



Statement of Compliance with Corporate Governance by PBG for 2014.



Wysogotowo, March 23rd 2015

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National Court Register KRS 0000184508, Industry Identification Number (REGON) 631048917, Tax Identification Number (NIP) 777 21 94 746, share
capital: PLN 14,295,000.00, paid in full.
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CORPORATE GOVERNANCE STATEMENT

PBG PUBLISHED THE STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES ON ITS WEBSITE AT:

<http://www.pbg-sa.pl/relacje-inwestorskie/lad-korporacyjny/lad-korporacyjny-na-gpw.html>

I. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

1. Corporate governance principles adopted by PBG

PBG adopted the corporate governance principles set forth in the Code of Best Practice for WSE Listed Companies published at <http://www.corp-gov.gpw.pl>, adopted by the WSE Supervisory Board on November 21st 2012, effective as of January 1st 2013.

2. Corporate governance principles which PBG did not comply with

The PBG Management Board represents that in 2014 the Company complied with the recommendations set forth in Section I, and with the applicable corporate governance principles set forth in Sections II–IV of the Code of Best Practice for WSE Listed Companies, except for:

- a) Recommendation I.5: In 2014, the Company did not implement the recommendation regarding establishing the principles of remuneration policy in relation to management and supervisory bodies. The rules of remuneration of the Supervisory Board were set out in a resolution of the Extraordinary General Meeting of PBG of December 10th 2005. The amount of remuneration depends on the responsibilities and tasks assigned to individual Supervisory Board members. The amount of remuneration paid to members of the Management Board is determined by the Supervisory Board by way of a resolution. The remuneration amount depends on the scope of duties and responsibilities assigned to the individual Management Board members;
- b) Recommendation I.9: The Company appoints Supervisory and Management Board members on the basis of their respective qualifications: experience, professionalism and expertise. Decisions regarding the appointment of management and supervisory personnel are left for the discretion of the Company's relevant bodies and are made solely on the basis of criteria stated above. Although the recommendation was not implemented, the share of women in the Company's governing bodies is rising.

In 2014, composition of the Supervisory Board was as follows:

- in the period from January 1st to April 24th 2014 – one woman, six men,
- in the period from April 24th to November 11th 2014 – one woman, five men,
- in the period from November 11th to December 31st 2014 – one woman, four men,

and the composition of the Company's Management Board was as follows:

- in the period from January 1st to April 24th 2014 – two women, three men,
- in the period from April 24th to May 6th 2014 – two women, four men,
- in the period from May 6th to October 31st 2014 – two women, three men,
- in the period from October 31st to December 31st 2014 – two women, two men;

- c) Recommendation I.12: In 2014, as in the previous years, the Company did not implement the recommendation regarding on-line broadcasting of General Meetings due to inadequate IT infrastructure. The Company publishes recordings of its General Meetings on its website. The Company may begin to webcast General Meeting proceedings in the future.
- d) Best practice IV.10: The Company did not comply with this principle due to significant risk related to the technical quality of IT infrastructure (similarly to item 2.c) above).
- e) Best practice III.3: The Supervisory Board decided to assess independence of Supervisory Board members based on the criteria set forth in Art. 86.5 of the Accountancy Act and the recommendations issued by the Polish Financial Supervision Authority in November 2010, and not to apply the criteria set forth in Annex II of the Commission Recommendation of February 15th 2005, on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. In the making of the decision, the Supervisory Board took into account the Company's current situation, and concluded that one of the most important conditions of effective supervision over PBG is complete knowledge of the structure and the current standing of the Group companies.

3. Key features of the company's internal control and risk management systems used in the preparation of separate and consolidated financial statements

The PBG Management Board is responsible for the internal control system and for its effectiveness in the process of producing financial statements and periodic reports, prepared and published in accordance with the Minister of Finance's Regulation of February 19th 2009. Until October 2014, the Company's financial statements were prepared by the Accounting Services Centre, and the process was directly supervised by the Financial Statements Consolidation Department in cooperation with other organisational units responsible for providing accurate information on items not directly sourced from the Company's accounting records but disclosed in the financial statements. As of October 2014, the Accounting Services Centre Director is responsible for coordinating the process of preparing the financial statements; however, the process itself has been contractually outsourced to a third party service provider, supported by the Company employees who performed the task in the past. Due to the nature of the industry in which the Company operates, the Controlling Department plays an important role in the preparation of financial statements. The key measures used to mitigate the risks include correct assessment and analysis of construction contracts. As required by IAS 11, revenue and expenses associated with construction work contracts are estimated on the basis of budgets of individual contracts. These budgets are expertly drawn up by contract managers with relevant expertise. In the course of contract preparation and execution, the budgets are reviewed on an on-going basis and updated by the personnel in charge of the budgets. Results of the reviews and any adjustments to the budgets are discussed at monthly meetings. The process is formalised, based on procedural guidelines applied by the Company, and closely supervised by the Management Board.

The Company's financial information is presented using consistent accounting policies, which are in line with the valuation and disclosure policies applied in all PBG Group companies. The financial statements are signed by the person representing the third-party service provider responsible for the preparation of separate and consolidated financial statements of the Company and its Group, respectively. Until October 2014, separate financial statements were signed by the Head Accountant, and consolidated financial statements – by the Accounting Services Centre Director. The persons responsible for controlling and coordinating the process of preparing financial statements are professionals with relevant expertise in the field; all of them are bound by non-disclosure agreements. The third-party service provider has been bound by a similar non-disclosure agreement since October 2014.

Members of the Management Board responsible for the preparation of financial statements are: Ms. Kinga Banaszak-Filipiak, Vice-President of the Management Board, and Ms. Eugenia Bachorz, Director of the Accounting Services Centre. In line with the internal procedures, in the course of preparation of the financial statements these members of the management team, acting on behalf of the entire Management Board, review the economic information and matters disclosed in the accounts and present their comments and remarks relevant for the preparation of the statements. Once the financial statements are prepared, they are audited or reviewed, as required by the applicable laws. All members of the Management Board are required to sign the financial statements before the auditor delivers its opinion to the Company.

Financial statements are audited or reviewed by an entity qualified to audit financial statements, selected by the Company's Supervisory Board from among reputable audit firms offering high-quality audit services which also satisfy the criterion of independence.

