

PBG CAPITAL GROUP

Interim consolidated financial statement for Q2 FY 2008

In accordance with the International Financial Reporting Standards (IFRS)

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1 INTERIM CONSOLIDATED FINANCIAL STATEMENT OF PBG CAPITAL GROUP FOR Q2 FY08

SELECTED FINANCIAL DATA

Item	for the period from 01.01 to 30.06.2008	for the period from 01.01 to 30.06.2007	for the period from 01.01 to 30.06.2008	for the period from 01.01 to 30.06.2007
	PLN		EUR	
Revenues from sales	824 096	453 935	236 973	117 948
Operating profit (loss)	82 312	42 077	23 669	10 933
Profit (loss) before tax	67 304	55 367	19 354	14 386
Net profit (loss) from discontinued operations	51 515	50 280	14 813	13 064
Net profit (loss), of which:	51 515	50 280	14 813	13 064
- shareholders of the parent company	41 205	40 846	11 849	10 613
- minority shareholders	10 310	9 434	2 965	2 451
Net cash from operations	(177 077)	(166 793)	(50 919)	(43 339)
Net cash used in investments	(105 399)	(109 221)	(30 308)	(28 379)
Net cash flows from financial activity	212 044	405 071	60 974	105 252
Net balance of cash and cash equivalents	(70 432)	129 057	(20 253)	33 533
Weighted average number of ordinary shares	13 430 000	12 497 000	13 430 000	12 497 000
Weighted average diluted number of ordinary shares	13 430 000	12 497 000	13 430 000	12 497 000
Profit (loss) per ordinary share (EPS) (in PLN / EUR)	7.63	6.77	2.12	1.76
Diluted profit (loss) per ordinary share (diluted EPS) (in PLN / EUR)	7.63	6.77	2.12	1.76
Average PLN / EUR rate			3.4776	3.8486
Item	as at 30.06.2008	as at 30.06.2007	as at 30.06.2008	as at 30.06.2007
	PLN		EUR	
Assets	2 578 461	1 725 286	768 726	458 146
Long-term liabilities	367 598	221 613	109 593	58 849
Short-term liabilities	1 065 476	778 135	317 654	206 632
Equity	1 145 387	725 538	341 478	192 665
Share capital	13 430	13 430	4 004	3 566
Number of shares	13 430 000	13 430 000	13 430 000	13 430 000
Book value per share - BVPS (in PLN / EURO)	71.37	52.55	21.28	13.95
Dividend per share – declared or paid (in PLN / EURO)	-	-	-	-
Closing balance PLN / EUR rate **			3.3542	3.7658

1. Selected items of assets and liabilities converted into EUR at the exchange rate published by the President of the National Bank of Poland as at 30.06.2008:

$$\text{EUR 1} = \text{PLN 3.3542}$$

- a) book value per share in PLN = equity in PLN thousands (as at 30.06.2008) / number of shares (in thousands) as at 30.06.2008:

$$958,492 / 13,430 = \text{PLN 71.37}$$

- b) book value per share in EUR = equity in EUR thousands (as at 30.06.2008) / number of shares (in thousands) as at 30.06.2008:

$$285,759 / 13,430 = \text{EUR 21.28}$$

- c) diluted number of shares as at 30.06.2008 – 13.430 thousand of shares

- d) diluted book value per share in PLN = equity in PLN thousand (as at 30.06.2008) / diluted number of shares (in thousands):

$$958,492 / 13,430 = \text{PLN 71.37}$$

- e) diluted book value per share in EUR = equity in EUR thousands (as at 30.06.2008) / diluted number of shares (in thousands):

$$285,759 / 13,430 = \text{EUR 21.28}$$

2. Selected items from the Profit and Loss Account for 6 months of 2008 were converted to EURO at the exchange rate calculated as an arithmetic average of exchange rates set by the President of NBP in the past 6 months of 2008:

January	31.01.2008	3.6260
February	29.02.2008	3.5204
March	31.03.2008	3.5258
April	30.04.2008	3.4604
May	30.05.2008	3.3788
June	30.06.2008	3.3542
		20.8656 / 6 = 3.4776 (average exchange rate for 6 months)

