ACTIVITY REPORT OF PBG SA MANAGEMENT BOARD

for the period from 1 January 2009 to 30 June 2009

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I. CHANGES IN THE SHAREHOLDING STRUCTURE IN PBG SA IN H1 2009

1. Issue of 865,000 series G shares of PBG SA with no preemptive rights

In the Public Offering held in June 2009, 865,000 series G shares were offered to the qualified shareholders with no preemptive rights.

Shares were offered only to qualified investors selected by the Management Board. According to the criterion of selection, qualified investors were the Company's shareholdres as at 4 June 2009. They were the preferred investors in the allocation of Shares. Every 16 Shares held and recorded in the investor's securities account as at 4 June 2009 entitled the investor to 1 Share under the new issue.

The subscription was opened on 12 June and closed on 17 June. On 19 June, all 865,000 shares were taken over by 51 investors. The per-share issue price for series G shares of PBG SA was PLN 220.00 (nominal vale: PLN 1.00 per share). **Proceeds from the issue totalled PLN 190,300 k.** Share issue premium amounted to PLN 189,435 k and was recognised in reserve capital, less all direct issue-related costs, i.e. PLN 6,650 k.

The increased share capital resulting from the issue of 865,000 series G bearer shares was registered by the Local Court in Poznań, XXI Commercial Division of the National Court Register**, on 15 July 2009.** After the registration, the Company's share capital increased from PLN 13,430,000 to 14,295,000, and the total number of votes at the General Meeting of Shareholders increased from 17,930,000 to 18,795,000.

2. Conversion of series A registered shares of PBG SA

After the accounting reference date, the Management Board of PBG SA, acting upon request of the Company's Shareholder Mr Jerzy Wiśniewski, adopted a resolution regarding the conversion of 260,000 series A registered preference shares (1 preference share carries 2 votes at the GM) into ordinary bearer shares. The Management Board of the National Depository for Securities, pursuant to resolution of 28 July 2009, decided to designate 260,000 ordinary bearer shares of PBG SA with the code PLPBG0000052 after the conversion of 260,000 registered shares of PBG SA designated was PLPBG0000037 on 31 July 2009. As of 31 July 2009, 4,240,000 shares of PBG SA are designated with the code PLPBG0000037, and 260,000 ordinary bearer shares of PBG SA are designated as PLPBG0000052. As a result, the number of votes held by the Company's shareholders at the General Meeting of Shareholders changed accordingly. The conversion of shares was made **on 31 July 2009**. After the conversion, 14,295,000 shares held by shareholders carry 18,535,000 votes at the General Meeting of Shareholders.

3. Assimilation of shares

On 23 June 2009, the Management Board of the Warsaw Stock Exchange adopted a resolution to admit and introduce ordinary bearer shares of PBG SA to trading on the WSE's main market as of 28 July 2009, including 12,500 series D shares and 865,000 series G shares, provided that series D shares are assimilated by the National Depository for Securities with shares already traded on the WSE and that series G shares are registered and designated with the code PLPBG0000029.

On 28 July 2009, 12,500 series D shares of PBG SA designated with the code PLPBG0000045 were assimilated with 8,917,500 shares of PBG SA designated with the code PLPBG0000029, and designated as PLPBG0000029. The said shares were allocated under the Company's Incentive Scheme.

Also on 28 July 2009, 865,000 series G shares designated as PLPBG0000029 were registered and introduced to trading. 9,795,000 shares of PBG designated as PLPBG0000029 are currently traded on the WSE.

On 31 July 2009, 260,000 series A preference shares were converted into ordinary shares. After the conversion, 14,295,000 shares held by shareholders carry 18,535,000 votes at the General Meeting of Shareholders. As a result of this conversion of 260,000 series A shares, PBG SA applied to the National Depository for Securities for the assimilation of series A shares and to the Warsaw Stock Exchange for the admission and introduction of shares to public trading on the regulated market. Under resolution no. 376/2009 of 7 August 2009 of the Management Board of the Warsaw Stock Exchange, 260,000 series A ordinary bearer shares of PBG SA, designated as PLPBG0000052 by the National Depository for Securities, were admitted to trading on the main market. At the same time, the Management Board of the WSE resolved to admit the said shares of PBG SA to trading on the WSE's main market as of 14 August 2009 under the standard procedure, provided that these shares are assimilated by the National Depository for Securities with other shares of PBG SA currently traded on the WSE.

As at the date of submission hereof, 9,795,000 shares of PBG designated as PLPBG0000029 are traded, 4,240,000 shares of PBG designated as PLPBG0000037 are not traded, and a resolution by the National Depository for Securities on the registration and introduction of 260,000 shares of PBG designated as PLPBG0000052 as of 14 August 2009 is pending. If these shares are successfully introduced to trading, 10,055,000 shares of PBG SA will be traded as of 14 August 2009.

4. Changes in the Company's shareholding structure

In the reporting period and after the accounting reference date, the shareholding structure of PBG SA changed as follows:

Notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA – drop in the share ownership below 5% and subsequent increase over 5% of the total vote

On 9 February 2009, the Management Board of PBG SA was notified that the shareholding structure in PBG SA changed as a result of sale of shares on 2 February 2009. Following this transaction, shares held by the Funds represent less than 5% of the total number of votes at the General Meeting of Shareholders of PBG SA, i.e. 4.99%. Before the transaction, Funds held 900,438 shares of PBG SA, representing 6.70% of share capital of PBG SA and carrying 900,438 votes, i.e. 5.02% of the total vote at the General Meeting of Shareholders of PBG SA. As at the day of this transaction, i.e. on 2 February 2009, Funds held 895,438 shares of PBG SA, representing 6.67% of Company's share capital and carrying 895,438 votes, i.e. 4.99% of the total vote at the General Meeting of Shareholders of PBG SA.

On 13 February 2009, the Management Board of PBG SA was notified that the shareholding structure in PBG SA changed as a result of acquisition of shares on 5 February 2009. After this transaction, shares held by the Funds represent more than 5% of the total number of votes at the General Meeting of Shareholders of PBG SA, i.e. 5.001%. Before the transaction, Funds held 894,458 shares of PBG SA, representing 6.660% of share capital of PBG SA and carrying 894,458 votes, i.e. 4.989% of the total vote at the General Meeting of Shareholders of PBG SA. As at the day of this transaction, i.e. on 5 February 2009, Funds held 896,653 shares of PBG SA, representing 6.676% of Company's share capital and carrying 896,653 votes, i.e. 5.001% of the total vote at the General Meeting of Shareholders of PBG SA.

In addition, on the same day, i.e. **on 13 February 2009**, the Management Board of PBG SA was notified that the shareholding structure in PBG SA changed as a result of sale of shares on 9 February 2009. Following this transaction, shares held by the Funds represent less than 5% of the total number of votes at the General Meeting of Shareholders of PBG SA, i.e. 4.972%. Before the transaction, Funds held 896,653 shares of PBG SA, representing 6.676% of share capital of PBG SA and carrying 896,653 votes, i.e. 5.001% of the total vote at the General Meeting of Shareholders of PBG SA. As at the day of this transaction, i.e. on 9 February 2009, Funds held 891,469 shares of

PBG SA, representing 6.638% of Company's share capital and carrying 891,469 votes, i.e. 4.972% of the total vote at the General Meeting of Shareholders of PBG SA.

On 16 February 2009, the Management Board of PBG SA was notified that the shareholding structure in PBG SA changed as a result of acquisition of shares on 10 February 2009. After this transaction, shares held by the Funds represent more than 5% of the total number of votes at the General Meeting of Shareholders of PBG SA, i.e. 5.022%. Before the transaction, Funds held 891,469 shares of PBG SA, representing 6.638% of share capital of PBG SA and carrying 891,469 votes, i.e. 4.972% of the total vote at the General Meeting of Shareholders of PBG SA. As at the day of this transaction, i.e. on 10 February 2009, Funds held 900,469 shares of PBG SA, representing 6.705% of Company's share capital and carrying 900,469 votes, i.e. 5.022% of the total vote at the General Meeting of Shareholders of PBG SA.

On 2 March 2009, the Management Board of PBG SA was notified that the shareholding structure in PBG SA changed as a result of sale of shares on 24 February 2009. Following this transaction, shares held by the Funds represent less than 5% of the total number of votes at the General Meeting of Shareholders of PBG SA, i.e. 4.948%. Before the transaction, Funds held 902,212 shares of PBG SA, representing 6.718% of share capital of PBG SA and carrying 902,212 votes, i.e. 5.032% of the total vote at the General Meeting of Shareholders of PBG SA. On 24 February 2009, Funds held 887,210 shares of PBG SA, representing 6.606% of Company's share capital and carrying 887,210 votes, i.e. 4.948% of the total vote at the General Meeting of Shareholders of PBG SA.

On 2 April 2009, the Management Board of PBG SA was notified that following the transaction of acquisition of the Company's shares on 27 March 2009, Funds became a holder of shares representing more than 5% of the total vote at the General Meeting of Shareholders of PBG SA.Before the transaction, Funds held 896,334 shares of PBG SA, representing 6.67% of share capital of PBG SA and carrying 896,334 votes, i.e. 4.999% of the total vote at the General Meeting of Shareholders of PBG SA.
On 27 March 2009, Funds held 916,334 shares of PBG SA, representing 6.82% of Company's share capital and carrying 916,334 votes, i.e. 5.11% of the total vote at the General Meeting of Shareholders of PBG SA.

On 10 August 2009, the Management Board of PBG SA was notified that the shareholding structure in PBG SA changed as a result of sale of shares on 4 August 2009. Following this transaction, shares held by the Funds represent less than 5% of the total number of votes at the General Meeting of Shareholders of PBG SA, i.e. 4.24%. Before the transaction, Funds held 948,747 shares of PBG SA, representing 6.64% of share capital of PBG SA and carrying 948,747 votes, i.e. 5.12% of the total vote at the General Meeting of Shareholders of PBG SA. On 4 August 2009, Funds held 786,247 shares of PBG SA, representing 5.5% of Company's share capital and carrying 786,247 votes, i.e. 4.24% of the total vote at the General Meeting of Shareholders of PBG SA.

Notification from Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA (AVIVA OFE) - exceeding 5% of the total vote

On 17 July 2009, the Management Board of PBG SA was notified that following the transaction of acquisition of the Company's shares on 13 July 2009, Aviva OFE became a holder of shares representing more than 5% of the total vote at the General Meeting of Shareholders of PBG SA. Before the said transactions, according to the portfolio, as at 15 July 2009 Aviva OFE held 871,081 shares of PBG SA, representing 6.49% of the Company's share capital and carrying 871,081 votes at the General Meeting of Shareholders, i.e. 4.86 % of total vote. After the conclusion and settlement of these transactions on 13 July 2009, as at 16 July 2009 Aviva OFE held 898,581 shares of PBG SA, representing 6.69% of the Company's share capital and carrying 898,581 votes at the General Meeting of Shareholders, i.e. 5.01 % of total vote.

Notification from Mr Jerzy Wiśniewski, the founder and key shareholder of PBG SA – drop in the share ownership below 50% of votes and subsequent reduction of interest

Following the registration of the incresaed share capital of PBG SA on **15 July 2009** as a result of issue of series G shares, the interest held by Jerzy Wisniewski resulting from direct ownership of 4,495,054 registered preference shares carrying 8,990,108 votes at the Company's General Meeting of Shareholders, dropped from 33.47% to 31.44% of share capital and from 50.14% to 47.83% of the total vote. Mrs Małgorzata Wiśniewska and Mr Jerzy Wiśniewski jointly hold 4,498,333 registered preference shares carrying 8,996,666 votes, representing 31.47% of share capital (33.49% before the increase) and 47.87% of the total vote (50.18% before the increase).

On 16 July 2009, upon request of the key shareholder of PBG SA, Mr Jerzy Wiśniewski, the Management Board of PBG SA adopted a resolution to on the conversion of 260,000 series A registered preference shares held by Mr Jerzy Wiśniewski into series A ordinary bearer shares. Conversion of shares took effect upon its registration **on 31 July 2009.** After series A registered shares were converted into bearer shares, they became ordinary shares (with no preference) – each of the 260,00 series A shares is an ordinary share carrying one vote at the Company's General Meeting of Shareholders. Before the conversion, 14,295,000 shares representing the share capital of PBG SA totalling PLN 14,295,000, carried 18,795,000 votes. After the conversion, 14,295,000 shares carry 18,535,000 votes. After the conversion was registered, the interest held by Mr Jerzy Wiśniewski totals 31.44% of share capital and 47.10% of total vote (vs. 47.87% before the conversion).

5. Shareholders holding major blocks of shares, directly or indirectly

As at 30 June 2008, the Company's share capital totalled PLN 13,430 k and was divided into 4,500,000 registered preference shares and 8,930,000 ordinary bearer shares. The nominal value of preference shares and ordinary shares was PLN 1.00 per share. One preference share carries two votes at the General Meeting of Shareholders.

After the accounting reference date, i.e. **on 15 July 2009,** increase in the Company's share capital was registered following the issue of 865,000 series G shares. As a result, the Company's share capital increased from PLN 13,430k to PLN 14,295k, and the total number of votes at the General Meeting of Shareholders increased from 17,930,000 to 18,795,000.

Also after the accounting reference date, i.e. **on 31 July 2009**, 260,000 series A registered preference shares held by the Company's key shareholder, Mr Jerzy Wiśniewski, were converted into ordinary bearer shares. After the conversion, 14,295,000 shares held by shareholders carry 18,535,000 votes at the General Meeting of Shareholders.

As at the date of submission hereof, the Company's share capital totalled PLN 14,295 k and was divided into 4,240,000 registered preference shares and 10,055,000 ordinary bearer shares.

As at 30 June 2009				
Shareholder	**Number of shares**	**Total nominal value in PLN**	**% of share capital held**	**% of votes in the total vote**
Jerzy Wiśniewski	4,495,054 shares, of which: 4,495,054 registered preference shares	4,495,054	33.47%	50.14%
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA	916,334 ordinary shares	916,334	6.82%	5.11%
ING Nationale - Nederlanden Polska PTE SA	912,991 ordinary shares	912,991	6.80%	5.09%
As at the date of submission of the report				
Shareholder	**Number of shares**	**Total nominal value in PLN**	**% of share capital held**	**% of votes in the total vote**
Jerzy Wiśniewski	4,495,054 shares, of which: 4,235,054 registered preference shares and 260,000 ordinary bearer shares	4,495,054	31.44%	47.10%
ING Nationale - Nederlanden Polska PTE SA	No update after the issue of series G shares	No update after the issue of series G shares	5-10%	5-10%
AVIVA OFE	No update after the issue of series G shares	No update after the issue of series G shares	5-10%	5-10%

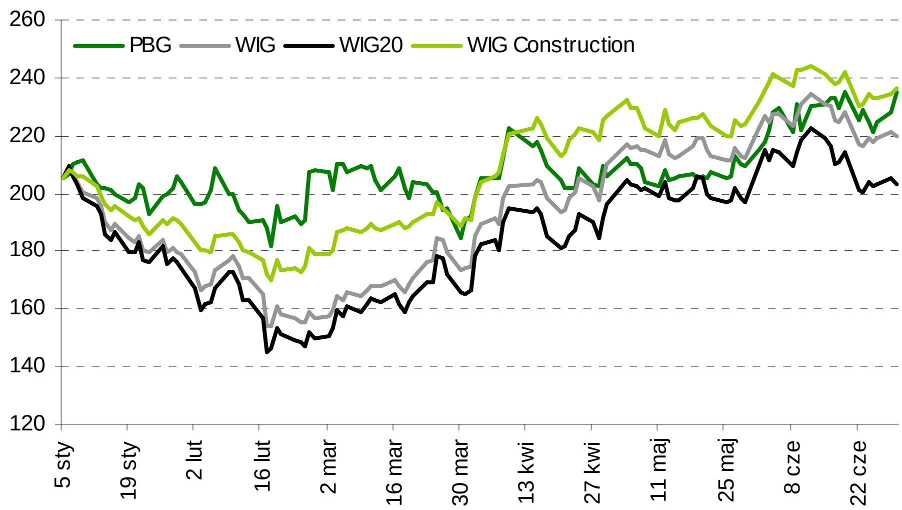
The Company has no knowledge of any other shareholders holding at least 5% of the total vote at the General Meeting of Shareholders and had not been informed thereof by the date of preparation of this report.