During the audit of financial statements and accounting records, the auditor holds meetings with key members of the Company's staff, including members of the Management Board, to discuss individual aspects of the financial statements. The final version of the financial statements is then prepared, re-read and signed by the persons responsible for the preparation of the financial statements and the managing personnel, and contains any agreed-upon corrections or adjustments made by the qualified auditor, the responsible persons or the managing personnel. Every year, the Supervisory Board assesses consistency of the Company's audited financial statements with the accounting records and documentation as well as with facts, and presents its findings to the shareholders in the Board's annual statement, published by the Company.

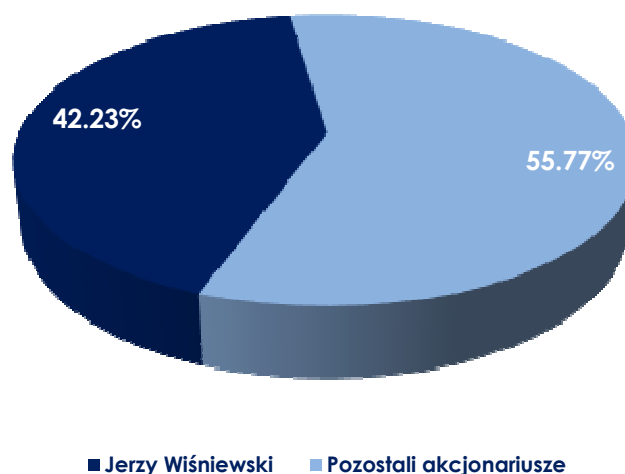
Managing the risk related to the preparation of financial statements involves identifying and assessing risk areas and defining the relevant mitigating measures.

4. Shareholders directly or indirectly holding significant holdings of shares, with information on the number of shares and ownership interests in the Company's share capital held by such shareholders, and the number and percentage of voting rights that such shares represent at the General Meeting

Shareholders holding over 5% of shares

As at December 31st 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 registered preferred shares and 146,170 ordinary shares	3,881,224	27.15%	42.23%
As at the date of this Report				
Shareholder	Number of shares	Total par value (PLN)	Ownership interest (%)	% of total voting rights
Jerzy Wiśniewski	3,881,224 shares, including: 3,735,054 registered preferred shares and 146,170 ordinary shares	3,881,224	27.15%	42.23%

PBG shareholders holding over 5% of shares



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

5. Holders of any securities conferring special control rights, and description of those rights

There are no securities conferring special control rights with respect to the Company. There are no restrictions with respect to the transfer of the Company shares or limitations on the voting rights attached to them.

6. Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities

PBG's current Articles of Association do not provide for any limitations on the voting rights of holders of a given percentage or number of votes.

7. Rules governing the appointment and removal of the Company's management personnel and such personnel's powers, including in particular the power to make decisions to issue or buy back shares

PBG Management Board

The Management Board acts pursuant to the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Management Board. The scope of powers of the Management Board includes any matters which are not reserved for other governing bodies of the Company under the provisions of the Commercial Companies Code or the Company's Articles of Association.

Pursuant to the provisions of the Articles of Association currently in effect (Par. 37), the PBG Management Board consists of the President, one to four Vice-Presidents and up to three Members, appointed and removed from office by the Supervisory Board. The Supervisory Board appoints the President of the Management Board, and subsequently at the President's request, appoints Vice-Presidents and Members of the Management Board. Only natural persons who have full capacity to enter into legal transactions may become members of the Management Board.

Two Vice-Presidents acting jointly, a Vice-President acting jointly with a member of the Management Board, a Vice-President acting jointly with a Proxy or a member of the Management Board acting jointly with a Proxy are authorised to represent the Company. The President of the Management Board acting individually is authorised to represent the Company. The Management Board may grant powers of attorney (general powers of attorney, powers of attorney to perform specific types of activities, and powers of attorney to perform a specific activity) to act on behalf of the Company.

The Management Board may grant powers of proxy upon consent of all Members of the Management Board. A power of proxy may be revoked by any member of the Management Board acting individually. Due to the fact that the Company filed the arrangement bankruptcy petition, the previously granted powers of proxy automatically expired, and since the judicature concerning granting powers of proxy by management boards of

companies in arrangement bankruptcy is ambiguous, the procedure requires approval by the court supervisor and the judge commissioner.

Acting in the best interest of the Company, the Management Board sets forth the strategy and the main objectives of the Company's operations, and submits them to the Supervisory Board for approval. The Management Board is responsible for implementation and performance of the same. The Management Board is responsible for transparency and effectiveness of the Company's management system and the conduct of its business in accordance with legal regulations and best practice.

Members of the Management Board are appointed, removed from office and suspended from duties by the Supervisory Board in accordance with the rules set forth in the Commercial Companies Code and the Company's Articles of Association. Candidates are nominated by the President of the Management Board. The Supervisory Board enters into and terminates employment contracts with Members of the Management Board. The Chairperson or Deputy Chairperson of the Supervisory Board is authorised to execute such contracts on behalf of the Supervisory Board. Other actions concerning the employment relationship with Members of the Management Board are dealt with in the same manner.

The Supervisory Board determines remuneration for Members of the Management Board, taking into account the incentivising role of the remuneration in ensuring effective management of the Company. Execution of an agreement between the Company and a member of the Management Board is subject to approval by the Supervisory Board.

Mandate of a Management Board member expires:

- 1) upon removal of a given member from the Management Board,
- 2) on the date of the General Meeting which is to consider and pass resolutions on the financial statements for the last full financial year during the term of office,
- 3) upon death,
- 4) upon resignation.

Resignations by members of the Management Board should be submitted to the Supervisory Board, with a copy sent to the Management Board.

Without the consent of the Supervisory Board, a Management Board member may not:

- 1) conduct any activity competitive to the Company's business,
- 2) be a partner in any partnership under civil law or another type of partnership, or a member of a governing body of an incorporated company or a member of the governing body of any other competitive legal entity,
- 3) participate in a competitive company in which a given Member holds at least 10% of shares or rights entitling that Member to appoint at least one member of the management board.

A Management Board member is obliged to immediately notify the Supervisory Board of any occurrence of the circumstances specified above. The Management Board member should remain fully loyal to the Company and

refrain from taking any actions which could lead to the gaining of personal profits only. If the member of the Management Board receives information on the possibility of investment or any other profitable transaction concerning the Company's business, such Member should promptly present the information to the Management Board so that it can be considered in terms of its possible use by the Company. The use of such information by a member of the Management Board or its conveying to a third party may only take place with the Management Board's consent and only if it does not infringe upon the Company's interest. Members of the Management Board should notify the Supervisory Board of each actual or potential conflict of interests in relation to the position they hold. A member of the Management Board should treat its shareholding in the Company as a long-term investment.

