POLISH FINANCIAL SUPERVISION AUTHORITY

PBG GROUP

Interim condensed consolidated financial statements
for Q3 2014

prepared in accordance with International Financial Reporting Standards

Date of filing: November 14th 2014

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

PBG Spółka Akcyjna w upadłości układowej (in company voluntary arrangement)
(full name)

PBG SA w upadłości układowej (in company voluntary arrangement) (abbreviated name)	**Construction** (sector according to the WSE's classification)
62-081 (postal code)	**Wysogotowo near Poznań, Poland** (city/town)
Skórzewska (street)	**35** (No.)
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polska@pbg-sa.pl (e-mail)	**http://www.pbg-sa.pl** (website)
777-21-94-746 (NIP – Tax Identification Number)	**631048917** (REGON – Industry Identification Number)

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KEY FINANCIAL DATA

Item	for the period Jan 1–Sep 30 2014	for the period Jan 1–Sep 30 2013	for the period Jan 1–Sep 30 2014	for the period Jan 1–Sep 30 2013
	PLN	PLN	EUR	EUR
Income statement				
Revenue	1,042,621	954,022	249,411	225,906
Operating profit (loss)	(154,947)	149,949	(37,066)	35,507
Profit (loss) before tax	(160,901)	36,567	(38,490)	8,659
Net profit (loss) from continuing operations	(166,088)	36,608	(39,731)	8,669
Net profit (loss) attributable to:	(166,088)	36,608	(39,731)	8,669
- owners of the Parent	(165,863)	81,794	(39,677)	19,368
- non-controlling interests	(225)	(45,186)	(54)	(10,700)
Comprehensive net profit (loss):	(223,978)	38,711	(53,579)	9,166
- owners of the Parent	(211,861)	83,557	(50,680)	19,786
- non-controlling interests	(12,117)	(44,846)	(2,899)	(10,619)
Basic earnings per share (PLN/EUR)	(11.60)	5.72	(2.78)	1.35
Diluted earnings per share (PLN/EUR)	(11.60)	5.72	(2.78)	1.35
Average PLN/EUR exchange rate	x	x	4.1803	4.2231
Statement of cash flows				
Net cash from operating activities	41,972	(97,239)	10,040	(23,026)
Net cash from investing activities	29,519	7,711	7,061	1,826
Net cash from financing activities	(119,626)	14,785	(28,616)	3,501
Net change in cash and cash equivalents	(48,135)	(74,743)	(11,515)	(17,699)
Average PLN/EUR exchange rate	x	x	4.1803	4.2231

Item	As at Sep 30 2014	As at Dec 31 2013	As at Sep 30 2013	As at Sep 30 2014	As at Dec 31 2013	As at Sep 30 2013
	PLN	PLN	PLN	EUR	EUR	EUR
Statement of financial position						
Assets	2,181,924	2,679,458	2,652,510	522,554	646,088	629,108
Non-current liabilities	540,300	615,093	840,881	129,398	148,315	199,436
Current liabilities	2,395,513	2,647,211	2,579,626	573,707	638,313	611,822
Equity attributable to owners of the Parent	(1,023,562)	(858,283)	(1,042,366)	(245,135)	(206,955)	(247,223)
Share capital	14,295	14,295	14,295	3,424	3,447	3,390
Number of shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Book value per share (PLN/EUR)	(71.60)	(60.04)	(72.92)	(17.15)	(14.48)	(17.29)
Dividend per share declared or paid (PLN/EUR)	-	-	-	-	-	-
PLN/EUR exchange rate at the end of the period	x	x	x	4.1755	4.1472	4.2163

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Item	As at Sep 30 2014	As at Jun 30 2014	As at Dec 31 2013	As at Sep 30 2013	As at Jun 30 2013
Assets					
Non-current assets	**1,106,915**	**1,077,670**	**1,014,080**	**1,053,044**	**1,046,778**
Goodwill	385,518	385,518	385,518	385,780	385,793
Intangible assets	10,967	12,189	13,493	15,521	16,517
Property, plant and equipment	284,775	286,360	292,314	342,601	324,187
Non-regenerative natural resources	36,782	36,782	36,782	36,782	36,782
Investment property	207,871	208,503	210,504	166,664	172,865
Long-term investments	7,577	7,577	7,577	7,577	7,577
Investments in subsidiaries	-	-	-	-	-
Investments in joint ventures	60,459	60,459	-	-	-
Receivables	51,983	26,627	32,739	32,793	30,293
Loans advanced	219	214	8,561	25,228	39,380
Derivative financial instruments	-	-	-	-	-
Other non-current financial assets	2,524	2,514	3,285	11,628	11,943
Deferred tax assets	55,744	47,254	22,107	26,944	19,431
Non-current accruals and deferred income	2,496	3,673	1,200	1,526	2,010
Current assets	**1,075,009**	**1,095,451**	**1,665,378**	**1,599,466**	**1,615,399**
Inventories	79,255	94,081	514,404	467,849	464,498
Amounts due from customers for construction contract work	347,627	322,704	183,370	211,281	216,974
Trade and other receivables	482,053	481,451	692,268	714,377	714,388
Current tax assets	7,263	10,037	14,366	6,937	6,929
Loans advanced	313	241	42,916	34,301	46,438
Derivative financial instruments	74	70	15	36	1,027
Other current financial assets	19,105	25,003	35,700	39,580	45,897
Cash and cash equivalents	126,140	148,625	173,894	99,150	92,126
Current accruals and deferred income	11,200	10,689	5,362	24,955	26,160
Non-current assets held for sale	1,979	2,550	3,083	1,000	962
Total assets	**2,181,924**	**2,173,121**	**2,679,458**	**2,652,510**	**2,662,177**

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

Item	As at Sep 30 2014	As at Jun 30 2014	As at Dec 31 2013	As at Sep 30 2013	As at Jun 30 2013
Equity and liabilities					
Equity	**(753,889)**	**(750,050)**	**(582,846)**	**(767,997)**	**(677,013)**
Equity attributable to owners of the Parent	**(1,023,562)**	**(1,017,235)**	**(858,283)**	**(1,042,366)**	**(983,374)**
Share capital	14,295	14,295	14,295	14,295	14,295
Shares	-	-	-	-	-
Share premium	733,348	733,348	733,348	733,348	733,348
Cash-flow hedges and translation reserve	(4,360)	(3,877)	(5,554)	(5,644)	(4,437)
Other components of equity	544,518	544,609	644,764	649,797	650,226
Retained earnings	**(2,311,363)**	**(2,305,610)**	**(2,245,136)**	**(2,434,162)**	**(2,376,806)**
- accumulated profit (loss) from prior years	(2,145,500)	(2,145,500)	(2,502,687)	(2,515,956)	(2,515,956)
- net profit (loss) for current year attributable to owners of the Parent	(165,863)	(160,110)	257,551	81,794	139,150
Non-controlling interests	**269,673**	**267,185**	**275,437**	**274,369**	**306,361**
Liabilities	**2,935,811**	**2,923,171**	**3,262,304**	**3,420,507**	**3,339,190**
Non-current liabilities	**540,300**	**541,213**	**615,093**	**840,881**	**800,316**
Borrowings and other debt instruments	33,897	34,330	101,122	77,712	41,109
Finance lease liabilities	13,191	13,451	14,024	11,327	6,779
Derivative financial instruments	4,594	3,997	2,923	3,078	3,274
Other liabilities	24,940	25,507	16,168	16,198	14,788
Deferred tax liabilities	3,724	2,078	-	-	-
Employee benefit obligations and provisions	23,754	23,327	22,746	24,653	24,377
Other non-current provisions	434,956	437,193	456,724	703,780	705,740
Government grants	-	-	-	-	-
Non-current accruals and deferred income	1,244	1,330	1,386	4,133	4,249
Current liabilities	**2,395,513**	**2,381,958**	**2,647,211**	**2,579,626**	**2,538,874**
Borrowings and other debt instruments	1,400,724	1,398,711	1,567,278	1,613,550	1,621,158
Finance lease liabilities	2,585	2,582	2,540	2,176	1,403
Derivative financial instruments	12	185	641	2,997	68
Trade and other payables	699,270	729,859	752,668	673,741	655,614
Amounts due to customers for construction contract work	152,317	96,761	117,938	71,849	52,580
Current tax liabilities	673	619	1,134	69	150
Employee benefit obligations and provisions	29,961	32,489	27,968	26,674	29,631
Other current provisions	106,317	118,189	175,427	186,634	175,907
Government grants	3	6	11	14	17
Current accruals and deferred income	3,651	2,554	1,606	1,917	2,344
Liabilities under non-current assets held for sale	-	3	-	5	2
Total equity and liabilities	**2,181,924**	**2,173,121**	**2,679,458**	**2,652,510**	**2,662,177**

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Item	Q3 2014 Jul 1–Sep 30 2014	Q1–Q3 2014 Jan 1–Sep 30 2014	Q3 2014 Jul 1–Sep 30 2013	Q1–Q3 2013 Jan 1–Sep 30 2013
Continuing operations				
Revenue	**381,101**	**1,042,621**	**248,733**	**954,022**
Sales of finished goods	293,444	783,412	168,585	579,187
Rendering of services	72,840	231,367	71,626	350,838
Sales of merchandise and materials	14,817	27,842	8,522	23,997
Cost of sales	**(350,312)**	**(952,725)**	**(288,126)**	**(949,651)**
Finished goods sold	(268,857)	(688,088)	(194,726)	(569,387)
Services rendered	(66,266)	(233,481)	(82,570)	(354,347)
Merchandise and materials sold	(15,189)	(31,156)	(10,830)	(25,917)
Gross profit (loss)	**30,789**	**89,896**	**(39,393)**	**4,371**
Distribution costs	(5,987)	(29,979)	(13,709)	(45,367)
Administrative expenses	(21,012)	(63,781)	(18,902)	(70,591)
Other income	4,328	60,888	24,989	391,193
Other expenses	(6,031)	(211,971)	(38,990)	(129,632)
Restructuring costs	-	-	-	(25)
Operating profit (loss)	**2,087**	**(154,947)**	**(86,005)**	**149,949**
Finance costs	(2,742)	(5,954)	(5,529)	(113,382)
Share of profit (loss) of equity-accounted entities	-	-	-	-
Profit (loss) before tax	**(655)**	**(160,901)**	**(91,534)**	**36,567**
Income tax expense	(2,554)	(5,187)	3,671	41
Net profit (loss) from continuing operations	**(3,209)**	**(166,088)**	**(87,863)**	**36,608**
Discontinued operations				
Net loss from discontinued operations	-	-	-	-
Net profit (loss)	**(3,209)**	**(166,088)**	**(87,863)**	**36,608**
Net profit (loss) attributable to:	**(3,209)**	**(166,088)**	**(87,863)**	**36,608**
- owners of the Parent	(5,753)	(165,863)	(57,356)	81,794
- non-controlling interests	2,544	(225)	(30,507)	(45,186)

EARNINGS PER SHARE

Item	Q3 2014 Jul 1–Sep 30 2014	Q1–Q3 2014 Jan 1–Sep 30 2014	Q3 2014 Jul 1–Sep 30 2013	Q1–Q3 2013 Jan 1–Sep 30 2013
Net profit (loss) from continuing operations	(5,753)	(165,863)	(57,356)	81,794
Net profit (loss) from continuing and discontinued operations	(5,753)	(165,863)	(57,356)	81,794
Weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000
from continuing operations				
- basic	(0.40)	(11.60)	(4.01)	5.72
- diluted	(0.40)	(11.60)	(4.01)	5.72
from continuing and discontinued operations				
- basic	(0.40)	(11.60)	(4.01)	5.72
- diluted	(0.40)	(11.60)	(4.01)	5.72

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME

Item	Q3 2014 Jul 1–Sep 30 2014	Q1–Q3 2014 Jan 1–Sep 30 2014	Q3 2014 Jul 1–Sep 30 2013	Q1–Q3 2013 Jan 1–Sep 30 2013
Net profit (loss)	**(3,209)**	**(166,088)**	**(87,863)**	**36,608**
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met, relating to:				
Translation reserve	8	(57,792)	(3,106)	454
Available-for-sale financial assets	-	-	-	-
Hedge accounting	(596)	(1,670)	197	1,179
Revaluation of property, plant and equipment	-	-	-	2,683
Deferred income tax	114	1,561	496	(829)
Other comprehensive income that will not be reclassified to profit or loss, relating to:				
Actuarial gains/losses on employee benefits	(186)	14	(869)	(1,708)
Deferred income tax	34	(3)	-	324
Other comprehensive income, net of tax	**(626)**	**(57,890)**	**(3,282)**	**2,103**
Total comprehensive income	**(3,835)**	**(223,978)**	**(91,145)**	**38,711**
Total comprehensive income attributable to:				
- owners of the Parent	(6,325)	(211,861)	(59,158)	83,557
- non-controlling interests	2,490	(12,117)	(31,987)	(44,846)

In the interim consolidated statement of comprehensive income under "Translation reserve", the Group disclosed foreign exchange losses of PLN 51.061 thousand on measurement of loans advanced to Energopol Ukraina S.A. As of January 1st 2014, the Group recognises these loans, in accordance with IAS 21, as part of net investment in an entity operating abroad. The Group elected to change recognition of the loans in connection with the transactions described in detail in "CHANGES AT INDIRECT SUBSIDIARIES DURING THE PERIOD" (page 33).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE PBG GROUP'S FINANCIAL PERFORMANCE IN Q3 2014

I. IMPORTANT EVENTS AND FACTORS WITH A BEARING ON THE FINANCIAL PERFORMANCE OF THE PBG GROUP IN Q3 2014

In Q3 2014, the PBG Group generated sales of PLN **381m**, up 50% year on year. In Q1-Q3 2014, the PBG Group's revenue was PLN 1,042.6m, having grown by PLN 88.6m year on year. In Q3 2014, the PBG Group's gross profit was PLN 30.8m, and in Q1-Q3 2014 the gross profit was PLN 89.9m. In the corresponding periods of 2013, the Group's gross profit was PLN -39.4m and PLN 4.4m.
The most significant positive factor which contributed to the PBG Group's consolidated performance were the financial results of the RAFAKO Group.

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Summary of Q3 2014:

- **Revenue** of PLN **381m**, i.e. up by **53%** year on year;
- **Gross profit of PLN 30.8m**, compared with a loss of **PLN 39.4m;**
- **Operating profit of PLN 2m**, compared with a loss of **PLN 86m;**
- **Net loss** attributable to owners of the Parent was **PLN -5.8m**, compared with a loss of nearly PLN 57.4m reported in Q3 2013;
- PBG generated **revenue** of **PLN 38.6m** (i.e. 10% of the PBG Group's total revenue), with **operating loss** of **PLN 4.1m** and **net loss** of **PLN 4.4m**;
- The RAFAKO Group's **revenue** was **PLN 312** (i.e. 82% of the PBG Group's total revenue), with **operating profit** of **PLN 9m** and **net profit attributable to owners of the parent** of **PLN 5.2m**;
- **As at October 1st 2014,** the value of the PBG Group's order book was **approximately PLN 6.33bn**, of which approximately **PLN 510m** was deliverable **in 2014.** Currently, power construction projects account for the largest portion of the order book's value – 95%. The second largest contributor is the gas, oil and fuels segment – 5%. The other segments' shares in the total are insignificant.

ESTIMATE VALUE OF THE ORDER BOOK AS AT OCTOBER 1ST 2014 (% and PLNm)		
Gas, oil and fuels	5.0%	300
Power construction	95.0%	6,030
TOTAL	100.0%	6,330

The following construction contracts were the key sources of the PBG Group's revenue from core business in Q3 2014 (the stated amounts represent contract revenue recognised in Q3 2014):

A). Gas, oil and fuels

1) **Construction of the liquefied natural gas regasification terminal in Świnoujście;** contract executed between Polskie LNG S.A. and the consortium of Saipem S.p.A., Saipem S.A., Techint Compagnia Tecnica Internazionale S.p.A., Snamprogetti Canada Inc., PBG SA and PBG Energia Sp. z o.o. (formerly PBG Export Sp. z o.o.); recognised revenue: **PLN 32.8m;**

B). Power construction

1) **Engineering, delivery and construction of selective catalytic reduction (SCR) system for power Units K2, K3, K4, K5, K6 and K7 at the Połaniec Power Plant;** contract executed between Elektrownia Połaniec S.A. Grupa-Gdf Suez Energia Polska and RAFAKO SA; recognised revenue: **PLN 17.4m;**
2) **Design, construction and commissioning of a wet lime-and-gypsum flue-gas desulphurisation unit for EC Gdańsk (an EDF Polska Group's company);** contract executed between Elektrociepłownie Wybrzeże S.A. Gdańsk and RAFAKO SA; recognised revenue: **PLN 27.6m;**
3) **Design and construction of a wet lime-and-gypsum flue-gas desulfurization unit for EC Kraków**; executed between EDF Polska S.A. and RAFAKO SA; recognised revenue: **PLN 42.1m**;
4) **Design and construction of a wet lime-and-gypsum flue-gas desulfurization unit for ZEC Wrocław**; executed between EDF Polska S.A. and RAFAKO SA; recognised revenue: **PLN 36.6m**;
5) **Upgrade and overhaul of the flue gas heating system for power generating units 8, 10, 11, and 12 at the Bełchatów Power Plant**; contract executed between PGE Górnictwo i Energetyka

Konwencjonalna S.A. (Bełchatów Power Plant Branch) and RAFAKO SA; recognised revenue: **PLN 19.4m**;

6) **Delivery, assembly and start-up of boiler HP section, Buckinghamshire (Great Britain)**; contract executed between Hitachi Zosen Inowa AG and RAFAKO SA; recognised revenue: **PLN 13.3m**;
7) **Design, construction and commissioning of a wet lime-and-gypsum flue-gas desulfurization unit for EC Gdynia**; executed between EDF Polska S.A. and RAFAKO SA; recognised revenue: **PLN 11.4m**.

The following developments significant to the PBG Group occurred in Q3 2014 and until the date of this report:

1. The decision to close insolvency proceedings of PBG AVATIA, a PBG subsidiary, issued on September 26th 2014 by the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, became final on September 19th 2014.
2. On September 17th 2014, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, issued a decision concerning performance of the Arrangement entered into at the Meeting of Creditors of PBG AVATIA held on February 24th 2014 and approved by the final decision of the Court dated April 2nd 2014.
3. On November 3rd 2014, the Management Board of KWG S.A. w upadłości układowej (in company voluntary arrangement) of Szczecin, a PBG subsidiary, moved for the District Court for Szczecin-Centrum in Szczecin, 12th Commercial Division ("the Court") to convert the company's arrangement bankruptcy proceedings into liquidation bankruptcy proceedings.
4. On November 3rd 2014, the PBG Management Board filed with the District Court for Poznań – Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, arrangement proposals which are to be presented to the Creditors for approval by way of voting at the creditors' meeting as part of PBG's arrangement bankruptcy proceedings. On November 3rd 2014, the arrangement proposals were adopted as final proposals by the Company's Management Board and approved by the Company's Supervisory Board.
5. Mr Paweł Mortas was removed from the position of President of the RAFAKO Management Board and Ms Agnieszka Wasilewska-Semail was appointed President of the RAFAKO Management Board.
6. Mr Paweł Mortas resigned from the position of President of the PBG Management Board.
7. RAFAKO and ENERGA Elektrownie Ostrołęka S.A. entered into a contract to reduce NOx emissions from OP-650 boilers.

Factors with a bearing on the Group's future financial performance:

1. Order book of **PLN 5.63bn**, including over PLN 5bn in contracts in the power construction segment.
2. Participation in tenders and securing major contracts for:
   - construction and extension of gas transmission pipelines;
   - construction of power generating units;
   - construction of environmental protection facilities;
   - construction of waste incineration plants.
3. Reorganisation and restructuring of the PBG Group.

