment as demanded in the statement of



claim. In pleadings of February 18th 2014, Marian Siska appealed against the payment order. The Company's attorney is preparing a response to the appeal.

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

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

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

together with a request to secure the said claims by imposing an injunction on MWiK prohibiting the use of advance payment guarantee No. GZo/329/08-081 granted on May 27th 2008 by Powszechny Zakład Ubezpieczeń S.A. of Warsaw ("PZU"), in particular by demanding any payments under the advance payment guarantee, until the final conclusion of the proceedings; and if any amounts have already been paid by PZU to MWiK under the said guarantee, also by ordering that MWiK returns to the Guarantor any such amounts without delay. The first hearing was scheduled for October 8th 2013.

Value of the claim: PLN 30,849 thousand.

Otherwise, the Court dismissed the petition to provide temporary injunctive relief. A complaint against the decision was lodged by MWiK, but on March 26th 2013 the Court dismissed MWiK's complaint against the Court's decision granting temporary injunctive relief, and the decision became final. Notwithstanding the foregoing, on April 26th 2013 the Company filed a petition requesting a change (an extension) of the injunctive relief to include seizure of claimed amounts in MWiK's bank accounts up to the equivalent of EUR 3,758 thousand. In its decision of June 27th 2013, the Regional Court of Bydgoszcz dismissed the Plaintiff's petition to change the manner of providing injunctive relief; the Company appealed against that decision on July 17th 2013. By a decision of October 25th 2013, the Court of Appeals dismissed the Plaintiff's complaint. At the same time, as the case files were transferred to the court of appeals, the hearing set for October 2nd 2013 was cancelled. A new date of the hearing has not been determined, as the files have not yet been returned to the Regional Court in Bydgoszcz. On January 23rd 2014, MWiK filed for reversal of the decision on injunctive relief; in a letter of March 23rd 2014, PBG filed for dismissal of MWiK's petition; on April 3rd 2014 a hearing was held to examine MWiK's petition. On April 14th 2014, the Court dismissed MWiK's petition for reversal of the decision granting injunctive relief, and maintained the previously granted injunction; on June 10th 2014, MWiK filed for a change of the injunction into a ban on withdrawal of the injunction amount from the account in which the amount was deposited by MWiK, opened especially for the purpose with PeKaO S.A. II Branch in Bydgoszcz; on June 30th 2014, the Plaintiff filed a petition requesting creation of security; by virtue of its decision of July 7th 2014 the Court issued a decision on change of the injunctive relief in which it upheld the injunctive relief but in compliance with MWiK's request in the form of security over the monies in the bank account held with PeKaO; the date of the hearing was set for September 17th 2014.

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

On September 2nd 2013, PBG S.A. w upadłości układowej (in company voluntary arrangement) filed a claim with the Regional Court of Poznań, 9th Commercial Division, against the Bankruptcy Administrator of Maxer S.A. w upadłości (in bankruptcy) for payment, along with a petition for exemption from court fees. Value of the claim: PLN 820 thousand.

By virtue of its decision of September 25th 2013, the Regional Court dismissed the petition for exemption from court fees. A complaint against that decision was filed on October 7th 2013. The Poznań Court of Appeals dismissed the appeal, and the Company paid the required court fee. The court is yet to examine the case and issue a payment order or set the date of hearing. The date of hearing was originally set for June 3rd 2014, but that date was cancelled and a new hearing date was set for September 9th 2014.

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

On November 3rd 2009, RAFAKO S.A. brought an action for payment to the Regional Court of Warsaw, 20th Commercial Division, against ING Bank Śląski S.A. In the action, RAFAKO S.A. demanded a refund of 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 8,997 thousand, 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, following a hearing, 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 3,647 thousand, 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 date of the hearing has not been set.

**7. RAFAKO S.A. against the Rybnik Branch of the Social Insurance Institution (ZUS)**

Following an inspection carried out by the Rybnik Branch of the Social Insurance Institution, on November 17th 2011 RAFAKO S.A. was served a decision concerning social security contributions, contributions to the Labour Fund and contributions to the Guaranteed Employee Benefits Fund. The Social Insurance Institution challenged the allocation by RAFAKO S.A. of funds from the Company Social Benefits Fund towards special gift cards for employees. The decision assesses the company's liability towards the Social Insurance Institution at PLN 2,370 thousand (net of interest). RAFAKO S.A. appealed against the decision to the Regional Court of Gliwice, 9th Labour and Social Security Division. The Court recognised RAFAKO's arguments as valid and issued rulings favourable to RAFAKO, which were appealed against by the Social Insurance Institution. Appeals are scheduled for hearing in May and June 2014. The first hearing was closed with a favourable ruling for RAFAKO S.A., as the ZUS' appeal was dismissed. The company expects similar decisions in subsequent hearings in the dispute. Following the favourable court ruling, in 2012 RAFAKO S.A. reversed the PLN 2,370 thousand provision previously recognised in connection with the dispute, and the PLN 952 thousand provision for related interest.

## **8. RAFAKO S.A. against Donetskoblenergo of Ukraine**

In another material litigation involving RAFAKO S.A., the company is seeking compensation from Donetskoblenergo of Ukraine in the amount of USD 11,500 thousand (PLN 38,151 thousand). RAFAKO demands the compensation following the customer's final decision to abandon a boiler construction project. In 2009, courts of the first and second instance ruled in favour of RAFAKO. 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 the company on March 2nd 2010 and upholding the ruling of the Donetsk Commercial Court of Appeals of December 23rd 2008, whereby RAFAKO was awarded UAH 56.7m (approximately USD 11,500 thousand as at the date of filing the claim) in compensation, default interest, court expenses and legal representation costs. As the enforceability of the decision remains uncertain, RAFAKO did not recognise the awarded amount in revenue. RAFAKO's attorney reported that in July 2012 the Commercial Court of the Donetsk region resumed the examination of the case in connection with Donetskoblenergo's claim to declare the agreement of May 16th 1994 invalid. According to the attorney, there is no new evidence to admit the claim. The next hearing is scheduled for November 7th 2014.

### **PROCEEDINGS PENDING AGAINST THE GROUP:**

#### **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 decision of March 22nd 2013, the Regional Court in Warsaw dismissed the request for security. On April 9th 2013, the Consortium filed a complaint against the decision to the Court of Appeals in Warsaw.

On April 22nd 2013 Zurich received NCS' demand for payment from the performance bond. Next, the Court of Appeals dismissed the appeal. By its decision of September 25th 2013, the District Court of Warsaw suspended the proceedings ex-officio following declaration of bankruptcy of two other plaintiffs, i.e. Alpine Bau Deutschland AG and Alpine Bau GmbH. Pursuant to a representation of December 4th 2013, the

administrator of Alpine Bau Deutschland AG and the administrator of Alpine Bau GmbH acceded to the proceedings and moved for resumption of the proceedings. So far, the District Court has not yet issued a decision to resume the proceedings.

