

PBG GROUP



**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD
JANUARY 1ST – JUNE 30TH 2014**

WYSOGOTOWO, SEPTEMBER 1ST 2014

Group name:	<i>PBG GROUP</i>		
Period covered by the financial statements:	<i>Jan 1–Jun 30 2014</i>	Reporting currency:	<i>Polish złoty (PLN)</i>
Rounding:	<i>All amounts in PLN thousand (unless otherwise indicated)</i>		

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SELECTED FINANCIAL DATA

Item	for the period Jan 1–Jun 30 2014 (unaudited) PLN	for the period Jan 1–Dec 31 2013 (audited) PLN	for the period Jan 1–Jun 30 2013 (unaudited) PLN	for the period Jan 1–Jun 30 2014 (unaudited) EUR	for the period Jan 1–Dec 31 2013 (audited) EUR	for the period Jan 1–Jun 30 2013 (unaudited) EUR
Income statement						
Revenue	661,520	1,315,579	705,289	158,319	312,415	167,368
Operating profit (loss)	(157,034)	337,066	235,954	(37,582)	80,044	55,993
Profit (loss) before tax	(160,246)	212,218	128,101	(38,351)	50,396	30,399
Net profit (loss) from continuing operations	(162,879)	207,512	124,471	(38,981)	49,279	29,537
Net profit (loss) attributable to:	(162,879)	207,512	124,471	(38,981)	49,279	29,537
- owners of the Parent	(160,110)	257,551	139,150	(38,318)	61,161	33,021
- non-controlling interests	(2,769)	(50,039)	(14,679)	(663)	(11,883)	(3,483)
Statement of comprehensive income						
Comprehensive income (loss) attributable to:	(220,143)	215,808	129,691	(52,686)	51,249	30,776
- owners of the Parent	(205,536)	265,584	142,550	(49,190)	63,069	33,828
- non-controlling interests	(14,607)	(49,776)	(12,859)	(3,496)	(11,820)	(3,051)
Basic earnings per share (PLN/EUR)	(11.20)	18.02	9.73	(2.68)	4.28	2.31
Diluted earnings per share (PLN/EUR)	(11.20)	18.02	9.73	(2.68)	4.28	2.31
Statement of cash flows						
Net cash from operating activities	67,312	(21,284)	(87,734)	16,110	(5,054)	(20,820)
Net cash from (used in) investing activities	35,382	31,702	6,658	8,468	7,528	1,580
Net cash from financing activities	(128,306)	(11,735)	(249)	(30,707)	(2,787)	(59)
Net change in cash and cash equivalents	(25,612)	(1,317)	(81,325)	(6,130)	(313)	(19,299)
Average PLN/EUR exchange rate	X	X	X	4.1784	4.2110	4.2140

Group name:	PBG GROUP		
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Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Item	As at Jun 30 2014 (unaudited) PLN	As at Dec 31 2013 (audited) PLN	As at Jun 30 2013 (unaudited) PLN	As at Jun 30 2014 (unaudited) EUR	As at Dec 31 2013 (audited) EUR	As at Jun 30 2013 (unaudited) EUR
Statement of financial position						
Assets	2,173,121	2,679,458	2,662,177	522,272	646,088	614,935
Non-current liabilities	541,213	615,093	800,316	130,071	148,315	184,865
Current liabilities	2,381,958	2,647,211	2,538,874	572,462	638,313	586,453
Equity attributable to owners of the Parent	(1,017,235)	(858,283)	(983,374)	(244,475)	(206,955)	(227,149)
Share capital	14,295	14,295	14,295	3,436	3,447	3,302
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)	(71.16)	(60.04)	(68.79)	(17.10)	(14.48)	(15.89)
Declared or paid dividend per share (PLN/EUR)	-	-	-	-	-	-
PLN/EUR exchange rate at the end of the period	X	X	X	4.1609	4.1472	4.3292

The above data was translated into the euro in accordance with the following rules:

- a) The selected items of the income statement, the statement of comprehensive income and the statement of cash flows for H1 2014, H1 2013 and 2013 were translated at the EUR/PLN exchange rate which is the arithmetic mean of the mid-rates quoted by the National Bank of Poland for the last day of each month in the periods, i.e. EUR 1 = PLN 4.1784, EUR 1 = PLN 4.2140 and EUR 1 = 4.2110, respectively.
- b) Items of the statement of financial position were translated at the EUR/PLN exchange rate quoted by the National Bank of Poland for the reporting date. As at June 30th 2014, the EUR/PLN exchange rate was 4.1609; as at December 31st 2013 the EUR/PLN exchange rate was 4.1472, and as at June 30th 2013, the EUR/PLN exchange rate was 4.3292.

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

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Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Item	Note	IFRS as at Jun 30 2014 (unaudited)	IFRS as at Dec 31 2013 (audited)	IFRS as at Jun 30 2013 (unaudited)
Assets				
Non-current assets		1,077,670	1,014,080	1,046,778
Goodwill	7	385,518	385,518	385,793
Intangible assets	8	12,189	13,493	16,517
Property, plant and equipment	9	286,360	292,314	324,187
Non-regenerative natural resources		36,782	36,782	36,782
Investment property	11	208,503	210,504	172,865
Long-term investments		7,577	7,577	7,577
Investments in joint ventures	12	60,459	-	-
Receivables	14	26,627	32,739	30,293
Loans advanced	14	214	8,561	39,380
Derivative financial instruments		-	-	-
Other non-current financial assets		2,514	3,285	11,943
Deferred tax assets		47,254	22,107	19,431
Long-term prepaid expenses		3,673	1,200	2,010
Current assets		1,095,451	1,665,378	1,615,399
Inventories	15	94,081	514,404	464,498
Amounts due from customers for construction contract work	31	322,704	183,370	216,974
Trade and other receivables	14	481,451	692,268	714,388
Current tax assets		10,037	14,366	6,929
Loans advanced	14	241	42,916	46,438
Derivative financial instruments		70	15	1,027
Other current financial assets		25,003	35,700	45,897
Cash and cash equivalents	16	148,625	173,894	92,126
Current accruals and deferred income		10,689	5,362	26,160
Non-current assets held for sale		2,550	3,083	962
Total assets		2,173,121	2,679,458	2,662,177

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

Item	Note	IFRS as at Jun 30 2014 (unaudited)	IFRS as at Dec 31 2013 (audited)	IFRS as at Jun 30 2013 (unaudited)
<i>Equity and liabilities</i>				
Equity	18	(750,050)	(582,846)	(677,013)
Equity attributable to owners of the Parent		(1,017,235)	(858,283)	(983,374)
Share capital	18	14,295	14,295	14,295
Treasury shares		-	-	-
Share premium		733,348	733,348	733,348
Cash-flow hedges and translation reserve		(3,877)	(5,554)	(4,437)
Other components of equity		544,609	644,764	650,226
Retained earnings		(2,305,610)	(2,245,136)	(2,376,806)
- accumulated profit (loss) from prior years		(2,145,500)	(2,502,687)	(2,515,956)
- net profit (loss) for current year attributable to owners of the Parent		(160,110)	257,551	139,150
Non-controlling interests	18	267,185	275,437	306,361
Liabilities		2,923,171	3,262,304	3,339,190
Non-current liabilities		541,213	615,093	800,316
Borrowings and other debt instruments	17	34,330	101,122	41,109
Finance lease liabilities		13,451	14,024	6,779
Derivative financial instruments		3,997	2,923	3,274
Other liabilities		25,507	16,168	14,788
Deferred tax liabilities		2,078	-	-
Employee benefit obligations and provisions	23	23,327	22,746	24,377
Other non-current provisions	23	437,193	456,724	705,740
Government grants		-	-	-
Non-current accruals and deferred income		1,330	1,386	4,249
Current liabilities		2,381,958	2,647,211	2,538,874
Borrowings and other debt instruments	17	1,398,711	1,567,278	1,621,158
Finance lease liabilities		2,582	2,540	1,403
Derivative financial instruments		185	641	68
Trade and other payables		729,859	752,668	655,614
Amounts due to customers for construction contract work	31	96,761	117,938	52,580
Current tax liabilities		619	1,134	150
Employee benefit obligations and provisions	23	32,489	27,968	29,631
Other current provisions	23	118,189	175,427	175,907
Government grants		6	11	17
Current accruals and deferred income		2,554	1,606	2,344
Liabilities under non-current assets held for sale		3	-	2
Total equity and liabilities		2,173,121	2,679,458	2,662,177

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INTERIM CONSOLIDATED INCOME STATEMENT (BY FUNCTION)

Item	Note	IFRS for the period Jan 1–Jun 30 2014 (unaudited)	IFRS for the period Jan 1–Dec 31 2013 (audited)	IFRS for the period Jan 1–Jun 30 2013 (unaudited)
Continuing operations				
Revenue	32	661,520	1,315,579	705,289
Sales of finished goods		489,968	817,528	410,602
Rendering of services		158,527	465,000	279,212
Sales of merchandise and materials		13,025	33,051	15,475
Cost of sales		(602,413)	(1,327,749)	(661,525)
Finished goods sold		(419,231)	(792,907)	(374,661)
Services rendered		(167,215)	(500,156)	(271,777)
Merchandise and materials sold	32	(15,967)	(34,686)	(15,087)
Gross profit (loss)		59,107	(12,170)	43,764
Distribution costs		(23,992)	(60,910)	(31,658)
Administrative expenses		(42,769)	(89,667)	(51,689)
Other income	32	56,560	715,858	366,204
Other expenses	32	(205,940)	(216,020)	(90,642)
Restructuring costs		-	(25)	(25)
Operating profit (loss)		(157,034)	337,066	235,954
Net finance costs		(3,212)	(124,848)	(107,853)
Share of profit (loss) of equity-accounted entities		-	-	-
Profit (loss) before tax		(160,246)	212,218	128,101
Income tax expense		(2,633)	(4,706)	(3,630)
Net profit (loss) from continuing operations		(162,879)	207,512	124,471
<i>Discontinued operations</i>				
Net loss from discontinued operations		-	-	-
Net profit (loss)		(162,879)	207,512	124,471
Net profit (loss) attributable to:		(162,879)	207,512	124,471
- owners of the Parent		(160,110)	257,551	139,150
- non-controlling interests		(2,769)	(50,039)	(14,679)

EARNINGS PER SHARE

Item	for the period Jan 1–Jun 30 2014 (unaudited) 1/share	for the period Jan 1–Dec 31 2013 (audited) 1/share	for the period Jan 1–Jun 30 2013 (unaudited) 1/share
Net profit (loss) from continuing operations attributable to owners of the parent	(160,110)	257,551	139,150
Net profit (loss) from continuing operations and discontinued operations attributable to owners of the parent	(160,110)	257,551	139,150
Weighted average number of ordinary shares	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
from continuing operations			
- basic	(11.20)	18.02	9.73
- diluted	(11.20)	18.02	9.73
from continuing and discontinued operations			
- basic	(11.20)	18.02	9.73
- diluted	(11.20)	18.02	9.73

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
Net profit (loss)	(162,879)	207,512	124,471
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met, relating to:			
Translation reserve	(57,800)	(188)	3,560
Available-for-sale financial assets	-	-	-
Hedge accounting	(1,074)	1,333	982
Revaluation of property, plant and equipment	-	9,639	2,683
Deferred income tax	1,447	(2,001)	(1,325)
Other comprehensive income that will not be reclassified to profit or loss, relating to:			
Actuarial gains/losses on employee benefits	200	(601)	(839)
Deferred income tax	(37)	114	159
Other comprehensive income, net of tax	(57,264)	8,296	5,220
Total comprehensive income	(220,143)	215,808	129,691
Total comprehensive income attributable to:			
- owners of the Parent	(205,536)	265,584	142,550
- non-controlling interests	(14,607)	(49,776)	(12,859)

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 the Group's loans advanced to Energopol Ukraina S.A. In view of the transactions described in Note 3, from January 1st 2014 the Group recognises these loans in accordance with IAS 21 as part of net investment in an entity operating abroad.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST – JUNE 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 (losses)	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	-	-	-	-	-	-	-	-	-	-
Correction of error	-	-	-	-	-	-	-	-	-	-
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 – Jun 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 changes	-	-	-	-	-	-	(1)	(1)	(3)	(4)
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	-	-	-	-	47,202	(100,254)	99,636	46,584	6,355	52,939
Net profit (loss) for the period Jan 1–Jun 30 2014	-	-	-	-	-	-	(160,110)	(160,110)	(2,769)	(162,879)
Other comprehensive income net of tax for the period Jan 1 – Jun 30 2014	-	-	-	(870)	(44,655)	99	-	(45,426)	(11,838)	(57,264)
Total comprehensive income	-	-	-	(870)	(44,655)	99	(160,110)	(205,536)	(14,607)	(220,143)
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
Balance as at Jun 30 2014 (unaudited)	14,295	-	733,348	(3,234)	(643)	544,609	(2,305,610)	(1,017,235)	267,185	(750,050)

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST – DEC 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 error	-	-	-	-	-	-	-	-	-	-
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 changes	-	-	-	40	-	862	(119)	783	(95)	688
Reclassification of equity items upon loss of control	-	-	-	-	-	(253,500)	253,500	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-	-	-	-	-
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)

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST – JUN 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 (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 error	-	-	-	-	-	-	-	-	-	-
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–Jun 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 changes	-	-	-	37	-	(238,158)	238,844	723	(86)	637
Reclassification of equity items upon loss of control	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	(1,268)	1,268	-	-	-
Total transactions with owners	-	-	-	37	-	(239,426)	232,445	(6,944)	43,729	36,785
Net profit (loss) for the period Jan 1–Jun 30 2013	-	-	-	-	-	-	139,150	139,150	(14,679)	124,471
Other comprehensive income net of tax for the period Jan 1 – Jun 30 2013	-	-	-	796	1,600	1,004	-	3,400	1,820	5,220
Total comprehensive income	-	-	-	796	1,600	1,004	139,150	142,550	(12,859)	129,691
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
Balance as at Jun 30 2013 (unaudited)	14,295	-	733,348	(2,651)	(1,786)	650,226	(2,376,806)	(983,374)	306,361	(677,013)

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
<i>Cash flows from operating activities</i>			
Profit (loss) before tax	(160,246)	212,218	128,101
Adjustments:			
Depreciation and impairment of property, plant and equipment	7,915	26,586	18,615
Amortisation and impairment of intangible assets	1,999	5,974	4,387
Change in fair value of investment property	-	19,248	4,575
Gains (losses) on financial assets and liabilities at fair value through profit or loss	298	2,255	(4,888)
Cash flow hedges recycled from equity	529	1,132	-
Impairment of financial assets	39,038	102,723	92,409
(Gain) loss on disposal of non-financial non-current assets	736	4,118	2,193
(Gain) loss on disposal of non-derivative financial assets	111,480	(218,659)	(216,570)
Foreign exchange gains (losses)	(286)	2,705	(7,914)
Interest expense	5,895	33,929	26,667
Interest income	(1,702)	(26,947)	(14,375)
Interest on deposits (from prepayments)	-	(319)	-
Dividend received	-	(19)	(19)
Other adjustments	6,983	(1,490)	3,668
Total adjustments:	172,885	(48,764)	(91,252)
Change in inventories	(36,185)	(17,202)	(13,630)
Change in trade and other receivables	142,343	86,476	11,235
Change in trade payables	160,537	3,535	(45,767)
Change in provisions, accruals and prepaid expenses	(60,899)	(385,071)	(98,791)
Change in construction contracts and related liabilities	(153,333)	133,178	11,495
Other adjustments	-	-	-
Net changes in working capital	52,463	(179,084)	(135,458)
Settling of derivative financial instruments	(54)	(3,933)	1,822
Interest paid (operating activities only)	-	-	(1)
Income taxes paid	2,264	(1,721)	9,054
Net cash from operating activities	67,312	(21,284)	(87,734)
<i>Cash flows from investing activities</i>			
Purchase of intangible assets	(769)	(1,862)	(1,635)
Proceeds from disposals of intangible assets	(17)	37	(12)
Purchase of property, plant and equipment	(1,794)	(13,115)	(7,825)
Proceeds from disposals of property, plant and equipment	2,030	6,929	2,488
Purchase of investment property	-	(5,350)	(637)
Proceeds from disposals of investment property	3,807	22,926	-
Acquisition of subsidiaries, net	(5)	766	577
Sale of subsidiaries, net	5	2,875	-
Repayment of loans advanced	21,303	15,117	3,091
Loans advanced	(495)	(14,394)	(570)
Purchase of other financial assets	(1,407)	(5,177)	(2,006)
Proceeds from disposals and redemptions of other financial assets	2,661	22,551	12,617
Interest received	1,744	2,230	2,064

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Other inflows	10,579	1	132
Item (cont.)	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
Other investment outflows	(2,260)	(1,851)	(1,646)
Dividend received	-	19	20
Net cash from (used in) investing activities	35,382	31,702	6,658
<i>Cash flows from financing activities</i>			
Net proceeds from share issue	190	-	-
Proceeds from issue of debt securities	32,489	51,523	-
Proceeds from borrowings	10,585	51,196	28,083
Repayment of borrowings	(161,935)	(94,875)	(17,646)
Payment of finance lease liabilities	(1,669)	(6,840)	(1,167)
Interest paid	(7,518)	(20,714)	(9,620)
Interest on deposits (from financial surplus)	786	9,135	682
Other inflows/outflows	(629)	(1,160)	(581)
Dividend paid	(605)	-	-
Net cash from financing activities	(128,306)	(11,735)	(249)
Net change in cash and cash equivalents	(25,612)	(1,317)	(81,325)
Cash and cash equivalents, beginning of period	173,894	173,536	173,536
Effect of exchange rate changes	343	1,675	(85)
Cash and cash equivalents, end of period	148,625	173,894	92,126

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 of the National Court Register maintained by the District Court for Poznań—Nowe Miasto and Wilda, VII 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 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 services sector. On June 4th 2012, the Parent's Management Board filed a petition for insolvency with a voluntary arrangement option. On June 13th 2012, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declared the Company insolvent in voluntary arrangement.

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 1.2.

These interim condensed consolidated financial statements have been approved for issue by the Parent's Management Board on September 1st 2014.