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PBG Group's profitability in the reporting period

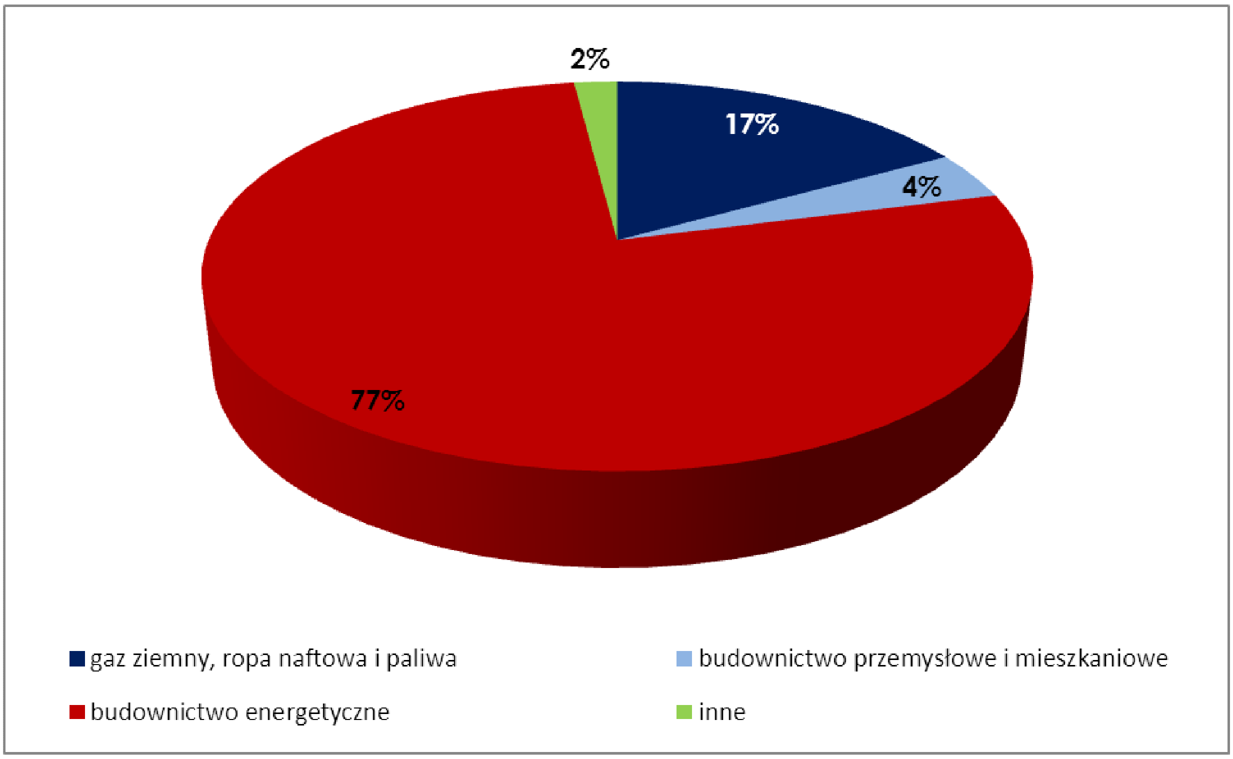
Profitability ratios	Q3 2014	Q3 2013	Q1–Q3 2014	Q1–Q3 2013
Gross margin[1]	8.1%	-15.8%	8.6%	0.5%
Operating margin[2]	0.5	-34.6	-14.9%	15.7%
Net margin[3]	-0.8	-35.3	-15.9%	8.6%

[1] gross profit / revenue*100
[2] operating profit / revenue*100
[3] net profit attributable to owners of the Parent / revenue*100

The RAFAKO Group's results were a positive contribution to the PBG Group's overall financial performance. In Q1-Q3 2014, the RAFAKO Group generated sales of PLN 810.8m, which is estimated to represent 77.5% of the PBG Group's revenue. The increase in the RAFAKO Group's revenue in the first three quarters of 2014 was chiefly attributable to the higher (year on year) cost exposure to the running contracts, which primarily resulted from various stages of progress of the contracts in RAFAKO Group's order book as at September 30th 2014 vs. September 30th 2013, and from the higher weighted average profit margin earned on contracts in 2014 as compared with the margin reported in the same period of 2013. As a result, the RAFAKO Group recognised higher revenue. As the value of RAFAKO's order book at the end of September 2014 (including the Jaworzno III Power Plant contract) was by approximately PLN 950m higher year on year, further revenue increase is likely to be seen in Q4 2014.

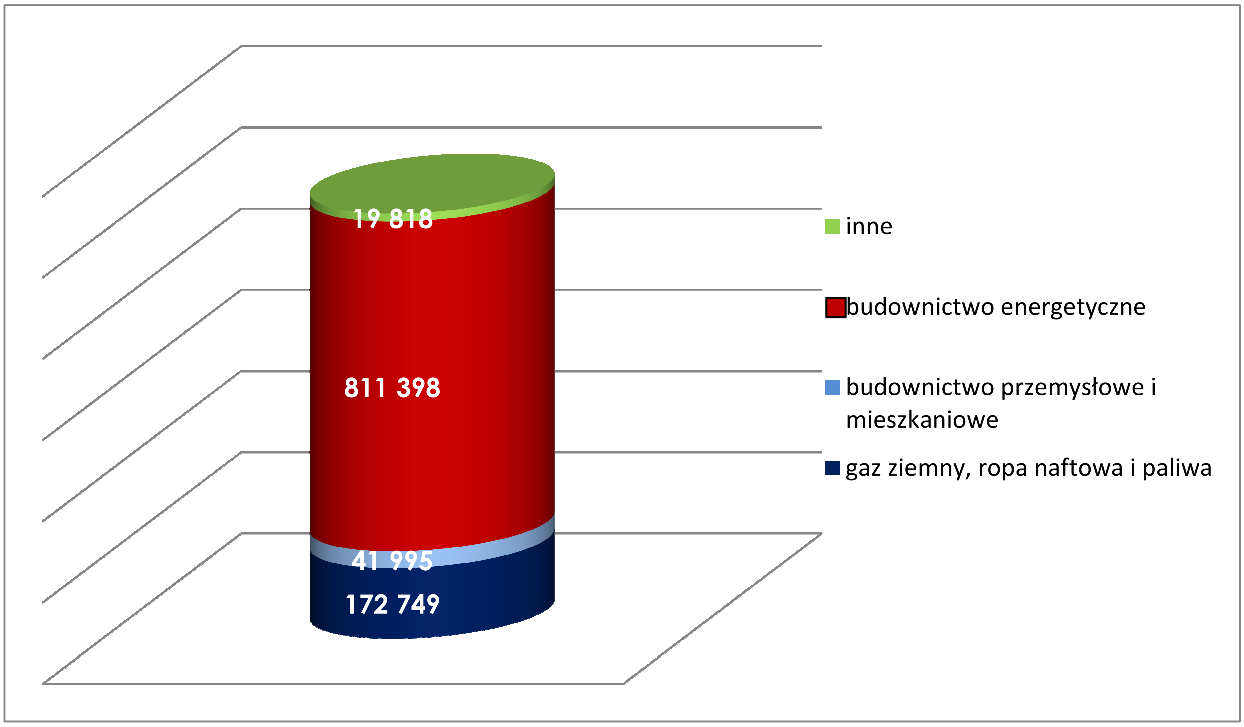
In Q1-Q3 2014, the RAFAKO Group's operating profit was PLN 30m, with net profit attributable to owners of the parent at PLN 19.7m.

Chart 1: SEGMENTS' PERCENTAGE SHARES IN THE PBG GROUP'S REVENUE IN Q1–Q3 2014



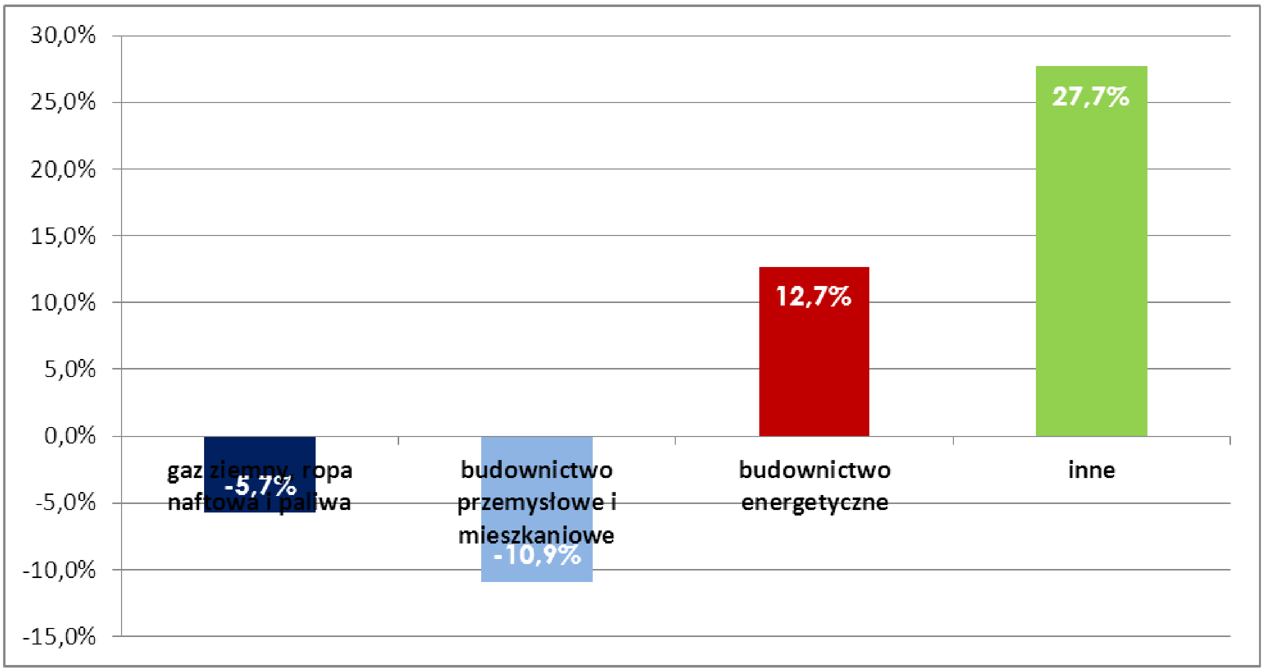
Gaz ziemny, ropa naftowa i paliwa	Gas, oil and fuels
Budownictwo przemysłowe i mieszkaniowe	Industrial and residential construction
Budownictwo energetyczne	Power construction
Inne	Other

Chart 2: SEGMENTS' CONTRIBUTION TO THE PBG GROUP'S REVENUE IN Q1–Q3 2014 (PLN '000)



Inne	Other
Budownictw energetyczne	Power construction
Budownictwo przemysłowe i mieszkaniowe	Industrial and residential construction
Gaz ziemny, ropa naftowa i paliwa	Gas, oil and fuels

Chart 3: GROSS MARGIN BY SEGMENT IN Q1–Q3 2014



Gaz ziemny, ropa naftowa i paliwa	Gas, oil and fuels
Budownictwo przemysłowe i mieszkaniowe	Industrial and residential construction
Budownictw energetyczne	Power construction
Inne	Other

2. OTHER INCOME AND EXPENSES AND FINANCE COSTS

1. Other income

Cumulatively in Q1–Q3 2014, **other income totalled PLN 60.9m**, with the largest item being the reversal of impairment losses on receivables of PLN 26m. The second largest item of other income was PLN 19.2m reversal of provision for potential liabilities. Year on year, other income **decreased by 84%**.

2. Other expenses

As at the end of Q3 2014, **other expenses** were **PLN 212m,** up **64%** year on year. Other expenses included: PLN 114.5m loss on investments in related entities (loss of control over Energopol Ukraina S.A. and PBG Dom Invest III Sp. z o.o.) and PLN 74m impairment of assets.

3. Finance costs

As at the end of Q3 2014, **finance costs** (less finance income) **totalled PLN 5.9m**, and were **significantly lower** than in Q3 2013 (PLN 113.4m). PLN 8.6m interest on financial instruments was the largest item of finance costs.

3. PBG GROUP'S STATEMENT OF CASH FLOWS

Cash flows (PLN '000)	Q3 2014	Q3 2013
Net cash from operating activities	+41,972	-97,239
Net cash from investing activities	+29,519	+7,711
Net cash from financing activities	-119,626	+14,785
Net cash at the end of the period	+126,140	+99,150

In Q1-Q3 2014, the PBG Group generated **PLN 41.9m positive cash flow from operating activities. Net cash flow from investing activities** was PLN 29.5m. **Net cash from financing activities** in Q3 2014 was negative, at PLN -119.6m. In the reporting period, the PBG Group contracted bank borrowings for a total of PLN 10.6m, and repaid bank borrowings of PLN 151m.

Profile of cash flows	Q3 2014	Q3 2013
Net cash from operating activities	+	-
Net cash from investing activities	+	+
Net cash from financing activities	-	+
Net cash at the end of the period	+	+

QSr 3/2014 (all amounts in PLN ‘000, unless otherwise indicated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST – SEPTEMBER 30TH 2014

Item	Equity attributable to owners of the Parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium	Cash-flow hedges	Translation reserve	Other components of equity	Retained earnings	Total		
Balance as at Jan 1 2014	**14,295**	**-**	**733,348**	**(2,364)**	**(3,190)**	**644,764**	**(2,245,136)**	**(858,283)**	**275,437**	**(582,846)**
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-	-	-	-	-
Restated balance	**14,295**	**-**	**733,348**	**(2,364)**	**(3,190)**	**644,764**	**(2,245,136)**	**(858,283)**	**275,437**	**(582,846)**
Changes in equity in the period Jan 1 – Sep 30 2014										
Share issue	-	-	-	-	-	-	-	-	-	-
Employee share options	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries (transactions with non-controlling interests)	-	-	-	-	47,159	(358)	(216)	46,585	6,963	53,548
Other adjustments	-	-	-	-	(2)	-	(1)	(3)	(5)	(8)
Reclassification of equity items upon loss of control	-	-	-	-	43	(13,984)	13,941	-	-	-
Dividends	-	-	-	-	-	-	-	-	(605)	(605)
Transfer to reserves	-	-	-	-	-	(85,912)	85,912	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**47,200**	**(100,254)**	**99,636**	**46,582**	**6,353**	**52,935**
Net profit (loss) for the period Jan 1 – Sep 30 2014	**-**	**-**	**-**	**-**	**-**	**-**	**(165,863)**	**(165,863)**	**(225)**	**(166,088)**
Other comprehensive income net of tax for the period Jan 1 – Sep 30 2014	-	-	-	(1,354)	(44,652)	8	-	(45,998)	(11,892)	(57,890)
Total comprehensive income	**-**	**-**	**-**	**(1,354)**	**(44,652)**	**8**	**(165,863)**	**(211,861)**	**(12,117)**	**(223,978)**
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
Balance as at Sep 30 2014	**14,295**	**-**	**733,348**	**(3,718)**	**(642)**	**544,518**	**(2,311,363)**	**(1,023,562)**	**269,673**	**(753,889)**

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST – SEPTEMBER 30TH 2013

Item	Equity attributable to owners of the Parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium	Cash-flow hedges	Translation reserve	Other components of equity	Retained earnings	Total		
Balance as at Jan 1 2013	**14,295**	**-**	**733,348**	**(3,484)**	**(3,386)**	**888,648**	**(2,748,401)**	**(1,118,980)**	**275,491**	**(843,489)**
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-	-	-	-	-
Restated balance	**14,295**	**-**	**733,348**	**(3,484)**	**(3,386)**	**888,648**	**(2,748,401)**	**(1,118,980)**	**275,491**	**(843,489)**
Changes in equity in the period Jan 1 – Sep 30 2013										
Share issue	-	-	-	-	-	-	-	-	-	-
Employee share options	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries (transactions with non-controlling interests)	-	-	-	-	-	-	(7,667)	(7,667)	43,815	36,148
Other adjustments	-	-	-	37	-	386	301	724	(91)	633
Reclassification of equity items upon loss of control	-	-	-	-	-	(238,543)	238,543	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	(1,268)	1,268	-	-	-
Total transactions with owners	**-**	**-**	**-**	**37**	**-**	**(239,425)**	**232,445**	**(6,943)**	**43,724**	**36,781**
Net profit (loss) for the period Jan 1 – Sep 30 2013	**-**	**-**	**-**	**-**	**-**	**-**	**81,794**	**81,794**	**(45,186)**	**36,608**
Other comprehensive income net of tax for the period Jan 1 – Sep 30 2013	-	-	-	955	234	574	-	1,763	340	2,103
Total comprehensive income	**-**	**-**	**-**	**955**	**234**	**574**	**81,794**	**83,557**	**(44,846)**	**38,711**
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
Balance as at Sep 30 2013	**14,295**	**-**	**733,348**	**(2,492)**	**(3,152)**	**649,797**	**(2,434,162)**	**(1,042,366)**	**274,369**	**(767,997)**

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2013

Item	Equity attributable to owners of the Parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium	Cash-flow hedges	Translation reserve	Other components of equity	Retained earnings (losses)	Total		
Balance as at Jan 1 2013	**14,295**	**-**	**733,348**	**(3,484)**	**(3,386)**	**888,648**	**(2,748,401)**	**(1,118,980)**	**275,491**	**(843,489)**
Changes in accounting policies	-	-	-	-	-	-	-	**-**	-	**-**
Correction of errors	-	-	-	-	-			**-**		**-**
Restated balance	**14,295**	**-**	**733,348**	**(3,484)**	**(3,386)**	**888,648**	**(2,748,401)**	**(1,118,980)**	**275,491**	**(843,489)**
Changes in equity in the period Jan 1–Dec 31 2013										
Share issue	-	-	-	-	-	-	-	-	-	-
Employee share options	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries (transactions with non-controlling interests)	-	-	-	-	-	1,997	(7,667)	(5,670)	49,817	44,147
Other adjustments	-	-	-	40	-	862	(119)	783	(95)	688
Reclassification of equity items upon loss of control	-	-	-	-	-	(253,500)	253,500	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**40**	**-**	**(250,641)**	**245,714**	**(4,887)**	**49,722**	**44,835**
Net profit (loss) for the period Jan 1–Dec 30 2013	**-**	**-**	**-**	**-**	**-**	**-**	**257,551**	**257,551**	**(50,039)**	**207,512**
Other comprehensive income net of tax for the period Jan 1–Dec 31 2013	-	-	-	1,080	196	6,757	-	8,033	263	8,296
Total comprehensive income	**-**	**-**	**-**	**1,080**	**196**	**6,757**	**257,551**	**265,584**	**(49,776)**	**215,808**
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
Balance as at Dec 31 2013 (audited)	**14,295**	**-**	**733,348**	**(2,364)**	**(3,190)**	**644,764**	**(2,245,136)**	**(858,283)**	**275,437**	**(582,846)**

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Cash flows from operating activities		
Profit (loss) before tax	**(160,901)**	**36,567**
Adjustments:		
Depreciation and impairment of property, plant and equipment	11,091	22,427
Amortisation and impairment of intangible assets	3,255	5,908
Change in fair value of investment property	-	1,737
Gains (losses) on financial assets and liabilities at fair value through profit or loss	(464)	796
Cash flow hedges recycled from equity	785	856
Impairment of financial assets	39,833	112,837
(Gains) losses on disposal of non-financial non-current assets	1,512	4,220
Gain (loss) on disposal of non-derivative financial assets	111,622	(214,545)
Foreign exchange gains (losses)	(2,546)	(1,104)
Interest expense	8,572	33,451
Interest income	(2,024)	(15,574)
Dividend received	(14)	(19)
Share of profit (loss) of associates	-	-
Other adjustments	6,748	12,599
Total adjustments	**178,370**	**(36,411)**
Change in inventories	(21,359)	(62,494)
Change in trade and other receivables	116,034	59,149
Change in trade payables	132,765	(52,596)
Change in provisions, accruals and prepaid expenses	(75,613)	(93,034)
Change in construction contracts and related liabilities	(122,643)	45,170
Net changes in working capital	**29,184**	**(103,805)**
Settling of derivative financial instruments	(59)	53
Interest paid (operating activities only)	(13)	(1)
Income taxes paid	(4,609)	6,358
Net cash from operating activities	**41,972**	**(97,239)**
Cash flows from investing activities		
Purchase of intangible assets	(868)	(324)
Proceeds from disposals of intangible assets	-	5
Purchase of property, plant and equipment	(4,517)	(10,553)
Proceeds from disposals of property, plant and equipment	3,410	5,068
Purchase of investment property	(306)	(2,058)
Proceeds from disposals of investment property	4,571	11,902
Acquisition of subsidiaries, net	-	612
Sale of subsidiaries, net	-	6,427
Repayment of loans advanced	21,448	3,348
Loans advanced	(612)	(8,341)
Purchase of other financial assets	(5,263)	(5,488)
Proceeds from disposals and redemptions of other financial assets	1,272	7,143
Proceeds from government grants	-	-
Interest received	2,051	1,556
Other inflows	10,580	42

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Other investment outflows	(2,260)	(1,647)
Dividend received	13	19
Net cash from investing activities	**29,519**	**7,711**
Cash flows from financing activities		
Proceeds from issue of share capital	190	1
Purchase of treasury shares	-	-
Proceeds from issue of debt securities	32,489	24,164
Repayment of debt securities	-	-
Interest paid on debt securities	-	-
Proceeds from borrowings	10,585	33,872
Repayment of borrowings	(151,064)	(22,590)
Payment of finance lease liabilities	(2,686)	(6,010)
Interest paid	(9,968)	(14,632)
Interest received on bank deposits	1,899	916
Other inflows/outflows	(466)	(936)
Dividend paid	(605)	-
Net cash from financing activities	**(119,626)**	**14,785**
Net change in cash and cash equivalents	**(48,135)**	**(74,743)**
Cash and cash equivalents, beginning of period	**173,894**	**173,536**
Effect of exchange rate changes	381	357
Cash and cash equivalents, end of period	**126,140**	**99,150**

2 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR Q3 2014

2.1 The Parent and the PBG Group

2.1.1. The Parent

The parent of the PBG Group ("the Group") is PBG S.A. in company voluntary arrangement ("the Parent", "the Company"). The Parent was incorporated on January 2nd 2004, by virtue of a Notary Deed of December 1st 2003. The Company trades in all parts of Poland, pursuant to the provisions of the Commercial Companies Code. The Parent is entered in the Register of Entrepreneurs (National Court Register) maintained by the District Court for Poznań-Nowe Miasto and Wilda, 7th Commercial Division of the National Court Register, under KRS No. 0000184508. The Parent's Industry Identification Number (REGON) is 631048917. PBG shares are listed on the Warsaw Stock Exchange.

The Parent's registered office is located at ul. Skórzewska 35 in Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland. The Parent's registered office is also the principal place of business of the Group. On October 1st 2009, a PBG SA representative office was registered in Ukraine. Its purpose was to research the Ukrainian market and establish relations with potential partners in the construction and related sectors. On June 4th 2012, the Parent's Management Board filed an arrangement bankruptcy petition. On June 13th 2012, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declared the Company in arrangement bankruptcy. On November 3rd 2014, the Final Arrangement Proposals, as approved by the Supervisory Board, were adopted by the Management Board (see Current Report No. 23/2014 of November 4th 2014). The Final Arrangement Proposals of November 3rd 2014 superseded the draft arrangement proposals of September 3rd 2013.

