



**DIRECTORS' REPORT ON THE OPERATIONS
OF THE GROUP**

for six months ended June 30th 2011

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CHAPTER I: CORPORATE BODIES

I. COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD. CHANGES IN H1 2011

1. Composition of the Supervisory Board

The composition of the Supervisory Board in the period from **January 1st to June 30th 2011 (and thereafter)** has been as follows:

- Maciej Bednarkiewicz – Chairman of the Supervisory Board;
- Małgorzata Wiśniewska – Deputy Chairman of the Supervisory Board;
- Dariusz Sarnowski – Secretary of the Supervisory Board;
- Adam Strzelecki – Member of the Supervisory Board;
- Marcin Wierzbicki – Member of the Supervisory Board.

The persons listed above were reappointed as members of the Supervisory Board for another term of office by the Annual General Shareholders Meeting on April 21st 2010. The term of office of the Supervisory Board appointed in April 2010 expired on the date of the Annual General Shareholders Meeting which approved the Company's financial statements for 2010. On June 28th 2011, the Annual General Shareholders Meeting of PBG granted discharge to the Supervisory Board members in respect of their duties. On the same day the General Shareholders Meeting appointed members of the Supervisory Board for the next term of office. The Supervisory Board currently in office is composed of five members.

Full name	Maciej Bednarkiewicz
Position	Chairman of the Supervisory Board <i>Independent Member of the Board; Mr. Bednarkiewicz does not conduct any activity competitive to PBG</i>
Qualifications	<ul style="list-style-type: none"> ➢ University of Warsaw – Faculty of Law
Experience	<ul style="list-style-type: none"> ➢ Member of the Parliament, 1989-1991 ➢ Judge of the State Tribunal of the Republic of Poland ➢ President of the Central Board of Lawyers (Naczelna Rada Adwokacka) ➢ General partner at the Law Office Maciej Bednarkiewicz, Andrzej Wilczyński i Wspólnicy ➢ Member of the Supervisory Board of BIG Bank S.A. ➢ Chairman of the Supervisory Board of Millenium Bank S.A. ➢ Secretary of the Supervisory Board of PZU S.A. ➢ Member of the Supervisory Board of Techmex S.A. ➢ Chairman of the Supervisory Board of PBG – since 2004

Full name	Małgorzata Wiśniewska
Position	Deputy Chairman of the Supervisory Board <i>Dependent Member of the Board; she does not conduct any activity competitive to PBG</i>
Qualifications	<ul style="list-style-type: none"> ➢ Graduate of the Civil Engineering Faculty at Poznań University of Technology ➢ MBA, Rotterdam School of Management ➢ Canadian International Management Institute, management programme ➢ Postgraduate programme in Management and Public Relations at the Faculty of Finance and Banking at the Poznań School of Banking
Experience	<ul style="list-style-type: none"> ➢ Assistant Designer at Przedsiębiorstwo Upzemysłowane Budownictwa Rolniczego of Poznań ➢ In turn: Quality System Director, Public Relations Director, Member of the Management Board and Vice-President of the Management Board of PBG ➢ President of the Management Board of INFRA S.A. ➢ Chairman of the Supervisory Board of Hydrobudowa Polska S.A.

	<ul style="list-style-type: none"> ➤ Deputy Chairman of the Supervisory Board of Hydrobudowa 9 S.A. ➤ Chairman of the Supervisory Board of PBG Dom Sp. z o.o. ➤ Chairman of the Supervisory Board of APRIVIA S.A. ➤ Member of the Supervisory Board of GasOil Engineering AS ➤ Member of the Supervisory Board of PBG in the period November 21st 2006 – August 31st 2008 and since April 21st 2010
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Full name	Dariusz Sarnowski
Position	Secretary of the Supervisory Board <i>Independent Member of the Board; Mr. Sarnowski does not conduct any activity competitive to PBG</i>
Qualifications	<ul style="list-style-type: none"> ➤ Poznań University of Economics – Accounting
Experience	<ul style="list-style-type: none"> ➤ Certified Chartered Auditor ➤ W. Consulting Department Assistant; Audit Department Assistant at W. Frąckowiak i Partnerzy Sp. z o.o. ➤ Inspector at the consultancy division of the Capital Markets Department of BZ WBK S.A. ➤ Manager at Trade Institute – Reemtsma Polska S.A. ➤ Audit Department Assistant at BDO Polska Sp. z o.o. ➤ Audit Department Assistant at HLB Frąckowiak i Wspólnicy Sp. z o.o. ➤ Shareholder; President of Sarnowski & Wiśniewski Spółka Audytorska ➤ Vice-President of the Management Board of Usługi Audytorskie DGA Sp. z o.o. ➤ Member of the Supervisory Board of Mostostal Poznań S.A. ➤ Member of the Supervisory Board of Browary Polskie BROK – STRZELEC S.A. ➤ Member of the Supervisory Board of NZOZ Szpital w Puszczykowie Sp. z o.o. ➤ Member of the Supervisory Board of Swarzędz S.A. ➤ Member of the Management Board of Dmp Inwestycje Sp. z o.o. ➤ President of the Management Board of Salus-Med Sp. z o.o. ➤ President of the Management Board of Ecdf Księgowość Sp. z o.o. ➤ Member of the PBG Supervisory Board since 2005.

Full name	Adam Strzelecki
Position	Member of the Supervisory Board <i>Independent Member of the Board; Mr. Strzelecki does not conduct any activity competitive to PBG</i>
Qualifications	<ul style="list-style-type: none"> ➤ Nicolaus Copernicus University of Toruń – Faculty of Law and Administration; Doctor of Law ➤ University of Warsaw – Faculty of Economic Sciences – Banking ➤ Reader; Deputy Dean of the Faculty of Administration of the University of Humanities and Economics of Wrocław ➤ Lecturer at the Higher School of Toruń ➤ Lecturer at the Higher School of Security and Protection of Warsaw
Experience	<ul style="list-style-type: none"> ➤ Inspector at the Executive Office of the Chełmno County Council ➤ Credit Inspector at Bank Rolny of Chełmno ➤ Chief Accountant at the Chełmno Branch of NBP ➤ Manager of the Lipno Branch of NBP ➤ Manager of the Provincial Branch of NBP ➤ Manager of the Wrocław Branch of Polski Bank Inwestycyjny ➤ Manager of the Wrocław Branch of Kredyt Bank S.A. ➤ Shareholder and Member of the Supervisory Board of Zakład Doskonalenia Zawodowego Sp. z o.o. ➤ Member of the Supervisory Board of Hydrobudowa Polska S.A. ➤ Member of the Management Board of Wrocławskie Towarzystwo Naukowe ➤ Member of the PBG Supervisory Board since 2004

Full name	Marcin Wierzbicki
Position	Member of the Supervisory Board <i>Independent Member of the Board; Mr. Strzelecki does not conduct any activity competitive to PBG</i>
Qualifications	<ul style="list-style-type: none"> ➤ Warsaw School of Economics – Management and Marketing ➤ Ross School of Business School at the University of Michigan
Experience	<ul style="list-style-type: none"> ➤ Analyst at TRINITY MANAGEMENT ➤ Consultant at Ernst&Young Management Consulting Services ➤ Development Manager and then Good Promotional Practices Manager at ELI LILLY Polska Sp. z o.o. ➤ Business Unit Manager at CEGEDIM Polska ➤ Customer Service Director Russia at CEGEDIM Rosja

	<ul style="list-style-type: none"> ➤ Operations Director at CEGEDIM DENDRITE ➤ Chief Operations Officer at ALLIANCE MEDICAL Poland ➤ Owner of an Internet store Sklep.pl ➤ General Manager at ALLIANCE MEDICAL Poland ➤ Member of the Supervisory Board of POL-AQUA S.A. ➤ Member of the Supervisory Board of COMP S.A. ➤ Member of the Supervisory Board of PBG since April 21st 2010
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As at the date of this Report, there had been no changes in the composition of the Supervisory Board.

2. Composition of the Management Board

The composition of the Management Board in the period from January 1st to June 30th 2011 (and thereafter) has been as follows:

- Jerzy Wiśniewski – President;
- Tomasz Woroch – Vice-President;
- Przemysław Szkudlarczyk – Vice-President;
- Tomasz Tomczak – Vice-President;
- Mariusz Łożyński – Vice-President.

Full name	Jerzy Wiśniewski
Position	President of the Management Board
Qualifications	<ul style="list-style-type: none"> ➤ Poznań University of Technology – Faculty of Civil Engineering ➤ MBA – Rotterdam School of Management ➤ Canadian International Management Institute – management programme
Experience	<ul style="list-style-type: none"> ➤ PGNiG S.A. – manager in charge of gas transmission system operation ➤ PBG – founder, major shareholder and President of the Management Board
Area of expertise	<ul style="list-style-type: none"> ➤ Natural gas and crude oil ➤ Environmental protection
Areas of responsibility at the Group	Strategy and development

Full name	Tomasz Woroch
Position	Vice-President of the Management Board
Qualifications	<ul style="list-style-type: none"> ➤ Uniwersytet im. Adam Mickiewicz University in Poznań – Faculty of Social Sciences (philosophy) ➤ University of Science and Technology in Kraków – mining of hydrocarbons ➤ MBA – Rotterdam School of Management ➤ Canadian International Management Institute – management programme
Experience	<ul style="list-style-type: none"> ➤ Mostostal Poznań – head of administration department ➤ Stalmost Poznań – vice-president of the management board ➤ Piecobiogaz S.C. – deputy director ➤ Technologie Gazowe Piecobiogaz – member of the management board ➤ Hydrobudowa Polska – president of the management board ➤ PBG – Vice-President of the Management Board
Area of expertise	<ul style="list-style-type: none"> ➤ Natural gas and crude oil ➤ Environmental protection
Areas of responsibility at the Group	Development and contract execution in the energy sector

Full name	Przemysław Szkudlarczyk
Position	Vice-President of the Management Board
Qualifications	<ul style="list-style-type: none"> ➤ Poznań University of Technology – Faculty of Machines and Motor Vehicles ➤ Warsaw University of Technology – gas engineering ➤ MBA – Rotterdam School of Management ➤ Canadian International Management Institute – management programme

Experience	<ul style="list-style-type: none"> ➤ PGNiG S.A. – technical assistant (natural gas transmission) ➤ Technologie Gazowe Piecobiogaz – development manager, member of the management board ➤ KRI S.A. – president of the management board ➤ Hydrobudowa Śląsk S.A. – proxy ➤ PBG – Vice-President of the Management Board
Area of expertise	<ul style="list-style-type: none"> ➤ Natural gas and crude oil ➤ Environmental protection
Areas of responsibility at the Group	Economics and finance

Full name	Tomasz Tomczak
Position	Vice-President of the Management Board
Qualifications	<ul style="list-style-type: none"> ➤ Poznań University of Technology – Faculty of Machines and Motor Vehicles ➤ University of Science and Technology in Kraków – Faculty of Drilling, Oil and Gas ➤ MBA – Business School of the Poznań University of Economics (MBA programme run in cooperation with Nottingham Trent University) ➤ Canadian International Management Institute – management programme
Experience	<ul style="list-style-type: none"> ➤ VOLVO SERVICE – assistant service manager ➤ Piecobiogaz – technical assistant to the management board ➤ Technologie Gazowe Piecobiogaz – technical assistant to the management board; site manager; project manager; technical manager ➤ PBG – technical manager; Member of the Management Board; Vice-President of the Management Board
Area of expertise	<ul style="list-style-type: none"> ➤ Natural gas and crude oil ➤ Fuels
Areas of responsibility at the Group	Contract execution in the natural gas, crude oil and fuels sectors

Full name	Mariusz Łożyński
Position	Vice-President of the Management Board
Qualifications	<ul style="list-style-type: none"> ➤ Poznań University of Technology – Faculty of Civil Engineering
Experience	<ul style="list-style-type: none"> ➤ BORM Biuro Projektów – senior assistant ➤ GEOBUD Poznań – senior assistant designer ➤ Concret – Service Poznań – office manager ➤ Kulczyk TRADEX – project specialist ➤ PTC Poznań – specialist in charge of project planning/designing ➤ PBG – head of technical unit; head of contract execution department; manager in charge of contract preparation; proxy; Member of the Management Board; Vice-President of the Management Board
Areas of responsibility at the Group	Bidding processes; securing contracts for the Group; contract execution in the hydraulic engineering sector

The Supervisory Board appointed the persons listed above as members of the Management Board on June 4th 2009. The duration of the Management Board's term of office is three years. If appointed during a term of office, a member of the Management Board remains in office until the expiry of this term of office. The Management Board members' mandates expire on the date of the General Shareholders Meeting which approves the financial statements for the previous full financial year when the members held the office. The current term of office expires on June 4th 2012.

As at the date of this Report, there had been no changes in the composition of the Management Board.

II. COMPANY SHARES OR RIGHTS TO THE COMPANY SHARES (OPTIONS) HELD BY SUPERVISING AND MANAGING PERSONNEL OF PBG

Table 1: Company shares or rights to the Company shares (options) held by the supervising personnel of PBG

Supervising person	Number of shares
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	As at Jun 30 2011	As at the date of filing of this Report
Małgorzata Wiśniewska	3,279	3,279

Table 2: Company shares or rights to Company shares (options) held by the managing personnel of PBG

Managing person	Number of shares	
	As at Jun 30 2011	As at the date of filing of this Report
Jerzy Wiśniewski	3,735,054	3,735,054
Przemysław Szkudlarczyk	4 390	4 390
Tomasz Tomczak	3,250	3,250
Tomasz Woroch	1,778	1,778
Mariusz Łożyński	3,553	3,553

III. REMUNERATION, BONUSES AND BENEFITS PAID TO THE SUPERVISORY BOARD AND MANAGEMENT BOARD MEMBERS

1. Remuneration of the Supervisory Board Members

The amount of remuneration paid to members of the Supervisory Board is determined based on the resolution of the Extraordinary General Shareholders Meeting of PBG, dated December 10th 2005.

The amount of remuneration depends on the respective scope of duties and responsibilities entrusted with an individual Supervisory Board member.

Table 3: Remuneration of Supervisory Board members for holding office at the Parent Undertaking

Remuneration (PLN'000)	Jan 1-Jun 30 2011			Jan 1-Jun 30 2010		
	Base remuneration	Other benefits*	Total	Remuneration base	Other benefits	Total
Maciej Bednarkiewicz	60	-	60	60	-	60
Małgorzata Wiśniewska	48	15	63	16	-	16
Dariusz Sarnowski	30	-	30	22	-	22
Adam Strzelecki	18	-	18	18	-	18
Marcin Wierzbicki	18	-	18	6	-	6
Jacek Kseń**	-	-	-	32	-	32
Wiesław Lindner***	-	-	-	20	-	30
TOTAL	174	15	189	174	-	174

* Other benefits: third-party liability insurance for members of the Supervisory Board

** Deputy Chairman of the Supervisory Board of PBG until April 21st 2010

*** Secretary of the Supervisory Board of PBG until April 21st 2010

Table 4: Remuneration of Supervisory Board members for holding office at subsidiary, jointly-controlled or associated undertakings

Remuneration (PLN'000)	Jan 1-Jun 30 2011			Jan 1-Jun 30 2010		
	Base remuneration	Other benefits*	Total	remuneration base	Other benefits	Total
Maciej Bednarkiewicz	-	-	-	-	-	-
Dariusz Samowski	-	-	-	-	-	-
Adam Strzelecki	-	-	-	-	-	-
Marcin Wierzbicki	-	-	-	-	-	-
Małgorzata Wiśniewska	121	-	121	104	-	104
Jacek Kseń**	-	-	-	-	-	-
Wiesław Lindner***	-	-	-	-	-	-
TOTAL	-	-	-	104	-	104

* Other benefits: third-party liability insurance for members of the Supervisory Board

** Deputy Chairman of the Supervisory Board of PBG until April 21st 2010

*** Secretary of the Supervisory Board of PBG until April 21st 2010

2. Remuneration of the Management Board Members

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

Table 5: Remuneration of Management Board members for holding office at the Parent Undertaking

Remuneration of Management Board members (PLN '000)	Jan 1-Jun 30 2011			Jan 1-Jun 30 2010		
	Base remuneration	Other benefits*	Total	remuneration base	Other benefits	Total
Jerzy Wiśniewski	900	-	900	600	-	600
Tomasz Woroch	210	-	210	210	-	210
Przemysław Szkudlarczyk	210	-	210	150	-	150
Tomasz Tomczak	210	-	210	150	-	150
Mariusz Łożyński	180	-	180	150	-	150
TOTAL	1,710	-	1 710	1,260	-	1,260

* Other benefits: third-party liability insurance for members of the Management Board

Table 6: Remuneration of Management Board members for holding office at subsidiary, jointly-controlled or associated undertakings

Remuneration of Management Board members (PLN '000)	Jan 1-Jun 30 2011			Jan 1-Jun 30 2010		
	Base remuneration	Other benefits*	Total	remuneration base	Other benefits	Total
Jerzy Wiśniewski	-	-	-	-	-	-
Tomasz Woroch	-	-	-	-	-	-
Przemysław Szkudlarczyk	18	-	-	18	-	18
Tomasz Tomczak	6	-	-	6	-	6
Mariusz Łożyński	-	-	-	-	-	-
Total	24	-	24	24	-	24

* Other benefits: third-party liability insurance for members of the Management Board

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

As at the balance-sheet date, there were no agreements between PBG and its management personnel, which would provide for compensation in the event of a given person resigning or being removed from office.

CHAPTER II: RISKS AND FINANCIAL RISK MANAGEMENT

I. RISKS AND THREATS

EXTERNAL RISKS AND THREATS

1. Economic environment in Poland

The first half of 2011 saw economic recovery, both in Poland and globally. The scale of recovery varied across regions, especially in the Eurozone, where the economic activity was undermined by the public debt turmoil in several Eurozone countries. With the concurrent economic slowdown and the fiscal problems of the United States, there were more uncertainties as to the outlook for GDP growth in the major global economies over the coming quarters.

According to forecasts of the Central Statistics Office (GUS), in H1 2010, the Polish GDP will grow slightly above 4.0% year on year, with the growth estimated to have slowed down somewhat in Q2. In Q1 2011 the Polish economy grew at a rate of 4.4% year on year; according to the Ministry of Finance, the growth rate should also be maintained in Q2 2011. The main drivers of the economic growth in the first half of the year mainly included the strong growth of construction output and declining consumer goods inflation. Other factors also contributed to the lower inflation, including the appreciation of the Polish zloty, seen in early April 2011, low demand pressures and changes of unit labour cost in the economy, as well as negative base effects. Overall, industrial output grew in H1 2011 by 7.4% year on year. The slight drop in GDP seen in the second quarter was attributable mainly to lower industrial output, reduced retail sales and a decrease in exports caused by global economic turbulences. A research into the economic situation conducted by the National Bank of Poland reveals, however, that economic slowdown cannot be avoided, and according to recent GDP projections, the growth rate will decline to 4.0% at the end of 2011, against the March forecast of 4.2%. The growth rate revision is primarily due to the slower pace of investments by businesses following from higher prices of energy resources, lower GDP growth and higher interest rates in Poland.

Source: www.nbp.pl and www.stat.gov.pl/gus.

The implementation of the strategic goals of the Company and the Group and the actual financial performance are affected by the aforementioned macroeconomic factors, which include: GDP growth changes, structural investments, general situation in the Polish economy and legislation changes. Favourable changes in the macroeconomic environment may result in higher revenues, with operating costs remaining relatively unchanged, owing to such factors as the relatively high unemployment rate and absence of remuneration pressures.

2. Competition risk

The Group operates on the competitive market of specialist construction services in the gas and oil upstream and downstream sectors, water and sewage sector, road construction, property development, and power engineering. Apart from pricing, there are also other important factors which determine the competitive advantage of a business, including: experience in execution of complex and specialist projects, relevant credentials, high quality of the offered services and efficient organisation enabling timely and efficient contract execution.

The Group mitigates competition risk through:

- seeking niche products and services,
- assuring high quality of offered services,
- consistent improvement of skills related to the state-of-the-art technologies, which enables the Company to develop and launch competitive service offerings,
- diversifying the areas of operation,
- entering into strategic alliances with reputable foreign companies operating on the Polish and foreign markets.

Expansion into new geographical markets may also help mitigate the competition risk.

The following domestic and international competitors are present on the Group's existing markets:

Table 7: Domestic and international competitors

MARKET	BUSINESS SEGMENT	DOMESTIC COMPETITORS	INTERNATIONAL COMPETITORS
NATURAL GAS AND CRUDE OIL	UNDERGROUND GAS STORAGE FACILITIES	- Naftobudowa - Investgas	- ABB - Sofregas
	LNG PLANTS	- Polimex Mostostal	- Tractebel - Linde - Costain - Air Products - DAEWOO Engineering & Construction
	TRANSMISSION	- Naftomontaż Krosno - Gazobudowa Zabrze - Gazobudowa Poznań - Gazomontaż Wołomin - POL-AQUA - ZRUG Poznań - PGNiG Technologie - Gazoprojekt - ZRUG Pogórska Wola - Nafta Gaz Serwis - Control Process	- FCC CONSTRUCCION
	DELIVERY OF SPECIALIST GAS EQUIPMENT AND AUXILIARY INFRASTRUCTURE	- Control Process - Bartimpex - Stalbud - Polimex Mostostal	- ABB - KAWASAKI
	EXTRACTION FACILITIES	- Naftomontaż Krosno	- Tractebel - Linde - Costain - Air Products
Water	WATER AND SEWAGE INFRASTRUCTURE	- POL-AQUA - Hydrobudowa Gdańsk - Budimex - Polimex Mostostal - WARBUD	- SKANSKA - STRABAG - Ferrovia
	HYDRO-ENGINEERING	none	- SKANSKA - STRABAG - Bilfinger Berger - Ferrovia
	REHABILITATION OF WATER PIPELINES AND SEWAGE	none	- Per Aarslef - Diringers&Scheidel - Ludwig Pfeifer
FUELS	FUEL TERMINALS	- POL-AQUA - Polimex Mostostal	- Bilfinger Berger
CONSTRUCTION	INDUSTRIAL CONSTRUCTION SPECIALIST CONSTRUCTION RESIDENTIAL CONSTRUCTION	- WARBUD - POL-AQUA - Budimex - Dom Development - Hochtief Polska - Echo Investment - Instal Kraków	- SKANSKA - STRABAG

ROADS	ROAD CONSTRUCTION BRIDGE CONSTRUCTION	- Budimex - Mostostal Warszawa - Hochtief Polska - Polimex Mostostal - WARBUD - POL-DRÓG	- SKANSKA - STRABAG - MOTA - COLAS
POWER	POWER GENERATING UNIT CONSTRUCTION	- Polimex Mostostal - Mostostal Warszawa - Budimex	- Alstom - Hitachi - Siemens - Samsung

The Company's position on the **natural gas and crude oil** market in Poland is strong thanks to the high quality of its services, experienced personnel, modern equipment and extensive credentials. The market is divided into two segments: the segment of specialist construction services which require appropriate know-how and references, where PBG essentially faces only foreign competitors; and the segment of less complex construction projects, such as pipelines construction, where PBG competes primarily against Polish businesses. The Company is able to secure a large number of orders on the natural gas and crude oil market: in 2009 its share in this market was estimated at approximately 50%.

On other markets of interest to PBG the Company is present through its subsidiaries, in line with the adopted strategy.

The general construction and infrastructure market, which includes construction of sewage treatment plants and water and sewage systems, is highly competitive, with both Polish and foreign operators competing for new contracts. Nevertheless, in some segments of the market competition is less intense as requirements pertaining to qualifications and reference implementations are more stringent. The Group's share in the segment for construction or upgrade of piping structures (e.g. water and sewage piping) is estimated at over 10%. In the segment of more complex structures (with higher unit values), such as collector sewers, sewage treatment plants and water intakes, competition is limited and the Group's market share is higher. The Group holds a strong position on the environmental protection market, owing to the experience and reference projects of the Hydrobudowa Polska Group.

3. Poland's membership in the European Union

Following Poland's accession to the European Union, international companies providing services similar to the Group's offering have become keener on entering the Polish market. This may result in fiercer competition and squeezed profit margins. However, international operators usually seek to acquire orders jointly with Polish companies to secure local execution capabilities.

By acquiring a number of contracts of significant unit values, PBG and its subsidiaries have demonstrated they are well positioned to compete against foreign companies.

In addition, opening of the European markets may create an opportunity for the Group to expand onto new geographical markets.

To use the opportunities arising from Poland's accession to the EU in a most efficient manner, PBG and its Group:

- Implement projects by forming strategic alliances with foreign companies operating in Poland,
- Have implemented and work on improving effective management culture,
- Offer the required quality of services, confirmed by implemented standards: PN-EN ISO 9001:2001, PN-EN 729-2, AQAP 2110:2003,

- Regularly improve staff qualifications, with particular focus on unique technologies, helping the Group create and position on the market a competitive service offering.