Annualised profit for 12 months in PLN thousands

Profit for FY 2007	102,050
Profit for H1 FY 2007	40,846
Profit for H2 FY 2007	61,204
Profit for H1 FY 2008	41,205
Profit for the past 12 months	102,409

Average weighted number of shares in thousands

$$\frac{12 \times 13,430 = 161,160}{161,160 / 12 = 13,430}$$

- a) profit per share (EPS) in PLN = annualised net profit in PLN thousands / weighted average number of shares for the past 12 months (in thousands).

$$102,409 / 13,430 = \text{PLN } 7.63$$

- b) profit per ordinary share (EPS) in EUR = EPS in PLN / average exchange rate of EURO for the past 12 months:

$$7.63 / 3.5913 = \text{EUR } 2.12 \text{ per share}$$

Average exchange rate of EURO for the past 12 months

July	31.07.2007	3.7900
August	31.08.2007	3.8230
September	28.09.2007	3.7775
October	31.10.2007	3.6306
November	30.11.2007	3.6267
December	31.12.2007	3.5820
January	31.01.2008	3.6260
February	29.02.2008	3.5204
March	31.03.2008	3.5258
April	30.04.2008	3.4604
May	30.05.2008	3.3788
June	30.06.2008	3.3542
		43.0954 / 12 = 3.5913 (average exchange rate for 12 months)

INTERIM CONSOLIDATED BALANCE SHEET

Item	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007	As at 30.06.2007	As at 31.03.2007
<i>Assets</i>					
Fixed assets	830 018	775 360	717 926	641 673	367 791
Intangible assets	15 172	13 495	13 262	7 436	4 672
Goodwill acquired in business combination	297 103	267 405	267 426	212 665	70 903
Tangible fixed assets (Property, Plant and Equipment)	351 991	318 637	307 007	356 699	273 422
Non-renewable natural resources	27 834	27 834	27 834	-	-
Investment property	30 471	30 340	30 162	5 052	710
Investments in subsidiaries	34 208	50 472	4 000	-	-
Investments in associates accounted for using the equity method	-	-	-	-	-
Other long-term financial assets	49 431	44 942	41 834	26 343	5 478
- from related parties	-	98	98	9 771	-
- from other entities	49 431	44 844	41 736	16 572	5 478
Long-term receivables	19 487	17 657	21 614	29 468	11 374
- from related parties	-	-	-	-	-
- from other entities	19 487	17 657	21 614	29 468	11 374
Deferred income tax assets	-	-	-	-	-
Long-term prepaid expenses:	4 321	4 578	4 787	4 010	1 232
Current assets	1 748 443	1 404 686	1 571 333	1 083 613	927 796
Inventories	62 295	63 135	40 145	36 013	21 386
Receivables from contracting parties for works completed under contracts for construction/long-term services	580 734	530 255	445 188	437 245	317 243
- from related parties	45 881	41 642	27 002	28 943	3 749
- from other entities	534 853	488 613	418 186	408 302	313 494
Trade receivables	540 046	414 453	517 953	315 205	282 977
- from related parties	-	4 750	9 806	1 070	1 070
- from other entities	540 046	409 703	508 147	314 135	281 907
Current income tax receivables	98	1 387	-	1 793	-
Other short-term receivables	101 482	75 396	84 607	68 844	16 315
- from related parties	-	-	-	-	-
- from other entities	101 482	75 396	84 607	68 844	16 315
Other short-term financial assets	102 250	67 269	58 410	29 531	29 764
- from related parties	-	-	-	4 011	-
- from other entities	102 250	67 269	58 410	25 520	29 764
Cash and cash equivalents	339 331	235 907	410 305	180 480	241 268
Short-term prepaid expenses	22 207	16 884	14 725	14 502	9 174
Non-current assets held for sale	-	-	-	-	9 669
Total assets	2 578 461	2 180 046	2 289 259	1 725 286	1 295 587

