Wysogotowo, April 26th 2018

Position of the Management Board and Supervisory Board of PBG S.A. on the qualifications expressed by the independent auditor in its report on the audit of the PBG Group's consolidated financial statements as at December 31st 2017.

The report prepared by an independent auditor, Ernst & Young Audyt Polska sp. z o.o. sp.k. ("**Qualified Auditor**"), on the audit of the consolidated financial statements of the PBG Group as at December 31st 2017 ("**Financial Statements**") contains the following qualifications, which were the basis for the auditor's disclaimer of opinion:

1. On June 13th 2016, the decision of the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Restructuring Division, to approve the Company's voluntary arrangement with creditors (the "Arrangement") became final. On that date, the Company began to perform its obligations under the Arrangement, which provides that liabilities covered by the Arrangement are to be repaid in instalments by June 30th 2020. Pursuant to the Restructuring Agreement made by the Company and its related entities with the creditors, after the Arrangement became final, most of the liabilities covered by the Arrangement were refinanced through the issue of bonds redeemable by the Parent in series until June 30th 2020, based on a revised schedule. The total amount of the Company's liabilities under the Arrangement and bonds in issue was PLN 525m as at December 31st 2017, including PLN 68m payable by June 30th 2018 and PLN 25m payable by December 31st 2018. In Note 2.3 to the attached consolidated financial statements, the Company's Management Board disclosed certain going concern risks posed by the Company's current financial condition; however, given the steps taken by the Management Board to generate sufficient proceeds from the sources of funds with which the Management Board plans to meet the Company's liabilities, and to enable the Company and the Group to continue as going concerns, a decision was made to prepare the consolidated financial statements assuming that the Company and its subsidiaries would continue as going concerns for the foreseeable future, i.e. for at least 12 consecutive months subsequent to the reporting date. Accordingly, the attached consolidated financial statements were prepared on the assumption that the Parent and its subsidiaries would continue as going concerns and do not include any adjustments in respect of different policies for the recognition and measurement of assets and liabilities that would be necessary if the Parent were unable to continue as a going concern for 12 months after the reporting date.
   However, in the course of the audit we did not obtain, to our satisfaction, sufficient audit evidence concerning the going concern assumption and supporting the feasibility of the cash flow plan prepared by the Company's Management Board, including planned proceeds from divestment of assets of the Company and some of its subsidiaries, sufficient to service the Company's liabilities for the 12 months after the reporting date and for the foreseeable future. Therefore, we were not able to assess the validity of the going concern assumption made by the Company's Management Board in preparing the attached consolidated financial statements.

2. As at December 31st 2017, the Group presented an investment in joint ventures, which are equity-accounted in the consolidated financial statements, at approximately PLN 19m. The investment involved shares in Energopol Ukraina, a company carrying out a property development project in Ukraine. We are not satisfied that the documents provided to us by the Group sufficiently confirm the accuracy of the investment's valuation as at the reporting date. In view of the foregoing, as well as the uncertain political and economic situation in Ukraine, we are not able to provide an opinion on the accuracy of the valuation of that investment in the attached consolidated financial statements.

3. In the statement of financial position, under 'Long-term contract receivables and amounts due from customers for construction contract work', the Group presented outstanding receivables in a total amount of approximately PLN 32m from a customer with which the Company is currently in a dispute over the performance of a construction contract. For details of the dispute, see Note 17.1 to the attached consolidated financial statements. Considering the significant uncertainty as to the outcome of the dispute and insufficient documentation that would allow us to determine the date and likelihood of payment of these receivables as well as the consequences of the Company potentially being charged with liquidated damages, we are unable to assess the effect of this issue on the attached consolidated financial statements, including the recoverability of receivables disclosed in the consolidated statement of financial position.

4. The attached consolidated financial statements show a goodwill of PLN 102.5m, net of impairment losses recognised in previous years and in 2017. This goodwill arose in connection with a transaction executed in November 2011 in which the Group acquired control of the RAFAKO Group, and was determined based on the carrying amount of the RAFAKO Group's net assets as at the date of acquiring control. The Group made no adjustments to the provisional acquisition cost recognised following the transaction and, hence, no fair value of identifiable assets acquired and liabilities assumed was recognised in the attached consolidated financial statements.
   In view of the foregoing and of the audit qualification concerning the consolidated financial statements for the year ended December 31st 2016, we are not able to express an opinion on whether the impairment loss on goodwill was correctly recognised in the profit or loss for the financial year and the comparative period, and whether the amount of goodwill disclosed as at December 31st 2017 and in the comparative data in the attached consolidated financial statements is correct.