The Parent's principal business activities are:

- PKD 7112 Z Engineering activities and related technical consultancy.

The principal business activities of each of the PBG Group subsidiaries are described in detail in Note 2.1.2.

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These interim condensed consolidated financial statements have been approved for issue by the Parent's Management Board on November 14th 2014.

The Parent and the Group companies were incorporated for unspecified time.

The Management Board and Supervisory Board of PBG SA (in company voluntary arrangement)

The composition of the Parent's Management Board and Supervisory Board as at September 30th 2014, September 30th 2013 and December 31st 2013 is presented in the table below:

As at Sep 30 2014	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Jerzy Wiśniewski – President of the Management Board Paweł Mortas – Vice-President of the Management Board Mariusz Łożyński – Vice-President of the Management Board Kinga Banaszak-Filipiak – Vice-President of the Management Board Bożena Ciosk – Member of the Management Board	Maciej Bednarkiewicz – Chairman of the Supervisory Board Małgorzata Wiśniewska – Deputy Chairman of the Supervisory Board Andrzej Stefan Gradowski – Secretary of the Supervisory Board Przemysław Szkudlarczyk – Member of the Supervisory Board Dariusz Sarnowski – Member of the Supervisory Board Norbert Słowik – Member of the Supervisory Board
As at Sep 30 2013	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Paweł Mortas – President of the Management Board Tomasz Tomczak – Vice-President of the Management Board Mariusz Łożyński – Vice-President of the Management Board Kinga Banaszak-Filipiak – Vice-President of the Management Board Bożena Ciosk – Member of the Management Board	Jerzy Wiśniewski – Chairman of the Supervisory Board Maciej Bednarkiewicz – Deputy Chairman of the Supervisory Board Małgorzata Wiśniewska – Secretary of the Supervisory Board Przemysław Szkudlarczyk – Member of the Supervisory Board Dariusz Sarnowski – Member of the Supervisory Board Andrew Stefan Gradowski – Member of the Supervisory Board Norbert Słowik – Member of the Supervisory Board
As at December 31st 2013	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Paweł Mortas – President of the Management Board Tomasz Tomczak – Vice-President of the Management Board Mariusz Łożyński – Vice-President of the Management Board Kinga Banaszak-Filipiak – Vice-President of the Management Board Bożena Ciosk – Member of the Management Board	Jerzy Wiśniewski – Chairman of the Supervisory Board Maciej Bednarkiewicz – Deputy Chairman of the Supervisory Board Małgorzata Wiśniewska – Secretary of the Supervisory Board Przemysław Szkudlarczyk – Member of the Supervisory Board Dariusz Sarnowski – Member of the Supervisory Board Andrew Stefan Gradowski – Member of the Supervisory Board Norbert Słowik – Member of the Supervisory Board

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In the period from January 1st 2014 to the date of approval of these interim condensed consolidated financial statements for issue, the following changes occurred in the composition of the Parent's Management Board.

- ✓ On April 24th 2014:
  - ➢ Mr Jerzy Wiśniewski was appointed President of the Management Board;
  - ➢ Mr Paweł Mortas was removed as President of the Management Board and appointed Vice-President of the Management Board;
- ✓ On May 6th 2014, Mr Tomasz Tomczak resigned from his position on the Management Board.
- ✓ On October 31st 2014, Mr Paweł Mortas resigned from his position on the Management Board.

In the period from January 1st 2014 to the date of approval of these interim condensed consolidated financial statements for issue, the following changes occurred in the composition of the Parent's Supervisory Board.

- ✓ On April 24th 2014, resignation from his current position on the Management Board was submitted by:
  - ➢ Mr Jerzy Wiśniewski resigned from the position of Chairman of the Supervisory Board;
  - ➢ Mr Maciej Bednarkiewicz was removed from the position of Deputy Chairman of the Supervisory Board and was appointed Chairman of the Supervisory Board;
  - ➢ Ms Małgorzata Wiśniewska was removed from the position of Secretary of the Supervisory Board and was appointment Deputy Chairperson of the Supervisory Board;
  - ➢ Mr Andrzej Stefan Gradowski was removed from the position of Member of the Supervisory Board and was appointed Secretary of the Supervisory Board.
- ✓ On November 4th 2014, Mr Norbert Słowik resigned from his position on the Management Board.

Composition of the Parent's Management Board and Supervisory Board as at the date of issue of this report, i.e. November 14th 2014, is presented in the table below:

As at the date of issue of the report:	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Jerzy Wiśniewski – President of the Management Board	Maciej Bednarkiewicz – Chairman of the Supervisory Board
Mariusz Łożyński – Vice-President of the Management Board	Małgorzata Wiśniewska – Deputy Chairman of the Supervisory Board
Kinga Banaszak-Filipiak – Vice-President of the Management Board	Andrzej Stefan Gradowski – Secretary of the Supervisory Board
Bożena Ciosk – Member of the Management Board	Przemysław Szkudlarczyk – Member of the Supervisory Board
	Dariusz Sarnowski – Member of the Supervisory Board

2.1.2. Role of PBG S.A. in company voluntary arrangement within the Group. Changes in the Group's structure

PBG S.A. in company voluntary arrangement is the Parent of the PBG Group.

The interim condensed consolidated financial statements include the financial statements of PBG S.A. in company voluntary arrangement and financial statements of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the Parent, with the use of consistently applied accounting policies.

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These interim condensed consolidated financial statements include the following subsidiaries:

Name	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	Group's ownership interest		
			Sep 30 2014	Dec 31 2013	Sep 30 2013
PBG Avatia Sp. z o.o. (1)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Reproduction of recorded media PKD 18.20.Z	99.90%	99.90%	99.90%
Brokam Sp. z o.o. (2)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	100.00%	100.00%	100.00%
KWG S.A. in company voluntary arrangement (presently in liquidation bankruptcy) (3)	ul. Pomorska 35, 70-812 Szczecin POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	100.00%	100.00%	100.00%
PBG Dom Sp. z o.o. (4)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z Renting and operating of own or leased real property PKD 68.20.Z	100.00%	100.00%	100.00%
PBG Erigo Sp. z o.o. (5)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Activities of head offices and holding companies other than financial holdings PKD 70.10.Z	100.00%	100.00%	100.00%
Górecka Projekt Sp. z o.o. (6)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Development of building projects PKD 41.10. Z Renting and operating of own or leased real property PKD 68.20.Z	100.00%	100.00%	100.00%
PBG Dom Invest Limited (7)	4 Afentrikas, Afentrika Court Office 2 P.C. 6018 Larnaka Cyprus	Holding of investment assets	100.00%	100.00%	100.00%
Erigo I Sp. z o.o. (8)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%	100.00%

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

Name	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	Group's ownership interest		
			Sep 30 2014	Dec 31 2013	Sep 30 2013
Erigo II Sp. z o.o. (9)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%	100.00%
Erigo III Sp. z o.o. (10)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%	100.00%
Erigo IV Sp. z o.o. (11)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	-	-
Erigo V Sp. z o.o. (12)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	-	-
Erigo IV Sp. z o.o. SKA (formerly: SMIP Investment Sp. z o.o. w organizacji SKA (in formation)) (13)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	-	-
City Development Sp. z o. o. (14)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Development of building projects PKD 41.10.Z	100.00%	100.00%	100.00%
PBG Erigo Projekt Sp. z o.o. Ecoria II SKA (15)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Development of building projects PKD 41.10.Z	100.00%	100.00%	100.00%
PBG Dom Invest X Sp. z o.o. Invest I SKA (16)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z Renting and operating of own or leased real property 68.20.ZPKD	100.00%	100.00%	100.00%
PBG Dom Invest X Sp. z o.o. Złotowska 51 SKA (17)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%	100.00%
PBG Erigo Projekt Sp. z o.o. Quadro House SKA (18)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Development of building projects PKD 41.10.Z	100.00%	100.00%	100.00%

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

Name	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	Group's ownership interest		
			Sep 30 2014	Dec 31 2013	Sep 30 2013
PBG Erigo Projekt Sp. z o.o. Strzeszyn SKA (19)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Development of building projects PKD 41.10.Z	100.00%	100.00%	100.00%
PBG Dom Invest X Sp. z o.o. (20)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%	100.00%
PBG Erigo Projekt Sp. z o.o. (21)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%	100.00%
PBG Erigo Finanse Sp. z o.o. (22)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%	100.00%
PBG Erigo Projekt Sp. z o.o. Platan Hotel SKA (23)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Hotels and similar accommodation PKD 55.10.Z	100.00%	100.00%	100.00%
PBG Erigo Projekt Sp. z o.o. Malta Hotel SKA (24)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Hotels and similar accommodation PKD 55.10.Z	100.00%	100.00%	100.00%
Ecoria Sp. z o.o. (25)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%	-
Wschodni Invest Sp. z o.o. (26)	ul. Mazowiecka 42, 60-623 Poznań POLAND	Other financial intermediation PKD 64.19.Z	100.00%	100.00%	100.00%
Energopol Ukraina (27)	ul. Kondratiuka 1, 04201 Kiev UKRAINE	Construction and assembly activities	49.00%	51.00%	51.00%

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

Name	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	Group's ownership interest		
			Sep 30 2014	Dec 31 2013	Sep 30 2013
PBG Ukraina Publiczna Spółka Akcyjna (public joint-stock company) (28)	ul. Kondratiuka 1, 04201 Kiev UKRAINE	Construction of buildings and other structures, assembly and installation of prefabricated structures, assembly of metal structures, organisation of property construction projects intended for sale or rental; engineering activities.	100.00%	100.00%	100.00%
PBG Operator Sp. z o.o. (29)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Other credit granting PKD 64.92.Z	100.00%	100.00%	100.00%
PBG oil and gas Sp. z o. o. (30)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	25.00%	100.00%	100.00%
Bathinex Sp. z o.o. (31)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	100.00%	100.00%	100.00%
Multaros Trading Company Limited (32)	Kostaki Pandelidi 1, Kolokasides Building, 3rd floor, 1010 Nicosia CYPRUS	Holding of securities	100.00%	100.00%	100.00%
RAFAKO S.A. (33)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Manufacture of steam generators except central heating hot water boilers (25.30.Z)	61.01%	61.01%	61.01%
FPM S.A. Mikołów (34)	ul. Towarowa 11, 43-190 Mikołów POLAND	Manufacture of ovens, furnaces and furnace burners (28.21.Z)	50.14%	50.14%	50.14%
PALSERWIS Sp. z o.o. (35)	ul. Towarowa 11, 43-190 Mikołów POLAND	Manufacture of ovens, furnaces and furnace burners (28.21.Z)	50.14%	50.14%	50.14%

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

Name	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	Group's ownership interest		
			Sep 30 2014	Dec 31 2013	Sep 30 2013
PGL-DOM Sp. z o.o. (36)	ul. Bukowa 1, 47-400 Racibórz, POLAND	Real property activities with own property (68.32 Z)	61.01%	61.01%	61.01%
RAFAKO ENGINEERING Sp. z o. o. (37)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Construction and process design, urban planning (71.12.Z)	61.01%	61.01%	61.01%
ENERGOTECHNIKA Engineering Sp. z o. o. (38)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Construction and process design, urban planning (71.12.Z)	51.35%	61.01%	61.01%
RAFAKO ENGINEERING SOLUTION doo (39)	Belgrade SERBIA	Process design, construction, industry, and environmental protection consultancy and supervision (74203)	46.98%	46.98%	46.98%
RAFAKO Hungary Kft. (40)	Budapest HUNGARY	Equipment assembly in the power and chemical industry	61.01%	61.01%	61.01%
E001RK Sp. z o.o. (41)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Development of building projects; construction of roads and highways, railways and subways, bridges and tunnels; engineering activities and technical and scientific consultancy; production, repair and maintenance of machinery and equipment, generation and transmission of and trading in electricity.	61.01%	61.01%	-
E003B7 Sp. z o.o. (42)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Development of construction projects, business consultancy and construction design , engineering and technology	61.01%	61.01%	-

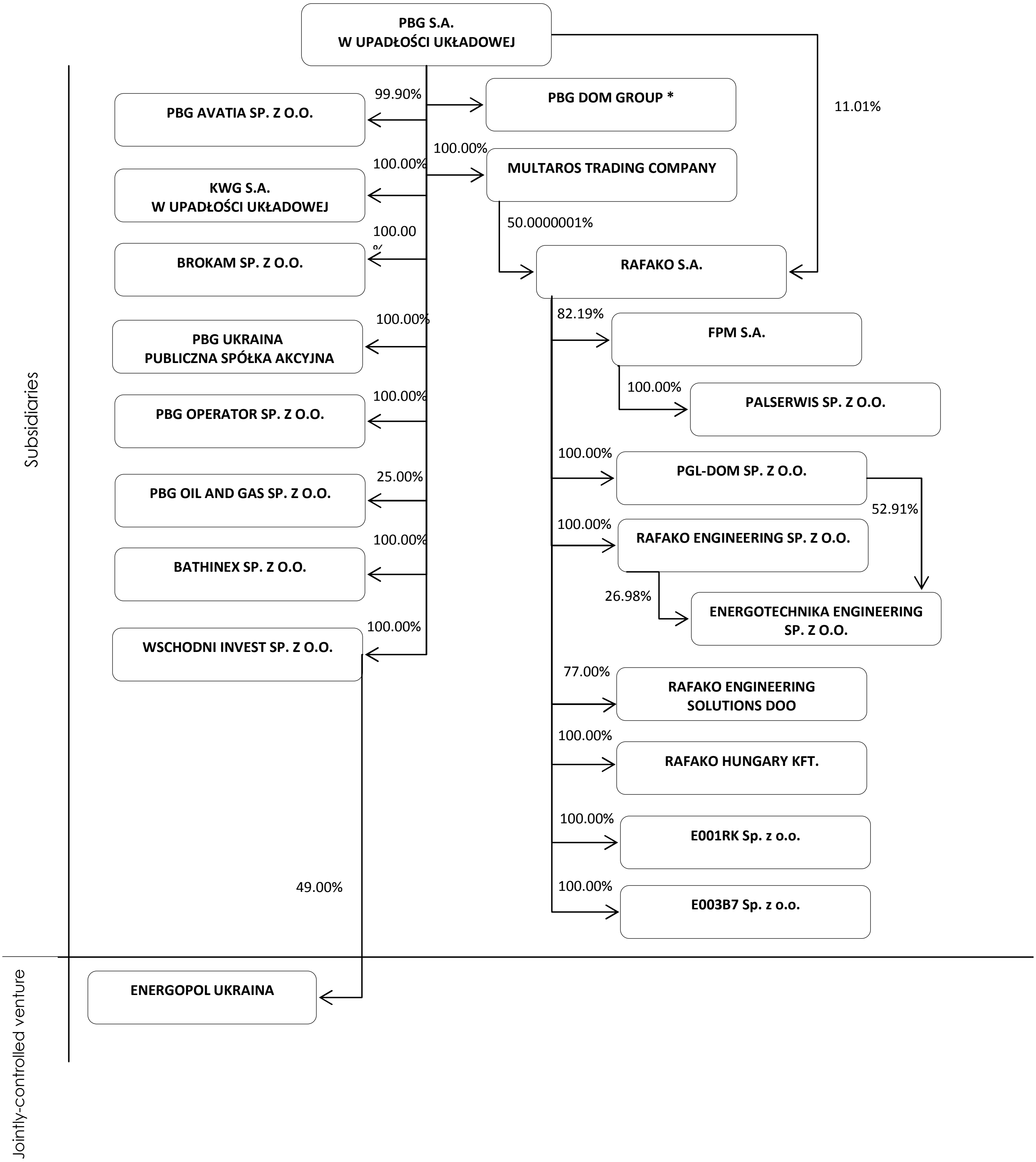
The figures in the table above present the Parent's ownership interests in the share capital of the entities.

The percentage interests in the share capital of the Group companies are presented as aggregate interests (percentage share held by the Parent in a subsidiary times percentage share of the subsidiary's interest in its subsidiary).

The number of shares held equals the number of voting rights, except at Energotechnika Engineering Sp. z o.o., a RAFAKO Group company, where the equity interest is held by:

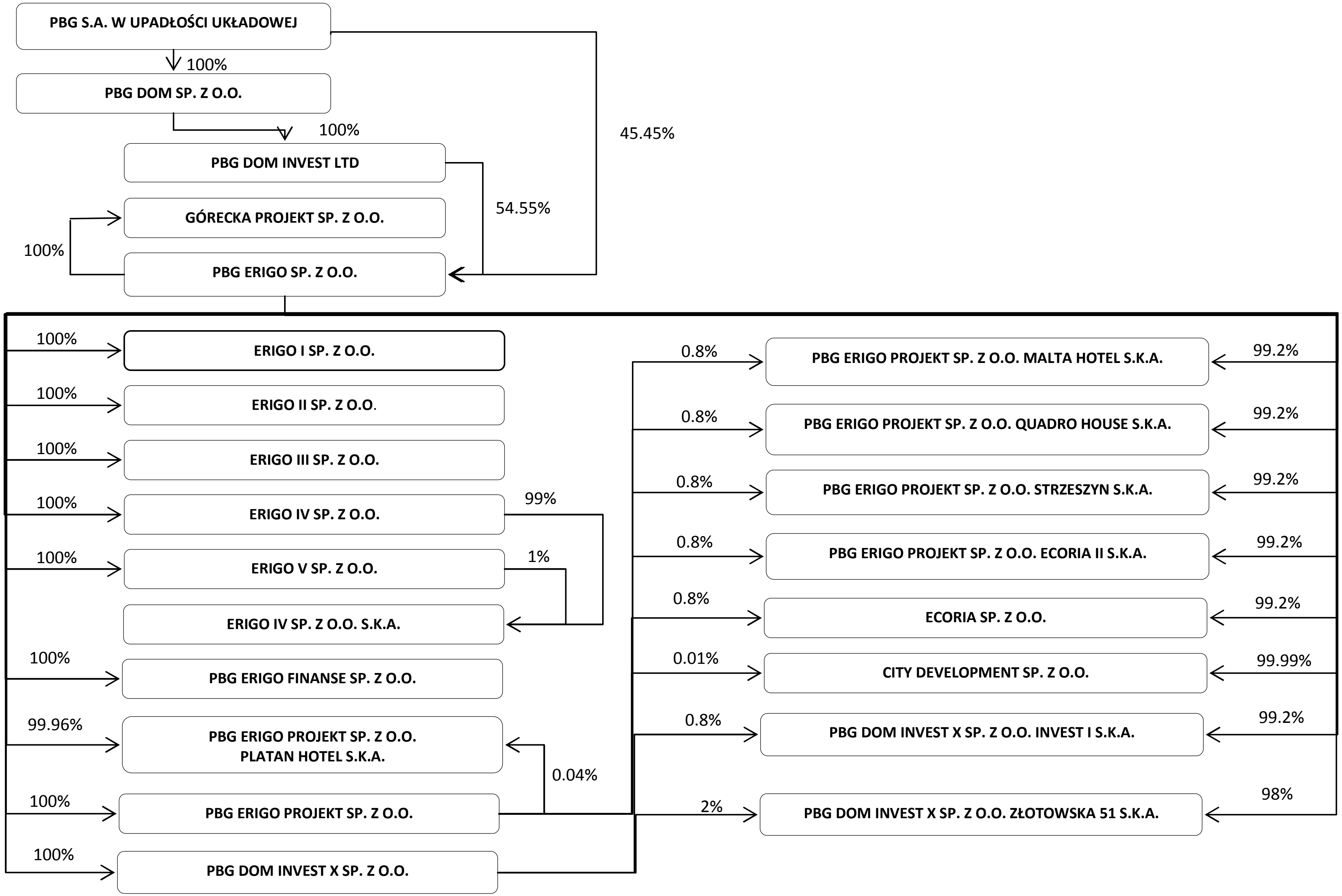
- RAFAKO Engineering Sp. z o.o. – 33.77% of preferred shares, carrying 50.50% of total voting rights at the Company's General Meeting (one share carries two votes at the General Meeting).

STRUCTURE OF THE PBG GROUP AS AT SEPTEMBER 30TH 2014



* The structure of the PBG Dom Group is presented below.

STRUCTURE OF THE PBG DOM GROUP AS AT SEPTEMBER 30TH 2014



PBG Dom Sp. z o.o. has one direct subsidiary:

- PBG Dom Invest Limited Sp. z o. o.,

and 20 indirect subsidiaries (through PBG Dom Invest Limited and PBG Erigo Sp. z o.o.):

- PBG ERIGO Sp. z o.o. (formerly PBG Dom Invest VI Sp. z o.o.)
- ERIGO I Sp. z o.o.
- ERIGO II Sp z o.o.
- ERIGO III Sp. z o.o.
- ERIGO IV Sp. z o.o. (formerly SMIP Investment Sp. z o.o. Sp. komandytowo-akcyjna)
- ERIGO V Sp. z o.o. (formerly Go Fast Sp. z o.o.)
- ERIGO IV Sp. z o.o. S.K.A. (formerly SMIP Investment Sp. z o.o. w organizacji SKA (in formation))
- ECORIA Sp. z o.o.
- PBG Erigo Finanse Sp. z o.o.
- PBG Erigo Projekt Sp. z o.o.
- PBG Erigo Projekt Sp. z o.o. Platan Hotel S.K.A.
- PBG Erigo Projekt Sp. z o.o. Quadro House S.K.A.
- PBG Erigo Projekt Sp. z o.o. Strzeszyn S.K.A.
- PBG Erigo Projekt Sp. z o.o. Ecoria II S.K.A.
- PBG Erigo Projekt Sp. z o.o. Malta Hotel S.K.A.
- City Development Sp. z o.o.
- PBG Dom Invest X Sp. z o.o.
- PBG Dom Invest X Sp. z o.o. Invest I S.K.A.
- PBG Dom Invest X Sp. z o.o. Złotowska 51 S.K.A.
- Górecka Projekt Sp. z o.o.,

As at September 30th 2014, the PBG Dom Group did not prepare interim condensed consolidated financial statements. The companies are consolidated at the level of the Parent.