Any activities which are beyond the scope of ordinary management require adoption of a resolution by the Management Board. In particular, the following matters require a resolution to be adopted by the Management Board:

- 1) decisions regarding major investment projects and the manner of their financing,
- 2) outlining the Company's strategic development plans and setting the Company's financial targets,
- 3) definition of the Company's organisational structure,
- 4) definition of the Company's rules of procedure and other internal regulations,
- 5) internal division of powers between individual Members of the Management Board,
- 6) outlining personnel and payroll policies, including assumptions underlying incentive schemes.

Until the closing of arrangement proceedings, resolutions of the Management Board on matters which go beyond the ordinary management activities, require approval of the court supervisor.

With respect to all matters not listed above, Members of the Management Board should be responsible for managing the Company's affairs individually, as per the division of powers. They are obliged to promptly notify the Management Board of any hindrance in their performance of duties. The President of the Management Board will decide which other Management Board member will perform the duties instead.

Supervisory Board

The Supervisory Board acts pursuant to the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board.

The Supervisory Board is composed of no less than five Members appointed by the General Meeting by way of a secret ballot for a one-year term of office. The Supervisory Board members' mandates expire on the date of the General Meeting which approves the financial statements for the previous full financial year when the Members held the office.

Members of the Supervisory Board may be re-elected. The Supervisory Board is comprised of independent members, the criteria of their independence are provided for in the relevant laws or regulations contained in documents on public companies that specify the rules of corporate governance.

A member of the Supervisory Board is considered independent if he or she meets the independence criteria set forth in Art. 86.5 of the Accountancy Act.

The Supervisory Board exercises ongoing supervision over the Company's business, across all areas of its operations. It submits annually a brief assessment of the Company's standing, as established by the Supervisory Board, to the General Meeting.

The Supervisory Board's approval is required in particular for the following:

- 1) acquisition of a business or of an organised part thereof,
- 2) opening or closing Company branches in Poland and abroad,
- 3) assumption of liability for third party obligations (sureties, guarantees and avals) whose value exceeds the Company's share capital; however, assumption of liability for obligations of the Group companies does not require such approval,
- 4) conduct by Members of the Management Board of activities competitive to the Company's business and participation in competing companies as a general partner or member of the governing bodies,
- 5) acquisition, subscription for, disposal of and resignation from pre-emptive rights to, shares, except shares in public companies whose number does not exceed 1% of their total number,
- 6) payment of interim dividend,
- 7) provision by the Company of any benefits other than benefits arising from the employment relationship to members of the Company's Management Board,
- 8) execution by the Company or its subsidiary of a significant agreement with a related party (except agreements executed with the Group companies), as supervisory board member, a management board member or their related parties,
- 9) acquisition or disposal of real estate, perpetual usufruct, or of an interest in real estate.
- 10) appointment of the auditor;
- 11) acting on behalf of the Company in agreements and disputes between the Company and Management Board members,
- 12) approval of the Rules of Procedure for the Management Board,
- 13) appointment and removal from office of Management Board members,
- 14) issuing opinions on matters submitted by the Management Board.

In order to discharge its duties, the Supervisory Board may review each area of the Company's activities, request the Management Board and employees to provide reports and clarifications, review the Company's assets, and inspect accounts and documents. Members of the Supervisory Board should receive regular and exhaustive reports on all matters of importance and risks connected with the Company's operations, as well as manner of managing such risks. In case of issues which need immediate attention, the Management Board informs the Members of the

Supervisory Board by circulation (in writing). In such situations, the President or two Vice-Presidents acting jointly, a Vice-President acting jointly with a Management Board member, a Vice-President acting jointly with a Proxy, or a Management Board member acting jointly with a Proxy submit information in writing to the Chairperson of the Supervisory Board.

A Supervisory Board Member should immediately notify the Chairperson of any hindrance in his or her performance of duties, stating the reasons for such hindrance.

A Supervisory Board Member should notify other Supervisory Board members without undue delay of:

- a) an actual conflict of interests with the Company. In such a case, the Supervisory Board Member should refrain from expressing opinions or voting on adoption of resolutions concerning the matter which has given rise to the conflict of interests. Information on the conflict of interests so reported should be recorded in the minutes of the Supervisory Board meeting,
- b) personal and factual relationships or organisational links between a Supervisory Board Member and a particular shareholder, especially the majority shareholder, which may affect the Company's affairs.

A personal relationship with a shareholder is understood as a relationship by marriage or blood of the first degree. A factual relationship is understood as maintaining regular economic relations. Organisational links with a shareholder are understood as links under employment or similar contracts. The Company may request a Supervisory Board Member to furnish a statement regarding such relationships and links.

8. Rules governing amendments to the Company's Articles of Association

An amendment to the Company's Articles of Association requires:

- General Meeting's resolutions passed by at least three-fourths (3/4) of the votes cast ([Art. 415 of the Commercial Companies Code](#)), in the form of a notarial deed (a material change in the Company's business requires a resolution passed by at least two-thirds (2/3) of the votes (Art. 416 of the Commercial Companies Code)),
- an entry in the National Court Register (Art. 430 of the Commercial Companies Code).

The Company's Articles of Association were not amended in 2014.

9. Manner of operation of the General Meeting and its key powers; shareholders' rights and the manner of exercising those rights, including in particular the principles stipulated in the rules of procedure of the General Meeting

9.1 Manner of operation of the General Meeting

The manner of operation of the General Meeting is governed by the Rules of Procedure for the Company's General Meeting. A shareholder may participate in the General Meeting if he/she has submitted to the Company a registered share certificate issued by the entity operating the shareholder's securities account not later than one week prior to the date of the General Meeting and such certificate is not collected by the shareholder prior to the

conclusion of the General Meeting. The General Meeting is valid if shareholders present at the Meeting represent at least a half of the share capital. Members of the Supervisory Board should also be present. Absence of any member of those bodies must be explained at the General Meeting.

The Company's auditor should participate in the Annual General Meeting and in any Extraordinary General Meeting whose agenda includes discussion of the Company's financial matters. Experts and invited guests may participate in relevant parts of the Meeting, especially if their participation is advisable, given the need to present to the General Meeting opinions on the matters discussed. The Company's Articles of Association provide for convening general meetings at which shareholders may cast their votes using an electronic voting system. Decisions regarding the use of such systems and the use of electronic means of communication during the General Meeting shall each time be taken by the Management Board.