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

1.1 PARENT'S MANAGEMENT BOARD AND SUPERVISORY BOARD

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

As at Jun 30 2014	
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
Paweł Mortas – Vice-President of the Management Board	Małgorzata Wiśniewska – Deputy Chairman of the Supervisory Board
Mariusz Łożyński – Vice-President of the Management Board	Andrzej Stefan Gradowski – Secretary of the Supervisory Board
Kinga Banaszak-Filipiak – Vice-President of the Management Board	Przemysław Szkudlarczyk – Member of the Supervisory Board
Bożena Ciosek – Member of the Management Board	Dariusz Sarnowski – Member of the Supervisory Board
	Norbert Słowik – Member of the Supervisory Board

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

As at Dec 31 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 Jun 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

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, the following changes were made to the composition of the Parent's Management Board:
 - 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.

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;

Group name:	<i>PBG GROUP</i>		
Period covered by the financial statements:	<i>Jan 1–Jun 30 2014</i>	Reporting currency:	<i>Polish złoty (PLN)</i>
Rounding:	<i>All amounts in PLN thousand (unless otherwise indicated)</i>		

- 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.

1.2 PBG GROUP

These interim condensed consolidated financial statements include the Parent and following companies:

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Name	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	Group's ownership interest		
			Jun 30 2014	Dec 31 2013	Jun 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. w upadłości układowej (in company voluntary arrangement) (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 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%
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%

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Name	Country of incorporation and place of business	Nature of business (according to PKD of 2007)	Group's ownership interest		
			Jun 30 2014	Dec 31 2013	Jun 30 2013
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. (13)	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)) (12)	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%
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%

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Name	Country of incorporation and place of business	Nature of business (according to PKD of 2007)	Group's ownership interest		
			Jun 30 2014	Dec 31 2013	Jun 30 2013
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%	-
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%
PBG Ukraina Publiczna Spółka Akcyjna (public joint-stock company) (28)	ul. Kondratiuka 1, 04201 Kiev UKRAINE	Construction of buildings, construction of 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%

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Name	Country of incorporation and place of business	Nature of business (according to PKD of 2007)	Group's ownership interest		
			Jun 30 2014	Dec 31 2013	Jun 30 2013
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%
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%

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Name	Country of incorporation and place of business	Nature of business (according to PKD of 2007)	Group's ownership interest		
			Jun 30 2014	Dec 31 2013	Jun 30 2013
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	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 interest (percentage share held by the Parent in a subsidiary times percentage share of the subsidiary's interest in its subsidiary).

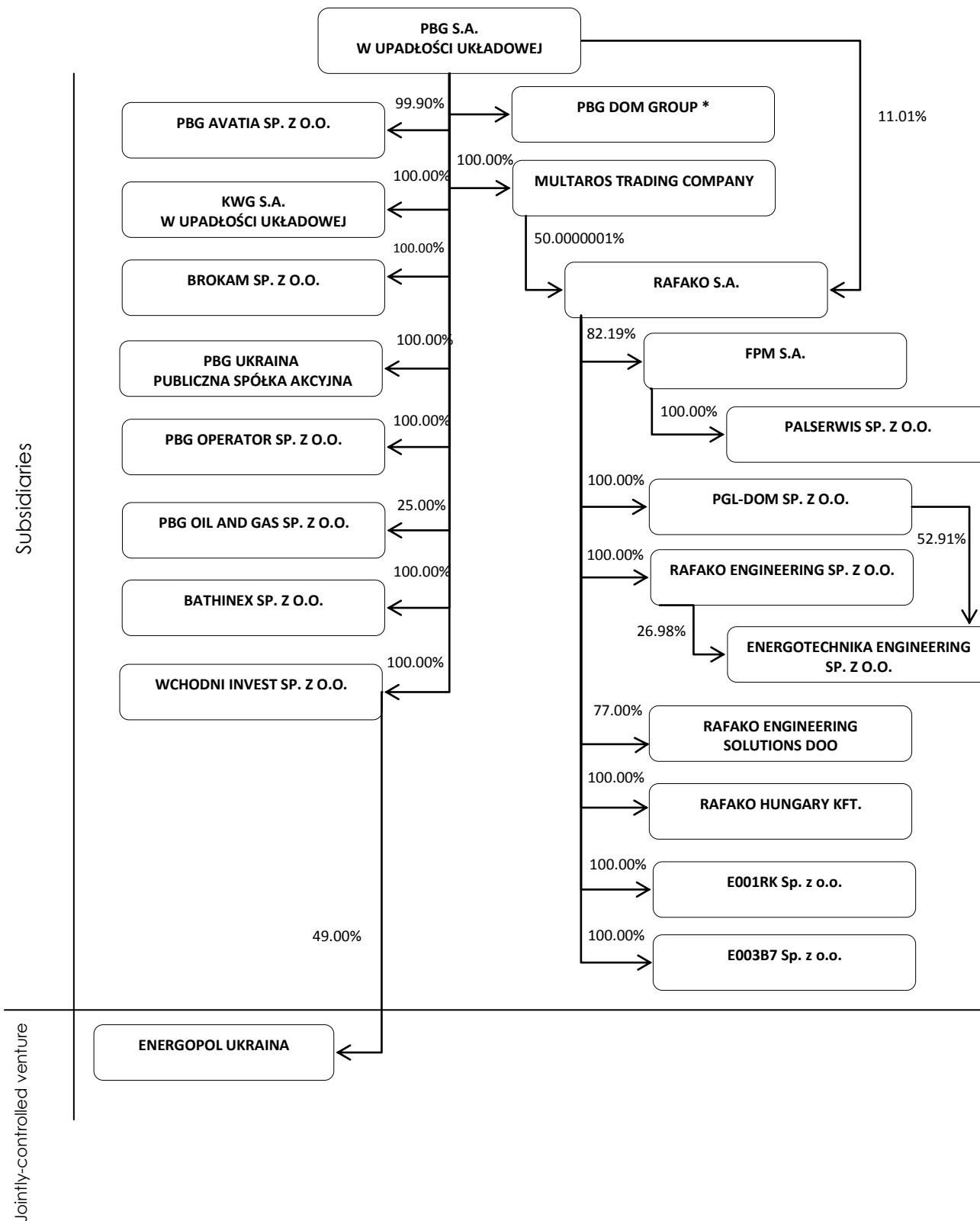
The number of shares held equals the number of voting rights,

except at Energotechnika Engineering Sp. z o.o., a RAFAKO Group company, in which RAFAKO Engineering Sp. z o.o. holds an equity interest:

- As at June 30th 2013, RAFAKO Engineering Sp. z o.o. held 33.77% preferred shares in Energotechnika Engineering Sp. z o.o., which carried 50.50% of total voting rights at the company's General Meeting (one share carries two votes at the GM).
- As at June 30th 2014, RAFAKO Engineering Sp. z o.o. held 26.98% preferred shares in Energotechnika Engineering Sp. z o.o., which carried 42.50% of total voting rights at the company's General Meeting (one share carries two votes at the GM).

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

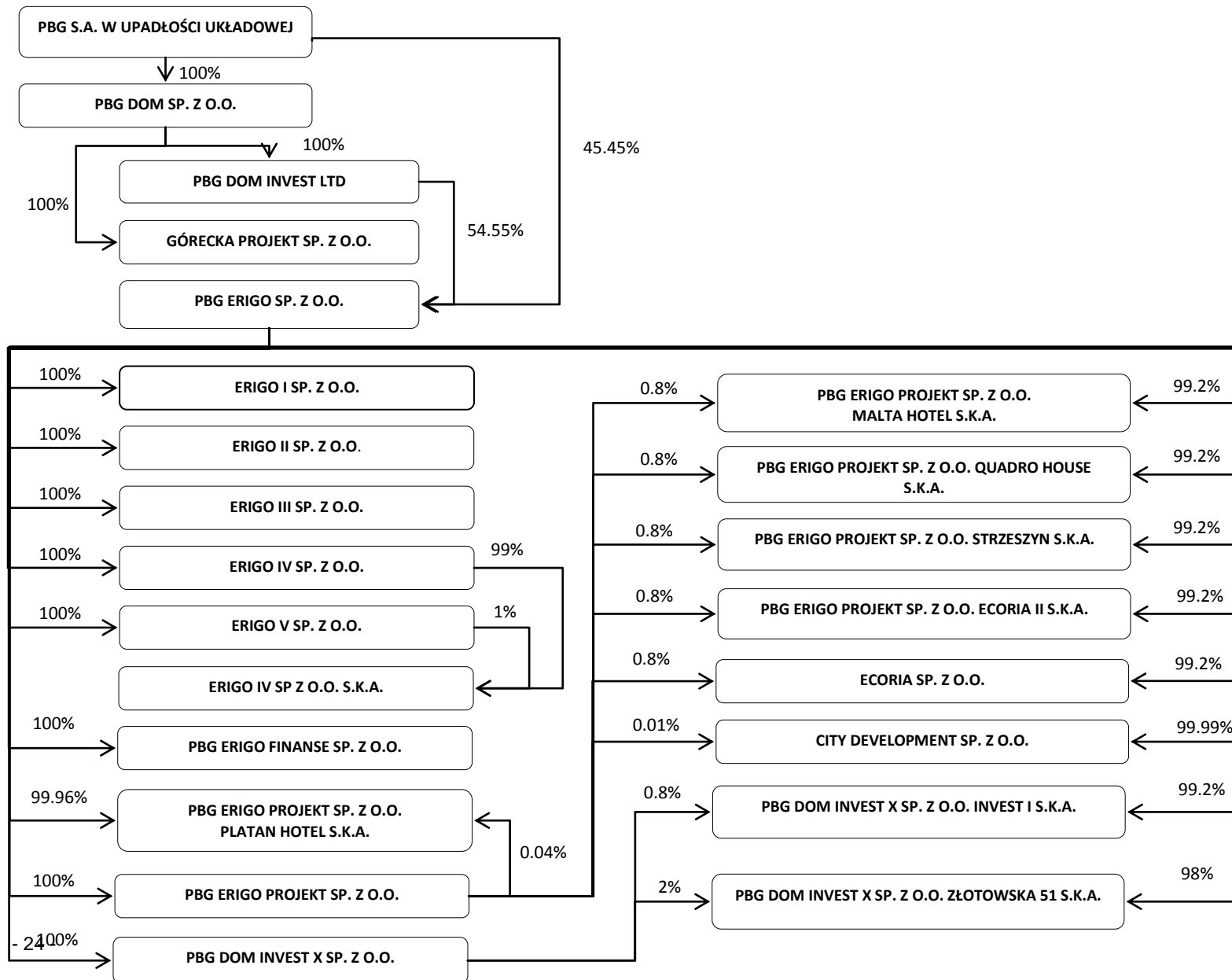
STRUCTURE OF THE PBG GROUP AS AT JUNE 30TH 2014



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

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

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



Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

PBG Dom Sp. z o.o. has two direct subsidiaries:

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

and 19 indirect subsidiaries (held 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.

As at June 30th 2014, PBG Dom Group did not prepare interim condensed consolidated financial statements. The companies are consolidated at the level of the Parent, i.e. PBG S.A. in company voluntary arrangement.

Wschodni Invest Sp. z o.o. holds a 49% equity interest in Energopol Ukraina SA.

On the basis of the arrangement described in Note 3, 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.

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- 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 June 30th 2014, the companies were consolidated in the interim condensed consolidated financial statements of the RAFAKO Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

These interim condensed consolidated financial statements of the PBG Group cover the six months ended June 30th 2014, and have been prepared in accordance with IFRS, including in particular IAS 34 Interim Financial Reporting.

Even though there is no such requirement under IAS 34, in order to provide a better understanding of the financial position and assets of the Company, the following data for comparable periods (which has not been audited or reviewed by the auditor) has been included: interim condensed consolidated statement of financial position as at June 30th 2013 and interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, and interim condensed consolidated statement of cash flows for 2013.

The interim condensed consolidated financial statements do not contain all the information which is disclosed in annual consolidated financial statements prepared in accordance with IFRS. These interim condensed consolidated financial statements should be read in conjunction with the 2013 consolidated financial statements of the PBG Group.

The Company's interim financial performance may not be indicative of its potential full-year financial performance.

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies which were presented in the most recent consolidated financial statements of the PBG Group for the year ended December 31st 2013, available at:

<http://www.pbg-sa.pl/relacje-inwestorskie/raporty-okresowe/skonsolidowany-raport-roczny-grupy-kapitalowej-pbg-za-rok-2013.html>

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2.2 REPORTING CURRENCY AND ROUNDING

The reporting currency in these interim condensed consolidated financial statements is the Polish złoty, and all amounts are expressed in thousands of Polish złoty (PLN '000), unless indicated otherwise.

2.3 GOING CONCERN ASSUMPTION

The Parent's current financial position puts in question its ability to continue as a going concern. 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 to the Parent's ongoing bankruptcy proceedings with an arrangement option, and the Management Board's efforts to arrange with the creditors and ensure that the Company may continue its business activities.

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

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

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

The voluntary arrangement procedure ensures proper satisfaction of the Creditors' claims following approval and implementation of the arrangement. Since 2012, the Company's Management Board has been actively involved in negotiations with the Creditors. The negotiations concern terms of debt repayment, including repayment periods, amounts and forms. During this time, the Creditors involved in financing the Company's or other Group companies' operations and representing the largest group of Creditors have been presented with a plan of the operational and asset restructuring of the Company. The

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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 and Arrangement Proposals, which, upon approval by competent corporate bodies, were presented to the Creditors, as announced by the Company in Current Report No. 24/2013. Pursuant to the currently tabled Arrangement Proposals, the Company's Creditors 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 Recovery Law. The full text of the draft restructuring documents is available on the Company's website at www.pbg-sa.pl in the 'Restructuring' section.

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

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

In the opinion of the Company's Management Board, the proper performance of the arrangement agreement 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, which is the strategic segment of PBG's operations.

Further stages of the voluntary arrangement proceedings held before the Bankruptcy Court have recently been completed. On June 12th 2013, the Company was notified that a list of claims had been delivered by the Court Supervisor to the Judge Commissioner. The total amount of the acknowledged claims placed in the list of claims by the Court Supervisor was PLN 2,776,254 thousand, which is in line with the Management Board's estimates. On July 4th 2013, the Judge announced that the drafting of the list of claims had been completed. Currently, in accordance with the Bankruptcy and Restructuring Law of February 28th 2013 (Dz.U., No. 60, item 535, as amended), the process of examining objections raised against the list of claims and complaints against the decisions of Judge-Commissioner concerning the examination of objections, and revision of the claims is underway. On December 24th 2013, the Judge announced completion by the Court Supervisor of the first supplementary list of claims as at November 29th 2013. The total amount of the acknowledged claims included in the first supplementary list of claims by the Court Supervisor was PLN 191.25m. On May 28th 2014, the Judge announced completion by the Court Supervisor of the second supplementary list of claims as at April 22nd 2014. The total amount of the acknowledged claims included in the second supplementary list of claims by the Court Supervisor was PLN 89.7m. Subsequently, on August

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13th 2014, the Judge announced completion of the third supplementary list of claims as at July 29th 2014. The total amount of the acknowledged claims included in the third supplementary list of claims by the Court Supervisor was PLN 70.7m. The deadline for filing objections against the third list of claims was August 27th 2014.

Currently, in accordance with the Bankruptcy and Restructuring Law of February 28th 2013, the process of examining objections against the first and second list of claims published on July 4th 2013, and revision of the claims included in the list, is under way. The next step of the procedure will be approval of the lists of claims by the Judge Commissioner, which will allow the meeting of the Company's creditors to be called.

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

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

To be able to continue its business activities, the RAFAKO Group must maintain its financial liquidity, that is ability to secure full financing for the current contracts. In view of the above, the RAFAKO Management Board has prepared financial projections for the 12 months from June 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 RAFAKO Group's current order book, including in particular the timely generation of cash flows from the contracts,
- ability to secure financing of the RAFAKO Group with a credit facility after April 30th 2015 – pursuant to the annex of April 29th 2014, the repayment date for the credit facility currently used by RAFAKO S.A. was extended until April 30th 2015,
- release of cash locked in performance bonds against delivery to the RAFAKO Group's business partners of appropriate bank guarantees – as at the date of these financial statements, RAFAKO S.A. had a PLN 50m guarantee line with PKO BP, valid until June 30th 2015, and had begun releasing locked cash up to that amount,
- ability to obtain 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 – RAFAKO S.A. is currently negotiating new guarantee lines with other banks.

In H1 2014, the RAFAKO Group secured execution of a number of contracts and agreements related to the Jaworzno project; successful 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 126m as at June 30th 2014; significantly reduced past due trade payables; secured a significant part of the budgeted revenue; and provided the financing bank with appropriate collateral under the current credit facility, as required by the institution.

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

In view of the above, the RAFAKO Management Board believes that negotiations with the financing bank which is one of the Guarantors under the Jaworzno contract will cause the current credit facility to be transformed into a long-term facility and that the company will obtain new guarantee lines from other

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financial institutions and be able to continue operations in accordance with the assumptions set forth in the financial projections.

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

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

2.4 SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

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 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,

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- 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.

2.5 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 interim condensed consolidated financial statements, which may necessitate an adjustment to the disclosed carrying amounts of assets and liabilities in future reporting periods.

IMPAIRMENT OF NON-CURRENT ASSETS

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

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Depreciation and amortisation rates

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.

Change in fair value of investment property

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

Revenue recognition

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. Estimated financial results on the construction contracts in progress as at the reporting date have are as follows:

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
Initial amount of revenue agreed in contract	9,334,036	5,007,465	11,351,357
Variations in contract work, and claims and incentives	(46,363)	(121,974)	(91,850)
Aggregate contract revenue	9,287,673	4,885,491	11,259,507
Contract costs incurred by reporting date	3,215,765	2,674,268	2,835,798
Costs expected to be incurred to complete contract work	5,446,280	2,035,552	8,099,264
Aggregate contract costs	8,662,045	4,709,820	10,935,062
Aggregate estimated profit (loss) on construction contract:	625,628	175,671	324,445

Revenue from construction contract work reflects the companies' best estimates of costs planned to be incurred, expected financial 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

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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 preliminarily amounts due for the estimated scope of works not yet settled, based on an ongoing survey of the construction site. 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.

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 59.0m as at the reporting date (provision for expected losses would increase by approximately PLN 39.0m and net profit would be reduced by a total of PLN 98.0m).

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 June 30th 2014, the provisions for warranty repairs were PLN 28,579 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 June 30th 2014, the provisions for expected losses were PLN 42,362 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 14,531 thousand. The amount of PLN 3,307 thousand was used in the reporting period.