Notwithstanding the foregoing, it needs to be emphasised that during performance of the Contract, the Consortium completed many auxiliary works ordered by the NCS, for which it has never received any consideration. Currently, the Consortium (including PBG) is demanding payment for the auxiliary works it has performed. Moreover, the Consortium also suffered financial losses in connection with the non-performance or improper performance of the Contract by the NCS. Therefore, the Consortium is planning to bring one or several actions, as the need may be, concerning the claims it has against the NCS and the State Treasury. The exact value of the litigation has not yet been determined. The Consortium is planning to bring the action in 2014.

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

On April 22nd 2013, the NCS lodged a claim demanding payment by Zurich of a relevant amount under the insurance policy provided as a performance bond (court docket No. XX GC 211/13). On December 16th 2013, the Company filed a defendant-side intervention. On December 18th 2013, a defendant-side intervention was also filed by the bankruptcy administrator of Hydrobudowa. The date of hearing has not yet been determined. Value of the claim: PLN 152,479 thousand.

The case is pending.

On September 20th 2013, Imtech Polska Sp. z o.o. (one of the main subcontractors hired by the Warsaw National Stadium Construction Consortium) filed a claim for payment of PLN 115,037 thousand against PBG S.A., Alpine Construction Polska sp. z o.o., the NCS and the State Treasury – the Minister of Sport and Tourism. Imtech demands payment for the work performed during the construction of the National Stadium in Warsaw and compensation for damages it sustained as a result of its inability to perform the work within the original schedule. On December 12th 2013, the Company received the claim, and filed its response on March 28th 2014 (court docket No. XXVI GC 762/13). By virtue of the court's decision of July 8th 2014, the dispute was referred to mediation (the mediation hearing date was set for September 3rd 2014).

Notwithstanding the foregoing, on July 25th 2014 PBG filed with the District Court for the Capital City of Warsaw a petition requesting a call for a conciliation hearing (the court docket number has not yet been assigned).

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

Action for payment of PLN 1,572 thousand before the Regional Court of Wrocław, 10th Commercial Division; date of filing the statement of claim: March 28th 2013. The response to the statement of claim was submitted on June 27th 2013. A hearing was held on September 6th 2013. The date of another hearing will be set by the Court ex officio. As at the date of this Report, no hearing date had been set for the defendant company SIAC. The proceedings have been suspended as SIAC was declared bankrupt.

**3. Dimark Sp. z o.o. against PBG S.A. w upadłości układowej (in company voluntary arrangement), court docket No. IX GC 533/13/4**

Action for payment of PLN 100 thousand before the Regional Court of Poznań – date of filing of the statement of claim: June 13th 2013.

On October 30th 2013, the Regional Court issued a decision dismissing the action brought by Dimark Sp. z o.o. in whole and awarding a refund of the litigation costs to the Company. Dimark appealed against the decision. The Company filed a response to the appeal within the statutory time limit, i.e. by March 7th 2014. In this case, Dimark Sp. z o.o. is pursuing a claim against PBG on the basis of its unjust enrichment. The plaintiff, acting as a member of the general contractor consortium, entered into an assignment agreement with a third party, whereby the plaintiff and the other consortium members assigned their amounts receivable as payment of their remuneration by the project sponsor to a bank, to create security under a credit facility agreement signed by PBG and other entities. When receiving an amount due in respect of the assigned debt claim, the Bank applied the receivable towards coverage of the defendant's liabilities. In Dimark Sp. z o.o.'s opinion, payment of the receivables under the credit facility agreement results in PBG's unjust enrichment. The case is pending. By virtue of its ruling of May 27th 2014, the Court of Appeals changed the ruling issued by the Court of first instance, awarded PLN 100 thousand to DIMARK, and charged PBG with the cost of proceedings; PBG is considering lodging a cassation complaint; the deadline for lodging the cassation complaint is September 3rd 2014.

**4. The Zabrze Municipality, municipal water and sewage company Zabrzeńskie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. (ZPWIK) against PBG S.A. in company voluntary arrangement, Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation), court docket No. X GCo 543/13/7**

On October 21st 2013, the petitioner submitted with the District Court for Poznań–Stare Miasto, 10th Commercial Division, a call for a conciliation hearing against PBG S.A. in company voluntary arrangement and Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation) as part of its pursuit of a claim of EUR 810 thousand in contractual penalties under the contract "Improving water and wastewater management in the Zabrze Municipality – districts of Grzybowice and Rokitnica. Project No. 1". As the petitioner failed to present any conciliation proposal, the hearing held on February 25th 2014 did not end in any settlement. As at the date of this Report, the Zabrze Municipality has not taken any act of legal procedure, therefore it is impossible to determine the final value and merit of the claims.

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

On October 9th 2013, Towarzystwo Ubezpieczeń Euler Hermes brought a claim against PBG S.A. with reference to a PLN 5,075 thousand payment order on the basis of a promissory note.

Towarzystwo Ubezpieczeń Euler Hermes provided to Hydrobudowa Polska S.A. general insurance in connection with various construction contracts. By way of providing security in respect of potential recourse claims against TU Euler Hermes, Hydrobudowa issued a blank promissory note, for which PBG provided its surety. Following the bankruptcy of Hydrobudowa Polska S.A., the bankruptcy administrator withdrew Hydrobudowa Polska S.A. from a contract performed for the Municipality of Poznań. The Municipality of Poznań demanded satisfaction of its claims from TU Euler Hermes (as the insurer). TU Euler Hermes satisfied the Municipality of Poznań's claim, and then filled in the promissory note and brought an action for payment

against the Company (as the entity that backed the promissory note with surety). On November 15th 2013, the District Court of Warsaw issued a payment order of PLN 5,075 thousand (including interest) against the Company. Next, on December 12th 2013, the Company lodged an objection against the payment order because it took the stance that the promissory note was invalid and was incorrectly (defectively) issued, due to the fact that as a result of Hydrobudowa Polska S.A.'s withdrawing from the contract, it ceased to be party to the contract. The Company's objection has not yet been examined by the Court. Along with the objection, the Company petitioned to stay the enforcement of the payment order. In its decision of February 13th 2014, the Regional Court dismissed the petition. A complaint against that ruling was lodged on March 5th 2014, but it was dismissed by the Warsaw Court of Appeals by virtue of its decision of May 16th 2014. On the basis of the information obtained at the Regional Court of Warsaw on July 23rd 2014 it was determined that Nakano Sp. z o.o. acceded to the proceedings as a purchaser of the debt claim to which TU Euler Hermes was entitled. In an order issued by the Regional Court of Warsaw on July 3rd 2014, Nakano Sp. z o.o. was requested to demonstrate by means of an official document that the disputed debt claim was transferred to it, which is why PBG had not been officially notified of the changes in the parties to the proceedings.