6. Company's shares or right to shares (options) held by other members of the Management Board or Supervisory Board of PBG SA

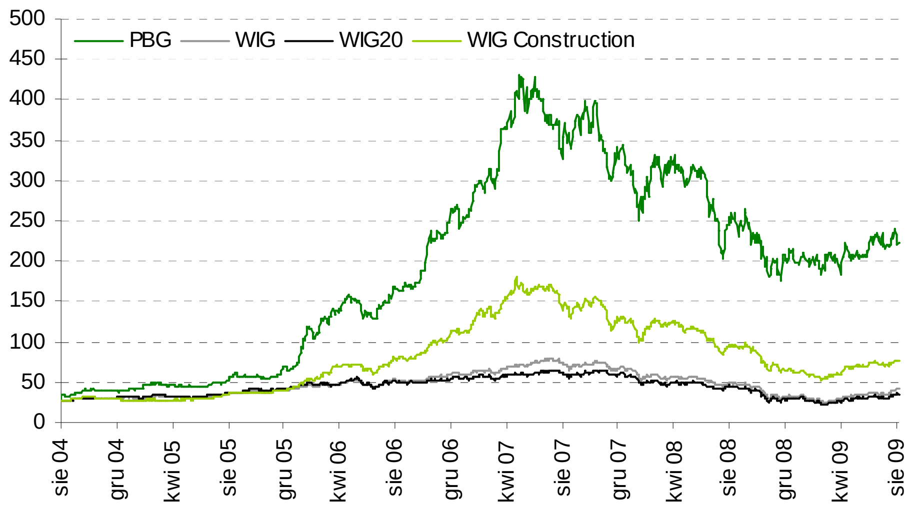
Members of the Management Board	Number of shares	
	As at 30.06.2009	As at the date of submission of the report
Przemysław Szkudlarczyk	2 000	4 500
Tomasz Tomczak	750	3 250
Tomasz Woroch	1 778	1 778
Mariusz Łożyński	1 553	3 553
Tomasz Latawiec	500	500
Supervisory Board members	**Number of shares**	
	As at 30.06.2009	**As at the date of submission of the report**
Jacek Kseń	150	150

7. Price of PBG SA shares since the first listing on the Warsaw Stock Exchange

Share price from 1 January 2009 to 30 June 2009:



Share price from the date of first listing until 5 August 2009:



II. MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND CHANGES IN H1 FY 2009

Members of the Management Board in the period from 1 January to 30 June 2009:

- Jerzy Wiśniewski – President of the Management Board;
- Tomasz Woroch – Vice President of the Management Board;
- Przemysław Szkudlarczyk – Vice President of the Management Board;
- Tomasz Tomczak – Vice President of the Management Board;
- Mariusz Łożyński – Vice President of the Management Board,
- Tomasz Latawiec – Member of the Management Board.

The above members of the Management Board, with the exception of Mr Tomasz Latawiec, were appointed on 10 May 2006 by the Supervisory Board of PBG SA to perform their functions for the next term of office. Mr Tomasz Latawiec was appointed Member of the Board by resolution of the Supervisory Board of PBG SA on 3 October 2007. On 28 November 2008, at the request of the Company's Management Board, the Supervisory Board of PBG SA decided to appoint Mr Mariusz Łożyński, former Member of the Management Board, as Vice-President of the Management Board. This request was submitted in connection with changes in the division of responsibilities within the Company's Management Board, resulting from the conclusion of the largest ever contracts in the Company's history in the area of crude oil and natural gas. Mr Tomasz Tomczak, Vice-President of the Board, formerly responsible for the entire area of production, shall now manage contracts signed in the oil and gas segment (construction of the LMG crude oil mining facilities and construction of the underground gas storage facility in Wierzchowice). Mr Mariusz Łożyński shall be responsible for the supervision of contracts signed in Poland and abroad, and in addition for orders within PBG Capital Group and implementation of contracts in the hydrotechnical and renovation segment.

The current term of office of the Management Board appointed on 10 May 2006 shall expire on 10 May 2009. Pursuant to § 37 par. 7 of the Articles of Association of PBG SA, mandates of the Management Board members shall expire at the date of the General Meeting approving the financial statements for the last full financial year of the Board's term of office. The General Meeting of Shareholders convened to approve the FY08 financial statements was held on 4 June 2009. On the same day, i.e. on 4 June 2009, the Supervisory Board of PBG SA adopted resolutions to determine the number of the Management Board members and appoint members of the Management Board for the next term of office. By decision of the Supervisory Board, members of the Management Board shall not change. The current term of office of the Management Board shall expire on 4 June 2012.

The Management Board is competent in all matters related to the Company not restricted to competencies of the General Meeting of Shareholders or the Supervisory Board. Duties and Regulations of the Management Board are defined in a formal document. Individual members of the Management Board shall manage the specific areas of the Company's business, and their work is coordinated by the President of the Management Board.

	No.	NAME	FUNCTION IN THE MANAGEMENT BOARD	AREA OF RESPONSIBILITY
MANAGEMENT BOARD	1.	Jerzy Wiśniewski	President of the Management Board	Strategy and development
	2.	Tomasz Woroch	Vice-President of the Management Board	Environmental protection projects
	3.	Przemysław Szkudlarczyk	Vice-President of the Management Board	Economy and finance
	4.	Tomasz Tomczak	Vice-President of the Management Board	Natural gas, crude oil, and fuels projects
	5.	Mariusz Łożyński	Vice-President of the Management Board	Offers and signing of contracts in PBG Capital Group; implementation of projects in the hydro-technical and renovation segment
	6.	Tomasz Latawiec	Member of the Management Board	Renovation projects
VES (PROX	1.	Tomasz Przebieracz	Authorised Representative (Proxy)	Natural gas, crude oil, and fuels projects

	2.	Cezary Pokrzywniak	Authorised Representative (Proxy)	Engineering – design of technical processes and plants
	3.	Wojciech Byczkowski	Authorised Representative (Proxy)	Logistics
	4.	Eugenia Bachorz	Authorised Representative (Proxy)	Accounts of PBG Capital Group
	5.	Rafał Wilczyński	Authorised Representative (Proxy)	Economy and finance
	6.	Paweł Buczkowski	Authorised Representative (Proxy)	Hydro-technical engineering projects

Members of the current Supervisory Board:

- Maciej Bednarkiewicz – Chairman of the Supervisory Board;
- Jacek Kseń – Vice-Chairman of the Supervisory Board;
- Wiesław Lindner – Secretary of the Supervisory Board;
- Dariusz Sarnowski – Member of the Supervisory Board
- Adam Strzelecki – Member of the Supervisory Board;
- Jacek Krzyżaniak – Member of the Supervisory Board until 4 June 2009;
- Małgorzata Wiśniewska – Member of the Supervisory Board until 31 August 2008;

The above Supervisory Board members were appointed on 18 June 2008 by the Annual General Meeting of Shareholders. In September 2008, Mrs Małgorzata Wiśniewska handed in her resignation from the position of Member of the Supervisory Board of PBG SA, as she became President of the Management Board of Infra SA, a subsidiary company of PBG SA. In the reporting period, i.e. on 4 June 2009, Mr Jacek Krzyżaniak handed in his resignation from the position of Member of the Supervisory Board of PBG SA as he became Member of the Supervisory Board of Hydrobudowa Polska SA, a subsidiary company of PBG SA.
Pursuant to § 29 par. 4 of the Articles of Association of PBG SA, the term of office of the Supervisory Board is 1 year. Pursuant to Art. 386 §2, the term of office of the Supervisory Board appointed on 18 June 2009 shall expire on the date when the financial statements for FY 2009 are approved by the General Meeting. On 4 June 2009, the Annual General Meeting of Shareholders of PBG SA discharged all the above Members of the Supervisory Board for the performance of their duties, and adopted resolution no. 22 pursuant to §29 par. 2 of the Articles of Association of PBG SA, reducing the number of the Supervisory Board members to five. Current Members of the Supervisory Board:

- Maciej Bednarkiewicz – Chairman of the Supervisory Board;
- Jacek Kseń – Vice-Chairman of the Supervisory Board;

- Wiesław Lindner – Secretary of the Supervisory Board;
- Dariusz Sarnowski – Member of the Supervisory Board
- Adam Strzelecki – Member of the Supervisory Board;

There were no other changes in the composition of the Supervisory and Management Board of PBG SA in the reporting period or after the accounting reference date.

III. TOTAL NUMBER OF SHARES IN RELATED PARTIES (as at 30 June 2009)

Related party	Company's objects	Relation		number of shares	Nominal value of shares as at 30 June 2009
		parent company	type of relation		
PBG Technologia Sp. z o.o.	manufacture and installation of steel structures, equipment and systems, and steel tanks; implementation of end-to-end projects – design of industrial systems, and in particular for the petrochemical industry; general construction	PBG SA	subsidiary	16,100	PLN 8,050,000
PBG Export Sp. z o.o.	signing contracts in Poland and abroad, control of their implementation	PBG SA	subsidiary	20,000	PLN 1,000,000
Metorex Sp. z o.o.	construction of waterworks, sewerage systems, heating and gas pipelines, wastewater treatment plants, surfaces of roads and squares	PBG SA	subsidiary	682	PLN 51,150
INFRA S.A.	specialist services – renovation of waterworks and sewerage systems	PBG SA	subsidiary	9,995	PLN 4,997,500
Hydrobudowa POLSKA S.A.	end-to-end construction of hydro-technical, civil engineering, and industrial facilities	PBG SA	subsidiary	2,107,946	PLN 105,397,300
KWG S.A.	infrastructure investments connected with environmental protection	PBG SA	subsidiary	28,700	PLN 2,870,000
Excan Oil and Gas Engineering Ltd. Canada	exports of technologies and implementation of contracts in the area of natural gas and crude oil	PBG SA	subsidiary		CAD 250,000
Gas Oil Engineering A.S. Slovakia	engineering, design and construction company; project management, turn-key projects, and supervision of projects implemented in the area of natural gas and crude oil	PBG SA	subsidiary		SKK 163,000
Wschodni Invest Sp. z o.o.	special-purpose vehicle	PBG SA	subsidiary	37,740	PLN 3,774,000
PBG Dom Sp. z o.o.	construction of buildings	PBG SA	subsidiary	123,572	PLN 12,357,200
Brokam Sp. z o.o.	te company ows a property not built up where granodiorite deposits are located	PBG SA	subsidiary	12,000	PLN 12,000,000
Avatia S.A.	IT services: as a member of PBG Capital Group, AVATIA provides IT support for all entities in the Group	PBG SA	subsidiary	998	PLN 49,990
Aprivia S.A.	the task of Aprivia SA is to consolidate road building companies and strengthen the position of PBG Capital Group in the area of road building, including the conclusion and implementation of contracts and organisation of financing	PBG SA	subsidiary	71,993,065	PLN 71,993,065

In addition, PBG SA holds shares of the following entities:

- **KRI S.A**. - 25,300,000 shares of the nominal value PLN 1.00 per share; the total nominal value of shares is PLN 25,300,000.00; these shares give PBG SA 19.97% share in the company's share capital and total vote;
- **Lubickie Wodociągi Sp. z o.o.** - 60 shares of the nominal value PLN 500.00 per share; the total nominal value of shares is PLN 30,000.00; these shares give PBG S.A. 15% share in the company's share capital and total vote;
- **Towarzystwo Ubezpieczeń Wzajemnych TUZ** – 60 shares of the nominal value PLN 10.00 per share; the total nominal value of shares is PLN 600.00; these shares give PBG SA 0.01% share in the company's share capital and total vote;
- **Budownictwo Naftowe „Naftomontaż" Sp. z o.o.** - 3.500 shares of the nominal value PLN 1000,00 per share; the total nominal value of shares is PLN 3,500,000.00; these shares give PBG SA 7,82% share in the company's share capital and total vote;
- **Remaxbud Sp. z o.o. (formerly MTR Sp. z o.o.)** - 840 shares of the nominal value PLN 500.00 per share; the total nominal value of shares is PLN 420,000.00; these shares give PBG SA 18.92% share in the company's share capital and total vote;
- **STRATEG CAPITAL Sp. z o.o.** - 47 shares of the nominal value PLN 1000.00 per share; the total nominal value of shares is PLN 47,000.00; these shares give PBG SA 18.80% share in the company's share capital and total vote;
- **Energia Wiatrowa PL Sp. z o.o.** - 230 shares of the nominal value PLN 50.00 per share; the total nominal value of shares is PLN 11,500.00; these shares give PBG SA 18.70% share in the company's share capital and total vote;
- **Poner Sp. z o.o.** - 475 shares of the nominal value PLN 1000.00 per share; the total nominal value of shares is PLN 475,000.00; these shares give PBG SA 19,00% share in the company's share capital and total vote;
- **AWDAR Sp. z o.o.** - 95 shares of the nominal value PLN 100.00 per share; the total nominal value of shares is PLN 9,500.00; these shares give PBG SA 19% share in the company's share capital and total vote.

IV. BASIC SERVICES

The objects of PBG SA include general contractor's services in the area of water, crude oil, natural gas, and fuels in the "turn-key" system, as well as industrial, residential, infrastructure and road construction investments. The Company's core business is in the segment of natural gas and crude oil as well as fuels.

PBG SA currently operates in five main segments:

1. **natural gas and crude oil,**
2. **water,**
3. **fuels,**

4. **industrial and residential construction,**
5. **roads.**

Services rendered in these five main segments are specified in the table below.

<table>
<tr><th>NATURAL GAS AND CRUDE OIL</th><th>WATER</th><th>FUELS</th></tr>
<tr><td rowspan="5">▪ overground natural gas and crude oil mining facilities
▪ natural gas liquefaction facilities and LNG storage and regasification facilities
▪ LPG separation and storage stations, C5+
▪ LNG storage and vaporisation stations
▪ underground gas storage facility
▪ desulphurisation plants
▪ overground facilities of underground natural gas storage facility
▪ crude oil tanks
▪ natural gas and crude oil transport systems, including: meter and regulator stations, measurement and settlement stations, mixing plants, distribution stations, compressor stations, etc.</td><td rowspan="5">▪ process and sanitary facilities for water and sewerage systems, such as:
- waterworks
- sewerage systems
- water mains and interceptors
- water intake points
- wastewater treatment plants
▪ hydrotechnical facilities, such as:
- water dams
- storage reservoirs
- flood defences (dykes)
▪ renovation of waterworks and sewerage systems</td><td>▪ fuel depots, tanks
▪ technical and sanitary systems</td></tr>
<tr><th>INDUSTRIAL AND RESIDENTIAL CONSTRUCTION</th></tr>
<tr><td>▪ general construction
▪ industrial infrastructure
▪ building of stadiums/sport arenas
▪ building of waste sorting stations</td></tr>
<tr><th>ROADS</th></tr>
<tr><td>▪ road construction
▪ associated infrastructure</td></tr>
</table>

The scope of construction services in the above segments includes end-to-end installation, design, upgrade, renovation, repairs, and servicing of facilities and equipment.