4. Risk of seasonal changes in the sector

The Group derives most of its sales revenue from the construction and assembly services segment which, like the entire sector, experiences sales seasonality. Seasonality is mostly driven by the following factors which are beyond the Group's control:

- Weather conditions in winter preventing performance of most types of work. The weather may be more severe than the average weather conditions and thus reduce the Company's revenues;
- Customers schedule most of their projects in such a way as to ensure they are completed in the final months of the year.

Accordingly, the Group's revenue is the lowest the first quarter and grows significantly in the second half of the year.

5. Risk of adverse changes in the tax legislation

In Poland, the laws regarding taxation of business activity change frequently. There is a risk that the tax legislation currently in effect may change and the new regulations may be less favourable to the companies of the Group or their customers, which may directly or indirectly affect the financial performance of the Group.

The Company monitors developments in the tax legislation, and modifies its policies accordingly to mitigate the risk.

6. Exchange rate risk

The Polish foreign currency market was highly volatile throughout H1 2011. Q1 2011 saw a sharp strengthening of the Polish zloty against the US dollar. This was attributable to an improved sentiment on global markets, which was also felt on the Warsaw exchange. However, there were no earlier signals of the high volatility of the foreign exchange market, which was seen in Q2 2011. The steep appreciation of the Swiss franc has raised concerns among borrowers holding franc-denominated loans. The weakening of the Polish zloty against the US dollar can also be seen, although to a lesser extent. The global risk aversion seen in Q2 2011 led to depreciation of the Polish zloty against the euro by 11 grosz, pushing the price of the euro above the PLN 4 barrier. The direct drivers of the current situation are, undoubtedly, the escalating fiscal problems of certain Eurozone countries. The future of the Polish currency will be determined by whether the governments of indebted countries implement effective austerity programmes designed to cure public finances.

Source: www.nbp.pl.

The currency risk has a direct effect also on the Group companies because a portion of costs related to purchases of equipment necessary for the execution of contracts is incurred in foreign currencies, including the euro, as well as the US and Canadian dollars. The Group minimises the FX risk using appropriate financial instruments and passing some of the risk onto its subcontractors and suppliers. In the case of imports of high-value plant and equipment, the risk is also hedged using financial instruments available on the market.

INTERNAL RISKS AND THREATS

1. Risk of loss of key personnel

PBG's and other Group companies' business is chiefly based on the knowledge and experience of highly qualified personnel, in particular the engineers.

There exists a potential risk that the employees of key importance for the Group's development might leave, which could affect the quality of the services provided.

The risk related to the loss of key personnel is limited by:

- high internal organisational culture, which helps employees identify themselves with the Company and the Group,
- proper implementation of remuneration systems, which motivate employees and promote loyalty,
- knowledge management and an extensive training programme,
- ample opportunities for personal and career development in the dynamically growing companies.

2. Risk of default on contracts

Construction contracts include numerous clauses related to their proper and timely performance and proper removal of defects, which involves payment of performance bond or provision of security in the form of a bank guarantee or insurance policy.

The security is generally provided on the contract execution date and settled after work under the contract is completed. The amount of the security depends on the type of contract. In most cases it is 10% of the contract value. If PBG or any Group company fails to perform or improperly performs the concluded contracts, there exists a risk that a counterparty of the Group might claim payment of contractual penalties or terminate the contract.

To mitigate such risk the Group takes the following measures:

- the Group insures contracts and subcontractors;
- the Group continuously improves its organisation through a programme designed to provide professional project management training to a group of employees, and extensive use of IT tools in design and project management processes.

3. Risk of dependence on key customers

At present, the main customers for services provided by PBG's natural gas and crude oil and fuels segment are PGNiG and Polskie LNG (a wholly-owned subsidiary of Gaz-System). This is related to the execution of three contracts of substantial value for these customers, totalling nearly PLN 5bn (including nearly PLN 2.5bn for PGNiG and over PLN 2.2bn for Polskie LNG). Currently, the Group's major customers in the infrastructure construction segment are Narodowe Centrum Sportu Sp. z o.o., Biuro Inwestycji Euro Gdańsk 2012 Sp. z o.o. and the General Directorate for National Roads (GDDKiA). However, PBG's strategy for the entire Group provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenues. In order to mitigate the risk of being dependent on key customers, PBG gradually attracts new customers for its services, such as KGHM, NATO, PKN ORLEN, PERN, LOTOS, Naffobazy, OLPP and foreign entities.

The Group companies seek to mitigate the risk further by:

- diversifying sources of revenue and securing new customers,
- executing EU-funded contracts, primarily for local governments,
- operating on international markets.

4. Operating Risk

The Group companies' operations, in particular on-site operations, involve certain threats related to, among other things, the possibility of failure resulting in human and material loss.

The Group mitigates the risk by:

- holding third-party insurance policies,
- upgrading the employees' state-of-the-art protective equipment on a regular basis,
- organising training programmes for employees and enhancing their qualifications,
- performing constant supervision over the equipment used,
- organising continuous training and exercising health and safety at work oversight.

II. IDENTIFICATION AND MANAGEMENT OF FINANCIAL RISK

1. Risk related to financial instruments

The Group is exposed to a number of risks related to financial instruments, which mainly include:

- market risk, comprising currency risk and interest rate risk,
- credit risk,
- liquidity risk.

Financial risk management at the Group is coordinated by the Parent Undertaking, which closely cooperates with the management boards and chief financial officers of its subsidiaries.

In economic terms, the transactions concluded by the Company are entered into for the purpose of hedging against specific risks. Moreover, the Group has formally designated some of the derivative instruments as cash flow and fair value hedging instruments under the requirements of IAS 39 (Hedging Derivative Instruments).

1.1 Market risk

All market risk management objectives should be considered as a whole, and their achievement is determined primarily by the Company's internal situation and market conditions. The Group applies a consistent and progressive approach to market risk management. The Company's market risk management strategy sets out relevant management policies for each of the exposures by defining the process of measuring the exposure, parameters of risk hedging, instruments used for hedging purposes, as well as the time horizon for each type of risk source. The market risk management policies are applied by the designated organisational units under the supervision of the Risk Committee, the Management Board and the Supervisory Board of the Company.

The key techniques used to manage market risk involve strategies based on derivative instruments and natural hedging. The following types of financial instruments may be used by the Company:

- forwards,
- interest rate swaps (IRS),
- swaps.

The Group applies hedge accounting for cash flows to protect against the risks of fluctuations in exchange rates and interest rates. The rules of cash flow hedge accounting provide that the effective portion of the result on the valuation of hedge transactions should be posted to equity in the period in which such transactions are designated as a hedge of future cash flows. The amounts posted to equity are subsequently transferred to the profit and loss account once the hedged transaction is executed.

1.1.1. Currency risk

The Group is exposed to risk of fluctuations in exchange rates due to the following reasons:

- our development strategy provides for broader expansion into foreign markets;
- we import raw materials for large contracts (there is a risk related to fluctuations in exchange rates, such as EUR/PLN or USD/PLN),
- the Group uses advanced technologies requiring specialist equipment, which it often purchases outside of Poland.

Effect of exchange rate derivatives on the Group's performance

In the 2011 financial year, PBG and its subsidiaries hedged financial assets and future currency exposures with hedging transactions involving forward contracts. The hedging transactions were concluded as part of the implemented hedging policy, in order to hedge future cash flows on sales revenue (under the existing long-term contracts), cost of sales and future fair value of financial assets. The transactions covered contracts with investors (project sponsors) and suppliers (mainly denominated in EUR and USD).

In 2011, the result on derivatives (**both hedging and trading**), as recognised as at June 30th 2011, was PLN 2,418 thousand, including:

- adjustment to sales revenue of PLN 1,488 thousand,
- PLN 295 thousand reduced cost of sales,
- PLN 635 thousand was recognised under finance income.

The Group uses its open positions on the currency market to hedge its euro-denominated cash flows on sales revenue: attributable to 2011 in an amount of EUR 7,767 thousand and those attributable to 2012 and future years in an amount of EUR 9,731 thousand. The relevant transactions were concluded at the weighted average forward exchange rate of PLN 3.56/EUR 1.

According to data provided by the banks, as at June 30th 2011, the fair value of *open hedge positions* for EUR-denominated cash flows was negative at PLN -8,651 thousand.

The Group hedges a portion of its EUR-denominated cash flows (attributable to cost of sales) by holding open currency positions for 2011 in the amount of EUR 14,160 thousand. The relevant transactions were concluded at the weighted average forward exchange rate of PLN 3.94/EUR 1.

According to data provided by the banks, as at June 30th 2011, the carrying value of *open hedge positions* for EUR-denominated cash flows was PLN 920 thousand.

The Group hedges its USD-denominated cash flows (cost of sales) with open positions on the currency market, in an amount of USD 187 thousand for 2011. The relevant transactions were concluded at the weighted average forward exchange rate of PLN 3.03/USD 1.

According to data provided by the banks, as at June 30th 2011, the carrying value of *open hedge positions* for USD-denominated cash flows was negative at PLN -45 thousand.

As at June 30th 2011, the fair value **of hedging instruments** was negative at PLN -4,208 thousand, of which PLN -5,773 thousand related to the fair value of cash flow hedges, and PLN 1,565 thousand related to hedges on financial assets.

As at June 30th 2011, the fair value **of instruments held for trading** was positive at PLN 1,763 thousand.

The fair value of open hedge position varies in response to changing market conditions. Accordingly, the final result on those transactions may differ significantly from the valuation presented above.

Hedging contracts are executed in compliance with the Group's strategy for financial risk hedging.

1.1.2. Interest rate risk

Management of interest rate risk concentrates on the minimisation of the impact of fluctuations in interest cash flows on financial assets and liabilities which bear interest at variable interest rates.

The Group hedges interest rate risk with interest rate swaps.

Effect of interest rate derivatives on the Group performance

For the first six months of 2011, the result on trading derivatives used to hedge interest rates as recognised in the consolidated income statement as at June 30th 2011 was negative at PLN -428 thousand, including:

- PLN 182 thousand charged to finance expenses in respect of the difference between the fixed and variable market rate,
- IRS fair value of PLN 246 thousand disclosed under finance expenses in respect of an early closure of a hedged item.

1.2. Credit risk

Credit risk is understood as the inability to meet obligations towards the Group's creditors. The Group monitors clients' and creditors' outstanding payments by analysing the credit risk individually, or for individual asset classes according to credit risk (e.g. by industry, region or structure of customers). Further, as part of risk management activities, the Group enters into transactions with partners whose creditworthiness is confirmed.

At present, the main customers for services provided by the Group's natural gas and crude oil segment are PGNiG and Gaz-System. This is related to the execution of three contracts with a significant unit value for these customers, totalling PLN 4.7bn. However, please note that the Group's strategy provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenues. In order to mitigate the risk of dependence on its key customers, the Group gradually attracts new customers for its services, such as KGHM, GDDKiA and Dalkia.

With respect to trade receivables, the Group is not exposed to credit risk inherent in being dependent on a single major partner or a group of partners sharing the same characteristics. Based on historical data on overdue payments, the receivables that are past due and for which no impairment charges have been recognised do not show a marked deterioration in quality, as most of them fall into the "up to 6 months" category, and there is no threat to their effective collectability. The Group operates in the market of specialist construction services for the natural gas, petroleum, water supply and sewerage, road and infrastructural sectors, thus there is no credit risk concentration. In order to reduce its credit risk exposure, the Group uses offsetting (compensating) arrangements where such solution is accepted by both parties.

1.3. Liquidity risk

The Group is exposed to the risk of losing liquidity that is the loss of the ability to timely meet financial liabilities. The Group manages the liquidity risk by monitoring payment dates and demand for cash with respect to the servicing of current payables (current transactions are monitored on a weekly basis) and long-term demand for cash based on cash flow projections that are updated monthly. The demand for cash is compared with

the available sources of funding (in particular by evaluating the ability to source funds under credit facilities) and with the ability to place free funds.

Table 8: Available credit limits in current accounts of the Group as at the balance-sheet date

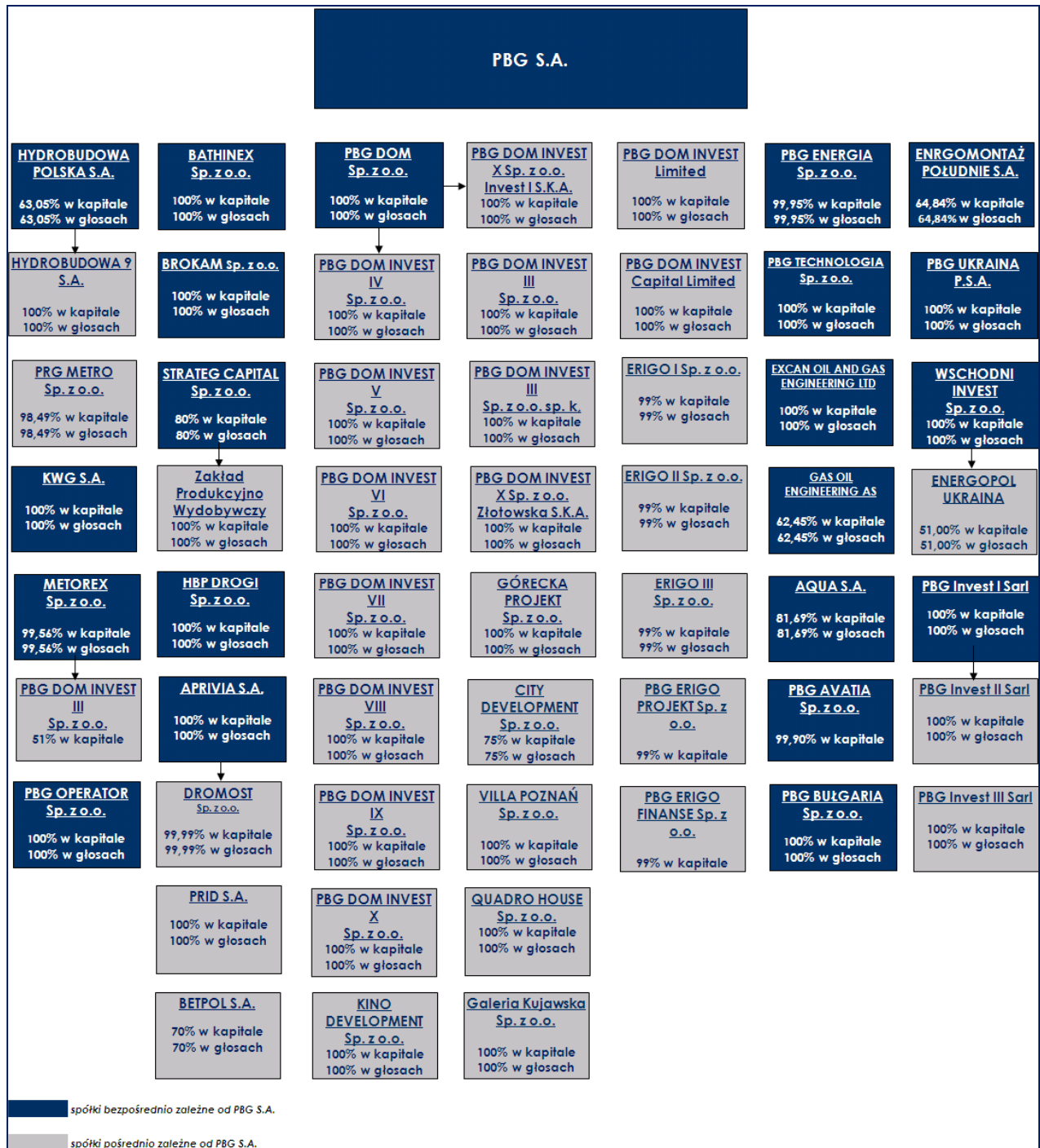
	Jun 30 2011	Jun 30 2010
	PLN '000	PLN '000
Credit limits granted	581,000	372,929
Drawn balances	416,029	257,484
Available credit limits in current account	164,971	115,445

CHAPTER III: THE GROUP

I. STRUCTURE OF THE GROUP

As at the date of filing this Report, the Group was composed of 55 companies, including its Parent Undertaking, PBG, 21 direct subsidiary undertakings, and 34 indirect subsidiary undertakings.

Figure 1: Structure of the Group as at the date of filing this Report



W kapitale	Of share capital
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W głosach	Of votes
Spółki bezpośrednio zależne od PBG	PBG's direct subsidiaries
Spółki pośrednio zależne od PBG	PBG's indirect subsidiaries

II. STRATEGY AND BUSINESS MODEL

1. Business model

The Group's business model is based on the provision of specialist construction services. The Group has been increasing its revenues and profits by entering new markets and operating in segments where competition is limited due to the required qualifications, experience, and credentials. The operational and strategic management of the Group is facilitated by a simple structure where a Leading Company is in charge of each area of operations. The Leading Company is responsible for procuring orders and executing projects, expanding the range of services, arranging financing, and consolidating other entities. The Group develops its project management and engineering capabilities, while its own execution resources are focused on the performance of technologically advanced works. In the case of projects that require application of technologies or equipment manufactured abroad, the Group will establish co-operation with foreign partners to perform contracts as a consortium. Under such model it is possible to perform contracts in accordance with the work schedule and within the assumed budget.

Currently, the PBG Management Board is focusing on creating a construction group specialising in managing projects characterised by large unit value and technological complexity. This will drive the Group's further development and help adjust its structure to market conditions.

2. Strategy

PBG'S STRATEGY IS TO ENSURE STEADY AND LONG-TERM GROWTH OF THE GROUP'S VALUE BY BUILDING ONE OF THE LARGEST ENGINEERING AND CONSTRUCTION ORGANISATIONS IN EUROPE.

This is achieved by:

- expanding operations on new markets related to specialist construction and engineering services in such areas as natural gas, power generation, crude oil, fuels, waste and biomass incineration plants;
- expanding the range of credentials in the core business areas, through continuous development of engineering skills, improvement of project management skills and execution of increasingly more complex projects;
- increasing sales revenue while maintaining attractive margins;
- winning and performing profitable contracts with high unit values by tapping the combined potential of the Group companies in the market segments where competition is limited due to the required qualifications and credentials;
- diversifying operations to embrace new areas, such as operator services, PPP projects, and concessions;
- expanding property development business – projects in Poland and abroad;
- expanding into new geographical markets, including Ukraine, Bulgaria, Romania, Russia, and the Republic of South Africa.
- participating in the infrastructure and road construction market.

IN THE NEAR FUTURE THE ACTIVITIES AIMED AT IMPLEMENTING THE ADOPTED STRATEGY OF PBG AND ITS GROUP WILL PRIMARILY FOCUS ON:

1. Expansion in the Polish power engineering market through:

- acquisition of a majority interest in RAFAKO S.A., one of the leading contractors and suppliers of technology in the European power engineering market;
- maintaining the majority interest in Energomontaż-Południe S.A.;
- strategic cooperation with major players on the global power engineering market to facilitate joint acquisition and execution of contracts in Poland;
- building up own competences and credentials through winning and execution of contracts of increasingly larger unit values.

In June 2011, PBG executed a preliminary agreement on acquisition of a special purpose vehicle, wholly-owned by Elektrim S.A., which holds a 50% interest plus one share in RAFAKO S.A. PBG is to acquire 34,800,001 shares, representing in aggregate 50% of the share capital plus one share in RAFAKO S.A. and the same proportion of the total vote at its general shareholders meeting, for PLN 540.840m. The transaction will be completed subject to anti-trust clearance from the President of the Office of Competition and Consumer Protection (UOKiK) and adjusting the corporate structure of the Elektrim Group for the purpose of the transaction. PBG currently conducts a due diligence examination to assess the company's financial, economic, legal, tax and technology position. The purchase price may be reduced if any material circumstances affecting the value of RAFAKO are identified. After the conditions precedent are satisfied, PBG will acquire 50% of the share capital plus one share in RAFAKO. As the next stage, a tender offer for RAFAKO shares will be announced in order to achieve 66% of the total vote at its general shareholders meeting. The tender offer price will equal the transaction price of PLN 15.54 per share. RAFAKO is one of four European companies, alongside ALSTOM, Hitachi Power Europe and Doosan Babcock, which have a comprehensive technology for building conventional power generation units. It is one of Europe's largest producers of boilers and environmental protection equipment for the power sector. The company has over 60 years of operating history.

Moreover, in June 2011, PBG completed a tender offer for the shares of Energomontaż-Południe S.A., thus acquiring a controlling interest in the company. Energomontaż-Południe specialises in execution of power engineering projects. Following the inclusion of RAFAKO and Energomontaż-Południe in the Group and the acquisition of controlling interests in the companies, PBG will be able to offer comprehensive general contracting services in the power engineering sector.

Also, PBG believes it can pursue other opportunities on the power engineering market in the cooperation with experienced foreign partners. In May 2010, the Company executed a strategic cooperation agreement with ALSTOM, a world leader in the power sector. The companies agreed that their complementary offerings, experience, as well as financial, human, and technical resources will allow them to successfully cooperate in winning and executing the largest power engineering contracts in Poland.

The Group and ALSTOM currently participate in five tenders for delivery and construction of coal- and gas-fired power units. The aggregate value of projects the consortium bids for is estimated at approximately PLN 16bn. The following three tenders are for construction of coal-fired power units:

- Construction of power unit at the Koźienice II Power Plant. The estimated value of the project is PLN 5bn; the winner will be announced in Q4 2011;
- Construction of supercritical parameters power unit at the Jaworzno III Power Plant. The estimated value of the project is PLN 5bn; the winner will be announced in Q1 2012;

- Construction of a new power unit at the Turów Power Plant. The estimated value of these projects is estimated at PLN 2.5bn, and the winners are to be announced in Q1 2012.

The remaining two tenders are for delivery and construction of gas-fired power units. The first one is to be constructed at the Stalowa Wola Power Plant and the other one – at the Włocławek Power Plant. The cost of each of these projects is estimated at PLN 1.6bn, and the winners are to be announced by the end of 2011.

To summarise, PBG participates in tenders in the power engineering industry for a total of approximately PLN 1.6bn, which comprises only 10%-20% of all tenders in the sector planned by 2020 (capital expenditure plans of power producers are estimated at PLN 150bn-200bn).

2. Strengthening the Company's position as the leader in the gas engineering sector in Poland.

Presently, PBG takes part in three projects of strategic importance to the country. These are: the LMG crude oil and natural gas mine, the underground gas storage facility in Wierchowice and the LNG terminal in Świnoujście. The strategy to actively acquire and execute high unit value contracts in the gas sector will be continued. The largest tender in the segment in 2011 is the project involving development of natural gas reserves in Różańsk, with an estimated value of PLN 1bn. Additionally, a series of tenders have been or will be announced for construction of gas transmission infrastructure connecting the LNG terminal with other parts of Poland. At present, PBG has submitted and is preparing to submit bids in such tenders for a total of nearly PLN 3.3bn.

3. Strengthening the position in the crude oil and fuel sectors in Poland through participation in tenders announced by such organisations as PGNiG, PKN Orlen, PERN, LOTOS and NATO.

4. Presence in the hydro-engineering market

In 2010, a long-awaited tender for the construction of the Racibórz retention tank on the Oder River, with an estimated value of approximately PLN 800m, was announced. The Group participates in the procedure jointly with OHL (the pre-qualification procedure is currently underway). Moreover, several other hydro-engineering tenders are expected to be announced this year.

5. Construction of municipal waste incineration plants.

The Group also sees development opportunities in the planned construction of waste incineration plants in Poland. Pursuant to the EU requirements, such facilities are to be built in urban agglomerations with population over 350,000. The waste incineration projects will first be launched by Poznań, Kraków, and Białystok. Eleven plants with an aggregate value of PLN 6bn are to be constructed in 2011-2012.

6. Expansion into foreign markets through:

- **strategic cooperation with OHL and other global companies;**
- **expanding operations in Ukraine;**
- **launching operations in Bulgaria and Romania, through cooperation with local and international partners.**

In H1 2011, the Group's foreign operations were conducted mainly by Energopol Ukraina and PBG Ukraina of Kiev, EXCAN of Edmonton (Canada) and GOE of Poprad (Slovakia).

Moreover, the Group explores new opportunities of expansion into foreign markets such as Bulgaria or Romania. Last year, PBG Bułgaria was established to acquire, in cooperation with local partners, contracts

for infrastructure projects related to environmental protection, road construction, and natural gas and crude oil units. Development on these markets will be largely possible thanks to the EU subsidies for new member states (Bulgaria and Romania joined the EU in 2007).

The Group sees its opportunity on the above mentioned markets, in cooperation with international partners, as it has all necessary credentials and years of experience necessary to build such facilities.

Group's cooperation with the Spanish OHL Group, an organisation with long-standing presence on the global markets, may prove to be instrumental for the Group's foreign operations. Preliminary bids for the construction of stadiums in Canada have already been submitted jointly with the OHL Group.