INTERIM CONSOLIDATED BALANCE SHEET – continued

Item	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007	As at 30.06.2007	As at 31.03.2007
<i>Liabilities</i>					
Equity	1 145 387	803 490	782 546	725 538	726 300
Equity of shareholders of the parent company	958 492	767 202	747 996	705 735	713 148
Share capital	13 430	13 430	13 430	13 430	13 430
Treasury shares	-	-	-	-	-
Share premium reserve	551 178	551 178	551 178	551 178	551 212
Reserve from the valuation of hedging transactions and foreign exchange differences on consolidation	21 682	12 037	8 759	130	(1 372)
Other equity	295 256	68 408	67 326	88 852	75 327
Retained profit/accumulated loss	76 946	122 149	107 303	52 145	74 551
- profit (loss) carried forward from previous years	35 741	107 303	5 253	11 299	64 347

- net profit (loss) for the current year of the parent company shareholders	41 205	14 846	102 050	40 846	10 204
Minority interest	186 895	36 288	34 550	19 803	13 152
Payables	1 433 074	1 376 556	1 506 713	999 748	569 287
Long-term payables	367 598	357 998	330 025	221 613	197 181
Long-term borrowings (credits and loans)	83 742	74 843	50 033	65 121	67 432
- from related parties	-	-	-	-	-
- from other entities	83 742	74 843	50 033	65 121	67 432
Other long-term financial payables	208 170	208 071	208 544	114 472	109 866
Other long-term payables	28 836	29 431	30 456	10 650	3 729
- from related parties	-	-	-	-	-
- from other entities	28 836	29 431	30 456	10 650	3 729
Deferred income tax provision	23 987	22 710	18 620	16 923	11 389
Provisions for liabilities related to employee benefits	4 696	4 254	4 184	4 788	3 442
Other long-term provisions	18 163	17 260	18 183	4 536	1 323
Government grants	-	-	-	-	-
Long-term accruals and deferred income	4	1 429	5	5 123	-
Short-term payables	1 065 476	1 018 558	1 176 688	778 135	372 106
Short-term borrowings (credits and loans)	368 963	393 478	350 402	275 501	157 145
- from related parties	-	2 306	2 306	-	-
- from other entities	368 963	391 172	348 096	275 501	157 145
Other short-term financial payables	5 844	6 503	116 260	4 015	1 192
Trade payables	410 148	354 385	387 161	235 250	130 114
- from related parties	-	-	4 820	-	-
- from other entities	410 148	354 385	382 341	235 250	130 114
Payables under construction service contract	6 456	9 099	19 594	28 271	3 779
- from related parties	405	2 519	4 241	-	-
- from other entities	6 051	6 580	15 353	28 271	3 779
Current income tax liabilities	9 141	1 933	17 800	2 406	1 350
Other short-term payables	150 841	131 679	156 039	121 635	63 971
- from related parties	-	-	-	-	-
- from other entities	150 841	131 679	156 039	121 635	63 971
Provisions for liabilities related to employee benefits	643	934	1 120	1 107	673
Other short-term provisions	104 551	111 808	121 536	101 406	6 735
Government grants	-	-	-	-	-
Short-term accruals and deferred income	8 889	8 739	6 776	8 544	7 147
Payables related to non-current assets held for sale	-	-	-	-	-
Total liabilities	2 578 461	2 180 046	2 289 259	1 725 286	1 295 587

NET PROFIT (LOSS) PER ORDINARY SHARE (EPS)

Item	As at 30.06.2008	As at 31.03.2008	As at 31.12.2007	As at 30.06.2007	As at 31.03.2007
Annualised net profit (loss) from continuing operations	102 409	106 692	102 050	84 662	62 168
Annualised net profit (loss) from continuing and discontinued operations	-	-	-	-	-
Weighted average number of ordinary shares	13 430 000	13 430 000	13 197 000	12 497 000	12 147 000
Weighted average diluted number of ordinary shares	13 430 000	13 430 000	13 197 000	12 497 000	12 147 000
<i>from continuing operations</i>					
- basic	7.63	7.94	7.73	6.77	5.12
- diluted	7.63	7.94	7.73	6.77	5.12
<i>from continuing and discontinued operations</i>					
- basic	7.63	7.94	7.73	6.77	5.12
- diluted	7.63	7.94	7.73	6.77	5.12