2.6 CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES

The Company changed the accounting policies applied in these interim condensed consolidated financial statements, However, the changes had no effect on the financial information presented for the comparative periods.

The PBG Management Board resolved to change, as of 2014, the policies applied by the Group for translating foreign currency transactions as at the reporting date. Prior to the change, monetary items expressed in currencies other than the Polish złoty were translated into PLN as at the reporting date using

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the appropriate closing exchange rate effective for the end of the reviewed period (spot rate) i.e. the exchange rate quoted by the Company's primary bank during the first listing on the reporting date. At present, monetary items expressed in currencies other than the Polish złoty are translated into PLN as at the reporting date at the mid-exchange rate quoted by the National Bank of Poland for the reporting date.

Also, as of January 1st 2014, the Group changed its approach to estimating contract revenue as at the reporting date based on incurred costs. In the amended policy, costs incurred as at the reporting date include costs of purchased materials, equipment and other components dedicated to a particular contract and delivered to the construction site or received from suppliers but kept in their deposit as at the reporting date, until delivery to the construction site. Prior to the change, materials which were not used for construction as at the reporting date were inventoried and were not used as a basis for estimating the contract's progress for the purpose of estimating contract revenue as at the reporting date.

The Company made no correction of errors that would require restatement of the comparative data presented in these consolidated financial statements.

3. MATERIAL EVENTS AND TRANSACTIONS

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

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 by deleting the company from the Commercial Register. PBG Bułgaria's equity was BGN 35 thousand.

CHANGES AT INDIRECT SUBSIDIARIES DURING THE REPORTING PERIOD

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 par value PLN 50,00 (fifty złoty) per share, with a total par 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).

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 par 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.

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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 par 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.

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.

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 par value of PLN 500,00 per share, and a total par 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%.

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

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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.

INVESTMENT AGREEMENTS IN THE REPORTING PERIOD

Termination of reportable significant agreement by RAFAKO S.A.

On August 4th 2013, RAFAKO S.A. and Mostostal Warszawa S.A. executed an amended and restated consortium agreement on the Jaworzno project (the "Amended Consortium Agreement") and an additional agreement (the "Additional Agreement"), defining the commercial terms for the new framework of cooperation between RAFAKO and Mostostal Warszawa on the Jaworzno project.

RAFAKO S.A. terminated the Additional Agreement as of January 17th 2014, causing the Additional Agreement to expire. The Additional Agreement was terminated by RAFAKO after the company and TAURON Wytwarzanie S.A. (the "Employer") had failed to sign a contract for execution of the Jaworzno project by January 17th 2014 (date of Current Report No. 4/2014).

Work commencement order for the Opole project

On January 31st 2014, a consortium comprising: RAFAKO, Polimex-Mostostal S.A. ("Polimex"), and Mostostal Warszawa S.A. ("Mostostal") (referred to jointly as the "General Contractor") received from the Employer, i.e. PGE Górnictwo i Energetyka Konwencjonalna S.A. (formerly PGE Elektrownia Opole S.A.) a notice to proceed order for the construction of power generating units No. 5 and 6 as part of the Opole project.

Execution of reportable significant agreement by E003B7 Sp. z o.o., subsidiary of RAFAKO S.A.

On April 15th 2014, E003B7 Sp. z o.o. (a wholly-owned subsidiary of RAFAKO) and a consortium composed of Siemens Aktiengesellschaft of Munich and Siemens Sp. z o.o. of Warsaw (jointly the "Contractors"), entered into a conditional agreement to manufacture, deliver, and install a turbine island (the "Contract") for the purpose of the Company's project "Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. (the "Employer") – Construction of supercritical 800-910 MW generating unit at the Jaworzno III Power Plant – Power Plant II" (the "Jaworzno Project").

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The contract was one of the key elements necessary to execute the main contract for the Jaworzno Project with the Employer.

As of April 17th 2014, all the conditions precedent provided for in the Siemens Subcontract Agreement had been satisfied, as a result of which that agreement came into force.

For more information, see **RAFAKO Current Report No. 16/2014:**

http://www.rafako.pl/pub/File/raporty_biezace/2014/RB_16_2014.pdf

Execution of reportable significant agreement by E003B7 Sp. z o.o., subsidiary of RAFAKO S.A.

On April 16th 2014, E003B7 Sp. z o.o. (the "SPV") (a wholly-owned subsidiary of RAFAKO) concluded with Energopol-Szczecin S.A. of Szczecin a conditional contract for the execution of construction work for the purposes of the project "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 II".

The contract was one of the key elements necessary to execute the main contract for the Jaworzno Project with the Employer.

For more information, see **RAFAKO Current Report No. 17/2014:**

http://www.rafako.pl/pub/File/raporty_biezace/2014/RB%2017_2014.pdf

Subcontractor agreement between RAFAKO S.A. and its subsidiary E003B7 Sp. z o.o. concerning the Jaworzno Project

On April 17th 2014, RAFAKO S.A. and its wholly-owned subsidiary E003B7 Sp. z o.o. of Racibórz ("SPV-RAFAKO") executed a subcontractor agreement (the "**Subcontractor Agreement**") for the "Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. - Construction of a supercritical 910 MW power generation unit at Jaworzno III Power Plant – Power Plant II: steam generator, turbine generator set, main building, electrical and I&C systems" project (the "**Jaworzno Project**" or "**Main Contract**").

Under the Subcontractor Agreement, the parties agreed that:

- a) SPV-RAFAKO will perform, as a subcontractor, approximately 90% of the work and services for which the Company is responsible under the Jaworzno Project, in particular, SPV-RAFAKO will supply specialist equipment, instruments, tools, and quick-wearing parts, will provide operator training and secure insurance coverage in the scope and in accordance with the rules set forth in the Jaworzno Project contract;
- b) SPV-RAFAKO will be responsible for entering into agreements with further subcontractors to ensure successful execution of the Jaworzno Project;
- c) SPV-RAFAKO is obliged to closely cooperate with an independent technical consultant in the course of the Jaworzno Project;
- d) SPV-RAFAKO may represent the Company during execution of the Jaworzno Project, as authorised under the power of proxy granted on the basis of the Subcontractor Agreement;
- e) SPV-RAFAKO's remuneration for the performance of work as part of the Jaworzno Project contracted under the Subcontractor Agreement is PLN 3,943,841 thousand (three billion, nine hundred and forty-three million, eight hundred and forty-one thousand złoty).

SPV-RAFAKO intends to limit its operations to the performance of the Main Contract, and will not be involved in any other projects throughout the term of the Main Contract.

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Execution of agreement concerning the Jaworzno Project

On April 17th 2014, RAFAKO S.A., as the consortium leader, Tauron Wytwarzanie S.A. (the "**Employer**"), Siemens Sp. z o.o. and Siemens Aktiengesellschaft (jointly "**Siemens**"), RAFAKO's subsidiary E003B7 Sp. z o.o. (the "**SPV-RAFAKO**"), and Bank Gospodarstwa Krajowego, PKO BP S.A. and PZU S.A. (jointly the "**Financial Institutions**") executed an agreement

which defines the terms of collaboration between the parties in connection with the performance of Contract No. 2013/0929/Ri – Construction of a supercritical 910 MW power generation unit at Jaworzno III Power Plant – Power Plant II (the "**Agreement**").

Under the Agreement, the Employer accepted the terms of the subcontract agreement between RAFAKO and SPV-RAFAKO (the "**SPV-RAFAKO Subcontract Agreement**") and approved its execution, and the parties to the Agreement agreed that SPV-RAFAKO will perform its obligations under the SPV-RAFAKO Subcontract Agreement towards the Employer.

The Employer also accepted the terms of the subcontract agreement between SPV-RAFAKO and Siemens (the "**Siemens Subcontract Agreement**"), and approved its execution.

Under the Agreement, the parties:

- a) agreed that in order to perform the Employer's obligation to pay remuneration to RAFAKO under the Agreement as well as RAFAKO's obligation to pay remuneration to SPV-RAFAKO under the SPV-RAFAKO Subcontract Agreement for the works performed under the SPV-RAFAKO Subcontract Agreement, the Employer will pay the remuneration under the Main Contract directly to SPV-RAFAKO in the form of fund transfer as defined in Art. 921¹ of the Polish Civil Code;
- b) agreed that in order to perform the Employer's obligation to pay remuneration to RAFAKO under the Agreement, RAFAKO's obligation to pay remuneration to SPV-RAFAKO under the SPV-RAFAKO Subcontract Agreement, and SPV-RAFAKO's obligation to pay remuneration to Siemens under the relevant Siemens Subcontract Agreement for the works performed by Siemens under the Siemens Subcontract Agreement, the Employer will pay the remuneration under the Main Contract directly to Siemens in the form of fund transfers as defined in Art. 921¹ of the Polish Civil Code;
- c) agreed that the Performance Bond will be provided partly in the form of bank and insurance guarantees issued by the Financial Institutions at the request of SPV-RAFAKO, with the proviso that the Employer will be the beneficiary of the guarantees, and part of the Performance Bond will be provided by RAFAKO in cash; the Company will provide PLN 40,000 thousand prior to the execution of the Contract, and PLN 30,000 thousand not later than within 6 months from the date of execution of the Agreement;
- d) determined the manner in which the Advance Payment Guarantee (within the meaning of the Contract) will be delivered to the Employer, and in which the Employer will make the Advance Payment under this Contract;
- e) RAFAKO agreed to provide SPV-RAFAKO with adequate support in the performance of the Agreement and the SPV-RAFAKO Subcontract Agreement in the form of appropriate technical, financial and human resources.

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Additional Agreement with OHL concerning construction of sport stadium in Białystok

On May 6th 2014, the Parent and Obrascón Huarte Lain S.A. ("OHL") executed an Additional Agreement (the "Agreement") under which OHL took over the execution of and assumed PBG's all obligations related to the project "Construction of a football stadium with training facilities in the north-eastern part of Poland" (the "Białystok Project", "Project", "Contract"), executed by a consortium of OHL and PBG for Stadion Miejski Sp. z o.o. of Białystok as the contracting party.

OHL has provided a performance bond for the contract with the Employer, replacing previous security in the form of a guarantee issued by Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA SA, thus relieving PBG of the obligation. It was agreed that OHL (acting as the Consortium Leader) will be responsible for 99.99% of the contracted works.

Under the Agreement OHL also indemnified PBG against any claims related to the Project, and agreed that, should any claims be brought against PBG by third parties in relation to the Białystok Project, it would release PBG from liability towards such third parties.

The PBG Management Board also reports that the agreement is part of the Company's strategy to strengthen its focus on the operations in the oil and gas and power construction segments.

Execution of reportable significant contract with Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.

On May 23rd 2014, RAFAKO S.A. signed with Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (the "Employer") a contract for the execution of Phase 1 of the "New CHP Plant at Grupa Azoty Zakłady Azotowe Kędzierzyn S.A." project.

The contract provides for:

- construction and supply of equipment and services, as well as start-up of a steam-generator house with a coal-fired pulverised-fuel steam generator, with a capacity of 140 Mg/h of steam with temperature of 495°C and pressure of 7.5 MPa,
- construction and supply of equipment and services, as well as start-up of a 25 MWe pass-out and condensing turbine in the existing turbine house, to be fed inlet steam with temperature of 490°C and pressure of 7.0 MPa,
- construction of a building (housing the central control room, DCS control system and social amenities), including equipment supply and start-up.

The value of the contract is PLN 320m, VAT exclusive (PLN 393.6m VAT inclusive).

All work and deliveries under the contract are to be completed by October 2016.

The aggregate value of contractual penalties is limited to 25% of the contract remuneration (VAT exclusive), with the proviso that the payment of the maximum amount of contractual penalties does not preclude the Employer's right to seek damages in excess of that amount.

The Company's maximum total liability may not exceed 100% of the contract value (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.

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TERMINATION OF PROJECT-RELATED CONTRACTS

Termination of the contract dated November 19th 2008, providing for execution of the project “Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bn m3, sub-phase: 1.2bn m3”

On April 2nd 2014, the Company received a letter from PGNiG S.A. containing PGNiG's notice of termination of the contract of November 19th 2008 for the “Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bn m3, sub-phase: 1.2bn m3” project, under which the Company had been engaged as the general contractor. In the notice, the Employer also called for payment by the Consortium of contractual penalties of PLN 133.4m, or 10% of the gross remuneration payable to the Contractor, which may be demanded by the Employer in accordance with the contract terms if the contract is terminated for causes attributable to the Contractor.

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

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

For more information, see

PBG's Current Report No. 7/2014:

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

PBG's Current Report No. 8/2014:

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

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AGREEMENTS WITH FINANCIAL INSTITUTIONS IN THE REPORTING PERIOD

Annexes to credit facility agreement with PKO BP S.A.

On February 3th 2014, the Management Board of RAFAKO S.A. executed an annex to the credit facility agreement (the "Annex") with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw (the "Bank") for the financing of the company's day-to-day operations. In accordance with the Annex, the amount of the overdraft facility granted under the credit facility agreement was PLN 240,000 thousand.

On March 4th 2014, the Management Board of RAFAKO S.A. executed another annex to the credit facility agreement with the Bank, under which the facility amount was decreased to **PLN 180,000 thousand**.

Then, on March 27th 2014, the Management Board of RAFAKO S.A. executed another annex to the credit facility agreement with the Bank, under which the facility amount was reduced to **PLN 150,000 thousand**.

The Annexes did not essentially alter the other terms and conditions of the credit facility agreement.

On April 29th 2014, the Management Board of RAFAKO S.A. executed an annex to the credit facility agreement. The Annex consolidated the text of the Agreement, now renamed as "Multi-purpose credit facility agreement."

Under the Annex, the Bank made available to RAFAKO S.A. **a multi-purpose credit facility (the "facility") of PLN 200,000 thousand**,

including:

- 1) an overdraft credit facility of up to 75% of the limit (i.e. PLN 150,000 thousand), to finance obligations under day-to-day operations,
- 2) bank guarantees, to be provided on such terms as defined in the facility agreement, and a working capital revolving facility to finance payments under realised bank guarantees granted by the Bank, of up to 25% of the limit (PLN 50,000 thousand).

The facility bears interest at 1M WIBOR + bank margin. The agreement also defines bank commissions and fees payable by RAFAKO S.A. The interest is payable on a monthly basis.

The facility will be secured with the security interests established in the amended Agreement.

The Annex extended the term of the credit facility agreement until April 30th 2015.

The other material terms and conditions of the Agreement have not been amended under the Annex.

Execution of reportable significant agreement by RAFAKO S.A.

On April 16th 2014, RAFAKO S.A. executed an 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 ("Agreement"), on the basis of which, upon registration in the register of pledges, a pledge will be created over a set of RAFAKO S.A.'s movables and rights up to the maximum security amount of PLN 300,000 thousand. The agreement was executed to secure PKO BP's claims arising in connection with the PLN 150,000 thousand (one hundred and fifty million złoty, 00/100) current account overdraft under the current account overdraft facility agreement.

The subject matter of the Agreement is a pledge over a set of RAFAKO S.A.'s movables and rights, save for:

- a) claims and

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- b) movables and rights which are already pledged as security for the benefit of PKO BP and other creditors of RAFAKO S.A., or which may be pledged on account of liabilities incurred by RAFAKO S.A.

As at December 31st 2013, the value of the set of RAFAKO S.A.'s movables and rights was PLN 822,160 thousand.

Execution of reportable significant agreement by E003B7 Sp. z o.o., subsidiary of RAFAKO S.A., and establishment of security on assets of RAFAKO S.A. and its subsidiary.

On April 16th 2014, E003B7 Sp. z o.o. (the "SPV") (a wholly-owned subsidiary of RAFAKO S.A.) concluded with Powszechna Kasa Oszczędności Bank Polski S.A. ("PKO BP"), Powszechny Zakład Ubezpieczeń S.A. ("PZU") and Bank Gospodarstwa Krajowego ("BGK," and collectively with PKO BP and PZU, the "Guarantors"), an agreement for the grant of bank and insurance guarantees to the SPV (the "Agreement") in connection with the project "Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. (the "Employer") – construction of a supercritical 910 MW power generation unit at Jaworzno III Power Plant – Power Plant II" (the "Jaworzno Project") executed by RAFAKO S.A. and the SPV.

RAFAKO S.A. and the SPV concluded relevant security agreements with the Guarantors. The registered pledges established under the agreements took effect upon their registration in the register of pledges. Depending on the type of security, the instruments were established for the benefit of each Guarantor separately or for the benefit of one Guarantor acting as the security agent on behalf of all Guarantors. None of the Guarantors is RAFAKO S.A.'s related party or an entity managing or supervising RAFAKO S.A. RAFAKO S.A. also undertook to establish a second ranking registered pledge for the benefit of the Guarantors over the assets forming the RAFAKO S.A. enterprise, up to PLN 1,046,000 thousand by the date agreed upon between RAFAKO S.A. and the Guarantors.

The guarantees issued under the Agreement were one of the key elements necessary for the Jaworzno Project's main contract to be concluded with the Employer.

For more information, see RAFAKO Current Report No. 18/2014:

http://www.rafako.pl/pub/File/raporty_biezace/2014/RB%2018_2014.pdf

Creation of registered pledge over asset of considerable value by E003B7 Sp. z o.o., subsidiary of RAFAKO S.A.

On May 8th 2014, RAFAKO S.A.'s subsidiary E003B7 Sp. z o.o. (the "SPV") received a decision on entry into the register of pledges of the pledge over amounts due from the SPV to RAFAKO S.A. under a subcontract agreement for the project named "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 II" (the "Jaworzno Project"), made on April 17th 2014 between the SPV and RAFAKO S.A. The pledge secures the guarantors' claims against the SPV under the Guarantee Agreement, and has been created for the benefit of Bank Gospodarstwa Krajowego, which acts as a security agent on behalf of all the guarantors.

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Creation of registered pledge over asset of considerable value by RAFAKO S.A.

On May 12th 2014, RAFAKO S.A. received a decision on registration of the pledge in the register of pledges. The agreement for registered pledge over a set of RAFAKO S.A.'s movables and rights was executed with Powszechna Kasa Oszczędności Bank Polski SA („PKO BP”). The agreement provided for the creation, upon registration in the register of pledges, of a pledge over a set of RAFAKO S.A.'s movables and rights up to the maximum security amount of PLN 300,000 thousand.

The pledge secures PKO BP's claims of up to PLN 150,000 thousand (one hundred and fifty million złoty, 00/100) under a current account overdraft facility agreement of February 7th 2012, as amended (including in particular claims relating to repayment of the principal, interest, commissions and enforced collection costs).