The Chairperson of the General Meeting presides over proceedings of the Meeting, in line with the adopted agenda and in compliance with the applicable regulations, the Company's Articles of Association and the Rules of Procedure for the General Meeting. The Chairperson may not at his/her sole discretion remove items from the published agenda of the Meeting, rearrange items in the agenda or include in the agenda important matters which were not in the agenda originally communicated to the Shareholders. Upon presentation of each item in the agenda, the Chairperson prepares a list of persons who have registered for discussion and – upon closing the list – opens the discussion, giving the floor in the order the speakers registered for the discussion. The Chairperson closes the discussion at his/her sole discretion. The Chairperson may give the floor to members of the Supervisory Board and Management Board and invited experts who may speak out of turn. Participants of the meeting may take the floor exclusively on the matters on the agenda which are currently under discussion. For the purposes of discussing any individual matter, the Chairperson may limit each participant's speaking time, including the time for speech in reply. The above limitation may not be applied to a member of the Supervisory Board or Management Board and invited experts. The Chairperson decides whether to lengthen the speaking time or give the floor again to the given speaker.

Each participant of the General Meeting has the right to put questions to the Management Board, Supervisory Board and the auditor on the matters in the agenda which are currently under discussion. Members of the Management Board, Supervisory Board and the Company's auditor are obliged to answer the questions. While answering such questions, it should be noted that the Company is required to observe the disclosure requirements under the regulations governing the trade in financial instruments. Forthwith upon closing the discussion, the Chairperson puts a formal motion to vote. At a participant's request, his/her written statement is included in the minutes of the meeting.

General Meeting resolutions are adopted by an absolute majority of the votes cast unless mandatory provisions of law or these Articles of Association call for a qualified majority for a given resolution.

Shareholders may vote at the General Meeting by postal ballot, using a form published by the Management Board on the Company's website, pursuant to the relevant provisions of law. The postal vote shall be deemed valid if it is submitted to the Company not later than at the time when voting is ordered at the General Meeting. Postal ballot

requires the voter to provide signature compliant with the specimen signature submitted to the Company, confirmed by the notary public.

9.2 Key powers of the General Meeting

According to Par. 28 of the Articles of Association of PBG, the matters requiring the General Meeting's resolution include:

- 1) review and approval of the annual financial statements of the Company and the Directors' Report on the Company's operations for the previous financial year,
- 2) approval of discharge of duties by members of the Supervisory Board and Management Board,
- 3) profit distribution or coverage of loss,
- 4) any decisions concerning claims for remedy of damage inflicted in the establishment of the Company or in the exercise of supervision or management;
- 5) sale or lease of the business or of an organised part thereof or making it available for use by a third party;
- 6) issue of bonds convertible into shares or bonds conferring pre-emptive rights,
- 7) defining the rules and amounts of remuneration of the Supervisory Board members,
- 8) appointment and removal from office of Supervisory Board members,
- 9) setting the dividend record date,
- 10) establishment, each use, and liquidation of the capital reserve.

9.3 Shareholders' rights and the manner of exercising those rights

According to the Rules of Procedure for the PBG General Meeting:

1. A shareholder may participate in the General Meeting and exercise his/her voting rights personally, through a proxy or another representative. Powers of proxy to act on behalf of a Shareholder should be granted in writing under the pain of nullity and attached to the minutes of the General Meeting. Other representatives should duly document their authority to act on behalf of Shareholders.
2. The General Meeting elects its Chairperson from among the participants.
3. The Management Board convenes annual or extraordinary General Meetings. If the Management Board fails to adopt a resolution to call the Annual General Meeting before the lapse of the fifth month as from the end of the last financial year or convenes the Annual Meeting for a date later than the deadline specified in item 2, then the right to convene the Annual General Meeting shall also extend to the Supervisory Board. Shareholders representing at least a half of the share capital or at least a half of the total vote in the Company also have the right to convene the General Meeting and to appoint the Meeting's Chairperson.

A Shareholder or Shareholders representing at least one-twentieth of the share capital may request that the Extraordinary General Meeting be convened and certain items be included in the agenda of the Meeting. The request shall be submitted to the Management Board in a written or electronic form. If the Extraordinary General Meeting is not convened within two weeks after the submission of such request to the Management Board, the registry court may authorise the Shareholders submitting the request to convene the Extraordinary General Meeting.

4. Each participant of the General Meeting has the right to put questions to the Management Board, Supervisory Board and the auditor on the matters in the agenda which are currently under discussion.
5. Each participant of the General Meeting may submit a motion concerning a procedural matter. The Chairperson may allow participants to speak out of turn on procedural matters. At a participant's request, his/her written statement is included in the minutes of the meeting.
6. Shareholders may propose amendments to the agenda of the General Meeting, and draft resolutions, pursuant to the provisions of the Commercial Companies Code.

10. Composition and activities of the issuer's management, supervisory and administrative bodies or of their committees; changes in their composition in the last financial year

10.1 Composition and activities of the Supervisory Board and its committees

Composition of the Supervisory Board of the seventh term (beginning of the term: June 21st 2013) in 2014:

in the period from January 1st to April 24th 2014:

Jerzy Wiśniewski – Chairman of the Supervisory Board;
Maciej Bednarkiewicz – Deputy Chairman of the Supervisory Board;
Małgorzata Wiśniewska – Secretary of the Supervisory Board;
Dariusz Sarnowski – member of the Supervisory Board;
Przemysław Szkudlarczyk – member of the Supervisory Board;
Stefan A. Gradowski – member of the Supervisory Board;
Norbert Stowik – member of the Supervisory Board;

in the period from April 24th to November 4th 2014:

Maciej Bednarkiewicz – Chairman of the Supervisory Board;
Małgorzata Wiśniewska – Deputy Chairman of the Supervisory Board;
Stefan A. Gradowski – Secretary of the Supervisory Board;
Dariusz Sarnowski – member of the Supervisory Board;
Przemysław Szkudlarczyk – member of the Supervisory Board;
Norbert Stowik – member of the Supervisory Board;

in the period from November 4th to December 31st 2014:

Maciej Bednarkiewicz – Chairman of the Supervisory Board;
Małgorzata Wiśniewska – Deputy Chairman of the Supervisory Board;
Stefan A. Gradowski – Secretary of the Supervisory Board;
Dariusz Sarnowski – member of the Supervisory Board;
Przemysław Szkudlarczyk – member of the Supervisory Board;

By the date of audit of these financial statements, the composition of the Supervisory Board did not change.