Below is presented the position of the Management Board of PBG S.A. on the qualification described in item 1 above:

Quantitative and qualitative effect of the item with respect to which qualification was made in the independent auditor's report on the consolidated financial statements containing a disclaimer of opinion, including effect on the profit or loss and other financial data, in each case with a materiality assessment:

PBG SA, ul. Skórzewska 35, Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland, tel. +48 61 66 51 700, fax +48 61 66 51 701,
District Court for Poznań-Nowe Miasto and Wilda of Poznań, 8th Commercial Division of the National Court Register.
National Court Register Number KRS 0000184508, Industry Identification Number (REGON) 631048917, Tax Identification Number (NIP) 777 21 94 746,
share capital: PLN 16,086,604.44 paid in full.
www.pbg-sa.pl, email: polska@pbg-sa.pl

In the current situation, i.e. after the court's decision sanctioning the Arrangement has become final and the insolvency proceedings with respect to the Parent have been closed, the Parent's ability to continue as a going concern depends on whether it would effectively fulfil its obligations resulting from the terms and conditions of the Arrangement approved by the creditors. Considering the foregoing, the Parent's Management Board is identifying and monitoring risks to the Company's ability to continue as a going concern due to its failure to make repayments and meet other liabilities under the Arrangement, as a result of which the Arrangement could be repealed and liquidation proceedings could be re-instigated with respect to the Company.

Pursuant to the terms of the Arrangement prepared by the Parent's Management Board and approved by the creditors, and in accordance with the restructuring documents executed with the financial creditors, the Company is exercising due care in monitoring and fulfilling its obligations thereunder.

As it was obliged to do under the Arrangement, the Parent issued bonds as part of partial conversion of its debt covered by the Arrangement. The bond issues, as well as their admission to trading, were carried out with due care on the Company's part, in compliance with the applicable procedures and with the participation of professional advisers approved by the creditors.

Another obligation under the Arrangement was fulfilled by the issue of Series H shares, offered to eligible creditors of the Parent. The process was also supported by professional advisers approved by the creditors.

In view of the Parent's current situation and its ability to continue as a going concern, which is determined by the effective fulfilment of its obligations under the Arrangement as well as the Terms and Conditions of the Bonds, the Parent has established additional procedures and controls to monitor the proper fulfilment of those obligations.

Internal regulations introduced at the Parent and Obligor Companies pursuant to the restructuring documents have identified the areas where obligations imposed on the Parent under the terms of the Arrangement and the Terms and Conditions of the Bonds must be monitored particularly closely. These regulations also specify the rules of communicating with creditors and other entities identified in the restructuring documents, i.e. Agents and Advisers.

Considering that the key element in the fulfilment of liabilities under the Arrangement and the bonds are timely repayments under the Arrangement and timely redemptions of the bonds, the Company takes due care to secure and monitor the sources of their financing. One of the key sources of financing such repayments and redemptions are funds raised through the Divestment Plan, i.e. plan to sell non-core properties. The plan, developed and approved by the Management Boards of the PBG DOM Group companies, was adopted by the Parent by way of a resolution of its Management Board, as an appendix to the restructuring documents. Subsequently, the Parent appointed the Vice President of its Management Board to directly monitor the plan, as a special area of management and supervision, and be responsible for its implementation.

A team composed of members of the Management Boards of the PBG DOM Group companies and the Vice President of the PBG Management Board, who supervises the area and is responsible for divestments, prepares regular reports for the Parent's Management Board on the implementation of the plan as well as any adjustments and revisions thereof.

PBG SA, ul. Skórzewska 35, Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland, tel. +48 61 66 51 700, fax +48 61 66 51 701,
District Court for Poznań-Nowe Miasto and Wilda of Poznań, 8th Commercial Division of the National Court Register.
National Court Register Number KRS 0000184508, Industry Identification Number (REGON) 631048917, Tax Identification Number (NIP) 777 21 94 746,
share capital: PLN 16,086,604.44 paid in full.
www.pbg-sa.pl, email: polska@pbg-sa.pl