7. Investments related to long-term infrastructure operation projects, Public Private Partnerships and licences

Investments in infrastructure operation projects, implementation of projects based on Public Private Partnerships and licenses. The projects involve construction and operation of motorways, generation of electricity from small hydro-electric power stations and biogas plants, generation of heat from the municipal waste incineration plants, operation of water supply and sewage disposal systems, underground car parks, and other infrastructure facilities. The following four models of cooperation are taken into account:

- **BOT** – Build – Operate – Transfer;
- **DBFO** – Design – Build – Finance – Operate;
- **BOO** – Build – Own – Operate;
- **BTL** – Build – Transfer – Lease.

These types of projects carried out by the Group will be aimed at diversifying operations and entering markets that are a source of long-term and stable sales revenue, irrespective of conditions prevailing in the construction business.

8. Presence on the infrastructure market in Poland through:

- **consolidation of Hydrobudowa Polska S.A., and**
- **consolidation of APRIVIA S.A.**

Apart from the possibility of winning large unit value contracts on the infrastructure market, Hydrobudowa Polska may be hired as a sub-contractor in other assignments won by other Group companies, such as road construction contracts, gas projects, or power engineering projects.

9. Commercial and residential property development

Participation in construction projects related to residential and commercial property development will be an important part of PBG's business in the coming years. PBG Dom is the company responsible for this area of the Group's operations. Formal and legal changes are currently being introduced to the capital structure of the PBG Dom Group. The most important of those changes involve establishing a company, based on PBG Dom, which will serve as a property bank (PBG Nieruchomości), and spinning off of a property development company, together with its human resources and projects in progress (PBG Erigo).

At present, nine active projects are being implemented. These include apartment estates in Poznań, Gdańsk and Świnoujście, the Skalar Office building in Poznań, and Hampton by Hilton hotel in Świnoujście. The combined area of the current projects is nearly 43.5 thousand m².

Another five projects are in the pipeline. They include apartment estates and office buildings located countrywide, however particularly in Poznań, and Gdańsk.

10. Securing financing for Group's operations through:

- **use of short- and long-term funding sources to ensure financing for current operations and investments;**
- **arrangement of financing for long-term projects;**
- **management of credit limits to ensure the Group's ability to provide guarantees for planned tenders and for contracts;**
- **maintenance of the maximum net debt at the level of up to 3.5 x EBITDA, taking steps designed to reduce debt;**

The credit and guarantee limits for the Group are now in excess of PLN 3.74bn and are sufficient for the Group to bid in all strategically important tenders planned for 2011. Individual contracts are financed with the use of short-term working capital credit facilities, special purpose loans, and bonds.

The Company also secured financing for its planned investments, including the acquisition of a majority interest in Rafako S.A.

The acquisition of control over Energomontaż-Południe and Rafako will lead to a significant increase in debt ratios. Therefore, steps are being undertaken to reduce debt, including through sale of non-core assets of the Group.

3. Strategy in practice

One of the factors contributing to the achievement of the Group's strategic objectives is the way in which the Group is organised in the individual areas of its operations. The PBG Management Board defines the development directions of a given company and determines its role in the Group. Each company is responsible for project execution in line with its business profile and resources.

Figure 1: Organisational structure of the Group as at June 30th 2011 (percentage of voting rights held by PBG)



INŻYNIERING	ENGINEERING
BUDOWNICTWO OGÓLNE, OCHRONA ŚRODOWISKA I HYDROTECHNIKA	GENERAL CONSTRUCTION, ENVIRONMENTAL PROTECTION AND WATER ENGINEERING
BUDOWNICTWO DROGOWE	ROAD CONSTRUCTION
KOPALNIE KRUSZYW	AGGREGATE QUARRIES
BUDOWNICTWO MIESZKANIOWE	RESIDENTIAL CONSTRUCTION
DZIAŁALNOŚĆ ZAGRANICZNA	FOREIGN OPERATIONS
BUDOWNICTWO ENERGETYCZNE	POWER ENGINEERING CONSTRUCTION
25.00% + 1 akcja	25.00% and one share

Figure 2: Current organisational structure of the Group (percentage of voting rights held by PBG)



INŻYNIERING	ENGINEERING
BUDOWNICTWO OGÓLNE, OCHRONA ŚRODOWISKA I HYDROTECHNIKA	GENERAL CONSTRUCTION, ENVIRONMENTAL PROTECTION AND WATER ENGINEERING
BUDOWNICTWO DROGOWE	ROAD CONSTRUCTION
KOPALNIE KRUSZYW	AGGREGATE QUARRIES
BUDOWNICTWO MIESZKANIOWE	RESIDENTIAL CONSTRUCTION
DZIAŁALNOŚĆ ZAGRANICZNA	FOREIGN OPERATIONS
BUDOWNICTWO ENERGETYCZNE	POWER ENGINEERING CONSTRUCTION
25.00% + 1 akcja	25.00% and one share

Within the Group the **natural gas, crude oil, and fuels markets** are the responsibility of PBG, which has been offering services in these segments since its inception. PBG is the leader on these markets in Poland. It has gained its current position through strategic co-operation with international companies, which has enabled PBG to introduce technologically advanced solutions on the Polish market. PBG was able to use the resulting credentials and necessary experience to win contracts for execution of the largest projects on the Polish gas, oil, and fuels market. The gas and oil market is particularly important for the Group, and over the next few years it will be a major contributor to the Group's financial result.

The strategy of the Group assumes that over the next three years the revenue from sales to the gas and oil sector would reach several million złoty annually.

PBG and PBG Energia Sp. z o.o. are currently responsible for **the power construction market**. Moreover, the operations in this segment are also supported by Energomontaż-Południe. Rafako will be ultimately responsible for the power engineering segment and its consolidation within the Group. In accordance with the adopted strategy, the Group's operations in the energy segment will enable it to further develop its revenue streams. Projects in the area of power engineering identified by the Group will total over PLN 30bn in the next two years. The Group plans to be an active player on this market.

The strategy of the Group assumes that over the next three years the sales revenue of the power engineering segment would reach PLN several hundred million annually, starting from 2012.

PBG and supporting companies: PBG Ukraina, Energopol-Ukraina, PBG Bułgaria and PBG Africa are primarily responsible for operations on **foreign markets**. Winning foreign contracts and their execution will be based on cooperation with international companies such as OHL and local partners operating on a particular market. In light of the new prospects and opportunities for strategic alliances with international partners, revenues from foreign markets may significantly affect the financial performance in the future.

PBG Dom is responsible for the **residential and commercial construction market**. The PBG Dom Group comprises 25 subsidiaries. These are special purpose vehicles, established in order to implement a given residential or commercial project. The area related to construction and/or commercialisation of property may prove to be important for the entire Group over a long term.

Hydrobudowa Polska S.A. is responsible for the **infrastructure and general construction market**. The Hydrobudowa Polska Group comprises Hydrobudowa 9 and PRG Metro. To increase the efficiency of operations, a decision was made to incorporate Hydrobudowa 9 into Hydrobudowa Polska, which should happen at the turn of 2011 and 2012. This business segment should have a significant impact on the Group's performance in the future through planned infrastructure projects to be financed from the 2013–2020 EU budget.

APRIVIA S.A. is responsible for the **road construction market**. The APRIVIA Group comprises Dromost, PRID and Betpol.

In the Directors' Report on the operations of PBG in 2010 the Company reported that Spanish OHL (OBRASCÓN HUARTE LAIN CONSTRUCCIÓN INTERNACIONAL) planned to acquire controlling interests in Hydrobudowa Polska and APRIVIA, for which PBG was to receive PLN 506m. In May 2011, the PBG Management Board reported that PBG and OHL made a joint decision to suspend negotiations. The reason for suspending the negotiations was the difference between the current valuation of the Hydrobudowa Polska shares and the price originally agreed for the transaction. Although the negotiations have been suspended, the parties have confirmed their intention to complete the planned transaction, which involves the acquisition by OHL of a 51% interest in HYDROBUDOWA (107,384,807 HYDROBUDOWA shares for PLN 431,000,000) and a 50.1% interest in APRIVIA (36,068,525 APRIVIA shares for PLN 75,000,000). PBG and OHL intend to continue their negotiations when the market valuation of HYDROBUDOWA shares returns to the level considered by the parties when they began the negotiations.

All the information on the planned transaction with OHL, published in Current Reports, is available at:

1. <http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/49-2010-podpisanie-przez-pbg-s-a-porozumienia-w-sprawie-sprzedazy-akcji-spolek-hydrobudowa-polska-s-a-oraz-aprivia-s-a.html>;
2. <http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/50-2010-podpisanie-przez-pbg-s-a-porozumienia-w-sprawie-sprzedazy-akcji-spolek-hydrobudowa-polska-s-a-oraz-aprivia-s-a-uzupelnienie-informacji.html>;
3. <http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/65-2010-podpisanie-przez-pbg-s-a-umowy-uzupelniajacej-do-porozumienia-dotyczacego-sprzedazy-akcji-spolek-hydrobudowa-polska-s-a-oraz-aprivia-s-a.html>;
4. <http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/32-2011-informacja-na-temat-negocjacji-z-ohl.html>.

III. BUSINESS PROFILE

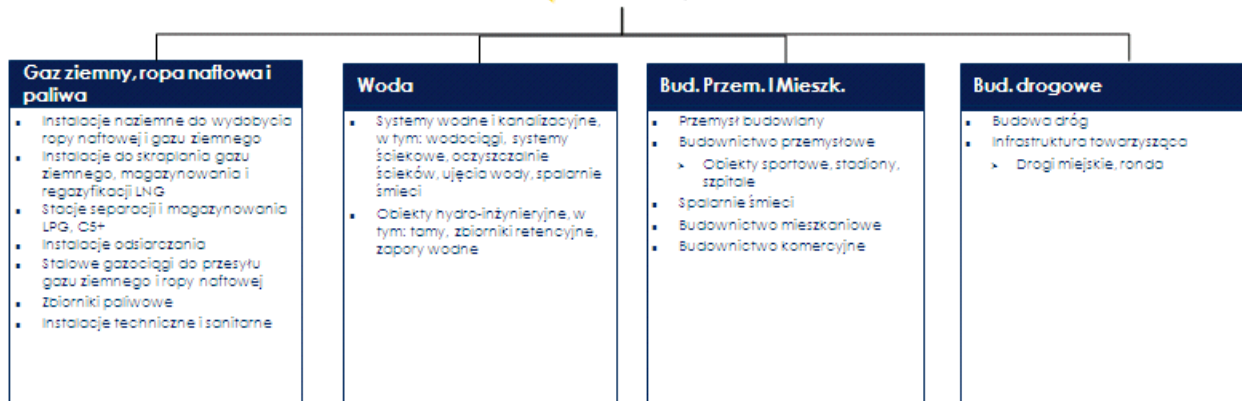
The business profile of PBG and its Group comprises general contractor services related to natural gas, crude oil, water and fuels facilities, provided on a “turn key” basis, as well as general contractor services for projects in the area of industrial, residential, infrastructure, and road construction. The natural gas, crude oil and fuels segment is the responsibility of PBG, Hydrobudowa Polska and Hydrobudowa 9 are the leading companies in the water segment, the road construction segment is the responsibility of Aprivia, whereas Hydrobudowa Polska and its Group and PBG are responsible for infrastructure projects.

Currently, the Group divides its business into four major operating segments:

1. **natural gas, crude oil and fuels;**
2. **water;**
3. **industrial and residential construction;**
4. **roads.**

The table below lists the services performed as part of each individual segment.

Table 9: Services performed by the Group, by segment



Gaz ziemny, ropa naftowa i paliwa	Natural gas, crude oil and fuels
<ul style="list-style-type: none"> ▪ Instalacje naziemne do wydobycia ropy naftowej i gazu ziemnego ▪ Instalacje do skraplania gazu ziemnego, magazynowania i regazyfikacji LNG ▪ Stacje separacji i magazynowania LPG, C5+ ▪ Instalacje odsiarczania ▪ Stalowe gazociągi do przesyłu gazu ziemnego i ropy naftowej ▪ Zbiorniki paliwowe ▪ Instalacje techniczne i sanitarne 	<ul style="list-style-type: none"> ▪ Surface installations for crude oil and natural gas production ▪ Installations for liquefying natural gas and for LNG storage and regasification ▪ LPG, C5+ separation and storage facilities ▪ Desulphurisation units ▪ Steel pipelines for oil and gas transmission ▪ Fuel tanks ▪ Technical and sanitary systems
Woda	Water
<ul style="list-style-type: none"> ▪ Systemy wodne i kanalizacyjne, w tym: wodociągi, systemy ściekowe, oczyszczalnie ścieków, ujęcia wody, spalarnie śmieci ▪ Obiekty hydro-inżynieryjne, w tym: tamy, zbiorniki retencyjne, zapory wodne 	<ul style="list-style-type: none"> ▪ Water supply and sewage systems, including: water pipes, sewage systems, wastewater treatment plants, water intakes, waste incineration plants ▪ Water engineering structures, including: dams, storage reservoirs
Bud. Przem. i Mieszk.	Industrial and residential construction
<ul style="list-style-type: none"> ▪ Przemysł budowlany ▪ Budownictwo przemysłowe - Obiekty sportowe, stadiony, szpitale ▪ Spalarnie śmieci ▪ Budownictwo mieszkaniowe ▪ Budownictwo komercyjne 	<ul style="list-style-type: none"> ▪ Construction industry ▪ Industrial construction - Sports facilities, stadiums, hospitals ▪ Waste incineration plants ▪ Residential construction ▪ Commercial construction

Bud. drogowe	Roads
<ul style="list-style-type: none"> ▪ Budowa dróg ▪ Infrastruktura towarzysząca - Drogi miejskie, ronda 	<ul style="list-style-type: none"> ▪ Road construction ▪ Auxiliary infrastructure - Municipal roads, roundabouts

The scope of construction services provided as part of the above segments comprises comprehensive contracting services, engineering design work, upgrading, modernisation, repairs, and maintenance of facilities and systems.

For detailed figures on the shares of particular segments in the sales revenue, see the following section of this Report.

IV. CHANGES ON THE GROUP'S MARKETS

In the first six months of 2011, revenue streams from the individual areas of operations of the Group were generated mainly on the domestic market and were as follows:

Table 10: Industry segments

Sales revenue	1H2011 (PLN '000)	H1 2010 (PLN '000)	Change (PLN '000)	Change (%)
natural gas, crude oil and fuels (transmission, distribution, production)	455,579	225,368	230,211	+102
water (water engineering and environmental protection, pipeline rehabilitation)	229,227	301,855	-72,628	-24
industrial and residential construction (construction, infrastructure for industrial facilities)	371,399	551,906	-180,507	-33
roads (road construction)	377,204	74,924	302,280	+403
other (sale of goods for resale, materials and products, other services)	23,446	26,085	-2,639	-10
Total sales revenue	1,456,855	1,180,138	276,717	+23

The changes taking place on these markets result from the Group's strategy to secure contracts involving the use of highly specialist technologies, develop its presence in the natural gas and crude oil market, and expand the order book to include road construction and infrastructural projects.

Geographical presence

The Group's operations focus primarily on the domestic market, which the Group perceives as its key market because of the planned projects in the power engineering sector; road, hydro-engineering and transport infrastructure projects (co-financed by the EU); as well as gas infrastructure projects (including compressor stations and gas pipelines). However, the Group is taking steps with a view to entering foreign markets, mainly in the natural gas, crude oil and infrastructure sectors. Historically, PBG performed contracts for customers in Latvia, Pakistan and Norway. Steps are currently being taken to expand Group's operations into

foreign markets, including in Ukraine, Russia, Romania, Bulgaria, and the Republic of South Africa. In some of these countries, PBG has already established, or is establishing, its presence in the form of representative offices or special purpose vehicles. Furthermore, first steps are being taken to attract local sub-contractors or partner companies.

In a long-term perspective, foreign markets may become a significant source of revenue for the Group.

V. SEGMENT OPERATIONS

1. Natural gas, crude oil and fuels segment

We have introduced to the Polish market a method of working on active gas pipelines in air-tight conditions, invented by T.D. Williamson. In 1999 we were the first in Poland to design and perform, under a general contractor formula, unmanned gas production facilities. We were also the first in Poland to design and construct a liquefied natural gas (LNG) regasification unit. The unit is used in supplying gas and heat to towns and municipalities, as well as by industrial customers. We design and build co-generation systems, as well as CNG and LCNG units.

The technologies we have developed and the experience acquired while developing the natural gas field are now being used in the development of an oil field. In 2003, we built our first unmanned crude production facilities. In 2005, in connection with more stringent requirements in the area of environmental protection, we were the first in Poland to construct a formation water purification system. A year later we designed and implemented a system of underground crude oil heating to facilitate its extraction.

Moreover, the Group provides general contracting services relating to projects involving construction of new facilities and modernisation of existing fuel terminals, together with auxiliary infrastructure. In the area of construction and repair of storage tanks, we also conduct work on active facilities. The Group is engaged in projects, commissioned by NATO, involving modernisation and extension of existing storage facilities for propellants and lubricants and delivery and execution of underground storage tanks for F-16 jet fighters at the military bases throughout Poland. The execution of military construction projects requires access to classified information marked as "CONFIDENTIAL". We are one of few contractors in Poland that meet the Investor's requirements in that respect.

GROUP COMPANIES OPERATING IN THE NATURAL GAS, CRUDE OIL AND FUELS SEGMENT

PBG

The Company provides comprehensive, specialist contracting services for natural gas, crude oil, and fuels facilities. It acts as a general contractor or sub-contractor with respect to: engineering design work, construction, repairs, operation, and maintenance in the field of: production of natural gas and crude oil, transmission of natural gas and crude oil, storage of natural gas, fuels, LNG, LPG, C5+, and CNG.

Excan Oil and Gas Engineering LTD.

Excan Oil and Gas Engineering LTD. is an engineering company involved in designing and marshalling deliveries for equipment used to build natural gas and crude oil facilities. The company is registered office in Edmonton (Alberta), Canada.

GasOil Engineering A.S.

GasOil is an engineering, design, and execution company with international presence. The Company offers analyses, preparation of studies, design work, financial analysis, project management, turn-key deliveries and supervision over the execution of natural gas and crude oil contracts. The Company's registered office is in Poprad, Slovakia.

SALES

The market for services relating to the natural gas and crude oil segment comprises primarily Poland. The inclusion in the Group of GasOil Engineering, which sells its services on international markets (including: Germany, the Czech Republic, Israel and Ghana) was an important move in terms of gaining a foothold on foreign markets. The largest customers for the Group's services in this segment are PGNiG and Gaz-System.

Table 11: Sales of services in the natural, gas crude oil and fuels segment

Sales revenue	1H2011 (PLN '000)	H1 2010 (PLN '000)	Difference (PLN '000)	Change (%)
natural gas, crude oil and fuels (transmission, distribution, production)	455,579	225,368	230,211	+102

The percentage share of the natural gas and crude oil segment in the Group's total sales revenue in H1 2011 stood at 31% and grew by 12% relative to the previous year. The natural gas and crude oil segment constitutes the core operating segment of PBG, which is the domestic leader of that industry. PBG expects that its sales revenue will remain stable in the coming years as the market offers promising opportunities and the Company's order book includes such projects as a PLN 1.4bn contract for construction of a crude production facility; a PLN 1.1bn contract for construction of the underground gas storage facility in Wierzchowice; or a PLN 2.2bn contract for construction of the LNG terminal. These contracts are currently among the most significant projects carried out by the Group.

2. Water segment

Projects executed by the Group in the water segment are aimed to reduce the pollution of water, soil and air. Thus, our activities in the area help significantly improve the condition of the natural environment. The Group comprehensively executes water engineering, environmental protection, and water and sewage systems construction projects. We have the required equipment, financial means and staff resources to secure and independently execute even the largest projects. We are the leader in the market of pipeline rehabilitation services. We use state-of-the-art technologies of trenchless rehabilitation, maintenance and repair of underground pipeline systems.

GROUP COMPANIES OPERATING IN THE WATER SEGMENT

Hydrobudowa Polska S.A.

Hydrobudowa Polska S.A. specialises in comprehensive execution and maintenance of civil and water engineering, environmental protection, and water supply and sewage projects.

Hydrobudowa 9 S.A.

Hydrobudowa 9 S.A. provides construction services for environmental protection and water engineering structures, roads and large-sized construction.

Przedsiębiorstwo Inżynieryjne Metorex Sp. z o.o.

The company provides building contractor services for water supply, sewage, heating, and gas systems; land reclamation for water construction, sewage-treatment plants; construction of roads and yards.

KWG S.A.

KWG S.A. specialises in the execution of infrastructure projects in the environmental protection sector, such as water supply and sewage systems, intermediate pumping stations and sewage treatment plants, as well as high-, medium- and low- pressure gas systems, pressure reduction and metering stations, and gas boiler houses.

AQUA S.A.

AQUA S.A. is a regional leader in engineering design, specialising in large municipal projects such as water intakes, water and sewage treatment plants, sewer systems, sewage pumping stations, water supply systems and pumping stations as well as other facilities and road-related infrastructure. It provides comprehensive execution of projects at all stages, from the initial concept to function and usability programmes to civil engineering design and supervision, to commissioning of the finished facilities. The company is listed on the New Connect market.

SALES

The market for water segment services covers the territory of the entire country, which follows from the fact that the Group has signed contracts with different entities whereby it has been engaged to execute projects in specifically designated locations. The Group's main customers include local government units and companies operating in the area of water and sewage management, including companies owned by local government units.

Table 12: Sales of services in the water segment

Sales revenue	1H2011 (PLN '000)	H1 2010 (PLN '000)	Difference (PLN '000)	Change (%)
water (water engineering and environmental protection, pipeline rehabilitation)	229,227	301,855	-72,628	-24

The water segment **is the Group's business segment which has been growing very dynamically and which has had a substantial share in its total sales** (in H1 2011, the water segment accounted for 16% of total sales revenue, versus 26% in H1 2010). Currently, the segment's growth has slowed down, but the segment continues to generate a significant portion of the Group's total revenue. Contracts executed in the water segment are co-financed by the European Union, are characterised by large unit values and include environmental protection and water engineering projects. The 2007–2013 investment budget approved for Poland includes EUR 63bn for projects relating to such areas as infrastructure, environmental protection and water engineering, which ensures that it should remain a prospective market over the next several years.

3. Industrial and residential construction segment

Projects executed by the Group in this segment relate to the infrastructure for construction of residential buildings and industrial facilities, as well as provision of property development services in the commercial property sector, based on own land and buildings. At present, the largest contracts in progress or completed in the period under review in this segment include the construction of stadiums in Gdańsk (completed) and Warsaw (in progress).

GROUP COMPANIES OPERATING IN THE INDUSTRIAL CONSTRUCTION SEGMENT

Projects related to sports facilities – **Hydrobudowa Polska, PBG**

Projects related to waste sorting plants – **Hydrobudowa Polska, Hydrobudowa 9**

P.R.G. Metro Sp. z o.o.

P.R.G. Metro Sp. z o.o. is one of the general contractors of tunnels for the Warsaw underground railway, as well as its associated facilities, such as tunnel ventilation plants, turnout chambers, underground passes and microtunnels. In 2001, the company diversified into the water supply and sewage market. P.R.G. Metro strengthened the execution potential of Hydrobudowa Polska S.A., allowing it to diversify its business profile by entering completely new markets, such as that connected with the construction of the Warsaw underground railway.

GROUP COMPANIES OPERATING IN THE RESIDENTIAL CONSTRUCTION SEGMENT

PBG Dom Sp. z o.o.

The company operates in the property development sector. Furthermore, the company also manages real property and land owned by all Group companies. PBG Dom is the Group's leading company in the residential construction segment.

PBG Dom Invest X Sp. z o.o. Invest I S.K.A.

A special purpose vehicle established to execute a property development project.

PBG DOM INVEST III Sp. z o.o.

The company operates in the construction and property development sectors.

PBG DOM Invest III Sp. z o.o. sp. k.

A special purpose vehicle established to execute a property development project.

ECORIA Sp. z o.o. (former PBG DOM Invest IV Sp. z o.o.)

A special purpose vehicle established to execute a property development project.

ECORIA II Sp. z o.o. (former PBG DOM Invest V Sp. z o.o.)

A special purpose vehicle established to execute a property development project.

PBG DOM Invest VI Sp. z o.o.

A special purpose vehicle established to execute a property development project.

Strzeszyn Sp. z o.o. (former PBG DOM Invest VII Sp. z o.o.)

A special purpose vehicle established to execute a property development project.

Hilton Świnoujście Sp. z o.o. (former PBG DOM Invest VIII Sp. z o.o.)

A special purpose vehicle established to execute a property development project.

Hilton Poznań Sp. z o.o. (former PBG DOM Invest IX Sp. z o.o.)

A special purpose vehicle established to execute a property development project.

PBG DOM Invest X Sp. z o.o.

General partner in two special purpose vehicles.

Górecka Projekt Sp. z o.o.

A special purpose vehicle established to execute a property development project.

PBG DOM INVEST X Sp. z o.o. Złotowska 51 S.K.A.