Creation of registered pledges by RAFAKO S.A. and a subsidiary of RAFAKO S.A. in connection with the Jaworzno project.

With reference to the agreement for bank and insurance guarantees (the “**Guarantee Agreement**”) concerning the project for “Development of new coal-fired generation capacities at Tauron Wytwarzanie SA (the “**Employer**”) – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II” (the „**Jaworzno Project**”), on May 22nd 2014 RAFAKO S.A. received a decision on registration in the register of pledges:

a) of the pledge created by RAFAKO over RAFAKO's receivables from the Employer under the agreement for execution of the Jaworzno Project, made on April 17th 2014 between the SPV and RAFAKO S.A. (the “**Main Contract**”) to secure the guarantors' claims against E003B7 Sp. z o.o. (the “**SPV-RAFAKO**”) under the Guarantee Agreement;

and

b) of pledges created by SPV-RAFAKO over money transfers comprising a portion of the remuneration payable to RAFAKO for the performance of the Main Contract and a portion of the advance payment attributable to RAFAKO under the Main Contract, securing the guarantors' claims against SPV RAFAKO under the Guarantee Agreement.

The pledges have been created for the benefit of Bank Gospodarstwa Krajowego, which acts as the security agent on behalf of all the creditors under the Surety Agreement and guarantors under the Guarantee Agreement.

OTHER EVENTS IN THE REPORTING PERIOD

Discontinuation of RAFAKO's bankruptcy proceedings

On January 15th 2014, District Court of Gliwice, 12th Commercial Insolvency and Arrangement Division issued a decision to discontinue RAFAKO's bankruptcy proceedings following withdrawal of the bankruptcy petition filed by Jan Rędziniak, the subcontractor conducting business activity under the name JANAR Jan Rędziniak.

The subcontractor waived his right to appeal against the Court's decision, having signed on January 9th 2014 an agreement setting the amounts of mutual claims and the terms of further cooperation with respect to projects where JANAR acts as the Company's subcontractor.

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PGNiG's call for conciliation hearing

On February 11th 2014, the Parent received a Notice of Hearing on the petition of Polskie Górnictwo Naftowe i Gazownictwo S.A. of Warsaw ("PGNiG") calling PBG, Chart Inc. – Process Systems Division, and Thermo Design Engineering Ltd. to appear at a conciliation hearing.

In its petition of November 4th 2013 calling for a conciliation hearing (the "Petition"), PGNiG moved to call the Respondents to the Petition to appear before the Court at a conciliation hearing and enter into a settlement under which the Respondents to the Petition would agree to pay to PGNiG the amount of PLN 159,454 thousand (one hundred and fifty-nine million, four hundred and fifty-four thousand złoty) as compensation for damage resulting from the improper performance of the EPC contract of September 27th 2006 for the Grodzisk Nitrogen Rejection Unit Construction Project (the "Contract"), to be paid within 14 days of the Parties reaching the settlement.

In the Petition, PGNiG stated that the damage resulting from what PGNiG believes to have been improper performance of the construction work under the Grodzisk Nitrogen Rejection Unit Construction Project comprises the loss of benefits associated with the technological processes at the Unit as well as the 'actual damage' which PGNiG believes to have suffered as a consequence of having to import high-methane gas.

The Company's Management Board announces that PGNiG lodged a claim for PLN 106,187 thousand due to incorrect execution of the Nitrogen Rejection Unit Construction Project in Grodzisk.

In response to the claim, PBG presented its position, stating that PGNiG is not entitled to demand remedy of the damage from the Company as delayed completion of the project and failure to meet the technical parameters resulted from circumstances for the occurrence of which the contractor of Nitrogen Rejection Unit in Grodzisk was not in any way responsible. Neither the principal amount of the claim (PLN 106,187 thousand) nor the interest was acknowledged since they are not recognised as liability in PBG's accounts. Moreover, PGNiG did not present sufficient evidence for the existence of the liability. PGNiG did not lodge any objections.

The Management Board upholds its position that the contract was performed in accordance with PGNiG's technical requirements set out in the Terms of Reference for the contract and any claims put forward by PGNiG in this respect are unfounded both with respect to their grounds and the amount.

PBG AVATIA Meeting of Creditors' resolution to enter into arrangement

On February 24th 2014, PBG AVATIA Meeting of Creditors resolved, by a majority of votes, to enter into an arrangement. The Court approved the arrangement on April 2nd 2014, and the decision became final on April 10th 2014.

On May 26th 2014, the insolvency proceedings of PBG Avatia Sp. z o.o. were closed.

Appointment of qualified auditor to review and audit the Parent's financial statements

On June 16th 2014, the Parent's Supervisory Board, acting on recommendation from its Audit Committee, passed a resolution to appoint Ernst & Young Audyt Polska Sp. z o.o. Sp. k. ("E&Y") as the auditor to review the interim condensed financial statements of the Company and the interim condensed consolidated

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financial statements of the PBG Group for H1 2014, and to audit the separate financial statements of PBG S.A. in company voluntary arrangement and the consolidated financial statements of the Group for 2014. E&Y is entered in the list of qualified auditors of financial statements maintained by the National Council of Statutory Auditors under Reg. No. 130.

E&Y audited the financial statements of PBG and the PBG Group, and of RAFAKO and the RAFAKO Group for 2013.

4. EARNINGS/LOSS PER SHARE

Basic earnings/loss per share are computed as the quotient of net profit/loss attributable to owners of the Parent to the weighted average number of ordinary shares outstanding during the period.

Computation of earnings/loss per share is presented below:

EARNINGS/LOSS PER ONE ORDINARY SHARE

Item	Jan 1–Jun 30 2014 (unaudited)	Jan 1–Dec 31 2013 (audited)	Jan 1–Jun 30 2013 (unaudited)
Continuing operations			
Net profit (loss) from continuing operations	(160,110)	257,551	139,150
Weighted average number of ordinary	14,295,000	14,295,000	14,295,000
Dilutive effect of options	-	-	-
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000
Basic earnings per share (PLN)	(11.20)	18.02	9.73
Diluted earnings per share (PLN)	(11.20)	18.02	9.73
Continuing and discontinued operations			
Net profit (loss)	(160,110)	257,551	139,150
Weighted average number of ordinary	14,295,000	14,295,000	14,295,000
Dilutive effect of options	-	-	-
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000
Basic earnings per share from all operations (PLN)	(11.20)	18.02	9.73
Diluted earnings per share from all operations (PLN)	(11.20)	18.02	9.73

5. SEASONALITY OF OPERATIONS

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.

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6. 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,**
- **Water,**
- **Roads,**
- **Power construction,**
- **Industrial and residential construction,**

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
 - desulphurisation units
 - 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
 - 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

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- 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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Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

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

Item	Segments					Other	Total
	Gas, oil and fuels	Water	Industrial and residential construction	Road construction	Power construction		
<i>Financial highlights for the operating segments for the period January 1st–June 30th 2014</i>							
Total segment revenue	128,709	(3,339)	23,865	-	499,852	12,433	661,520
Revenue from external customers	128,709	(3,339)	23,865	-	499,852	12,433	661,520
Total cost	(138,340)	(1,258)	(27,241)	-	(424,765)	(10,809)	(602,413)
Segment profit or loss	(9,631)	(4,597)	(3,376)	-	75,087	1,624	59,107
Costs and expenses not allocated	x	x	x	x	x	x	(66,761)
Other income/expenses	x	x	x	x	x	x	(149,380)
Restructuring costs	x	x	x	x	x	x	-
Operating profit	x	x	x	x	x	x	(157,034)
Finance costs	x	x	x	x	x	x	(3,212)
Share of profit (loss) of equity-accounted entities	x	x	x	x	x	x	-
Profit (loss) before tax	x	x	x	x	x	x	(160,246)
Income tax expense	x	x	x	x	x	x	(2,633)
Net profit (loss)	x	x	x	x	x	x	(162,879)

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

OPERATING SEGMENTS – FROM JANUARY 1ST TO DECEMBER 31ST 2013

Item	Segments					Other	Total
	Gas, oil and fuels	Water	Industrial and residential construction	Road construction	Power construction		
<i>Financial results of the operating segments for the period from January 1st to December 31st 2013</i>							
Total segment revenue	328,206	14,428	66,882	8,301	862,281	35,481	1,315,579
Revenue from external customers	328,206	14,428	66,882	8,301	862,281	35,481	1,315,579
Total cost	(386,059)	(26,437)	(76,165)	(6,909)	(805,982)	(26,197)	(1,327,749)
Segment profit or loss	(57,853)	(12,009)	(9,283)	1,392	56,299	9,284	(12,170)
Costs and expenses not allocated	x	x	x	x	x	x	(150,577)
Other income/expenses	x	x	x	x	x	x	499,838
Restructuring costs	x	x	x	x	x	x	(25)
Operating profit	x	x	x	x	x	x	337,066
Finance costs	x	x	x	x	x	x	(124,848)
Share of profit (loss) of equity-accounted entities	x	x	x	x	x	x	-
Profit (loss) before tax	x	x	x	x	x	x	212,218
Income tax expense	x	x	x	x	x	x	(4,706)
Net profit (loss)	x	x	x	x	x	x	207,512

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

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

Item	Segments					Other	Total
	Gas, oil and fuels	Water	Industrial and residential construction	Road construction	Power construction		
<i>Financial highlights for the operating segments for the period January 1st–June 30th 2013</i>							
Total segment revenue	212,352	11,844	53,499	8,299	400,675	18,620	705,289
Revenue from external customers	212,352	11,844	53,499	8,299	400,675	18,620	705,289
Total cost	(204,417)	(17,949)	(58,764)	(6,909)	(363,705)	(9,781)	(661,525)
Segment profit or loss	7,935	(6,105)	(5,265)	1,390	36,970	8,839	43,764
Costs and expenses not allocated	x	x	x	x	x	x	(83,347)
Other income/expenses	x	x	x	x	x	x	275,562
Restructuring costs	x	x	x	x	x	x	(25)
Operating profit	x	x	x	x	x	x	235,954
Finance costs	x	x	x	x	x	x	(107,853)
Share of profit (loss) of equity-accounted entities	x	x	x	x	x	x	-
Profit (loss) before tax	x	x	x	x	x	x	128,101
Income tax expense	x	x	x	x	x	x	(3,630)
Net profit (loss)	x	x	x	x	x	x	124,471

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

7. GOODWILL

The table below presents changes in goodwill in the reporting periods:

Item	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)
Brokam Sp. z o.o.	283	283	283
Villa Poznań Sp. z o.o.	-	-	13
PBG Erigo Projekt Sp. z o.o. Quadro House SKA	-	-	262
RAFAKO	381,027	381,027	381,027
RAFAKO Group companies:			
Wyrskie Zakłady Urządzeń Przemysłowych NOMA INDUSTRY Sp. z o.o. w upadłości (in bankruptcy)	376	376	376
Palservis Sp. z o.o.	1,457	1,457	1,457
FPM S.A.	2,375	2,375	2,375
Total goodwill	385,518	385,518	385,793

As at June 30th 2014, in the interim condensed consolidated statement of financial position the Group recognised goodwill of PLN 385,518 thousand (June 30th 2013: PLN 385,793 thousand; December 31st 2013: PLN 385,518 thousand). The largest portion of the amount is attributable to goodwill arising on acquisition of control over RAFAKO S.A. – PLN 381,027 thousand. Following an impairment test, the Parent's Management Board has not identified any indication of impairment of goodwill.

CHANGES IN THE CARRYING AMOUNT OF GOODWILL

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
Gross carrying amount			
Balance at the beginning of the period	414,468	613,598	613,598
Acquisition through business combination	42	4,680	262
Sale of subsidiaries / Exit from the Group (-)	-	(203,810)	-
Net exchange difference	-	-	-
Other changes	-	-	-
Carrying amount at the end of the period	414,510	414,468	613,860
Accumulated impairment			
Balance at the beginning of the period	28,950	228,067	228,067
Impairment loss recognised as expense in the period	42	4,680	-
Net exchange difference	-	-	-
Sale of subsidiaries / Exit from the Group (-)	-	(203,797)	-
Accumulated impairment at the end of the period	28,992	28,950	228,067
Goodwill – net carrying amount at the end of the period	385,518	385,518	385,793

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

8. INTANGIBLE ASSETS

Intangible assets used by the Group include brand names, patents and licences, computer software, and other intangible assets.

Intangible assets which at the reporting date were not placed in service are disclosed under "Intangible assets under development".

The item also includes prepayments for intangible assets.

INTANGIBLE ASSETS

Item	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)
Brand names	-	3	3
Patents and licences	5,081	5,387	6,546
Computer software	7,061	8,046	9,899
Development costs	-	-	-
Other	47	57	69
Carrying amount	12,189	13,493	16,517
Intangible assets under development	-	-	-
Prepayments for intangible assets	-	-	-
Total intangible assets	12,189	13,493	16,517
Intangible assets classified as held for sale	-	-	-
Intangible assets	12,189	13,493	16,517

In the first six months of 2014, the Group acquired intangible assets for a total of PLN 775 thousand (H1 2013: PLN 160 thousand; 2013: PLN 264 thousand). The amount does not include intangible assets acquired through business combinations.

In the first six months of 2014, the Group did not sell any intangible assets (in the first six months of 2013 and in 2013, the Group sold intangible assets amounting to PLN 4 thousand and PLN 5 thousand, respectively).

The largest item of the Group's intangible assets is the ERP Oracle system with a carrying amount of PLN 2,327 thousand as at June 30th 2014 (including PLN 1,958 thousand for system deployment services and PLN 369 thousand for system licence). The outstanding amortisation period for the system is four years and four months.

In the reporting period ended June 30th 2014, the Group recognised impairment losses on intangible assets of PLN 33 thousand (June 30th 2013: PLN 14 thousand; December 31st 2013: PLN 1,068 thousand).

The Group does not use intangible assets with indefinite useful lives.

As at the date of these interim condensed consolidated financial statements, none of the Group's intangible assets were used as collateral to secure liabilities. The Group has not made any commitments to incur any capital expenditure on intangible assets in the future.

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

9. PROPERTY, PLANT AND EQUIPMENT

Item	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)
Land	33,944	33,931	35,925
Buildings	172,802	176,092	198,748
Machinery and equipment	61,694	65,244	66,982
Motor vehicles	5,902	5,879	11,018
Other	9,498	8,858	9,569
Carrying amount	283,840	290,004	322,242
Property, plant and equipment under construction	2,520	2,310	1,945
Prepayments for tangible assets	-	-	-
Total	286,360	292,314	324,187

In the first six months of 2014, the Group purchased property, plant and equipment for a total of PLN 4,112 thousand (H1 2013: PLN 9,659 thousand; 2013: PLN 14,865 thousand). The amount does not include property, plant and equipment acquired through business combinations.

In the first six months of 2014, the Group sold property, plant and equipment with a net carrying amount of PLN 116 thousand (H1 2013: PLN 2,456 thousand; 2013: PLN 10,674 thousand).

In the first six months of 2014, the Group did not recognise any impairment losses on property, plant and equipment. In H1 2013, impairment losses on property, plant and equipment were PLN 5,117 thousand. The highest impairment loss (PLN 4,493 thousand) was recognised for group II property, plant and equipment, i.e. buildings and structures.

In the first six months of 2014, the Group companies entered into investment agreements whereby they made contractual commitments to purchase the following property, plant and equipment in the future:

- purchase of an overhead travelling crane: PLN 220 thousand,
- purchase of computer hardware: PLN 220 thousand,
- investments in buildings and structures and plant and equipment used in production for a total amount of PLN 1,785 thousand.

In the first six months of 2013, the Group entities did not enter into any investment agreements whereby they would make any contractual commitments to purchase property, plant and equipment in the future.

A number of mortgages were established in favour of banks on certain items of property, plant and equipment. As at June 30th 2014, the carrying amount of pledged property, plant and equipment was PLN 104,534 thousand (June 30th 2013: PLN 55,919 thousand; December 31st 2013: PLN 107,559 thousand).

A detailed list of the pledged assets is presented below:

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

ITEMS OF PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY FOR LIABILITIES

Liability / restricted title	Type of security	Collateral	Carrying amount		
			As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)
Credit facility provided by PKO BP S.A.	mortgage	land, buildings and structures	91,101	92,944	13,500
Credit facility provided by DNB NORD POLSKA S.A.	contractual mortgage/ tacit mortgage	buildings	504	513	24,419
Credit facility provided by DNB NORD POLSKA S.A.	tacit mortgage	civil engineering and water projects	2,924	3,938	5,559
Credit facility provided by DNB NORD POLSKA S.A.	tacit mortgage	land	700	700	2,790
Credit facility provided by Polski Bank Przedsiębiorczości S.A.	contractual mortgage	buildings	9,305	9,464	9,623
Seizure of INFRA S.A.'s assets by court enforcement officers requested by Wiertmar Sp. z o.o.	seizure by court enforcement officers	motor vehicles	-	-	28
Total carrying amount of property, plant and equipment			104,534	107,559	55,919

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Gains (losses) on financial assets and liabilities

Below, the carrying amounts of financial assets and liabilities are compared with their respective fair values (all financial assets and liabilities are presented, whether they are disclosed at amortised cost or fair value in the consolidated financial statements):

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Class of financial instrument	Jun 30 2014 (unaudited)		Dec 31 2013 (audited)		Jun 30 2013 (unaudited)	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Assets:						
Borrowings	455	455	51,477	51,477	85,818	85,818
Trade and other receivables	418,096	418,096	587,605	587,605	647,674	647,674
Derivative financial instruments	70	70	15	15	1,027	1,027
Debt instruments	-	-	-	-	8,757	8,757
Listed equity instruments	379	379	320	320	327	327
Investments in non-listed equity instruments	27,123	27,123	36,859	36,859	36,284	36,284
Investment fund certificates	-	-	-	-	190	190
Other classes of other financial assets	15	15	1,806	1,806	12,282	12,282
Cash and cash equivalents	148,625	148,625	173,894	173,894	92,126	92,126
Liabilities:						
Bank borrowings and other debt instruments *	221,430	590,090	383,668	773,926	823,495	823,495
Debt instruments *	-	838,772	51,523	890,295	-	-
Finance lease liabilities	16,033	16,033	16,564	16,564	-	-
Derivative financial instruments	4,182	4,182	3,564	3,564	838,772	838,772
Liabilities under closed forwards *	-	4,179	-	4,179	8,182	8,182
Trade and other payables *	159,369	604,201	193,448	546,119	8,626	3,342

The method applied to measure fair value of financial instruments was presented in the Group's most recent financial statements.