Detailed financial data on the share of individual segments in revenues from sale is presented below.

V. CHANGES IN MARKETS

In the reporting period, revenues (as per IAS) from different areas of business of PBG S.A. were generated in the Polish market in the following amounts:

OPERATING SEGMENTS

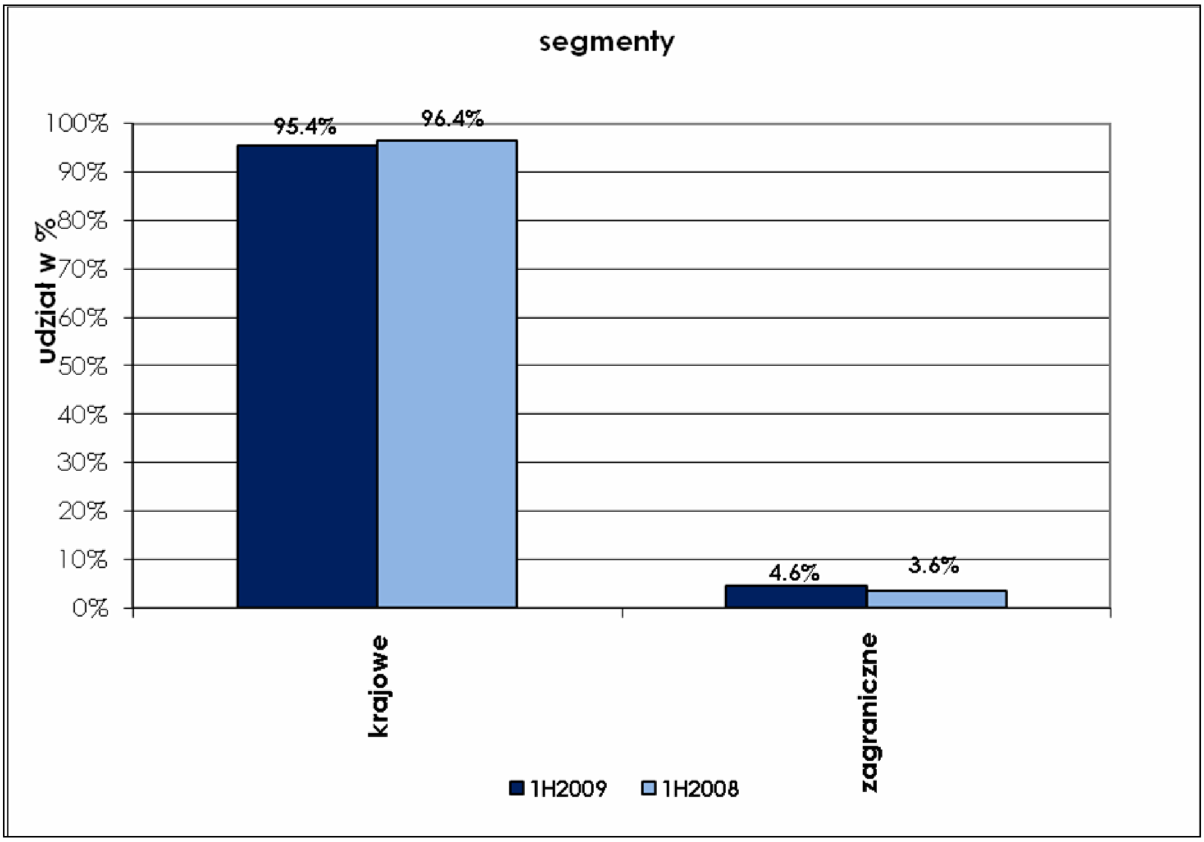
Revenues from sale	H1 2009 (in PLN '000)	H1 2008 (in PLN '000)	difference (in PLN '000)	difference (in %)
natural gas and crude oil (transport, distribution, mining)	92,317	105,616	-13,299	-12.6%
water (hydro-technology and environmental protection, repairs)	53,584	24,278	29,306	120.7%
fuels (storage of fuels)	43,274	31,723	11,551	36.4%

industrial and residential construction (construction, infrastructure for industrial facilities)	66,400	32,031	34,369	107.3%
roads (road building)	-	-	-	-
other (sale of goods, materials, and products, other services)	35,355	10,319	25,036	242.6%
Total revenues from sales	**290,930**	**203,967**	**86,963**	**42.6%**

GEOGRAPHICAL SEGMENTS

Revenues from sales	H1 2009 (in PLN '000)	H1 2008 (in PLN '000)	Difference (in PLN '000)	Difference (in %)
domestic sales	277,508	196,669	80,839	41.1%
foreign sales	13,422	7,298	6,124	83.9%

In the reporting period, the share of geographical segments of the Company's business in total revenues from sale was as follows:



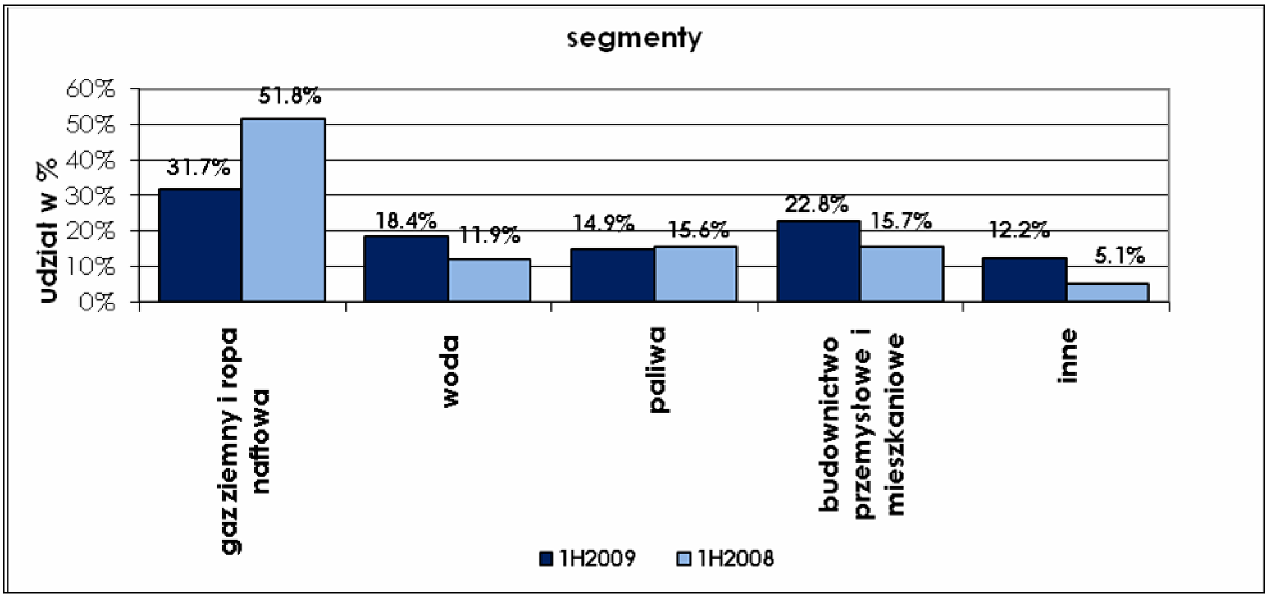
In H1 2009, the share of domestic and foreign sales in total revenues from sale reached 95.4% and 4.6%, respectively. These results were only by 1% lower than the Company's results in the previous corresponding period (96.4% for domestic sales and 3.6% for exports).

Scope of business

PBG SA focuses its business operations mainly on the Polish market and considers it the Company's key market, taking into account the significant inflows of the Community funds and the resulting investments, planned investments connected with the liquefied natural gas production facilities and the associated infrastructure (compressor stations, pipelines, etc.), as well as investments implemented as part of the European Football Championships EURO 2012 organised in Poland. However, the Company takes action to enter foreign markets as well, mainly in the natural gas and crude oil sectors. In 2006, PBG SA implemented its first-ever project for a foreign customer, the Latvian company Latvijas Gaze Akciju Sabiedriba, as a subcontractor of the company Pall Poland Sp. z o.o. This project was implemented in Latvia. The total amount of this contract was EUR 5.22 million. It may be considered the first step for PBG to enter foreign markets. In addition, PBG took action to enter the Norwegian market. In March 2007, PBG signed the first contract with a Norwegian company Kanfa Aragon AS for the installation of a Glycol Regeneration Plant for gas drying. The total amount of this contract is EUR 1,125 million. This transaction was considered significant, as it presents an opportunity for PGB to sign new contracts in Norway. Another foreign contract was signed with the same company in August 2007 for the construction of glycol regeneration units for platforms located in the off-shore sectors in the UK and the delivery of supporting pumps for these units. Net amount of this contract is nearly EUR 3 million. In addition, in 2007 PBG SA was contracted by the company Gas Naturale' (Pvt.) Ltd. with its registered office in Punjab, Pakistan. The total amount of these contracts is USD 5.5 million. The first of these contracts involved design works for the natural gas liquefaction plant. The other included the supply of materials and technological systems for natural gas liquefaction plant. These contracts were considered significant, as they presented an opportunity for PGB SA to sign new contracts for export sales.

Share of business segments in revenues from sale

In the reporting period, the share of individual segments of the Company's business in total revenues from sales was as follows:



Natural gas and crude oil was the largest segment in the Company's business in terms of its share in sales in H1 2009. The share of this segment in revenues from sale was 31.7%, down by nearly 13% vs. the previous corresponding period). Considering that the largest-ever contracts in this segment were signed in August 2008 (contract for the construction of a crude oil mining plant for PLN 1.4 billion) and in November 2008 (contract for the construction of an underground gas storage facility in Wierzchowice for PLN 1.1 billion) with Polskie Górnictwo Naftowe i Gazownictwo SA, PBG expects a significant increase in revenues from sale in the natural gas and crude oil segment in the years to come.

Residential and industrial construction, including general construction and industrial infrastructure, was the second largest segment of the Company's business in the reporting period. The share of this segment in total net revenues from sale was 22.8%, compared to 15.7% in the previous corresponding period, i.e. up by 7.1%. Considering the new prospects and opportunities in this market, mainly infrastructure investments such as the construction of stadiums, revenues from the industrial construction segment are expected to remain at the same level or even increase considerably in the years to come. The major projects currently implemented in this segment include: contract for the construction of the National Stadium in Warsaw (PLN 1.252 billion); contract for the construction of Baltic Arena in Gdańsk (PLN 427 million); contract for the modernisation and extension of the Poznan City Stadium (PLN 398 million).

The third largest segment – **water segment** represented 18.4% of total revenues from sales of services in H1 2009. Contracts implemented in this segment are co-financed by the European Union and are connected with environmental protection and hydro-technical investments. A drop in revenues generated by PBG in this segment results from implementation of the Capital

Group's strategy – to allow another Capital Group company, Hydrobudowa Polska S.A., to take the leading position in the environmental protection market.

The fourth largest segment of the Company's business in H1 2009 was the **fuels segment**. The main investments in this segment are connected with the storage of liquid fuels (fuel depots and storage stations). In H1 2008, the share of this segment in total revenues from sale totalled 14.9% (compared to the previous corresponding period, the share of this segment in total revenues from sale dropped by just over 0.7%). The main customers for services rendered in this segment include, among others: Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego – NATO, PKN Orlen, and Operator Logistyczny Paliw Płynnych. The key project currently implemented in this segment is a contract for the supply and installation of underground fuel depots, implemented since the beginning of 2007. The current total net value of this contract is nearly PLN 280 million (vs. approx. PLN 255 million at the contract signing date). Considering the conclusion of a contract with NATO and the increasing demand for this type of services in the years to come, PBG expects the increase of revenues also in the fuels segment.

The last segment defined by PBG, related to the specialist construction services, is **road building segment.** PBG entered the road building market based on acquisitions of road companies. In 2008, the Company focused on the development of this segment, acquisitions of road companies, restructuring, and financing of the Capital Group companies. These companies play the key role in this market and generate segment results.

Suppliers and customers representing at least 10% of the total revenue from sales

In the reporting period, sales with the following entities represented at lest 10% of the total revenue from sales:

- as the customer: PGNiG; Pomerania Development; Zakład Wodociągów i Kanalizacji Szczecin; Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego - NATO;
- as the supplier: there were no suppliers representing over 10% of total revenues from sales.

VI. SIGNIFICANT CONTRACTS AND AGREEMENTS

Agreements significant for PBG's operations concluded in the reporting period and after the accounting reference date:

date of agreement	parties to the agreement:	objects of the agreement	Terms of Reference
12.02.2009	PBG SA as the Contracting Party and Control Process SA	Two contracts in connection with the implementation of "LMG Project – Central Unit, wellsites, pipelines and other". 1. 1. General Contractor services in the area of wellsites and group units, including design,	Value of contract 1: PLN 183,955,000 net; Value of contract 2: PLN 94,610,000 net; Date of completion: 10 April 2013

		construction, and commissioning of these facilities. 2. 1. General Contractor services in the area of CHP plant, including its construction and commissioning	
16.04.2009	PBG SA – as the Consortium Leader – Contracting Party , and PLYNOSTAV PARDUBICE HOLDING A.S.	Contracts are connected with the agreement signed by the Consortium of companies: PBG SA (Consortium Leader), Tecnimont S.P.A., Société Française d'Etudes et de Réalisations d'Equipements Gaziers "SOFREGAZ", and Plynostav Pardubice Holding A.S. - Plynostav Regulace Plynu A.S. (Consortium Partners) with Polskie Górnictwo Naftowe i Gazownictwo SA for General Contractor services for the investment "Construction of the overground part of Wierzchowice Underground Gas Storage facility 3.5 billion nm3, subphase 1.2 billion nm3".	Value of the contract: PLN 84,178,442.00 Date of completion: 18 November 2009
16.04.2009	PBG SA as the Consortium Leader and PLYNOSTAV REGULACE PLYNU A.S.		Value of the contract: PLN 83,731,000.00 Date of completion: 18 November 2009
04.05.2009	ALPINE BAU DEUTSCHLAND AG – as Consortium Leader, ALPINE BAU GmbH, ALPINE Construction Polska Sp. z o.o., HBP SA, PBG SA – as Consortium Partners, with Narodowe Centrum Sportu Sp. z o.o. – as the Contracting Party	Construction of the multi-function National Stadium in Warsaw with associated infrastructure	Value of the contract: PLN 1,252,755,008.64 net Date of completion: 24 months from the contract signing date
25.05.2009	PBG SA – as the Contractor and Operator Gazociągów Przesyłowych GAZ-SYSTEM SA – as the Contracting Party	General Contractor services for the project "Construction of the Goleniów Gas Compressor Station"	Value of the contract: PLN 54,900,000 net; Date of completion: 17 months from the contract signing date
7.05.2009	PBG SA – Consortium Leader and Tecnimont S.p.a. and Societe Francaise d'Etudes et de Realisations d-Equipements Gaziers „SOFREGAZ" – Consortium Partners	Agreement under the Consortium for the design and supply of the selected systems for the project "Construction of the overground part of Wierzchowice Underground Gas Storage Facility 3.5 billion nm3, subphase 1.2 billion nm3"	Value of the contract: Tecnimont: PLN 283,224,600.00 net, Sofregaz: PLN 176,327,200.00 net; Date of completion: 18 November 2009
19.07.2009	PBG SA – as the Contractor and MAXER SA – as the Contracting Party	Annex increasing the amount of the contract signed with Maxer SA (currently in liquidation) on 6 February 2006 for the project "Construction of the Malczyce barrage on the Odra river"	Financial limit for construction and installation works to be performed by PBG SA under the said contract in 2009-2011 was increased by the net amount of PLN 216,673,815.57; Date of completion: by 30 December 2011

Material agreement criterion:

Legal basis:

§ 5 par. 1.3 of the Regulation of 19 October 2005 on current and interim information provided by issuers of securities.