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Item	Q2 01.04.2008 - 30.06.2008	2 quarters to date 01.01.2008 - 30.06.2008	Q2 01.04.2007 - 30.06.2007	2 quarters to date 01.01.2007 - 30.06.2007
<i>Continuing operations</i>				
Revenues from sales	506 255	824 096	318 884	453 935
- from related parties	4 378	4 378	-	-
Revenues from sales of products	2 276	9 647	6 796	6 796
Revenues from sales of services	495 109	800 151	292 097	424 463
Revenues from sales of goods and materials	8 870	14 298	19 991	22 676
Selling costs	(432 821)	(699 907)	(263 331)	(377 896)
- from related parties	(10 147)	(10 147)	-	-
Costs of products sold	(1 752)	(8 706)	(1 369)	(1 369)
Costs of services sold	(422 934)	(677 794)	(246 989)	(359 555)
Costs of goods and materials sold	(8 135)	(13 407)	(14 973)	(16 972)
Gross profit (loss) on sales	73 434	124 189	55 553	76 039
Costs of sales	-	-	(277)	(558)
General administrative expenses	(23 393)	(45 241)	(18 391)	(32 081)
Other operating revenues	6 941	12 243	4 471	6 708
Other operating expenses	(5 509)	(8 879)	(5 591)	(8 031)
Investments in related parties accounted for in accordance with the equity method	-	-	-	-
Restructuring costs	-	-	-	-
Operating profit (loss)	51 473	82 312	35 765	42 077
Financial revenues	12 486	15 541	5 828	10 621
Financial expenses	(18 617)	(30 549)	(4 754)	(13 481)
Other profits (losses) from investments	-	-	2 607	16 150
Profit (loss) before tax	45 342	67 304	39 446	55 367
Income tax	(10 523)	(15 789)	(443)	(5 087)
Net profit (loss) from continuing operations	34 819	51 515	39 003	50 280
<i>Discontinued operations</i>				
Net loss from discontinued operations	-	-	-	-
Net profit (loss)	34 819	51 515	39 003	50 280
Net profit (loss), of which:	34 819	51 515	39 003	50 280
- shareholders of the parent company	26 358	41 205	30 642	40 846
- minority shareholders	8 461	10 310	8 361	9 434

PBG MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CAPITAL GROUP FINANCIAL RESULTS

Significant events and factors influencing financial results of PBG Capital Group in Q2 FY 2008

Consistent implementation of the strategy focused on the strengthening of the Group's position on specialist installation markets and expanding business activities to new areas resulted in significant growth of practically all key items of the Profit and Loss Account vs. the corresponding period of the previous year.

- **Revenues from sales** of **PLN 506 million**, i.e. up by 59% vs. Q2 FY07;
- **Gross profit on sales** was up by **32%** from PLN 55.5 million to **PLN 73 million**;
- **Operating profit** was up by **43%** from PLN 35.7 million to **PLN 51.1 million**;
- **Net profit** of the parent company shareholders in Q2 exceeded **PLN 26.3 million**, representing 86% of net profit generated in Q2 FY07;

- At the end of Q1, **portfolio of orders** exceeded **PLN 2.6 billion** and in April it exceeded **PLN 3.1 billion**.

The following construction contracts were among the most important sources of revenue from ordinary activities of PBG Capital Group entities in Q1:

A). Water

- 1) contract for "Extension and conversion of the wastewater treatment plant in Piaseczno" signed by and between Piaseczno Municipality and Hydrobudowa Polska SA – recorded revenues: PLN 21.5 million;
- 2) contract for "Extension of the sewerage system of the Ołtaszyn housing estate" signed by and between Wrocław Municipality and Hydrobudowa Polska SA – recorded revenues: PLN 19.8 million;
- 3) contract for "Modification and optimisation of the existing water treatment process used in the water treatment station Miedwie" signed by and between Zakład Wodociągów i Kanalizacji Sp. z o.o. in Szczecin and KWG SA – recorded revenues: PLN 15.1 million;
- 4) contract for "Upgrade of the Left-Bank Wastewater Treatment Plant in Poznań" signed by and between the City of Poznań and HB 9 PIB SA - recorded revenues: PLN 14.5 million;
- 5) contract for "Construction of waterworks network for Left-Bank Szczecin" signed by and between Zakład Wodociągów i Kanalizacji Sp. z o.o. and HB9 PIB SA – recorded revenues: PLN 13.8 million;
- 6) contract for "Extension and conversion of the wastewater treatment plant in Ciernie and upgrade of the wastewater treatment plant in Jugowice" signed by and between Wałbrzyski Związek Wodociągów i Kanalizacji and HB PIB SA – recorded revenues: PLN 11.1 million;
- 7) contract for "Improvement of wastewater and water management in the Municipality of Zabrze, districts of Grzybowo and Rokitnica", part of the project "Improvement of wastewater management in the Municipality of Zabrze" signed by and between the Municipality of Zabrze with Zabrzeńskie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. Zabrze and Hydrobudowa Polska SA – recorded revenues: PLN 10.5 million;
- 8) contract for "Upgrade of the existing water mains in Bydgoszcz" signed by and between MPWiK Bydgoszcz and PBG SA – recorded revenues: PLN 10.5 million;

B). Construction of buildings

- 9) contract for "Preparatory works for construction and design works for a building in Świnoujście" concluded by and between Pomerania Development and PBG S.A. – recorded revenues: PLN 14.3 million;

C). Crude oil and natural gas

- 10) contract for "Construction of a Gas Denitrification Plant in Grodzisk" signed by and between the Warsaw Branch of Polish Oil & Gas Company (PGNiG) and PBG SA – recorded revenues: PLN 26,1 million;

D). Liquid fuels

- 11) contract for "Supply and construction of underground gas storage facilities in Poland" signed by and between Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego (NATO Investment Department) and PBG SA – recorded revenues: PLN 13.9 million;
- 12) contract for "Construction of a MHC unit in Rafineria Gdańsk (Gdańsk Refinery)" signed by and between Technip Polska and PBG SA – recorded revenues: PLN 13.6 million.

In Q2 FY08 and until now, the following events significant for the Capital Group occurred (by area of the Group's business):

1. Crude oil and natural gas:

- o Notification of the award of contract to the Group's parent company – PBG SA in a public procurement procedure for the construction of an oil mining facility Międzychód-Lubiatów-Grotów (LMG) of the total value of nearly PLN 1.4 billion;
- o Participation in a public procurement procedure in the natural gas sector for the construction of an Underground Gas Storage Facility in Wierzchowice;

2. Water, including:

Hydro-technology and environmental protection:

- o Conducting and successful completion of public offering of series K shares (the company offered 35,00,000 series K shares at the issue price of 8.80 PLN a share; as a result of this issue, Hydrobudowa earned 308 million PLN and gained funds for its further development);
- o Further consolidation of companies in the water segment. Preparations of Hydrobudowa Polska for the acquisition of 100% stake in Hydrobudowa 9 PBI S.A. planned for Q3 2008;
- o Taking actions to extend the Group's core business on to new similar markets by participating in public procurement procedures for the upgrade of the Lech Football Stadium in Poznań and preparing offers for the construction of football stadiums in other Polish cities;
- o Conclusion of conditional contracts for the acquisition of shares in PRG Metro Sp. z o.o.. This acquisition should take place in Q3 2008. The company PRG Metro will improve project implementation potential of HPB Group and extend its core business by adding specialist construction services related to tunneling, and in particular construction of the underground tunnels;
- o Conclusion of a contract with Miejskie Wodociągi i Kanalizacja Sp. z o.o. with its registered office in Bydgoszcz for the discharge of stormwater from the protection areas of water intake points LAS GDAŃSKI and CZYŻKÓWKO and extension of the stormwater drainage system in Bydgoszcz for the total net amount of EUR 30.8 million;
- o Conclusion of a contract with Rewal Municipality for extension and upgrade of a wastewater treatment plant in Pobierowo for the net amount of PLN 22.9 million;