*) In its interim condensed consolidated financial statements for H1 2014, H1 2013 and full-year financial statements as at December 31st 2013, the Parent did not disclose fair value of trade payables, overdraft facilities, bank borrowings and other current liabilities, as the Parent is in company voluntary arrangement and is currently not able to determine future dates, forms or amounts of debt repayments.

Reclassification of financial assets

The Group did not make any reclassifications of financial assets which would lead to a change of the measurement method for such assets, requiring such assets to be measured at fair value, at cost, or at amortised cost.

IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS

During the reporting period, following the impairment test run, the Group recognised an impairment loss on the shares held in Galeria Kujawska Nova Sp. z o.o. SK, of PLN 10,243 thousand.

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

11. INVESTMENT PROPERTY

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
Carrying amount at the beginning of the period	210,504	150,496	150,496
Acquisition through business combination	-	47,708	33,238
Additions from acquisition of property	3,811	14,899	-
Additions from subsequent expenditures	204	2,789	668
Reclassifications:	-	47,799	-
- from property, plant and equipment (land)	-	19,830	-
- from property, plant and equipment (buildings)	-	23,509	-
- from property, plant and equipment in the course of its construction	-	4,460	-
Loss of control (-)	(379)	(6,988)	(6,988)
Disposal of property (-)	(4,873)	(26,889)	-
Reclassifications (-):	-	-	-
- to property, plant and equipment (land)	-	-	-
- to property, plant and equipment (buildings)	-	-	-
- to property, plant and equipment in the course of its construction	-	-	-
- to current assets (merchandise)	-	-	-
- to prepayments for tangible assets	-	-	-
Net gain (loss) from fair value adjustments (+/-)	-	(19,248)	(4,575)
Investment property measurement recognised under capital reserve	-	-	-
Net exchange differences on translating financial statements into presentation currency	-	(8)	26
Other changes	(764)	(54)	-
Carrying amount at the end of the period	208,503	210,504	172,865

During the six months ended June 30th 2014, the Group purchased investment property for a total amount of PLN 3,811 thousand (H1 2013: PLN 0.00 thousand; 2013: PLN 14,899 thousand), and sold property for a total amount of PLN 4,873 thousand (H1 2013: PLN 0.00 thousand; 2013: PLN 26,889 thousand).

Mortgages by way of security for repayment of liabilities were established on certain items classified as investment property.

As at June 30th 2014, the carrying amount of buildings and land plots so encumbered was PLN 141,341 thousand (June 30th 2013: PLN 129,597 thousand; December 31st 2013: PLN 141,213 thousand).

A detailed list of the pledged assets is presented below:

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

INVESTMENT PROPERTY PLEDGED AS SECURITY FOR LIABILITIES

Liability / restricted title	Type of security	Collateral	Carrying amount		
			As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)
Credit facility provided by DNB NORD POLSKA S.A.	mortgage	buildings	23,934	23,934	8,586
Credit facility provided by DNB NORD POLSKA S.A.	mortgage	land	2,939	2,939	-
Credit facility provided by Bank Gospodarstwa Krajowego S.A.	mortgage	flats	785	-	-
Credit facility provided by Bank Gospodarstwa Krajowego S.A.	mortgage	flats	1,446	-	-
Credit facility provided by DZ Bank S.A.	mortgage	buildings	99,737	101,840	108,511
Bondholders of Piecobiogaz S.A.	mortgage	land	12,500	12,500	12,500
Total carrying amount of investment property			141,341	141,213	129,597

12. INVESTMENTS IN JOINT VENTURES

Following execution of an agreement to dispose of shares in Energopol Ukraina SA, the Group reclassified those assets. In these interim condensed consolidated financial statements, this investment is disclosed as a joint venture, as required under IFRS 11, at PLN 60,459 thousand. For details of the transaction, see Note 3 – Material events and transactions.

13. DEFERRED TAX ASSETS

In the reporting period, deferred tax assets increased significantly, chiefly on the back of discontinuation of accounting for Energopol Ukraina with the full method. Following this change, the item increased by PLN 24,664 thousand.

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

14. RECEIVABLES AND LOANS

RECEIVABLES AND LOANS

Item	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)
Non-current:			
Financial receivables	26,240	32,227	29,926
Non-financial receivables	387	512	367
Loans advanced	214	8,561	39,380
Non-current loans and receivables	26,841	41,300	69,673
Current assets:			
Trade and other receivables	391,856	555,378	617,748
Other non-financial receivables	89,595	136,890	96,640
Loans advanced	241	42,916	46,438
Current loans and receivables	481,692	735,184	760,826
Receivables and loans:	508,533	776,484	830,499
receivables	508,078	725,007	744,681
loans advanced	455	51,477	85,818

During the reporting period, the Group recognised impairment losses on loans advanced, in an amount of PLN 28,588 thousand (December 31st 2013: PLN 28,521 thousand; June 30th 2013: PLN 0.00 thousand) and received repayments of loans advanced in an amount of PLN 23,047 thousand (December 31st 2013: PLN 17,347 thousand; June 30th 2013: PLN 5,155 thousand).

15. IMPAIRMENT LOSSES ON ASSETS

INVENTORY WRITE-DOWNS

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
At beginning of the period	52,603	46,299	46,299
Impairment loss recognised as expense in the period	505	9,892	5,421
Impairment loss reversed (-)	(82)	(3,801)	(1,524)
Amounts written off (uncollectable) (-)	(985)	-	-
Other (net exchange differences)	-	213	-
Balance at end of the period	52,041	52,603	50,196

The Group recognises write-downs on inventories if it can be reasonably assumed that the cost of acquisition or production of inventories may not be recovered or if the selling price of inventories significantly declines. In particular, the Company recognises write-downs on inventories which are damaged or if they have become wholly or partially obsolete.

In the reporting period covered by the interim condensed consolidated financial statements, the Group recognised additional inventory write-down of PLN 505 thousand (2013: PLN 9,892 thousand; H1 2013: PLN 5,421 thousand).

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

In the six months ended June 30th 2014, the Group reversed some inventory write-downs, in an amount of PLN 82 thousand (2013: PLN 3,801 thousand; H1 2013: PLN 1,524 thousand).

In these consolidated financial statements, inventories amount to PLN 94,081 thousand (December 31st 2013: PLN 514,404 thousand; June 30th 2013: PLN 464,498 thousand). Such material decrease is mainly attributable to the discontinuation of full consolidation of Energopol Ukraina in the reporting period.

As at June 30th 2014, inventories were pledged as security for the Group's liabilities up to the amount of PLN 28,221 thousand (December 31st 2013: PLN 112,639 thousand; June 30th 2013: PLN 23,647 thousand).

The carrying amount of inventories pledged as security for liabilities decreased owing to changes in the Group's structure.

INVENTORIES PLEDGED AS SECURITY FOR LIABILITIES

Liability / restricted title	Type of security	Collateral	Carrying amount		
			As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)
Credit facility, Bank DNB NORD POLSKA S.A.	mortgage	Radzewice – land plus capital expenditure, Lot No. 157/4	777	777	740
Credit facility, BRE Bank S.A. (mBank)	registered pledge	Movables	5,000	5,000	5,000
Credit facility, PKO BP S.A. I Branch of Gdańsk	mortgage	Land in Gdańsk Orunia	2,346	2,346	1,494
Credit facility, PKO BP S.A. I Branch of Gdańsk	mortgage	Garage hall, ul. Potęgowska 12, Gdańsk, Poland	-	-	1,159
Credit facility, Poznański Bank Spółdzielczy	mortgage	9 flats, ul. Wojska Polskiego, Świnoujście, Poland	-	1,834	2,254
Credit facility, Ukragazprombank	mortgage	Flats and commercial space, 7 Kondratyuk street, Kiev, Ukraine	-	32,905	-
Credit facility, Ukragazprombank	mortgage	Flats, 7 Kondratyuk street, Kiev, Ukraine	-	16,926	-
Credit facility, Ukragazprombank	mortgage	Flats and commercial space, 7 Kondratyuk street, Kiev, Ukraine	-	21,971	-
Credit facility, Wielkopolski Bank Spółdzielczy of Poznań	mortgage	4 land lots, ul. Koszalińska, Poznań, Poland	20,098	20,098	13,000
Loan provided by Intervisual Investment Ltd.	mortgage	Land in Poznań, Poland, lots No. 67/1, 67/2, 67/3 and 67/4	-	10,783	-
Total carrying amount of inventories			28,221	112,639	23,647

Changes in impairment losses on receivables which were recognised during the reporting period covered by these interim condensed consolidated financial statements are presented in the table below:

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

IMPAIRMENT LOSSES ON NON-CURRENT RECEIVABLES

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
At beginning of the period	2,738	1,724	1,724
Acquisitions of subsidiaries	-	-	-
Disposals of subsidiaries (-)	-	-	-
Impairment loss recognised as expense in the period	6	623	53
Impairment loss reversed (-)	(4)	(4,568)	(34)
Amounts written off (uncollectable) (-)	-	-	-
Other (net exchange differences)	-	4,959	-
Reclassification of receivables	1,275	-	4,908
Balance at end of the period	4,015	2,738	6,651

IMPAIRMENT LOSSES ON CURRENT RECEIVABLES

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
At beginning of the period	201,006	348,675	348,675
Acquisitions of subsidiaries	-	-	1,201
Disposals of subsidiaries (-)	-	(113,787)	-
Impairment loss recognised as expense in the period	19,591	54,089	17,477
Impairment loss reversed (-)	(23,827)	(60,066)	(7,609)
Amounts written off (uncollectable) (-)	(3,213)	(27,823)	(26,272)
Other (net exchange differences)	(547)	(82)	-
Reclassification of receivables	(1,275)	-	(4,908)
Balance at end of the period	191,735	201,006	328,564

In line with the Group's policy, receivables overdue for over 180 days are reviewed for potential impairment. As a rule, the Group recognises an impairment loss for 100% of the amount of such overdue receivables. However, if the debtor has provided security for such receivable, the Group does not recognise an impairment loss.

In the reporting period covered by these interim condensed consolidated financial statements, the Group recognised impairment loss on receivables in an amount of PLN 19,597 thousand (2013: PLN 54,712 thousand; H1 2013: PLN 17,530 thousand). Impairment losses on trade receivables were recognised as certain trade partners were expected to face financial distress.

In the reporting period covered by these interim condensed consolidated financial statements, the Group reversed to revenue impairment losses in an amount of PLN 23,831 thousand (2013: PLN 64,634 thousand; H1 2013: PLN 7,643 thousand).

In the opinion of the management boards of Group companies, collection of unimpaired receivables is not threatened.

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and cash in hand, as well as current financial assets with maturities up to three months. The carrying amount of these assets corresponds to their fair values, i.e. PLN 148,625 thousand as at the end of the reporting period (December 31st 2013: PLN 173,894 thousand; June 30th 2013: PLN 92,126 thousand).

Item	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)
Cash at bank (accounts in PLN)	79,044	43,391	11,801
Cash in foreign currency bank accounts	14,338	27,185	25,460
Cash in hand	316	117	5,090
Short-term deposits	54,857	80,015	49,764
Term deposits	70	23,100	11
Other	-	86	-
Total	148,625	173,894	92,126

As at June 30th 2014, cash with a carrying amount of PLN 1,560 thousand (December 31st 2013: 1,052 thousand; June 30th 2013: PLN 1,235 thousand) was restricted as cash from grants, held in separate bank accounts. The Group may use restricted cash to settle liabilities under ongoing projects.

As at June 30th 2014, cash with the carrying amount of PLN 25,006 thousand (December 31st 2014: PLN 23,283 thousand; June 30th 2013: PLN 41,671 thousand) is held in a bank account of the Consortium performing the "Construction of the LNG Terminal in Świnoujście" contract. As a member of the Consortium, the Parent disclosed in these condensed consolidated financial statements 33% of the value of the funds credited to the Consortium's accounts.

17. BORROWINGS AND OTHER DEBT INSTRUMENTS

In the reporting period, the Group's long-term liabilities under borrowings and other debt instruments decreased materially, chiefly on the back of discontinuation of accounting for Energopol Ukraina with the full method. Following this change, the item decreased by PLN 51,523 thousand.

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Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
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Item	Non-current liabilities			Current liabilities		
	Jun 30 2014 (unaudited)	Dec 31 2013 (audited)	Jun 30 2013 (unaudited)	Jun 30 2014 (unaudited)	Dec 31 2013 (audited)	Jun 30 2013 (unaudited)
Financial liabilities at amortised cost						
Bank borrowings and overdrafts	34,330	49,599	41,109	544,356	722,405	782,386
Liabilities under closed forwards	-	-	-	4,179	4,179	-
Non-bank borrowings	-	-	-	11,404	1,922	-
Debt instruments	-	51,523	-	838,772	838,772	838,772
Financial liabilities at amortised cost	34,330	101,122	41,109	1,398,711	1,567,278	1,621,158
Financial liabilities designated to be measured at fair value through profit and loss:						
Bank borrowings	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial liabilities designated to be measured at fair value through profit and loss:	-	-	-	-	-	-
Total borrowings and other debt instruments	34,330	101,122	41,109	1,398,711	1,567,278	1,621,158

18. SHARE CAPITAL

In H1 2014, there were no changes in the Parent's share capital.

As at June 30th 2014, the share capital was PLN 14,295 thousand and was divided into 14,295,000 shares with a par value of PLN 1.00 per share.

For more information on the shares issued by the Parent, see the tables below:

Item	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)
Number of shares ('000)	14,295	14,295	14,295
Par value (1 / share)	1	1	1
Share capital	14,295	14,295	14,295

CHANGES IN SHARE CAPITAL (BY ISSUE)

Shares by Series / issues	Par value of the Series / issue	Number of shares	Issue price (PLN)	Registration date
Share capital as at Jan 1 2013	14,295	14,295,000	X	X
Share capital as at Jun 30 2013	14,295	14,295,000	X	X
Share capital as at Dec 31 2013	14,295	14,295,000	X	X
Share capital as at Jun 30 2014	14,295	14,295,000	X	X

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

SHAREHOLDERS HOLDING AT LEAST 5% OF TOTAL VOTING RIGHTS AT THE GENERAL MEETING AS AT JUNE 30TH 2014

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

CHANGES IN THE SHAREHOLDING STRUCTURE IN THE REPORTING PERIOD COVERED BY THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Changes in the Company's shareholding structure in H1 2014

In H1 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 SHAREHOLDING STRUCTURE SUBSEQUENT TO JUNE 30TH 2014

Until the date of approval of these interim condensed consolidated financial statements, 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.

SHAREHOLDERS HOLDING AT LEAST 5% OF TOTAL VOTING RIGHTS AT THE GENERAL MEETING AS AT THE DATE OF APPROVAL OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR H1 2014

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

OTHER COMPONENTS OF EQUITY

LOAN FROM MAJORITY SHAREHOLDER

As at June 30th 2014, June 30th 2013 and December 31st 2013, the Parent had liabilities under a loan from its major shareholder totalling PLN 35,790 thousand plus accrued interest. Pursuant to Art. 14.3 of the Polish Commercial Companies Code, a shareholder's receivables under a loan advanced to the company are deemed the shareholder's contribution to the company if the company is declared bankrupt within two years from the date of the loan agreement. Accordingly, the Company recognised such liabilities under other components of equity.

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Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

NON-CONTROLLING INTERESTS

Non-controlling interests represent a portion of net assets of subsidiaries which is not directly or indirectly owned by shareholders of the Parent.

Non-controlling interests disclosed in the Group's equity relate to the following subsidiaries:

Item	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (unaudited)	As at Jun 30 2013 (unaudited)
Energopol-Ukraina	-	10,002	21,683
RAFAKO Group	261,714	259,422	284,678
PBG Oil and Gas Sp. z o.o.	5,471	6,013	-
Total non-controlling interest	267,185	275,437	306,361

In the reporting period covered by these interim condensed consolidated financial statements, non-controlling interests decreased as a result of transactions which affected the Group's structure, and as a result of settlement of a portion of comprehensive income attributable to non-controlling interests, as disclosed in the table below:

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
Balance at the beginning of the period	275,437	275,491	275,491
Changes in ownership interests in subsidiaries (transactions with non-controlling interest)			
Business combination - first recognition of non-controlling interest (+)	-	-	-
Disposal of subsidiaries - derecognition of non-controlling interest (-) of non-controlling interests (-)	6,053	36,198	36,197
Ownership interests acquired by the Group from non-controlling interest (-)	-	7,617	7,617
Ownership interests disposed of by the Group to non-controlling interest, with no loss of control (+)	720	-	-
Other changes	190	6,001	-
Comprehensive income:			
Net profit (loss) for the period (+/-)	(2,769)	(50,039)	(14,679)
Other comprehensive income for the period (after tax) (+/-)	(11,838)	263	1,822
Other changes	(608)	(94)	(87)
Balance at the end of the period	267,185	275,437	306,361

19. SHARE-BASED PAYMENT PROGRAMMES

INCENTIVE SCHEME

As at the reporting date, the Group does not operate any incentive schemes based on stock options or other equity instruments.

20. DIVIDENDS

Pursuant to Resolution No. 4, the Annual General Meeting of June 16h 2014 resolved to withhold the net profit of PLN 128,658 thousand (one hundred and twenty-eight million, six hundred and fifty-eight thousand

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Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
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złoty) earned by the Parent, as disclosed in the financial statements for 2013, from distribution to shareholders and to allocate it in full to cover the retained losses from previous years.

In H1 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.

21. ISSUE AND REDEMPTION OF DEBT 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. In the reporting period, the company's proceeds from the issue 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).

22. BORROWINGS AND OTHER DEBT INSTRUMENTS – EVENTS OF DEFAULT

In 2012, 12 companies of the PBG Group filed petitions for insolvency with arrangement option, which was reported in detail by the Parent in the consolidated financial statements as at December 31st 2012. The petitions resulted in termination of credit and guarantee facilities and bond redemption calls.

Liabilities under the existing credit facility agreements totalled PLN 176,857 thousand as at June 30th 2014. These liabilities were incurred by RAFAKO S.A. and property development subsidiaries. The total amount of credit limits granted to these companies was PLN 256,958 thousand as at June 30th 2014.