Art. 56 section 5 of the Public Offering Act – information update. Regulation of 19 February 2009 on current and interim information provided by issuers of securities and on the conditions under which information required by the regulations adopted by countries other than Member States is considered equivalent.

VII. OGRANISATIONAL CHANGES

In the reporting period and after the accounting reference date, the following changes in organisational relations occurred:

Date	parties	type of transaction	description	purpose
2.04.2009	PBG SA	Establishment of a subsidiary – PBG Export Sp. z o.o.	The Company's registered capital amounts to PLN 1,000,000.00 and is divided to 20,000 shares of nominal value PLN 50.00 per share. PBG SA took over 19,990 shares at PLN 50.00 per share, of the total value of PLN 999,500.00. The said shares were paid up for in cash. PBG SA holds shares representing 99.95% of share capital and votes.	PBG Export Sp. z o.o. was established to sing contracts in Poland and abroad and supervise their implementation.
2.04.2009	PBG SA, Hydrobudowa Polska SA	Take-over of interest in HBP KONSTRUKCJE Sp. z o.o. by PBG SA	PBG SA acquired shares of HBP KONSTRUKCJE Sp. z o.o. from HBP SA. PBG SA acquired all 16,100 shares at PLN 500.00 per share, of the total value of PLN 8,050,000.00, for the total price of PLN 9,000,000.00. These shares represent 100% of votes at the General Meeting of Shareholders and of share capital of HBP KONSTRUKCJE Sp. z o.o.	Restructuring of PBG Capital Group and establishment of low-cost companies
9.04.2009	PBG Dom Sp. z o.o., KM Investment Sp. z o.o.	Acquisition of KM Investment Sp. z o.o. by PBG Dom Sp. z o.o.	Acquisition of assets of significant value by PBG Dom Sp. z o.o. following the increase in share capital of KM Investment Sp. z o.o. Share capital was increased to PLN 125,000 by resolution of the Extraordinary General Meeting of Shareholders of KM Investment Sp. z o.o., covering 150 shares of the nominal value PLN 500.00 per share. PBG Dom Sp. z o.o. took over all new shares for PLN 75,000 (book value of the acquired shares recorded in books of PBG Dom Sp. z o.o. was PLN 76,664). Shares acquired by PBG Dom Sp. z o.o. represent 60% of share capital and total vote of KM Investment Sp. z o.o. Change of the name from KM Investment Sp. z o.o. to "Złotowska 51" Sp. z o.o. is currently pending registration by the court.}} The Company is involved in construction of residential units for sale and rental.	Long-term investment involving a real estate development project and construction of residential units for sale and rental
19.06.2009	PBG SA, natural person	Acquisition of shares in Wschodni Invest sp. z o.o.	PBG SA acquired 37,740 shares of per–share nominal value of PLN 100.00, representing 100% of the Company's share capital of the total value of PLN 3,774,000.00 and 100% of the total vote, for the total price of PLN 40,000,000.00. The stake in Wschodni Invest Sp. z o.o. was taken over by the "Seller" as the only shareholder as follows: 500 shares at PLN 100.00 per share, of thr total value PLN 50,000, paid up in cash;37,240 shares at PLN 100.00 per share, of the total value of PLN 3,724,000.00, in exchange for 51 ordinary registered shares series A of the company Energopol - Ukraina incorporated under the laws of Ukraine, of the total amount of PLN 3,724,000.00, representing 51% of the Company's share capital.	PBG SA acquired shares of Wschodni Invest Sp. z o.o. whose portfolio includes the real property development business of Energopol Ukraina with its registered office in Kiev; PBG SA does not intent to change the business profile of these companies. This acquisition is considered by PBG SA as a long-term investment.
			Disclosure of information on the agreement concluded by and between the "Seller" and PBG SA on 30 April 2008 for the conditional acquisition of a stake in Energopol – Ukraina with its registered office in Kiev by PBG SA. The said agreement expired by agreement of the Parties, although the agreed conditions were satisfied. On behalf of the Company, a procedure was commenced to establish a joint-stock company incorporated under the laws of Ukraine – PBG Ukraina. The first phase of Company establishment was completed – the entity was provisonally registered in order to make capital contributions to the Company's share capital and to take actions leading to the final registration of PBG Ukraina. As at today, the Company's share capital will amount to UAH 900,000, i.e. USD 117,000, and the Company will be wholly owned by PBG SA.	Entering the Ukrainian market; PBG Ukraina will operate in the broadly defined construction market.

5.06.2009	PBG Dom Sp. z o.o.	Establishment of a subsidiary – PBG Dom Management Sp. z o.o.	The Company's share capital amounts to PLN 5,000.00 and is divided to100 shares of nominal value PLN 50.00 per share. All shares are equal and indivisible, and each share carries one vote. All shares of PBG Dom Management Sp. z o.o. were taken over by PBG Dom Sp. z o.o. Book value of the said shares as recorded in the Company's accounts: PLN 5,416.00.	The Company's objects include trade in real property, including development projects.
9.06.2009	PBG Dom Sp. z o.o.; City Development Sp. z o.o.	Take-over of additional shares by increasing the share capital of City Development Sp. z o.o.	PBG Dom Sp. z o.o., previosly holding only 1 share of City Development, expressed its intention to take over 53,250 additional shares after the increase in its share capital. The nominal value of the newly issued shares is PLN 50 per share. The acquisition price of one share will be equal to its nominal value. Shares to be taken over by PBG Dom Sp. z o.o. represent 75% of share capital and votes at the General Meeting of Shareholders of City Development Sp. z o.o. The total value of the investment of PBG Dom will amount to PLN 2,662,500.00. City Development owns two properties (land), where more than 300 residential units are to be built. Book value of the said shares as recorded in the accounts of PBG Dom Sp. z o.o.: PLN 2,664,558.00.	Long-term investment involving a real estate development project and construction of residential units for sale and rental
9.06.2009	PBG Dom Sp. zo.o., Concept Development BSD 2 Sp. z o.o.	Take-over of additional shares by increasing the share capital of Concept Development BSD 2 Sp. z o.o.	After the increase in share capital of Koncept Development BSD 2 Sp. z o.o., PBG Dom Sp. z o.o. will take over: - 265 preference shares (one share carries 2 votes); - 970 ordinary shares. After the increase in share capital is registered, PBG Dom will hold the total of 1,235 shares against the cash contribution of PLN 61,750. The said shares will carry 51% of votes at the General Meeting of Shareholders and will represent 37% of share capital of Concept Development BSD 2. The Company Concept Development BSD 2 owns land and construction plans and specifications based on which a building permit was issued. The Company operates in Warsaw. Book value of the said shares as recorded in the accounts of PBG Dom Sp. z o.o.: PLN 71,025.00. The activities of PBG Dom will be financed with loans taken out by the Company.	Long-term investment involving a real estate development project and construction of residential units for sale and rental
1.07.2009	PBG Dom Sp. z o.o., Hydrobudowa 9 SA,	Acquisition of shares in PBG Dom Sp. z o.o. in Górecka Projekt Sp. z o.o.	Acquisition of all shares in Górecka Projekt Sp. z o.o. by PBG Dom Sp. z o.o. from Hydrobudowa 9 SA	This transaction is connected with the reorganisation process in PBG Capital Group – PBG Dom Sp. z o.o. will be responsible for real property management

VIII. BUY-BACK OF TREASURY SHARES

No treasury shares were bought back in the reporting period.

IX. RELATED PARTY TRANSACTIONS

In the reporting period, PBG SA concluded related-party transactions whose total value exceeded the equivalent of EURO 500,000 (expressed in PLN). These transactions were typical, concluded at arm's length, and resulted from current operations of PBG SA and its subsidiaries.
Moreover, some of these transactions resulted from contracts signed with Financial Institutions containing a security in the form of sureties or mutual guarantees granted by PBG Capital Group companies as parties to these agreements.
This approach was defined in the financing strategy adopted by PBG Capital Group.
In addition, PBG SA as the Parent Company with the strongest financial position granted sureties for the repayment of liabilities of PBG Capital Group companies.
The main types of transactions concluded in PBG Capital Group are:

- construction contracts,

- loan agreements,
- suretyship agreements:
    - credit limits,
    - guarantee limits,
    - security limits.

The business of PBG Capital Group companies is based on the activities of highly qualified entities providing complementary services. The goal of co-operation among PBG Capital Group companies is to improve the utilisation of resources of the transaction parties and reduce business risks, e.g. by ensuring appropriate risk allocation. With the proper allocation of risks and division of business functions, the Group is able to:

- achieve higher turnover based on long-term planning of the utilisation of its resources and investments and ensuring continuous demand for its products and services;
- achieve the Group's strategic goals – maintaining the leading position among the comparable entities and gaining a "monopoly rent" depends on the proper organisation of a Capital Group able to respond to the specific market demands;
- reduce business risks – a co-operating group of related entities either reduces or altogether eliminates the dependence on day-to-day business changes and their impact on the Capital Group's financial situation;
- offer competitive products and services and achieve the resulting growth in turnover and profitability;
- reduce business costs by minimising expenses and ensuring more efficient use of resources;
- reduce procurement costs and increase the Group's bargaining power in price negotiations;
- achieve financial savings with a surety granted by PBG. Beyond any doubt, grant of a surety for a related-party liability and a security for its repayment enables faster implementation of a contract, which may add to a more efficient management of PBG CG companies and more efficient utilisation of their resources.

X. APPROPRIATION OF PROCEEDS FROM THE 4TH ISSUE OF SERIES G SHARES

Series G shares were issued in June 2009.

1. Objectives of the 4th issue of shares

1. Acquisition of companies from the power construction sector (PLN 80-100 million).
2. Acquisition of the Ukrainian company (about PLN 40 million).

3. Investments in raw material base – aggregate mining facilities (PLN 30-40 million).

2. Appropriation of proceeds from the 4th issue of shares

Following the issue of 865,000 series G shares without pre-emptive rights at the selling price of PLN 220 per share, the proceeds of PBG SA exceeded PLN 190 million. These proceeds were used as planned. Until the date of submission of the financial statements, PBG SA used the proceeds to implement objective 2. The transaction of acquisition of the Ukrainian company was closed in June 2009. PBG acquired a 100% stake in Wschodni Invest, direct owner of 51% of shares in Energopol-Ukraina. The total value of this transaction was PLN 40 million.

XI. EXPLANATION OF DISCREPANCIES BETWEEN ACTUAL FINANCIAL RESULTS AND FORECASTS

The Company does not publish separate forecasts of PBG SA, only a forecast of the year-end consolidated result of PBG Capital Group.

XII. ASSESSMENT OF FINANCIAL ASSETS MANAGEMENT

The strategy of financing of PBG SA was introduced in 2004. In 2009, it was still implemented.

In view of the future dynamic growth of PBG Capital Group, limits were increased i.a. by increasing the limit in ING Bank Śląski SA granted to implement the contract “"Construction of the overground part of Wierzchowice Underground Gas Storage Facility”, and by signing a new contract with Nordea Bank Polska SA for the limit of PLN 115 million.
The total amount of bank and insurance limits granted to PBG SA and earmarked for the financing of the Company’s current operations and investments, as well as currency market transactions, totalled PLN 2.250 million as at 30 June 2009.
Consistent implementation of this financing strategy allowed the Company to:

1. maintain diversified sources of financing,
2. improve the availability of bank and insurance products on offer,
3. standardise products and services offered to PBG SA,
4. reduce the level of security for bank lines,
5. relate bank and insurance products to specific contracts based on Project Finance rules.

Availability, flexibility and standardisation of bank products allowed PBG SA to relate these products directly to the contract and adjust them to its cash flows, which significantly reduced operating risks of PBG SA (in the opinion of the Financial Institutions). Principles of controlling adopted by PBG SA and monitoring carried out by Financial Institutions allowed to settle the Company's payables from contract cash flows automatically.

Risks related to financial resources:

- implementation of contracts up to 4 years with annual periods of credit limits,
- prolonged business cycle periods for UE contracts – longer than standard payment periods adopted by the banks, risk of negative changes of interest rates and currency rates.

According to the Management Board, given the present situation there is no risk of the reduced availability of bank and insurance limits.

Actions taken to minimise these threats:

- diversification of financial resources – banks, insurance companies, brokerage houses, the capital market,
- on-going monitoring of the utilisation of resources by PBG SA,
- implementation of procedures in accordance with the Integrated Management Systems in place,
- assigning specific bank products to specific contracts for the active controlling by the Financial Institutions.

XIII. FINANCIAL INSTRUMENTS USED

Financial instruments are used in relation to:

1) price change risks
   a) Description: increase in prices of materials and services provided by subcontractors during contract implementation vs. prices defined in the contract budget.
   b) How to minimise: contracts with a "stop cost" clause and earlier payment option.
   c) Instruments: hedging of fixed cost contracts, delivery in phases, subsequent adjustment and discount. Each contract has its cost estimate with a separate sub-ledger account where all costs are recorded.
   d) Objectives: hedging of contract profit margins and reduction of similar costs for various contracts based on economies of scale.
   e) Risk management methods: analysis of profitability and liquidity for each contract, on-going monitoring.

2) credit risks
   a) Description: to maintain credit limits for the optimum management of working capital.

b) Financial strategy: diversification of limits earmarked to finance the Group's current operations among 10 banks, in the total amount of PLN 1,467.3 million, of which PLN 1,214.5 million for credits and guarantees.
c) Instruments: co-operation based on uniform undertakings (pari passu, material change, negative pledge) confirmed in an unqualified annual opinion of the certified auditor sent directly to all Financial Institutions. Extending the use of various products offered by banks and insurance companies.
d) Objectives: flexibility in the utilisation of limits for individual Capital Group companies, products and currencies.
e) Risk management methods: moving the focus (weight) from the Company's financial assessment to the assessment of the contract whose cash flows are considered reliable by Financial Institutions.

3) liquidity risks
   a) Description: the Company's potential inability to fulfil its obligations.
   b) How to minimise: close monitoring of cash flows at the level of each contract and adjusting inflows and outflows over time, based on bank limits for the settlement of long business cycles for individual contracts.
   c) Instruments: analysis sheets for the structure of payables and receivables and adjustment of these variables over time to avoid the risk.
   d) Risk management methods: on-going monitoring and analyses of the liquidity threshold and safety margin.

4) interest rate risks
   a) Description: adverse change in interest rates affecting the Company's financial result.
   b) How to minimise: define a strategy based on macroeconomic recommendations of the banks.
   c) All liabilities incurred by the Company in respect of the Financial Institutions are based on a variable interest rate with base rate from 1 to 6 months.
   d) Instruments: IRS transactions.

5) currency risks
   a) Description: risk of negative changes in currency rates resulting in an increase of costs and expenses under the implemented contracts or reduction of revenues and inflows.
   b) The adopted Strategy defines hedging instruments, methods and timing, as well as principles of measurement of hedging instruments. The Company uses hedge accounting. The available transaction limits fully secure the current and planned

portfolio of contracts at the planned exchange rate adopted in the budget for each contract.

c) Instruments: forward transactions, NDF

d) Risk management methods: hedging currency risks with the above instruments when contracts are signed, with termination and settlement as at the date of revenue from hedged contract.