A special purpose vehicle established to execute a property development project.

City Development Sp. z o.o.

A special purpose vehicle established to execute a property development project.

Villa Poznań Sp. z o.o.

The company's purpose is to execute a property development project.

Kino Development Sp. z o.o.

A special purpose vehicle established to execute a property development project.

Galeria Kujawska Sp. z o.o.

A special purpose vehicle established to execute a commercial project.

PBG DOM Invest Limited

Special purpose vehicle

PBG DOM Capital Limited

Special purpose vehicle

ERIGO I Sp. z o.o.

Special purpose vehicle

ERIGO II Sp. z o.o.

Special purpose vehicle

ERIGO III Sp. z o.o.

Special purpose vehicle

PBG ERIGO PROJEKT Sp. z o.o.

Special purpose vehicle

PBG ERIGO FINANSE Sp. z o.o.

Special purpose vehicle

Quadro House Sp. z o.o.

A special purpose vehicle established to execute a property development project.

SAMERU Sp. z o.o.

Special purpose vehicle

SALES

The industrial and residential construction services are provided to customers throughout Poland.

Table 13: Sales of services in the industrial and residential construction segment

Sales revenue	1H2011 (PLN '000)	H1 2010 (PLN '000)	Difference (PLN '000)	Change (%)
industrial and residential construction (construction, infrastructure for industrial facilities)	371,399	551,906	-180,507	-33

In the first six months of 2011, the share of the industrial and residential construction segment in the Group's total sales revenue stood at 25%, down by 22% relative to H1 2010. The market remains attractive to the Group due to the new opportunities it offers, which relate mainly to infrastructure projects, such as construction of entertainment and sports arenas and waste sorting plants in the largest Polish cities.

4. Road construction segment

In the road construction segment, the Group carries out projects relating to road and bridge construction works. The Group operates a bitumen mastic production plant and research laboratories, which oversee the production operations. Mineral and bitumen mastics produced by the Group meet the highest standards and are designed to be used for roads carrying heavy traffic volumes.

GROUP COMPANIES OPERATING IN THE ROAD CONSTRUCTION SEGMENT

APRIVIA S.A.

APRIVIA S.A. is responsible for the consolidation of the road construction segment companies and the strengthening of the Group's position in the area of road construction, including for securing and performing contracts and for arranging financing.

Dromost Sp. z o.o.

Dromost Sp. z o.o.'s business consists in the provision of services relating to the construction of transport facilities and the production of bitumen mastics.

PRID S.A.

PRID S.A. provides services relating to the execution of road and bridge construction and engineering works, including excavation work, construction of sewage systems, culverts, various road bases, soil stabilisation, and surface work involving both bitumen and cement surfaces. The company operates a bitumen mastic production plant and a research laboratory.

BETPOL S.A.

BETPOL S.A.'s business consists mainly in the performance of road works, including cold recycling using foamed bitumen and milling of bitumen and cement surfaces. Betpol also produces cold-mixed mineral and bitumen blends and ready-mixed concrete. The company also provides services relating to demolition work, constructs steel structures and performs assembly and construction work, as well as installation and reinforced-concrete work. The incorporation of Betpol into the Group has strengthened the Group's operations in the area of road construction.

BROKAM Sp. z o.o.

BROKAM Sp. z o.o. owns the land and holds the licence enabling it to launch the production of aggregate. The incorporation of the company into the Group created a materials base for the Group companies from the road construction segment.

BATHINEX Sp. z o.o.

The company owns land and licenses to launch aggregate production; the Brodziszów-Kłośnik Mine with reserves of granodiorite, an acidic fine-crystalline intrusive igneous rock. The incorporation of the company into the Group created a materials base for the Group companies from the road construction segment.

STRATEG CAPITAL Sp. z o.o.

Special purpose vehicle involved in the implementation of a project connected with the launch of an aggregate quarry in Tłumaczów, field exploitation management and sale of aggregates

Zakład Produkcyjno Wydobywczy Sp. z o.o.

Special purpose vehicle executing a project involving launch of an aggregate quarry.

HBP DROGI Sp. z o.o.

Special purpose vehicle.

SALES

The road construction companies operate mainly on their local markets and in neighbouring areas (i.e. Bydgoszcz, Nowy Tomyśl and Poznań). Currently, the companies are bidding for contracts throughout Poland.

Table 14: Sales of services in the road construction segment

Sales revenue	1H2011 (PLN '000)	H1 2010 (PLN '000)	Change (PLN '000)	Change (%)
roads (road construction)	377,204	74,924	302,280	+403

In H1 2010, the share of revenue from the road construction segment in the Group's total sales was 26%, up as much as 20% growth year on year. The segment's revenue grew fourfold over the end of H1 2010, from more than PLN 75m to PLN 377m. This was achieved thanks to the performance of contracts for construction of sections of the A1 and A4 motorways and for construction of a section of the S5 expressway.

5. Other operating areas

In addition to the companies mentioned above, there are also seven other companies in the Group which operate in separate areas, omitted from the above description.

CONTRACTING SERVICES

PBG Technologia Sp. z o.o.

The company is involved in the production and assembly activities, including: production and assembly of steel structures, production and assembly of equipment and facilities, production and assembly of steel tanks, construction of complex industrial units, including in particular in the petrochemical industry. Additionally, in the future the company will also provide building contractor services.

PBG Operator Sp. z o.o.

Special purpose vehicle

FOREIGN OPERATIONS

PBG UKRAINA Publiczna Spółka Akcyjna (public company limited by shares)

PBG Ukraina was set up with a view to conducting business activities primarily involving research of the Ukrainian market and establishing contacts with companies providing construction and associated services.

Wschodni Invest Sp. z o.o.

Wschodni Invest Sp. z o.o. holds in its portfolio and manages the property development business of Energopol – Ukraina.

Energopol Ukraina

The company holds a legal title to a land property with an area of 63,000 m² located in Kiev, which is planned to be developed and the development area is to be around 250,000 m². The company provides a wide range of services in the investment process, including: general construction, production and design works. It is experienced in trading and works related to upgrading/modernising industrial facilities.

PBG Bułgaria Sp. z o.o.

Representative office whose purpose is to conduct research in the Bulgarian market and establish contacts with regional companies operating in the construction and related services sector.

PBG Invest 1 Sarl

Special purpose vehicle

PBG Invest 2 Sarl

Special purpose vehicle.

PBG Invest 3 Sarl

Special purpose vehicle.

NEW AREA OF ACTIVITY – POWER ENGINEERING

Energomontaż-Południe S.A.

Energomontaż-Południe S.A. specialises in the assembly, upgrade and repairs of equipment and facilities for utility and industrial power plants, and CHP plants. The company actively participates in the construction of new, complete power facilities. In this respect, Energomontaż performs work in the following areas: power boilers, facilities and installations accompanying power boilers, steam pipelines, process pipelines, flue gas ducts, air ducts and steel structures. Energomontaż-Południe S.A. also offers its services to coking plants, cement plants, chemical plants and refineries concerning facilities and assembly of equipment and industrial facilities.

PBG ENERGIA Sp. z o.o.

The company procures orders in Poland and abroad in the energy segment and supervises their execution.

SUPPORT FOR THE GROUP COMPANIES

PBG AVATIA Sp. z o.o.

The company provides IT services, including IT consultancy, implementation of IT systems, data processing and services relating to IT and computer-based technologies. As a member of the Group, Avatia provides IT support to all PGB Group companies.

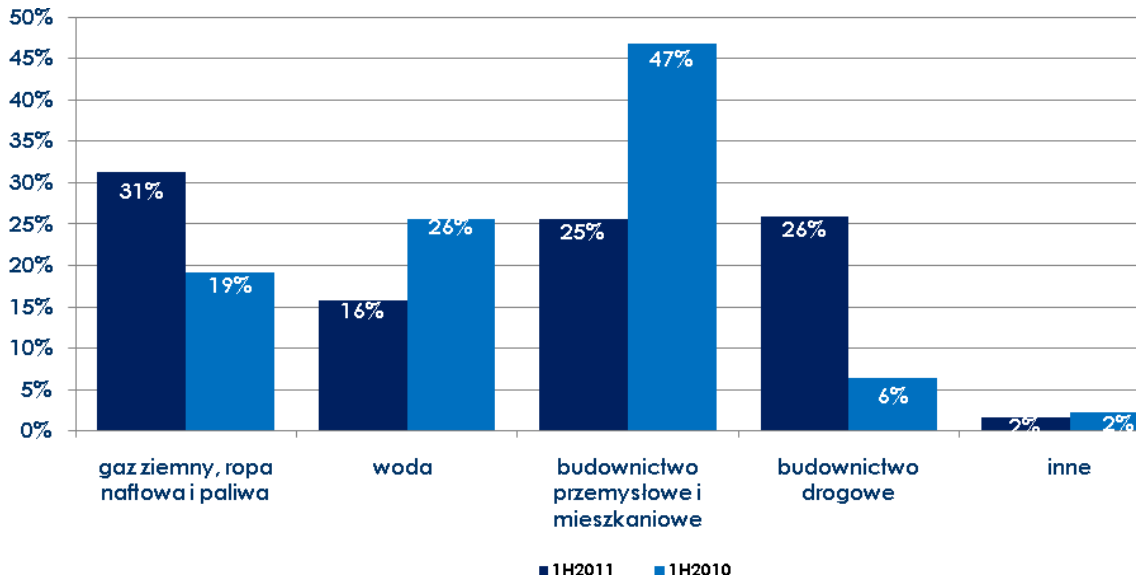
Customer and suppliers with at least 10% share in the Group's total sales revenue

In the period covered by this Report, customers and suppliers with at least 10% share in the Group's total sales revenue included:

- customers: PGNiG S.A.;
- suppliers: none.

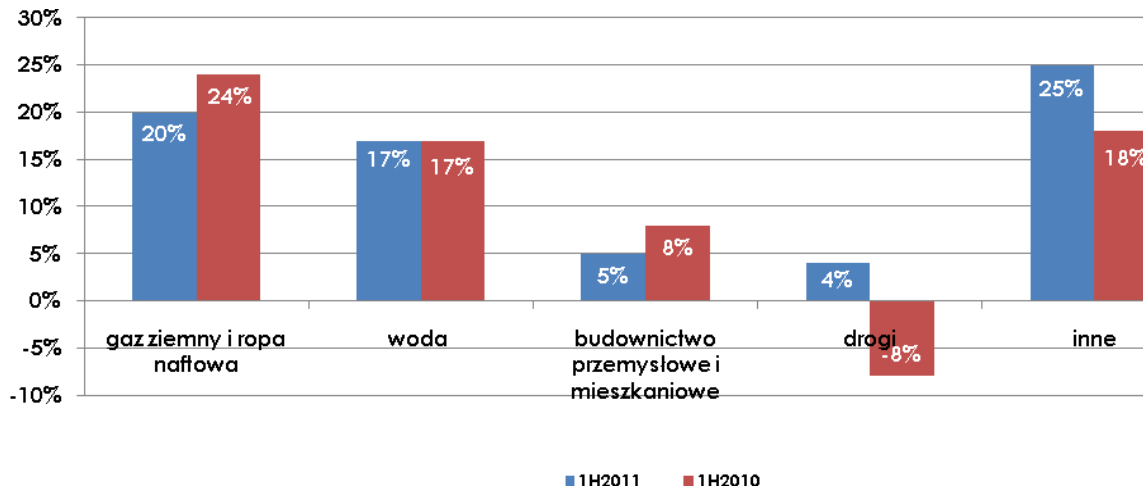
BUSINESS SEGMENTS: SHARE IN TOTAL REVENUE AND MARGINS BY SEGMENTS

Figure 2: Shares of the Group's business segments in sales revenue in H1 2011



Gaz ziemny, ropa naftowa i paliwa	Natural gas, crude oil and fuels
Woda	Water
Budownictwo przemysłowe i mieszkaniowe	Industrial and residential construction
Drogi	Roads
Inne	Other
1H 2011	H1 2011
1H 2010	H1 2010

Figure 3: Gross margins in the Group's business segments in H1 2011



Gaz ziemny, ropa naftowa i paliwa	Natural gas, crude oil and fuels
Woda	Water
Budownictwo przemysłowe i mieszkaniowe	Industrial and residential construction
Drogi	Roads
Inne	Other
1H 2011	H1 2011
1H 2010	H1 2010

VI. GROUP MEMBERS

As at the date of filing this Report, the Group was composed of the following companies:

Parent Undertaking

Company	Address	Tel. No./Fax	WWW	e-mail
PBG	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 665 17 00 (+48 61) 665 17 01	www.pbg-sa.pl	polska@pbg-sa.pl

Direct subsidiary undertakings

Company	Address	Tel. No./Fax	WWW	e-mail
Hydrobudowa Polska S.A.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 664 19 50 (+48 61) 664 19 51	www.hbp-sa.pl	polska@hbp-sa.pl
KWG S.A.	ul. Wojska Polskiego 129, 70-490 Szczecin, Poland	(+48 91) 432 11 30 (+48 91) 469 24 24	www.kwg.com.pl	biuro@kwg.com.pl
Metorex Sp. z o.o.	ul. Żwirki i Wigury, 17A, 87-100 Toruń, Poland	(+ 48 56) 654 40 63 (+ 48 56) 659 66 47	www.metorex.pl	metorex@metorex.pl
PBG Operator Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 665 17 00 (+48 61) 665 17 01	www.grupapbg.pl	N/A
Aprivia S.A.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 46 426(+48 61) 66 46 427	www.aprivia-sa.pl	biuro@aprivia-sa.pl
Bathinex Sp. z o.o.	ul. Skórzewska 35; 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 46 00 (+48 61) 66 46 427	www.grupapbg.pl	bathinex.kopalnia@op.pl
Brokam Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48) 691 470 133 (+48 61) 66 41 981	www.grupapbg.pl	pawel.dolinski@pbg-sa.pl
STRATEG CAPITAL Sp. z o.o.	ul. Ratajczaka 19, 60-814 Poznań, Poland	(+ 48 61) 664 88 20 (+ 48 61) 664 88 24	www.strateg.pl	biuro@strateg.pl
HBP Drogi Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 664 19 50 (+48 61) 664 19 51	www.grupapbg.pl	N/A
PBG Dom Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.pbghom.pl	biuro@pbghom.pl
PBG Technologia Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 32) 779 10 00(+48 32) 779 10 23	www.grupapbg.pl	sekretariat@pbg-t.pl
Gas Oil Eneginerring AS	ul. Tatranska 742, Spiška Teplica 059 34, Slovakia	+421 91 5969 927 +421 52 7144 140	www.gasoil.sk	gasoil@gasoil.sk

Excan Oil and Gas Engineering Ltd.	9637-45 Avenue, Edmonton Ab T6E 5Z8, Canada	+1 780 701 7501 +1 780 430 1133	www.excan.ca	info@excan.ca
AQUA S.A.	ul. Kancelarska 28, 60-327 Poznań, Poland	(+48 61) 66 545 00 (+48 61) 66 545 01	www.aqua.poznan.pl	biuro@aqua.poznan.pl
PBG Energia Sp. z o.o.	Al. Słowackiego 165, 30-004 Kraków, Poland	(+48 12) 298 41 60(+48 12) 298 41 69	www.grupapbg.pl	office@pbg-export.pl
PBG Ukraina PSA	Kondratiuka 1, 04-201 Kiev, Ukraine	(+48 61) 665 17 00(+48 61) 665 17 01	www.grupapbg.pl	N/A
Wschodni Invest Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 665 17 00 (+48 61) 665 17 01	www.grupapbg.pl	N/A
PBG Bułgaria Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 665 17 00 (+48 61) 665 17 01	www.grupapbg.pl	N/A
PBG Avatia Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 46 440 (+48 61) 66 46 441	www.avatia.pl	biuro@avatia.pl
Energomontaż-Południe S.A.	ul. Mickiewicza 15, 40-951 Katowice, Poland	(+48 32) 200 82 34 (+48 32) 258 65 22	www.energomontaz.pl	info@energomontaz.pl
PBG Invest I Sarl	41 Boulevard du Prince Henri L- 1724 Luxembourg	(+48 61) 665 17 00 (+48 61) 665 17 01	www.grupapbg.pl	N/A

Indirect subsidiary undertakings

Company	Address	Tel. No./Fax	WWW	e-mail
Hydrobudowa 9 S.A.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 846 97 00 (+48 61) 847 56 23	www.hb9.pl	sekretariat@hbp.pl
P.R.G. Metro Sp. z o.o.	ul. Wólczyńska 163, 01-919 Warsaw, Poland	(+48 22) 864 57 50(+48 22) 864 57 52	www.prgmetro.pl	info@prgmetro.pl
Dromost Sp. z o.o.	Żabno 2A, 63-112 Brodnica, Poland	(+48 61) 28 23 607 (+48 61) 28 23 639	www.dromost.pl	polska@dromost.pl
PRID S.A.	ul. Poznańska 42, 64-300 Nowy Tomyśl, Poland	(+48 61) 44 37 600(+48 61) 44 37 628	www.prid.pl	sekretariat@prid.pl
Betpol S.A.	ul. Fordońska 168A, 85-766 Bydgoszcz, Poland	(+48 52) 343 59 08 (+48 52) 344 47 15	www.betpol.com.pl	betpol@betpol.com.pl
PBG Dom Invest X Sp. z o.o. Invest I S.K.A.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG Dom Invest III Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl

PBG DOM Invest IV Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG Dom Invest V Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest VI Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest VII Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest VIII Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest IX Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest X Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest III Sp. z o.o. sp. k.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
Górecka Projekt Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
Złotowska 51 Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
City Development Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
Villa Poznań Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
QUADRO HOUSE Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
KINO Development Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
Galeria Kujawska Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest Limited	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Capital Limited	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
ERIGO I Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl

ERIGO II Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbqdom.pl
ERIGO III Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbqdom.pl
PBG ERIGO Projekt Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbqdom.pl
PBG ERIGO Finanse Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbqdom.pl
Energopol Ukraina	01001, ul. Kiev, Ukraine	(+48 61) 665 17 00 (+48 61) 665 17 01	www.pbg-sa.pl	polska@pbg-sa.pl
Zakład Produkcyjno Wytobyczny Sp. z o.o.	ul. Ratajczaka 19, 60-814 Poznań, Poland	(+ 48 61) 664 88 20 (+ 48 61) 664 88 24	N/A	N/A
PBG Dom Invest III Sp. z o.o.	ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbqdom.pl
PBG Invest II Sarl	41 Boulevard du Prince Henri L- 1724 Luxembourg	(+48 61) 665 17 00 (+48 61) 665 17 01	www.grupapbg.pl	N/A
PBG Invest III Sarl	41 Boulevard du Prince Henri L- 1724 Luxembourg	(+48 61) 665 17 00 (+48 61) 665 17 01	www.grupapbg.pl	N/A

VII. BRANCHES

PBG's (the Parent Undertaking's) branches:

none

Subsidiary undertakings' branches:

Hydrobudowa Polska S.A.:

Włocławek Branch,

ul. Płocka 164, 87-800 Włocławek, Poland

Silesia Branch,

ul. Żwirki i Wigury 58, 43-190 Mikołów, Poland

CHAPTER IV: GROUP'S OPERATIONS IN H1 2010**I. TOTAL NUMBER OF SHARES HELD IN RELATED UNDERTAKINGS****Table 15: Number of shares held in related undertakings**

Related undertaking	Relation		As at Jun 30 2011		As at the date of representation	
	Parent	Type of relation	Number of shares	Par value of shares	Number of shares	Par value of shares
Metorex Sp. z o.o.	PBG	subsidiary	682	PLN 51,150.00	682	PLN 51,150.00
Hydrobudowa Polska S.A.	PBG	subsidiary	132,748,692	PLN 132,748,692.00	132,748,692	PLN 132,748,692.00
KWG S.A.	PBG	subsidiary	28,700	PLN 2,870,000.00	28,700	PLN 2,870,000.00
Excan Oil and Gas Engineering LTD, Canada	PBG	subsidiary	-	CAD 250,000.00	-	CAD 250,000.00
Gas Oil Engineering AS, Slovakia	PBG	subsidiary	-	EUR 414,647.48	-	EUR 414,647.48
PBG Dom Sp. z o.o.	PBG	subsidiary	550,000	PLN 55,000,000.00	550,000	PLN 55,000,000.00
Brokam Sp. z o.o.	PBG	subsidiary	12,000	PLN 12,000,000.00	12,000	PLN 12,000,000.00
AVATIA Sp. z o.o.	PBG	subsidiary	999	PLN 49,900.00	999	PLN 49,950.00
APRIVIA S.A.	PBG	subsidiary	71,993,000	PLN 71,993,065.00	71,993,000	PLN 71,993,065.00
PBG Technologia Sp. z o.o.	PBG	subsidiary	46,100	PLN 23,050,000.00	46,100	PLN 23,050,000.00
PBG Energia Sp. z o.o.	PBG	subsidiary	19,900	PLN 999,500.00	19,900	PLN 999,500.00
Wschodni Invest Sp. z o.o.	PBG	subsidiary	37,740	PLN 3,774,000.00	37,740	PLN 3,774,000.00
PBG Ukraina Publiczna Spółka Akcyjna	PBG	subsidiary	222,227	UAH 888,908.00	222,227	UAH 888,908.00
BATHINEX Sp. z o.o.	PBG	subsidiary	50	PLN 50,000.00	50	PLN 50,000.00
PBG Operator Sp. z o.o. (formerly REVANA Sp. z o.o.)	PBG	subsidiary	50	PLN 5,000.00	50	PLN 5,000.00
HBP Drogi Sp. z o.o. (formerly VILLALOBOS Sp. z o.o.)	PBG	subsidiary	50	PLN 5,000.00	50	PLN 5,000.00
STRATEG CAPITAL Sp. z o.o.	PBG	subsidiary	200	PLN 200,000.00	200	PLN 200,000.00
PBG Bułgaria Sp. z o.o.	PBG	subsidiary	-	PLN 35,000.00	-	PLN 35,000.00
AQUA S.A.	PBG	subsidiary	710,770	PLN 710,770.00	710,770	PLN 710,770.00
PBG INVEST 1 SARL	PBG	subsidiary	12,500	EUR 12,500.00	12,500	EUR 12,500.00

Energomontaż-Południe S.A.	PBG	subsidiary	46,021,520	PLN 46,021,520.00	46,021,520	PLN 46,021,520.00
Hydrobudowa 9 S.A.	HBP S.A.	indirect subsidiary	14,536,685	PLN 1,453,668.50	14,536,685	PLN 1,453,668.50
PRG Metro Sp. z o.o.	HBP S.A.	indirect subsidiary	5,543	PLN 5,543,000.00	5,543	PLN 5,543,000.00
Górecka Projekt Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 50,000.00	100	PLN 50,000.00
PBG Dom Invest X Sp. z o.o. Invest I S.K.A. (formerly PBG Dom Invest I sp. z o.o.)	PBG Dom Capital Limited;	indirect subsidiary	496	PLN 49,600.00	496	PLN 49,600.00
	PBG DOM INVEST X Sp. z o.o.		4	PLN 4,000.00	4	PLN 4,000.00
PBG Dom Invest X Sp. z o.o. Złotowska 51 S.K.A. (formerly Złotowska 51 Sp. z o.o.)	PBG Dom Capital Limited	indirect subsidiary	196	PLN 98,000.00	196	PLN 98,000.00
	PBG DOM INVEST X Sp. z o.o.		4	PLN 2,000.00	4	PLN 2,000.00
Quadro House Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
City Development Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	53,250	PLN 2,662,500.00	53,250	PLN 2,662,500.00
Villa Poznań Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	21,000	PLN 2,110,000.00	21,000	PLN 2,110,000.00
Kino Development Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	40,500	PLN 50,000.00	40,500	PLN 4,050,000.00
PBG Dom Invest III Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
PBG Dom Invest IV Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
PBG Dom Invest V Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
PBG DOM Invest III Sp. z o.o. sp. k.	PBG Dom Sp. z o.o.	indirect subsidiary	1,000	PLN 1,000.00	1,000	PLN 1,000.00
	PBG Dom Invest III Sp. z o.o.		1,000	PLN 1,000.00	1,000	PLN 1,000.00
PBG Dom Invest VI Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	97	PLN 4,850.00	97	PLN 4,850.00
	PBG Dom Invest Limited		3	PLN 1,050.00	3	PLN 1,050.00
PBG DOM Invest VII Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
PBG Dom Invest VIII Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
PBG DOM INVEST IX Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
PBG DOM INVEST X Sp. z o.o.	PBG Dom Invest VI Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
Ortis Nieruchomości Sp. z o.o. (Galeria Kujawska Sp. z o.o.)	PBG Dom Sp. z o.o.	indirect subsidiary	9,218	PLN 4,609,000.00	9,218	PLN 4,609,000.00
PBGDOM Invest Limited	PBG Dom Sp. z o.o.	indirect subsidiary	1,000	EUR 1,000.00	1,000	EUR 1,000.00