Full name	Maciej Bednarkiewicz
Position	Chairman of the Supervisory Board since April 24th 2014, earlier – Deputy Chairman of the Supervisory Board Independent Member of the Board; Mr Bednarkiewicz does not conduct any activity competitive to the business of PBG S.A. Member of the Remuneration Committee
Qualifications	➤ University of Warsaw – Faculty of Law
Experience	<ul style="list-style-type: none"> ➤ Member of Polish Parliament, 1989–1991 ➤ Judge of the State Tribunal of the Republic of Poland ➤ President of the Central Board of Lawyers (Naczelna Rada Adwokacka) ➤ General Partner in Kancelaria Prawna Maciej Bednarkiewicz, Andrzej Wilczyński i Wspólnicy Sp. Komandytowa ➤ Member of the Supervisory Board of BIG Bank S.A. ➤ Chairman of the Supervisory Board of Millenium Bank S.A. ➤ Secretary of the Supervisory Board of PZU S.A. ➤ Member of the Supervisory Board of Techmex S.A. ➤ PBG S.A. – Chairman, Deputy Chairman of the Supervisory Board

Full name	Małgorzata Wiśniewska
Position	Deputy Chairperson of the Supervisory Board since April 24th 2014, earlier – Secretary of the Supervisory Board Non-independent Member of the Board; Ms Wiśniewska does not conduct any activity competitive to the business of PBG S.A., Member of the Audit Committee, Member of the Remuneration Committee
Qualifications	<ul style="list-style-type: none"> ➤ Poznań University of Technology – Faculty of Civil Engineering ➤ MBA – Rotterdam School of Management ➤ Canadian International Management Institute – management programme ➤ Postgraduate programme in Management and Public Relations at the Faculty of Finance and Banking at the Poznań School of Banking.
Experience	<ul style="list-style-type: none"> ➤ Assistant Designer at Przedsiębiorstwo Uprzemysłowane Budownictwa Rolniczego of Poznań ➤ At PBG: Quality System Director, Public Relations Director, member of the Management Board and Vice-President of the Management Board. ➤ President of the Management Board of Poznańskie Stowarzyszenie Oświatowe since 1997 ➤ President of the Management Board of INFRA S.A. ➤ Chair of the Supervisory Board of Hydrobudowa Polska S.A. ➤ Deputy Chair of the Supervisory Board of Hydrobudowa 9 S.A. ➤ Chair of the Supervisory Board of PBG Dom Sp. z o.o. ➤ Chair of the Supervisory Board of APRIVIA S.A. ➤ Member of the Supervisory Board of GasOil Engineering AS ➤ Member of the PBG Supervisory Board in the period November 21st 2006–August 31st 2008 and since April 21st 2010 ➤ President of the PBG Foundation

Full name	Stefan A. Gradowski
Position	Secretary of the Supervisory Board since April 24th 2014 Independent Member of the Board; Mr Gradowski does not conduct any activity competitive to the business of PBG
Qualifications	<ul style="list-style-type: none"> ➤ Warsaw School of Economics ➤ Completed several postgraduate programmes in organisation, management and finance at universities in Poland and abroad (e.g. University of Lyon, University of Dublin).
Experience	<ul style="list-style-type: none"> ➤ BZ WBK S.A. – Adviser to the President of the Management Board ➤ G.C. Consulting Sp. z o.o – owner of a consultancy business; ➤ Member of the Supervisory Boards of MACOPHARMA Polska, LOOK Investment, ALTRECo S.A., and TRIGON S.A.

Full name	Dariusz Sarnowski
Position	Member of the Supervisory Board Independent Member of the Board; Mr Bednarkiewicz does not conduct any activity competitive to the business of PBG S.A. Member of the Audit Committee
Qualifications	<ul style="list-style-type: none"> ➤ Poznań University of Economics – Accounting
Experience	<ul style="list-style-type: none"> ➤ Certified Chartered Auditor ➤ Consulting Department Assistant, Audit Department Assistant at W. Frąckowiak i Partnerzy Sp. z o.o. ➤ BZ WBK S.A. – inspector in the consultancy division of the Capital Markets Department ➤ Manager at Trade Institute – Reemtsma Polska S.A. ➤ Audit Department Assistant at BDO Polska Sp. z o.o. ➤ Audit Department Assistant at HLB Frąckowiak i Wspólnicy Sp. z o.o. ➤ Shareholder; President of Sarnowski & Wiśniewski Spółka Audytorska ➤ Vice-President of the Management Board of Usługi Audytorskie DGA Sp. z o.o. ➤ Member of the Supervisory Board of Mostostal Poznań S.A. ➤ Member of the Supervisory Board of Browary Polskie BROK-STRZELEC S.A. ➤ Member of the Supervisory Board of NZOZ Szpital w Puszczykowie Sp. z o.o. ➤ Member of the Supervisory Board of Swarzędz S.A. ➤ Member of the PBG Supervisory Board since 2005.

Full name	Przemysław Szkudlarczyk
Position	Member of the Supervisory Board Non-independent Member of the Board; Mr. Szkudlarczyk does not conduct any activity competitive to the business of PBG Member of the Audit Committee
Qualifications	<ul style="list-style-type: none"> ➤ Poznań University of Technology – Faculty of Machines and Motor Vehicles ➤ Warsaw University of Technology – Gas Engineering ➤ MBA – Rotterdam School of Management ➤ Canadian International Management Institute – management programme
Experience	<ul style="list-style-type: none"> ➤ PGNiG S.A. – technical assistant (natural gas transmission) ➤ Technologie Gazowe Piecobiogaz – Development Manager, member of the Management Board ➤ KRI S.A. – President of the Management Board ➤ Hydrobudowa Śląsk S.A. – Commercial Proxy ➤ PBG S.A. – Vice-President of the Management Board, member of the Supervisory Board

Members of the Supervisory Board are elected for one-year terms, and their remuneration is determined by the General Meeting. The Supervisory Board is responsible for exercising on-going supervision over the Company's

activities in all aspects of its operations. Specific duties conferred on the Board include: assessment of the consistency of financial statements and Directors' Reports with the accounting records and documents, as well as with the facts; review of the Management Board's proposals concerning profit distribution or coverage of loss; and presentation of written annual reports on findings of such reviews to the General Meeting.