Taking into account the volatile market environment, potential risks related to rescheduling of the Divestment Plan, and other risks related to the availability of other sources of financing, the Parent's Management Board is preparing various scenarios to secure funds for servicing the debt under the Arrangement and the bonds. Each of the scenarios, including obviously the base case, is being monitored and reviewed on an ongoing basis.
If the Parent's Management Board identifies an increased risk of inability to repay a part or all of the debt under the Arrangement and the bonds, the Management Board may: i). in the case of creditors covered by the Arrangement – extend the deadline for a repayment in agreement with the relevant creditor and ii). in the case of bondholders – request that the Bondholders Meeting pass a resolution approving a change of the bonds redemption date.
Referring to the independent auditor's report on the consolidated financial statements for 2017 and the qualifications expressed therein with respect to the feasibility of the cash flow plan assumed by the Parent's Management Board, and in particular the assumed timing of proceeds from the divestment of assets of the Parent and some of its subsidiaries, the Management Board reports that two agency agreements for sale of Malta properties have been executed, following previous discussions and negotiations. To the best of its knowledge, the Parent expects the transaction to be completed in June 2018. Proceeds from the transaction, as currently expected, will be between PLN 23m and PLN 25m. Talks regarding the terms of sale or possible refinancing of the SKALAR office building are still under way, and the transaction is expected to be completed in the fourth quarter of 2018. Considering the sale of assets of the Ministersky project in Kiev as one of the key sources of proceeds in the current divestment process, the Parent concluded negotiations concerning the sale of its claim Pursuant to the terms of the agreement to sell the claim, the Transferee, being a joint-stock company established under the laws of Luxembourg, will pay to the Parent an amount of PLN 80m, including a non-refundable advance payment of PLN 20m payable by June 25th 2018, with the balance of PLN 60m payable by June 25th 2019. In addition, PBG has secured cash flows necessary to cover operating activities and liabilities under the Arrangement (including those arising from the bonds) by way of a loan from its subsidiary, i.e. PBG oil and gas sp. z o.o.

Measures taken and planned to be taken by the issuer in view of the situation described above:
Reasons for the auditor's qualification may be eliminated depending to a large extent on the situation on the property market. The Parent's Management Board is monitoring any changes and deviations from the adopted Divestment Plan, in collaboration with the Divestment Adviser appointed pursuant to the Restructuring Documents, as well as with other entities through whose support it may attract further prospective buyers of the assets offered for sale. In order to minimise the risk of failure to repay liabilities under the Arrangement and the bonds, the Parent's Management Board is preparing various scenarios to secure funds for servicing that debt.

Below is presented the position of the Management Board of PBG S.A. on the qualification described in item 2 above:

Quantitative and qualitative effect of the item with respect to which qualification was made in the independent auditor's report on the consolidated financial statements containing a disclaimer of opinion, including effect on the profit or loss and other financial data, in each case with a materiality assessment:

PBG SA, ul. Skórzewska 35, Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland, tel. +48 61 66 51 700, fax +48 61 66 51 701,
District Court for Poznań-Nowe Miasto and Wilda of Poznań, 8th Commercial Division of the National Court Register.
National Court Register Number KRS 0000184508, Industry Identification Number (REGON) 631048917, Tax Identification Number (NIP) 777 21 94 746,
share capital: PLN 16,086,604.44 paid in full.
www.pbg-sa.pl, email: polska@pbg-sa.pl

The PBG Group holds an interest in an equity-accounted joint venture – Energopol Ukraina SA. Energopol Ukraina S.A. is a company incorporated under Ukrainian law, with its registered office in Kiev. Its principal business activity is construction and assembly work. At present, the company is executing a property development project in Kiev, partly financed with loans from the Parent. The company shares are not listed on an active market. The Group currently holds a 49% interest in the share capital and voting rights at the company. The investment in Energopol Ukraina is the only joint venture of which the Group has joint control and is not of strategic importance to the Group. The asset's carrying amount in the financial statements as at December 31st 2017 was PLN 19m.
In July 2013, the Parent signed a conditional agreement obliging it to sell this asset for PLN 109m. Considering the risk to cash flows from the development project located in Ukraine, arising from the country's unstable political situation, the Parent resolved to sell the claim in exchange for accelerating the cash inflow and significant reduction of the risk involved. The Parent expects to receive PLN 80m (net of the agreed rebate). Expected timing and amounts of cash receipts: PLN 20m in the first half of 2018 and PLN 60m in the first half of 2019.
As at the date of the consolidated financial statements, the Parent's Management Board was not able to estimate the effect of the above issue on the profit or loss. However, the maximum negative effect could be PLN 19m, while the maximum potential positive effect could amount to PLN 61m. Profit before tax, net profit and equity would change accordingly.