Wschodni Invest Sp. z o.o. holds a 49% equity interest in Energopol Ukraina SA.
Under the arrangement described further in these financial statements, Energopol Ukraina is disclosed in these financial statements as an equity-accounted jointly-controlled venture.

RAFAKO S.A. has the following subsidiaries:

- FPM S.A.
  - PALSERWIS Sp. z o.o. – a subsidiary of FPM S.A.
- PGL-DOM Sp. z o.o.
  - ENERGOTECHNIKA Engineering Sp. z o.o. – a subsidiary of PGL-DOM Sp. z o.o. (which holds 52.91% of its share capital and 41.67% of total voting rights)

- RAFAKO ENGINEERING Sp. z o. o.
  - ENERGOTECHNIKA Engineering Sp. z o.o. – a subsidiary of RAFAKO ENGINEERING Sp. z o.o. (which holds 26.98% of its share capital and 42.50% of total voting rights)
- RAFAKO ENGINEERING SOLUTION doo
- RAFAKO Hungary Kft.
- E001RK Sp. z o.o.
- E003B7 Sp. z o.o.

As at September 30th 2014, the companies were consolidated in the interim condensed consolidated financial statements of the RAFAKO Group.

In Q3 2014, the following transactions resulted in changes of the Group's structure:

CHANGES IN EQUITY INTERESTS HELD BY PBG S.A. IN COMPANY VOLUNTARY ARRANGEMENT IN THE GROUP'S SUBSIDIARIES IN THE REPORTING PERIOD

Liquidation of PBG Bułgaria

On May 7th 2014, the liquidation of PBG Bułgaria, an indirect subsidiary of the Parent, was completed with the deletion of the company from the Commercial Register. PBG Bułgaria's equity was BGN 35 thousand.

CHANGES AT INDIRECT SUBSIDIARIES DURING THE REPORTING PERIOD

ACQUISITIONS

Acquisition of shares in SMIP Investment Sp. z o.o. (currently ERIGO IV Sp. z o.o.)

On February 7th 2014, PBG ERIGO Sp. z o.o., an indirect subsidiary of the Parent, acquired 60 shares in SMIP Investment Sp. z o.o., currently ERIGO IV Sp. z o.o.
The company's share capital amounts to PLN 6,000 and is divided into 60 shares with a nominal value of PLN 100.00 per share.
The shares, acquired for a total of PLN 6,000, comprise 100% of that company's share capital.

Acquisition of shares in Go Fast Sp. z o.o. (currently ERIGO V Sp. z o.o.)

On February 7th 2014, PBG ERIGO Sp. z o.o., an indirect subsidiary of the Parent, acquired 60 shares in Go Fast Sp. z o.o., currently ERIGO V Sp. z o.o.
The company's share capital amounts to PLN 6,000 and is divided into 60 shares with a nominal value of PLN 100.00 per share.
The shares, acquired for a total of PLN 6,000, comprise 100% of that company's share capital.

SMIP Investment Sp. z o.o. w organizacji Sp. komandytowo-akcyjna (currently ERIGO IV Sp. z o.o. S.K.A.)

Following PBG ERIGO Sp. z o.o. (a subsidiary of the Parent)'s acquisition of shares in SMIP Investment Sp. z o.o. (currently ERIGO IV Sp. z o.o.) and Go Fast Sp. z o.o. (currently ERIGO V Sp. z o.o.), PBG Erigo Sp. z o.o. became an indirect owner of SMIP Investment Sp. z o.o. w organizacji Sp. komandytowo-akcyjna (currently ERIGO IV Sp. z o.o. S.K.A.).

ERIGO IV and ERIGO V hold jointly 100% of SMIP Investment Sp. z o.o. Sp. komandytowo-akcyjna's share capital (currently ERIGO IV Sp. z o.o. S.K.A.).
Following the transaction, SMIP Investment Sp. z o.o. S.K.A. (currently ERIGO IV Sp. z o.o. S.K.A.) was incorporated into the PBG Group and is consolidated from February 7th 2014.
On August 1st 2014, the Extraordinary General Meeting of SMIP Investment Sp. z o.o. w organizacji Sp. komandytowo-akcyjna resolved to change the company's name to ERIGO IV Sp. z o.o. S.K.A. S.K.A.

SALES

Disposal of shares in PBG Dom Invest III Sp. z o.o., a subsidiary of PBG Dom Sp. z o.o.

On March 25th 2014, PBG Dom Sp. z o.o., a subsidiary, concluded an agreement whereby it sold all 100 shares held in PBG Dom Invest III Sp. z o.o. with a nominal value PLN 50.00 (fifty złoty) per share, with a total nominal value of PLN 5,000 (five thousand złoty), which comprised 100% of that company's share capital.
The shares were sold for a total price of PLN 5,000 (five thousand złoty).

Disposal of shares in subsidiary Energopol Ukraina

Wschodni Invest Sp. z o.o., an indirect subsidiary, sold two shares held in Energopol Ukraina, which represented 2% of the company's share capital. Currently, the Group's interest in the share capital of Energopol Ukraina is 49%.
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 Parent in the form of investment certificates will be transferred to the Parent's bank account. Following the payment, the Buyer will become the owner of the investment certificates.
In April 2014, the Parent entered into an arrangement with the buyer of a 2% interest in Energopol Ukraina's share capital, whereby the parties undertook to take steps to effectively close the conditional agreement. Execution of the agreement would be in line with the Parent's current investment policy towards Energopol Ukraina, which places more focus of recovering the invested capital than on the company's day-to-day operations. Together with its partner, the Parent controls 69% of Energopol Ukraina's share capital. Following execution of the arrangement, the investment in Energopol Ukraina is disclosed as a jointly-controlled venture, in accordance with IFRS 11. The decision to discontinue consolidation of Energopol Ukraina with the full method was made based on the amount of the company's net assets as at June 30th 2014. In the period from the date of the arrangement until June 30th 2014, Energopol Ukraina's net assets did not change materially.

OTHER

Liquidation of PBG DOM Capital Limited of Nicosia, Cyprus

On May 20th 2014, the liquidation of PBG Dom Capital Limited of Nicosia, Cyprus (a subsidiary of PBG Erigo Sp. z o.o.), was completed.

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

Share capital increase at subsidiary of RAFAKO S.A.

On January 15th 2014, under a shareholders' resolution passed by the General Meeting, ENERGOTECHNIKA ENGINEERING Sp. z o.o. increased its share capital by PLN 190,000 (from PLN 755,000 to PLN 945,000). The share capital was increased through an issue of 380 new shares with a nominal value of PLN 500.00 per share, and a total nominal value of PLN 190,000. The shares were paid up in cash by natural persons who were related parties of ENERGOTECHNIKA ENGINEERING Sp. z o.o.

The share capital increase was registered in the National Court Register on April 2nd 2014.

Following the transaction, the company's share capital consists of 1,890 shares with a total value of PLN 945,000. Following acquisition of the new shares by related parties, the indirect holding of RAFAKO S.A. in the share capital of ENERGOTECHNIKA ENGINEERING Sp. z o.o. decreased from 33.77% to 26.98%.

On June 24th 2014, the Extraordinary General Meeting of ENERGOTECHNIKA Sp. z o. o. passed a resolution to increase the company's share capital by issuing 410 new shares with a par value of PLN 500.00 per share; as a result, the company's share capital was increased by PLN 205,000, i.e. to PLN 1,150,000. All new shares were acquired by RAFAKO ENGINEERING Sp. z o.o. The subsidiary's current shareholding structure is as follows:

Name	*Number of shares*	*Ownership interest (%)*	*Voting rights at the company's General Meeting (%)*
PGL – DOM Sp. z o.o.*	1,000	43.48%	31.06%
RAFAKO ENGINEERING Sp. z o. o.*	510	40.00%	57.14%
Related entities	380	16.52%	11.80%

**RAFAKO S.A.'s subsidiaries.*

2.2 Policies applied in the preparation of the Q3 2014 interim condensed consolidated financial statements

2.2.1 Compliance statement and general rules of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in particular with IAS 34 "Interim Financial Reporting", and in compliance with the EU-endorsed accounting standards applicable to interim financial reporting, published and effective at the time of preparing these quarterly consolidated financial statements. Their scope also complies with the requirements of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities of February 19th 2009. These consolidated financial statements give a true and fair view of the PBG Group's financial position as at September 30th 2014 and September 30th 2013, as well as of its results of operations and cash flows for the nine months ended September 30th 2014 and September 30th 2013.

The Parent's separate financial statements included in this report were also prepared in accordance with the above policies. Pursuant to Par. 83.1 of the Minister of Finance's Regulation of February 19th 2009, an issuer which is a parent is not obliged to publish a separate quarterly report, provided that in its consolidated quarterly report the issuer discloses quarterly financial information in the form of condensed quarterly separate financial statements including: a balance sheet (statement of financial position), a statement of profit or loss, a statement of changes in equity and a cash-flow statement (statement of cash flows).

2.2.2 Going concern assumption

The Parent's current financial position puts in question its ability to continue as a going concern due to the ongoing bankruptcy proceedings. However, the interim condensed consolidated financial statements have been prepared on the assumption that the Group would continue as a going concern in the foreseeable future, i.e. for at least 12 consecutive months from the date of approval of these financial statements. This assumption was made due the possible arrangement the Parent can agree upon with the creditors as part of the ongoing bankruptcy proceedings, and the Management Board's efforts to conclude such arrangement with the creditors and ensure that the Company may continue its business activities.

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

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

On June 4th 2012, the Parent's Management Board made a decision to file an arrangement bankruptcy petition (grounds for the decision were presented in the Company's full-year report for 2012). On June 13th 2012, the District Court for Poznań−Stare Miasto in Poznań, 11th Commercial Insolvency and Arrangement Division, declared the Company insolvent, in voluntary arrangement. The Court's Decision became final on June 22nd 2012. Overall, twelve companies of the PBG Group filed arrangement bankruptcy petitions. The decision to make their filings almost simultaneously was prompted by the fact that the companies had provided cross guarantees to secure the repayment of bank loans and trade creditors, and (in some cases) assumed joint and several liability under consortium-delivered contracts. The formal and legal circumstances and the financial condition of the companies undergoing insolvency proceedings are very difficult, which affects both their business activities (for instance, their ability to secure new contracts) and the highly complex restructuring processes.

The voluntary arrangement procedure ensures proper satisfaction of the Creditors' claims following approval and implementation of the arrangement. Since 2012, the Parent's Management Board has been actively involved in negotiations with the Creditors. 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 presented with a plan of the operational and asset restructuring of the Company. The plan has been prepared by the Company and its financial adviser PwC Polska Sp. z o.o. On 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 together with draft arrangement proposals, which, upon approval by competent corporate bodies, were presented to the Creditors (see Current Report No. 24/2013). Following the negotiations and discussions held with creditors in recent months, on November 3rd 2014, the Final Arrangement Proposals were adopted by the Management Board and approved by the Supervisory Board (see Current Report No. 23/2014 of November 4th 2014). The Final Arrangement Proposals of November 3rd 2014 superseded the draft arrangement proposals of September 3rd 2013.
Furthermore, as the amount of disputed claims had been reduced to less than 15% of the total sum of claims, the Parent requested the Judge Commissioner to set the date for the Meeting of Creditors to vote on the arrangement.
Pursuant to the Final Arrangement Proposals, the Company's Creditors are to be satisfied in seven groups, depending on the category of interest they represent and the type and amount of their claims. The Creditors will be divided into categories of interest in accordance with the Bankruptcy and Restructuring Law of February 28th 2013 (Dz.U., No. 60, item 535, as amended). On November 4th 2014, the full text of the Final Arrangement Proposals was published on the Company's website at www.pbg-sa.plin the 'Restructuring' section.
In parallel to the steps taken to restructure debt, operational and asset restructuring efforts have also been undertaken.

The Parent's Management Board believes that concluding the arrangement on the terms described in the Final Arrangement Proposals of November 3rd 2014 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, the proper performance of the arrangement is guaranteed by:

- restructuring of Company's non-operating non-current assets, the sale of which will constitute one of the sources of payments to be made under the arrangement;
- divestment of the PBG Group's property development and other investment projects;
- ability to bid for profitable contracts in the power construction sector, based on cooperation with RAFAKO S.A., PBG's subsidiary;
- winning new contracts in the oil and gas sector, PBG's strategic segment.

Further stages of the Parent's voluntary arrangement proceedings held before the Bankruptcy Court have been completed:

- On June 12th 2013, the Company was notified that a list of claims as at May 31st 2013 had been delivered by the Court Supervisor to the Judge Commissioner.
- On December 24th 2013, May 28th 2014 and August 13th 2014, the Judge Commissioner announced completion of the first, second and third supplementary lists of claims, respectively. The total amount of the acknowledged claims included in the list of claims and supplementary lists of claims by the Court Supervisor was PLN 3,127,928 thousand, i.e. in line with the Management Board's estimates.
- Currently, in accordance with the Bankruptcy and Restructuring Law, the last remaining objection raised against the list of claims as at May 31st 2013, and objections to the supplementary lists of claims are being examined.

The next step of the procedure under the Bankruptcy and Restructuring Law will involve approval of the lists of claims by the Judge Commissioner, which will allow the meeting of the Company's creditors to be called in order to vote on the arrangement.

A company of strategic importance within the PBG Group is RAFAKO S.A., PBG's subsidiary.
To be able to continue its business activities, RAFAKO S.A. must maintain its financial liquidity, that is ability to secure full financing for the running contracts. In view of the above, the subsidiary's Management Board has prepared financial projections for the 12 months from September 30th 2014 and for the following years, based on a number of assumptions, the most important of which relate to:

- timely delivery and execution of the contracts in the subsidiary's current order book, including in particular the timely generation of cash flows from the contracts,
- continued financing of the subsidiary's operations with credit facilities subsequent to April 30th 2015 – pursuant to the annex executed on April 29th 2014, the repayment date for the current credit facility used by the subsidiary was extended until April 30th 2015,
- release of cash locked in performance bonds in exchange for providing the subsidiary's customers with bank guarantees – as at the date of these financial statements, the subsidiary had a guarantee line of PLN 50m provided by PKO BP, valid until December 6th 2016, and had begun the process of 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 the running contracts – the subsidiary is currently negotiating new guarantee lines with other banks.

In 2014, RAFAKO S.A. has executed a number of contracts and agreements related to the Jaworzno project; successfully completed negotiations on the Opole project and the settlement of EUR 43.5m receivables from Alstom; reduced its bank debt from ca. PLN 300m to ca. PLN 137m as at September 30th 2014; significantly reduced past due trade payables; secured a significant part of the budgeted revenue; and provided the financing bank with collateral for the current credit facility, as required by the institution.

All these activities clearly indicate that RAFAKO S.A.'s financial standing has improved, which should positively affect assessment of the subsidiary's financial position by financial institutions.

In view of the above, the RAFAKO Management Board believes that negotiations with the financing bank, which is also 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 and will be able to continue its business activities in line with the assumptions set forth in the financial projections.

Taking into account the risks described above, including RAFAKO's current financial standing as well as the status of its negotiations with the financing bank and other financial institutions, the Management Board is certain that the subsidiary will be able to meet the financial targets set for the coming year.

As at September 30th 2014, arrangement proceedings had been instituted with respect to the following subsidiary of the PBG Group:

- KWG S.A. in company voluntary arrangement (currently KWG S.A. in liquidation bankruptcy)

2.2.3 Management Board's representation

The Parent's Management Board hereby represents that to the best of its knowledge, these interim condensed consolidated financial statements and the comparative data have been prepared in compliance with the accounting standards applied by the Group, and give a true, fair and clear view of the Group's assets, its financial condition and results of operations.

2.2.4 Accounting policies applied by the Group

The accounting policies applied in preparing these interim condensed consolidated financial statements are consistent with the policies applied in preparing the PBG Group's full-year financial statements for the year ended December 31st 2013, save for the effect of application of the following new or amended standards and interpretations effective for annual periods beginning on or after January 1st 2014.

- IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*

IFRS 10 supersedes the consolidation guidance formerly found in IAS 27 (Consolidated and Separate Financial Statements) and introduces a new definition of control. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated, but it does not change the consolidation procedures or methods of accounting for transactions in the consolidated financial statements.

The application of these amendments had no effect on the financial standing or performance of the Group.

- IFRS 11 *Joint Arrangements* and IAS 28 *Investments in Associates and Joint Ventures*

IFRS 11 addresses joint arrangements, classifying them into two types (joint operations or joint ventures) and specifying the accounting method for each type of arrangement.

The application of IFRS 11 may change the method of accounting for joint arrangements (e.g. some investments previously classified as jointly-controlled entities and accounted for using the proportionate method may now be classified as joint ventures and consequently accounted for using the equity method).

The amended IAS 28 sets out the guidance on application of the equity method to joint ventures.

The application of these amendments had no effect on the financial standing or performance of the Group.

- IFRS 12 *Disclosure of Interest in Other Entities*

IFRS 12 sets out a number of disclosure requirements for interests in subsidiaries, associates and jointly-controlled entities. Its application may require a wider range of disclosures of:

- key financial information, including risks associated with the Group's investments,
- the Group's interests in unconsolidated special purpose entities and associated risks,
- any material non-controlling interests held by the Group,
- significant judgements and assumptions made in determining whether an investee is a subsidiary, a jointly-controlled entity or an associate.

The application of these amendments had no effect on the financial standing or performance of the Group.

- *Investment Entities* - Amendments to IFRS 10, IFRS 12 and IAS 27

The amendments introduce the term "investment entity", and provide an exception to the consolidation requirements of such entities, mandating them to measure their subsidiaries at fair value through profit or loss, rather than consolidate them.

The application of these amendments had no effect on the financial standing or performance of the Group.

- *Offsetting Financial Assets and Financial Liabilities - Amendments* to IAS 32

The amendments to IAS 32 provide clarifications on the nature and consequences of a legally enforceable right of set-off of financial assets and financial liabilities, and on the offsetting criteria applicable to gross settlement mechanisms (e.g clearing houses).

The application of these amendments had no effect on the financial standing or performance of the Group.

- *Disclosures of Recoverable Amount of Non-Financial Assets - Amendments to* IAS 36

These amendments remove unintended consequences of IFRS 13 Disclosures required by IAS 36. In addition, these amendments require additional disclosures of the recoverable amount of an asset or cash-generating unit (CGU) for which impairment loss was recognized or reversed in the period, where value in use corresponds to fair value less costs to sell.

The application of these amendments had no effect on the financial standing or performance of the Group.

- *Novation of Derivatives and Continuation of Hedge Accounting* - Amendments to IAS 39

The amendments to IAS 39 relate to the continued use of hedge accounting after a derivative is novated and provide some relief from the requirement to cease hedge accounting when such novation meets the criteria specified in IAS 39.

The application of the amendments had no effect on the Group's financial standing, financial performance or the scope of disclosures in the Group's interim condensed consolidated financial statements.

New standards and interpretations issued but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, but are not yet effective:

- IFRS 9 *Financial Instruments* (published on July 24th 2014) – effective for annual periods beginning on or after January 1st 2018; until the date of approval of these financial statements, the standard had not been adopted by the EU; as at the date of approval of these financial statements, the process of adoption of the standard for application within the EU was suspended,
- IFRIC 21 *Levies* (published on May 20th 2013) – effective for annual periods beginning on or after January 1st 2014; within the EU, effective at the latest for annual periods beginning on or after June 17th 2014,
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions (published on November 21st 2013)* – effective for annual periods beginning on or after July 1st 2014; not adopted by the EU by the date of approval of these financial statements,
- Amendments to IFRSs 2010–2012 *(published on December 12th 2013) – some of the amendments are effective for annual periods beginning on or after July 1st 2014, and some of them − prospectively for transactions occurring on July 1st 2014; not adopted by the EU by the date of approval of these financial statements,*
- *Amendments to IFRSs 2011–2013* (published on December 12th 2013) – effective for annual periods beginning on or after July 2014; not adopted by the EU by the date of approval of these financial statements,
- IFRS 14 *Regulatory Deferral Accounts* (published on January 30th 2014) – effective for annual periods beginning on or after January 1st 2016; no decision has been made as to when EFRAG will carry out the individual stages of work leading to the approval of this standard; until the date of approval of these financial statements, the amendments have not been adopted by the EU,
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (published on May 6th 2014) – effective for annual periods beginning on or after January 1st 2016; until the date of approval of these financial statements, the amendments have not been adopted by the EU,
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (published on May 12th 2014) – effective for annual periods beginning on or after January 1st 2016; until the date of approval of these financial statements, the amendments have not been adopted by the EU,
- IFRS 15 *Revenue from Contracts with Customers* (published on May 28th 2014) – effective for annual periods beginning on or after January 1st 2017; until the date of approval of these financial statements, the amendments have not been adopted by the EU,

- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants *(published on June 30th 2014) – effective for annual periods beginning on or after January 1st 2016; until the date of approval of these financial statements, the amendments have not been adopted by the EU,*
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (published on August 12th 2014) – effective for annual periods beginning on or after January 1st 2016; until the date of approval of these financial statements, the amendments have not been adopted by the EU.