6) insurance risks

a) Description: the Company may be unable to provide insurance for the implemented contracts; in addition, insurance (and the resulting compensation) may lose its replacement nature in the event of any force majeure if a wrong insurance package is used.

b) The insurance strategy aimed at achieving a complete insurance coverage.

c) Instruments: individually adjusted to each contract to meet specific contract requirements.

d) Risk management methods: centralised management of the insurance portfolio.

XIV. MAIN CAPITAL EXPENDITURES AND EQUITY INVESTMENTS, AS WELL AS FEASIBILITY OF INVESTMENT PLANS

1. Main capital expenditures and equity investments

Main capital expenditures of PBG SA in H1 2009

No.	Item	Amount in PLN '000 (in PLN '000)
1	Outlays on the ORACLE system	762
2	Infrastructure for project-related supplies	256
3	Virtualisation	220
4	Purchase of transport vehicles	140

Major equity investments of PBG S.A. in H1 2009

No.	Item	Amount in PLN '000 (in PLN '000)
1	Acquisition of shares in Wschodni Invest Sp. z o.o.	40 000
2	Payments on account of the acquisition of assets	10 380
3	Acquisition of Hydrobudowa Polska Konstrukcje Sp. z o.o.	9 290
4	Acquisition of shares in Poner Sp. z o.o.	3 850
5	Acquisition of shares in Bathinex Sp. z o.o.	1 071

2. Feasibility of investment plans

Cash from proceeds from the issue of series G shares held in June 2009 by PBG SA and the concluded credit agreements fully cover the planned outlays connected with the currently implemented projects (capital expenditure and equity investments). In H1 2009, the Group spent PLN 5.6 million on PP&E investments and just over PLN 32 million on equity investments. In 2009, the planned value of PP&E outlays will equal the replacement value. The planned value of equity investments is PLN 50-100 million.

XV. ASSESSMENT OF FACTORS AND EXTRAORDINARY EVENTS

In H1 2009, there were no extraordinary events with any significant impact on the financial results of PBG SA.

XVI. IMPACT OF CURRENCY HEDGES ON THE RESULTS OF PBG SA

In FY 2009, PBG SA concluded hedging transactions relating only to the future planned currency exposures and using standard forward instruments. PBG SA concluded no financial instruments such as currency options. Hedging transactions were concluded in accordance with the adopted hedging policy, were related to contracts signed with investors and suppliers (mainly denominated in EUR and CAD), and had no speculative character, as they were concluded under the adopted hedging policy in order to secure future cash flows from revenues from sale (under the implemented long-term construction contracts) and cost of sales.

With open positions in the currency market, PBG SA has currency hedges for a portion of its cash flows (connected with revenues from sale) for FY 2009 – in the amount of EUR 17 million (of which EUR 17 million in H2 2009) and for FY 2010 – in the amount of EUR 2 million (of which EUR 2 million in H1 2010). These transactions were concluded at the weighted average forward exchange rate of 3.46 EUR/PLN. According to data received from banks, the carrying amount of open positions on forward hedges as at 30 June 2009 totalled PLN –7.7 million; the amount of –1.52 million was recognised in the Company's profit or loss, including 0.09 million in the Company's income statement for 2009, while the remaining portion (-6.18 million) was recognised in equity. Result on forward contracts realised (settled) in 2009 totalled PLN –5.71 million, which was recognised in profit or loss.

For a portion of cash flows related to cost of sales, PBG SA has open positions in the currency market for 2009 in the amount of CAD 2.35 million (of which CAD 2.35 million in H2 2009) and for

2010 and the following years in the amount of CAD 30.72 million (of which CAD 9.7 million in H1 2010). These transactions were concluded at the weighted average forward exchange rate of 2.16 CAD/PLN. According to data received from banks, the carrying amount of open positions on forward hedges as at 30 June 2009 totalled PLN 21.26 million, of which PLN 7.52 million was recognised in the Company's profit or loss. Result on forward contracts realised (settled) in 2009 totalled PLN 0.25 million, which was recognised and recorded in the consolidated income statement.
Hedging contracts are concluded in accordance with the Company's policy of currency risks hedging.

This strategy is based on the adjustment of hedging instruments to the planned transactions of the hedged contract, taking into account net currency exposure, offered exchange rate, timeframe, as well as quantitative distribution of currency revenues by quarters. As the impact of currency risks on the Company's result shall be reduced to a minimum, it was agreed that they shall use forward transaction to hedge these risks. PBG SA uses hedge accounting, which requires the measurement of the effectiveness of hedges every quarter.

To make sure that the effects of a hedge are not recognised in a different period than the hedged item, a change in the method of assessment of hedge effectiveness for forward transactions in PBG SA was introduced as of 1 January 2009, which should keep the impact of foreign exchange rates on the Company's results at a minimum in subsequent quarters. This new method is applicable to new transactions and to transactions that became ineffective in the previous reporting period and may be allocated to the hedged item. Measurement of the ineffective instrument shall be recognised in profit or loss of the previous year, and the new method of assessment of hedge effectiveness shall be applied to the change in the measurement of the hedge. This new method consists in the differentiation of the spot portion and interest portion from the hedge measurement. The interest portion is recognised in profit or loss on financing activity, while the spot portion is recognised in equity.

XVII. RISKS AND THREATS. FACTORS INFLUENCING THE DEVELOPMENT OF PBG SA

External factors

1. Competition risk

PBG SA operates in the competitive market of specialist construction services, mainly in the gas, oil, and fuel sector, as well as water supply and sewerage and road building. Apart from prices, the key factor determining the competitiveness of any company is its experience (track record) in the completion of complex, specialist projects, good customer references, high quality of services, and efficient organisation ensuring timely performance of contracts in line with the efficiency assumptions.

PBG SA reduces competition risks by:

- Selecting niche products and services,
- Focusing on high quality of services,
- Consistent improvement of qualifications in the area of cutting-edge technologies with the goal to develop a competitive offer and ensure its optimum market placement,
- Diversification of business areas,
- Forming strategic alliances with well-known foreign companies operating in the Polish market and abroad.

In addition, competition risks may be minimised by the Company's decision to gain new markets for its products and services.

2. Economic situation in Poland

Despite the global economic slowdown, Poland still handles the financial crisis better than other EU Member States. In Q1 FY 2009, Poland recorded an increase in GDP of 0.8 % y/y, and according to the forecasts of the Minister of Finance, the growth in GDP in Q2 will reach 0.1-0.3%, allowing Poland to record positive GDP growth at year end. This significant growth in GDP in Q1 2009 resulted from high consumer demand (3.3% y/y) and positive balance of foreign trade (higher drop in imports vs. exports). In H1 2009, the Monetary Policy Council continued the efforts to loosen the monetary policy by reducing interest rates. As at the end of Q2 2009, the reference rate of the National Bank of Poland was 3.50% vs. 5.00% at previous year end. This trend in the monetary policy resulted also from the lower inflationary pressures in Q2 2009. In H1 2009, CPI dropped to 3.5 % y/y, mainly because of the falling prices of food.

Achievement of strategic goals and financial results planned by PBG SA is also determined by the above-mentioned macroeconomic factors: GDP growth, inflation rate, general economic situation in Poland, and changes in legislation. Unfavourable changes of macroeconomic indicators may reduce the planned revenues or increase operating costs.

Forecasts for the Polish economy for the coming months assume further drop in GDP. It is caused mainly by the economic downturn in the USA and the Euro zone, resulting, among other, in the reduced access to the financing of new investments, drop in export sales, rise in unemployment rate, drop in consumption, and the resulting further downward inflation trend and higher trade deficit. The effects of this slowdown also include a drop in prices of building materials, and access to cheaper labour and subcontractors, which may reduce operating costs and consequently increase the Company's profitability. Please note, however, that the reduction in business activity in Poland will not be as significant as in other countries. It will result mainly from the utilisation of the EU funds earmarked for Poland, primarily for infrastructure investments, environmental protection projects, and investments related to the European Football

Championship EURO 2012. Projects implemented currently are still financed from the Cohesion Fund (EUR 4.5 billion for 2004-2006). In addition, projects co-financed by the EU from the approved Community budget for 2007-2013 are also launched, with EUR 63 billion earmarked for Poland.

3. Poland’s membership in the European Union

Poland’s membership in the EU encouraged international companies providing services similar to those offered by PBG SA to enter the Polish market. This may increase market competition and reduce profit margins.

Having signed several contracts of considerable value, the Company has proved that it is well prepared to compete with foreign companies.

On the other hand, opening of the European markets may be an opportunity for PBG SA to enter brand new geographic markets.

To fully benefit from the opportunities resulting from Poland's membership in the EU, PBG SA:

- Forms strategic alliances with foreign companies operating on the Polish market to implement joint projects,
- Implements and develops good management culture,
- Offers high quality of services confirmed by the following standards: PN-EN ISO 9001:2001, PN-EN 729-2, AQAP 2110:2003,
- Consistently improves qualifications of its staff, especially in the area of unique cutting-edge technologies, with the goal to develop a competitive offer and ensure its optimum market placement.

Internal factors

1. Unfavourable changes in tax regulations

In Poland, tax regulations related to taxation of business activities are subject to frequent changes. Therefore, there is a risk of changes in tax regulations currently in effect and introduction of less favourable tax regulations for the Company or its customers, which may in turn affect the Company’s financial results, either directly or indirectly.

2. Currency rates

In FY 2008 and H1 FY 2009, unexpected changes affected the Polish foreign currency market. In H1 FY 2008 PLN was strengthening, especially vs. USD and EURO. In H2 2008, a considerable depreciation of PLN was recorded. It was caused by a number of factors, not necessarily based on the Polish economy as such. Currency exchange risks have a direct impact on PBG SA, as the Company implements contracts co-financed from EU funds, denominated mostly in EURO. In addition, certain contract-related costs (usually purchase of equipment) are also denominated

in foreign currencies: EURO and CAD. The Company minimises currency risks by using the appropriate financial instruments and by passing part of the currency risk to its subcontractors and suppliers of materials and equipment. Similarly, in the case of purchase of foreign machinery and equipment of significant value required for the performance of contracts, foreign exchange risk is minimised with financial instruments available on the market.
In the future, currency risks will be minimised with the expected change in the currency of contracts financed with the EU funds from EUR to PLN (some of the new contracts are already denominated in PLN).
In the long-term perspective, this risk will be further reduced as Poland will join the EURO zone.

3. Seasonality of sales in the sector

The majority of revenues from sales are generated by PBG SA in the construction and installation sector, where sales are seasonal (it is typical for this sector as a whole). Seasonality of sales depends mainly on the following factors which are beyond the Group’s control:
- weather conditions in the winter season, when many works cannot be carried out. Difficult weather conditions (more adverse than usual) may also reduce the Company's revenues.
- the majority of investment cycles planned by customers are completed in the last several months of the year.

As a result, revenues generated by PBG SA are the lowest in Q1 and their significant increase is recorded in H2.

4. Losing the key staff

The business of PBG SA is based primarily on the knowledge and experience of highly qualified staff, especially engineers.
There is a potential risk of staff churn involving employees of key importance for the Company’s development, which in turn might affect the quality of its services. However, the situation in the Polish labour market has deteriorated, the unemployment rate was on the rise, and forecasts for the coming months do not expect that this trend will be reversed, which obviously reduced the risk of losing the key management personnel and strengthened the relations between PBG SA and its employees.
The risk of losing key staff is also reduced by the following factors:

- Well-developed internal corporate culture in PBG SA and employees’ identification with the Company;
- Development of the incentive-based and loyalty-based remuneration programmes;
- Knowledge management and extensive training programme;
- Good opportunities for the personal and professional development in a dynamically developing Company.

5. Risk related to non-performance of contracts

Construction contracts contain a number of clauses regarding the proper and timely performance of the contract, elimination of defects, and guarantee deposits or contract performance bonds (bank or insurance guarantees) provided by the company.

Contract performance security is usually provided on the contract signing date and settled after the contract is completed. The amount of this security depends on the type of contract; it usually amounts to 10%. In the case of non-performance or improper performance of contracts signed by the PBG SA, there is a risk that the Company's customers may claim contractual penalties to be paid or the contract to be terminated.

To minimise this risk, PBG SA makes sure that:

- contracts are insured (including subcontractors),
- organisation is consistently fine-tuned based on a training programme to prepare a group of employees to become certified project managers, and the extensive use of IT tools in the process of design and management of projects.

6. Dependence on key customers

PGNiG is currently the main customer of services rendered by PBG Capital Group companies in the natural gas and crude oil segment. Two contracts of high unit value are currently implemented for this customer (nearly PLN 2.5 billion). They are the biggest-ever contracts implemented by PBG as part of PGNiG investments. Please note that the strategy of PBG SA assumes implementation of projects of high unit value, which may increase the share of sales to one customer vs. total sales. To reduce the risk of dependence on its key customers, PBG SA signs contracts with new customers for its services, including the Army-NATO, PKN Orlen, PERN, LOTOS, Naftobazy, OLPP, and foreign customers. In 2009, the share of the biggest customers in PBG's revenues from sale did not exceed 20%.

The Company plans to continue to minimise this risk by:

- diversifying sources of revenues and gaining new customers,
- signing contracts financed with the EU funds (in particular with local governments as contracting parties),
- entering foreign markets.

7. Risk related to on-going operations

Operations of PBG SA, especially works involving any running equipment and facilities, may be a potential source of threats, including the possibility of a breakdown causing human or property losses.

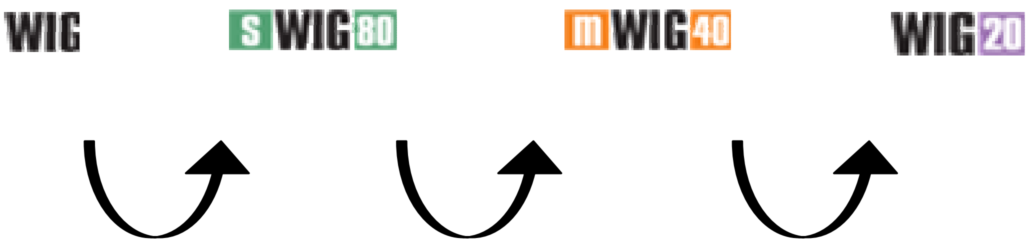
The Company counters this risk by:

- Insuring operations of Capital Group companies against civil liability;

- Providing new, up-to-date personal protective equipment to employees on an on-going basis,
- Training and development of staff qualifications,
- On-going control of all facilities and equipment used,
- Regular H&S training and supervision.

XVIII. STRATEGY OF PBG SA AND ITS CAPITAL GROUP

The strategy of PBG SA is focused on the systematic and long-term increase in value of its Capital Group by creating one of the biggest construction groups in Central and Eastern Europe.



These goals will be attained based on:

- dynamic increase in revenues from sale while maintaining the leading position among the most profitable construction companies with comparable business profile listed in the Warsaw Stock Exchange;
- signing and implementing profitable contracts of high individual value using synergies resulting from the combined input of the Capital Group companies,
- diversification of business – road construction, industrial facilities, underground car parks, the subway, and sports facilities,
- expansion on specialist construction markets, e.g. power construction sector;
- expansion on foreign markets.