#### **6. FISIA BABCOCK ENVIROMENT GmbH against RAFAKO S.A.**

An action brought by FISIA BABCOCK ENVIRONMENT GmbH has been pending before the International Court of Arbitration at the International Chamber of Commerce in Vienna against RAFAKO S.A. The proceedings were initiated following the filing of claim for payment of about EUR 3.8m in connection with a licence agreement relating to wet flue gas desulfurisation units. The principal claims relate to payment of the allegedly due outstanding licence fees. In RAFAKO S.A.'s opinion, these claims are unjustified. RAFAKO S.A.'s stance is that the contract for modernisation of four desulfurisation units, in relation to which the dispute arose, was performed on the basis of its own technological solutions, without relying on any licensed know-how. In its response to the statement of claim, RAFAKO S.A. argued also that the other party's potential claim had become prescribed. The schedule for further proceeding in this case by the Arbitration Tribunal has not yet been determined.

#### **ADMINISTRATIVE PROCEEDINGS**

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

The Polish Financial Supervision Authority is planning to close the case in September 2014.

#### **XI. CHANGES IN SIGNIFICANT MANAGEMENT POLICIES**

In the period covered by this Report, the PBG Group companies did not make any major changes in its significant management policies. In view of the bankruptcy proceedings currently in progress in some of the PBG Group companies, any activities falling outside the scope of ordinary management require approvals set forth in the Bankruptcy and Restructuring Law.

## 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**

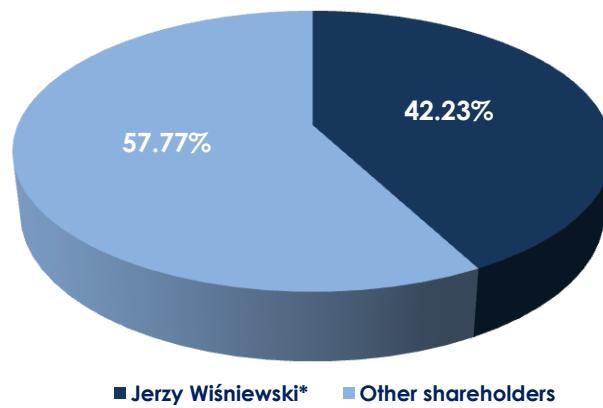
PBG shares	Number of shares	Type of shares	Number of shares	Number of votes	Free float
Series A	5,700,000	conferring voting preference	3,740,000	7,480,000	0
		ordinary	1,960,000	1,960,000	1,960,000
Series B	1,500,000	ordinary	1,500,000	1,500,000	1,500,000
Series C	3,000,000	ordinary	3,000,000	3,000,000	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 June 30th 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 filing 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	3,881,224	27.15%	42.23%

	146,170 ordinary shares			
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**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 2014 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 from January 1st 2014 to June 30th 2014

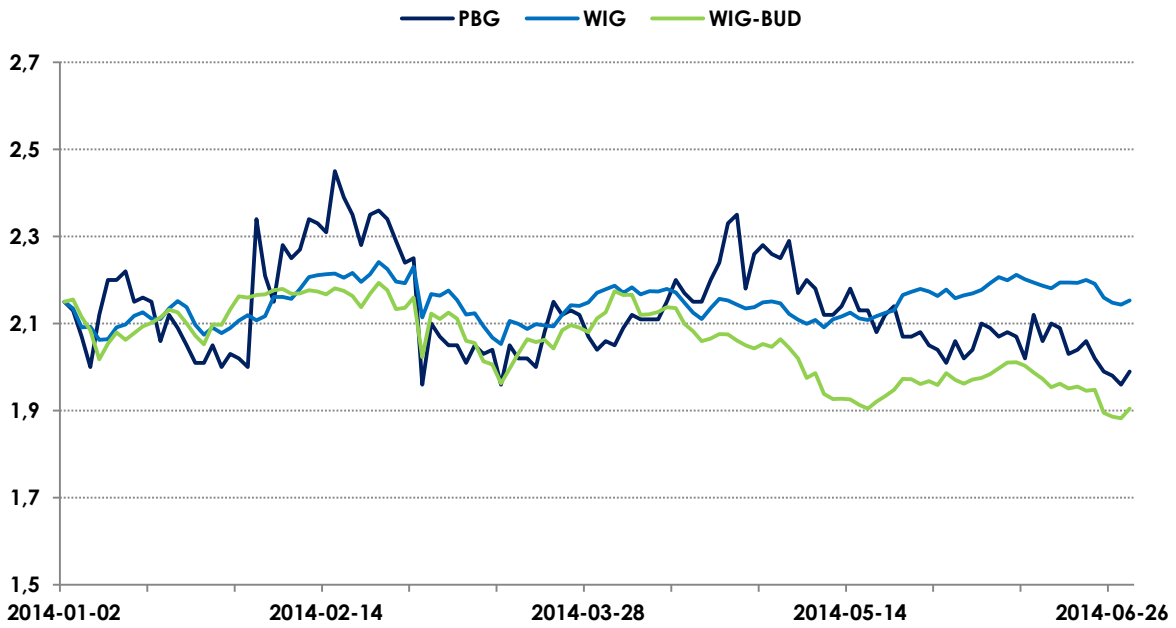
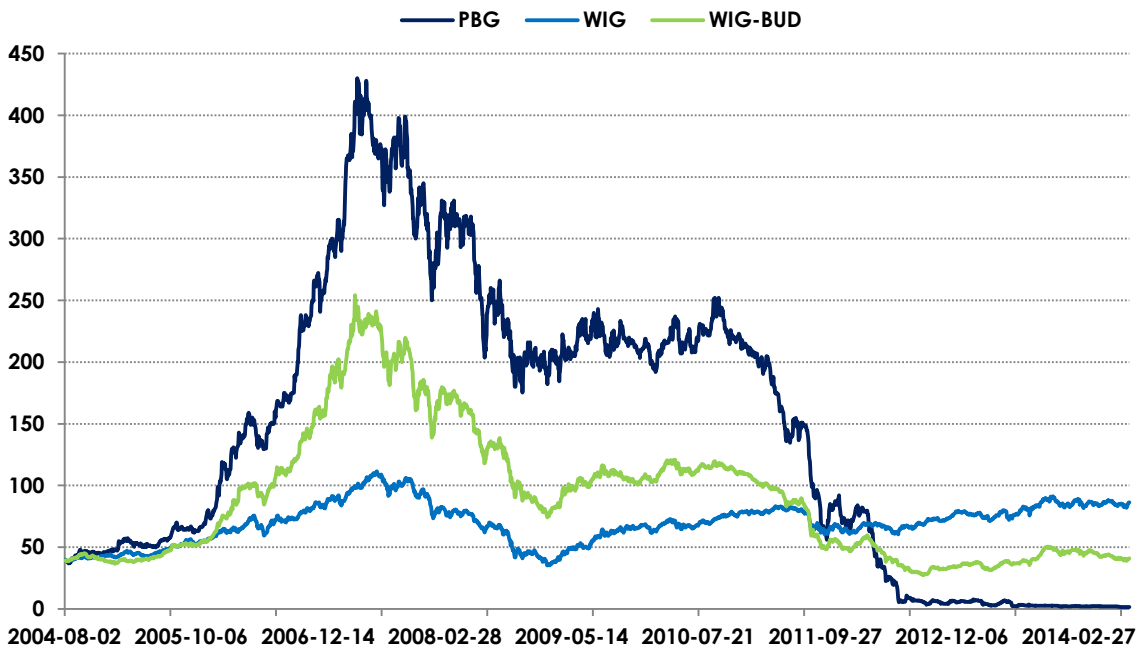