- Conclusion of a contract with Polimex - Mostostal SA with its registered office in Warsaw for construction and assembly works related to the project of construction of a Terephthalic Acid (PTA) Plant in Włocławek for the total amount of 22.9 million;
- Conclusion of a contract with Przedsiębiorstwo Wodociągów i Kanalizacji Spółka z o.o. with its registered office in Starachowice for a project of extension and upgrade of a wastewater treatment plant in Starachowice for the net amount of EUR 13.3 million.

Renovation of waterworks and sewerage systems:

- Implementation of the largest contracts in the area of renovation of waterworks and sewerage systems in Poland;
- Further development and strengthening of the company **Infra SA** as a basis for the creation of a strong group specialising in renovations of waterworks and sewerage systems, also through acquisitions. In line with this strategy, another company with very similar core business (Wiertmar) was included in the Capital Group of Infra;

3. Construction of buildings:

- Continuation of activities related to the optimum use of the Capital Group's real property by the company **PBG Dom Sp. z o.o.**;
- concentration of real-property activities of **PBG Dom Sp. z o.o.** – resale of the stake in Apartamenty Poznańskie Sp. z o.o. held by PBG to PBG Dom;

4. Roads:

- Preparing road companies to the conclusion and implementation of contracts in the road construction and upgrade market with ever-increasing unit value;
- Securing sources of supply of road construction materials through investments in aggregate mines;
- Including another company (Betpol SA) into the road construction segment; this company will add value in terms of project implementation potential and customer references;
- Establishing the company APRIVIA SA responsible for the strengthening of the Group's position in the road construction sector, including the conclusion and implementation of contracts and organisation of financing;

5. Foreign markets:

- Conclusion of a material contract signed by and between PBG SA and the company "Nairit Plant" CJSC with its registered office in Yerevan, the Republic of Armenia, for reconstruction and upgrade of a rubber production plant, for the total amount of USD 210 million.

Financing:

1. Increasing limits for the financing of the Group's current activities that reached **PLN 1.3 billion** in April.

The following activities will have impact on the Group's future results:

1. Implementation of the portfolio of orders exceeding **PLN 3.1 billion**.
2. Participation in tenders and potential award of the most important contracts for:
 - o Construction of a crude oil mining facility Lubiatów-Międzychód-Grotów,
 - o Construction of the Underground Gas Storage Facility in Wierzchowice,
 - o Construction of gas networks and LNG systems for KRI,
 - o Construction or upgrade of football stadiums.
3. Consolidation and strengthening of Capital Group companies operating in the area of hydro-technology and environmental protection through the acquisition of **Hydrobudowa 9 PIB SA** by **Hydrobudowa Polska SA**, as well as the acquisition of **PRG Metro**.
4. Other acquisitions by the company **Infra SA** in the renovation business.
5. Award of important foreign contracts and acquisitions of foreign companies.

The following table presents profitability ratios recorded in the reporting period.

Profitability ratios

PROFITABILITY RATIOS	2 quarters to date 2008	2 quarters to date 2007
Gross return on sales ¹	15.07%	16.75%
Operating profit margin ²	9.99%	9.27%
Net profit margin ³	5.00%	9.00%

¹ gross profit on sales/revenues from sales*100

² operating profit / revenues from sales *100

³ net profit/revenues from sales *100

In 2 quarters to date of 2008, the Group's profitability ratios in terms of gross return on sales and net profit margin dropped, while operating profit was on the increase.

The share of variable costs in revenues from sales in the reporting period increased slightly from 83.3% to 84.9% vs. the previous corresponding period, i.e. up by 1.7%. The share of general administrative expenses in the reporting period dropped from 7% to 5.5%, i.e. down by 1.5%.