The application of the amendments had no effect on the Group's financial standing, financial performance or the scope of disclosures in the Group's interim condensed consolidated financial statements.

The Group has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet adopted by the European Union.

2.2.5 Uncertainty of estimates

These interim consolidated financial statements have been prepared based on the going concern assumption. The assumption has an effect on the measurement of assets and liabilities, which would be different if the Management Board did not assume a going concern.

The preparation of these interim condensed consolidated financial statements requires the Parent's Management Board's judgement in making numerous estimates and assumptions, which have an effect on the accounting policies applied and the amounts of assets, liabilities, income and expenses reported.

Actual amounts may differ from the amounts estimated by the Management Board due to the uncertainty surrounding the Group as at the date of these financial statements, which may necessitate an adjustment to the disclosed carrying amounts of assets and liabilities in future reporting periods.

Below are discussed the main assumptions concerning the future and other key sources of uncertainty as at the end of the reporting period which entail a significant risk of material adjustments to the carrying amounts of assets and liabilities:

<u>Impairment of non-current assets</u>

The Group found no indication of impairment of non-current assets.

<u>Depreciation and amortisation rates</u>

Depreciation and amortisation rates are determined based on the expected useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, on the basis of current estimates.

<u>Change in fair value of investment property</u>

For a detailed description of parameters in the fair value measurement of investment property, see the consolidated financial statements for 2013.

<u>Revenue recognition</u>

Construction contract revenue and amounts due recognised in the consolidated financial statements depend on the estimates of the management boards of individual PBG Group companies regarding the stage of completion of and profit margins expected to be achieved on individual contracts. Budgeted costs related to specific projects which have not yet been incurred are monitored on an ongoing basis by the management staff supervising the progress of construction work, as a result of which the budgets of individual contracts are revised at least monthly. However, the costs not yet incurred and the profit margins on individual running contracts thus estimated involve a degree of uncertainty, especially in the case of highly complex projects, which take several years to complete. In the present situation, the estimates are affected by additional risks, which may lead to their possible adjustment in the future. According to the management boards of the Group companies, these risks include mainly the Group's limited liquidity as at the date of this report, which may adversely affect the pace of contract work. This may in turn increase contract fixed costs, affect the Company's bargaining power in negotiations with subcontractors and suppliers and, in extreme cases, result in a failure to meet contractual deadlines for completing work and in a threat of penalties being imposed. These factors may in the future affect the planned costs and revenues and thus the margins which are currently budgeted.

Revenue from construction contract work reflects the Group's best estimates of costs planned to be incurred, the expected results, and the stage of completion of particular construction contracts determined in line with the rules defined in the Group's accounting policies. The presented revenue amounts account for the effect of termination by PGNiG S.A. (Employer) of the contract for construction of the Wierzchowice Underground Gas Storage Facility on April 2nd 2014. As at the reporting date, the Group had recognised provisions for cost deficit under settlements with subcontractors, and further recognised as revenue amounts due for the estimated scope of works not yet settled. On April 2nd 2014, the Parent received a debit note from the Employer, for the amount of PLN 133.4m as a contract termination penalty. The note was not recognised in the Parent's books and was sent back to the Employer as groundless.

LNG Świnoujście project

The consortium of contractors for the LNG Świnoujście Terminal project is holding negotiations with the Employer on an annex that would amend the contractual deadline for the project's completion and the amount of contractual remuneration in connection with additional work required following a legislative change and with extension of the contract performance for reasons not attributable to the contractors. As at the date of this report, the negotiations were pending, and so it was impossible to assess their effect on the final budget of the contract and, consequently, on the Group's performance. As at September 30th 2014, the contract was recognised taking into account the possible liquidated damages for failure to meet the contractual deadline, amounting to 10% of the contract price.

Jaworzno project

The Jaworzno project is executed by the PBG Group through its subsidiary RAFAKO S.A. Following an amendment to the project consortium agreement, on August 4th 2013 RAFAKO S.A. became the contractor for 99.99% of the contracted scope of work and deliveries. To execute the project, a special purpose vehicle was established (E003B7 Sp. z o.o.), to which its parent RAFAKO S.A. sub-contracted 90% of the contracted work and work deliveries, and the remaining 10% is to be performed/delivered directly by RAFAKO S.A. In its consolidated financial statements, the PBG Group recognises the full amount of revenue and costs attributable to the Jaworzno project.

Opole project

In the case of the Opole project, where PBG's subsidiary RAFAKO S.A. is a consortium member, following an arrangement between RAFAKO S.A. and the Alstom Group, 100% of RAFAKO S.A.'s scope of work was sub-contracted through a special purpose vehicle (EOO1RK sp. z o.o.) to the Alstom Group. Accordingly, the revenue and costs attributable to the project will not be disclosed in the PBG Group's statement of comprehensive income.
Similarly, the amounts due under the project will not affect the amounts carried in the PBG Group's statement of financial position. The Opole project may affect the Group's results only if RAFAKO S.A. becomes Alstom's sub-contractor with respect to the engineering design and construction of the steam generator island, an element of the project that falls within the scope of RAFAKO S.A.'s core business.
If the total costs to be incurred in connection with the running contracts as estimated by the Group increased by 10%, revenue would theoretically decrease by approximately PLN 62.6m as at the reporting date (provision for expected losses would increase by approximately PLN 64.7m and net profit would be reduced by a total of PLN 127.3m).

Provisions for employee benefits were estimated using actuarial methods and the projected unit credit method. The actuarial assumptions adopted at the end of 2013 remained unchanged. The change in provisions for employee benefits in the period was caused by the recognition of current service costs, interest expense and benefits paid.

Provisions for warranty repairs are estimated based on probability-weighted costs of running construction contracts assessed by management boards of the Group companies. They are reported as long as it is probable that a warranty claim or a claim for repair work will arise, until the right to make the claim expires. As at September 30th 2014, the provisions for warranty repairs were PLN 26,953 thousand.

Provisions for expected losses are recognised if it is probable that the total cost to complete a contract exceeds the contract's total revenue. The anticipated loss is immediately recognised as expense. Its amount is determined irrespective of the commencement of contract work, the stage of the contract's completion or expected profits on other contracts which are not single construction contracts. Any change in provisions for expected losses increases or reduces current operating expenses relating to a relevant contract. As at September 30th 2014, the provisions for expected losses were PLN 35,897 thousand.

The restructuring provision was recognised in 2012 by the Parent and estimated at PLN 32,023 thousand at recognition. Currently, the provision in PLN 13,288 thousand. The amount used in the three quarters of 2014 was PLN 4,551 thousand.

2.3 Functional currency and presentation currency of the financial statements and rules adopted to translate financial data

2.3.1 Functional currency and presentation currency

The functional currency of the Parent and the presentation currency of these interim condensed consolidated financial statements and interim condensed separate financial statements is the Polish złoty, and all amounts are expressed in thousands of Polish złoty (unless indicated otherwise).

The financial statements of foreign operations are translated, for consolidation purposes, into the Polish currency as follows:

- assets and liabilities of each presented statement of financial position (balance sheet) are translated at the closing rate as at the balance sheet date,
- the items of the income statement are translated at the exchange rate being an arithmetic mean of the mid-rates as quoted by the National Bank of Poland (NBP) on the last day of each month of the year. Foreign exchange gains/losses on the translation are charged/credited to other comprehensive income and recognised in the translation reserve in equity.

2.3.2 Rules adopted to translate financial data

- revenue from sale of finished goods, rendering of services and sale of merchandise and materials, operating profit (loss), profit (loss) before tax, net profit (loss) as well as net cash from (used in) operating activities, net cash from (used in) investing activities, net cash from (used in) financing activities, and net change in cash and cash equivalents for Q1-Q3 2014 were translated at the average EUR exchange rate based on the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of the individual months, i.e. **PLN 4.1803;**

- revenue from sale of finished goods, sale merchandise and materials, operating profit (loss), profit (loss) before tax, net profit (loss) as well as net cash from (used in) operating activities, net cash from (used in) investing activities, net cash from (used in) financing activities, and net change in cash and cash equivalents for Q1-Q3 2013 were translated at the average EUR exchange rate based on the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland for the last day of the individual months, i.e. **PLN 4.2231;**

- total assets, liabilities and provisions for liabilities, long-term liabilities, short-term liabilities, equity and share capital at September 30th 2014 were translated at the EUR mid-exchange rate effective for that date, i.e. **PLN 4.1755**;

- total assets, liabilities and provisions for liabilities, long-term liabilities, short-term liabilities, equity and share capital as at September 30th 2013 were translated at the EUR mid rate effective for that date, i.e. **PLN 4.2163.**

- total assets, liabilities and provisions for liabilities, long-term liabilities, short-term liabilities, equity and share capital as at December 31st 2013 were translated at the EUR mid rate effective for that date, i.e. **PLN 4.1472.**

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2.4 Selected additional explanatory notes

2.4.1 Revenue

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Gas, oil and fuels	172,749	264,248
Water	(339)	17,011
Industrial and residential construction	41,995	56,960
Road construction	-	8,302
Power construction	811,398	581,661
Other	19,818	25,840
Total revenue	**1,042,621**	**954,022**

2.4.2 Total expenses

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Depreciation and amortisation	15,159	27,151
Raw materials and consumables used	364,996	300,420
Services	397,728	512,916
Taxes and duties	7,314	9,159
Employee benefits	174,031	171,792
Other expenses	34,176	26,022
Total expenses	**993,404**	**1,047,460**
Cost of merchandise and materials sold	31,156	25,917
Changes in inventories of finished goods and work in progress (-)	22,707	(6,422)
Work performed by entity and capitalised	(782)	(1,346)
Cost of sales, distribution costs and administrative expenses	**1,046,485**	**1,065,609**

2.4.3 Other income

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Gain on disposal of non-financial non-current assets	-	-
Change in fair value of investment property	-	2,845
Reversals of impairment loss on property, plant and equipment and intangible assets	1,265	3,954
Reversals of impairment loss on receivables	26,040	25,573
Reversals of inventory write-downs	85	2,602
Reversals of impairment loss on other assets	222	2,158
Reversals of unused provisions	2,844	1,181
Compensation and penalties received	156	5,543
Government grants received	360	620
Lease income	1,071	2,163
Interest on cash in escrow account used for operating activities	203	15
Gain (loss) on derivative instruments related to operating activities	305	2,002
Interest on loans advanced as part of operating activities	390	5,711

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Other interest related to operating activities	1,967	812
Gain on investments in related entities	-	222,021
Gain on disposal of equity instruments	3,000	2,009
Past due liabilities written-off	49	-
Court fees refunded	354	75
Surety services	35	-
Reversal of provision for potential liabilities	19,239	90,000
Other income	3,303	21,909
Total other income	**60,888**	**391,193**

2.4.4 Other expenses

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Loss on disposal of non-financial non-current assets	1,470	4,220
Change in fair value of investment property	-	4,582
Impairment loss on property, plant and equipment and on intangible assets	452	5,138
Allowance for credit losses on receivables	32,857	11,054
Inventory write-downs	622	4,409
Impairment losses on other assets	40,077	39,645
Recognition of provisions for liabilities	5,715	-
Running costs of investments	-	827
Compensation and penalties paid	4,262	835
Grants	485	300
Interest on liabilities	380	7,067
Net exchange differences on operating activities	1,045	4,473
Discount (long-term settlements)	1,509	204
Loss on investments in related entities	114,478	-
Loss on disposal of equity instruments	-	-
Surety services	-	11,115
Cost of litigation	88	2,698
Other	8,531	33,065
Total other operating expenses	**211,971**	**129,632**

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2.4.5 Finance income

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Interest income for financial assets not at fair value through profit or loss:		
Cash and cash equivalents (deposits)	1,646	1,635
Loans and receivables	3	117
Debt instruments held to maturity	-	-
Other interest	54	5,153
Total interest income for financial assets not at fair value through profit or loss	**1,703**	**6,905**
Gain (loss) (+/-) from exchange differences on:		
Cash and cash equivalents	1,989	8
Loans and receivables	-	3
Financial liabilities at amortised cost	-	
Total gain (loss) (+/-) from exchange differences	**1,989**	**11**
Gains on available-for-sale financial assets recycled from equity	-	-
Dividend income from available-for-sale securities	-	-
Reversals of allowance for credit losses on loans	-	5
Other finance income	27	-
Total finance income	**3,719**	**6,921**

2.4.6 Finance costs

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Interest expenses for financial liabilities not at fair value through profit or loss:		
Finance lease liabilities	493	393
Bank borrowings	2,039	24,302
Bank overdrafts	5,680	4,515
Non-bank borrowings	260	3,909
Debt instruments	-	-
Trade and other payables	96	434
Total interest expenses for financial liabilities not at fair value through profit or loss	**8,568**	**33,553**
Fair value and disposal losses on financial instruments at fair value through profit or loss:		
Held-for-trading derivatives	-	-
Cash flow hedge derivatives	785	856
Listed equity instruments	-	40
Other	48	-
Investment fund certificates	-	2,332

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Total fair value and disposal losses on financial instruments at fair value through profit or loss	**833**	**3,228**
Losses on available-for-sale financial assets recycled from equity	-	-
Allowance for credit losses on loans	-	67
Impairment losses on held-to-maturity investments	-	76,000
Impairment losses on available-for-sale financial assets	-	21
Impairment losses on investments in subsidiaries, associates and jointly-controlled entities	-	7,414
Other finance costs	272	20
Total finance costs	**9,673**	**120,303**

2.5 Operating segments

The Group's operating segments are identified on the basis of product lines, representing the main services and goods provided by the Group. Each of the segments is managed separately within each product line, given the specific nature of the Group's services and products, requiring different technologies, resources and execution approaches.

Currently, the Group divides its business into the following, current or past, operating segments:

- **Gas, oil and fuels** (strategic business segment),
- **Water** (a decision has been made to exit this business segment),
- **Roads** (a decision has been made to exit this business segment),
- **Power construction** (strategic business segment),
- **Industrial and residential construction** (decision was made to exit this business segment).
- The following areas are identified within particular segments:

- **In the Gas, oil and fuels segment:**
  - surface installations for crude oil and natural gas production
  - installations for liquefying natural gas and for LNG storage and regasification
  - LPG, C5+ separation and storage facilities
  - LNG storage and evaporation facilities
  - underground gas storage facilities
  - surface infrastructure of underground gas storage facilities
  - crude oil tanks
  - transmission systems for natural gas and crude oil, including pressure reduction and metering stations and metering and billing stations, mixing plants, distribution nodes, compressor stations, etc.
  - fuel terminals
- **In the Water segment:**
  - technological and sanitary installations for water supply and sewage systems, including:
    - water pipes and sewage systems
    - water mains and trunk sewers
    - water intakes
    - wastewater treatment plants

- water engineering structures, including:
  - water dams
  - storage reservoirs
  - levees
  - modernisation of water and sewage systems

- **In the Road construction segment:**
  - road construction
- **In the Industrial and residential construction segment:**
  - general construction
  - industrial infrastructure
  - construction of stadiums
  - construction of waste incineration plants
- **In the Power construction segment:**
  - assembly, modernisation and repair of power equipment and industrial units

Moreover, any revenue and expenses not allocated to any of the main segments are classified by the PBG Group as "Other".

The Group presents revenue, cost of sales and gross profit (margin) by individual segments. On-balance sheet assets and equity and liabilities are not presented by operating segments as some of the non-current assets are used in production that is classified in various segments, inventory of materials cannot be allocated to particular segments, and it is impossible to make a segmental allocation of trade payables, other income and expenses, and finance activities.

Under "Other expenses not allocated to segments" the Group recognises administrative expenses and distribution costs.

The table below presents data for the individual operating segments.

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OPERATING SEGMENTS – FROM JANUARY 1ST TO SEPTEMBER 30TH 2014

Item	Segments					Other	Total
	Gas, oil and fuels	Water	Industrial and residential construction	Road construction	Power construction		
Operating segments' financial highlights for the period January 1st–September 30th 2014							
Total segment revenue	**172,749**	**(3,339)**	**41,995**	**-**	**811,398**	**19,818**	**1,042,621**
Revenue from external customers	172,749	(3,339)	41,995	-	811,398	19,818	1,042,621
Total cost	**(182,519)**	**(1,263)**	**(46,564)**	**-**	**(708,044)**	**(14,335)**	**(952,725)**
Segment profit or loss	**(9,770)**	**(4,602)**	**(4,569)**	**-**	**103,354**	**5,483**	**89,896**
Costs and expenses not allocated	x	x	x	x	x	x	(93,760)
Other income/expenses	x	x	x	x	x	x	(151,083)
Restructuring costs	x	x	x	x	x	x	-
Operating profit	x	x	x	x	x	x	**(154,947)**
Finance costs	x	x	x	x	x	x	(5,954)
Share of profit (loss) of equity-accounted entities	x	x	x	x	x	x	-
Profit (loss) before tax	x	x	x	x	x	x	**(160,901)**
Income tax expense	x	x	x	x	x	x	(5,187)
Net profit (loss)	x	x	x	x	x	x	**(166,088)**

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OPERATING SEGMENTS – FROM JANUARY 1ST TO SEPTEMBER 30TH 2013

Item	Segments					Other	Total
	Gas, oil and fuels	Water	Industrial and residential construction	Road constructi on	Power construction		
Operating segments' financial highlights for the period January 1st–September 30th 2013							
Total segment revenue	**264,248**	**17,011**	**56,960**	**8,302**	**581,661**	**25,840**	**954,022**
Revenue from external customers	264,248	17,011	56,960	8,302	581,661	25,840	954,022
Total cost	**(278,175)**	**(19,500)**	**(62,379)**	**(6,909)**	**(564,397)**	**(18,291)**	**(949,651)**
Segment profit or loss	**(13,927)**	**(2,489)**	**(5,419)**	**1,393**	**17,264**	**7,549**	**4,371**
Costs and expenses not allocated	x	x	x	x	x	x	(115,958)
Other income/expenses	x	x	x	x	x	x	261,561
Restructuring costs							(25)
Operating profit	x	x	x	x	x	x	**149,949**
Finance costs	x	x	x	x	x	x	(113,382)
Share of profit (loss) of equity-accounted entities	x	x	x	x	x	x	-
Profit (loss) before tax	x	x	x	x	x	x	**36,567**
Income tax expense	x	x	x	x	x	x	41
Net profit (loss)	x	x	x	x	x	x	**36,608**

2.6 PBG Group's most significant achievements or failures in Q3 2014, and key related events

In Q3 2014, the PGB Group's net revenue from sales of finished goods, services, merchandise and materials was PLN 381,101 thousand, with gross profit of PLN 30,789 thousand.
The following construction contracts were the key sources of the Group's revenue from core business in Q3 2014:

a. Design and construction of a wet lime-and-gypsum flue-gas desulfurization unit for EC Kraków; contract executed between EDF Polska S.A. and RAFAKO S.A.; recognised revenue: PLN 42,117 thousand;
b. Design and construction of a wet lime-and-gypsum flue-gas desulfurization unit for ZEC Wrocław; contract executed between EDF Polska S.A. and RAFAKO S.A.; recognised revenue: PLN 36,587 thousand;
c. Construction of the liquefied natural gas regasification terminal in Świnoujście; contract executed between Polskie LNG S.A. and the consortium of Saipem S.p.A., Saipem S.A., Techint Compagnia Tecnica Internazionale S.p.A., Snamprogetti Canada Inc., PBG SA and PBG Energia Sp. z o.o. (formerly PBG Export Sp. z o.o.); recognised revenue: PLN 32.821 thousand;
d. Design, construction and commissioning of a wet lime-and-gypsum flue-gas desulfurization unit for EC Gdańsk; contract executed between EDF Polska S.A. and RAFAKO S.A.; recognised revenue: PLN 27,596 thousand;
e. Upgrade and overhaul of the flue gas heating system for power generating units 8, 10, 11, and 12 at the Bełchatów Power Plant; contract executed between PGE Górnictwo i Energetyka Konwencjonalna S.A. (Bełchatów Power Plant Branch) and RAFAKO S.A.; recognised revenue: PLN 19,416 thousand;
f. Engineering, delivery and construction of selective catalytic reduction (SCR) system for power Units K2, K3, K4, K5, K6 and K7 at the Połaniec Power Plant; contract executed between Elektrownia Połaniec S.A. Grupa-Gdf Suez Energia Polska and RAFAKO S.A. recognised revenue: PLN 17,355 thousand;
g. Delivery, assembly and start-up of boiler HP section, Buckinghamshire (Great Britain); contract executed between Hitachi Zosen Inowa AG and RAFAKO S.A.; recognised revenue: PLN 13,349 thousand;
h. Design, construction and commissioning of a wet lime-and-gypsum flue-gas desulfurization unit for EC Gdynia; contract executed between EDF Polska S.A. and RAFAKO S.A.; recognised revenue: PLN 11,447 thousand;

Key events related to the PBG Group's material achievements and failures reported by the Parent in current reports in Q3 2014.

AGREEMENTS WITH FINANCIAL INSTITUTIONS

Execution of annex to reportable significant agreement by RAFAKO S.A.

On July 1st 2014, RAFAKO S.A., a subsidiary, executed an annex to the agreement with Powszechna Kasa Oszczędności Bank Polski S.A. ("PKO BP") for registered pledge over a set of RAFAKO S.A.'s movables and rights. From the date of the Annex, the pledge secures PKO BP's claims against the company for a total amount of PLN 200m (two hundred million złoty, 00/100) under the amended Overdraft Facility Agreement. The amendment of the Registered Pledge Agreement follows from the amended Overdraft Facility Agreement.