Figure 5: Price of PBG shares from first listing to August 20th 2014



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 2014	H1 2013	Y-o-y change (%)
Period high	PLN	2.45	7.61	-68
Period low	PLN	1.96	2.07	-5
Share price at half-year end	PLN	1.99	5.68	-65
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	28.5	81.2	-65
Average daily trading value	PLN '000	146	1,241	-89
Average daily trading volume	Number of shares	66,228	232,706	-72

## IV. V. 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.

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

On September 3rd 2013, the Company published a draft restructuring agreement and arrangement proposals.

If an arrangement is made on the proposed terms, after all shares have been issued in accordance with the arrangement proposals in performance of the arrangement, and pursuant to the terms of the restructuring agreement, the Company's shareholding structure will be as follows:

- a) creditors participating in the arrangement 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.

## 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.pbg-sa.pl">www.pbg-sa.pl</a>
<b>Warsaw Stock Exchange</b>	PBG
<b>Reuters</b>	PBGG.WA

## SECTION VI: FINANCIAL OVERVIEW

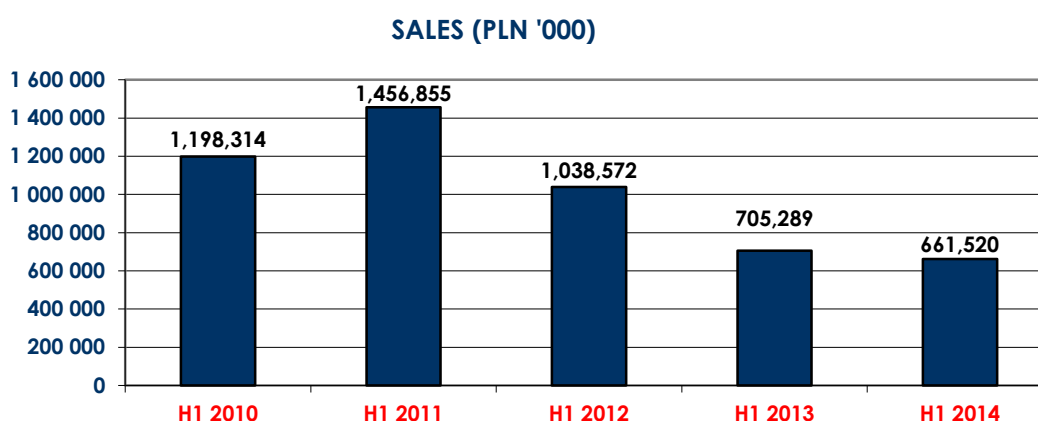
### I. ANALYSIS OF THE GROUP'S FINANCIAL POSITION

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

#### Revenue

At the end of H1 2014, the PBG Group reported a 7% year-on-year decline in revenue, from **PLN 705,289 thousand in H1 2013** to **PLN 661,520 thousand in H1 2014**. Cost of sales slightly decreased, to PLN 602,413 thousand as at the end of H1 2014.

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



Historically, sales of the PBG Group's services remained in an upward trend. However, the trend reversed in H1 2012 due to the difficult situation of the individual PBG Group companies, with the downward trend continuing in H1 2014. The drop in revenue reported in the period under review was also due to the fact that currently the PBG Group comprises a smaller number of companies than in the same period last year.

#### 2. Order book

**As at July 1st 2014**, the value of the PBG Group's order book was approximately **PLN 6.65bn**, of which about PLN 830m represented orders to be executed in 2014, with the balance of PLN 5.82bn scheduled for execution in the coming years. Power construction projects account for the largest proportion of the order book value (95%), with the balance (5%) attributable to the oil, gas and fuels segment.