The duties of and the rules for the Supervisory Board are contained in a formal document. The Board carries out its duties as a collective body, with some of its powers delegated to specific persons or committees, as described below.

The following committees operate within the PBG Supervisory Board:

1. Audit Committee;
2. Remuneration Committee.

In 2014, the Audit Committee consisted of:

- Dariusz Sarnowski;
- Małgorzata Wiśniewska;
- Przemysław Szkudlarczyk.

The Audit Committee convenes on an ad hoc basis, at least once a quarter. In particular, the Committee is responsible for:

- a) monitoring the financial reporting process;
- b) monitoring the internal control, internal audit and risk management systems for their effectiveness;
- c) monitoring the auditing procedures;
- d) monitoring the independence of auditors and of entities qualified to review financial statements;
- e) providing the Supervisory Board with a recommendation regarding an entity authorised to review financial statements and to perform auditing procedures.

In 2014, the Remuneration Committee consisted of:

- Maciej Bednarkiewicz;
- Jerzy Wiśniewski – since April 24th 2014;
- Małgorzata Wiśniewska – since November 7th 2014;

The Remuneration Committee convenes on an ad hoc basis, at least once a quarter. In particular, the Committee is responsible for:

- overall monitoring of the applied remuneration policies, and the levels of remuneration at the Company;
- defining terms and conditions of employment for members of the Company's Management Board and management personnel;
- defining terms of bonus scheme for a given financial year;
- remuneration of the Supervisory Board members.

Remuneration of the Supervisory Board members

The amount of remuneration paid to members of the Supervisory Board was determined in the resolution of the Extraordinary General Meeting of PBG S.A. passed on December 10th 2005.

The amount of remuneration depends on the scope of duties and responsibilities of the individual Supervisory Board members delegated to independently perform supervisory functions.

Table 1: Remuneration of Supervisory Board members for holding office at the Parent

Remuneration (PLN '000)	Jan 1–Dec 31 2014			Jan 1–Dec 31 2013		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	38	-	38	120	5	125
Maciej Bednarkiewicz	112	-	112	96	-	96
Dariusz Samowski	36	-	36	36	-	36
Małgorzata Wiśniewska	85	-	85	60	1	61
Przemysław Szkudlarczyk	36	-	36	36	-	36
Andrzej Gradowski	52	-	52	19	-	19
Norbert Słowik	36	-	36	19	-	19
TOTAL	395	-	395	386	6	392

Table 2: Remuneration of Supervisory Board members for holding office at subsidiaries, jointly-controlled entities or associates

Remuneration (PLN'000)	Jan 1–Dec 31 2014			Jan 1–Dec 31 2013		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	-	-	-	1,428	476*	1,904
Dariusz Samowski	146	180	326	54	-	54
Małgorzata Wiśniewska	588	-	588	588	-	588
Przemysław Szkudlarczyk	560	-	560	240	-	240
TOTAL	1 294	180	1 474	2,310	476	2,786

* Remuneration paid to Jerzy Wiśniewski as a member delegated to independently perform certain supervisory functions

Table 3: Company shares or rights to the Company shares (options) held by supervising personnel of PBG S.A.

Supervising person	Number of shares	
	As at Dec 31 2014	As at the date of this Report
Jerzy Wiśniewski	3,881,224	3,881,224
Małgorzata Wiśniewska	3,279	3,279

Przemysław Szkudlarczyk	2,390	2,390
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10.2 Composition and manner of operation of the Management Board

The composition of the Management Board in the period from January 1st to December 31st 2014 was as follows:

- Paweł Mortas – President of the Management Board until April 24th 2014; Vice-President of the Management Board from April 24th to October 31st 2014;
- Jerzy Wiśniewski – President of the Management Board from April 24th 2014;
- Tomasz Tomczak – Vice-President of the Management Board until May 6th 2014;
- Mariusz Łożyński – Vice-President of the Management Board;
- Kinga Banaszak-Filipiak – Vice-President of the Management Board;
- Bożena Ciosk – member of the Management Board.

Full name	Jerzy Wiśniewski
Position	President of the Management Board
Qualifications	<ul style="list-style-type: none"> ➤ Poznań University of Technology – Faculty of Civil Engineering ➤ Rotterdam School of Management, MBA ➤ Canadian International Management Institute – management programme ➤ Qualified to sit on supervisory boards of state-owned companies
Experience	<ul style="list-style-type: none"> ➤ 1984–1997 PGNiG S.A. – manager in charge of gas transmission system operation ➤ PBG S.A. – founder, main shareholder, President of the Management Board, and Chairman of the Supervisory Board in 2012-2014 ➤ RAFAKO S.A. – Deputy Chairman, Chairman of the Supervisory Board
Areas of responsibility at PBG	PBG Group Strategy

Full name	Mariusz Łożyński
Position	Vice-President of the Management Board
Qualifications	<ul style="list-style-type: none"> ➤ Poznań University of Technology – Faculty of Civil Engineering
Experience	<ul style="list-style-type: none"> ➤ BORM Biuro Projektów – senior assistant ➤ GEOBUD Poznań – senior assistant designer ➤ Concret – Service Poznań – office manager ➤ Kulczyk TRADEX – project specialist ➤ PTC Poznań – specialist in charge of project planning/designing ➤ PBG S.A. – head of technical unit; head of contract execution support department; manager in charge of contract preparation; commercial proxy; member of the Management Board; Vice-President of the Management Board
Areas of responsibility at PBG	Organisational restructuring, management of infrastructure contracts