Pursuant to the Terms and Conditions of the Bonds, the Parent received calls for immediate redemption from bondholders who had acquired Series C and Series D bonds. As at the redemption call date, the value of the bonds including interest accrued to the day preceding the date on which the court declared the Company insolvent in voluntary arrangement, was PLN 838,772 thousand.

The companies did not repay the claims under the bond redemption calls or under the credit and guarantee facilities which were terminated or expired. These claims are covered by the arrangement, and their satisfaction is governed by the Bankruptcy and Restructuring Law. Any disclosed decreases resulted from enforcement of security by the creditors or from the performance of agreements concluded by the Group companies, including the agreements reported by the Parent in Current Reports No.11/2013, No. 23/2013 and No. 32/2013.

Given that the Company was declared insolvent, its liabilities incurred prior to the Court's decision declaring the Company insolvent (issued on June 13th 2012) are not measured at amortised cost but at nominal value, increased by interest accrued to the date of the Court declaration (in accordance with the Bankruptcy and Restructuring Law), save for interest on liabilities secured on tangible property, which continue to accrue after the date of insolvency declaration (June 13th 2012), in accordance with the

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Bankruptcy and Restructuring Law. Other liabilities incurred after the Court's decision declaring the Company insolvent in voluntary arrangement are measured at amortised cost.

Currently, the Parent's Management Board is actively involved in negotiations with the Parent's creditors concerning the terms of debt repayment. In 2013, the Financial Creditors (representing the largest group of the Parent's creditors) were provided with a plan of the Parent's operational restructuring, prepared by PBG S.A. and its financial adviser, PWC Polska Sp. z o.o. On September 3rd 2013, the Parent's Management Board and its legal adviser Weil, Gotshal & Manges, Paweł Rymarz Sp. k. completed work on preparation of the restructuring documents, including a draft of the Restructuring Agreement and Arrangement Proposals, which, upon receipt of corporate approvals, were presented to the Creditors, as announced by the Parent in Current Report No. 24/2013. The next step of the procedure to enter into an arrangement between the Parent and its Creditors, as provided for by the regulations of the Bankruptcy and Restructuring Law, will be the approval of the lists of claims by Judge Commissioner, which will allow for the meeting of the Parent's creditors to be called.

23. PROVISIONS

Provisions disclosed in the interim condensed consolidated financial statements and their changes in the respective periods are presented in the table below:

Group name:	PBG GROUP		
Period covered by the financial statements:	<i>Jan 1–Jun 30 2014</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding:	<i>All amounts in PLN thousand (unless otherwise indicated)</i>		

EMPLOYEE BENEFIT OBLIGATIONS AND PROVISIONS

Item	Non-current			Current		
	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)
Wages and salaries liabilities	-	-	-	11,135	9,549	10,960
Social security liabilities	-	-	-	11,897	11,510	10,592
Other long-term employee benefits	-	-	-	1,030	1,926	208
Total employee benefit obligations	-	-	-	24,062	22,985	21,760
Provision for retirement severance payments	6,799	6,051	6,082	449	27	85
Provisions for length-of-service awards	12,079	12,207	13,335	1,249	1,292	1,494
Accrued holiday entitlement	-	-	-	6,729	3,664	5,725
Provision for other employee benefits	4,449	4,488	4,960	-	-	567
Total employee benefit provisions	23,327	22,746	24,377	8,427	4,983	7,871
Employee benefit obligation and provisions	23,327	22,746	24,377	32,489	27,968	29,631

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

CHANGES IN PROVISIONS FOR EMPLOYEE BENEFITS

Item	Provision for retirement gratuity	Provision for jubilee	Accrued holiday entitlement	Provision for other employee benefits	Total
<i>for the period Jan 1–Jun 30 2014</i>					
Balance as at Jan 1 2014	6,078	13,499	3,664	4,488	27,729
Increase in provisions recognised as expense in the period (new provisions)	1,170	-	3,028	803	5,001
Revision of estimates	22	-	518	-	540
Acquisition of subsidiaries	-	-	-	-	-
Decrease in provisions – exit (sale) of subsidiaries from the Group	-	-	(417)	-	(417)
Reversal of provisions recognised as income in the period (-)	-	(171)	(55)	(689)	(915)
Use of provisions (-)	-	-	(1)	(153)	(154)
Revision of estimates (-)	(23)	-	(8)	-	(31)
Other changes (net exchange differences)	1	-	-	-	1
Balance at Jun 30 2014, including:	7,248	13,328	6,729	4,449	31,754
- non-current provisions	6,799	12,079	-	4,449	23,327
- current provisions	449	1,249	6,729	-	8,427
<i>for the period Jan 1–Dec 31 2013</i>					
Balance as at Jan 1 2013	6,765	18,514	4,793	13,534	43,606
Increase in provisions recognised as expense in the period (new provisions)	163	(872)	585	3,967	3,843
Revision of estimates	213	-	512	-	725
Acquisition of subsidiaries	2	-	37	-	39
Decrease in provisions – exit (sale) of subsidiaries from the Group	(905)	(3,946)	(1,041)	(900)	(6,792)
Reversal of provisions recognised as income in the period (-)	(53)	-	(759)	(8,932)	(9,744)
Use of provisions (-)	(74)	(1,95)	(333)	(3,099)	(3,701)
Revision of estimates (-)	(32)	-	(405)	-	(437)
Other changes (net exchange differences)	(1)	(2)	275	(82)	190
Balance as at Dec 31 2013	6,078	13,499	3,664	4,488	27,729
- non-current provisions	6,051	12,207	-	4,488	22,746
- current provisions	27	1,292	3,664	-	4,983
<i>for the period Jan 1–Jun 30 2013</i>					
Balance as at Jan 1 2013	6,765	18,514	4,793	13,534	43,606
Increase in provisions recognised as expense in the period (new provisions)	425	458	2,169	7,085	10,137
Revision of estimates	-	-	-	-	-
Acquisition of subsidiaries	1	-	37	-	38
Decrease in provisions – exit of subsidiaries from the Group	(893)	(3,946)	(1,019)	(900)	(6,758)

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Item (cont.)	Provision for retirement severance	Provision for jubilee	Accrued holiday entitlement	Provision for other employee benefits	Total
Reversal of provisions recognised as income in the period (-)	(53)	-	(433)	(8,097)	(8,583)
Use of provisions (-)	(71)	(195)	(130)	(6,147)	(6,543)
Revision of estimates (-)	-	-	-	-	-
Other changes (net exchange differences)	(7)	(2)	308	52	351
Balance as at Jun 30 2013	6,167	14,829	5,725	5,527	32,248
- non-current provisions	6,082	13,335	-	4,960	24,377
- current provisions	85	1,494	5,725	567	7,871

OTHER PROVISIONS FOR LIABILITIES

For more information on the policy of recognising provisions for warranty repairs, expected losses and restructuring, see Note 2.5 UNCERTAINTY OF ESTIMATES.

Provisions disclosed in the interim condensed consolidated financial statements and their changes in the respective periods are presented in the table below:

Group name:	PBG GROUP		
Period covered by the financial statements:	<i>Jan 1–Jun 30 2014</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding:	<i>All amounts in PLN thousand (unless otherwise indicated)</i>		

OTHER PROVISIONS FOR LIABILITIES

Item	Non-current			Current		
	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (audited)	As at Jun 30 2013 (unaudited)
Provisions for warranties	11,876	12,168	15,740	16,703	13,197	16,365
Provision for losses on construction contracts	-	-	-	42,362	46,388	30,540
Other provisions	425,317	444,556	690,000	44,593	98,004	96,979
Restructuring provision	-	-	-	14,531	17,838	32,023
Total other provisions, including:	437,193	456,724	705,740	118,189	175,427	175,907

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

CHANGES IN OTHER PROVISIONS

Item	Provisions for warranties	Provision for losses on construction contracts	Other provisions	Restructuring provision	Total
<i>for the period Jan 1–Jun 30 2014</i>					
Balance as at Jan 1 2014	25,365	46,388	542,560	17,838	632,151
Increase in provisions recognised as expense in the period (new provisions)	10,657	2,657	13,973	-	27,287
Revision of estimates	457	-	34	-	491
Acquisition of subsidiaries	-	-	-	-	-
Decrease in provisions – exit (sale) of subsidiaries from the Group	-	-	(17,070)	-	(17,070)
Reversal of provisions recognised as income in the period (-)	(6,984)	(3,697)	(65,151)	-	(75,832)
Use of provisions (-)	(916)	(3,589)	(2,246)	(3,307)	(10,058)
Revision of estimates (-)	-	(1,418)	-	-	(1,418)
Other changes (net exchange differences)	-	2,021	(2,190)	-	(169)
Balance at Jun 30 2014, including:	28,579	42,362	469,910	14,531	555,382
- non-current provisions	11,876	-	425,317	-	437,193
- current provisions	16,703	42,362	44,593	14,531	118,189
<i>for the period from Jan 1 to Dec 31 2013</i>					
Balance as at Jan 1 2013	31,484	32,567	932,396	32,023	1,028,470
Increase in provisions recognised as expense in the period (new provisions)	7,969	37,660	55,726	-	101,355
Revision of estimates	5,378	18	64,152	-	69,548
Acquisition of subsidiaries	-	-	-	-	-
Decrease in provisions – exit (sale) of subsidiaries from the Group	(4,103)	(526)	(51,056)	-	(55,685)
Reversal of provisions recognised as income in the period (-)	(15,035)	(23,331)	(59,806)	-	(98,172)
Use of provisions (-)	(1,978)	-	(1,183)	(14,185)	(17,346)
Revision of estimates (-)	1,021	-	(397,638)	-	(396,617)
Other changes (net exchange differences)	629	-	(31)	-	598
Balance as at Dec 31 2013	25,365	46,388	542,560	17,838	632,151
- non-current provisions	12,168	-	444,556	-	456,724
- current provisions	13,197	46,388	98,004	17,838	175,427
<i>for the period Jan 1–Jun 30 2013</i>					
Balance as at Jan 1 2013	31,484	32,567	932,396	32,023	1,028,470
Increase in provisions recognised as expense in the period (new provisions)	10,306	12,853	40,993	-	64,152
Revision of estimates	-	-	59	-	59
Acquisition of subsidiaries	-	-	-	-	-
Decrease in provisions – exit (sale) of subsidiaries from the Group	-	-	-	-	-

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Item (cont.)	Provisions for warranties	Provision for losses on construction contracts	Other provisions	Restructuring provision	Total
Decrease in provisions - companies wound up (exit from the Group)	(4,689)	(526)	(51,088)	-	(56,303)
Reversal of provisions recognised as income in the period (-)	(4,851)	(14,354)	(37,695)	-	(56,900)
Use of provisions (-)	(744)	-	(7,702)	-	(8,446)
Revision of estimates (-)	-	-	(90,000)	-	(90,000)
Other changes (net exchange differences)	599	-	16	-	615
Balance as at Dec 31 2013	32,105	30,540	786,979	32,023	881,647
- non-current provisions	15,740	-	690,000	-	705,740
- current provisions	16,365	30,540	96,979	32,023	175,907

24. CONTINGENT LIABILITIES

In these interim condensed consolidated financial statements as at June 30th 2014, the PBG Group disclosed contingent liabilities recognised as off-balance-sheet items of **PLN 1,481,325 thousand**. The contingent liabilities pertain to liabilities under sureties issued for credit facilities and trade payables, sureties issued to third parties by PBG Group companies, as well as liabilities under guarantees issued at the request of PBG Group companies to third parties.

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

Following the Parent's submission of revised arrangement proposals to the Court on September 30th 2013 and the Parent becoming aware that a part of its off-balance-sheet liabilities had extinguished due to the expiry of corresponding financial products, as at December 31st 2013 the Parent, acting in accordance with IAS 8, revised the underlying estimates and reversed the provision in the portion above the amount of PLN 444,555 thousand. As at June 30th 2014, 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. Consequently, the global provision was reversed partially, to PLN 425,317 thousand.

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

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

LITIGATIONS AND OTHER DISPUTES

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

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PROCEEDINGS INSTIGATED BY THE GROUP:

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

The case concerns a Court amendment to Contract No. 2811/30/2010 (construction of the A4 motorway). The party requested a PLN 270,100 thousand rise in the VAT-exclusive remuneration payable to the Consortium due to a sharp increase in the prices of construction materials and services (the prices of steel, aggregate, concrete, bitumen, and fuels, including transport costs). The key and most significant element of evidentiary hearing will be the opinion of experts in the economics of road building. The court will consider evidence motions, including the key motion to admit the expert witness evidence based on which it will be possible to determine whether the loss incurred by the Consortium was substantial and whether the Consortium is entitled to claim the increased remuneration. Because not all witnesses appeared at the four hearings which have already been held, the Court has not yet made a decision concerning other evidence motions, including motions to admit as evidence expert witness opinions which are of key importance for resolving the case as to its merits.

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

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

PBG has been pursuing claims against Control Process S.A. in connection with execution of the LMG Project – Central Facility, Well Areas, Pipelines and Other Infrastructure, including claims under Defendant's default to pay VAT invoices under an agreement for lease of containers with auxiliary facilities, an agreement for the provision of IT network access service, an agreement for lease of space at the construction site facilities, as well as recharged environmental analyses, recharged testing of guaranteed parameters, recharged factory testing, recharged emergency medical assistance, and recharged geodesic services. In the statement of claim, the Plaintiff also petitioned for exemption from court fees in full and for the court to issue a temporary injunction. By virtue of its decision of September 16th 2013, the Regional Court dismissed the petition for exemption from court fees. On September 26th 2013, the Plaintiff's attorney lodged a complaint against the dismissal of the petition for exemption from court fees to the Court of Appeals. By a decision of October 30th 2013, the Court of Appeals dismissed the complaint. In a payment order issued on January 10th 2014, the Regional Court of Poznań ordered the Defendant to pay the Plaintiff an amount of PLN 996 thousand with interest and cost of proceedings within 14 days, or to lodge an objection. At the request by the attorney for the Plaintiff, by virtue of a decision of January 28th 2014, the Regional Court corrected an obvious spelling error concerning the deadline for payment of interest on one of the claimed amounts. Further, in a letter of April 18th 2014, the Plaintiff's attorney responded to the objection to payment order, and addressed all arguments raised by the Defendant in their objection to payment order.

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On June 17th 2014, some of the witnesses were heard during a session at the Regional Court of Poznań; during the next hearing, scheduled for July 10th 2014, the evidence examination will continue.

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

Action for payment of PLN 1,200 thousand in connection with disposal of shares in GasOil Engineering As. The case is conducted under Slovakian law by barrister Ireneusz Piotr Giebel. By virtue of a payment order, the Regional Court of Poprad ordered the defendant to make the payment as demanded in the statement of claim. In pleadings of February 18th 2014, Marian Siska appealed against the payment order. The Company's attorney is preparing a response to the appeal.

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

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

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

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

Value of the claim: PLN 30,849 thousand.

Otherwise, the Court dismissed the petition to provide temporary injunctive relief. A complaint against the decision was lodged by MWiK, but on March 26th 2013 the Court dismissed MWiK's complaint against the Court's decision granting temporary injunctive relief, and the decision became final. Notwithstanding the foregoing, on April 26th 2013 the Company filed a petition requesting a change (an extension) of the injunctive relief to include seizure of claimed amounts in MWiK's bank accounts up to the equivalent of EUR 3,758 thousand. In its decision of June 27th 2013, the Regional Court of Bydgoszcz dismissed the Plaintiff's petition to change the manner of providing injunctive relief; the Company appealed against that decision on July 17th 2013. By a decision of October 25th 2013, the Court of Appeals dismissed the Plaintiff's complaint. At the same time, as the case files were transferred to the court of appeals, the hearing set for

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October 2nd 2013 was cancelled. A new date of the hearing has not been determined, as the files have not yet been returned to the Regional Court in Bydgoszcz. On January 23rd 2014, MWiK filed for reversal of the decision on injunctive relief; in a letter of March 23rd 2014, PBG filed for dismissal of MWiK's petition; on April 3rd 2014 a hearing was held to examine MWiK's petition. On April 14th 2014, the Court dismissed MWiK's petition for reversal of the decision granting injunctive relief, and maintained the previously granted injunction; on June 10th 2014, MWiK filed for a change of the injunction into a ban on withdrawal of the injunction amount from the account in which the amount was deposited by MWiK, opened specifically for the purpose with PeKaO SA II Branch in Bydgoszcz; on June 30th 2014, the Plaintiff filed a petition requesting creation of security; by virtue of its decision of July 7th 2014 the Court issued a decision on changing the injunctive relief in which it upheld the injunctive relief but in compliance with MWiK's request in the form of security over the monies in the bank account held with PeKaO; the date of the hearing was set for September 17th 2014.

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

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

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

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

On November 3rd 2009, RAFAKO S.A. brought an action for payment to the Regional Court of Warsaw, 20th Commercial Division, against ING Bank Śląski S.A. In the action, RAFAKO S.A. demands a refund of PLN 9m which was unlawfully enforced from its accounts by ING Bank Śląski S.A. On November 29th 2010, the court of first instance issued a ruling in which it awarded an amount of PLN 8,997 thousand, plus statutory interest and litigation costs, to be paid by ING Bank Śląski S.A. to RAFAKO S.A. The attorney of ING Bank Śląski S.A. filed an appeal against the ruling of the court of first instance. On October 12th 2011, the Court of Appeals in Warsaw, following a hearing, did not find the claims raised in the appeal by ING Bank Śląski S.A. justified, but resolved ex officio that the court of first instance failed to consider the substance of the dispute, reversed the ruling and remanded the case for re-examination by the court of first instance. In its ruling of April 1st 2014, the Regional Court in Warsaw ordered ING Bank Śląski S.A. to pay RAFAKO S.A. PLN 3,647 thousand, plus statutory interest for the period from November 3rd 2009 until the payment date. The court dismissed the remaining part of the claim. Both parties lodged appeals against the ruling; the date of the hearing has not been set.

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

Following an inspection carried out by the Rybnik Branch of the Social Insurance Institution, on November 17th 2011 RAFAKO S.A. was served a decision concerning social security contributions, contributions to the Labour Fund and contributions to the Guaranteed Employee Benefits Fund. The Social Insurance Institution challenged the allocation by RAFAKO S.A. of funds from the Company Social Benefits Fund towards special gift cards for employees. The decision assesses the company's liability towards the Social Insurance Institution at PLN 2,370 thousand (net of interest). RAFAKO S.A. appealed against the decision to the Regional Court of Gliwice, 9th Labour and Social Security Division. The Court recognised RAFAKO's arguments as valid and issued rulings favourable to RAFAKO, which were appealed against by the Social Insurance Institution. 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. RAFAKO S.A. is hoping that the rulings to be issued at the next hearings as part of this dispute, which have been planned for August and September 2014, will be consistent with the previous rulings. Following the favourable court ruling, in 2012 RAFAKO S.A. reversed the PLN 2,370 thousand provision previously recognised in connection with the dispute, and the PLN 952 thousand provision for related interest.