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

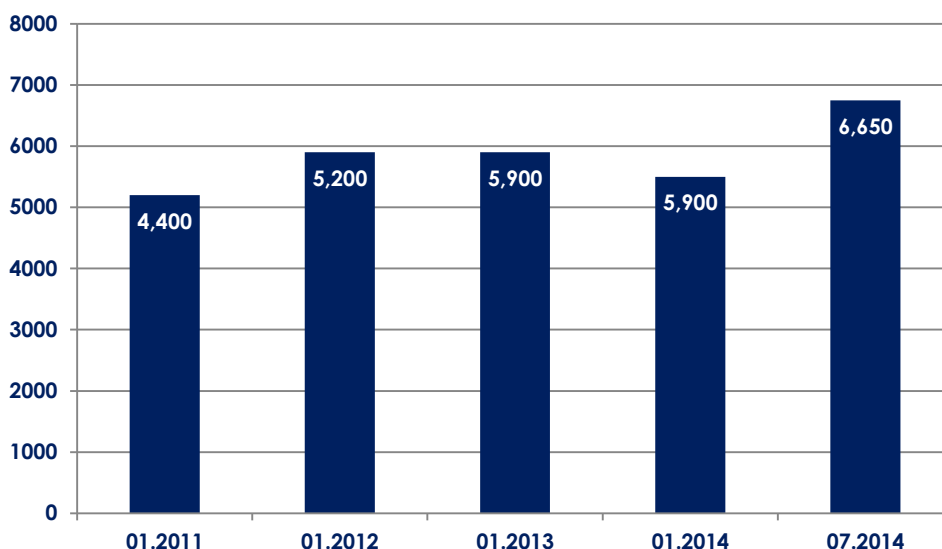


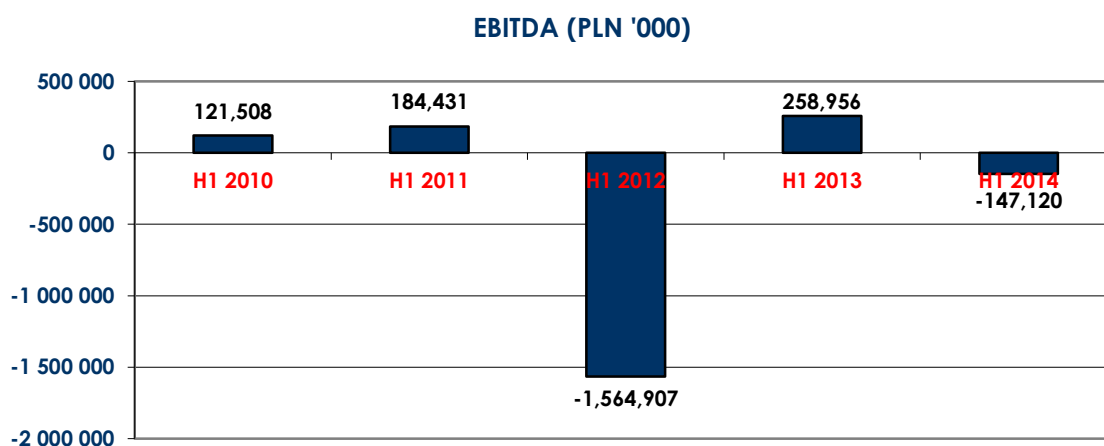
Table 26: Structure of the order book as at July 1st 2014

ORDER BOOK AS AT JULY 1ST 2014 (% and PLNm)		
Gas, oil and fuels	5	350
Power construction	95	6,300
<b>TOTAL</b>	<b>100.0%</b>	<b>6,650</b>

### 3. EBITDA

As at the end of H1 2014, the PBG Group's EBITDA (operating profit before depreciation and amortisation) totalled **PLN -147,120 thousand**, down by **PLN 406,076 thousand** from **PLN 258,956 thousand** reported as at the end of H1 2013.

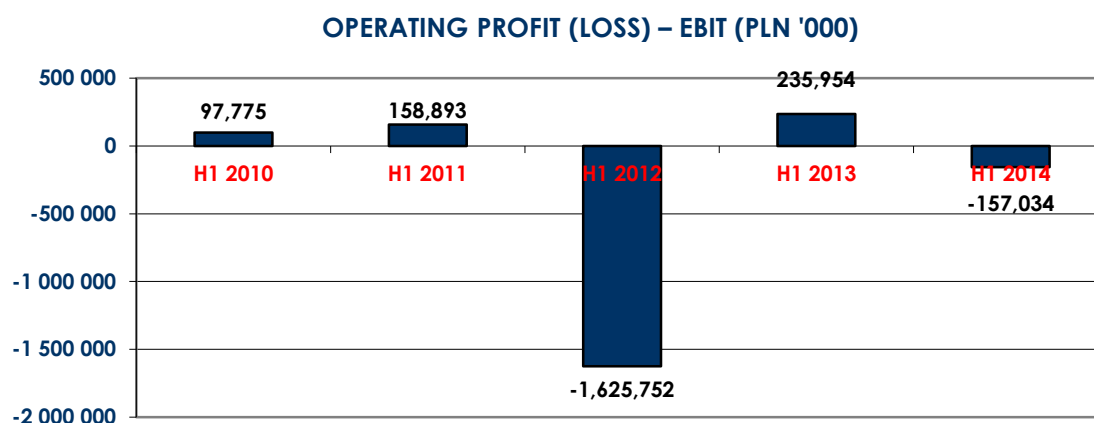
Figure 8: Historical development of EBITDA (past five years)



#### 4. EBIT

Operating loss of the PBG Group in H1 2014 was **PLN -157,034 thousand**, in contrast to operating profit of **PLN 235,954 thousand** in H1 2013. The Group's operating result was adversely affected by: a PLN 114m loss on investments in related entities (including PLN 92m on the deconsolidation of Energopol Ukraina), a PLN 28.5m impairment loss on loans advanced (including PLN 23m on a loan advanced to Infra S.A.), and a PLN 19.5m impairment loss on trade receivables. Items positively affecting the Group's operating result included: reversal of impairment losses on trade receivables of PLN 23m and reversal, on the consolidated basis, of the provision for potential liabilities under sureties and guarantees of PLN 19m.

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



#### 5. Liquidity ratios

Table 27: Liquidity ratios

NAME	FORMULA	H1 2014	H1 2013
Current ratio	$(\text{current assets} / \text{current liabilities}) * 100$	0.46	0.64
Quick ratio	$(\text{current assets} - \text{inventories}) / \text{current liabilities} * 100$	0.42	0.45
Cash ratio	$(\text{cash balance at end of period} / \text{current liabilities}) * 100$	0.06	0.04

The current ratio was down year on year, from 0.64 at the end of H1 2013 to 0.46 at the end of H1 2014, which means that in H1 2014, as in H1 2013, the Group would not have been able to meet its short-term obligations if they had become immediately due and payable.

The quick ratio also suffered a decline, from 0.45 at the end of H1 2013 to 0.42 at the end of H1 2014.

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 grew from 0.04 at the end of H1 2013 to 0.06 at the end of H1 2014. The ratio suggests that the PBG Group is able to cover 6% of its current liabilities with the most liquid assets.

## 6. Debt

**Table 28: Debt ratios**

NAME	FORMULA	H1 2014	H1 2013
Capital structure	Equity attributable to owners of the Parent / debt capital	-0.35	-0.29
Asset structure	non-current assets / current assets	0.98	0.65
Interest coverage ratio	Pre-tax profit + interest / interest	1.96	2.63

In H1 2014 and in H1 2013, the Group had a negative equity.

The assets structure ratio increased by 0.33pp year on year. In H1 2013, non-current assets represented 65% of the current assets value, while in H1 2014 non-current assets represented 98% of the current assets value.