For 2 quarters to date of 2008, PBG Capital Group generated net profit margin of nearly 5% in comparison to 9% generated at the end of Q2 in 2007. However, the higher net profit margin for 2 quarters to date in 2007 was attributable to a single event recorded in one of the subsidiaries: Hydrobudowa Śląsk (currently Hydrobudowa Polska) recorded profit on a transaction of sale of the interest in Mostostal Zabrze SA exceeding PLN 16 million under financial revenues. This interest was taken over by Hydrobudowa Polska SA on the basis of a debt-to equity swap. In addition, this higher net result recorded in 2007 was also attributable to low income tax resulting from the settlement of loss carried forward from previous years by one of the subsidiaries.

It must be also noted that profitability ratios recorded by PBG Capital Group still depend to a large extent on acquisitions made in 2007, restructuring of the acquired companies, as well as completion and settlement of old contracts from the portfolio of Hydrobudowa 9.

In addition, profit margins recorded at net level also depend on the increasing financial expenses, resulting, among other, from the ever-increasing interest rates.

Analysis of other operating revenues and expenses as well as financial revenues and expenses

Other operating revenues

For two quarters to date, operating revenues exceeded PLN 12.2 million, of which nearly 2.5 million in revenues from compensatory damages, nearly 2.3 million in revenues from re-invoicing, and nearly 5.6 million from the reversal of write-downs of receivables from previous reporting periods. In comparison with the corresponding period of the previous year, the value of other operating revenues was up by 83%.

Other operating expenses

As at the end of Q2 2008, other operating expenses increased by over PLN 8.8 million – up by 11% vs. the corresponding period of the previous year.

Financial revenues

Financial revenues for 2 quarters to date were up by over 15.5 million and represented 58% of financial revenues recorded in the previous corresponding period. Bank interest (PLN 8.8 million) and other interest (PLN 2.4 million) were the main items of financial revenues. Revenues from financial market transactions represented another significant item – PLN 3.1 million as at the end of Q2 2008.

Financial expenses

For 2 quarters to date, financial expenses reached PLN 30.5 million. The main items under financial expenses included bank interest and commissions (over PLN 16.2 million) and interest on bonds (PLN 9.8 million). Other interest totalled about PLN 2.2 million. Foreign exchange differences were another important item – PLN 1.8 million.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

<i>Item</i>	2 quarters to date 01.01.2008 - 30.06.2008	2 quarters to date 01.01.2007 - 30.06.2007
<i>Cash flow from operations</i>		
Net profit before tax	67 304	55 367
Adjustments:	6 994	(3 402)
Amortisation of intangible assets	1 440	1 048
Goodwill impairment	-	-
Impairment of tangible fixed assets	-	-
Depreciation of Property, Plant & Equipment	18 367	11 691
Profit (loss) from sale of Property, Plant & Equipment	(344)	675
(Profit) loss from sale of financial assets available for sale (held for trading)	(19 274)	(25 281)
Profit (loss) from valuation of investment property carried at fair value	-	-
(Profit) loss on revaluation of fair value of financial assets carried at fair value	(11 527)	(620)
Share in profits (losses) of associates	-	-
Foreign exchange gains (losses)	(15)	26