Measures taken and planned to be taken by the issuer in view of the situation described above: The Parent's Management Board is monitoring the Ukrainian investment on an ongoing basis. Recently, it has completed negotiations of an agreement to assign its claim arising under the sale agreement with IMIDŻ FINANS GRUP Sp. z o.o. of July 24th 2013. The relevant agreement will be signed after all legal documents required by the buyer are obtained.

Below is presented the position of the Management Board of PBG S.A. on the qualification described in item 3 above:

Quantitative and qualitative effect of the item with respect to which qualification was made in the independent auditor's report on the consolidated financial statements containing a disclaimer of opinion, including effect on the profit or loss and other financial data, in each case with a materiality assessment:

Under long-term contract receivables and amounts due from customers for construction contract work, the Group recognised receivables of PLN 31.6m from PGNiG, including:

- ✓ receivables of PLN 11.6m resulting from work performed but not yet settled under the Wierzchowice UGSF project;
- ✓ a security deposit of PLN 20m securing warranty claims under the LMG contract.

On April 2nd 2014, the Parent received from Polskie Górnictwo Naftowe i Gazownictwo S.A. of Warsaw ("PGNiG" or the "employer") a notice of termination of the Wierzchowice UGSF

PBG SA, ul. Skórzewska 35, Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland, tel. +48 61 66 51 700, fax +48 61 66 51 701,
District Court for Poznań-Nowe Miasto and Wilda of Poznań, 8th Commercial Division of the National Court Register.
National Court Register Number KRS 0000184508, Industry Identification Number (REGON) 631048917, Tax Identification Number (NIP) 777 21 94 746,
share capital: PLN 16,086,604.44 paid in full.
www.pbg-sa.pl, email: polska@pbg-sa.pl

contract. From receipt of the notice, the consortium made several attempts to negotiate contract settlement with the employer. However, the negotiations were not successful. On May 9th 2016, the Parent petitioned for a conciliation hearing to settle the dispute with PGNiG concerning completion and settlement of the LMG and Wierzchowice UGSF contracts. In the petition, the value of the dispute was put at PLN 288,235 thousand, being the sum of PBG's claim under the LMG security (PLN 20,051 thousand plus interest) and consideration due to the consortium for the performance of the Wierzchowice UGSF contract (no settlement was reached).
On the date of receipt of PGNiG's notice of termination of the Wierzchowice UGSF contract by the employer, PGNiG also charged the consortium with liquidated damages of PLN 133.4m, i.e. 10% of the gross contract price, as PGNiG assumed that causes of the termination were attributable to the contractor. Moreover, on April 2nd 2014 the consortium received a debit note from the employer for the amount of PLN 10.3m under interest accrued (of which PLN 3.3m was attributable to the Company). The note was returned to the employer as groundless.
The consortium, including the Parent as its leader, considers PGNiG's contract termination notice and demand for payment of liquidated damages to be ineffective. The consortium's position was presented to the employer in a letter of April 7th 2014 and also on April 18th 2014. In the consortium's – and the Parent's – opinion, as at April 2nd 2014 the project had been completed in almost 100%, as admitted by the employer itself in its current report and as demonstrated by the project status report as at the end of March 2014. Moreover, by April 2nd 2014 the employer had confirmed full operational availability of the Wierzchowice UGSF's units, as well as conformity of the UGSF's functionality with the contract specifications. The required operation permits for the Wierzchowice UGSF facilities were obtained by December 2013, and the applicable permits for operation of the individual units were received by March 2014.
At present, the Group is not able to estimate the amount of the provision that would reliably reflect the risk related to the above issue because, as indicated above, both the liquidated damages and interest charged at such levels are, in the opinion of the consortium and the Parent, groundless.However, the maximum negative effect of non-payment of the amounts due could be PLN 31.6m. Profit before tax, net profit and equity would change accordingly.

Measures taken and planned to be taken by the issuer in view of the situation described above:
Reasons for the auditor's qualification in the reporting period may be eliminated depending on the resolution of the dispute. The Parent's Management Board is continuing legal steps to successfully resolve the dispute.