Full name	Kinga Banaszak-Filipiak
Position	Vice-President of the Management Board
Qualifications	<ul style="list-style-type: none"> ➤ Poznań School of Banking (Wyższa Szkoła Bankowa w Poznaniu), Finance and Banking, International Finance ➤ Poznań University of Economics (Uniwersytet Ekonomiczny w Poznaniu), Faculty of Management, International Relations ➤ Poznań School of Banking, postgraduate studies in Controlling ➤ Executive MBA programme of the Poznań School of Banking and the Helsinki School of Economics (currently Aalto University School of Economics). ➤ Poznań School of Banking, postgraduate studies in Equity Investments ➤ licensed insurance agent ➤ certificate of LCCI (London Chamber of Commerce and Industry) ➤ post-graduate programme in Bankruptcy and Restructuring Law at the Adam Mickiewicz University of Poznań (in progress)
Experience	<ul style="list-style-type: none"> ➤ 1999 – at PTE Norwich Union S.A. of Warsaw as sales representative ➤ 2000 – Office of the Committee for European Integration (UKIE), Warsaw, internship at the Law Harmonisation Department ➤ 2004 – Group 4 Sp. z o.o. of Warsaw, Poznań Branch, assistant to the Western Region Director ➤ 2004–2005 – Rybhand Trzcieleńscy spółka jawna of Jarocin, assistant ➤ 2005–present – PBG S.A. (in company voluntary arrangement) of Wysogotowo; held the following positions: analyst, Investor Relations Manager, Research Director, Capital Market Relations Director, Investor Relations Director - Press Officer ➤ since November 2014 – FCS Business Solutions Sp. z o.o., member of the Management Board
Areas of responsibility at PBG	Economics and finance, investors relations, restructuring

Full name	Bożena Ciosk
Position	Member of the Management Board
Qualifications	<ul style="list-style-type: none"> ➤ Poznań Academy of Economics (now Poznań University of Economics), Finance and Banking ➤ Poznań School of Banking, postgraduate studies in Controlling ➤ one-year course at the Advisory and Management Training Centre – Project Management ➤ post-graduate programme in Bankruptcy and Restructuring Law at the Adam Mickiewicz University of Poznań (in progress)
Experience	<ul style="list-style-type: none"> ➤ 2002–2003 Elektrim-Megadex S.A. of Warsaw, assistant to the Management Board; ➤ Since 2003 – PBG; held the following positions: clerk, Deputy Financial Manager, Deputy Chief Financial Officer, Chief Financial Officer ➤ since November 2014 – FCS Business Solutions Sp. z o.o., member of the Management Board
Areas of responsibility at PBG	Finance, relations with financial institutions, debt restructuring

The current, fourth term of office of the Management Board commenced on June 29th 2012. Members of the Management Board are appointed by the Supervisory Board for a three-year term of office. If appointed during a term of office, a member of the Management Board remains in office until the expiry of this term of office. The mandates of Management Board members expire on the date of the General Shareholders Meeting approving the financial statements for the last full financial year of the members' service.

As of the publication date of this Report, there were no changes in the composition of the Management Board. All matters not reserved for the General Meeting or the Supervisory Board fall within the scope of powers and responsibilities of the Management Board. Specific duties and rules of procedure are defined in a formal document, which sets out in detail the role of the Management Board as a corporate body. Members of the Management Board manage the respective areas of the Company's business, and their work is coordinated by the President of the Management Board.

Remuneration of the Members of PBG Management Board

The Management Board members are appointed by the Supervisory Board by way of a resolution. They are employed under employment contracts or based on appointment resolutions. The Supervisory Board's resolution stipulates that members of the Management Board are entitled to base pay, bonuses and additional remuneration provided for in applicable rules and regulations concerning wages and salaries. The amount of remuneration depends on the respective scope of duties and responsibilities entrusted with an individual Management Board member.

Table 4: Remuneration of Management Board members for holding office at the Parent

Remuneration of Management Board members (PLN '000)	Jan 1–Dec 31 2014			Jan 1–Dec 31 2013		
	Base remuneration	Other benefits*	Total	Base remuneration	Other benefits	Total
Paweł Mortas	220	-	220	390	-	390
Jerzy Wiśniewski	515	-	515	-	-	-
Tomasz Tomczak	158	-	158	455	-	455
Mariusz Łożyński	360	-	360	387	-	387
Kinga Banaszak-Filipiak	384	-	384	330	101*	431
Bożena Ciosk	288	10	298	174	3	177
TOTAL	1,925	10	1,925	1,736	104	1,840

* *Maternity benefit*

Table 5: Remuneration of Management Board members for holding office at subsidiaries, jointly-controlled entities or associates

Remuneration of Management Board members (PLN '000)	Jan 1–Dec 31 2014			Jan 1–Dec 31 2013		
	Base remuneration	Other benefits	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	2,045	600	2,645	-	-	-
Paweł Mortas	509	387	896	600	177*	777
Tomasz Tomczak	200	30	230	45	-	45
Mariusz Łożyński	-	47	47	46	-	46
Total	2,754	1,064	3,818	691	177	868

* *Discretionary bonus*

Table 6: Company shares or rights to Company shares (options) held by PBG managing personnel

Managing person	Number of shares	
	As at Dec 31 2014	As at the date of this Report
Mariusz Łożyński	3,553	3,553
Bożena Ciosk	208	208

11. Litigation, arbitration or administrative proceedings

As at the date of this Report, the Company was involved in litigations in which it acted as the defendant or the plaintiff.

Key litigation and other disputes instigated by the Company

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

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

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

The Company is pursuing claims against Control Process S.A. in connection with the provision of general contracting services related to the 'LMG Project - Central Facility, Well Areas, Pipelines and Other Infrastructure.' In a payment order issued on January 10th 2014, the Regional Court of Poznań ordered the Defendant to pay the Plaintiff an amount of PLN 996 thousand with interest and cost of proceedings within 14 days, or to lodge an objection. In a letter of April 18th 2014, the Plaintiff's attorney responded to the objection to payment order, and addressed all arguments raised by the Defendant in their objection to payment order. The date of the next hearing, to be held for the purpose of questioning witnesses, was set for March 19th 2015.

3. **PBG S.A. w upadłości układowej (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 case is pending.

4. PBG S.A. w upadłości układowej (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.

On November 6th 2014, the Court issued a ruling dismissing the action. The Company decided not to lodge an appeal.

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

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

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

On August 28th 2013, the Company filed a claim for payment with the Regional Court of Poznań, 9th Commercial Division, against the State Treasury, Regional Water Management Authority of Wrocław. Value of the claim: PLN 4,092 thousand. The case is pending.

Disputes pending against the Company:

1. Litigation concerning construction of the National Stadium in Warsaw

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

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

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

On April 22nd 2013 Zurich received the NCS' demand for payment from the performance bond. Then, 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 a large number of additional works ordered by the NCS in the course of the project, for which it has not received any consideration. Currently, the Consortium (including PBG) is demanding payment for the additional works. Moreover, the Consortium also suffered financial losses in connection with the non-performance or improper performance of the Contract by the NCS. Therefore, the Consortium is planning to bring one or several actions, as the need may be, concerning the claims it has against the NCS and the State Treasury. The exact value of the litigation has not yet been determined. The Consortium is planning to bring the action in 2014. Alpine eliminated formal defects indicated in the decision issued by the Regional Court on May 27th, and the

court resumed the proceedings. However, on February 3rd 2015 the parties filed a joint request to suspend the proceedings due to the negotiations initiated by the defendant. On February 3rd 2015, the Court suspended the proceedings for 3 months.