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

In another material litigation involving RAFAKO S.A., the company is seeking compensation from Donetskoblenenergo of Ukraine in the amount of USD 11,500 thousand (PLN 38,151 thousand). RAFAKO demands the compensation following the customer's final decision to abandon a boiler construction project. In 2009, courts of the first and second instance ruled in favour of RAFAKO. However, the High Commercial Court, having examined a cassation appeal, reversed the rulings and remanded the case for re-examination. On August 6th 2010, RAFAKO S.A. received a decision issued by the Judicial Chamber for business cases of the Supreme Court of Ukraine granting a cassation appeal lodged by the company on March 2nd 2010 and upholding the ruling of the Donetsk Commercial Court of Appeals of December 23rd 2008, whereby RAFAKO was awarded UAH 56.7m (approximately USD 11,500 thousand as at the date of filing the claim) in compensation, default interest, court expenses and legal representation costs. As the enforceability of the decision remains uncertain, RAFAKO did not recognise the awarded amount in revenue. RAFAKO's attorney reported that in July 2012 the Commercial Court of the Donetsk region resumed the examination of the case in connection with Donetskoblenenergo's claim to declare the agreement of May 16th 1994 invalid. According to the attorney, there is no new evidence to admit the claim. The next hearing is scheduled for November 7th 2014.

ACTIONS AGAINST THE GROUP:

1. Litigation concerning construction of the National Stadium in Warsaw

PBG in company voluntary arrangement was a member of the consortium (the "Consortium") selected in a tender as the general contractor for the National Stadium project. The contract between the Consortium

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and Narodowe Centrum Sportu Sp. z o.o. ("NCS") was signed on May 4th 2009 (the "Contract"). The Consortium provided the NCS with an insurance guarantee for the amount of PLN 152,479 thousand, securing claims the NCS might have as the employer relating to non-performance or improper performance of the Contract. The guarantee was issued by Zurich Insurance plc. Niederlassung für Deutschland ("Guarantor" or "Zurich").

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

As a result, on March 1st 2013 the Consortium (including the Company) brought an action before the Regional Court in Warsaw against the NCS and the State Treasury – the Minister of Sport and Tourism (i) for determining that the defendants are not entitled to claim payment of penalty for delay in the completion of the National Stadium construction project, and (ii) for ordering the defendants to cease the unlawful use of the guarantee issued by Zurich. In addition, the Consortium filed a request for an injunctive relief with respect to the above claims by prohibiting the defendants from accepting any payments under the guarantee provided by the NCS until the final conclusion of the proceedings. By decision of March 22nd 2013, the Regional Court in Warsaw dismissed the request for security. On April 9th 2013, the Consortium filed a complaint against the decision to the Court of Appeals in Warsaw.

On April 22nd 2013 Zurich received NCS' demand for payment from the performance bond. Next, the Court of Appeals dismissed the appeal. By its decision of September 25th 2013 the District Court of Warsaw suspended the proceedings ex-officio following declaration of bankruptcy of two other plaintiffs, i.e. Alpine Bau Deutschland AG and Alpine Bau GmbH. Pursuant to a representation of December 4th 2013, the administrator of Alpine Bau Deutschland AG and the administrator of Alpine Bau GmbH acceded to the proceedings and moved for resumption of the proceedings. So far, the District Court has not yet issued a decision to resume the proceedings.

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

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

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

The case is pending.

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

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

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

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

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

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

On October 30th 2013, the Regional Court issued a decision dismissing the action brought by Dimark Sp. z o.o. in whole and awarding a refund of the litigation costs to the Company. Dimark appealed against the decision. The Company filed a response to the appeal within the statutory time limit, i.e. by March 7th 2014. In this case, Dimark Sp. z o.o. is pursuing a claim against PBG on the basis of its unjust enrichment. The plaintiff, acting as a member of the general contractor consortium, entered into an assignment agreement with a third party, whereby the plaintiff and the other consortium members assigned their amounts

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receivable as payment of their remuneration by the project sponsor to a bank, to create security under a credit facility agreement signed by PBG and other entities. When receiving an amount due in respect of the assigned debt claim, the Bank applied the receivable towards coverage of the defendant's liabilities. In Dimark Sp. z o.o.'s opinion, payment of the receivables under the credit facility agreement results in PBG's unjust enrichment. The case is pending. By virtue of its ruling of May 27th 2014, the Court of Appeals changed the ruling issued by the Court of first instance, awarded PLN 100 thousand to DIMARK, and charged PBG with the cost of proceedings; PBG is considering lodging a cassation complaint; the deadline for lodging the cassation complaint is September 3rd 2014.

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

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

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

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

Towarzystwo Ubezpieczeń Euler Hermes provided to Hydrobudowa Polska S.A. general insurance in connection with various construction contracts. By way of providing security in respect of potential recourse claims against TU Euler Hermes, Hydrobudowa issued a blank promissory note, for which PBG provided its surety. Following the bankruptcy of Hydrobudowa Polska S.A., the bankruptcy administrator withdrew Hydrobudowa Polska S.A. from a contract performed for the Municipality of Poznań. The Municipality of Poznań demanded satisfaction of its claims from TU Euler Hermes (as the insurer). TU Euler Hermes satisfied the Municipality of Poznań's claim, and then filled in the promissory note and brought an action for payment against the Company (as the entity that backed the promissory note with surety). On November 15th 2013, the District Court of Warsaw issued a payment order of PLN 5,075 thousand (including interest) against the Company. Next, on December 12th 2013, the Company lodged an objection against

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

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

An action brought by FISIA BABCOCK ENVIRONMENT GmbH is 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 an allegedly outstanding licence fees. In RAFAKO S.A.'s opinion, these claims are unjustified. RAFAKO S.A.'s stance is that the contract for modernisation of four desulfurisation units, in relation to which the dispute arose, was performed on the basis of its own technological solutions, without relying on any licensed know-how. In its response to the statement of claim, RAFAKO S.A. argued also that the other party's potential claim has become prescribed. The schedule for further proceeding in this case by the Arbitration Tribunal has not yet been determined.

ADMINISTRATIVE PROCEEDINGS

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

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

25. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT

The objectives and policies of financial risk management have not changed relative to those published in the most recent consolidated full-year financial statements for 2013.

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26. BUSINESS COMBINATIONS AND DISPOSALS

26.1 BUSINESS COMBINATIONS

Business combinations effected by the Group in the reporting period covered by these financial statements and resulting in the Group taking control over business entities are presented in Note 3 of these interim condensed consolidated financial statements – Acquisition of control of PBG Dom Group companies.

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BUSINESS COMBINATIONS EFFECTED FROM JANUARY 1ST TO JULY 30TH 2014

Name and registered office of the acquiree	Acquisition date	Percentage of voting equity interests acquired	Consideration:		Net assets of the acquiree (fair value)	Goodwill
			Acquirer	Non-controlling interests		
Erigo IV Group	Feb 7 2014	100.00%	52	-	10	42
Total value	x	x	52	x	10	42

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ACCOUNTING FOR THE BUSINESS COMBINATIONS EFFECTED IN THE PERIOD FROM JANUARY 1ST TO JUNE 30TH 2014

Item	Goodwill at acquisition date
	Erigo IV Group Feb 7 2014
Assets	
Intangible assets	-
Property, plant and equipment	-
Investment property	-
Deferred tax asset	-
Inventories	-
Receivables and loans	-
Other assets	-
Cash and cash equivalents	55
Total assets	55
Liabilities	
Deferred tax liability	-
Provisions	-
Borrowings, other debt instruments	45
Trade payables	-
Other liabilities	-
Total liabilities	45
Non-controlling interests	-
Fair value of net assets	10
Goodwill (+) / Excess recognised in P&L (-)	42
Consideration for the acquired entity:	52
Non-controlling interests:	
Non-controlling interests	-
Acquirer	
Cash and cash equivalents	55
Acquirer's equity instruments	-
Liabilities to previous owners	-
Conditional consideration	-
Fair value of investments held prior to acquisition (phased business combination)	-
Additional costs of business combination charged to acquirer's profit (loss)	-

ACQUISITIONS OF SUBSIDIARIES IN THE PERIOD FROM JANUARY 1ST TO JUNE 30TH 2014

Item	Jan 1–Jun 30 2014	Erigo IV Group
Acquisition costs paid(-)	52	52
Cash and cash equivalents acquired	55	55
Acquisition of subsidiaries, net	107	107

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ACQUIREES' REVENUE AND PROFIT OR LOSS FOR THE REPORTING PERIOD

Item	Data following the acquisition date, recognised in the Group's income statement		For the period Jan 1–Jun 30 2014	
	Revenue	Net profit/(loss)	Revenue	Net profit/(loss)
Erigo IV Group	-	(18)	-	(18)
Total	-	(18)	-	(18)

26.2 DISPOSAL OF SUBSIDIARIES

DISPOSAL OF SUBSIDIARIES

Item	Net assets upon disposal
Assets	
Intangible assets	-
Property, plant and equipment	-
Non-regenerative natural resources	-
Investment property	-
Deferred tax asset	-
Inventories	42,591
Receivables and loans	2,416
Other assets	-
Cash and cash equivalents	84
Total assets	45,091
Liabilities	
Deferred tax liability	-
Provisions	17,000
Borrowings, other debt instruments	10,713
Trade payables	49
Other liabilities	-
Total liabilities	27,762
Net assets	17,329
Total consideration on disposal	5
Gain/(loss) on disposal recognised in other income/expenses	(17,338)
Part of consideration on disposal received in cash and cash equivalents	5
Cash and cash equivalents sold	84
Sale of subsidiaries, net	(79)

The above table illustrates the effect of disposal of shares in PBG Dom Invest III Sp. z o.o.

27. LOSS OF CONTROL OF SUBSIDIARIES

Loss of control of subsidiaries in the reporting period covered by these financial statements is described in Note 3 – Material events and transactions.

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

LOSS OF CONTROL OF SUBSIDIARIES IN THE PERIOD FROM JANUARY 1ST TO JUNE 30TH 2014

Item	Net assets as at the date of exit from the Group
Assets	
Intangible assets	34
Property, plant and equipment	885
Investment property	-
Non-regenerative natural resources	820
Deferred tax asset	350
Inventories	302,888
Receivables and loans	45,051
Other assets	222
Cash and cash equivalents	2,176
Total assets	352,426
Liabilities	
Deferred tax liability	19,081
Provisions	647
Borrowings, other debt instruments	116,677
Trade payables	119,844
Other liabilities	-
Total liabilities	256,249
Net assets	96,177
Gain/(loss) on disposal recognised in Other income and expenses	(97,141)
Cash and cash equivalents sold	2,176
Sale of subsidiaries, net	(2,176)

The above table illustrates the effect of loss of control of Energopol Ukraina SA and PBG Dom Capital Ltd.

28. DISCONTINUED OPERATIONS

Not applicable.

29. RELATED PARTY TRANSACTIONS

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.

The tables below present information on the related party transactions which have been accounted for in the condensed consolidated financial statements of the Group.

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

RELATED PARTIES – SALES AND RECEIVABLES

Item	Sales			Receivables		
	Jan 1–Jun 30 2014 (unaudited)	Jan 1–Dec 31 2013 (audited)	Jan 1–Jun 30 2013 (unaudited)	as at Jun 30 2014 (unaudited)	as at Dec 31 2013 (audited)	as at Jun 30 2013 (unaudited)
Sales to:						
Other related parties	8,649	12,451	62	16,570	34	14,707
Total	8,649	12,451	62	16,570	34	14,707

RELATED PARTIES – PURCHASES AND PAYABLES

Item	Purchases (costs, assets)			Liabilities		
	Jan 1–Jun 30 2014 (unaudited)	Jan 1–Dec 31 2013 (audited)	Jan 1–Jun 30 2013 (unaudited)	as at Jun 30 2014 (unaudited)	as at Dec 31 2013 (audited)	as at Jun 30 2013 (unaudited)
Purchases from:						
Other related parties	967	1,194	3,155	2,180	8,109	12,201
Total	967	1,194	3,155	2,180	8,109	12,201

RELATED PARTIES – LOANS

Item	Jun 30 2014 (unaudited)		Dec 31 2013 (audited)		Jun 30 2013 (unaudited)	
	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	219	25	13,821	15,176	23,391	27,637
Total	219	25	13,821	15,176	23,391	27,637

RELATED PARTIES – BORROWINGS

Item	Jun 30 2014 (unaudited)		Dec 31 2013 (audited)		Jun 30 2013 (unaudited)	
	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	13	14	1,513	1,562	-	-
Total	13	14	1,513	1,562	-	-

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

30. REMUNERATION OF MEMBERS OF THE PARENT'S MANAGEMENT AND SUPERVISORY BOARDS

REMUNERATION OF MANAGEMENT BOARD MEMBERS FOR HOLDING OFFICE AT THE PARENT, SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES OR ASSOCIATES

Item	At Parent:		At subsidiaries and associates:		Total
	Base	Other benefits*	Base	Other benefits**	
Jan 1–Jun 30 2014					
Jerzy Wiśniewski (1)	140	-	193	-	333
Paweł Mortas (2)	180	-	302	387	869
Tomasz Tomczak (3)	158	-	80	6	244
Mariusz Łożyński	180	-	24	-	204
Kinga Banaszak-Filipiak	192	-	-	-	192
Bożena Ciosk	150	-	-	-	150
Total	1,000	-	599	393	1,992
Jan 1–Dec 31 2013					
Paweł Mortas (2)	390	-	600	177	1,167
Tomasz Tomczak	455	-	45	-	500
Mariusz Łożyński	387	-	46	-	433
Kinga Banaszak-Filipiak	330	101	-	-	431
Bożena Ciosk	248	3	-	-	251
Total	1,810	104	691	177	2,782
Jan 1–Jun 30 2013					
Paweł Mortas (2)	180	-	334	-	514
Tomasz Tomczak	210	-	18	-	228
Mariusz Łożyński	177	-	-	-	177
Kinga Banaszak-Filipiak	82	73	-	-	155
Bożena Ciosk	111	-	-	-	111
Total	760	73	352	-	1,185

* maternity benefit paid by the Social Insurance Institution (ZUS)

** discretionary bonus and remuneration for members delegated to independently perform supervisory functions

- 1 President of PBG Management Board from April 24th 2014
- 2 President of PBG Management Board from October 28th 2012; from April 24th 2014 – Vice-President of PBG Management Board
- 3 Vice-President of PBG Management Board until May 6th 2014

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

REMUNERATION OF SUPERVISORY BOARD MEMBERS FOR HOLDING OFFICE AT THE PARENT, SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES OR ASSOCIATES

Item	At Parent:		At subsidiaries and associates:		Total
	Remuneration	Other benefits	Base	Other benefits*	
Jan 1–Jun 30 2014					
Jerzy Wiśniewski (1)	38	-	473	189	700
Maciej Bednarkiewicz (2)	52	-	-	-	52
Małgorzata Wiśniewska (3)	37	-	294	-	331
Przemysław Szkudlarczyk	18	-	200	-	218
Dariusz Sarnowski	18	-	54	-	72
Andrzej Stefan Gradowski (4)	22	-	-	-	22
Norbert Słowik (5)	18	-	-	-	18
Total	203	-	1,021	189	1,413
Jan 1–Dec 31 2013					
Jerzy Wiśniewski (1)	120	5	1,428	476	2,029
Maciej Bednarkiewicz (2)	96	-	-	-	96
Małgorzata Wiśniewska (3)	60	1	588	-	649
Przemysław Szkudlarczyk	36	-	240	-	276
Dariusz Sarnowski	36	-	54	-	90
Andrzej Stefan Gradowski (4)	19	-	-	-	19
Norbert Słowik (5)	19	-	-	-	19
Total	386	6	2,310	476	3,178
Jan 1–Jun 30 2013					
Jerzy Wiśniewski (1)	60	5	114	-	179
Maciej Bednarkiewicz (2)	48	-	-	-	48
Małgorzata Wiśniewska (3)	30	1	54	-	85
Przemysław Szkudlarczyk	18	-	31	-	49
Dariusz Sarnowski	18	-	3	-	21
Andrzej Stefan Gradowski (4)	3	-	-	-	3
Norbert Słowik (5)	3	-	-	-	3
Total	180	6	202	-	388

*** discretionary bonus and remuneration for members delegated to independently perform supervisory functions

- 1 Chairman of the PBG Supervisory Board from June 29th 2012 until April 24th 2014
- 2 Deputy Chairman of the PBG Supervisory Board from July 29th 2012 until April 24th 2014; from April 24th 2014 – Chairman of the Supervisory Board
- 3 Secretary of the PBG Supervisory Board from June 29th 2012 (earlier Deputy Chairman); from April 24th 2014 – Deputy Chairman of the Supervisory Board
- 4 Member of the PBG Supervisory Board from June 21st 2013; from April 24th 2014 – Secretary of the Supervisory Board
- 5 Member of PBG Supervisory Board from June 21st 2012

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

31. OTHER MATERIAL CHANGES IN ASSETS, LIABILITIES, INCOME AND EXPENSES

The Group performs long-term construction contracts whose valuation as at the reporting date is based on the Management Boards' estimates of the contracts' planned results.