## II. CHANGES IN THE INCOME STATEMENT AND COST ANALYSIS

### 1. Income statement

**Table 29: Changes in the income statement**

PBG Group's income statement (PLN '000)	H1 2014	H1 2013	1H2014/1H2013
Revenue	661,520	705,289	94%
Cost of sales	602,413	661,525	91%
<b>Gross profit (loss)</b>	<b>59,107</b>	<b>43,764</b>	135%
Distribution costs	23,992	31,658	76%
Administrative expenses	42,769	51,689	83%
<b>Gross profit</b>	<b>-7,654</b>	<b>-39,583</b>	<b>19%</b>
Other income	56,560	366,204	15%
Other expenses	205,940	90,642	227%
Restructuring costs	-	25	-
<b>Operating profit (loss)</b>	<b>-157,034</b>	<b>235,954</b>	-
Finance costs	3,212	107,853	3%
Share of profit (loss) of equity-accounted entities	0	0	-
<b>Profit (loss) before tax</b>	<b>-160,246</b>	<b>128,101</b>	-
Income tax expense	2,633	3,630	73%
<b>Net profit</b>	<b>-162,879</b>	<b>124,471</b>	-
- attributable to owners of the Parent	-160,110	139,150	-
- attributable to non-controlling interests	-2,769	-14,679	19%

As at the end of H1 2014, the Group reported a gross profit in excess of PLN 59m.

**Administrative expenses** totalled nearly PLN 43m, down 17% year on year.

**Other income** amounted to PLN 56.6m and included mainly reversal of impairment losses on trade receivables of PLN 23m and reversal, on the consolidated basis, of the provision for potential liabilities under sureties and guarantees of PLN 19m.

The Group's **other expenses** totalled PLN 205.9m. The key item of other expenses was a PLN 114m loss on investments in related entities (including PLN 92m on the deconsolidation of Energopol Ukraina). Other items

included a PLN 28.5m impairment loss on loans advanced (including PLN 23m on a loan advanced to Infra S.A.), and a PLN 19.5m impairment loss on trade receivables.

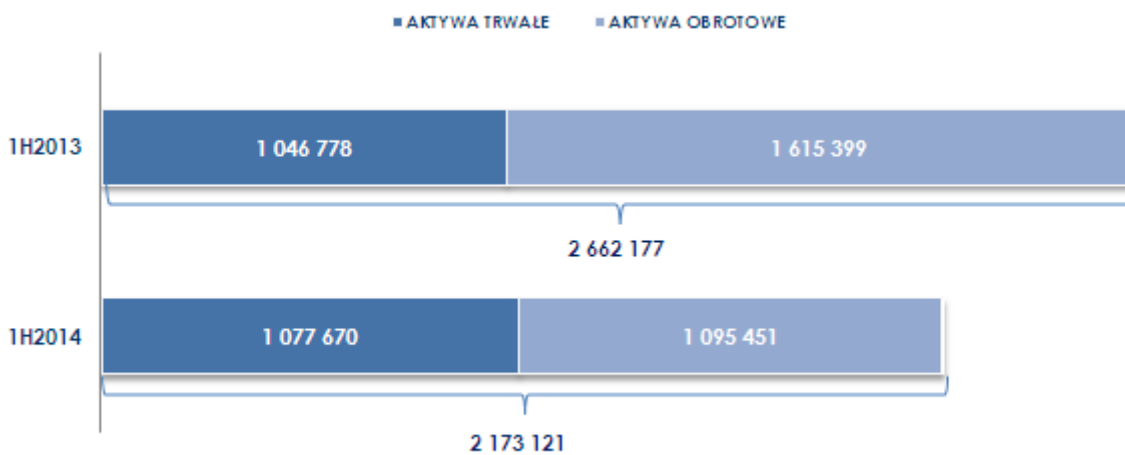
### III. ASSETS, FINANCIAL STANDING AND FUNDING OF THE ASSETS

#### 1. Assets

The asset structure changed significantly during the period under review. As at the end of H1 2014, non-current assets accounted for 50% of total assets, which represented an 11pp increase year on year. In H1 2014, the share of current assets in total assets decreased to 50% year on year. The largest item of non-current assets, accounting for 36% 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 27% of total non-current assets.

During the period under review, the structure of current assets also changed. Current receivables had the largest share in current assets in H1 2014, and accounted for 44% of total current assets. The second largest item were receivables under construction contracts, which accounted for 29% of the current assets value.

Figure 10: Assets (PLN '000)



AKTYWA TRWAŁE	NON-CURRENT ASSETS
AKTYWA OBROTOWE	CURRENT ASSETS



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

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

NAME	FORMULA	H1 2014	H1 2013
Basic asset structure ratio	$(\text{non-current assets} / \text{current assets}) * 100\%$	98%	65%
Non-current assets to total assets	$(\text{non-current assets} / \text{total assets}) * 100$	50%	39%
Current assets to total assets	$(\text{current assets} / \text{total assets}) * 100$	50%	61%
Inventories to current assets	$(\text{inventories} / \text{current assets}) * 100$	9%	29%
Current receivables to current assets	$(\text{current receivables} / \text{current assets}) * 100$	72%	58%

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

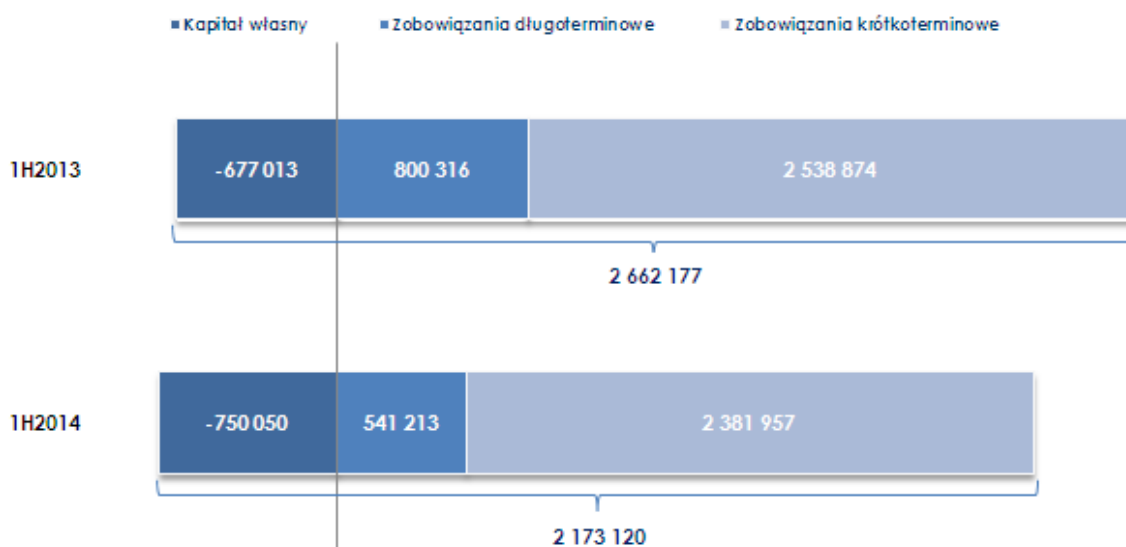
There were significant changes in the value of particular items of assets and in the structure of total assets. In H1 2014, non-current assets were up 3pp year on year. A decrease was seen in current assets, which fell 32pp. As at the end of H1 2014, the share of non-current assets in total assets increased by 11% year on year. At the same time, the share of current assets in the Group's total assets dropped to 50%.