Actions taken to implement the strategy of PBG SA and its Capital Group in the nearest future will be focused primarily on:

1. Strengthening the market position in the natural gas and crude oil segment by signing and implementing the biggest contracts in Poland;

2. Strengthening the market position in the infrastructure and hydro-technical segments by:

- consolidation of Hydrobudowa Polska and Hydrobudowa 9;
- extending the business profile by implementing contracts related to the construction of subway, underground car parks, and industrial facilities;

- participation in contracts connected with the organisation of the European Football Championship EURO 2012 in Poland.

3. Expansion of business in the local road construction market based on:

- investments in road companies and signing contracts of high unit value;
- participation in projects in order to gain access to deposits of aggregates necessary to build roads and railways.

4. Expansion on foreign markets based on:

- signing contracts for the construction of natural gas and crude oil facilities of ever-increasing individual value for investors in Norway;
- implementation of export contracts in co-operation with Polish banks;
- launching business operations in Ukraine based on the acquisition of an Ukrainian company;
- strategic alliances with global players.

5. Expansion of business in the power construction market based on:

- acquisitions of companies operating in the power construction market;
- co-operation with the leading companies in the Polish market in order to participate in the largest tenders in Poland;
- co-operation with foreign partners;
- participation in tenders of ever-increasing individual value.

6. Streamlining the Group's structure and organisation to reduce its operating costs based on:

- establishment of low-cost project implementation companies responsible for the implementation of contracts with low individual value;
- moving the head offices of subsidiary companies to the headquarters of PBG in Wysogotowo, using the remaining buildings and land.

7. Investments in infrastructure operation projects bringing long-term and stable revenues;

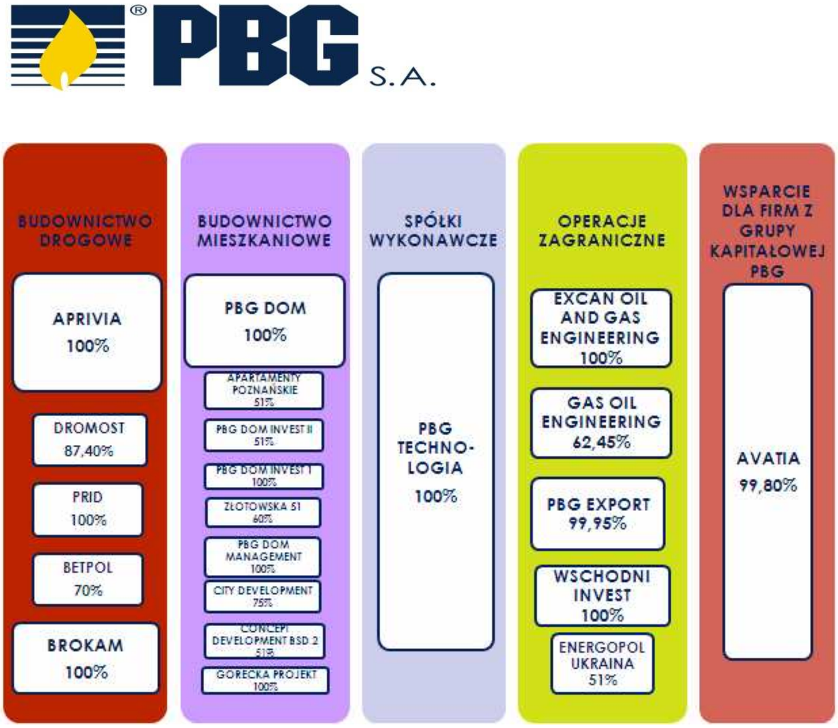
8. Securing the optimum financing for the Capital Group's operations based on:

- short- and long-term sources of financing to secure the optimum financing of operations and investments;
- effective utilisation of proceeds from the issue of 865,000 series G shares to be earmarked for investments and further development, and in particular for the acquisition of companies to implement projects in the power construction market,
- organisation of financing for long-term investment projects.

Strategy in practice

Achievement of the above strategic goals will be based, among others, on good organisation of the Capital Group in specific areas of activity.

Presented below is the organisational structure of the Capital Group (share of PBG in the total vote is given) as at 30 June 2009.



As at the date of submission hereof, the organisation of PBG Capital Group did not change.

Business model

The business model of PBG Capital Group is based on the provision of specialist construction services. The Group gradually increases its revenues and gains by entering new markets and niche segments, where competition is lower due to the specific requirements (top qualifications, experience, and customer references). Operational and strategic management of PBG Capital Group is based on a simple structure, with one Leading Company responsible for each area of business, including the signing of contracts, development of services, organisation of financing, and consolidation of other entities. PBG Capital Group provides its services to customers by performing a portion of technologically advanced works on its own, and outsourcing reliable subcontractors to perform simple works. Based on this model, contracts are implemented in accordance with the adopted schedule and within the agreed budget. By performing specialist works and focusing on niche markets, PBG Capital Group records one of the highest profitability ratios among all construction companies listed in the WSE.

The **natural gas and crude oil segment** is the area of responsibility of the Parent Company PBG, which has been involved in this type of business since the very beginning. PBG is the leader in this business in the Polish market thanks to the strategic alliances with international companies and introduction of cutting-edge technological solution to the Polish market. Customer references and a proven track record were used to sign the largest contracts implemented in Poland in this area. The natural gas and crude oil market is a very important segment of the Group's business, with the significant share in the Group's result expected in the next several years.

The **infrastructure market, including environmental protection and hydro-technical segments** is another important market for PBG Capital Group. **Hydrobudowa Polska SA**, also listed in the WSE, is the leader in this segment. Hydrobudowa Polska is a very competitive company, using its potential, experience, and customer reefrences to win the largest contracts co-financed with EU funds and implemented under the EURO 2012 investments (European Football Championship in Poland). Hydrobudowa Polska SA has its own Capital Group. In 2008, the Company closed the acquisition of Hydrobudowa 9 from its former shareholders. As a result of this transaction, Hydrobudowa Polska will took over 100% of shares in Hydrobudowa 9 based on the issue of shares only to the former shareholders of Hydrobudowa 9 in exchange for the transfer of all its assets to Hydrobudowa Polska. In addition, Hydrobudowa Polska acquired PRG Metro. This acquisition extended the business profile of PBP Capital Group by adding new, attractive markets – construction of subway or underground car parks.

Waterworks and sewerage systems renovation market is a specific market, considering the limited competition and technological solutions available. While looking for niche markets, PBG found its spot in this market. **Infra** is the leader in this segment. The company is currently implementing the largest renovation contracts in Poland. Considering its fast growth to date and a promising market, Infra SA is building its own Capital Group in order to improve its project implementation potential. Renovation services require cutting-edge technologies and therefore competition in this market comes mainly from abroad, which in turn results in good profit margins. In 2007, Infra acquired PRIS, followed by a stake in Wiertmar in 2008.

Road building is a new, strategic area of the Group's business. Road projects are co-financed by the EU and are given a priority by the Polish government in view of the EURO 2012 championship organised in Poland. This business will ensure further dynamic increase of the Capital Group's revenues. In addition, it will keep profit margins within PBG Capital Group, mainly with the implementation of contracts for the construction of sewerage systems, where a considerable part of works are replacement/reconstruction works. In this segment of its business, PBG CG will implement contracts related to the construction of local roads (municipality- and district-level roads). In addition, a new company Brokam operates in this segment in connection with an investment into aggregate mining facilities. Its task is to secure the access to aggregate to companies from the road building segment and other Capital Group entities. Last year, another company joined the road construction segment – Betpol; its task is to support other road companies both in terms of project implementation potential and customer references. In addition, in 2008 PBG established another entity in this segment – Aprivia. The task of Aprivia is to strengthen the position of PBG Capital Group in the area of road construction, including the signing and implementation of contracts and organisation of financing.

Foreign business is another strategic segment of PBG Capital Group's business. Acquisitions of foreign companies make it possible for the Group to enter foreign markets and enhance its project implementation potential in Poland, incuding e.g. the design activities and project management. As a result, a new area of the Group's business is created. The Slovak engineering company Gas Oil Engineering AS was the first acquisition in this segment. Another company Excan Oil And Gas Engineering Ltd. was also established in Canada, with 100% of shares held by PBG SA. As part of its foreign expansion strategy, PBG SA is now entering the Ukrainian market based on the acquisition of Energopol-Ukraina. This acquisition was closed in June 2009. Despite the current difficult economic situation in Ukraine, in the long term this market will be a very promising market for PBG SA, especially considering the expected aid for Ukraine for the upgrade os its gas pipelines. The amount of this aid is expected at EUR 2.5 billion and will present an opportunity to win large contracts in the gas segment. Investments in environmental protection and water segments are also necessary to adjust the sewerage systems and waterworks to the European standards; these projects will be co-financed by the EU. In addition, to strengthen its foreign business, in April 2009 PBG established a new entity PBG Export, focusing on the award and implementation of export contracts. The overriding objective of all these actions is to implement the strategy of PBG focusing on the creation of the largest construction and engineering company in Central and Eastern Europe.

Construction of buildings is an additional business segment. In the long term, this business may be of great importance for the entire Capital Group. In this segment, the company **PBG Dom** was established. Its task is to manage the Capital Group's real estate and ensure its efficient use or sale. Long-term plans of PBG include its own real estate development business, not only as a contractor but as a developer. To create its own land bank, the Group is now buying attractive plots to be used for real estate development projects when the downturn in the residential construction market reverses. To this end, PBG Dom was quickly joined by four new entities.

To optimise the Group's structure and organisation and reduce its operating costs, **PBG Technologia** (formerly Hydrobudowa Konstrukcje) was established. This Company will be responsible for the implementation of smaller contracts and focus its services on project implementation only. In addition, Górecka Projekt and its assets was taken over by PBG Dom from Hydrobudowa 9.

Investments in the broadly defined infrastructure operation business might play a key role in the future business of PBG Capital Group, ensuring long-term and stable revenues. This business includes, among others, transmission of natural gas, renewable energy, and waterworks.

In the nearest future, in accordance with the strategy adopted by PBG Capital Group, the Group will establish or acquire companies operating in the power construction market.

XIX. KEY ACHIEVEMENTS IN RESEARCH & DEVELOPMENT

In the reporting period, PBG SA recorded no achievements in the area of R&D which could significantly influence its financial result.

XX. CURRENT AND FORECAST FINANCIAL STANDING

All financial ratios and data are based on the underlying financial statements prepared in accordance with the International Accounting Standards.

As at the end of H1 2009, PBG recorded an increase in its revenues from sales – up by 43% vs. the previous corresponding period. The Company's revenues increased from PLN 203,967 k in H1 2008 to 290,930 k as at the end of H1 2009. Cost of sales in the reporting period increased by 48%, reaching PLN 240,049 k.

PROFITABILITY RATIOS

RATIO	CALCULATION FORMULA	1H 2009	1H 2008
Gross profit margin	profit before tax / revenues from sales *100	17.49%	20.28%
Return on sales (ROS) – profit margin	profit from sales / revenue from sales *100	11.37%	13.02%
Operating profit margin	operating profit / revenues from sales *100	12.14%	13.61%
Net profit margin	net profit / revenues from sales *100	10.35%	8.63%
ROA	net profit / total assets *100	1.74%	1.45%
ROE	net profit / equity *100	3.10%	2.39%

The higher growth in cost of sales compared to revenues from sale affected the Company's profitability ratios at practically all levels of the income statement. Please note, however, that as of 1 January 2009, the Company has capitalised its borrowing costs under variable contract costs, which affected directly both gross profit margin and operating profit margin. In addition, general administrative expenses were up by only 20% in the reporting period. Increase in general administrative expenses was much slower than increase in other costs. Analysis of the compared reporting periods shows a drop in gross profit margin to 17.49%, i.e. down by 2.79%, a drop in ROS to 11.37%, i.e. down by 1.65%, and a drop in operating profit margin to 12.14%, i.e. down by 1.47%. Net profit margin increased to 10.35%, i.e. up by 1.72% vs. the end of H1 FY 2008.

As at the end of H1 2009, Return on Assets (ROA) was up by 0.29 percentage points compared to H1 2008 – from 1.45% to 1.74%. It resulted mainly from the higher growth in net profit (71%) compared to growth in total assets (43%).

Return on equity (ROE) as at the end of H1 2009 amounted to 3.10%, i.e. 0.71 percentage points higher than as at the end of H1 2008.

LIQUIDITY RATIOS

RATIO	CALCULATION FORMULA	1H 2009	1H 2008
Current ratio	current assets / short-term payables	2.57	2.96
Working capital (in PLN '000)	current assets - short-term payables	676,911	419,620
Working capital to total assets	working capital / total asses	39.19%	34.67%

As at the end of H1 2009, current ratio was down vs. the previous corresponding period. It amounted to 2.57 vs. 2.96 as at the end of H1 2008. Both in H1 2009 and H1 2008, the Company would be able to repay its liabilities immediately.

In the reporting period, increase of working capital was recorded. As at the end of H1 2009, it reached PLN 676,911 k, compared to PLN 419,620 k as at the end of H1 2008 (up by 61%). Interpretation of working capital is rather obvious: its increase is a sign of a better financial situation of an entity, as working capital is a liquid reserve which may be used by an entity to meets its current needs. The share of working capital in total assets as at the end of H1 2009 totalled 39.19% and was up by nearly 5 percentage points compared to the previous corresponding period.

EFFICIENCY RATIOS

RATIO	CALCULATION FORMULA	1H 2009	1H 2008
Inventory turnover ratio (days in inventory)	average inventory * 180 / cost of sales	17	17
Receivables turnover ratio (days in receivables)	average trade receivables * 180 / sales	255	184
Payables turnover ratio (days in payables)	average trade payables * 180 / cost of sales	151	61

Receivables turnover ratio and payables turnover ratio increased in H` 2009, while inventory turnover ratio did not change vs. the previous corresponding period. In the reporting period, inventory turnover ratio (days in inventory) was 17 days, i.e. the same as in the previous corresponding period. In H1 2009, the Company settled its payables faster than it collected its receivables. Receivables turnover ratio (days in receivables) was up by 71 days and reached 255 days. Payables turnover ratio (days in payables) was up by 90 days and reached 151 days. Cash conversion period calculated as the difference between the total of days in inventory and days in receivables on the one hand, and days in payables on the other hand, reached 121 days in H1 2009 (vs. 140 days in H1 2008). It means that the Company reduced the level of financing of current assets with equity by 19 days.

SOLVENCY (DEBT) RATIOS

RATIO	CALCULATION FORMULA	1H 2009	1H 2008
Total debt ratio	debt / total equity	0.44	0.39
Equity to debt ratio	total equity / total debt	1.28	1.55
Long-term debt	long-term payables / total equity	0.19	0.21
Short-term debt	short-term payables / total equity	0.25	0.18
Long-term capital to non-current assets ratio	equity + long-term payables / non-current assets	2.09	1.73
Debt to equity ratio	total debt / total equity + provisions	0.77	0.64

Total debt ratio (debt to total equity) was up by 5 percentage points compared to H1 2008. The share of borrowings in the structure of financing as at the end of H1 2009 reached 44%, compared to 39% as at the end of H1 2008.

Long-term-term debt in H1 2009 totalled 19%, up by 2% vs. H1 2008. Short-term debt as at the end of H1 2009 was up by 7% vs. the previous corresponding period.

Equity to debt ratio as at the end of H1 2009 reached 1.28. This result is lower than recorded by the Group as at the end of H1 2008. It still means that the Company's equity covers all of its debt, and it's even higher by 28%.

Long-term capital to non-current assets ratio as at the end of H1 2009 totalled 2.09 compared to 1.73 in the previous corresponding period. It means that in H1 2009, the Company's non-current assets could be financed with equity + provisions and long-term payables in 209%.