PBGDOM Capital Limited	PBG DOM Invest VI Sp. z o.o.	indirect subsidiary	1,000	EUR 1,000.00	1,000	EUR 1,000.00
ERIGO I Sp. z o.o.	PBG DOM Invest VI Sp. z o.o.	indirect subsidiary	100	PLN 4,950.00	100	PLN 4,950.00
ERIGO II Sp. z o.o.	PBG DOM Invest VI Sp. z o.o.	indirect subsidiary	100	PLN 4,950.00	100	PLN 4,950.00
ERIGO III Sp. z o.o.	PBG DOM Invest VI Sp. z o.o.	indirect subsidiary	100	PLN 4,950.00	100	PLN 4,950.00
PBG ERIGO PROJEKT Sp. z o.o.	PBG DOM Invest VI Sp. z o.o.	indirect subsidiary	100	PLN 4,950.00	100	PLN 4,950.00
PBG ERIGO FINANSE Sp. z o.o.	PBG DOM Invest VI Sp. z o.o.	indirect subsidiary	100	PLN 4,950.00	100	PLN 4,950.00
Dromost Sp. z o.o.	APRIVIA S.A.	indirect subsidiary	6,864	PLN 3,432,000.00	6,864	PLN 3,432,000.00
PRID S.A.	APRIVIA S.A.	indirect subsidiary	25,000	PLN 500,000.00	25,000	PLN 500,000.00
Betpol S.A.	APRIVIA S.A.	indirect subsidiary	14,244,999	PLN 14,244,999.00	14,244,999	PLN 14,244,999.00
Energopol Ukraina	Wschodni Invest Sp. z o.o.	indirect subsidiary	37,240	PLN 3,724,000.00	37,240	PLN 3,724,000.00
Zakład Produkcyjno Wytobowy Sp. z o.o.	Strateg Capital Sp. z o.o.	indirect subsidiary	70	PLN 70,000.00	70	PLN 70,000.00
PBG Dom Invest II Sp. z o.o. (formerly BUDWIL Sp. z o.o.)	Metorex Sp. z o.o.	indirect subsidiary	255	PLN 25,500.00	225	PLN 25,500.00
PBG INVEST 2 SARL	PBG INVEST 1 SARL	indirect subsidiary	12,500	EUR 12,500.00	12,500	EUR 12,500.00
PBG INVEST 2 SARL	PBG INVEST 1 SARL	indirect subsidiary	12,500	EUR 12,500.00	12,500	EUR 12,500.00

Table 16: Shares held in other entities as at the date of approval of these financial statements

No.	Company name:	Number of shares held by PBG	Par value of shares (PLN)	Shares held in the share capital and in the total number of votes (%)
1.	KRI S.A.	25,300,000	25,300,000.00	19.97
2.	SPATIUM Aktywów Niepublicznych III Fundusz Inwestycyjny Zamknięty	450	450,000.00	3.09
3.	Poner Sp. z o.o.	475	47,000.00	19.00
4.	Remaxbud Sp. z o.o.	840	420,000.00	18.92
5.	Energia Wiatrowa PL Sp. z o.o.	230	11,500.00	18.70
6.	Lubickie Wodociągi Sp. z o.o.	60	30,000.00	15.00
7.	Towarzystwo Ubezpieczeń Wzajemnych TUZ	60	600.00	0.01
8.	Rafako S.A.	3,761,669	7,523,338	5.41

II. AGREEMENTS SIGNIFICANT TO THE GROUP'S OPERATIONS

Table 17: Agreements material to the Group's operations and concluded within the period covered by this Report and subsequent to the balance-sheet date

Date	Parties	Subject matter	Key terms
Jan 13 2011 agreement executed in the ordinary course of business	Principal: Municipality of Gdańsk - Biuro Inwestycji Euro Gdańsk 2012 Sp. z o.o. Contractor: HYDROBUDOWA POLSKA S.A., HYDROBUDOWA 9 S.A., ALPINE BAU DEUTSCHLAND AG, ALPINE BAU GmbH, ALPINE Construction Polska Sp. z o.o.	Execution of annex to the contract of April 10th 2009, for the second stage of construction works on the Baltic Arena Football Stadium in Gdańsk Letnica. Extension of the contract completion date to April 30th 2011.	Completion date: Apr 30 2011
For more information see: HBP Current Report No. 04/2011 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-04-2011-zawarcie-aneksu-do-umowy-na-wykonanie-stadionu-pilkarskiego-pge-arena-gdansk.html			
Feb 10 2011 Reduction of scope of work and agreement value	Principal: Polskie LNG SA Contractor: Saipem S.p.A., Saipem S.A., Techint Compagnia Tecnica Internazionale S.p.A, Snamprogetti Canada Inc. and PBG PBG Export Sp. z o.o.	Notice from Polskie LNG of cancellation of the construction of the ORV system under the contract for construction of the LNG terminal in Świnoujście concluded on July 15th 2010. The PBG Management Board reported on Polskie LNG's right to partially cancel the contract in Current Report No. 35/2010.	Contract value: PLN 2,209,143.00 (VAT exclusive) Other provisions of the contract remained unchanged.
For more information see: PBG Current Report No. 12/2011: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/12-2011-oswiadczenie-polskiego-Ing-o-odstapieniu-od-budowy-systemu-orv-w-ramach-realizacji-umowy-na-budowe-terminalu-Ing-w-swinoujsciu.html			
Mar 11 2011 agreement executed in the ordinary course of business	Principal: Municipality of Gdańsk Contractor: PBG, HYDROBUDOWA POLSKA S.A., APRIVIA S.A. and OBRASCÓN HUARTE LAIN S.A.	Road connection between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego – Task 2, ul. Potokowa–Aleja Rzeczypospolitej Section (total length of 3.32 kilometres)	Contract value: PLN 129,300,000.00 (VAT exclusive) Completion date: 20 months after the agreement date. The Group companies' interest in the contract is 50%.
For more information see: PBG Current Report No. 19/2011 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/19-2011-zawarcie-umowy-znaczej-na-wykonanie-polaczenia-portu-lotniczego-z-portem-morskim-gdansk-trasa-slowackiego-zadanie-19-2011			
Apr 7 2011 agreement executed in the ordinary course of business	Principal: Municipality of the City of Toruń Contractor: HYDROBUDOWA POLSKA S.A. and PBG	Construction of a sports and entertainment arena with accompanying infrastructure in Toruń.	Contract value: PLN 99,019,000.00 (VAT exclusive) Completion date: 550 calendar days after the contract date.
For more information see: HBP Current Report No. 18/2011: http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-18-2011-zawarcie-umowy-znaczej-na-wykonanie-hali-sportowo-widowiskowej-w-toruniu.html			

<p>Apr 7 2011 Execution of the letter of intent as part of the international expansion strategy in the oil and gas sector.</p>	<p>Parties to the agreement: PBG and Obrascon Huarte Lain SA</p>	<p>The Parties declared their intent to enter into cooperation in the oil and gas sector, including the construction of oil and gas processing units, pipelines, and oil and fuel tanks, first in Mexico, Brazil and other South American countries. The Parties will assess the possibilities of expansion into other South American markets where OHL has been present, such as Mexico, Bolivia, Peru, Ecuador and Columbia. Moreover, the Parties declared their intention to enter into cooperation regarding the construction of transport infrastructure, civil engineering and other specialist construction projects in Africa, as well as Russia, Turkmenistan, Uzbekistan and Kazakhstan. The Letter of Intent is the parties' expression of interest in continuing their cooperation; see Current Report No. 49/2010 of September 15th 2010, No. 50/2010 of September 21st 2010 and No. 65/2010 of December 29th 2010.</p>	<p>Close cooperation between PBG and OHL with a view to acquiring contracts. The Letter of Intent will remain in force for 12 months from its execution.</p>
<p>For more information see: PBG Current Report No. 26/2011: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/26-2011-podpisanie-listu-intencyjnego-w-sprawie-wspolpracy-z-firma-ohl-s-a.html</p>			
<p>May 26 2011 agreement executed in the ordinary course of business</p>	<p>Principal: HYDROBUDOWA POLSKA S.A., SIAC Construction Ltd PBG and APRIVIA S.A. Contractor: Dolnośląskie Surowce Skalne S.A.</p>	<p>Contract for execution of compacted base, as well as asphalt base courses and bituminous pavements as part of the execution of project "Construction of A-4 Motorway Tarnów-Rzeszów between the Krzyż and Dębica Pustynia interchanges".</p>	<p>Contract value: PLN 225,895,342.85 (VAT exclusive) (preliminary estimate, the price to be finally determined upon contract completion) Completion date: Jul 14 2012</p>
<p>For more information see: PBG Current Report No. 35/2011: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/35-2011-zawarcie-znaczej-umowy-podwykonawczej-w-ramach-budowy-autostrady-a-4.html</p>			
<p>Jun 14 2011 agreement executed in the ordinary course of business</p>	<p>Parties to the agreement: Narodowe Centrum Sportu Sp. z o.o. and ALPINE BAU DEUTSCHLAND AG, ALPINE BAU GmbH, ALPINE Construction Polska Sp. z o.o., HYDROBUDOWA POLSKA S.A. and PBG</p>	<p>Settlement agreement between Narodowe Centrum Sportu and the Consortium of companies involved in the construction of the multi-purpose national Stadium in Warsaw. Under the agreement, HYDROBUDOWA POLSKA S.A. became the new Consortium Leader. All members of the Consortium continue to be jointly and severally responsible for the performance of the contract. The settlement agreement also provides for the extension of the contract completion date to November 29th 2011.</p>	<p>Completion date: Nov 29 2011</p>
<p>For more information see: PBG Current Report No. 37/2011: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/37-2011-zawarcie-ugody-z-narodowym-centrum-sportu-dotyczacej-budowy-stadionu-narodowego-w-warszawie.html</p>			
<p>Jun 21 2011 agreement executed in the ordinary course of business</p>	<p>Principal: HYDROBUDOWA POLSKA S.A. and ALPINE Construction Polska Sp. z o.o. Contractor: CIMOLAI S.p.A., MOSTOSTAL ZABRZE-HOLDING S.A. and HIGHTEX GmbH</p>	<p>Annex to the agreement of August 5th 2009, for "Manufacture, assembly and covering of the roofing support structure, as well as comprehensive manufacture and assembly of the elevation cover" of the National Stadium in Warsaw. Extension of the contract completion date to November 29th 2011. Other material terms and conditions of the agreement remain unchanged.</p>	<p>Completion date: Nov 29 2011</p>
<p>For more information see: HBP Current Report No. 36/2011: http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-36-2011-zawarcie-aneksu-do-znaczej-umowy-podwykonawczej-na-wykonanie-zadania-stadionu-narodowego-w-warszawie.html</p>			

<p>Jun 27 2011 agreement executed in the ordinary course of business (exceeding the significant agreement threshold)</p>	<p>Principal: The Municipality of Dąbrowa Górnicza</p> <p>Contractor: KWG S.A., Hydrobudowa 9 S.A. and Hydrobudowa Polska S.A.</p>	<p>"Construction of the Piekło compressor station, forcing pipeline and water supply infrastructure," with a value of PLN 52,134,237.67 (VAT exclusive). The total value of contracts executed by the Group with the Municipality of Dąbrowa Górnicza in the last 12 months has exceeded the significant agreement threshold and amounted to PLN 125,204,186.28 (VAT exclusive).</p>	<p>The agreement of the largest value is a PLN 73,069,948.61 contract of September 13th 2010 (VAT exclusive).</p>
<p>For more information see: PBG Current Report No. 46/2011: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/46-2011-zawarcie-przez-spolki-z-grupy-kapitalowej-pbg-umowy-znaczej-z-gmina-dabrowa-gornicza.html</p>			
<p>June 28 2011 Annex to an agreement</p>	<p>Principal: HYDROBUDOWA POLSKA S.A. and ALPINE Construction Polska Sp. z o.o.</p> <p>Contractor: Elektrobudowa S.A., Qumak-Sekom S.A. and Przedsiębiorstwo Agat S.A.</p>	<p>Annex to the agreement dated December 21st 2009; the scope of work having been extended, the Sub-Contractor's fee was increased by PLN 24,170,289.78 (VAT exclusive) to PLN 115,170,289.78 (VAT exclusive).</p> <p>Extension of the contract completion date to November 29th 2011. Other material terms and conditions of the agreement remain unchanged.</p>	<p>Contract value: PLN 115,170,289.78 (VAT exclusive).</p> <p>Completion date: Nov 29 2011</p>
<p>For more information see: HBP Current Report No. 35/2011: http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-35-2011-zawarcie-aneksu-do-znaczej-umowy-podwykonawczej-zwiazanej-z-budowa-stadionu-narodowego-w-warszawie.html</p>			
<p>Jul 14 2011 agreement executed in the ordinary course of business (exceeding the significant agreement threshold)</p>	<p>Principal: Południowy Koncern Energetyczny S.A.</p> <p>Contractor: Energomontaż-Południe S.A.</p>	<p>Upgrade and repair of electrostatic precipitator at power unit No. 12 of PKE S.A.'s Łaziska Power Plant</p> <p>The total value of contracts concluded with Południowy Koncern Energetyczny S.A. in the last 12 months amounted to PLN 22,500,000.00m and thus exceeded the materiality threshold.</p>	<p>Contract value: PLN 9,300,000.00 (VAT exclusive)</p> <p>Completion date: 12 months after the agreement date.</p>
<p>For more information see: EPD Current Report No. 56/2011: http://www.inwestor.energomontaz.pl/artykuly/2268,955/d,raporty_bezace_podstrona,przekroczenie-lacznej-wartosci-umow-zawartych-przez-energomontaz-poludnie-s-a-z-poludniowym-koncernem-energetycznym-s-a-progu-10-kapitalow-wlasnych-emilanta.htm</p>			
<p>Jul 27 2011 Annex to an agreement</p>	<p>Principal: Alpine Construction Polska Sp. z o.o. and HYDROBUDOWA POLSKA S.A.</p> <p>Contractor: IMTECH Polska Sp. z o.o.</p>	<p>Execution of annex to the sub-contractor agreement of December 15th 2009 for assembly of sanitary systems and performance of other works in the National Stadium in Warsaw. Increase of the Sub-Contractor's total remuneration to PLN 131,693,198.61 (VAT exclusive); the amount of PLN 12,093,198.61 (VAT exclusive) represents the value of the additional work.</p> <p>Extension of the final completion date to November 29th 2011. Other material terms and conditions of the agreement remain unchanged.</p>	<p>Contract value: PLN 131,693,198.61 (VAT exclusive)</p> <p>Completion date: Nov 29 2011</p>
<p>For more information see: HBP Current Report No. 38/2011: http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-38-2011-zawarcie-aneksu-do-znaczej-umowy-podwykonawczej-z-imtech-polska-sp-z-o-o.html</p>			
<p>Jul 28 2011 Replacement of sub-contractor under significant agreement</p>	<p>Principal: Energomontaż-Południe S.A.</p> <p>Contractor: Amontex Przedsiębiorstwo Montażowe Sp. z o.o.</p>	<p>Termination of the sub-contractor agreement concluded on April 3rd 2009 for the assembly of ducts on Power Units D and E Westfalen, Germany. The reasons for the contract termination included technological and economic circumstances under the sub-contractor's control, adversely affecting the feasibility of timely performance of the remaining portion of the contract.</p>	<p>The principal will directly perform the work originally assigned to the sub-contractor by the end of June 2012.</p>

For more information see: EPD Current Report No. 57/2011: http://www.energomontaz.pl/artykuly/2274,955/d,raporty_bezace_podstrona,zmiana-wykonawcy-przedmiotu-umowy-znaczacej			
Aug 16 2011 agreement executed in the ordinary course of business (exceeding the significant agreement threshold)	Principal: Saipem S.p.A., Saipem S.A., Techint Compagnia Tecnica Internazionale S.p.A, Snamprogetti Canada Inc. and PBG Contractor: Hydrobudowa Polska S.A.	Sub-contractor agreement for project "Engineering design, construction and commissioning of the LNG regasification terminal in Świnoujście". The total value of contracts concluded with the principal in the last 12 months amounted to PLN 110,914,780.28 (VAT exclusive).	The agreement with the largest value is a PLN 57,151,577.00 contract (VAT exclusive) of March 28th 2011 for construction of two ferroconcrete tanks.
For more information see: HBP Current Report No. 40/2011: http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-40-2011-zawarcie-umow-z-konsorcjum-saipem-techint-pbg-spelniajacych-laczenie-kryterium-umowy-znaczacej.html			
Aug 24 2011 agreement executed in the ordinary course of business	Principal: Municipal Roads Maintenance Authority in Poznań Contractor: APRIVIA S.A., HYDROBUDOWA POLSKA S.A., PRG Metro Sp. z o.o., OHL S.A.	Construction contract providing for the alteration of ul. Roosevelta, between the intersection with ul. Dąbrowskiego and the Most Teatralny overpass, and the intersection with ul. Głogowska and the Most Dworcowy overpass, along with the alteration of the Rondo Kaponiera interchange in Poznań.	Contract value: PLN 170,286,515.84 (VAT exclusive) Completion date: Nov 30 2013 The Group companies' interest in the contract is 50%.
For more information see: HBP Current Report No. 43/2011 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-43-2011-zawarcie-umowy-znaczacej-na-wykonanie-przebudowy-wezla-komunikacyjnego-rondo-kaponiera-w-poznaniu.html			

The materiality criteria are set forth in the following regulations:

Legal basis:

Par. 5.1.3 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities, dated October 19th 2005.

Art. 56.5 of the Public Offering Act – amendment of the information.

Legal basis:

The Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009.

III. INFORMATION ON CHANGES IN ORGANISATIONAL RELATIONS

Table 18: Changes in organisational relations in the period under review and subsequent to the balance-sheet date

Date	Parties	Transaction type	Description	Objective
Apr 7 2011	CP Energia S.A. KRI S.A.	Business combinations CP Energia S.A. and KRI S.A.	Merger of the companies by way of a non-cash contribution of 100% of KRI shares to CP Energia. In return for the contribution, the then existing shareholders of KRI acquired new issue Series J shares in CP Energia. Following the capital increase at CP Energia, the former shareholders of KRI currently hold 65% of total vote at the General Shareholders Meeting of CP Energia.	Formation of strong organisation on the natural gas market.
For more information see: CPE Current Report No. 18/2011: http://www.cpenergia.pl/relacje-inwestorskie/raporty/time/2011-04.aspx				

May 12 2011	PBG Obrascon Huarte Lain SA	Suspension of negotiations concerning the disposal of controlling interests in Group companies, Hydrobudowa Polska S.A. and Aprivia S.A.	PBG and OHL made a joint decision to suspend negotiations concerning disposal by PBG of equity interests in its subsidiaries, HYDROBUDOWA POLSKA and APRIVIA. The suspension was connected with share prices of construction companies listed on the WSE having seen a steady decline, which has affected the market value of HYDROBUDOWA shares relative to their price at the start of negotiations with OHL. Although the negotiations have been suspended, the parties have confirmed their intention to complete the planned transaction, which involves the acquisition by OHL of a 51% interest in HYDROBUDOWA and a 50.1% interest in APRIVIA for a total price of PLN 506m, including 107,384,807 HYDROBUDOWA shares for PLN 431,000,000 and 36,068,525 APRIVIA shares for PLN 75,000,000. PBG and OHL plan to resume the negotiations after the market value of HYDROBUDOWA shares returns to the level accepted by the parties at the start of the negotiations.	Suspension of the negotiations until the market value of the shares returns to the level accepted by the parties at the start of the negotiations.
For more information see: PBG Current Report No. 32/2011: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/32-2011-informacja-na-temat-negocjacji-z-ohl.html				
May 26 2011	PBG, Energomontaż-Południe S.A.	Tender offer for shares in Energomontaż-Południe S.A. Fulfilment of legal condition set out in the tender offer for shares	The Management Board of PBG reported on the fulfilment of a legal condition set out in the tender offer: the President of the UOKiK (Office of the Competition and Consumer Protection) granted its unconditional approval (ref. DKK-57/2011) for a business combination involving the takeover of control over Energomontaż-Południe S.A. by PBG through acquisition of the company shares in a tender offer. The tender offer was announced on April 8th 2011 through the agency of Dom Maklerski BZ WBK SA.	Execution of transaction involving the takeover of controlling interest in Energomontaż-Południe. Transaction connected with the expansion onto the power market.
For more information see: PBG Current Report No. 34/2011: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/34-2011-ziszczenie-sie-warunku-okreslonego-w-wezwaniu-do-zapisywania-sie-na-sprzedaz-akcji-spolki-energomontaz-poludnie-spolka-akcyjna.html				
Jun 15 2011	PBG Energomontaż-Południe S.A.	Tender offer for shares in Energomontaż-Południe S.A. Reaching the minimum number of shares to be tendered for sale in the Tender Offer	7,056,554 shares in Energomontaż-Południe S.A. were tendered for sale. The tendered shares confer the right to 7,056,554 votes (or 9.9% of total vote) at the general shareholders meeting. The indicated minimum number of shares to be tendered, that is 5,748,732 Company shares conferring the right to 5,748,732 votes (or 8.10% of total vote) at the general shareholders meeting, was exceeded. PBG had undertaken to purchase the shares under the Tender Offer upon this minimum number having been exceeded.	Execution of transaction involving the takeover of controlling interest in Energomontaż-Południe. Transaction connected with the expansion onto the power market.
For more information see: PBG Current Report No. 38/2011 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/38-2011-osiagniecie-minimalnej-liczby-akcji-objetych-zapisami-zlozonymi-w-wezwaniu-na-sprzedaz-akcji-spolki-energomontaz-poludnie-spolka-akcyjna.html				
Jun 17 2011	PBG Energomontaż-Południe S.A.	Tender offer for shares in Energomontaż-Południe S.A. Reduction in the tender offer	122 orders were placed under the Tender Offer, covering a total of 37,821,417 shares in Energomontaż-Południe S.A., which, given the number of shares for which the Tender Offer was announced (29,098,518), yields an allocation rate of 76.94%, and, consequently, a reduction rate of 23.06%. PBG will acquire the company shares on the dates indicated in the Tender Offer.	Execution of transaction involving the takeover of controlling interest in Energomontaż-Południe. Transaction connected with the expansion onto the power market.
For more information see: PBG Current Report No. 40/2011: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/40-2011-liczba-zapisow-oraz-liczba-akcji-objetych-zapisami-zlozonymi-w-wezwaniu-na-sprzedaz-akcji-spolki-energomontaz-poludnie-spolka-akcyjna-proporcjonalna-redukcja-w-wezwaniu.html				
Jun 22 2012	PBG Energomontaż-Południe S.A.	Tender offer for shares in Energomontaż-Południe S.A. Summary of the tender offer	As at the Tender Offer date, PBG held 17,743,002 shares in Energomontaż-Południe S.A., conferring the right to 17,743,002 votes, or 25.00% of the total vote, at the company's General Shareholders Meeting. Upon the closing of the Tender Offer, PBG was notified that following the pro rata reduction of orders in the Tender Offer, Energomontaż-Południe will hold own shares and, together with PBG, will hold over 66% of the share capital. On June 20th 2011, PBG decided to execute a share sale transaction outside of the regulated market, whereby it sold 820,000 shares in Energomontaż-Południe S.A., comprising 1.155% of the company's	The execution of transaction involving the takeover of controlling interest in Energomontaż-Południe. Transaction connected with the expansion onto the power market.

			<p>share capital. The aim of the transaction, executed following the closing of the Tender Offer and prior to the acquisition of shares as part of the Tender Offer, was to achieve the shareholding publicly declared by PBG in the Tender Offer, where PBG would hold no more than 66% of the total vote at the General Shareholders Meeting of Energomontaż-Południe S.A. Currently, PBG holds 46,021,520 shares in Energomontaż-Południe S.A. which represent 64.84% of the share capital and of the total vote, while the joint shareholdings of PBG and Energomontaż-Południe S.A. comprise 46,699,770 Company shares, conferring the right to 46,699,770 votes, i.e. 65.80% of the total vote at the General Shareholders Meeting, and represent 65.80% of the Company's share capital.</p>	
<p>For more information see: PBG Current Report No. 41/2011: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/41-2011-podsumowanie-wezwania-na-sprzedaz-akcji-spolki-energomontaz-poludnie-spolka-akcyjna.html</p>				
<p>Jun 27 2011</p>	<p>PBG Elektrim S.A.</p>	<p>Execution of preliminary agreement for acquisition of Rafako S.A. shares</p>	<p>PBG executed a preliminary share sale agreement, whereby it undertook to acquire from Elektrim, through SPV2, Elektrim's subsidiary, 100% of shares in a limited liability company which, as at the date of the execution of the final agreement will hold 34,800,001 shares in Rafako S.A., representing 50% of the share capital plus 1 share and the same proportion of the total vote in Rafako S.A.</p> <p>In performance of the agreement, as at the Closing Date, SPV1 will hold: 34,746,440 Rafako shares representing 49.92% of its share capital, which as at the date of the agreement were held by Elektrim S.A., and 53,561 Rafako shares representing 0.077% of its share capital, which will be acquired by Elektrim or its subsidiary.</p> <p>The total consideration to be paid for the acquired shares will amount to: (i) PLN 540,000,000.00 (VAT exclusive) plus (ii) the equivalent of the acquisition price of 53,561 Rafako shares, which however will not exceed PLN 840,000.00. The acquisition price may be reduced based on the outcome of due diligence. The conclusion of the final share sale agreement is subject to the fulfilment of conditions precedent, including PBG obtaining concentration clearance from the President of the Polish Office of Competition and Consumer Protection. The final share sale agreement would be signed within three weeks of obtaining the clearance from the President of the Polish Office of Competition and Consumer Protection.</p>	<p>Expansion onto the power market.</p>
<p>For more information see: PBG Current Report No. 42/2011: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/42-2011-podpisanie-przedwstepnej-umowy-sprzedazy-dotyczacej-akcji-rafako-s-a.html</p>				

IV. RELATED-PARTY TRANSACTIONS

In the discussed period, there were transactions with related parties within the Group, whose value exceeded the złoty equivalent of EUR 500,000. These transactions were typical for the day-to-day operations of PBG and its subsidiaries, and were executed at arm's length.