## 2. Equity and liabilities

In H1 2014, the Group's equity remained negative. Non-current liabilities decreased by PLN 259m, to over PLN 541m. Current liabilities fell to PLN 2.382bn as at the end of H1 2014, from PLN 2.539bn as at the end of H1

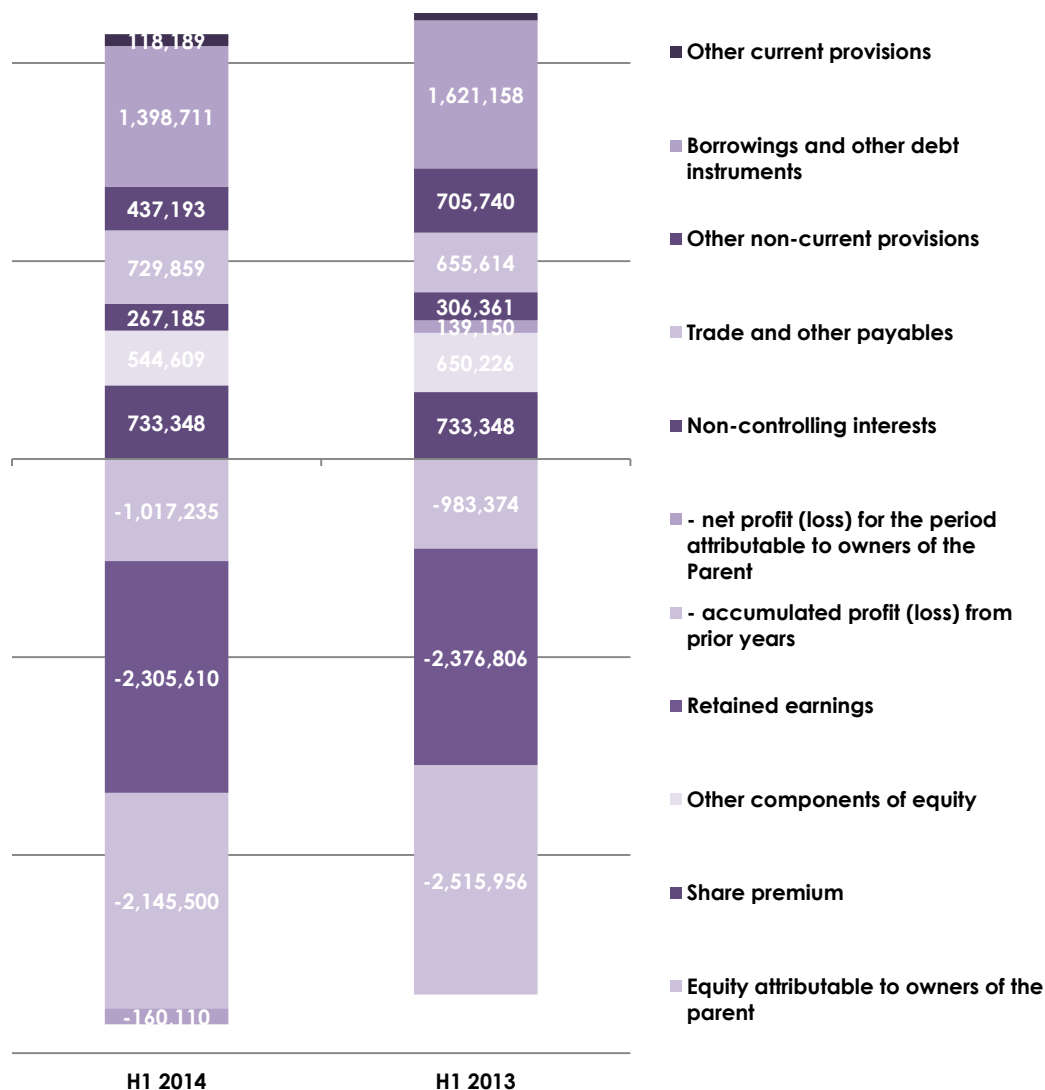
2013. In non-current liabilities, other non-current provisions of PLN 437m represented the largest item. The largest item of current liabilities were borrowings and other debt instruments, which amounted to PLN 1.399bn.

**Figure 12: Equity and liabilities (PLN '000)**



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

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



#### IV. STATEMENT OF CASH FLOWS

Table 30: Cash flows (PLN '000)

	H1 2014	H1 2013
Net cash from operating activities	+67,312	-87,734
Net cash from investing activities	+35,382	+6,658
Net cash from financing activities	-128,306	-249
Net cash at the end of the period	+148,625	+92,126

In H1 2014, cash flows from operating activities generated by the PBG Group were positive at PLN 67.3m. In the period under review, net cash from investing activities was positive at PLN 35.4m. Loans advanced by the Group totalled PLN 495 thousand, with loan repayments made to the Group amounting to PLN 23m. Net cash from financing activities in H1 2014 was negative at PLN -128.3m. In the period under review, the Group contracted PLN 10.5m and repaid PLN 170m under bank loans.

**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 2014	H1 2013	Y-o-y change
Non-current bank and other borrowings	34,330	41,109	-6,779
Current bank and other borrowings	1,398,711	1,621,158	-222,447
Non-current finance lease liabilities	13,451	6,779	+6,672
Current finance lease liabilities	2,582	1,403	+1,179
Bonds	838,772	838,772	
Net cash	148,625	92,126	-56,499
Net debt	<b>2,139,221</b>	<b>2,417,095</b>	<b>-277,874</b>

As at June 30th 2014, net debt was PLN 2.139bn, having decreased year on year. This amount comprises interest-bearing debt, including PLN 34.3m in non-current borrowings, PLN 1.4bn in current borrowings, PLN 13.5m in non-current finance lease liabilities, PLN 2.6m in current finance lease liabilities, and PLN 839m in bonds (issued by the Company in two tranches: PLN 375m in 2009 and PLN 450m in 2010). Net cash of PLN 148.6m as at the end of H1 2014 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 2014, the PBG Group made equity investments of PLN 5 thousand.

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

In H1 2014, 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 1.8m.