Execution of annex to multi-purpose credit facility agreement signed by RAFAKO S.A. and PKO BP S.A.

On September 1st 2014, RAFAKO S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw executed an annex to a multi-purpose credit facility agreement. The annex extended the term of the credit facility agreement until September 5th 2016. The other material terms and conditions of the agreement have not been amended under the annex.

Execution of annex to multi-purpose credit facility agreement signed by RAFAKO S.A. and PKO BP S.A.

On September 30th 2014, RAFAKO S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw executed an annex to a multi-purpose credit facility agreement. The annex extended the term of the credit facility agreement until December 6th 2016. The other material terms and conditions of the agreement have not been amended under the annex.

CONTRACTS

Execution of contracts between RAFAKO S.A. and Hitachi Zosen Inova AG.

On July 18th 2014, RAFAKO S.A. executed a EUR 11.2m (about PLN 46m) contract with Hitachi Zosen Inova AG of Zurich for the supply, installation and start-up of municipal waste incinerators for the Hereford & Worcestershire thermal waste treatment plant in the United Kingdom. In the last 12 months RAFAKO S.A. and the Employer have executed contracts for a total amount of about EUR 23.8m (approximately PLN 100m). The highest-value contract, worth EUR 12,600 thousand (PLN 53.9m), 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. The aggregate value of contractual penalties is limited to 20% of the contract price (VAT exclusive), with the proviso that the payment of the maximum amount of contractual penalties does not preclude the Employer's right to seek damages in excess of that amount.

OTHER

Sale of shares in Górecka Projekt Sp. z o.o. by PBG Dom Sp. z o.o. to PBG Erigo Sp. z o.o.

On August 1st 2014, PBG DOM Sp. z o.o., a subsidiary of PBG S.A., sold 2,000 shares in Górecka Projekt Sp. z o.o. to PBG Erigo Sp. z o.o., an indirect subsidiary of PBG DOM. The share capital of Górecka Projekt Sp. z o.o. amounts to PLN 100 thousand and is divided into 2,000 shares with a par value of PLN 50.00 per share. The shares acquired by PBG Erigo Sp. z o.o. for a total of PLN 100 thousand represent 100% of the share capital of Górecka Projekt Sp. z o.o.

Changes in the composition of the RAFAKO Management Board:

On September 8th 2014, the Supervisory Board of RAFAKO S.A. made the following decisions:

- to remove Mr Paweł Mortas from the position of President of the Management Board as of September 8th 2014,
- to appoint Ms Agnieszka Wasilewska-Semail as President of the Management Board as of September 8th 2014.

Decision on closing of PBG AVATIA bankruptcy proceedings becomes final

A decision to close insolvency proceedings of May 26th 2014 by the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, became final on September 19th 2014. The Company has also received a decision of September 17th 2014 concerning performance of the Arrangement entered into at the Meeting of Creditors of PBG AVATIA held on February 24th 2014 and approved by the final decision of the Court dated April 2nd 2014.

2.7 Non-recurring factors and events with material bearing on consolidated financial results

EFFECT OF FOREIGN EXCHANGE HEDGES ON RESULTS OF THE PBG GROUP

In the reporting period, the Parent and its subsidiaries hedged their future currency exposures with standard forward contracts. The hedging transactions were concluded as part of the applied hedging policy, in order to hedge future cash flows on revenue (under the existing long-term contracts) and cost of sales. The transactions covered contracts with project owners and suppliers (mainly denominated in EUR).

In Q3 2014, the consolidated net result on currency derivative instruments was as follows:

Effect of derivative instruments related to currency risk		
Item	Sep 30 2014	Sep 30 2013
	PLN ‘000	PLN ‘000
Revenue	-	-
Other income	688	2,161
Finance income	-	-
Total income	**688**	**2,161**
Operating expenses	-	-
Other expenses	383	159
Finance costs	-	-
Total expenses	**383**	**159**
Effect on profit (loss)	**305**	**2,002**

As at September 30th 2014, the notional amount of currency derivative instruments at the PBG Group was as follows:

Notional amount of held-for-trading hedges		
Item	Sep 30 2014	Sep 30 2013
	‘000	‘000
Hedge for EUR sale transactions	1,300	5,000
Hedge for EUR purchase transactions	2,970	18,000
Hedge for USD purchase transactions	-	3,000

As at September 30th 2014, the fair value of <u>*open derivative positions*</u> was PLN 47 thousand and comprised the fair value of held-for-trading hedges. The fair value of open derivative positions changes depending on the market conditions and the final outcome of those transactions may significantly differ from the values presented above.

EFFECT OF INTEREST RATE HEDGES ON THE RESULTS OF THE PBG GROUP

One of the PBG subsidiaries uses interest rate swaps to hedge against variable interest rate risk.
Under a bank borrowing agreement the subsidiary was required to reduce interest rate risk. In performance of the bank’s requirements, on November 24th 2011 the subsidiary entered into an amortisable IRS transaction for the principal amount of EUR 10,000 thousand, maturing on November 24th 2021.
In Q1-Q3 2014, the effect of derivatives used to hedge interest rates, recognised in the consolidated income statement at September 30th 2014, was as follows:

Effect of derivative instruments related to interest rate risk		
Item	Sep 30 2014	Sep 30 2013
	PLN '000	PLN '000
Revenue	-	-
Other income	-	-
Finance income	-	-
Total income	-	-
Operating expenses	-	-
Other expenses	-	-
Finance costs	785	856
Total expenses	**785**	**856**
Effect on profit (loss)	**(785)**	**(856)**

As at September 30th 2014, the fair value of open positions used to hedge interest rates was negative at PLN -4,594 thousand and related to fair value hedge derivatives.

2.8 Seasonality or cyclicality of the Company's operations in the reporting period

Due to the nature of the Company's operations (construction and assembly services), the performance of works is frequently affected by weather conditions. During the reporting period, low temperatures which affect revenue by hindering earthworks and assembly operations had smaller impact on the Group's performance than in the previous year. This was because a substantial part of revenue was generated from contracts which, given the stage of their completion, involved chiefly work carried out in closed structures.
The Group's strategy is aimed at securing further high unit-value contracts. This will help eliminate seasonal fluctuations in revenue, also ensuring more balanced revenue streams throughout the financial year.

2.9 Total and per share dividend declared or paid, on ordinary and preference shares

Pursuant to Resolution No. 4, the Parent's Annual General Meeting of June 16th 2014 resolved to withhold the net profit of PLN 128,658 thousand (one hundred and twenty-eight million, six hundred and fifty-eight thousand złoty), as disclosed in the Parent's financial statements for 2013, from distribution to shareholders and to allocate it in full to cover the retained losses from previous years.
In the nine months ended September 30th 2014, a subsidiary of the Group distributed a dividend of PLN 3,400 thousand. In accordance with applicable laws, dividends may only be distributed from the profit of individual Group companies, and not based on the Group's consolidated net result.

2.10 Events subsequent to September 30th 2014, undisclosed in these statements, which may materially affect future consolidated financial results of the PBG Group and separate financial results of PBG S.A. (in company voluntary arrangement)

PROJECT-RELATED CONTRACTS

Execution of significant reportable contract by RAFAKO S.A. and ENERGA Elektrownie Ostrołęka S.A.

On October 10th 2014, RAFAKO S.A. acting as a leader of a consortium comprising OMIS S.A., signed a contract with ENERGA Elektrownie Ostrołęka S.A. for construction of NOx reduction units on the OP-650 boilers in the Ostrołęka B Power Plant. The contract price was PLN 149m (VAT-inclusive: PLN 184m).

Under the contract, RAFAKO is responsible for the performance of 58% of the scope of work and deliverables, and is entitled to receive remuneration reflecting this share. The contract term is 38 months as of its date. The Employer may charge contractual penalties for improper performance of the contract by the Contractor, up to 50% of the Contractor's remuneration (VAT-exclusive). The Employer may also seek compensation in excess of the contractual penalties provided for in the contract. The Contractor's maximum total liability may not exceed 100% of the contract price (VAT exclusive). The other terms and conditions of the contract do not differ from customary terms and conditions commonly applied in contracts of this kind.

AGREEMENTS WITH FINANCIAL INSTITUTIONS

Execution of significant reportable agreement by RAFAKO S.A. and PKO BP S.A.

On October 29th 2014, Powszechna Kasa Oszczędności Bank Polski S.A., acting as the Pledgee and Pledge Administrator, and RAFAKO S.A., acting as the Pledgor, executed a registered pledge agreement over a set of RAFAKO S.A.'s movables and rights; under the agreement, upon its 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 1,046m. The agreement was executed to secure existing and future claims of PKO BP, Bank Gospodarstwa Krajowego and Powszechny Zakład Ubezpieczeń S.A. against RAFAKO, arising in connection with the Surety Agreement of April 16th 2014 concluded between PKO BP, PZU and BGK as creditors and the Company as the surety providing the performance bond for E003B7 Sp. z o.o. of Racibórz (wholly-owned subsidiary of RAFAKO) for the benefit of PKO BP, PZU and BGK under the Agreement for Provision of Guarantee, reported on by the company in Current Report No. 18/2014. The company reported on its obligation to execute the agreement in Current Report No. 18/2014. The subject matter of the agreement is a pledge over a set of RAFAKO S.A.'s movables and rights, save for (i) claims, (ii) movables and rights which, under the applicable law, are not pledgeable, and (iii) any movables and rights which, as at the date of the agreement, were pledged as security, except for movables and rights encumbered with a registered pledge under the First-Ranking Registered Pledge Agreement, reported by the company in Current Report No. 19/2014. As at October 29th 2014, the estimated value of the set of RAFAKO S.A.'s movables and rights was PLN 822 thousand.

OTHER

Application of subsidiary KWG for conversion of insolvency proceedings

On November 3rd 2014, the Management Board of KWG S.A. w upadłości układowej (in company voluntary arrangement) of Szczecin, a PBG subsidiary, moved for the District Court for Szczecin-Centrum in Szczecin, 12th Commercial Division ("the Court") to convert the company's arrangement bankruptcy proceedings into liquidation bankruptcy proceedings.

Final arrangement proposals filed by the Parent

On November 3rd 2014, the Parent filed with the District Court for Poznań – Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, arrangement proposals which are to be presented to the Creditors for approval by way of voting at the creditors' meeting as part of PBG's arrangement bankruptcy proceedings. On November 3rd 2014, the arrangement proposals were adopted as final proposals by way of resolution of the Company's Management Board and approved by the Company's Supervisory Board. The final arrangement proposals supersede the draft arrangement proposals of September 3rd 2013, reported on by the Company in Current Report No. 24/2013 of September 3rd 2013 and Current Report No. 29/2013 of September 30th 2013.

2.11 Statement by the Parent's Management Board on achievement of previous forecasts for the financial year, taking into account actual results published in the condensed consolidated and separate quarterly reports

The Management Board of the Parent has not published any forecasts for 2014.

2.12 Shareholders holding, directly or indirectly through subsidiaries, 5% or more of total voting rights at the General Meeting of the Parent as at the date of issue of this report

Shareholders holding 5% or more of total voting rights at the General Meeting of the Parent, directly or indirectly through subsidiaries, as at the date of issue of the consolidated quarterly report, including the number of shares held by these entities, percentage share in share capital, voting rights attached to these shares and their percentage share in total voting rights at the General Meeting, as well as changes in the structure of large holdings of PBG shares subsequent to the date of issue of the previous consolidated quarterly report – based on the information held by the Parent.

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

Shareholder	Number of shares	Total par value (PLN)	Ownership interest (%)	% of total voting rights
Jerzy Wiśniewski	3,881,224 shares, including: 3,735,054 Series A registered preference shares	3,881,224	27.15%	42.23%

Changes in the Company's shareholding structure in Q3 2014

In Q3 2014, there were no changes in the ownership structure of the Company shares held by shareholders holding 5% or more of total voting rights at the General Meeting.

Changes in the Company's shareholding structure subsequent to September 30th 2014:

Subsequent to September 30th 2014, there were no changes in the ownership structure of the Company shares held by shareholders holding 5% or more of total voting rights at the General Meeting.

2.13 Changes in holdings of the Company shares or rights to shares (options) owned by members of the Management and Supervisory Boards of the Parent

Changes in the holdings of Company shares or rights to Company shares (options) owned by members of the Management and Supervisory Boards of the Parent after the date of issue of the 2014 half-year report, based on the information held by the Parent as at **November 14th 2014.**

Item	Number of shares	
	As at the date of issue of the previous report 2014 half-year: **September 1st 2014**	As at the date of issue of Q3 2014: **November 14th 2014**
Managing personnel		
Jerzy Wiśniewski	3,881,224	3,881,224
Paweł Mortas *	-	not applicable
Tomasz Tomczak **	3,250	not applicable
Mariusz Łożyński	3,553	3,553
Kinga Banaszak – Filipiak	-	-
Bożena Ciosk	208	208
Supervisory personnel:		
Maciej Bednarkiewicz	-	-
Małgorzata Wiśniewska	3,279	3,279
Przemysław Szkudlarczyk	2,390	2,390
Dariusz Sarnowski	-	-
Stefan Gradowski	-	-
Norbert Słowik***	-	not applicable

* President of the Management Board of PBG SA w upadłości układowej (in company voluntary arrangement) until April 24th 2014; subsequently, Vice-President of the Management Board until October 31st 2014

** Vice-President of the Management Board of PBG SA w upadłości układowej (in company voluntary arrangement) until May 6th 2014

*** Member of the Supervisory Board of PBG SA w upadłości układowej (in company voluntary arrangement) until November 4th 2014

2.14 Proceedings pending before common courts of law, arbitration courts or public administration authorities, including the following information:

a) proceedings relating to payables or receivables of the Company or its subsidiary, equal to at least 10% of the Group's revenue in the last four quarters, specifying: subject matter of the proceedings, value of the claim, date of institution, parties to the proceedings, and the Company's position;

b) two or more proceedings relating to payables or receivables with a total value equal to at least 10% of the Group's revenue in the last four quarters, specifying the total value of the proceedings separately for payables and receivables, as well as the Company's position, and – for the most significant proceedings relating to payables and receivables – the subject matter of the proceedings, value of the claim, date of institution, and parties to the proceedings.

LITIGATIONS AND OTHER DISPUTES

As at September 30th 2014, PBG Group companies were parties to the following material proceedings pending before common courts of law, arbitration courts or public administration authorities:

Key litigations and disputes instigated by the Group:

1. **PBG SA 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 Parent 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.

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

The Parent has been pursuing claims against Control Process S.A. in connection with performance 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 Parent'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 Parent, 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. Subsequently, 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 the objection. Witnesses were questioned during hearings before the Regional Court of Poznań on June 17th and October 7th 2014. The parties will be questioned during the next hearing, scheduled for December 18th 2014.

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. 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 filed a response to the appeal. The date of the hearing is to be set by the Regional Court in Poprad.

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 liquidation bankruptcy) 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 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. Value of the claim: PLN 30,849 thousand.

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 concerning injunctive relief, and the decision became final. Notwithstanding the foregoing, on

April 26th 2013 the Parent filed a petition requesting a change (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 Parent's petition to extend the 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 Company'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. On January 23rd 2014, MWiK filed a petition for reversal of the decision on injunctive relief. On March 23rd 2014, the Parent filed a petition for dismissal of MWiK's request. On April 3rd 2014, a hearing was held during which MWiK's petition was considered. On April 14th 2014, the Court dismissed MWiK's petition for reversal of the decision concerning injunctive relief, and maintained the previously granted injunction. On June 10th 2014, MWiK filed a petition requesting a change of the injunctive relief by prohibiting the payout of the injunction amount from the account in which MWiK had deposited the relevant funds, held with PeKaO S.A., II Branch in Bydgoszcz, specifically for this purpose. On June 30th 2014, the Parent moved for exercise of the injunction relief. Under its decision of July 7th 2014, the Court upheld the injunctive relief but ordered that the funds be held in the account with PeKaO S.A., as requested by MWiK. During the hearing on September 17th 2014, the Court decided to first consider existence of the Parent's legal interest to bring the action. On October 22nd 2014, the Court heard the defendant and closed the proceedings. The case is pending.

5. **PBG SA 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, the Parent filed a claim with the Regional Court of Poznań, 9th Commercial Division, against the Bankruptcy Administrator of Maxer S.A. (in bankruptcy) for payment, along with 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. The Parent filed a complaint against the decision on October 7th 2013. The Poznań Court of Appeals dismissed the appeal, and the Company paid the required court fee. The next hearing was set for June 3rd 2014, but it was rescheduled to September 9th 2014. During the hearing held on September 9th 2014, the Court dismissed the petition filed by MU Maxer's Administrator to dismiss the action or submit it for consideration by the judge commissioner.

6. **PBG SA in company voluntary arrangement against the State Treasury, Regional Water Management Authority of Wrocław – court docket No. I Nc 704/13**

The proceedings, concerning payment under joint and several liability of the investor and exemption from court fees, are held before the Regional Court of Wrocław, 10th Commercial Division.

On September 30th 2013, the Court fully exempted the Parent from court fees and, in writ-of-payment proceedings, ordered the defendant to pay the full amount claimed by the plaintiff (PLN 4,092 thousand) and to cover the costs of litigation. The Defendant objected against the payment order. The Court ordered the Parent to file a response to the appeal. In a letter of March 13th 2014, the Parent filed its response. In its letter of March 12th 2014, the Parent's Court Supervisor shared the Company's position; the Administrator of MU Maxer entered the proceedings – in its letter it shared the position of the Defendant, i.e. the Regional Water Management Authority of Wrocław. The next hearing has been set for November 5th 2014.

7. 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 8,996,566.00, plus statutory interest and litigation costs, to be paid by ING Bank Śląski S.A. to RAFAKO S.A. The attorney of ING Bank Śląski S.A. filed an appeal against the ruling of the court of first instance. On October 12th 2011, the Court of Appeals in Warsaw, having completed hearings, did not find the claims raised in the appeal by ING Bank Śląski S.A. justified, but resolved ex officio that the court of first instance failed to consider the substance of the dispute, reversed the ruling and remanded the case for re-examination by the court of first instance. In its ruling of April 1st 2014, the Regional Court in Warsaw ordered ING Bank Śląski S.A. to pay RAFAKO PLN 3,646,699.59, plus statutory interest for the period from November 3rd 2009 until the payment date. The court dismissed the remaining part of the claim. Both parties lodged appeals against the ruling; the date of the hearing has not been set.

8. 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 2,369,923.72 (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. The first appeals hearings were held in May and June this year; the issued rulings were favourable to RAFAKO S.A., i.e. the appeals lodged by the Social Insurance Institution were dismissed. The rulings issued during subsequent hearings held in September and October 2014 were the same. Further hearings have been scheduled for November 2014, but they are expected to be only a formality as the Social Insurance Institution withdrew its appeals. 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. In the opinion of the company's Management Board, as at September 30th 2014 there were no circumstances which would justify further recognition of provisions.

9. RAFAKO SA 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 steam-generator 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 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 for the Donetsk region resumed the examination of the case having received Donetskoblenergo's petition to declare the agreement of May 16th 1994 invalid. According to the attorney, there is no new evidence to grant the petition. The next hearing is scheduled for November 7th 2014.

Key proceedings pending against the Group:

1. Litigation concerning construction of the National Stadium in Warsaw

The Parent 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 Parent) 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 injunctive relief with respect to the above claims by prohibiting the Defendants from accepting any payments under the guarantee provided by the NCS until the final conclusion of the proceedings. By its decision of March 22nd 2013, the Regional Court in Warsaw dismissed the request for injunctive relief. On April 9th 2013, the Consortium filed a complaint against the decision to the Court of Appeals in Warsaw.

On April 22nd 2013, Zurich received the NCS' demand for payment from the performance bond. Then, the Court of Appeals dismissed the appeal. By a decision of September 25th 2013, the District Court in 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 their resumption. So far, the District Court has not issued a decision to resume the proceedings.
Notwithstanding the foregoing, it needs to be emphasised that during performance of the Contract, the Consortium completed a large number of additional works ordered by the NCS in the course of the project, for which it has not received any consideration. Currently, the Consortium (including the Parent) is demanding payment for the additional works. Moreover, the Consortium also suffered financial losses in connection with the non-performance or improper performance of the Contract by the NCS. 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 file a suit.

On June 18th 2013, the Parent and Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in liquidation bankruptcy) (another Consortium member) petitioned 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 additional works, 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, 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.

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 the Parent, 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 Parent received the claim, and filed its response on March 28th 2014 (court docket No. XXVI GC 762/13). By its decision of July 8th 2014, the court referred the case to mediation.
Notwithstanding the foregoing, on July 25th 2014 the Parent 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. **Dimark Sp. z o.o. against PBG S.A. in company voluntary arrangement, court docket No. IX GC 533/13/4**

On June 13th 2014, Dimark Sp. z o.o. filed a claim with the Regional Court of Poznań for payment of PLN 100 thousand 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 the Parent's unjust enrichment. 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 Parent filed a response to the appeal within the statutory time limit, i.e. by March 7th 2014. 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 costs of proceedings. On September 2nd 2014, the Parent lodged a cassation complaint against the ruling of the court of second instance.

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

On September 8th 2014, the Company received a claim for payment of PLN 1,635 thousand. The Parent filed an appeal within 14 days. In a letter of September 30th 2014, the Regional Court scheduled a hearing for December 17th 2014.