Furthermore, part of the executed transactions was concluded in connection with the existing agreements with Financial Institutions; collateral for these agreements includes sureties and mutual guarantees issued by the Group companies which are parties to individual agreements.

This approach follows from the funding strategy adopted by the Group.

Furthermore, being the Parent Undertaking with the strongest financial position within the Group, PBG also grants sureties for trade payables of the Group companies.

The most frequent types of transactions concluded within the Group are:

- construction contracts,
- loan agreements,
- surety agreements concerning:
 - credit limits,
 - guarantee limits,
 - treasury limits, etc.

The Group conducts its operations through specialist entities, whose business profiles are complementary to each other in terms of the services provided. The Group companies enter into cooperation with each other in order to improve the utilisation of resources managed by the companies and to reduce the business risk through appropriate risk allocation. The benefits achieved by the Group companies through risk allocation and division of functions include:

- Increased trading volumes through long-term planning of the use of company resources and investments, while securing stable demand;
- Achieving strategic objectives of the Group – maintaining leadership among peer companies and earning a monopoly rent over the competitors depend the Group's ability to respond to specific market requirements;
- Reducing the risk of day-to-day operations – cooperation between the related parties can be helpful in reducing or eliminating the impact of current economic changes and their effect on the Group's financial standing;
- Competitive offering, resulting in increased trading volumes and improved profitability of business operations;
- Reduced operating expenses through lower production costs and more effective use of resources;
- Reduced costs of supplies and stronger bargaining power in price negotiations;
- Savings related to receiving sureties from PBG Undoubtedly, granting a surety for a liability or a collateral for its repayment by a related undertaking enables quicker execution of a contract and can contribute to more efficient management of the Group members and more effective use of the Group's resources.

V. NON-RECURRING FACTORS AND EVENTS

In H1 2011, the Group did not recognise any factors or non-recurring events that would affect the Company's profit or loss.

VI. MAJOR RESEARCH AND TECHNICAL ACHIEVEMENTS

In the period covered by this Report, the Group did not have any major research or technical achievements which would have a major effect on the Group's performance.

VII. CONTROL SYSTEMS FOR EMPLOYEE PLANS

The Group does not operate any employee plans.

VIII. COURT, ARBITRATION OR ADMINISTRATIVE PROCEEDINGS

The value of pending court proceedings instituted by or against the Group companies does not exceed 10% of the Company's equity.

IX. CHANGES IN SIGNIFICANT MANAGEMENT POLICIES

In the period covered by this Report, the Group companies did not make any major changes in its significant management policies.

CHAPTER V: SHARES AND SHAREHOLDERS

I. CONVERSION OF SERIES A REGISTERED SHARES

As the request of Mr Jerzy Wiśniewski, the Company's main shareholder, in January 2011 the PBG Management Board adopted a resolution concerning conversion of 500,000 Series A shares conferring a voting preference (each preferred share confers the right to two votes at the General Shareholders Meeting) into ordinary bearer shares. The Management Board of the Polish National Depository for Securities, in its resolution of January 31st 2011, resolved to assign ISIN code PLPBG0000052 to 500,000 ordinary bearer shares in PBG resulting from the conversion of the 500,000 registered shares in the Company, assigned ISIN code PLPBG0000037, effected on January 14th 2011. As of February 3rd 2011, ISIN code PLPBG0000037 was assigned to 3,740,000 PBG shares and ISIN code PLPBG0000052 was assigned to 500,000 ordinary bearer shares in the Company. On February 25th 2011, the Management Board of the Warsaw Stock Exchange decided to admit to trading on the main market 500,000 Series A ordinary bearer shares in PBG, registered by the Polish National Depository for Securities under code PLPBG0000052. As of March 4th 2011, the Management Board of the Polish NDS assimilated 500,000 Series A PBG shares under code PLPBG0000052 with 10,055,000 PBG shares under code PLPBG0000029.

Following the transaction, 10,555,000 ordinary bearer shares are currently in trading, whereas 3,740,000 shares conferring voting preference remain outside the stock-exchange trading. Additionally, the number of votes attributable to the Shareholders at the General Shareholders Meeting changed. At present, shareholders holding 14,295,000 shares have the right to a total of 18,035,000 votes at the General Shareholders Meeting.

II. SHARE CAPITAL STRUCTURE AND SHAREHOLDERS DIRECTLY OR INDIRECTLY HOLDING LARGE BLOCKS OF SHARES

Currently, the Company's share capital amounts to PLN 14,295 thousand and is divided into 3,740,000 registered shares with voting preference and 10,555,000 ordinary bearer shares. The par value of the preferred and ordinary shares is PLN 1 per share. Each preferred share confers the right to two votes at the General Shareholders Meeting. Nearly 99.9% of the preferred shares are held by Mr Jerzy Wiśniewski, the founder and main shareholder of PBG who also serves as the President of the Company's Management Board.

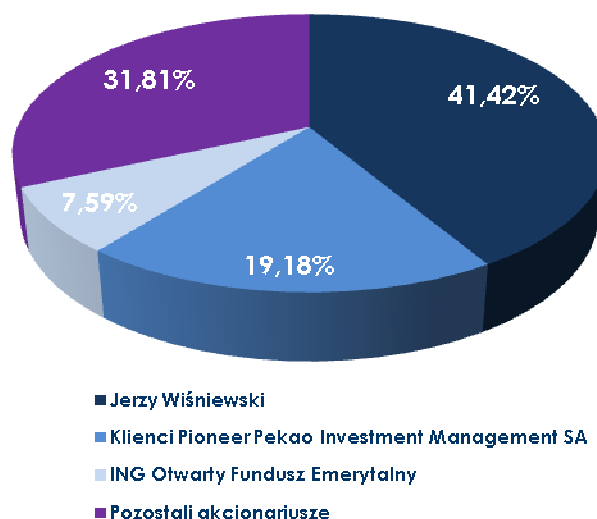
Table 19: Share Capital of PBG

PBG shares	Number of shares	Type of shares	Number of shares	Number of votes	Number of outstanding shares
Series A	5,700,000	conferring voting preference	3,740,000	7,480,000	0
		ordinary	1,960,000	1,960,000	1,960,000
Series B	1,500,000	ordinary	1,500,000	1,500,000	1,500,000
Series C	3,000,000	ordinary	3,000,000	3,000,000	3,000,000
Series D	330,000	ordinary	330,000	330,000	330,000
Series E	1,500,000	ordinary	1,500,000	1,500,000	1,500,000
Series F	1,400,000	ordinary	1,400,000	1,400,000	1,400,000
Series G	865,000	ordinary	865,000	865,000	865,000
		Total	14,295,000	18,035,000	10,555,000

Table 20: Shareholders holding over 5% of shares

As at Jun 30 2011				
Shareholder	Number of shares	Total par value (PLN)	% of share capital	% of total vote
Jerzy Wiśniewski	3,735,054 shares, including: 3,735,054 registered preferred shares	3,735,054	26.13%	41.42%
Clients of Pioneer Pekao Investment Management S.A.	3,459,824 ordinary shares	3,459,824	24.20%	19.18%
ING Otwarty Fundusz Emerytalny	1,369,463 ordinary shares	1,369,463	9.58%	7.59%
As at the date of filing of this Report				
Shareholder	Number of shares	Total par value (PLN)	% of share capital	% of total vote
Jerzy Wiśniewski	3,735,054 shares, including: 3,735,054 registered preferred shares	3,735,054	26.13%	41.42%
Clients of Pioneer Pekao Investment Management SA	3,459,824 ordinary shares	3,459,824	24.20%	19.18%
ING Otwarty Fundusz Emerytalny	1,369,463 ordinary shares	1,369,463	9.58%	7.59%

Figure 4: PBG shareholders holding over 5% of shares



Klienci Pioneer Pekao Investment Management SA	Clients of Pioneer Pekao Investment Management SA
Pozostali akcjonariusze	Other shareholders

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

III. CHANGES IN THE COMPANY'S SHAREHOLDER STRUCTURE

In the period covered by this Report and subsequent to the balance-sheet date, no significant changes in the Company's shareholder structure occurred, nor was the Company notified of any such changes by the date of this Report.

Table 21: Changes in PBG's shareholding structure in H12010 and after the balance-sheet date

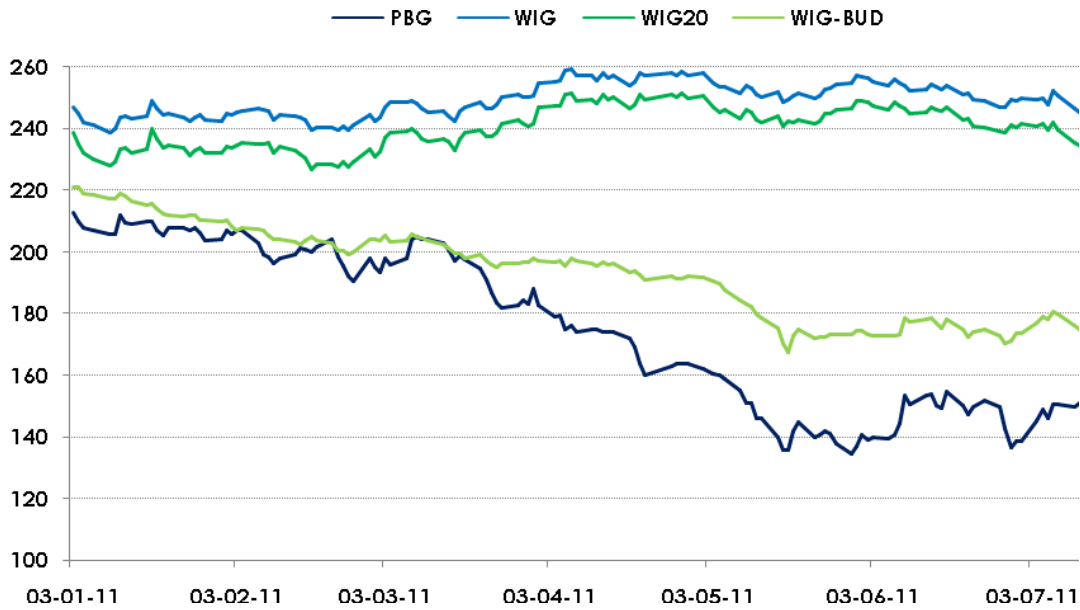
Notification date	Threshold	Number of Shares	% of total vote at GM (%)	Date of change
Clients of Pioneer Pekao Investment Management S.A. (PPIM):				
January 20th 2011	> 14%	2,598,850	14.41%	January 14th 2011
January 28th 2011	> 15%	2,709,863	15.03%	January 25th 2011
February 4th 2011	> 15%	2,721,635	15.09%	January 31st 2011
March 2nd 2011	> 17%	3,078,439	17.07%	February 25th 2011
March 8th 2011	> 17%	3,085,288	17.11%	March 1st 2011
April 29th 2011	> 19%	3,459,824	19.18%	April 21st 2011
Jerzy Wiśniewski – founder and main shareholder of PBG				
January 14th 2011	< 45.70%*	3,735,054 (registered preferred shares)	41.42%	January 14th 2011

* Notification concerning reduction of equity interest resulting in holding 41.42% of the total vote was related to the disposal of 500,000 Series A shares in a block transaction. As at the date of filing this Report, to the Company's best knowledge Mr Jerzy Wiśniewski does not intend to dispose of any PBG shares over the next two years.

IV. KEY INFORMATION ON PBG SHARES

1. Share price

Figure 5: Price of PBG shares in January 1st–June 30th 2011



03-01-11	Jan 3 2011
03-02-11	Feb 3 2011
03-03-11	Mar 3 2011
03-04-11	Apr 3 2011
03-05-11	May 3 2011
03-06-11	Jun 3 2011
03-07-11	Jul 3 2011

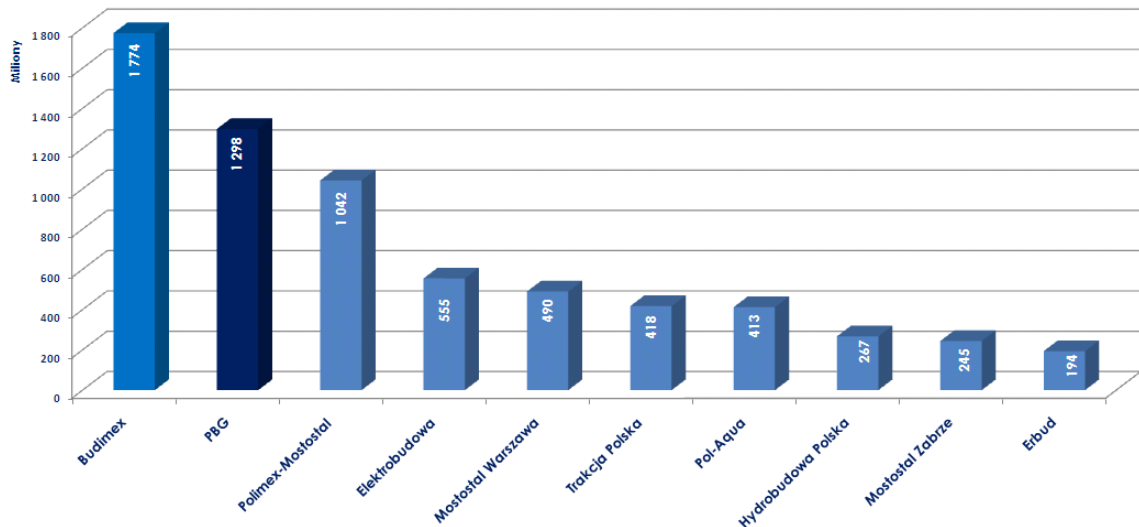
Figure 6: Price of PBG shares from the first-time listing to August 13th 2011



02-08-2004	Aug 2 2004
02-08-2005	Aug 2 2005
02-08-2006	Aug 2 2006
02-08-2007	Aug 2 2007
02-08-2008	Aug 2 2008
02-08-2009	Aug 2 2009
02-08-2010	Aug 2 2010
02-08-2011	Aug 2 2011

2. Market value relative to peers

Figure 7: Largest construction companies in terms of capitalisation listed on the WSE (as at August 22nd 2011)



Miliony	Million
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3. Key information on PBG shares

Table 22: Information on Company shares (per share)

Key information (per share)		H1 2011	H1 2010	y-o-y change
Earnings	PLN	3.2	5.7	-44
Equity	PLN	84.6	77.6	+9
52-week high	PLN	213.9	237.5	-10
52-week low	PLN	131	188.3	-30
Share price at half-year end	PLN	138.5	209	-34
P/E ratio (max.)		12.7	17.1	-27
P/E ratio (min.)		8.1	13.6	-37
P/E ratio at half-year end		8.6	14.6	-45
Number of shares at the end of period	number of shares	14,295,000	14,295,000	-
Number of outstanding shares	number of shares	10,555,000	10,055,000	+5
Capitalisation at half-year end	PLN '000	1,979,858	2,987,655	-34
Average daily trading value	PLN '000	7,600	10,306	-31
Average daily trading volume	number of shares	45,845	24,222	-33

V. SHARE BUY-BACKS

In the period covered by this Report, the Company did not buy back any of its shares.

VI. HOLDERS OF SECURITIES CONFERRING SPECIAL CONTROL RIGHTS

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

VII. RESTRICTIONS ON VOTING RIGHTS

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

VIII. RESTRICTIONS ON TRANSFER OF PBG SECURITIES AND LIMITATIONS ON THE VOTING RIGHTS

In accordance with Par. 11.1 of the Company's Articles of Association, the disposal of Series A registered shares requires the Management Board's approval.

IX. AGREEMENTS WHICH MAY RESULT IN CHANGE IN SHAREHOLDINGS

As at the date of filing this Report, the Management Board is not aware of any agreements which may result in changes in the shareholdings.

X. COMPANY AND ITS SHARES

Table 23: Persons responsible for investor relations

IR Department	Kinga Banaszak – Filipiak
Tel. No.	+48 (0) 61 66 46 423
Mobile	Mobile: +48 (0) 691-470-491
E-mail	kinga.banaszak@pbg-sa.pl
Website	www.pbg-sa.pl
WSE	PBG
Reuters	PBGG.WA

CHAPTER VI: FINANCIAL REVIEW

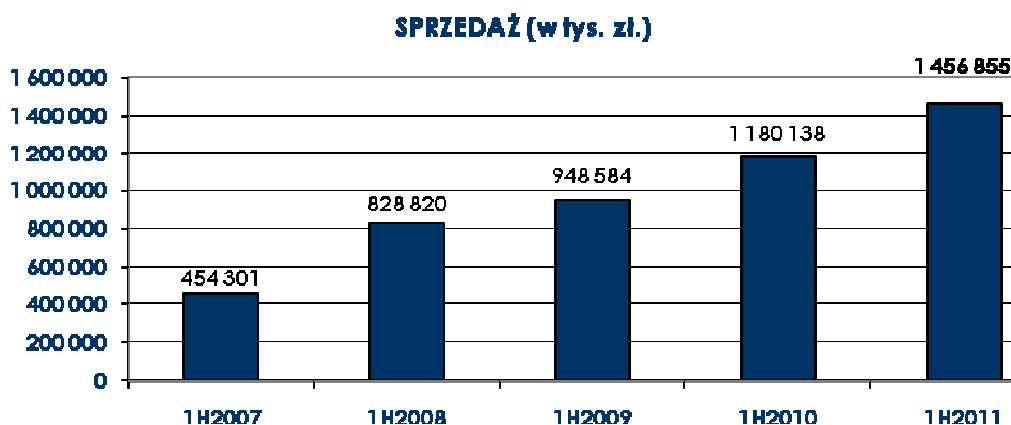
I. GROUP'S FINANCIAL STANDING

All financial ratios and data presented in this section are based on or sourced from the financial statements prepared in accordance with the International Accounting Standards.

1. Revenue

As at the end of H1 2011, the Group recorded a 23% year-on-year increase in sales revenue. The revenue increased from **PLN 1,180,138 thousand in H1 2010** to **PLN 1,456,855 thousand in H1 2011**. Over the period under review, cost of sales grew by 1 pp more than revenue, that is by 24%, to PLN 1,291,123 thousand as at the end of H1 2011.

Figure 8: Historical development of sales revenue (last five years)



Sprzedaz (w tys. Zł)	Sales (PLN '000)
1H2007	H1 2007
1H2008	H1 2008
1H2009	H1 2009
1H2010	H1 2010
1H2011	H1 2011

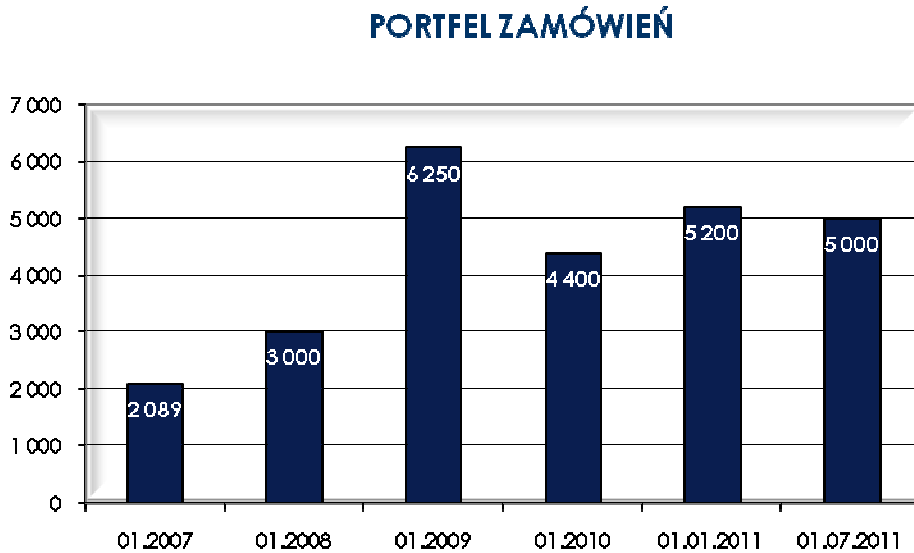
Over the last several years, the Group's sales of services have been growing steadily. This is attributable to the Group's continuous growth and the growing number of large-value contracts, with the resultant expansion the order book.

2. Order book

As at July 1st 2011, the value of the Group's order book was over **PLN 5bn**, of which nearly PLN 1.7bn represents orders to be executed in 2011, with the balance, i.e. approximately PLN 3.3bn, scheduled for execution in subsequent years. Contracts in the road construction segment represent the largest share (37%) in the Group's order book. Natural gas, crude oil and fuels is the second largest segment (32%), where the Group recognises the largest three contracts for construction of underground gas storage facility, development of oil field, and the LNG terminal. Industrial and residential housing is the third largest sector,

with an 18% share in the order book. The water segment, where the Group recognises chiefly EU co-financed projects, is the smallest segment, with a nearly 14% share in the order book.

Figure 9: Historical development of the Group's order book (last five years)



Portfel zamówień	Order book
01.2007	Jan 2007
01.2008	Jan 2008
01.2009	Jan 2009
01.2010	Jan 2010
01.01.2011	Jan 1 2011
01.07.2011	Jul 1 2011

Table 24: Structure of order book as at July 1st 2011

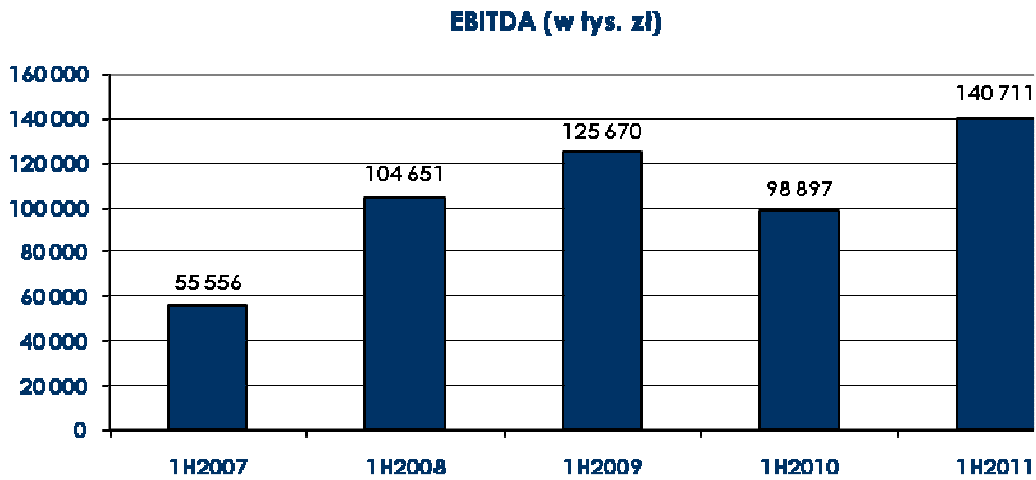
ORDER BOOK AS AT JULY 1ST 2011	
Natural gas, crude oil and fuels	31.9
Water	13.7
Industrial and residential construction*	17.7
Road construction	36.7
TOTAL	100%

* Includes the order book of Energomontaż-Południe (PLN 340m as at July 1st 2011).

3. EBITDA

As at the end of H1 2011, the Group recorded EBITDA of **PLN 140,771 thousand**, a 42% boost on the respective figure of **PLN 98,897 thousand** posted as at the end of H1 2010.