### **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. 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, a number of the PBG Group companies are in the process of company voluntary arrangement. Consequently, the Group's expected financial condition to a large extent depends on the outcome of negotiations with financial institutions and other creditors. Notwithstanding the arrangement procedures, the Group 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. SURETIES AND GUARANTEES GRANTED AND RECEIVED**

As at June 30th 2014, the PBG Group disclosed contingent liabilities recognised as off-balance-sheet items of PLN 1,480,031 thousand. The contingent liabilities pertain to liabilities under sureties issued for credit facilities and trade payables, sureties issued to third parties by PBG Group companies, as well as liabilities under guarantees issued at the request of PBG Group companies to third parties.

In accordance with IAS 37, as at December 31st 2012 the Parent estimated and recognised a provision for potential liabilities which may result in a future outflow of cash. The provision related to 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 value of the provision was estimated based on the amount of contingent liabilities recorded by the Parent prior to the court's decision declaring the Company insolvent with arrangement option, i.e. as at June 13th 2012. As at December 31st 2012, the provision, established in accordance with the relevant assumptions, was PLN 780,000 thousand.

Following the Parent's submission of revised arrangement proposals to the Court on September 30th 2013 and the Parent becoming aware that a part of its off-balance-sheet liabilities had extinguished due to the expiry of corresponding financial products, as at December 31st 2013 the Parent, acting in accordance with IAS 8, revised the underlying estimates and reversed the provision in the portion above the amount of PLN 444,555 thousand. As at March 31st 2014, the Group made consolidation adjustments of PLN 17,944 thousand to its consolidated financial statements. The adjustments led to a partial reversal of the global provision for liabilities under joint and several liability for subsidiaries to PLN 426,611 thousand, in the Group's consolidated financial statements.

Prior to the reversal, the value of contingent liabilities disclosed by the PBG Group as at June 30th 2014 was PLN 1,906,642 thousand.

The final review of liabilities, including contingent liabilities, will be carried out by the Court during the final assessment of claims submitted by trading partners.

## **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 have been prepared on the assumption that the Parent would continue as a going concern in the foreseeable future, i.e. for at least 12 consecutive months from the date of preparation of this Report. This assumption was made due to the Parent's ongoing bankruptcy proceedings with an arrangement option, and the Management Board's efforts to arrange with the creditors and ensure that the Company may continue its business activities.

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

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

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

The voluntary arrangement procedure ensures proper satisfaction of the Creditors' claims following approval and implementation of the arrangement. Since 2012, the Company's Management Board has been actively involved in negotiations with the Creditors. The negotiations concern terms of debt repayment, including repayment periods, amounts and forms. During this time, the Creditors involved in financing the Company's or other Group companies' operations and representing the largest group of Creditors have been provided with a plan of the operational and asset restructuring of the Company. The plan was prepared by the Company and its financial adviser PwC Polska Sp. z o.o. On September 3rd 2013, the Management Board and its legal adviser Weil, Gotshal & Manges, Paweł Rymarz Sp. k. completed work on preparation of the restructuring documents, including a draft of the Restructuring Agreement and Arrangement Proposals, which, upon receipt of corporate approvals, were presented to the Creditors, as announced by the

Company in Current Report No. 24/2013. Pursuant to the currently tabled Arrangement Proposals, the Company's Creditors will be satisfied in seven groups, depending on the category of interest they represent and the type and size of their claims. The Creditors will be divided into categories of interest in accordance with the Bankruptcy and Recovery Law. The full text of the draft restructuring documents is available on the Company's website at [www.pbg-sa.pl](http://www.pbg-sa.pl) in the 'Restructuring' section.

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

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

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

- restructuring of Company's non-operating non-current assets, the sale of which constitutes one of the sources of payments made as part of the arrangement;
- divestment of the PBG Group's property development and other investment projects;
- gaining potential access to profitable contracts in the power construction sector through the cooperation with RAFAKO S.A., PBG's subsidiary;
- winning new contracts in the oil and gas sector, which is the strategic area of operations for PBG.

#### **RAFAKO S.A. is of strategic importance to the PBG Group.**

The financial statements of the RAFAKO Group have been prepared on the assumption that the Group's companies will continue as a going concern for at least 12 months after the reporting date of June 30th 2014.

To be able to continue its business activities, 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 RAFAKO Management Board has prepared financial projections for the 12 months subsequent to June 30th 2014 and for the following years, based on a number of assumptions, the most important of which relate to:

- the timely delivery of contracts in the RAFAKO Group's portfolio, including in particular the timely generation of cash flows from the contracts,
- continued financing of the RAFAKO Group's operation by way of a credit facility subsequent to April 30th 2015 – pursuant to the annex executed on April 29th 2014, the repayment date for the credit facility available to RAFAKO S.A. was extended until April 30th 2015,
- the release of cash locked in performance bonds in exchange for providing the Group's business partners with bank guarantees – as at the date of these financial statements, the Parent had a guarantee line of PLN 50m with PKO BP, valid until June 30th 2015, and had begun releasing locked cash up to that amount,
- access to further bank/insurance guarantees to be able to pursue new contracts and release part of the cash locked in performance bonds for running contracts – RAFAKO S.A. is currently negotiating new guarantee lines with other banks.

In H1 2014, the RAFAKO Group caused the execution of a number of agreements related to the performance of the Jaworzno project, carried out successful negotiations on the Opole project and concerning the settlement of receivables from Alstom in the amount of EUR 43.5m, reduced its bank debt from ca. PLN 300m to ca. PLN 126m as at June 30th 2014, significantly reduced past due trade payables, secured a significant part of budgeted revenue, and provided the financing bank with appropriate security under the current credit facility, as required by the institution.

All these activities clearly indicate an improvement of the RAFAKO Group's financial standing, which should positively affect the assessment of the risk of adverse changes in the RAFAKO Group's financial standing by financial institutions.

In view of the above, the RAFAKO Management Board believes that the negotiations with the financing bank, which is one of the Guarantors under the Jaworzno contract, will cause the current credit facility to be transformed into a long-term facility and that the company will obtain new guarantee lines from other financial institutions, which will ensure continued operation in accordance with the assumptions set forth in the financial projections.

Considering the risks discussed above, the improved financial standing of the RAFAKO Group, and the status of negotiations with the financing bank and other financial institutions, the RAFAKO Management Board is certain that the financial projections for the coming year can be realised and has thus prepared the interim condensed consolidated financial statements based on the assumption that the RAFAKO Group would continue as a going concern.

As at June 30th 2014, arrangement proceedings were instituted with respect to KWG S.A. w upadłości układowej (in company voluntary arrangement), a company of the PBG Group.



## **CONTACT DETAILS**

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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>Paweł Mortas</b>
<b>Vice-President of the Management Board</b>	<b>Mariusz Łożyński</b>
<b>Member of the Management Board</b>	<b>Bożena Ciosk</b>