4. **The Zabrze Municipality, municipal water and sewage company Zabrzańskie 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 Zabrze Municipality and ZPWiK submitted with the District Court for Poznań−Stare Miasto, 10th Commercial Division, a call for a conciliation hearing against the Parent 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 Zabrze Municipality and ZPWiK failed to present any conciliation proposal, no settlement was reached during the hearing held on February 25th 2014. 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 the Parent 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 the Parent 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. Then, on December 12th 2013, the Company lodged an objection against the payment order as it took the stance that the promissory note was invalid and was incorrectly (defectively) issued due to the fact that Hydrobudowa Polska S.A., having withdrawn from the contract, had ceased to be a party to the contract. The Company also 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 on May 16th 2014. Based on the information obtained from the Regional Court of Warsaw on July 23rd 2014 it was determined that Nakano Sp. z o.o. acceded to the proceedings as purchaser of TU Euler Hermes' debt claim. In its order of July 3rd 2014, the Regional Court of Warsaw requested Nakano Sp. z o.o. demonstrate by means of an official document that the disputed claim had been transferred to it. The Parent had not been officially notified of any change of the parties to the proceedings.

6. **Martex Sp. z o.o. against PBG S.A. w upadłości układowej (in company voluntary arrangement), court docket No. IX GC 1433/13**

Martex Sp. z o.o. (Parent's subcontractor) filed a claim before the Regional Court of Poznań for payment of PLN 2,301 thousand. Two hearings were held: on July 15th 2014 and on October 8th 2014. Another hearing has been scheduled for March 4th 2015. The Court obliged the Parent to submit relevant letters and documents by December 8th 2014. The case is pending.

7. **FISIA BABCOOK ENVIROMENT GmbH against RAFAKO S.A.**

An action brought by FISIA BABCOCK ENVIRONMENT GmbH has been pending before the International Court of Arbitration at the International Chamber of Commerce in Vienna against RAFAKO S.A. The proceedings were initiated following the filing of claim for payment of about EUR 3,8m in connection with a licence agreement relating to wet flue gas desulfurization units. The principal claims relate to payment of the allegedly due outstanding licence fees. In RAFAKO S.A.'s opinion, the claims are groundless. RAFAKO S.A.'s stance is that the contract for the upgrading of four desulfurization units, in relation to which the dispute arose, had been performed based RAFAKO's proprietary technological solutions, without any licensed know-how. In its response to the statement of claim, RAFAKO S.A. argued also that the other party's potential claim had become prescribed. The Court of Arbitration will address that matter (prescription of claim) in the first place. In connection with the commencement of arbitration proceedings, as at September 30th 2014 the Company recognised provision for the cost of arbitration at ca. PLN 690 thousand. In the opinion of the company's Management Board, as at September 30th 2014 there were no circumstances which would justify recognition of any provisions for potential damages.

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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 November 2014.

2.15 Material related-party transactions

Related-party transactions within the PBG Group, eliminated in the consolidation process, are presented in separate financial statements of the respective companies.
Transactions with associates, non-consolidated related parties and other related parties, disclosed in the condensed consolidated financial statements, are presented below.

2.15.1 Transactions with non-consolidated related parties

Transactions with related parties are executed on an arm's-length basis, with the nature and terms of those transactions determined by day-to-day operations.

RELATED PARTIES – SALES AND RECEIVABLES

Item	Revenue			Receivables		
	Jan 1–Sep 30 2014	Jan 1–Dec 31 2013	Jan 1–Sep 30 2013	As at Sep 30 2014	As at Dec 31 2013	As at Sep 30 2013
Sales to:						
Other related parties	8,652	12,451	580	16,504	34	14,824
Total	**8,652**	**12,451**	**580**	**16,504**	**34**	**14,824**

RELATED PARTIES – PURCHASES AND PAYABLES

Item	Purchases (costs, assets)			Liabilities		
	Jan 1–Sep 30 2014	Jan 1–Dec 31 2013	Jan 1–Sep 30 2013	As at Sep 30 2014	As at Dec 31 2013	As at Sep 30 2013
Purchases from:						
Other related parties	1,759	1,194	7,266	7,790	8,109	14,081
Total	**1,759**	**1,194**	**7,266**	**7,790**	**8,109**	**14,081**

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RELATED PARTIES – LOANS

Item	Sep 30 2014		Dec 31 2013		Sep 30 2013	
	Amount granted in the period	Outstanding balances	Amount granted in the period	Outstanding balances	Amount granted in the period	Outstanding balances
Loans advanced to:						
Other related parties	315	101	13,821	15,176	23,391	27,686
Total	**315**	**101**	**13,821**	**15,176**	**23,391**	**27,686**

RELATED PARTIES – BORROWINGS

Item	Sep 30 2014		Dec 31 2013		Sep 30 2013	
	Amount granted in the period	Outstanding balances	Amount granted in the period	Outstanding balances	Amount granted in the period	Outstanding balances
Borrowings from:						
Other related parties	1,513	1,563	1,513	1,562	-	-
Total	**1,513**	**1,563**	**1,513**	**1,562**	**-**	**-**

2.16 Issue, redemption and repayment of debt and equity securities

On June 17th 2013, at its Extraordinary General Meeting, a company presented in this statement as a joint venture made a decision to issue 464,332,500 bonds with a nominal value of UAH 75 per bond, maturing on December 29th 2015. The bonds were purchased by a closed-end investment fund. Proceeds from the bond issue recognised in these interim condensed consolidated financial statements were UAH 126,812 thousand (PLN 32,489 thousand). The company specified that it would use the proceeds from the issue to finance construction work (third stage of a residential project).

2.17 Loan or borrowing sureties or guarantees issued by the Company or its subsidiaries where the aggregate value of such outstanding sureties or guarantees issued to a single entity or its subsidiaries represents 10% of the Group's revenue generated in the last four financial quarters

In the period of nine months of 2014, a subsidiary company provided a PLN 1,046m surety for the benefit of another subsidiary, securing liabilities under the "Development of new coal-fired generation capacities at Tauron Wytwarzanie S.A. – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant III" project. The value of the surety is PLN 1,046m.

2.18 Contingent assets and liabilities

In these consolidated financial statements as at September 30th 2014, the PBG Group disclosed contingent liabilities recognised as off-balance-sheet items of PLN 2,523,613 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 in arrangement bankruptcy, 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 Company becoming aware that a part of its off-balance-sheet liabilities had extinguished due to the expiry of the 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. The Group made consolidation adjustments of PLN 19,239 thousand to its consolidated financial statements, attributable to liabilities under joint and several liability for subsidiaries, which was reflected in the provision being reduced to PLN 425,316 thousand.

Prior to the reversal, the value of contingent liabilities disclosed by the PBG Group as at September 30th 2014 was PLN 2,948,929 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.

2.19 Other information which in the Company's opinion is relevant for the assessment of its personnel, assets, financial condition and financial result or changes in the foregoing, or for the assessment of its ability to fulfil obligations

Except for the events referred to and discussed in section 2.2.2 "Going concern assumption" and section 2.10 of these financial statements, in Q1 2014 no other material events occurred which could have a significant bearing on the assessment of the Group's assets, financial position or financial result, or could change any of the foregoing, or would be relevant for the assessment of the Group's staffing situation or ability to fulfil obligations.

2.20 Factors with a bearing on the Company's results in the next quarter or in a longer term

In Q4 2014, the Company will continue the construction works under running contracts, the most important of them being:

a. Design and construction of a wet lime-and-gypsum flue-gas desulfurization unit for EC Kraków; executed between EDF Polska S.A. and RAFAKO S.A.; planned revenue: PLN 33,388 thousand;
b. Construction of a liquefied natural gas regasification terminal in Świnoujście; contract executed between Polskie LNG S.A. and the consortium of Saipem S.p.A., Saipem S.A., Techint Compagnia Tecnica Internazionale S.p.A., Snamprogetti Canada Inc., PBG S.A.

and PBG Energia Sp. z o.o. (formerly PBG Export Sp. z o.o.); planned revenue: PLN 32,383 thousand;

c. Design and construction of a wet lime-and-gypsum flue-gas desulfurization unit for ZEC Wrocław; executed between EDF Polska S.A. and RAFAKO S.A.; planned revenue: PLN 31,675 thousand;
d. Design, construction and commissioning of a wet lime-and-gypsum flue-gas desulfurization unit for EC Gdańsk; executed between EDF Polska S.A. and RAFAKO S.A.; planned revenue: PLN 29,024 thousand;
e. Design, construction and commissioning of a wet lime-and-gypsum flue-gas desulfurization unit for EC Gdynia; executed between EDF Polska S.A. and RAFAKO S.A.; planned revenue: PLN 26,812 thousand;
f. Construction of OFz-140 fluidized boiler with dust removal system in Oświęcim; contract executed between SYNTHOS DWORY 7 SP. Z O.O. S.K.A and RAFAKO S.A.; planned revenue: PLN 23,586 thousand;
g. Design, delivery and erection of a grid, steam generator, and flue gas treatment unit for two lines at the Waste Thermal Treatment Plant in Szczecin; contract executed between Mostostal Warszawa S.A. and RAFAKO S.A.; planned revenue: PLN 17,576 thousand;
h. Modernisation of FGD installation at Units No. 5 and 6 at the Bełchatów Power Plant; contract executed between PGE Górnictwo i Energetyka Konwencjonalna S.A. (Bełchatów branch), and RAFAKO S.A. – planned revenue: PLN 15,562 thousand;
i. Construction of a new CHP Plant – Stage I; contract executed between Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. and RAFAKO S.A. – planned revenue: PLN 14,881 thousand;
j. Upgrade and overhaul of the rotary air heaters and auxiliary systems for power units Nos. 7, 8, 9, 10, 11, and 12 at the Bełchatów Power Plant; contract executed between PGE Górnictwo i Energetyka Konwencjonalna S.A. (Bełchatów Branch) and RAFAKO S.A.; planned revenue: PLN 13,631 thousand;
k. 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&C systems; contract executed between Tauron Wytwarzanie S.A. and RAFAKO S.A. – planned revenue: PLN 11,599 thousand.

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3. INTERIM CONDENSED FINANCIAL STATEMENTS OF PBG S.A. (IN COMPANY VOLUNTARY ARRANGEMENT) FOR Q1–Q3 2014

KEY FINANCIAL DATA

Item	for the period Jan 1–Sep 30 2014 PLN	for the period Jan 1–Sep 30 2013 PLN	for the period Jan 1–Sep 30 2014 EUR	for the period Jan 1–Sep 30 2013 EUR
Income statement				
Revenue	161,539	276,526	38,643	65,479
Operating profit (loss)	(74,151)	81,812	(17,738)	19,372
Profit (loss) before tax	(74,103)	(6,988)	(17,727)	(1,655)
Net profit (loss) from continuing operations	(74,103)	(6,988)	(17,727)	(1,655)
Comprehensive net profit (loss)	(74,103)	(6,988)	(17,727)	(1,655)
Basic earnings per share (PLN/EUR)	(5.18)	(0.49)	(1.24)	(0.12)
Diluted earnings per share (PLN/EUR)	(5.18)	(0.49)	(1.24)	(0.12)
Average PLN/EUR exchange rate	x	x	4.1803	4.2231
Statement of cash flows				
Net cash from operating activities	(58,817)	(58,580)	(14,070)	(13,871)
Net cash from investing activities	10,656	18,868	2,549	4,468
Net cash from financing activities	(23,533)	(1,720)	(5,630)	(407)
Net change in cash and cash equivalents	(71,694)	(41,432)	(17,150)	(9,811)
Average PLN/EUR exchange rate	x	x	4.1803	4.2231

Item	As at Sep 30 2014 PLN	As at Dec 31 2013 PLN	As at Sep 30 2013 PLN	As at Sep 30 2014 EUR	As at Dec 31 2013 EUR	As at Sep 30 2013 EUR
Statement of financial position						
Assets	1,157,413	1,302,774	1,314,703	277,191	314,133	311,814
Non-current liabilities	458,199	460,620	710,163	109,735	111,068	168,433
Current liabilities	1,701,490	1,770,327	1,668,359	407,494	426,873	395,693
Share capital	14,295	14,295	14,295	3,424	3,447	3,390
Number of shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Book value per share (PLN/EUR)	(70.11)	(64.93)	(74.42)	(16.79)	(15.66)	(17.65)
Dividend per share declared or paid (PLN/EUR)	-	-	-	-	-	-
PLN/EUR exchange rate at the end of the period	x	x	x	4.1755	4.1472	4.2163

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION OF PBG S.A. IN COMPANY VOLUNTARY ARRANGEMENT

Item	As at Sep 30 2014	As at Jun 30 2014	As at Dec 31 2013	As at Sep 30 2013	As at Jun 30 2013
Assets					
Non-current assets	**884,540**	**882,504**	**936,652**	**969,001**	**998,419**
Intangible assets	3,683	4,098	4,933	6,543	7,100
Property, plant and equipment	61,172	62,042	63,828	93,026	95,965
Investment property	45,686	45,686	41,875	23,588	23,598
Long-term investments	7,577	7,577	7,577	7,577	7,577
Investments in subsidiaries	563,029	563,029	563,029	563,029	563,029
Receivables	20,056	20,287	27,566	27,562	27,759
Loans advanced	182,335	178,760	226,741	237,199	262,914
Derivative financial instruments	-	-	-	-	-
Other non-current financial assets	849	849	849	10,203	10,090
Deferred tax assets	-	-	-	-	-
Non-current accruals and deferred income	153	176	254	274	387
Current assets	**272,873**	**292,513**	**366,122**	**345,702**	**349,057**
Inventories	2,907	1,134	934	930	1,426
Amounts due from customers for construction contract work	40,770	47,602	17,483	66,182	87,705
Trade and other receivables	73,840	74,468	111,069	60,832	58,487
Current tax assets	-	-	-	-	-
Loans advanced	124,667	125,862	132,932	158,643	143,587
Derivative financial instruments	-	-	-	-	1,017
Other current financial assets	-	-	-	-	-
Cash and cash equivalents	28,110	39,352	99,806	53,799	51,777
Current accruals and deferred income	1,587	2,531	1,838	5,316	5,058
Non-current assets held for sale	992	1,564	2,060	-	-
Total assets	**1,157,413**	**1,175,017**	**1,302,774**	**1,314,703**	**1,347,476**

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION OF PBG S.A. IN COMPANY VOLUNTARY ARRANGEMENT cont.

Item	As at Sep 30 2014	As at Jun 30 2014	As at Dec 31 2013	As at Sep 30 2013	As at Jun 30 2013
Equity and liabilities					
Equity	**(1,002,276)**	**(997,837)**	**(928,173)**	**(1,063,819)**	**(1,054,572)**
Share capital	14,295	14,295	14,295	14,295	14,295
Treasury shares	-	-	-	-	-
Share premium	733,348	733,348	733,348	733,348	733,348
Other components of equity	547,868	547,868	547,868	547,868	547,868
Retained earnings	(2,297,787)	**(2,293,348)**	**(2,223,684)**	**(2,359,330)**	**(2,350,083)**
- accumulated profit (loss) from prior years	(2,223,684)	(2,223,684)	(2,352,342)	(2,352,342)	(2,352,341)
- net profit (loss) for current year	(74,103)	(69,664)	128,658	(6,988)	2,258
Liabilities	**2,159,689**	**2,172,854**	**2,230,947**	**2,378,522**	**2,402,048**
Non-current liabilities	**458,199**	**458,919**	**460,620**	**710,163**	**710,311**
Borrowings and other debt instruments	-	-	-	-	-
Finance lease liabilities	4,687	4,849	5,172	5,339	5,505
Derivative financial instruments	-	-	-	-	-
Other liabilities	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Employee benefit obligations and provisions	187	187	201	214	214
Other non-current provisions	452,082	452,553	453,860	700,477	700,343
Non-current accruals and deferred income	1,243	1,330	1,387	4,133	4,249
Current liabilities	**1,701,490**	**1,713,935**	**1,770,327**	**1,668,359**	**1,691,737**
Borrowings and other debt instruments	1,210,019	1,211,611	1,233,209	1,245,344	1,245,176
Finance lease liabilities	652	655	676	681	686
Derivative financial instruments	12	185	641	2,967	-
Trade and other payables	461,737	467,092	472,858	380,972	402,272
Amounts due to customers for construction contract work	3,732	5,531	24,579	4,277	6,459
Current tax liabilities	-	-	-	-	-
Employee benefit obligations and provisions	2,138	2,568	2,731	2,776	2,939
Other current provisions	22,868	25,865	35,184	30,714	33,455
Current accruals and deferred income	332	428	449	628	750
Liabilities under non-current assets held for sale	-	-	-	-	-
Total equity and liabilities	**1,157,413**	**1,175,017**	**1,302,774**	**1,314,703**	**1,347,476**

In these separate financial statements, the Company disclosed contingent liabilities recognised as off-balance-sheet items, including guarantees and sureties issued to related entities and other entities, of PLN 1,283,536 thousand.

The contingent liabilities pertain to liabilities under sureties issued for credit facilities and trade payables, guarantees and sureties issued for third parties by the Parent, as well as liabilities under guarantees issued at the request of the Parent 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 Company's liabilities under joint and several liability for third parties, arising in connection with sureties and guarantees issued by the Company for the benefit of other parties. The value of the provision was estimated based on the amount of contingent liabilities recorded by the Company prior to the Court's decision declaring the

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Company in arrangement bankruptcy, i.e. as at June 13th 2012. The provision, established in accordance with the relevant assumptions, amounted to PLN 780,000 thousand.

Following the Company's submission of revised arrangement proposals to the Court on September 30th 2013 and the Company 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 Company, 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. The Company did not adjust the provision as at September 30th 2014; in the opinion of the Company's Management Board, the provision amount is correct.

Prior to the reversal, the value of contingent liabilities disclosed by the Parent as at June 30th 2014 was PLN 1,728,091 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.

INTERIM CONDENSED INCOME STATEMENT OF PBG SA (IN COMPANY VOLUNTARY ARRANGEMENT)

Item	Q3 2014 Jul 1–Sep 30 2014	Q1–Q3 2014 Jan 1–Sep 30 2014	Q3 2014 Jul 1–Sep 30 2013	Q1–Q3 2013 Jan 1–Sep 30 2013
Continuing operations				
Revenue	**38,654**	**161,539**	**61,508**	**276,526**
Sales of finished goods	-	-	-	-
Rendering of services	38,301	160,831	61,012	276,030
Sales of merchandise and materials	353	708	496	496
Cost of sales	**(39,539)**	**(176,446)**	**(79,599)**	**(281,556)**
Finished goods sold	-	-	-	-
Services rendered	(39,197)	(175,768)	(79,599)	(279,960)
Merchandise and materials sold	(342)	(678)	-	(1,596)
Gross profit (loss)	**(885)**	**(14,907)**	**(18,091)**	**(5,030)**
Distribution costs	-	-	-	-
Administrative expenses	(5,296)	(15,912)	(6,124)	(22,062)
Other income	4,991	12,681	22,337	138,180
Other expenses	(2,899)	(56,013)	(4,266)	(29,276)
Restructuring costs	-	-	-	-
Operating profit (loss)	**(4,089)**	**(74,151)**	**(6,144)**	**81,812**
Finance costs	(350)	48	(1,506)	(88,800)
Profit (loss) before tax	**(4,439)**	**(74,103)**	**(7,650)**	**(6,988)**
Income tax expense	-	-	-	-
Net profit (loss) from continuing operations	**(4,439)**	**(74,103)**	**(7,650)**	**(6,988)**
Discontinued operations				
Net loss from discontinued operations	-	-	-	-
Net profit (loss)	**(4,439)**	**(74,103)**	**(7,650)**	**(6,988)**

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

EARNINGS PER SHARE

Item	Q3 2014 Jul 1–Sep 30 2014	Q1–Q3 2014 Jan 1–Sep 30 2014	Q3 2014 Jul 1–Sep 30 2013	Q1–Q3 2013 Jan 1–Sep 30 2013
Net profit (loss) from continuing operations	(4,439)	(74,103)	(7,650)	(6,988)
Net profit (loss) from continuing and discontinued operations	(4,439)	(74,103)	(7,650)	(6,988)
Weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000
from continuing operations				
- basic	(0.31)	(5.18)	(0.54)	(0.49)
- diluted	(0.31)	(5.18)	(0.54)	(0.49)
from continuing and discontinued operations				
- basic	(0.31)	(5.18)	(0.54)	(0.49)
- diluted	(0.31)	(5.18)	(0.54)	(0.49)

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Item	Q3 2014 Jul 1–Sep 30 2014	Q1–Q3 2014 Jan 1–Sep 30 2014	Q3 2014 Jul 1–Sep 30 2013	Q1–Q3 2013 Jan 1–Sep 30 2013
Net profit (loss)	**(4,439)**	**(74,103)**	**(9,246)**	**(6,988)**
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met, relating to:				
Translation reserve	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Hedge accounting	-	-	-	-
Revaluation of property, plant and equipment	-	-	-	-
Deferred income tax	-	-	-	-
Other comprehensive income that will not be reclassified to profit or loss, relating to:				
Actuarial gains/losses on employee benefits	-	-	-	-
Deferred income tax	-	-	-	-
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**
Total comprehensive income	**(4,439)**	**(74,103)**	**(9,246)**	**(6,988)**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF PBG'S FINANCIAL PERFORMANCE IN Q3 2014

I. IMPORTANT EVENTS AND FACTORS WITH A BEARING ON THE FINANCIAL PERFORMANCE OF PBG IN Q3 2014

In the first three quarters of 2014, the Company generated **revenue from sales** of **PLN 161.5m**, and incurred a **PLN 14.9m gross loss on sales**. The loss resulted from:

- determination of revenue from the contract for construction of the Wierzchowice underground gas storage facility, following contract termination by the Employer on April 2nd 2014. Based on the estimate as-built survey, the effect of the termination on the Company's profit or loss is PLN -6.6m;

- takeover of contracts from those PBG subsidiaries which are being liquidated as a result of bankruptcy. Technical support and removal of defects under these contracts generated a loss of PLN 4.2m (Q3 2014: PLN 1.6m);

-- unused production capacities, i.e. labour costs of employees not assigned to any specific contract in the period; PLN -3.8m of loss in Q1–Q3 2014 (Q3 2014: PLN -1.3m);

Operating loss amounted to PLN 74.2m, compared with a profit of PLN 81.8m in the previous year. The loss was attributable to administrative expenses and one-off events discussed in the notes concerning other income and expenses.