Debt to equity ratio as at the end of H1 2009 totalled 0.77 compared to 0.64% as at the end of H1 2008. It means that per each PLN 1 of equity, the Company had PLN 0.77 of borrowings. This result was slightly worse than in the corresponding period.

ASSET MANAGEMENT RATIOS

RATIO	CALCULATION FORMULA	1H 2009	1H 2008
Assets turnover ratio	total revenues from sales / total assets	0.17	0.17
Fixed assets turnover ratio	revenues from sales / fixed assets	0.47	0.35

Assets turnover ratio did not change in H1 2009 compared to the previous corresponding period (17%), as the increase in revenues from sale was the same as the increase in net assets (43%). Fixed assets turnover ratio was up by 12 percentage points vs. the previous corresponding period, reaching 47%.

CHANGES IN THE INCOME STATEMENT

PBG SA – Income Statement (in PLN '000)	1H 2009	1H 2008	1H2009/1H2008
Revenues from sale of products, goods and materials	290,930	203,967	143%
Cost of sales	240,049	162,610	148%
Gross profit (loss) on sales	**50,881**	**41,357**	**123%**
Selling expenses	0	0	0%
General administrative expenses	17,813	14,809	120%
Profit on sales	**33,068**	**26,548**	**125%**
Other operating revenues	3,452	2,054	168%
Other operating expenses	1,204	847	142%
Operating profit (loss)	**35,316**	**27,755**	**127%**
Financial revenues	11,297	11,679	97%
Financial expenses	10,064	17,358	58%
Profits/losses from investments	0	920	0%
Profit (loss) before tax	**36,549**	**22,996**	**159%**
Income tax	6,439	5,398	119%
Net profit	**30,110**	**17,598**	171%

As at the end of H1 2009, the Company's net profit totalled PLN 30.11 million and was up by over PLN 12 million vs. the result recorded as at the end of H1 2008 – i.e. up by 71%. In addition, the increasing trend in financial results was maintained at practically all levels of the Income Statement: gross profit on sales was up by 23% vs. the previous corresponding period, profit on sales was up by 25%, and operating profit was up by 27%.

Revenues from sales

In H1 2009, the Company's **revenues from sale** totalled **nearly PLN 291 million, up by 43%.** The largest share in reveues from sale was represented by the **natural gas and crude oil segment** –

over **31.7%**. The second largest segment was **residential and industrial construction**. The share of this segment in total revenues from sales totalled **22.8%** in the reporting period. **Water segment** ranked third in terms of its share in revenues from sales – **18.4%,** followed by **fuels segment – 14.9%**. **Other services** accounted for the lowest share in revenues from sale (**12.2%**).

Cost of sales

In H1 2009, **cost of sales totalled nearly PLN 240 million, up by 48%** vs. H1 2008. The share of these variable costs in revenues from sales changed. As at the end of H1 2009, they represented 82.5% of revenues, compared to 79.7% as at the end of H1 2008 – i.e. up by nearly 3%. Please note, however, that as of 1 January 2009, the Company has capitalised its borrowing costs under variable contract costs.

General administrative expenses

General administrative expenses in H1 2009 totalled **nearly PLN 18 million and were up by only 20%** vs. the previous corresponding period. Increase in general administrative expenses was much slower than increase in other costs. The share of general administrative expenses in revenues from sale dropped in the reporting period vs. the previous corresponding period – from 7.3% to 6.1%, i.e. by 1.2%.

Other operating revenues

As at the end of H1 2009, **other operating revenues totalled nearly PLN 3.5 million**, including revenues from rentals, consulting services, and lease (nearly PLN 1 million). Compared to the previous corresponding period, other operating revenues were **up by 68%.**

Other operating expenses

As at the end of H1 2009, **other operating expenses totalled PLN 1.2 million, up by 42%** vs. H1 2008. These expenses include, among others, donations, write-downs of assets, and damages resulting from insurance contracts, penalties, and fines.

Financial revenues

As at the end of H1 2009, **financial revenues totalled PLN 11.3 million – down by 3%** vs. the previous corresponding period. The main items under financial revenues include interest (about PLN 9.6 million), including interest on loans granted (PLN 3.5 million), bank interest (PLN 3.4 million), and interest on bonds issued by Capital Group companies and taken over by PBG (PLN 2.6 million). In addition, foreign exchange gains totalled nearly PLN 1.6 million.

Financial expenses

In H1 2009, **financial expenses exceeded PLN 10 million, down by 42%** vs. the previous corresponding period. The main item under financial expenses was interest on bonds issued by PBG SA at the end of 2007 – PLN 5.9 million. Significant values were recorded also for interest and commissions on bank credits – PLN 3.5 million.

Other gains from investments

As at the end of H1 2009, the Company recorded no gains from its investments. In the previous corresponding period, this item reached PLN 920 k (profit on disposal of interest in Apartamenty Poznańskie).

STRUCTURE OF ASSETS

A s s e t s (in PLN '000)	1H 2009	% share	1H2008	% share
FIXED ASSETS	**620,431**	**35.92%**	**576,391**	**47.62%**
Goodwill acquired in business combination	1,606	0.09%	1,606	0.13%
Intangible assets	12,018	0.70%	9,372	0.77%
Tangible fixed assets (Property, Plant & Equipment)	140,496	8.13%	144,575	11.95%
Non-renewable natural resources	-	0.00%	-	0.00%
Investment property	6,963	0.40%	710	0.06%
Investments in subsidiaries	365,411	21.15%	337,563	27.89%
Investments in associates	-	0.00%	-	0.00%
Other long-term financial assets	65,689	3.80%	73,540	6.08%
Long-term receivables - derivatives	13,691	0.79%	-	0.00%
Long-term receivables	8,478	0.49%	8,614	0.71%
Deferred income tax assets	-	0.00%	-	0.00%
Long-term prepaid expenses	6,079	0.35%	411	0.03%
CURRENT ASSETS	**1,106,939**	**64.08%**	**633,911**	**52.38%**
Inventories	15,097	0.87%	31,203	2.58%
Receivables under contracts for construction services	245,422	14.21%	133,054	10.99%
Trade receivables	271,167	15.70%	174,367	14.41%
Current income tax receivables	4,695	0.27%	-	0.00%
Other short-term receivables	17,432	1.01%	11,805	0.98%
Other short-term financial assets	212,755	12.32%	55,848	4.61%
Short-term receivables - derivatives	7,573	0.44%	3,411	0.28%
Cash and cash equivalents	325,542	18.85%	214,811	17.75%
Short-term prepaid expenses	7,256	0.42%	9,412	0.78%
Non-current assets classified as held for sale	-	0.00%	-	0.00%
TOTAL ASSETS	**1,727,370**	**100.00%**	**1,210,302**	**100.00%**

A slight changes was recorded in the structure of assets in H1 2009. As at the end of H1 2009, fixed assets totalled nearly 36% and their share in total assets was down by 12 percentage points during the year. On the other hand, current assets were up in H1 2009 and represented 64% of total assets (up by 12% vs. the previous corresponding period). The drop in fixed assets resulted mainly from reduction of the share of investments in subsidiaries in total assets – from nearly 28%

as at the end of H1 2008 to 21% as at the end of H1 2009. The increase in the share of current assets in total assets resulted from an increased share of receivables under contracts for construction services – from 11% in H1 2008 to over 14% in H1 2009. In addition, the share of other short-term financial assets in total assets also increased considerably – from nearly 5% in H1 2008 to over 12% in H1 2009. And finally, the increase in the share of current assets vs. total assets was attributable to the increase in cash and cash equivalents. As at the end of H1 2009, cash and cash equivalents reached PLN 325,542 k, which accounted for nearly 19% of total assets. In the previous corresponding period, this item reached PLN 214,811 k (just under 18% of total assets). The increase in cash results from proceeds from the issue of series G shares held in June 2009 (over PLN 190 million).

CHANGES IN ASSETS

Assets (in PLN '000)	1H 2009	1H 2008	1H2009/1H2008
FIXED ASSETS	**620,431**	**576,391**	**107.64%**
Goodwill acquired in business combination	1,606	1,606	100.00%
Intangible assets	12,018	9,372	128.23%
Tangible fixed assets (Property, Plant & Equipment)	140,496	144,575	97.18%
Non-renewable natural resources	0	0	0,00%
Investment property	6,963	710	980.70%
Investments in subsidiaries	365,411	337,563	108.25%
Investments in associates	0	0	0.00%
Other long-term financial assets	65,689	73,540	89.32%
Long-term receivables - derivatives	13,691	0	0,00%
Long-term receivables	8,478	8,614	98.42%
Deferred income tax assets	0	0	0.00%
Long-term prepaid expenses	6,079	411	1479.08%
CURRENT ASSETS	**1,106,939**	**633,911**	**174.62%**
Inventories	15,097	31,203	48.38%
Receivables under contracts for construction services	245,422	133,054	184.45%
Trade receivables	271,167	174,367	155.52%
Current income tax receivables	4,695	0	0.00%
Other short-term receivables	17,432	11,805	147.67%
Other short-term financial assets	212,755	55,848	380.95%
Short-term receivables - derivatives	7,573	3,411	222.02%
Cash and cash equivalents	325,542	214,811	151.55%
Short-term prepaid expenses	7,256	9,412	77.09%
Non-current assets classified as held for sale	0	0	0,00%
TOTAL ASSETS	**1,727,370**	**1,210,302**	**142.72%**

As at the end of H1 2009, the balance sheet total increased considerably, i.e. up to 42.72%, and this increase was related mainly to long-term prepaid expenses, investment property, other long-term financial assets, receivables under contracts for construction services, trade receivables, and cash and cash equivalent.

The increase in current assets amounted to nearly 175%. In the reporting period, the Company's non-current assets increased much slower than its current assets.

STRUCTURE OF LIABILITIES

Liabilities (in PLN '000)	1H 2009	% share	1H 2008	% share
Equity	**970,064**	**56.16%**	**736,327**	**60.84%**
Share capital	14,295	0.83%	13,430	1.11%
Treasury shares	-	0.00%	-	0.00%
Share premium reserve	733,730	42.48%	551,178	45.54%
Reserve from valuation of hedging transactions and foreign exchange differences on consolidation	(11,684)	-0.68%	4,345	0.36%
Other reserves	203,613	11.79%	149,776	12.38%
Retained profit/accumulated loss	30,110	1.74%	17,598	1.45%
- profit (loss) carried forward from previous years	-	0.00%	-	0.00%
- net profit (loss) for the current year of the parent company shareholders	30,110	1.74%	17,598	1.45%
PAYABLES	**757,306**	**43.84%**	**473,975**	**39.16%**
Long-term payables	**327,278**	**18.95%**	**259,684**	**21.46%**
Long-term borrowings (credits and loans)	98,936	5.73%	41,407	3.42%
Other long-term financial payables	201,109	11.64%	201,077	16.61%
Long-term payables - derivatives	744		-	
Other long-term payables	3,861	0.22%	109	0.01%
Deferred income tax provision	10,005	0.58%	4,573	0.38%
Provisions for employee benefits	221	0.01%	286	0.02%
Other long-term provisions	4,934	0.29%	3,434	0.28%
Government grants	-	0.00%	-	0.00%
Long-term accruals and deferred income	7,468	0.43%	8,798	0.73%
Short-term payables	**430,028**	**24.89%**	**214,291**	**17.71%**
Short-term borrowings (credits and loans)	91,863	5.32%	101,483	8.38%
Other short-term financial payables	10,036	0.58%	2,254	0.19%
Short-term payables - derivatives	7,698		838	
Trade payables	294,656	17.06%	97,538	8.06%
Payables under construction contract	7,296	0.42%	3,178	0.26%
Deferred income tax liabilities	-	0.00%	1,373	0.11%
Other short-term payables	16,108	0.93%	5,362	0.44%
Provisions for employee benefits	-	0.00%	-	0.00%
Other short-term provisions	326	0.02%	617	0.05%
Government grants	-	0.00%	-	0.00%
Short-term accruals and deferred income	2,045	0.12%	1,648	0.14%
Liabilities related to non-current assets held for sale	-	0.00%	-	0.00%
TOTAL LIABILITIES		**100.00%**	**1,210,302**	**100.00%**

The above summary presents changes in the structure of sources of financing in H1 2009. The share of payables in the balance sheet total increased in the reporting period. The Company's assets were financed in nearly 56% with own funds and in 44% with borrowings. Long-term payables represented nearly 19% of the balance sheet total, and short-term payables represented nearly25%. The share of long-term payables in total equity was slightly down, and the share of short-term payables was down compared to the previous corresponding period.

Under short-term payables, the following items reached significant levels: short-term borrowings (credits and loans) and trade payables. Under long-term payables, long-term borrowings (credits and loans) and other long-term financial payables (equal to the value of bonds issued by the Company in December 2007) represented the main items.
Reserve capital was the main item under equity, representing 42.5% of total equity (mainly as a result of the issue of series G shares in June 2009).

CHANGES IN LIABILITIES

L i a b i l i t i e s (in PLN '000)	1H 2009	1H 2008	1H2009/1H2008
Equity	**970,064**	**736,327**	**131.74%**
Share capital	14,295	13,430	106.44%
Treasury shares	0	0	0.00%
Share premium reserve	733,730	551,178	133.12%
Reserve from valuation of hedging transactions and foreign exchange differences on consolidation	-11,684	4,345	-268.91%
Other reserves	203,613	149,776	135.95%
Retained profit/accumulated loss	30,110	17,598	171.10%
- profit (loss) carried forward from previous years	0	0	0.00%
- net profit (loss) for the current year of the parent company shareholders	30,110	17,598	171.10%
PAYABLES	**757,306**	**473,975**	**159.78%**
Long-term payables	**327,278**	**259,684**	**126.03%**
Long-term borrowings (credits and loans)	98,936	41,407	238.94%
Other long-term financial payables	201,109	201,077	100.02%
Long-term payables - derivatives	744	0	0,00%
Other long-term payables	3,861	109	3542.20%
Deferred income tax provision	10,005	4,573	218.78%
Provisions for employee benefits	221	286	77.27%
Other long-term provisions	4,934	3,434	143.68%
Government grants	0	0	0,00%
Long-term accruals and deferred income	7,468	8,798	84.88%
Short-term payables	**430,028**	**214,291**	**200.67%**
Short-term borrowings (credits and loans)	91,863	101,483	90.52%
Other short-term financial payables	10,036	2,254	445.25%
Short-term payables - derivatives	7,698	838	918.62%
Trade payables	294,656	97,538	302.09%
Payables under construction contract	7,296	3,178	229.58%
Deferred income tax liabilities	0	1,373	0.00%
Other short-term payables	16,108	5,362	300.41%
Provisions for employee benefits	0	0	0.00%
Other short-term provisions	326	617	52.84%
Government grants	0	0	0.00%
Short-term accruals and deferred income	2,045	1,648	124.09%
Liabilities related to non-current assets held for sale	0	0	0.00%
TOTAL LIABILITIES	**1,727,370**	**1,210,302**	**142.72%**

The annual growth in equity as at the end of H1 2009 reached nearly 132%. Under liabilities, higher growth was recorded for borrowings (up by 59.8%) than equity (up by 31.7%). Under borrowings, considerably higher growth was recorded for short-term payables (up by over 200%) than for long-term payables (up by 126%).

The Company's forecast financial standing

For 2009, the Company is planning to maintain its financial ratios at the level which guarantees stability of its operations.

The issue of shares in June 2009 provided funds for the future development of the Company.