Below is presented the position of the Management Board of PBG S.A. on the qualification described in item 4 above:

PBG SA, ul. Skórzewska 35, Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland, tel. +48 61 66 51 700, fax +48 61 66 51 701,
District Court for Poznań-Nowe Miasto and Wilda of Poznań, 8th Commercial Division of the National Court Register.
National Court Register Number KRS 0000184508, Industry Identification Number (REGON) 631048917, Tax Identification Number (NIP) 777 21 94 746,
share capital: PLN 16,086,604.44 paid in full.
www.pbg-sa.pl, email: polska@pbg-sa.pl

Quantitative and qualitative effect of the item with respect to which qualification was made in the independent auditor's report on the consolidated financial statements containing a disclaimer of opinion, including effect on the profit or loss and other financial data, in each case with a materiality assessment:

As at December 31st 2017, the Parent held, directly and indirectly, 33.32% of shares in RAFAKO S.A., upon the acquisition of which the Group recognised, as at the asset acquisition date (2011), goodwill of PLN 381,026 thousand. In line with applicable regulations, as prescribed by IFRS 3 *Business Combinations*, the Group recognised in its consolidated financial statements for 2011 provisional amounts of the acquired company's identified assets and liabilities, planning to finally account for them over the next 12 months. Due to the Parent's then ongoing insolvency proceedings and costs, the valuation was not performed in 2012. The Parent's Management Board plans to take steps that would allow it to make adjustments to the provisional accounting for the subsidiary's acquisition. However, the Management Board believes that the book value of the subsidiary as at the acquisition date was not materially different from its fair value.
Under Par. 10 of IAS 36, the Group is required to perform annual impairment tests. Given the identified indications of impairment of the recoverable amount of goodwill in connection with an impairment loss on Rafako S.A. shares recognised in the financial statements of the Parent, the Group decided to recognise an impairment loss on the goodwill of PLN 90,949 thousand as at December 31st 2015 and, subsequently, impairment losses of PLN 104.2m in 2016 and PLN 83.8m in 2017. The tests were performed based on the discounted cash flow model using a five-year projection horizon. The financial performance forecast was prepared by the Management Board of RAFAKO S.A.
As at the date of the consolidated financial statements, the Parent's Management Board was not able to estimate the effect of the above issue on the profit or loss (profit before tax, net profit). As the acquisition cost was not finally accounted for, the Management Board is unable to estimate the effect of the issue on equity as at December 31st 2017 and on comparative data.

Measures taken and planned to be taken by the issuer in view of the situation described above:
While the Parent's Management Board exercised due care when estimating the recoverable amount of goodwill, given the Parent's financial constraints and high valuation costs to be incurred, it was not able to perform the fair value measurement of Rafako S.A.'s assets and liabilities.
The Parent's Management Board reaffirms its opinion that, given the situation the Company and the Group had been in from 2012, the use of RAFAKO's carrying amounts in the consolidated financial statements was the best possible solution.

The Supervisory Board and the Audit Committee, selected from among the Supervisory Board members, maintain ongoing contact with both the Company's Management Board and the auditor's representatives. Representatives of the Audit Committee actively participate in meetings between the auditor and the Company's Management Board; on the other hand,

PBG SA, ul. Skórzewska 35, Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland, tel. +48 61 66 51 700, fax +48 61 66 51 701,
District Court for Poznań-Nowe Miasto and Wilda of Poznań, 8th Commercial Division of the National Court Register.
National Court Register Number KRS 0000184508, Industry Identification Number (REGON) 631048917, Tax Identification Number (NIP) 777 21 94 746,
share capital: PLN 16,086,604.44 paid in full.
www.pbg-sa.pl, email: polska@pbg-sa.pl

representatives of the Company's Management Board and of the auditor attend the Supervisory Board's meetings devoted to financial reporting.
Given that, as indicated above, the work of the Audit Committee and of the Supervisory Board is carried out on an ongoing basis, the Supervisory Board accepts the aforementioned position of the Management Board on the qualifications expressed by the independent auditor in its report on the audit of the PBG Group's consolidated financial statements for the financial year ended December 31st 2017.

Jerzy Wiśniewski- President of the Management Board	Kinga Banaszak-Filipiak- Member of the Management Board

Mariusz Łożyński – Vice President of the Management Board	Dariusz Szymański – Vice President of the Management Board

PBG SA, ul. Skórzewska 35, Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland, tel. +48 61 66 51 700, fax +48 61 66 51 701,
District Court for Poznań-Nowe Miasto and Wilda of Poznań, 8th Commercial Division of the National Court Register.
National Court Register Number KRS 0000184508, Industry Identification Number (REGON) 631048917, Tax Identification Number (NIP) 777 21 94 746,
share capital: PLN 16,086,604.44 paid in full.
www.pbg-sa.pl, email: polska@pbg-sa.pl