The amounts recognised in the interim condensed consolidated statement of financial position arise under construction contracts which are in progress as at the reporting date. Amounts due from customers for construction contract work are recognised as the aggregate recognised profits (losses) until the reporting date, less progress billings. The carrying amounts of amounts due to and from customers for construction contract work are presented in the table below:

CONSTRUCTION CONTRACTS

Item	As at Jun 30 2014 (unaudited)	As at Dec 31 2013 (unaudited)	As at Jun 30 2013 (unaudited)
Initial amount of revenue agreed in contract	9,334,036	5,007,465	11,351,357
Variations in contract work, and claims and incentives	(46,363)	(121,974)	(91,850)
Aggregate contract revenue	9,287,673	4,885,491	11,259,507
Amount of costs incurred to reporting date	3,215,765	2,674,268	2,835,798
Costs expected to be incurred to complete contract work	5,446,280	2,035,552	8,099,264
Aggregate contract costs	8,662,045	4,709,820	10,935,062
Aggregate estimated profit (losses) on construction contracts	625,628	175,671	324,445
Stage of completion as at the reporting date	37.12%	56.78%	25.93%
Prepayments received as at the reporting date	148,621	109,176	165,697
Prepayments that can be set off with amounts due from customers for construction contract work	35,356	90,247	108,727
Retentions total	26,416	27,018	21,158
Aggregate costs incurred to the reporting date	3,302,197	2,724,524	2,867,684
Aggregate recognised profits (losses) to the reporting date	76,684	(14,795)	193,429
Revenue estimated as at the reporting date	3,378,881	2,709,729	3,061,113
Progress billings	3,117,582	2,604,242	2,787,992
Amounts due from customers for construction contracts work	358,060	273,617	325,701
Amounts due from customers for construction contract work payable to consortium members as at the reporting date	-	-	-
Amounts due from customers for construction contract work payable to the consortium as a whole as at the reporting date, less prepayments that can be set off	322,704	183,370	216,974
Amounts due to customers for construction contracts work	96,761	117,938	52,580
Provision for contractual penalties	-	50,192	-

In view of the binding confidentiality agreements, the Parent's Management Board disclosed the information required under IAS 11 Construction Contracts as aggregate amounts, without itemising the individual contracts.

Amounts due from customers for construction contract work disclosed in the financial statements totalled PLN 322,704 thousand as at the reporting date, while amounts due to customers for construction contract work stood at PLN 96,761 thousand. In the same period of the previous year, amounts due from and to customers for construction contract work were PLN 216,974 thousand and PLN 52,580 thousand, respectively. Revenue from construction contract work reflects the Group's best estimates of costs planned

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

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. Revenue amounts presented in the financial statements (in earlier reporting periods) include contractual penalties which have been or may be imposed on the Group for failing to meet the originally agreed delivery deadlines. The presented Note also includes the provisions for expected losses on running contracts, which the Group recognised in profit or loss.

EFFECT OF FOREIGN EXCHANGE HEDGES ON THE RESULTS OF THE PBG GROUP

In the reporting period, PBG S.A. 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 and USD). In H1 2014, the consolidated net result on currency derivative instruments was as follows:

Effect of derivative instruments related to currency risk		
Item	Jun 30 2014 (unaudited)	Jun 30 2013 (unaudited)
	PLN '000	PLN '000
Revenue	-	-
Other income	85	6,102
Finance income	-	-
Total income	85	6,102
Operating expenses	-	-
Other expenses	426	87
Finance costs	-	-
Total expenses	426	87
Effect on profit (loss)	(341)	6,015

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

Notional amount of cash flow hedges		
Item	Jun 30 2014 (unaudited)	Jun 30 2013 (unaudited)
	PLN '000	PLN '000
Hedge for EUR sale transactions	1,300	-

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Notional amount of held-for-trading hedges		
Item	Jun 30 2014 (unaudited)	Jun 30 2013 (unaudited)
	PLN '000	PLN '000
Hedge for EUR sale transactions		5,000
Hedge for EUR purchase transactions	4,950	26,822
Hedge for USD purchase transactions	1,485	3,000

As at June 30th 2014, the fair value of open derivative positions was negative at PLN -115 thousand, of which PLN 70 thousand comprised the fair value of cash-flow hedges, and PLN -185 thousand – 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

A PBG subsidiary in company voluntary arrangement uses interest rate swaps (IRS) to hedge against variable interest rate risk.

Under a bank borrowing agreement the subsidiary was required to reduce interest rate risk. In performance of the bank's requirements, on November 24th 2011 the subsidiary entered into an IRS transaction for the principal amount of EUR 10,000 thousand, subject to amortisation, maturing on November 24th 2021.

In H1 2014, the effect of derivatives used to hedge interest rates, recognised in the consolidated income statement at June 30th 2014, was as follows:

Effect of derivative instruments related to interest rate risk		
Item	Jun 30 2014 (unaudited)	Jun 30 2013 (unaudited)
	PLN '000	PLN '000
Revenue	-	-
Other income	-	-
Finance income	-	-
Total income	-	-
Operating expenses	-	-
Other expenses	-	-
Finance costs	488	475
Total expenses	488	475
Effect on profit (loss)	(488)	(475)

As at June 30th 2014, the fair value of open positions used to hedge interest rates was negative at PLN -4,166 thousand and related to fair value hedge derivatives.

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

32. NOTES TO SELECTED ITEMS OF THE INCOME STATEMENT

REVENUE

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
Gas, oil and fuels	128,709	328,206	212,352
Water	(3,339)	14,428	11,844
Industrial and residential construction	23,865	66,882	53,499
Road construction	-	8,301	8,299
Power construction	499,852	862,281	400,675
Other	12,433	35,481	18,620
Total revenue	661,520	1,315,579	705,289

EXPENSES BY NATURE

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
Depreciation and amortisation	9,882	29,352	19,794
Raw materials and consumables used	203,594	407,265	189,410
Services	341,611	704,818	389,734
Taxes and duties	5,024	14,006	7,204
Employee benefits	112,680	228,361	121,561
Other expenses	22,323	74,355	24,596
Total expenses	695,114	1,458,157	752,299
Cost of merchandise and materials sold	15,967	34,686	15,088
Changes in inventories of finished goods and work in progress (-)	(41,005)	(12,851)	(21,502)
Work performed by entity and capitalised	(902)	(1,667)	(1,013)
Cost of products and services sold	669,174	1,478,325	744,872

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

OTHER INCOME

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
Reversals of impairment losses and write-downs on assets, including:			
- property, plant and equipment and intangible assets	-	-	1,923
- receivables	23,831	43,631	4,217
- inventories	82	3,801	1,524
- other assets	126	2,645	841
Interest related to operating activities, including interest on:			
- on cash in bank accounts	25	15	1
- on loans advanced	463	6,212	5,770
- other interest	1,400	1,054	459
Reversals of unused provisions	1,943	52,422	942
Reversal of provisions for potential liabilities	19,239	336,721	90,000
Compensation and penalties received	905	8,731	1,691
Grants received	298	3,704	501
Lease income	669	2,476	1,847
Gain on investments in related entities	-	251,545	221,878
Gain on loss of control over related entities	-	-	-
Gain on disposal of equity instruments	3,000	-	2,062
Total fair value and disposal gains on financial instruments at fair value through profit or loss	-	120	6,028
Exchange differences on operating activities	-	-	4,227
Discount (long-term settlements)	1,238	207	-
Other income, including:			
- surety and guarantee services	35	-	-
- court fees refunded	334	82	74
- past due liabilities written-off	19	153	-
- other income	2,953	2,339	22,219
Total other income	56,560	715,858	366,204

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

OTHER EXPENSES

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
Loss on disposal of non-financial non-current assets	576	890	2,690
Change in fair value of investment property	-	19,248	4,575
Impairment loss on assets, including:			
- goodwill	-	4,680	4,335
- property, plant and equipment and intangible assets	33	3,736	5,131
- receivables	19,597	59,611	9,766
- inventories	505	9,892	5,421
- loans advanced	28,588	28,521	-
- other assets	10,729	21,809	8,643
Interest related to operating activities, including interest on:			
- trade payables and other liabilities	446	7,367	6,602
Recognition of provisions for potential liabilities under sureties and guarantees	5,054	-	-
Recognition of provisions for liabilities	2,241	17,000	-
Compensation and penalties paid	573	5,434	753
Grants	280	651	226
Running costs of investments	-	827	827
Gain (loss) on derivative instruments related to operating activities	341	-	-
Loss on investments in related entities	114,479	-	-
Exchange differences on operating activities	1,067	6,112	-
Discount (long-term settlements)	-	-	594
Other expenses, including:			
- surety and guarantee services	4	11,115	11,115
- cost of court proceedings	7	6,183	2,246
- statute barred, cancelled or unrecoverable receivables written-off	16,681	104	-
- other expenses	4,739	12,840	27,718
Total other operating expenses	205,940	216,020	90,642

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

FINANCE INCOME

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
<i>Interest income for financial assets not at fair value through profit or loss:</i>			
Cash and cash equivalents (deposits)	1,144	2,111	1,253
Loans and receivables	2	144	204
Other interest	44	6,622	3,626
Total interest income for financial assets not at fair value through profit or loss	1,190	8,877	5,083
<i>Gain (loss) (+/-) from exchange differences on:</i>			
Cash and cash equivalents	965	-	3,129
Loans and receivables	(127)	-	-
Financial liabilities at amortised cost	1,386	-	(2,408)
Total gain (loss) (+/-) from exchange differences	2,224	-	721
Reversals of impairment loss on loans (financial portion)	-	-	2
Other finance income	20	3,047	-
Total finance income	3,434	11,924	5,806

FINANCE COSTS

Item	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
<i>Interest expenses for financial liabilities not at fair value through profit or loss:</i>			
Finance lease liabilities	334	632	282
Bank borrowings	1,390	14,255	19,819
Bank overdrafts	4,154	18,602	4,402
Borrowings	-	2,381	2,088
Trade and other payables	57	573	349
Total interest expenses for financial liabilities not at fair value through profit or loss	5,935	36,443	26,940
<i>Fair value and disposal losses on financial instruments at fair value through profit or loss:</i>			
Held-for-trading derivatives	-	-	-
Cash flow hedge derivatives	529	1,132	475
Listed equity instruments	144	71	40
Investment fund certificates	-	2,433	2,332
Total fair value and disposal losses on financial instruments at fair value through profit or loss	673	3,636	2,847
<i>Gain (loss) (-/+) from exchange differences on:</i>			
Cash and cash equivalents	-	(1,880)	-
Loans and receivables	-	3,064	-
Financial liabilities at amortised cost	-	1,033	-
Gain (loss) (-/+) from exchange differences	-	2,217	-
Impairment loss on loans (financial portion)	-	75	208
Impairment losses on held-to-maturity investments	-	84,983	76,000

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Item (cont.)	for the period Jan 1–Jun 30 2014 (unaudited)	for the period Jan 1–Dec 31 2013 (audited)	for the period Jan 1–Jun 30 2013 (unaudited)
Impairment losses on available-for-sale financial assets	6	506	-
Impairment losses on investments in subsidiaries, associates and jointly-controlled entities	-	6,414	7,414
Other finance costs	32	2,498	250
Total finance costs	6,646	136,772	113,659

33. OTHER REGULATORY DISCLOSURES (SELECTED FINANCIAL DATA TRANSLATED INTO THE EURO)

During the reporting periods covered by these interim condensed consolidated financial statements and the comparative financial information, average and mid-rates quoted by the National Bank of Poland were used to translate the zloty into the euro, and in particular:

a) 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 H1 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. **4.1784 PLN/EUR**;

b) 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 H1 2013 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. **4.2140 PLN/EUR**;

a) 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 2013 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. **4.2110 PLN/EUR**.

d) total assets, liabilities and provisions for liabilities, long-term liabilities, short-term liabilities, equity and share capital as at June 30th 2014 were translated at the EUR mid rate effective for that date, i.e. **4.1609 PLN/EUR**.

e) total assets, liabilities and provisions for liabilities, long-term liabilities, short-term liabilities, equity and share capital as at June 30th 2013 were translated at the EUR mid rate effective for that date – the exchange rate of June 28th 2013 of **4.3292 PLN/EUR**.

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

f) 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 – the exchange rate of December 31st 2013 of **4.1472 PLN/EUR**.

Item	As at Jun 30 2014	As at Dec 31 2013	As at Jun 30 2013
Exchange rate effective for the last day of the period	4.1609	4.1472	4.3292
Average exchange rate for the period, calculated based on the arithmetic mean of exchange rates effective for the last day of each individual month during the period	4.1784	4.2110	4.2140
Highest exchange rate during the period	4.2375 – Feb 3 2014	4.3432 – Jun 24 2013	4.3432 – Jun 24 2013
Lowest exchange rate during the period	4.0998 – Jun 9 2014	4.0671 – Jan 2 2013	4.0671 – Jan 2 2013

Key items of the statement of financial position, income statement, statement of comprehensive income and statement of cash flows, derived from the interim condensed consolidated financial statements and comparative consolidated financial information, translated into the euro:

SELECTED FINANCIAL DATA INCLUDING TRANSLATION INTO THE EURO

Item	As at Jun 30 2014 (unaudited) PLN	As at Dec 31 2013 (audited) PLN	As at Jun 30 2013 (unaudited) PLN	As at Jun 30 2014 (unaudited) EUR	As at Dec 31 2013 (audited) EUR	As at Jun 30 2013 (unaudited) EUR
Statement of financial position						
Assets	2,173,121	2,679,458	2,662,177	522,272	646,088	614,935
Non-current liabilities	541,213	615,093	800,316	130,071	148,315	184,865
Current liabilities	2,381,958	2,647,211	2,538,874	572,462	638,313	586,453
Equity attributable to owners of the Parent	(1,017,235)	(858,283)	(983,374)	(244,475)	(206,955)	(227,149)
Share capital	14,295	14,295	14,295	3,436	3,447	3,302
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)	(71.16)	(60.04)	(68.79)	(17.10)	(14.48)	(15.89)
Declared or paid dividend per share (PLN/EUR)	-	-	-	-	-	-
PLN/EUR exchange rate at the end of the period	X	X	X	4.1609	4.1472	4.3292

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Item	for the period	for the period	for the period	for the period	for the period	for the period
	Jan 1–Jun 30 2014 (unaudited) PLN	Jan 1–Dec 31 2013 (audited) PLN	Jan 1–Jun 30 2013 (unaudited) PLN	Jan 1–Jun 30 2014 (unaudited) EUR	Jan 1–Dec 31 2013 (audited) EUR	Jan 1–Jun 30 2013 (unaudited) EUR
Income statement						
Revenue	661,520	1,315,579	705,289	158,319	312,415	167,368
Operating profit (loss)	(157,034)	337,066	235,954	(37,582)	80,044	55,993
Profit (loss) before tax	(160,246)	212,218	128,101	(38,351)	50,396	30,399
Net profit (loss) from continuing operations	(162,879)	207,512	124,471	(38,981)	49,279	29,537
Net profit (loss) attributable to:	(162,879)	207,512	124,471	(38,981)	49,279	29,537
- owners of the Parent	(160,110)	257,551	139,150	(38,318)	61,161	33,021
- non-controlling interests	(2,769)	(50,039)	(14,679)	(663)	(11,883)	(3,483)
Statement of comprehensive income						
Comprehensive income (loss) attributable to:	(220,143)	215,808	129,691	(52,686)	51,249	30,776
- owners of the Parent	(205,536)	265,584	142,550	(49,190)	63,069	33,828
- non-controlling interests	(14,607)	(49,776)	(12,859)	(3,496)	(11,820)	(3,051)
Basic earnings per share (PLN/EUR)	(11.20)	18.02	9.73	(2.68)	4.28	2.31
Diluted earnings per share (PLN/EUR)	(11.20)	18.02	9.73	(2.68)	4.28	2.31
Statement of cash flows						
Net cash from operating activities	67,312	(21,284)	(87,734)	16,110	(5,054)	(20,820)
Net cash from (used in) investing activities	35,382	31,702	6,658	8,468	7,528	1,580
Net cash from financing activities	(128,306)	(11,735)	(249)	(30,707)	(2,787)	(59)
Net change in cash and cash equivalents	(25,612)	(1,317)	(81,325)	(6,130)	(313)	(19,299)
Average PLN/EUR exchange rate	X	X	X	4.1784	4.2110	4.2140

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

34. EVENTS SUBSEQUENT TO THE REPORTING DATE

CONTRACTS

Agreement date	Parties	Subject matter	Key terms
Jul 18 2014 Execution of reportable significant agreements	Employer: Hitachi Zosen Inova AG Contractor: RAFAKO S.A.	Execution of a contract worth EUR 11.2m (about PLN 46.8m), 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 entered into contracts for a total amount of about EUR 23.8m (approximately PLN 100m). The highest-value contract, worth EUR 12,600 thousand (PLN 53,943 thousand), 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.
For more information see: RAFAKO Current Report No.41/2014: http://www.rafako.pl/pub/File/raporty_biezace/2014/RB_2014_41.pdf			

AGREEMENTS WITH FINANCIAL INSTITUTIONS

Agreement date	Parties	Subject matter	Key terms
Jul 1 2014	Institution: Powszechna Kasa Oszczędności Bank Polski S.A. Party to the transaction: RAFAKO S.A.	Execution of an Annex to the Registered Pledge Agreement of February 8th 2012, providing for creation of a pledge to secure the repayment of liabilities under an Overdraft Facility Agreement	The Annex changed the amount of the potential debt claims secured with the registered pledge created under the Registered Pledge Agreement. From the date of the Annex, the pledge secures PKO BP's claims against the company for a total amount of PLN 200,000 thousand (two hundred million złoty, 00/100) under the amended Overdraft Facility Agreement (prior to execution of the Annex, the amount secured with the registered pledge was PLN 300,000 thousand).
For more information see: RAFAKO Current Report No.38/2014: http://www.rafako.pl/pub/File/raporty_biezace/2014/RB_38_aneks%20do%20umowy%20zastawu.pdf			

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish zloty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

OTHER REPORTABLE EVENTS

Date	Event	Key terms
August 1 2014	Sale of shares in Górecka Projekt Sp. z o.o. by PBG Dom Sp. z o.o. to PBG Erigo Sp. z o.o.	<p>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.</p> <p>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.</p> <p>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.</p>

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 Note 2.3 "Going concern assumption" and in Note 24 of these financial statements, no other material events occurred in H1 2014 which could have a significant bearing on the assessment of the Group's assets, financial position or financial performance or which would be likely to cause significant changes in the foregoing.

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1–Jun 30 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

35. APPROVAL FOR ISSUE

These interim condensed consolidated financial statements for the six months ended June 30th 2014 (including the comparative information) have been approved for issue by the Parent's Management Board on September 1st 2014.

Signatures of all Management Board members			
Date	Full name	Position	Signature
September 1st 2014	Jerzy Wiśniewski	President of the Management Board	
September 1st 2014	Paweł Mortas	Vice-President of the Management Board	
September 1st 2014	Mariusz Łożyński	Vice-President of the Management Board	
September 1st 2014	Kinga Banaszak-Filipiak	Vice-President of the Management Board	
September 1st 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	Signature
September 1st 2014	Eugenia Bachorz	Accounting Services Centre Director	

Wysogotowo, September 1st 2014