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

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

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

Notwithstanding the foregoing, on July 25th 2014 PBG filed with the District Court for the Capital City of Warsaw a petition requesting a call for a conciliation hearing (the court docket number has not yet been assigned). The mediation and the court proceedings in this case have been suspended until the claim filed by Imtech against the State Treasury is resolved. Imtech does not accept the terms set forth in the call for a conciliation hearing filed by PBG. In view of the above, the proceedings pending before the District Court of Warsaw have been postponed.

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

Action for payment of PLN 2,217 thousand before the Regional Court of Warsaw – date of filing the statement of claim: September 17th 2012.

The Company filed its response to the claim. The hearing took place on December 17th 2014, and on December 30th 2014 the court awarded PLN 1,644 thousand from the Company to the Plaintiff. The Company appealed against the decision.

3. 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. So far, three hearings have taken place, and the date of the next hearing was scheduled by the Court for March 27th 2015. The case is pending.

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

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

Towarzystwo Ubezpieczeń Euler Hermes provided to Hydrobudowa Polska S.A. general insurance in connection with various construction contracts. By way of providing security in respect of potential recourse claims against TU Euler Hermes, Hydrobudowa issued a blank promissory note, for which the Company 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). Based on the information obtained from the Regional Court of Warsaw on July 23rd 2014 it was determined that Nakano Sp. z o.o. acceded to the proceedings as purchaser of TU Euler Hermes' debt claim. In 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 the Company had not been officially notified of the changes in the parties to the proceedings.

5. Dimark Sp. z o.o. against PBG S.A. w upadłości układowej (in company voluntary arrangement), court docket No. I Aca 245/14

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

The Company filed its response to the claim. The hearing took place on December 17th 2014, and on December 30th 2014 the court awarded PLN 1,644 thousand from the Company to the Plaintiff. The Company appealed against the decision.

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 extended the proceedings until March 31st 2015.

12. Internal audit

The Office of Internal Audit and Restructuring operates within the organisational support structure, and reports directly to the President of the Management Board.

The Office is responsible for:

- overseeing the implementation and delivery of the Restructuring Plan and reporting to the Management Board and Supervisory Board on the progress made;
- providing information on the current status of the supervised business areas, identifying areas with respect to which internal constitutive documents need to be revised, and providing examples of adequate and effective solutions;
- checking accuracy and correctness of documents, and verifying authenticity, compliance, completeness and timely preparation of documentary evidence;
- assessing the adequacy of business process organisation in achieving optimum results;
- monitoring compliance with the law and internal regulations, including the provisions of the Integrated Management System;
- ensuring compliance with the provisions of the Integrated Management System;
- ensuring discharge of obligations imposed under the Polish Labour Code, work rules, and the organisation's internal regulations.

II. AGREEMENTS BETWEEN THE COMPANY AND ITS MANAGEMENT PERSONNEL PROVIDING FOR COMPENSATION IN THE EVENT OF A GIVEN PERSON RESIGNING OR BEING REMOVED FROM OFFICE

The Company executed a contract with Mr Paweł Mortas, President of the Management Board until April 24th 2014 and then Vice-President of the Management Board until his resignation as at October 31st 2014, which provided for a one-off severance pay equal to six months' remuneration, payable to the President in the event of his removal from office by the Supervisory Board or another governing body during the term of the contract. Mr Mortas was entitled to receive the severance pay regardless of the reason of his dismissal unless it would be due to his failure to properly perform his obligations under the contract or due to his wilful misconduct or negligence that has adversely affected the Company's interests. Mr Paweł Mortas was also entitled to receive the severance pay upon termination or expiry of the contract. The contract included a non-compete clause binding for a period of six months from the date of dismissal or the date of expiry or termination of the contract. Under this provision, Mr Mortas was entitled to a monthly compensation equal to 50% of his remuneration. The Company could unilaterally release Mr Mortas from the non-compete obligation.

The Company also executed non-compete agreements with the Vice-Presidents of the Management Board – Mr Tomasz Tomczak (Management Board member until May 6th 2014), Mr Mariusz Łożyński, and Ms Kinga Banaszak-Filipiak, and with Ms Bożena Ciosk, a member of the Management Board. After termination of their employment at the Company, members of the Management Board may not engage, personally or through third parties, in any activities competitive to the Company's business. The non-compete agreements remain in effect for a period of 12 months from the date of termination of the relevant employment contracts. Over said period, the Company is obliged to pay the Management Board members a monthly compensation equal to 100% of their remuneration from before the termination of employment.

III. AUDITOR OF THE FINANCIAL STATEMENTS

In accordance with the disclosure in Current Report No. 19/2014 of June 17th 2014, on June 16th 2014, the PBG Supervisory Board, acting on recommendation from its Audit Committee, passed a resolution to appoint Ernst & Young Audył Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly Ernst&Young Audit Sp. z o.o., "E&Y") as auditor to review the Company's and the Group's half-year 2014 financial statements and to audit full-year separate financial statements of PBG S.A. w upadłości układowej (in company voluntary arrangement) and full-year consolidated financial statements of the Group for 2014.

Address details:

Ernst & Young Audył Polska spółka z ograniczoną odpowiedzialnością sp. k.; Rondo ONZ 1, 00-124 Warsaw, Poland

Practising licence:

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.

Ernst & Young Audył Polska Spółka z ograniczoną odpowiedzialnością Sp. k. is the auditor of financial statements of RAFAKO S.A., a PBG Group company.

1. Execution date

PBG executed a relevant contract with Ernst & Young Audył Polska Spółka z ograniczoną odpowiedzialnością Sp. k. on August 14th 2014.

2. Total fees

Total fees payable to Ernst & Young Audył Polska Spółka z ograniczoną odpowiedzialnością Sp. k. for review the interim financial statements of PBG and the PBG Group as at June 30th 2014 and for audit of the full-year separate financial statements of the Company and the consolidated financial statements of the Group as at December 31st 2014 amount to PLN 350,000, VAT exclusive.

3. Other fees under the contract

Not applicable