Figure 10: Development of EBITDA (last five years)

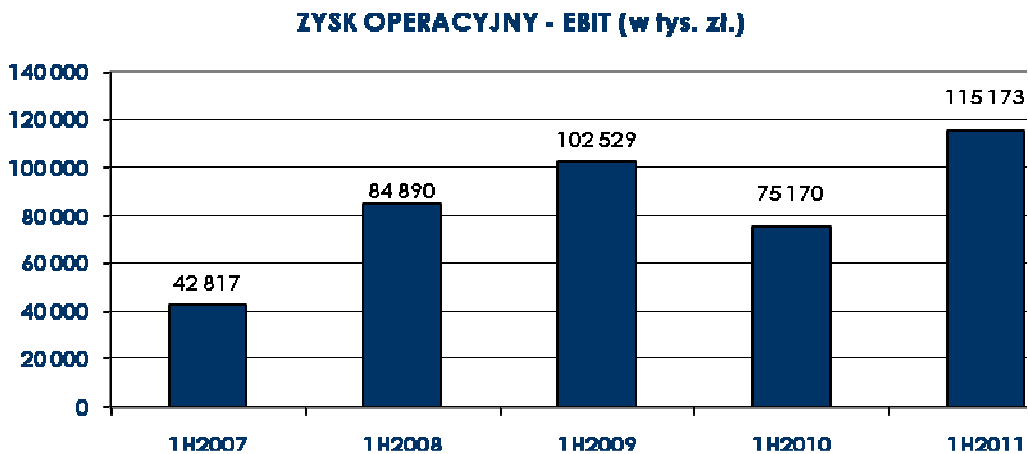


EBITDA (w tys. Zł)	EBITDA (PLN '000)
1H2007	H1 2007
1H2008	H1 2008
1H2009	H1 2009
1H2010	H1 2010
1H2011	H1 2011

4. EBIT

In the first six months of 2011, the Group recorded a 53% year-on-year increase in EBIT, from **PLN 75,170 thousand** to **PLN 115,173 thousand**.

Figure 11: Development of EBIT (last five years)



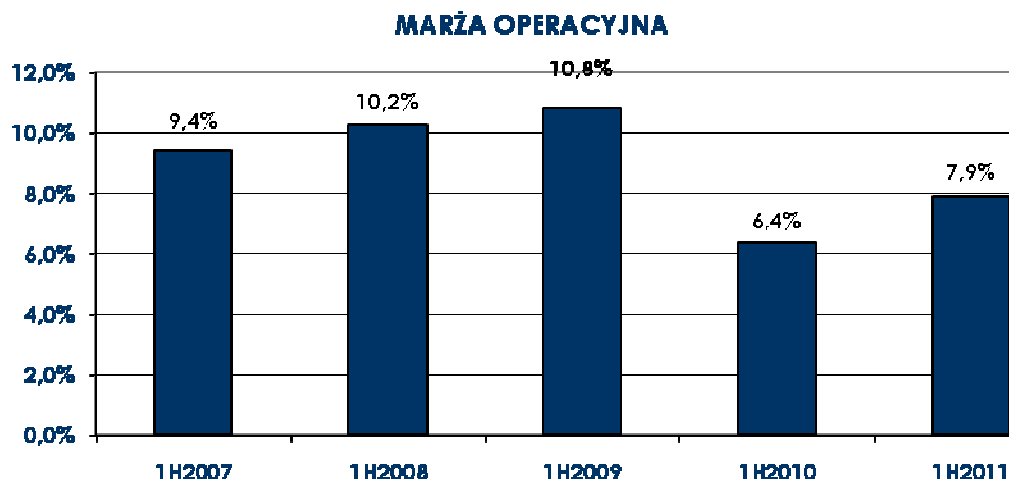
ZYSK OPERACYJNY (w tys. Zł)	EBIT (PLN '000)
1H2007	H1 2007
1H2008	H1 2008
1H2009	H1 2009
1H2010	H1 2010

1H2011	H1 2011
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5. Operating margin

In the first six months of 2011, the Group's operating margin was **1.5% higher year on year**, having increased from 6.4% to 7.9%.

Figure 12: Development of operating margin (last five years)



Marża operacyjna (w tys. Zł)	Operating margin
1H2007	H1 2007
1H2008	H1 2008
1H2009	H1 2009
1H2010	H1 2010
1H2011	H1 2011

In the first six months of 2011, the Group reported other operating income of PLN 15,264 thousand, down by 32% relative to H1 2010. The largest item of other operating income is reversal of impairment losses on receivables, in the amount of PLN 5,816 thousand. Another significant item is damages received under insurance contracts, fines and penalties, in the amount of PLN 2,866 thousand. Other operating expenses amounted to PLN 5,440 thousand, having fallen year-on-year by 82%. Running costs of current projects, of PLN 1,300 thousand, are the largest item of other operating expenses.

Both in H1 2011 and H1 2010, the operating margin declined, respectively by PLN 4.7m and PLN 3m, following equity consolidation of the loss generated by Energomontaż-Południe.

6. Profitability ratios

Table 25: Profitability ratios

ITEM	FORMULA	H1 2011	H1 2010
ROA	(net profit / total assets)*100%	1.9%	1.6%
ROE	(net profit / equity) *100%	5.9%	4.2%
Gross margin	(gross profit / sales revenue)*100%	11.4%	12.1%
Sales margin	(profit on sales / sales revenue)*100%	7.6%	7.2%
Operating margin	(operating profit / sales revenue)*100%	7.9%	6.4%
Net margin	(net profit / sales revenue)*100%	6.7%	5.2%

In the first six months of 2011, cost of sales grew more quickly than sales revenue. The costs expanded by 24%, while sales revenue grew by 23%, which had an adverse effect on the gross margin (0.7% decline, to 11.4%). General and administrative expenses dropped by 6% in the period. The Group's net and operating margins as at the end of H1 2011 improved year on year. Sales margin increased by 0.4% to 7.6%. Operating margin was 1.5% higher year on year, at 7.9%. Net margin grew from 5.2% to 6.7%.

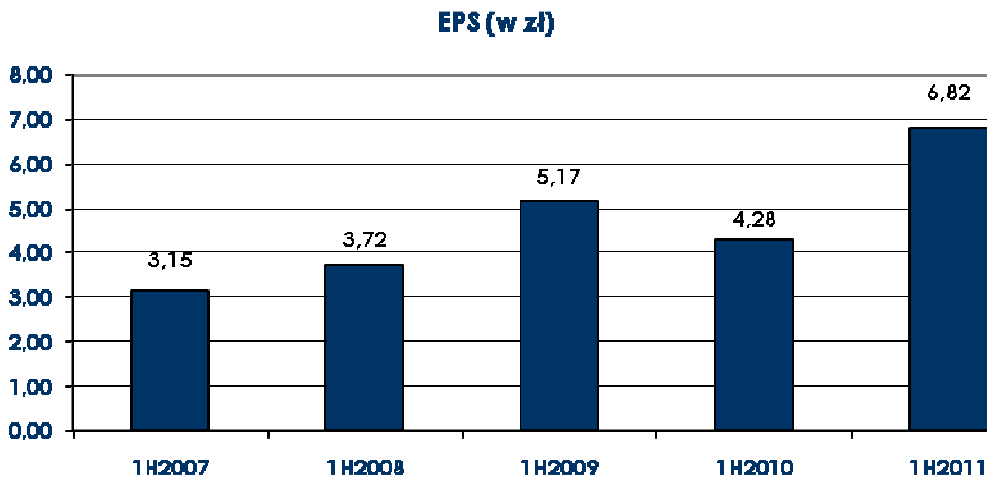
ROA as at the end of H1 2011 was 1.9%, 0.3% up year on year. ROA measures a business's ability to generate profit and its efficiency in managing its assets. The higher ROA, the better the business's financial standing. Thus ROA visibly improved year on year.

As at the end of H1 2011, return on equity was 5.9%, up by 1.7 p.p. over the end of H1 2010. In other words, in H1 2011 for every PLN 1 of equity invested, the Group generated nearly PLN 0.06 of net profit, compared with PLN 0.04 for H1 2010.

7. Earnings per share

In the first six months of 2011, earnings per share grew by 59% year on year, from PLN 4.28 to PLN 6.82. This has been the best result for the last five years.

Figure 13: Development of earnings per share (over a five-year period)



EPS (w zł)	EPS (PLN)
1H2007	H1 2007
1H2008	H1 2008
1H2009	H1 2009
1H2010	H1 2010
1H2011	H1 2011

8. Turnover ratios

Table 26: Turnover ratios

ITEM	FORMULA	H1 2011	H1 2010
Average collection period (days)	Average trade receivables * 180 / sales	219	168
Inventory cycle (days)	Average inventory * 180 / cost of sales	50	24
Average payment period (days)	Average trade payables * 180 / cost of sales	140	96

In the first six months of 2011, the average collection and average payment periods as well as the inventory cycle were longer relative to the previous year. The average collection period increased by 51 days, to 219 days at the end of H1 2011. The inventory cycle was 50 days, extended by 26 days relative to H1 2010. The average payment period was 44 days longer, at 140 days. In the first six months of 2011, the Group continued to pay its liabilities quicker than it collected its receivables.

In the first six months of 2011, the cash conversion cycle, computed by subtracting the average payment period (days) from the sum of the inventory cycle and the average collection period (both in days), was 129 days (H1 2010: 96 days), i.e. the Group's financing of current assets with equity was extended by a further 33 days.

9. Liquidity ratios

Table 27: Liquidity ratios

ITEM	FORMULA	H1 2011	H1 2010
Current ratio	current assets / current liabilities	1.57	1.63
Quick ratio	current assets – inventory – current prepayments and accrued income / current liabilities	1.37	1.46
Cash ratio	end cash balance / current liabilities	0.24	0.28

As at the end of H1 2011, the current ratio declined slightly relative to the previous year, and reached 1.57, relative to 1.63 as at the end of H1 2010, which is still considered a safe value. Both in H1 2011 and H1 2010, the Group would have been able to meet its current liabilities if they had become immediately payable, and additionally would have had a surplus of current assets to use for other purposes.

The quick ratio also decreased slightly, having fallen from 1.46 as at the end of H1 2010, to 1.37 as at the end of H1 2011. In the discussed periods, the ratios remained within a range believed to be safe, and in both cases indicated that the Group was able to meet its liabilities in a timely manner.

The cash ratio dropped from 0.28 as at the end of H1 2010, to 0.24 as at the end of H1 2011, meaning that the Group is able to cover 24% of its current liabilities with most liquid assets.

10. Debt

Table 28: Debt ratios

ITEM	FORMULA	H1 2011	H1 2010
Equity and liabilities structure	Equity / external funds	0.51	0.66
Asset structure	Non-current assets / current assets	0.58	0.44
Interest coverage ratio	Gross profit + interest / interest	3.70	6.32

In the discussed period, there were significant changes in the structure of equity and liabilities. In H1 2010, the Group's equity covered 66% of its debt and in H1 2011 the coverage of debt with equity fell to 51%.

Over the discussed period, the proportion of short-term debt in total equity and liabilities decreased by 2%, while the proportion of long-term debt rose by 7%. In value terms, long-term debt increased by 106%, following the issue of another tranche of three-year bonds for a total amount of PLN 450m by PBG, the Parent Undertaking, in 2010, which caused a material increase in long-term liabilities.

The asset structure ratio increased year on year by 14%, which indicates erosion of flexibility of the Company's assets and lengthening of the period when funds remain tied-up.

The interest coverage ratio dropped by nearly 3 p.p. in the period. The ratio's value at 3.70 means that the Group's pre-tax profit exceeds the value of interest by over three-fold and that interest is repaid on a timely basis.

II. CHANGES IN THE INCOME STATEMENT AND COST ANALYSIS

1. Income statement

Table 29: Changes in the income statement

GK PBG Income statement (PLN '000)	H1 2011	H1 2010	H1 2011/H1 2010
Sales revenue	1,456,855	1,180,138	123%
Cost of sales	1,291,123	1,037,613	124%
Gross profit/(loss)	165,732	142,525	116%
Selling costs	1,920	49	0%
General and administrative expenses	53,719	56,981	94%
Profit on sales	110,093	85,495	129%
Other operating income	15,264	22,452	68%
Other operating expenses	5,440	29,751	18%
Share in profit (loss) of undertakings consolidated with equity method	(4,744)	(3,026)	0%
Operating profit/(loss)	115,173	75,170	153%
Finance income	24,456	40,025	61%
Finance expenses	40,633	43,059	94%
Profit/loss on investments	16,465	2,208	745%
Pre-tax profit/(loss)	115,461	74,344	155%
Income tax	17,030	13,547	126%
Net profit	98,431	60,797	162%

- attributable to owners of the Parent	97,544	61,156	160%
- attributable to minority interests	887	(359)	0%

As at the end of H1 2011, the Group's net profit stood at PLN 97.6m, up by 60% or PLN 36.4m relative to the end of H1 2010. Moreover, the upward trends continue in H1 2011 at all levels of the income statement. Gross profit on sales advanced by 16% year on year, to PLN 167m. Profit on sales grew by 29%, to PLN 110m, while operating profit rose by 53%, to PLN 115.2m, driven by the net result on other operating activities, comprising other operating income of PLN 15.3m, and other operating expenses of PLN 5.4m. The PLN 4.7m consolidated loss of Energomontaż Południe S.A. had a negative effect on H1 2011 result. On the other hand, the Group's financial result improved following the recognition of PLN 12,151 thousand arising from fair value measurement of the interest in the acquired subsidiary. The amount was recognised in the consolidated income statement under "Other gains/(losses) on investments" (in accordance with IFRS 3 (2008).42 applicable to associates becoming subsidiaries).

3. Cost

Table 30: Cost ratios

ITEM	FORMULA	H1 2011	H1 2010
Basic cost ratio	the sum of ratio * and ratio **	0.923	0.928
Cost of sales ratio*	cost of sales / sales revenue	0.886	0.879
General and administrative expenses ratio**	general and administrative expenses / sales revenue	0.037	0.048

In the first six months of 2011, the cost of sales was PLN 1,291,123 thousand, up 24% on the end of H1 2010. There was a change in the share of variable costs in total sales revenue. Cost of sales accounted for 88.6% of sales as at the end of H1 2011 versus 87.9% as at the end of H1 2010, which represents an increase of 0.7 p.p.. In the first six months of H1 2011, general and administrative expenses reached nearly PLN 54m and were slightly lower relative to the previous year. Thanks to the above, the share of general and administrative expenses in sales revenue fell from 4.8% in H1 2010 to 3.7% in H1 2011, which represents a decrease of 1.1%. The decrease in general and administrative expenses is due primarily to the assignment of some employees to the performance of the largest contracts and the resulting disclosure of the related labour costs under cost of sales (i.e. contract variable costs).

The basic cost ratio calculated as the sum of the cost of sales ratio and the general and administrative expenses ratio fell slightly to 92.3%, or by 0.5%, in H1 2011 relative to H1 2010.

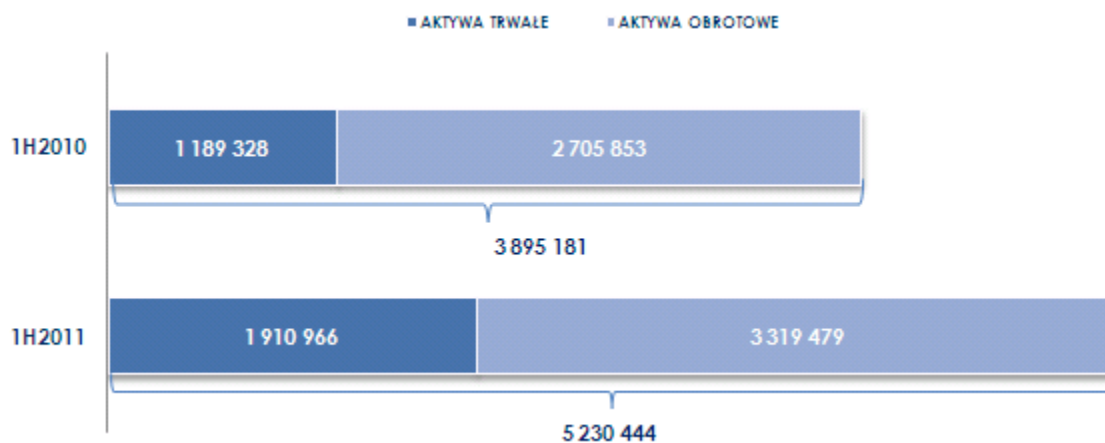
III. ASSETS, FINANCIAL POSITION AND FUNDING OF THE ASSETS

1. Assets

The assets' structure changed in the period under review. As at the end of H1 2011, the share of non-current assets in total assets stood at over 36% and was up by almost 6% year on year. On the other hand, over H1 2011 the share of current assets in total assets fell year on year, to nearly 64%. The largest item of non-current assets, accounting for 42.5% of their value, was property, plant and equipment, where the Group recognises the investment related to the Tłumaczów quarry, executed by Strateg Capital (approximately PLN 222m), followed by goodwill acquired under business combination, representing 27.1% of total non-current assets. The largest items of goodwill include: Hydrobudowa 9's goodwill in the amount of PLN 176.4, Energomontaż-Południe's goodwill in the amount of PLN 171.5m, and Bełpol's goodwill in the amount of PLN 31.9m. Investment property is another significant item, with a 20% share in total non-current assets.

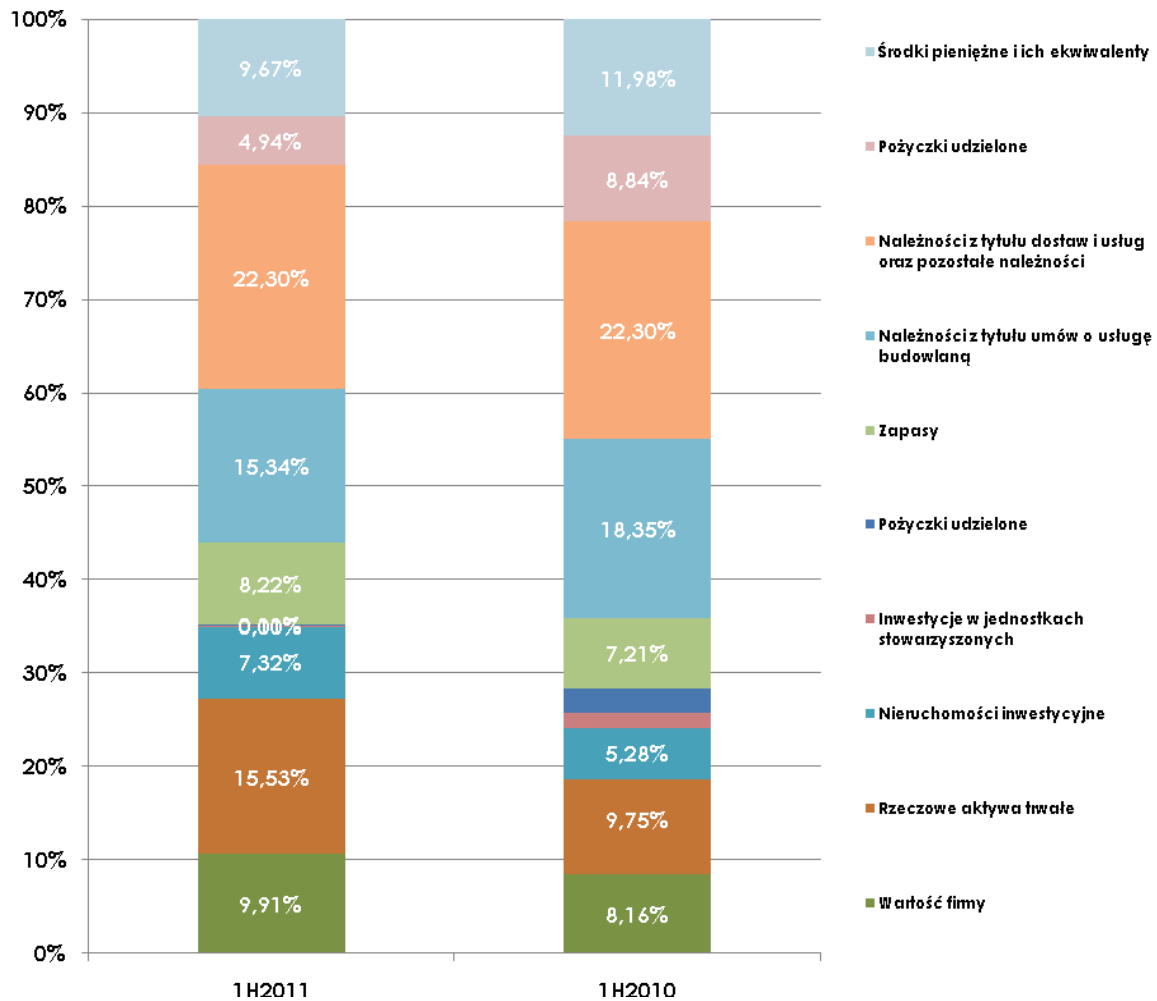
Over the period under review, the structure of current assets also changed. In the first six months of H1 2011, trade receivables were the largest item of current assets, accounting for 35% of total current assets, which represented a 3% increase year on year. They were followed by other receivables under construction contracts, representing 24% of total current assets. The third largest item of current assets is cash and cash equivalents, with a 15% share in total current assets.

Figure 14: Assets (PLN '000)



1H2010	H1 2010
1H2011	H1 2011
Aktywa trwałe	Non-current assets
Aktywa obrotowe	Current assets

Figure 15: Percentage shares of individual asset items in total assets (assets >1%)



Środki pieniężne i ich ekwiwalenty	Cash and cash equivalents
Pożyczki udzielone	Loans advanced
Należności z tytułu dostaw i usług oraz pozostałe zobowiązania	Trade and other receivables
Należności z tytułu umów o usługę budowlaną	Receivables under construction contracts
Zapasy	Inventories
Pożyczki udzielone	Loans advanced
Inwestycje w jednostkach stowarzyszonych	Investments in associated undertakings
Nieruchomości inwestycyjne	Investment property
Rzeczowe aktywa trwałe	Property, plant and equipment
Wartość firmy	Equity

Table 31: Asset ratios (%)

ITEM	FORMULA	H1 2011	H1 2010
Basic asset structure	(non-current assets / current assets)*100	57.6	44
Non-current assets to total assets	(non-current assets / total assets)*100	37	31
Current assets to total assets	(current assets / total assets)*100	64	70
Inventories to current assets	(inventories / current assets)*100	13	10
Current receivables to current assets	(current receivables / current assets)*100	59	59

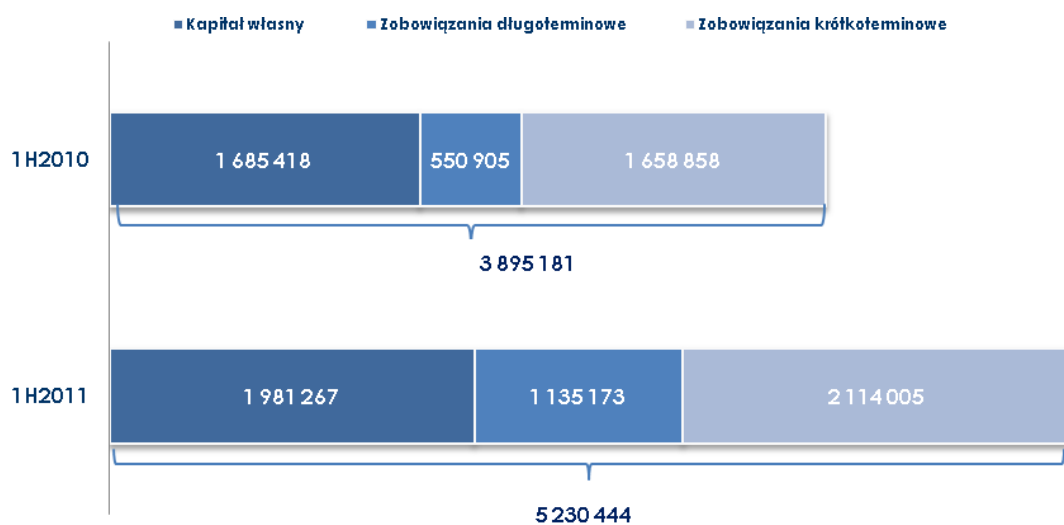
The key asset structure ratio is discussed in detail in Section 1.10, Chapter VI.

There were visible changes in the value of particular items of assets and in the structure of total assets. In the first six months of H1 2011, non-current assets grew by 61% relative to H1 2010. A smaller increase was recorded in current assets, which grew by 23%. These ratios show that the share of non-current assets in total assets was 6% up on H1 2010. An increase in the share of non-current assets in total assets was accompanied by a decrease in the share of current assets. The increase was due mainly to rise in property, plant and equipment by as much as 114% and investment property by 86%.