XXI. PBG SA MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS OF PBG SA FOR Q2 2009

Key events and factors with significant impact on the Company's financial results (data related to Q2 2009)

In Q2 2009, the increase in revenues from sale was accompanied by stable levels of profitability at practically all levels of the Income Statement vs. the previous corresponding period.

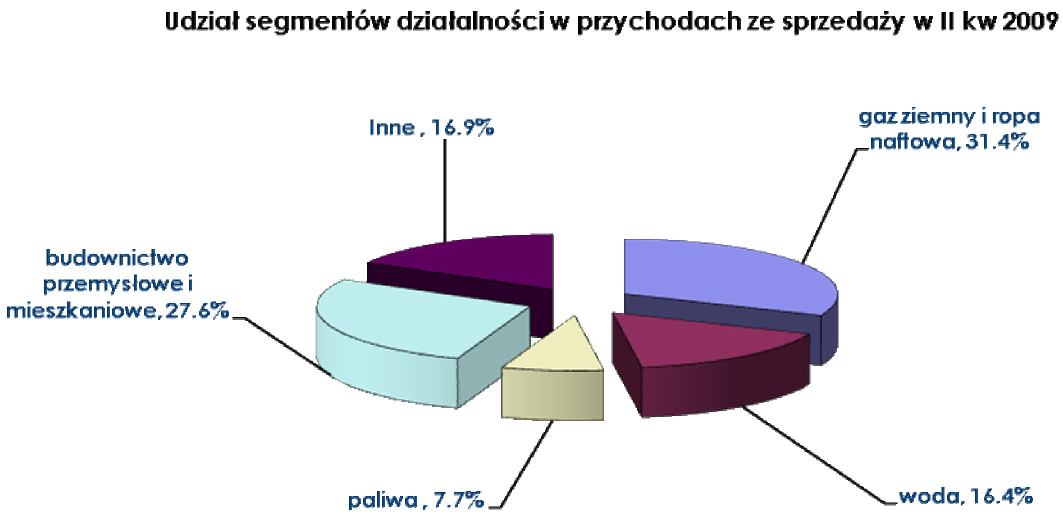
In Q2 2009, PBG SA generated over PLN 188 million in revenues from sale and PLN 30.8 million in gross profit on sales, up by 13% vs. the previous corresponding period. In addition, in Q2 2009, PBG SA recorded operating profit of PLN 24 million and net profit of PLN 19.3 million. Compared to the previous corresponding period, these results represent an improvement of 21% for operating profit and as much as 69% for net profit.

Income Statement of PBG SA	for the period 01.04 – 30.06.2009	for the period 01.04 – 30.06.2008	Growth 2Q2009/ 2Q2008
Continuing operations			
Revenues from sales	**188 547**	**132 938**	**141.8%**
Revenues from sale of products	11 074	1 633	678.1%
Revenues from sale of services	170 168	130 695	130.2%
Revenues from sale of goods and materials	7 305	610	1197.5%
Cost of sales	**(157 755)**	**(105 617)**	**149.4%**
Costs of products sold	(12 732)	(1 244)	1023.5%
Costs of services sold	(137 835)	(103 783)	132.8%
Costs of goods and materials sold	(7 188)	(590)	1218.3%
Gross profit (loss) on sales	**30 792**	**27 321**	**112.7%**
Selling expenses	-	-	0.0%
General administrative expenses	(8 170)	(8 012)	102.0%
Other operating revenues	2 283	837	272.8%
Other operating expenses	(859)	(246)	349.2%
Share in profits of related parties accounted for under the equity method	-	-	0.0%
Restructuring costs	-	-	0.0%
Operating profit (loss)	**24 046**	**19 900**	**120.8%**
Financial revenues	5 028	4 999	100.6%
Financial expenses	(7 102)	(10 601)	67.0%
Other profits (losses) from investments	-	920	0.0%
Profit (loss) before tax	**21 972**	**15 218**	**144.4%**
Income tax	(2 674)	(3 827)	69.9%
Net profit (loss) from continuing operations	**19 298**	**11 391**	**169.4%**
Discontinued operations	-	-	0.0%
Net loss from discontinued operations	-	-	0.0%
Net profit (loss)	**19 298**	**11 391**	**169.4%**

Discussion and analysis of revenues and expenses

1. Revenues from sales

In Q2 2009, the Company's revenues from sale exceeded PLN 188 million,
up by 42%. The highest share in revenues from sales was represented by the natural gas and crude oil segment – 31.4%. The second largest segment was residential and industrial construction. The share of this segment in total revenues from sales totalled 27.6% in the reporting period. Other services ranked third in terms of its share in revenues from sale – 16.9%, followed by water segment – 16.4%. Fuels segment accounted for the lowest share in revenues from sale (only 7.7%).



2. Cost of sales

In Q2 2009, the Company's cost of sale totalled nearly PLN 158 million, up by 49%
vs. the previous corresponding period. The share of these variable costs in revenues from sales changed. As at the end of Q2 2009, they represented 83.7% of revenues, compared to 79.4% as at the end of Q2 2008 – i.e. up by 4.3%. Please note, however, that as of 1 January 2009, the Company has capitalised its borrowing costs under variable costs.

3. General administrative expenses

As at the end of Q2 2009, general administrative expenses totalled nearly PLN 8.2 million, **up by only 2%** vs. the previous corresponding period. The share of general administrative expenses in revenues from sale dropped in the reporting period vs. the previous corresponding period – from 6% to 4.3%, i.e. down by 1.7%.

4. Other operating revenues

In Q2 2009, the Company's other operating revenues totalled nearly PLN 2.3 million. The main items included revenues from rentals and damages.

Compared to the previous corresponding period, other operating revenues were up by 173%.

5. Other operating expenses

As at the end of Q2 2009, other operating expenses exceeded PLN 1.2 million, up by 42% vs. the previous corresponding period. These expenses include, among others, donations, write-downs of assets, and damages resulting from insurance contracts, penalties, and fines.

6. Financial revenues

Financial revenues for Q2 2009 totalled nearly PLN 11.3 million, down by 3% vs. the previous corresponding period. Ther main items under financial revenues include interest on loans granted (nearly PLN 2.2 million), bank interest (PLN 1.5 million) and interest on bonds issued by Capital Group companies and taken over by PBG (over PLN 1,3m). In addition, foreign exchange gains represented a significant item under financial revenues.

7. Financial expenses

As at the end of Q2 2009, financial expenses reached nearly PLN 10.1 million – down by 42% vs. the previous corresponding period. The main item under financial expenses was interest on bonds issued by PBG SA at the end of 2007 (PLN 5.15 million), as well as interest and commissions under bank credits (over PLN 1.3 million).

Management's discussion and analysis of the Company's financial results

1. Results disclosed in the Income Statement

As at the end of Q2 2009, the Company's net profit totalled nearly PLN 19.3 million – up by 69% vs. the end of Q2 2008. The increasing trend in financial results for Q2 2009 was maintained at all levels of the Income Statement: gross profit on sales was up by 13%, and operating profit was up by 21%.

2. EBITDA

In Q2 2009, outlays on tangible fixed assets and intangible assets totalled over PLN 2.4 million compared to PLN 13.2 million in the previous corresponding period. Amortisation and depreciation costs totalled PLN 4.5 million in Q2 2009 vs. PLN 3.3 million in the previous corresponding period. EBITDA (EBIT – operating profit plus amortisation and depreciation) as at the end of Q2 2009 totalled PLN 28.5 million and was up by over PLN 5.2 million vs. the result recorded for the previous corresponding period – i.e. up by 23%.

3. Profitability ratios

In Q2 2009, increase in revenues from sale was slower than increase in cost of sales –42% vs. 49%, respectively. As a result, the Company's gross profit and operating profit margins as at the end of Q2 2009 were down vs. the previous corresponding period. However, net profit margin increased in the reporting period. Also, please note that as of 1 January 2009, the Company has capitalised its borrowing costs under variable contract costs, which affected directly both gross profit margin and operating profit margin. As at the end of Q2 2009, gross profit margin reached 16.3%, down by 4.3% vs. the previous corresponding period. Operating profit margin dropped from 15% in Q2 2008 to 12.8% in Q2 2009. On the other hand, net profit margin reached 10.2%, up by 1.6% vs. the previous corresponding period.

Profitability ratios (in %)	Q2 2009	Q2 2008
Gross profit margin[1]	16.3%	20.6%
Operating profit margin[2]	12.8%	15.0%
Net profit margin[3]	10.2%	8.6%

[1]gross retun of sales/revenues from sale*100
[2]operating profit/revenues from sale*100
[3]gross profit/revenues from sale*100

XXII. CHANGES IN BASIC PRINCIPLES OF MANAGEMENT

In the reporting period, PBG SA introduced no significant changes to the basic principles of management.

XXIII. AMOUNT OF REMUNERATION, BONUSES, OR BENEFITS PAID TO MEMBERS OF THE MANAGEMENT BOARD OR SUPERVISORY BOARD

1. Remuneration Committee

Remuneration Committee was established in the Supervisory Board on 25 June 2005. The tasks of Remuneration Committee are as follows:

- general monitoring of practices in the area of remuneration and its level in the Company,
- determining the employment terms of the Management Board members and the Company's management personnel,
- drawing up of the bonus plan for the financial year.

The Committee shall meet as need be, but at least once every quarter, and shall prepare an annual report on its activities, forming part of the Report on the Supervisory Board's activities presented to the Shareholders of PBG SA at the Annual General Meeting.

Members of the Remuneration Committee:

- Maciej Bednarkiewicz
- Wiesław Lindner

2. Incentive Programme

By resolution of the Supervisory Board of PBG SA of 28 April 2004, an Incentive Programme for the management and key employees was introduced in PBG Group.

To implement the programme in a given year, the Capital Group must generate operating profit for the previous financial year presented in the consolidated financial statements of at least 75% of the forecast operating profit for this year. If the minimum operating profit for the previous financial year is not achieved, the Programme will not be implemented. The amount of operating profit to be generated by the Capital Group in a given year will be specified by the Supervisory Board by 30 June in each year of the forecast.

3. Remuneration of members of the Management Board and Supervisory Board of PBG SA

Remuneration of members of the Supervisory Board of PBG SA was defined in a Resolution of the Extraordinary General Meeting of Shareholders of PBG SA of 10 December 2005.

Members of the Company's Management Board are appointed by resolution of the Supervisory Board and employed based on contracts of employment. Under resolution of the Supervisory Board of PBG SA, members of the Management Board shall be entitled to base salary and bonuses/allowances specified in the applicable provisions.

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD FOR THEIR FUNCTIONS IN THE PARENT COMPANY IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2009

Item	Base salary	Other benefits	Total
Remuneration of the Management Board members			
Jerzy Wiśniewski	600	2	602
Tomasz Woroch	210	2	212
Przemysław Szkudlarczyk	150	2	152
Tomasz Tomczak	150	2	152
Mariusz Łożyński	150	1	151
Tomasz Latawiec	120	1	121
Total	**1 380**	**10**	**1 390**

Item	Base salary	Other benefits	Total
Remuneration of the Supervisory Board members			
Maciej Bednarkiewicz	60	1	61
Jacek Kseń	48	1	49
Wiesław Lindner	30	1	31
Jacek Krzyżaniak	15	1	16
Dariusz Sarnowski	18	1	19
Adam Strzelecki	18	1	19
Total	**189**	**6**	**195**

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD FOR THEIR FUNCTIONS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2009

Item	Base salary	Other benefits	Total
Remuneration of the Management Board members			
Jerzy Wiśniewski	-	-	-
Tomasz Woroch	30	-	30
Przemysław Szkudlarczyk	18	-	18
Tomasz Tomczak	1	-	1
Mariusz Łożyński	-	-	-
Tomasz Latawiec	-	-	-
Total	**49**	**-**	**49**

Item	Base salary	Other benefits	Total
Remuneration of the Supervisory Board members			

Maciej Bednarkiewicz	-	-	-
Jacek Kseń	-	-	-
Wiesław Lindner	-	-	-
Jacek Krzyżaniak	38	-	38
Dariusz Sarnowski	-	-	-
Adam Strzelecki	-	-	-
Total	**38**	**-**	**38**

XXIV. INFORMATION ON ANY AGREEMENTS WHICH MAY RESULT IN CHANGES OF THE CURRENT SHAREHOLDING STRUCTURE

As at the date of submission hereof, the Management Board has no knowledge of any agreements which may result in any change of the current shareholding structure.

XXV. AUDITOR OF THE FINANCIAL STATEMENTS

The Management Board of PBG SA hereby declares that in accordance with applicable regulations currently in effect, having analysed recommendations of the Audit Committee, the Supervisory Board of PBG SA decided to appoint the company Grant Thornton Frąckowiak Sp. z o.o. with its registered office in Poznań at ul. Plac Wiosny Ludów 2, 61-831 Poznań, entered in the register of auditors certified to audit financial statements kept by the National Chamber of Certified Auditors (entry no. 238), as the certified auditor authorised to:
- audit the separate financial statements of PBG SA and the consolidated financial statements of PBG Capital Group for FY 2009 (pursuant to Resolution of the Supervisory Board of 21 July 2009);
- review the interim separate financial statements of PBG SA and the interim consolidated financial statements of PBG Capital Group drawn up as at 30 June 2009 (pursuant to Resolution of the Supervisory Board of 21 July 2009).

1. Date of agreement

PBG SA concluded the agreement with Grant Thornton Frąckowiak Sp. z o.o. on 22 July 2009.

2. Total amount of the auditor's fee

The total amount of fee payable to Grant Thornton Frąckowiak Sp. z o.o. for the review of the Company's interim separate financial statements and the consolidated financial statements of PBG Capital Group is PLN 38,300.00 net of tax.

3. The remaining amount of the agreement

The remaining amount payable to Grant Thornton Frąckowiak Sp. z o.o. for future services provided for in the agreement signed on 22 July 2009 (audit of the interim and annual separate financial statements of PBG SA and the consolidated financial statements of PBG Capital Group for FY 2008) totals PLN 121,200.00 net of tax.

XXVI. AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND MEMBERS OF ITS MANAGEMENT BOARD PROVIDING FOR COMPENSATION PAYABLE IN THE EVENT OF THEIR RESIGNATION FROM OFFICE OR DISMISSAL

No agreements for any compensation payable to members of the Management Board in the event of their resignation from office or dismissal were concluded by PBG SA as at the balance sheet date.

XXVII. SYSTEM OF CONTROL OF THE EMPLOYEE SHARE OPTION SCHEMES

PBG SA has no employee share option scheme in place.

XXVIII. PROCEEDINGS CURRENTLY IN PROGRESS IN THE PUBLIC COURT, ARBITRATION COURT OR PUBLIC ADMINISTRATION OFFICE

The value of proceedings initiated both by and against PBG SA does not exceed 10% of the Company's equity.

XXIX. LIMITATIONS SET FOR THE TRANSFER OF OWNERSHIP TITLES TO SECURITIES OF PBG SA AND FOR THE EXCERCISE OF VOTING RIGHTS CARRIED BY THESE SECURITIES

Pursuant to §11 section 1 of the Company's Articles of Association, consent of the Management Board is required for any transfer of registered series A shares.

XXX. PBG SA – CONTACT INFORMATION

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SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

President of the Management Board	**Jerzy Wiśniewski**
Vice-President of the Management Board	**Tomasz Woroch**
Vice-President of the Management Board	**Przemysław Szkudlarczyk**

Vice-President of the Management Board	 **Tomasz Tomczak**
Vice-President of the Management Board	 **Mariusz Łożyński**
Member of the Management Board	 **Tomasz Latawiec**