The Company reported a **net** loss of PLN **74.1m**.

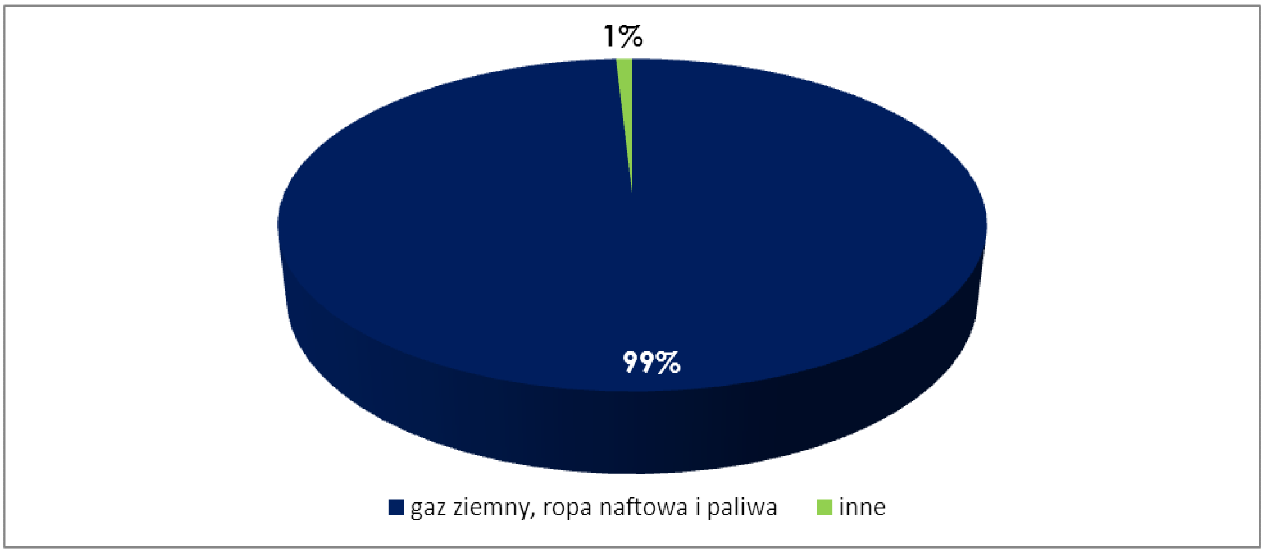
1.1 **In Q3 2014, the key source of revenue from PBG's core business was the contract "Construction of the liquefied natural gas regasification terminal in Świnoujście"**, executed between Polskie LNG S.A. and the consortium of Saipem S.p.A., Saipem S.A., Techint Compagnia Tecnica Internazionale S.p.A., Snamprogetti Canada Inc., PBG S.A. and EGBP Management Sp. z o.o. w upadłości układowej (formerly PBG Energia Sp. z o.o.); recognised revenue: **PLN 32.8m.**

II. DISCUSSION OF REVENUE AND COSTS

2.1 Revenue

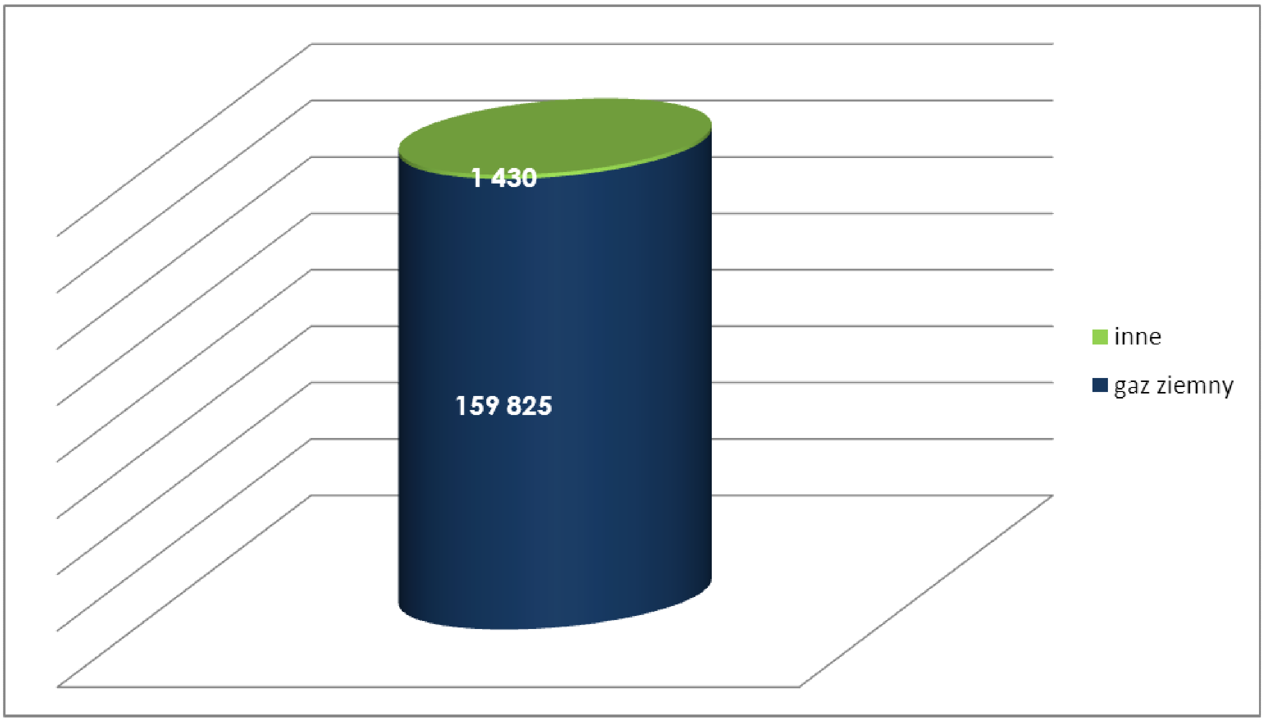
In Q1 2014, PBG's **accumulated revenue for Q1-Q3 2014** was **PLN 161.5m**, down 42% year on year. With over **99%** of the total, **the gas, oil and fuels segment** was the largest contributor to the revenue.

SEGMENTS' PERCENTAGE SHARES IN PBG'S REVENUE IN Q1–Q3 2014



Gaz ziemny, ropa naftowa i paliwa	Gas, oil and fuels
Inne	Other

SEGMENTS' CONTRIBUTION TO PBG'S REVENUE IN Q1–Q3 2014 (PLN '000)



Gaz	Gas, oil and fuels
Inne	Other

2.2 Cost of sales

Cost of sales in Q1–Q3 2014 **was PLN 176.4m.** The **share** of **variable costs** in the revenue increased, to **109%** of the revenue as at the end of Q3 2014. In the corresponding period of 2013, the cost of sales also exceeded revenue.

2.3 Administrative expenses

As at the end of Q3 2014, **administrative expenses** were **PLN 15.9m,** that is **PLN 6m less** than a year before. Due to a significant decline in revenue, the **share of administrative expenses in the revenue** grew, to nearly **10%** in the reporting period.

2.4 Other income

Cumulatively, **other income was PLN 12.7m** in the first three quarters of 2014, with the largest item being a PLN 5.3m discount on long-term settlements, and a PLN 1.8m reversal of unused provisions. Year on year, other income **decreased by 91%**.

2.5 Other expenses

As at the end of Q3 2014, other expenses **totalled PLN 56m, having increased by 91%** year on year. Other expenses comprised mainly exchange differences on operating activities of PLN 26.6m, and impairment of assets in the amount of PLN 24.6m.

2.6 Finance costs

Finance cost in Q1−Q3 2014 **were PLN 0.8m**, which was significantly less than PLN 91.1m recognised in the corresponding period of the previous year. The largest item in finance costs was **interest, fees and commissions due to banks (PLN 0.8m).**

III. DISCUSSION OF FINANCIAL RESULTS

Given the current difficult position of the Company and the non-recurring events that have taken place since the middle of 2012, including PBG's arrangement bankruptcy and arrangement or liquidation bankruptcy of PBG's subsidiaries, year-to-year performance analyses and comparisons may be particularly difficult, and may present a distorted image, thus **it is recommended that all of the information presented in the Company's financial statements for current and previous reporting periods be read in detail**.

3.1 Income statement

Cumulatively for Q1–Q3 2014, the Company's net loss was PLN 74.1m, which represents a decline of PLN 67.1m on the end of Q3 2013.

The Q3 2014 results clearly point to a downtrend at all levels of the income statement. Cumulatively for Q1–Q3 2013, the Company's gross loss on sales was PLN 5m, while for Q1–Q3 2014, the loss was PLN 14.9m. For Q1–Q3 2014, the Company posted operating loss of PLN 74.2m, vs. operating profit of PLN 81.8m posted for the corresponding period of 2013. The results of PBG's operations for Q1–Q3 2014 are worse than the results for Q1–Q3 2013. In 2014, there has been a number of non-recurring events over which the Company had no control; these included strong depreciation of UAH against PLN, which reduced the Company's result by PLN 26m and necessitated recognition of a PLN 23m impairment loss on loans advanced.

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

3.2 EBITDA

In Q1–Q3 2014, the Company did not purchase any intangible assets, but incurred PLN 14 thousand expenditure on property, plant and equipment. In Q1–Q3 2014, amortisation and depreciation amounted to PLN 2.9m, relative to PLN 10.3m in the corresponding period of 2013.

As at the end of Q3 2014, EBITDA (operating profit before depreciation/amortisation) **was negative at PLN -71.3m,** relative to PLN 92.2 posted as at the end of Q3 2013.

3.3 Profitability ratios

As at the end of Q3 2013, revenue grew by **58%**, however the cost of sales increased by **63%**, which had a negative impact on the Company's profitability. **The gross margin** for Q1–Q3 2014 **was -9.2%, while the operating margin and net margin were -45.9%.**

PBG's profitability in the reporting period

Profitability ratios	Q1–Q3 2014
Gross margin 1	-9.2%
Operating margin2	-45.9%
Net margin3	-45.9%

[1]gross profit / revenue*100
[2] operating profit / revenue*100
[3] net profit / revenue*100

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY OF PBG S.A. (IN COMPANY VOLUNTARY ARRANGEMENT) FOR THE PERIOD JANUARY 1ST–SEPTEMBER 30TH 2014

Item	Share capital	Treasury shares (-)	Share premium	Other components of equity	Retained earnings	Total
Balance as at Jan 1 2014	**14,295**	**-**	**733,348**	**547,868**	**(2,223,684)**	**(928,173)**
Changes in accounting policies	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-
Restated balance	**14,295**	**-**	**733,348**	**547,868**	**(2,223,684)**	**(928,173)**
Changes in equity in the period Jan 1 – Sep 30 2014						
Share issue	-	-	-	-	-	-
Employee share options	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period Jan 1 – Sep 30 2014	**-**	**-**	**-**	**-**	(74,103)	**(74,103)**
Other comprehensive income net of tax for the period Jan 1 – Sep 30 2014	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**(74,103)**	**(74,103)**
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-	-
Balance as at Sep 30 2014	**14,295**	**-**	**733,348**	**547,868**	**(2,297,787)**	**(1,002,276)**

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY OF PBG S.A. (IN COMPANY VOLUNTARY ARRANGEMENT) FOR THE PERIOD JANUARY 1ST–SEPTEMBER 30TH 2013

Item	Share capital	Treasury shares (-)	Share premium	Other components of equity	Retained earnings	Total
Balance as at Jan 1 2013	**14,295**		**733,348**	**547,868**	**(2,352,342)**	**(1,056,831)**
Changes in accounting policies	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-
Restated balance	**14,295**	**-**	**733,348**	**547,868**	**(2,352,342)**	**(1,056,831)**
Changes in equity in the period Jan 1 – Sep 30 2013						
Share issue	-	-	-	-	-	-
Employee share options	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period Jan 1 – Sep 30 2013	**-**	**-**	**-**	**-**	**(6,988)**	**(6,988)**
Other comprehensive income net of tax for the period Jan 1 – Sep 30 2013	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**(6,988)**	**(6,988)**
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-	-
Balance as at Sep 30 2013	**14,295**	**-**	**733,348**	**547,868**	**(2,359,330)**	**(1,063,819)**

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY OF PBG S.A. (IN COMPANY VOLUNTARY ARRANGEMENT) FOR THE PERIOD JANUARY 1ST–DECEMBER 31TH 2013

Item	Share capital	Treasury shares (-)	Share premium	Other components of equity	Retained earnings	Total
Balance as at Jan 1 2013	**14,295**	**-**	**733,348**	**547,868**	**(2,352,342)**	**(1,056,831)**
Changes in accounting policies	-	-	-	-	-	-
Correction of errors	-	-	-	-	-	-
Restated balance	**14,295**	**-**	**733,348**	**547,868**	**(2,352,342)**	**(1,056,831)**
Share issue	-	-	-	-	-	-
Employee share options	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**
Net profit for the period Jan 1–Dec 31 2013	-	-	-	-	128,658	128,658
Other comprehensive income net of tax for the period Jan 1–Dec 31 2013	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**128,658**	**128,658**
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-	-
Balance as at Dec 31 2013	**14,295**	**-**	**733,348**	**547,868**	**(2,223,684)**	**(928,173)**

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

INTERIM CONDENSED STATEMENT OF CASH FLOWS OF PBG S.A. IN COMPANY VOLUNTARY ARRANGEMENT

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Cash flows from operating activities		
Profit (loss) before tax	**(74,103)**	**(6,988)**
Adjustments:		
Depreciation and impairment of property, plant and equipment	1,601	7,462
Amortisation and impairment of intangible assets	1,250	2,878
Change in fair value of investment property	-	4,558
Gains (losses) on financial assets and liabilities at fair value through profit or loss	(246)	(1,359)
Cash flow hedges recycled from equity	-	-
Impairment of financial assets	22,955	90,042
(Gains) losses on disposal of non-financial non-current assets	895	1,741
Gain/loss on disposal of non-derivative financial assets	(74)	-
Foreign exchange gains (losses)	25,728	330
Interest expense	773	3,702
Interest income	(1,587)	(1,545)
Dividend received	-	-
Other adjustments	(4,681)	(10,455)
Total adjustments	**46,614**	**97,354**
Change in inventories	(1,972)	135
Change in trade and other receivables	39,995	(7,448)
Change in trade payables	(10,608)	(62,858)
Change in provisions, accruals and prepaid expenses	(14,609)	(96,326)
Change in construction contracts and related liabilities	(44,134)	17,551
Net changes in working capital	**(31,328)**	**(148,946)**
Settling of derivative financial instruments	-	-
Interest paid (operating activities only)	-	-
Income taxes paid	-	-
Net cash from operating activities	**(58,817)**	**(58,580)**
Cash flows from investing activities		
Purchase of intangible assets	-	-
Proceeds from disposals of intangible assets	-	-
Purchase of property, plant and equipment	(14)	-
Proceeds from disposals of property, plant and equipment	2,638	2,073
Purchase of investment property	(86)	-
Proceeds from disposals of investment property	-	-
Acquisition of subsidiaries, net	-	-
Sale of subsidiaries, net	-	6,427
Repayment of loans advanced	7,714	10,715
Loans advanced	-	-
Purchase of other financial assets	-	-
Proceeds from disposals and redemptions of other financial assets	74	-
Proceeds from government grants	-	-
Interest received	330	(347)
Other inflows	-	-

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Other investment outflows	-	-
Dividend received	-	-
Net cash from investing activities	**10,656**	**18,868**
Cash flows from financing activities		
Net proceeds from share issue	-	-
Purchase of treasury shares	-	-
Proceeds from issue of debt securities	-	-
Repayment of debt securities	-	-
Interest paid on debt securities	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	(23,044)	(1,346)
Payment of finance lease liabilities	(877)	(950)
Interest paid	(916)	(235)
Interest received on bank deposits	1,304	811
Other inflows/outflows	-	-
Dividend paid	-	-
Net cash from financing activities	**(23,533)**	**(1,720)**
Net change in cash and cash equivalents	**(71,694)**	**(41,432)**
Cash and cash equivalents, beginning of period	**99,804**	**95,231**
Effect of exchange rate changes	-	-
Cash and cash equivalents, end of period	**28,110**	**53,799**

SELECTED NOTES

REVENUE BY SEGMENT

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Gas, oil and fuels	159,825	256,729
Water	69	9,009
Industrial and residential construction	206	86
Road construction	-	-
Power construction	8	8,897
Other	1,431	1,805
Total revenue	**161,539**	**276,526**

EXPENSES BY NATURE

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Depreciation and amortisation	3,957	7,780
Raw materials and consumables used	37,911	75,474
Services	120,948	194,125
Taxes and duties	1,147	1,170
Employee benefits	14,999	19,386
Other expenses	11,196	8,285
Total expenses	**190,158**	**306,220**
Cost of merchandise and materials sold	678	1,596
Changes in inventories of finished goods and work in progress (-)	1,522	(4,198)
Work performed by entity and capitalised	-	-
Cost of sales, distribution costs and administrative expenses	**192,358**	**303,618**

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

OTHER INCOME

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Gain on disposal of non-financial non-current assets	-	-
Change in fair value of investment property	-	-
Reversals of impairment loss on property, plant and equipment and intangible assets	1,106	2,007
Reversals of impairment loss on receivables	75	23,122
Reversals of inventory write-downs	85	1,588
Reversals of impairment loss on other assets	-	1,407
Reversals of unused provisions	1,847	412
Reversal of provision for liabilities		-
Compensation and penalties received	43	242
Government grants received	290	349
Lease income	1,401	963
Interest on loans advanced as part of operating activities	908	280
Allowance for credit losses on loans		-
Other interest related to operating activities	168	450
Net exchange differences on operating activities	-	-
Total fair value and disposal gains on financial instruments at fair value through profit or loss	246	1,668
Discount (long-term settlements)	5,315	10,789
Gain on investments in related entities	-	-
Gain on disposal of equity instruments	74	2,009
Past due liabilities written-off	-	-
Court fees refunded	318	16
Reversal of provision for potential liabilities	-	90,000
Other income	805	2,878
Total other income	**12,681**	**138,180**

OTHER EXPENSES

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Loss on disposal of non-financial non-current assets	895	1,741
Change in fair value of investment property	-	4,558
Impairment loss on property, plant and equipment and on intangible assets		4,493
Allowance for credit losses on receivables	1,535	10,025
Inventory write-downs	117	-
Impairment losses on other assets	22,955	935
Compensation and penalties paid	42	610

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Grants		-
Interest on liabilities	28	1,760
Net exchange differences on operating activities	26,627	2,196
Cost of litigation	69	1,601
Other	3,745	1,357
Total other operating expenses	**56,013**	**29,276**

FINANCE INCOME

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Interest income for financial assets not at fair value through profit or loss:		
Cash and cash equivalents (deposits)	757	811
Loans and receivables	-	4
Total interest income for financial assets not at fair value through profit or loss	**757**	**815**
Gain (loss) (+/-) from exchange differences on:		
Cash and cash equivalents	94	1,459
Loans and receivables	-	-
Financial liabilities at amortised cost	-	-
Total gain (loss) (+/-) from exchange differences	**94**	**1,459**
Other finance income	6	35
Total finance income	**857**	**2,309**

FINANCE COSTS

Item	Q1–Q3 2014 Jan 1–Sep 30 2014	Q1–Q3 2013 Jan 1–Sep 30 2013
Interest expenses for financial liabilities not at fair value through profit or loss:		
Finance lease liabilities	-	195
Bank borrowings	770	866
Bank overdrafts	-	816
Trade and other payables	39	65
Total interest expenses for financial liabilities not at fair value through profit or loss	**809**	**1,942**
Fair value and disposal losses on financial instruments at fair value through profit or loss:		
Investment fund certificates	-	60
Total fair value and disposal losses on financial instruments at fair value through profit or loss	**-**	**60**
Allowance for credit losses on loans	-	11

Impairment losses on held-to-maturity investments	-	76,000
Impairment losses on investments in subsidiaries, associates and jointly-controlled entities	-	13,096
Other finance costs	-	
Total finance costs	**809**	**91,109**

QSr 3/2014 (all amounts in PLN '000, unless otherwise indicated)

4. APPROVAL FOR ISSUE

These interim condensed consolidated financial statements of the PBG Group for Q3 2014 and interim condensed separate financial statements of PBG S.A. for Q3 2014 (together with comparative data) were approved for issue by the Company's Management Board on November 14th 2014.

Signatures of all Management Board members			
Date	Full name	Position	Signature
Nov 14 2014	Jerzy Wiśniewski	President of the Management Board	
Nov 14 2014	Mariusz Łożyński	Vice-President of the Management Board	
Nov 14 2014	Kinga Banaszak-Filipiak	Vice-President of the Management Board	
Nov 14 2014	Bożena Ciosk	Member of the Management Board	
Signature of the person responsible for the preparation of the consolidated financial statements			
Date	Full name	Position	
Nov 14 2014	Eugenia Bachorz	Accounting Services Centre Director	

Wysogotowo, November 14th 2014