2. Equity and liabilities

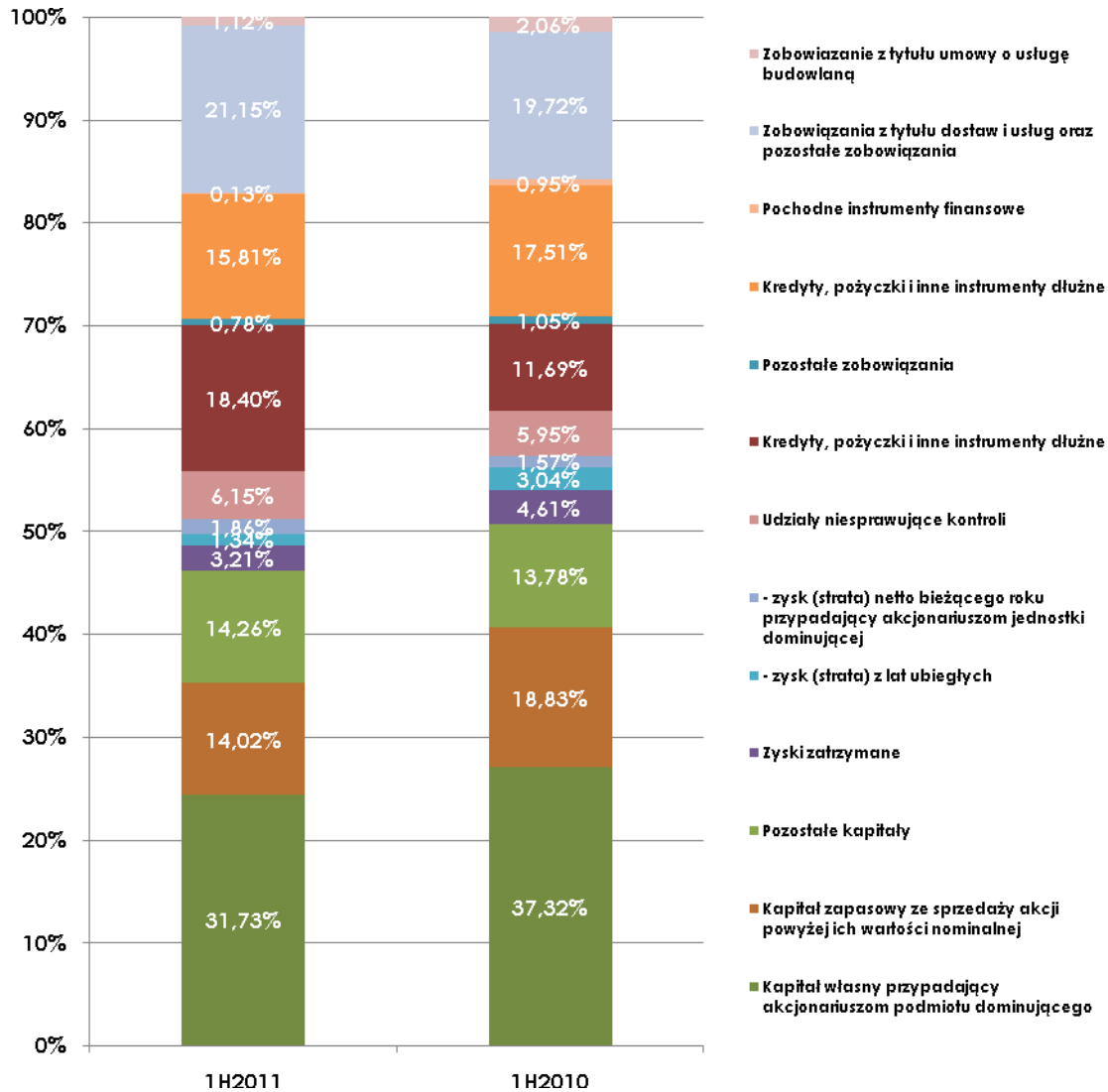
In the period under review, the Group's asset financing structure changed. Equity comprised 38% of total equity and liabilities. The share of non-current liabilities in the balance-sheet total increased by 8%, to 22%, while The share of current liabilities decreased to 40% as at the end of H1 2011 (43% as at the end of H1 2010). The largest item under non-current liabilities was loans, borrowings and other debt instruments, which comprised bonds with a value of PLN 825m issued by PBG in 2009 and 2010.

Figure 16: Equity and liabilities (PLN '000)



Kapitał własny	Equity
Zobowiązania długoterminowe	Non-current liabilities
Zobowiązania krótkoterminowe	Current liabilities

Figure 17: Percentage shares of individual equity and liabilities items in total equity and liabilities (equity and liabilities > 1%)



Zobowiązania z tytułu umowy o usługę budowlaną	Liabilities under construction contracts
Zobowiązania z tytułu dostaw i usług oraz pozostałe zobowiązania	Trade and other liabilities
Pochodne instrumenty finansowe	Financial derivatives
Pozostałe zobowiązania	Other liabilities
Kredyty, pożyczki i inne instrumenty dłużne	Short-term loans, borrowings and other debt instruments
Udziały niesprawujące kontroli	Non-controlling interests
-zysk (strata) netto bieżącego roku przypadający akcjonariuszom jednostki dominującej	- net profit/(loss) for current year attributable to owners of the Parent
- zysk (strata) z lat ubiegłych	- retained earnings (accumulated loss)
Zyski zatrzymane	Retained earnings
Pozostałe kapitały	Other capitals
Kapitał zapasowy ze sprzedaży akcji powyżej ich wartości nominalnej	Share premium account
Kapitał własny przypadający akcjonariuszom podmiotu dominującego	Equity attributable to owners of the parent

Table 32: Financial ratios (%)

ITEM	FORMULA	H1 2011	H1 2010
Basic equity and liabilities structure ratio	$(\text{equity} / \text{debt capital}) * 100$	61	76
Debt capital to total capital ratio	$(\text{debt capital} / \text{total equity and liabilities}) * 100$	62	57
Debt capital to equity ratio – debt ratio	$(\text{debt capital} / \text{equity}) * 100$	164	131
Long-term capital to equity and liabilities ratio	$(\text{long-term capital} / \text{total equity and liabilities}) * 100$	22	14
Short-term debt capital to equity and liabilities ratio	$(\text{short-term debt capital} / \text{total equity and liabilities}) * 100$	40	43
Capital reserves to equity and liabilities ratio	$(\text{capital reserves} / \text{total equity and liabilities}) * 100$	2	2

The key equity and liabilities structure ratio is discussed in detail in Section 1.10, Chapter VI.

The share of debt capital in total capital increased by 5 p.p. relative to the end of H1 2010 and represented 62% of the Group's asset financing structure. The debt ratio grew by 33% to 164%, which means that for each zloty of its equity, the Company has PLN 1.64 of debt capital, which compares with PLN 1.31 as at the end of H1 2010.

The share of long-term capital in total capital was 22%, and changed by 8% on H1 2010. However, current debt ratio went down by 3% p.p., to 40% as at the end of H1 2011.

Table 33: Asset financing ratios – vertical analysis (%)

ITEM	FORMULA	H1 2011	H1 2010
Equity to non-current assets ratio (first grade financing ratio)	$(\text{equity as at end of period} / \text{non-current assets as at end of period}) * 100\%$	104	142
Long-term capital to assets ratio (second grade financing ratio)	$(\text{equity as at end of period} + \text{long-term debt capital as at end of period} / \text{non-current assets as at end of period}) * 100\%$	163	188
Current debt capital to current assets ratio	$(\text{short-term debt capital as at end of period} / \text{current assets as at end of period}) * 100\%$	64	61

The analysis of financial data indicates that there are similar relations in the Group's asset financing. It needs to be highlighted that both in H1 2011 and in H1 2010 the Group fulfilled the requirements of the so-called golden rule of financing and the golden rule of balance sheet. The former requires that non-current assets should be fully financed with long-term capital, whereas the latter, that equity must finance at least the company's non-current assets.

IV. STATEMENT OF CASH FLOWS

Table 34: Amounts disclosed in the statement of cash flows (PLN '000)

	H1 2011	H1 2010
Net cash provided by/(used in) operating activities	-376,274	+65,182
Net cash provided by/(used in) investing activities	-65,720	-260,755
Net cash provided by/(used in) financing activities	+239,624	+1,779
Net cash at end of period	+505,841	+466,487

In H1 2011, the statement of cash flows showed a number of material changes. In the period under review, the balance of the Group's cash flows from operating activities was negative and amounted to PLN -376m. The figure is dependent primarily on duration of contracts. This means that during the initial phase of contract implementation significant amount of cash is used, and next, as the margin grows, the projects start to generate positive cash flows. The balance of cash flows generated in operating activities in H1 2011 was mainly driven by road construction contracts. In H1 2011, the contract providing for the construction of a section of the A4 motorway generated negative cash flows of approximately PLN -200m. Further PLN -65m of negative cash flows was attributable to the contract for the construction of the A1 motorway. The aggregate amount of the two accounted for 70% of the Group's consolidated cash flows.

In H1 2011, the balance of cash flows generated in investing activities was negative and amounted to PLN -66m, which primarily resulted from expenditure incurred on the acquisition of a nearly 40% interest in Energomontaż-Południe for PLN 119.3m. In the period under review, the Group companies advanced loans for a total of PLN 25m, and received PLN 23m as loan repayment.

The balance of cash flows generated in financing activities in the period under review was positive at PLN 240m. In H1 2011, loans contracted by the Group totalled PLN 478m, while repaid loans amounted to nearly PLN 182m.

Table 35: Nature of cash flows

	H1 2011	H1 2010
Net cash provided by/(used in) operating activities	-	+
Net cash provided by/(used in) investing activities	-	-
Net cash provided by/(used in) financing activities	+	+
Net cash at end of period	+	+

An analysis of the Group's cash flows from operating activities across corresponding periods should take into account the fact that certain factors affect the regularity of income and expenses and thus eliminate any apparent relationship between the periods.

Such factors include:

- **prepayments received** – initially improve cash flows, but in subsequent periods have a negative effect;
- **FIDIC, a collection of procedures and conditions for implementation of construction projects** – specifies, among other things, a predetermined minimum level of invoicing required from a contractor, as a result of which a contractor cannot issue an invoice until a specific scope of works is completed;
- **subcontractor structure** – financing of subcontractors by the Group companies;
- **year-end effect** – the need to implement the budget projections by public entities results in increased invoicing in the last months of the calendar year, leading to higher cash flows generated in operating activities in the last quarter of the year;

- **payment of VAT** – related to the year-end effect: highest-value invoices are issued at the end of the year, therefore the highest VAT payments are due in the first quarter of the following year. This follows from the fact that in winter months no costs are incurred which would offset VAT payments;
- **acquisition of new contracts** – irregularity of cash flows generated in operating activities is related to the fact that in addition to the contracts implemented as part of the existing order book, the Group constantly acquires new projects. Due to their nature, new contracts may make it impossible to find regularity in cash flows generated in operating activities.

V. NET DEBT

Table 36: Data used by PBG to compute net debt (PLN '000)

	H1 2011	H1 2010	y-o-y change
Long-term loans and borrowings	137,595	80,338	+71
Short-term loans and borrowings	809,916	549,954	+47
Bonds	825,000	500,000	+65
Net cash	505 841	466,485	+8
Net debt	1,266,671	663,807	+90

As at June 30th 2011, net debt was PLN 1.266bn, having increased 90% relative to the end of H1 2010. This figure comprises interest-bearing debt, including PLN 137.6m in long-term loans and borrowings, nearly PLN 810m in short-term loans and borrowings and PLN 825m in bonds (issued by the Company: PLN 375m in 2009 and PLN 450m in 2010). Net cash of nearly PLN 506m as at the end of H1 2011 was deducted from the above figures. The H1 2011 net debt of the Group is an effect of raising substantial funds through another bond issue carried out in 2010, which contributed to an increase in non-current debt (debt under bonds increased by approximately PLN 300m year on year) on the one hand, and an increase in long- and short-term loans and borrowings by 71% and 47%, respectively, on the other.

VI. NET WORKING CAPITAL

Table 37: Net working capital (PLN '000)

	H1 2011	H1 2010	y-o-y change
Net working capital based on the short-term formula (current assets – short-term liabilities)	1,064,835	853,857	+25

In the discussed period, the Group reported an increase in working capital. As at the end of H1 2011, working capital was **PLN 1,064,835 thousand** compared with **PLN 853,857 thousand** as at the end of H1 2010 which represented a 25% increase. Interpretation of working capital is as follows: its rise demonstrates improving financial standing as working capital is a liquid reserve which can be used to meet current financing needs.

Table 38: Percentage share of net working capital in assets

	H1 2011	H1 2010	y-o-y change
Net working capital in total assets	27%	25%	+2

Working capital's share in total assets as at the end of H1 2011 was 27% and it was 2 p.p. higher than as at the end of H1 2010.

VII. INVESTMENTS

1. Equity investments

In H1 2011, PBG, the Group's Parent Undertaking, acquired nearly 40% of shares in Energomontaż-Południe S.A. for PLN 119.3m, and increased its interest in the company to nearly 65%. It was the Group's largest investment in H1 2011 (the acquisition was in line with the objectives of the share issue carried out in 2009 and the Company's strategy).

2. Expenditure on property, plant and equipment

In H1 2011, the Group invested mainly in the enhancement of its plant, workshops and warehouses. A part of the funds was invested in the modernisation and extension of the existing office buildings and the construction of new ones. The investments totalled nearly PLN 94m.

3. Feasibility of the Company's investment plans

Financial resources available to the Group, the issue of bonds in 2010 and the executed loan agreements fully secure funding for the current projects and equity investments. In 2011, replacement investments in property, plant and equipment are estimated to reach approximately PLN 50m.

VIII. MANAGEMENT BOARD'S DISCUSSION OF THE GROUP'S FINANCIAL PERFORMANCE IN Q2 2011

In Q2 2011, sales revenue increased, while profit improved significantly at all levels of the income statement relative to the figures for the corresponding period of the previous year. However, the Group recorded lower margins, in particular the gross margin, which dropped year on year by over 3 p.p.. The decline in gross margin was attributable to the change in the Group's order book, which currently includes mainly road construction contracts accounted for with a very conservative margin forecast.

In Q2 2011, the Group generated sales revenue of over **PLN 979m**, while its **gross profit on sales** was nearly **PLN 110.5m**, having grown by 5% relative to Q2 2010. Further, in Q2 the Group recorded **operating profit** of **PLN 81.7m** and **net profit attributable to the owners of the Parent of PLN 73.5m**. Year on year, operating profit went up by 30%, while net profit increased by 47%.

Table 39: Group's income statement for Q2 2011 and Q2 2010

Group's income statement	for the period	for the period	Growth rate
	Apr 1–Jun 30 2011	Apr 1–Jun 30 2010	2Q2011/ 2Q2010
Sales revenue	979,220	722,842	135%
Cost of sales	868,757	617,249	141%
Gross profit/(loss)	110,463	105,593	105%
Selling costs	722	49	1,473%
General and administrative expenses	28,066	32,170	87%
Profit on sales	81,675	73,374	111%
Other operating income	7,217	4,060	178%
Other operating expenses	2,100	10,030	21%
Share in profit of subsidiary undertakings consolidated with equity method	-5,091	-4,430	115%
Operating profit/(loss)	81,701	62,974	130%
Finance income	12,267	23,995	51%
Finance expenses	21,363	25,930	82%
Other gains/(losses) on investments	12,508	2,208	566%
Pre-tax profit/(loss)	85,113	63,247	135%
Income tax	10,943	10,387	105%
Net profit/(loss) attributable to:	74,170	52,860	140%
- owners of the Parent	73,460	49,954	147%
- minority interests	710	2,906	24%

REVENUE, INCOME, COSTS AND EXPENSES

1. Sales revenue

In Q2 2011, the Group's sales revenue amounted to more than **PLN 979m, having increased by 35%** year on year.

2. Cost of sales

In Q2 2011, cost of sales reached over **PLN 868.7m, which represented a 41% increase** over the end of Q2 2010. The share of variable costs in total sales revenue changed. Cost of sales accounted for 88.7% of sales revenue as at the end of Q2 2011 versus 85.4% as at the end of Q2 2010, which represents a decrease of more than 3%.

3. General and administrative expenses

As at the end of Q2 2011, general and administrative expenses amounted to **PLN 28m**, having dropped by **13%** year on year. The share of general and administrative expenses in sales revenue grew from 2.9% in Q2 2010 to 4.5% in Q2 2011, which represents an increase of 1.6%. The decrease resulted mainly from delegating some employees to execute major contracts and disclosing the costs related to such change under costs of sales (i.e. variable contract costs).

4. Other operating income

Other operating income was PLN 7.2m in Q2 2011. **The most material items were reversals of impairment losses on receivables of PLN 2.8m as well as fines and damages received of PLN 1.1m. Other operating income rose by 78% year on year.**

5. Other operating expenses

As at the end of Q2 2011, other operating expenses totalled **PLN 2.1m**, having decreased by as much as **79%** compared with the end of Q2 2010. Other operating expenses included impairment losses on receivables of PLN 0.6m, donations granted and running costs of investments.

6. Share in profit of subsidiary undertakings consolidated with equity method

The item includes the effect of consolidation of 25% of net profit/(loss) of Energomontaż-Południe. In Q2 2011, the consolidated loss of Energomontaż-Południe was PLN 5m, compared with the loss of PLN 4.4m in the corresponding period of the previous year.

7. Finance income

Year on year, Q2 2011 saw a 49% decline in finance income, which stood at **PLN 12.3m**. The most significant items of finance income were: foreign exchange gains (PLN 5.4m), interest on loans advanced (PLN 3.4m) and interest from banks (PLN 2.5m).

8. Finance expenses

As at the end of Q2 2011, finance expenses amounted to **PLN 21.4m**, having dropped by 18% year on year. The main items of finance expenses included interest on notes issued by PBG, the Parent Undertaking, of PLN 9.6m, as well as interest and fees on bank loans of PLN 5.1m.

9. Other gains on investments

In H1 2011, other gains on investments included a gain of **PLN 12.1m** on fair value measurement of the previously held interest in the acquired subsidiary (in accordance with IFRS 3 (2008).42 applicable to associates becoming subsidiaries).

FINANCIAL RESULT

1. Items of the income statement

As at the end of Q2 2011, the Group posted **net profit attributable to owners of the Parent of nearly PLN 73.5m**, representing a **47% increase** relative to Q2 2010. In Q2 2011, the financial result at all levels of the income statement continued to grow. **Gross profit on sales rose by 5%** while **operating profit advanced by 30%**.

2. EBITDA

In Q2 2011, capital expenditure on acquisition of property, plant and equipment, and non-tangible assets totalled **PLN 42m**, relative to PLN 50.7m in the corresponding period of the previous year. In Q2 2011, depreciation/amortisation charges amounted to **PLN 14.3m** (PLN 12.1m in Q2 2010). As at the end of Q2 2011, EBITDA (EBIT before depreciation/amortisation) was **PLN 96m**, up by **28%**, or nearly PLN 21m, from the corresponding period of 2010.

3. Profitability ratios

In Q2 2011, the growth of sales revenue (35%) was lower than the increase in cost of sales (41%), which resulted in a year-on-year drop in the Group's profitability ratios: gross margin and operating margin (from 14.6% to 11.3% and from 8.7% to 8.3%, respectively). The decline in gross margin was attributable to the change in the Group's order book, which currently includes mainly road construction contracts accounted for with a very conservative margin forecast.

In Q2 2011, the net margin increased to 7.9%, up by 0.6% over Q2 2010.

Table 40: Q2 2011 profitability ratios

Profitability ratios	Q2 2011	Q2 2010	% change
Gross margin ¹	11.3%	14.6%	-3.3
Operating margin ²	8.3%	8.7%	-0.4
Net margin ³	7.5%*	6.9%	+0.6

¹gross profit on sales/sales revenue *100

²operating profit /sales revenue *100

³net profit / sales revenue *100

*in Q2 2011, the net margin was rose on recognition of a gain on investments of PLN 12.1m

IX. FINANCIAL OUTLOOK

In 2011, the Group plans to maintain its financial ratios at levels ensuring stable operations. Current operations and projects will be financed using internally generated funds, short-term facilities and investment loans. The Group may change its financing arrangements by increasing the amount of credit facilities and long-term bonds if this proves necessary to implement the Group's strategic objectives, such as acquisition of major contracts or implementation of investment projects.

X. CONSOLIDATED FINANCIAL FORECASTS FOR 2010

In Current Report No. 27/2011, the Parent Undertaking of the Group presented a forecast of its consolidated financial performance in 2011, whose details are as follows:

Table 41: Group's consolidated financial forecast for 2011

Item	Forecast (PLN '000)
Net sales revenue	2,300,000
Operating profit	230,000
Net profit	200,000

Basis of the forecast and the underlying assumptions:

- The forecast of the Group's financial results for 2011 was prepared on the basis of the Group's current order book as well as contracts which the Group plans to win and execute in 2011. The 2011 guidance does not account for the effect of potential new high-unit-value contracts for which the Group is currently bidding in a number of tenders, such as construction of power units in Opole.
- Revenue from the gas market (the gas, oil and fuels segment) is expected to account for the largest proportion of consolidated revenue, contributing approximately 38% to the top line. Infrastructure projects (the industrial and residential construction segment) are expected to be the second largest source of consolidated revenue, with an approximately 33% share, followed by the road construction market (the road

construction segment) – approximately 22%, and the environmental protection market (the water segment) – approximately 7%.

- The financial forecast assumes there will be no significant adverse market changes in 2011. It has been assumed that in the period covered by the forecast the exchange rates will remain constant, at the level of the mid-exchange rates quoted by the National Bank of Poland for December 31st 2010. The exchange rates adopted in the forecast are as follows:

- EUR 1 = PLN 3.9603;

- USD 1 = PLN 2.9641;

- CAD 1 = PLN 2.9691.

- For the purpose of the forecast, interest rates have been assumed to remain constant in the period covered by the forecast at the level of the WIBOR rates as at January 31st 2011:

- 1M WIBOR = 3.85%;

- 3M WIBOR = 4.09%;

- 6M WIBOR = 4.32%.

- The 2011 forecast does not take into account the effect of potential acquisitions on the projected financial performance.

- The forecast figures reflect deconsolidation of Hydrobudowa Polska and consolidation of 49.9% of the net result of APRIVIA S.A. with the equity method following the sale of 51% of shares in Hydrobudowa Polska S.A. and 50.1% of shares in Aprivia S.A. to OHL International in Q3 2011. However, the net gain/loss on the transaction, as a non-recurring event, was not taken into account in the projections.

- The guidance takes into account consolidation of 25% of Energomontaż-Południe S.A.'s net profit or loss with the equity method.

Monitoring, Review and Revision of the Forecast

The forecast will be monitored during the financial year on an on-going basis, through comparison of the actual performance vs. the budgeted values. Any changes in excess of at least 10% of the forecast values will be disclosed by way of current reports.

XI. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

The Group's financing strategy, based on clear and uniform terms of cooperation with the financing institutions, was continued in H1 2011.

As at June 30th 2011, the amount of bank and insurance limits awarded to PBG and the Group as a whole for the financing of their day-to-day operations and capital expenditure and to execute FX transactions was PLN 3.74bn.

The higher amount of the available credit facilities is related to obtaining special-purpose funding for the Group's contracts, including for *LNG Terminal Construction in Świnoujście* and for *Construction of the A4 Motorway from the Krzyż Interchange to the Dębica Pustynia Interchange*; the value of available facilities also increased following the inclusion of Energomontaż-Południe S.A. in the Group.

The Group began cooperation with further banks, namely Crédit Agricole Corporate & Investment Bank S.A., Banco Espírito Santo de Investimento S.A. and HSBC Bank Polska S.A.

To further diversify the financing sources, in November 2007 an agency and dealer agreement was executed with ING Bank Śląski S.A. for arrangement and execution of a bond issue programme for PBG and Hydrobudowa Polska S.A. Under the annex of September 27th 2010, the amount of the programme was increased to PLN 1,000,000 thousand and the agreement's term was extended until December 31st 2015.

Under the programme, on October 22nd 2010, PBG issued the next tranche of bonds (Series D) with a value of PLN 450m, maturing on October 22nd 2013; and redeemed series B bonds with a value of PLN 69m. The debt under bond issue currently amounts to PLN 825m.

The continued implementation of the financing strategy has helped the Group to:

1. maintain diversified funding sources,
2. gain wider access to available bank and insurance products,
3. standardise the products and services offered to the Group,
4. reduce collateral requirements for the credit facilities,
5. link bank and insurance products with particular contracts.

The availability, flexibility and standardisation of the bank products allowed the Group to directly link these products to particular contracts and to adjust the products the profile of the Group's cash flows, which, as viewed from the financial institutions' perspective, significantly reduced the operating risk of the Group. The rules of controlling and monitoring PBG's and the Group's performance by the financial institutions permitted direct settlement of PBG's and the Group's debt liabilities with cash flows under particular contracts.

Threats related to the financial resources:

- Contracts executed over up to five years vs. one-year credit limits;
- Payment periods under EU contracts protracting beyond settlement periods viewed by the banks as regular;
- Interest rate and currency risks.

In the present situation, the Management Board believes there is no risk of availability of the credit facilities or insurance limits being restricted.

Measures aimed at mitigating the risk:

- Diversified sources of financing: banks, insurance companies, brokerage companies and the capital market,
- Continuously monitored use of the Group's resources,
- Application of procedures defined under the implemented Integrated Management Systems, linking between banking products to particular contracts, to enable active controlling by financial institutions,
- gradual change in the debt structure towards long-term debt.

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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