Costs of interest	30 316	14 051
Interest received	(11 971)	(4 992)
Dividends received	2	-
Cash from operations before changes in working capital	74 298	51 965
Change in inventories	(18 471)	(7 136)
Change in receivables	(182 103)	(80 870)
Change in payables	2 651	9 380
Change in provisions, accruals and deferred income	(24 713)	(64 152)
Other adjustments	(6 394)	(68 971)
Cash generated in business operations	(154 732)	(159 784)
Interest paid	(122)	(199)
Income tax paid	(22 223)	(6 810)
Net cash from operations	(177 077)	(166 793)
<i>Cash flow from investments</i>		
Outflows – acquisition of intangible assets	(852)	(1 461)
Inflows – sale of intangible assets	-	18
Outflows – acquisition of tangible fixed assets	(42 938)	(53 311)
Inflows – sale of tangible fixed assets	7 633	642
Outflows – acquisition of investment property	(789)	-
Inflows – sale of investment property	-	2 555
Outflows – acquisition of financial assets held to maturity	(3 000)	(10 918)
Inflows – sale of financial assets held to maturity	-	-
Outflows – acquisition of financial assets available for sale (held for trading)	(580)	(931)
Inflows – sale of financial assets available for sale (held for trading)	9 956	24 062
Outflows – acquisition of subsidiaries (less cash received)	(68 520)	(68 367)
Inflows – sale of subsidiaries	-	-
Other expenses – capital contribution	-	-
Inflows from government grants received	-	1 769
Loans granted	(9 271)	(6 511)
Repayment of loans granted	2 820	2 790
Interest received	140	442
Dividends received	2	-
Other inflows	-	-
Other outflows on investments	-	-
Net cash used in investments	(105 399)	(109 221)
<i>Cash flow from financial activity</i>		
Net inflows – issue of shares	294 326	333 090
Buy-back of treasury shares	-	-
Inflows – issue of debt securities	-	-
Repayment of bonds	(110 000)	-
Repayment of interest on bonds	(8 845)	(2 828)
Redemption of debt securities	-	-
Inflows – credits and loans incurred	139 225	112 544
Repayment of credits and loans	(90 654)	(31 730)
Repayment of interest on credits and loans	(15 520)	(3 592)
Inflows from interest on deposits	6 587	3 454
Repayment of finance lease liabilities	(2 157)	(940)
interest paid	(82)	(4 927)
Dividends paid out	-	-
Commission on bank credits	(756)	-
Other expenses	(80)	-
Net cash flows from financial activity	212 044	405 071
Net balance of cash and cash equivalents	(70 432)	129 057
Opening balance of cash and cash equivalents	410 305	51 652
Foreign exchange differences	(230)	116
Closing balance of cash and cash equivalents	339 643	180 825

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2008 TO 30.06.2008

Item	Equity of the parent company shareholders				Minority interests	Total equity
	Share capital	Other equity	Retained profit/accumulated loss	Total		
As at 01.01.2007	12 030	292 519	63 539	368 088	12 079	380 167
Changes in adopted accounting principles (policy)	-	-	(915)	(915)	-	(915)
Correction of fundamental error	-	-	-	-	-	-
Balance after changes	12 030	292 519	62 624	367 173	12 079	379 252
<i>Changes in equity in the period 01.01.2007 – 31.12.2007</i>						
Revaluation gains (losses)	-	311	-	311	-	311
Investments available for sale:	-	-	-	-	-	-
- profits (loss) from valuation recognised in equity	-	-	-	-	-	-
- recognised in profit (loss) on sales	-	-	-	-	-	-
Cash flow hedges:	-	15 893	-	15 893	-	15 893
- profits (losses) recognised in equity	-	16 458	-	16 458	-	16 458
- profits (losses) recognised in profit or loss for the period	-	(565)	-	(565)	-	(565)
- profits (losses) included in the valuation of the carrying amount of hedged items	-	-	-	-	-	-
Foreign exchange differences from valuation of foreign entities	-	168	-	168	-	168
Tax related to items presented in equity or transferred from equity	-	(2 837)	-	(2 837)	-	(2 837)
Net profit presented directly in equity	-	13 535	-	13 535	-	13 535
Net profit for the period between 01.01. 2007- 31.12.2007	-	-	102 050	102 050	15 371	117 421
Total profits and losses for the period 01.01.2007-31.12.2007	-	13 535	102 050	115 585	15 371	130 956
Dividends	-	-	-	-	-	-
Share capital issued	1 400	333 090	-	334 490	-	334 490
Presentational adjustments	-	(742)	742	-	-	-
Distribution of financial result	-	48 929	(53 429)	(4 500)	-	(4 500)
Changes in Capital Group structure (acquisitions/disposals)	-	(60 068)	-	(60 068)	(3 923)	(63 991)
Changes in Minority Interests resulting from the negative equity of subsidiaries	-	-	(4 684)	(4 684)	11 023	6 339
As at 31.12.2007	13 430	627 263	107 303	747 996	34 550	782 546
As at 01.01.2008	13 430	627 263	107 303	747 996	34 550	782 546
Changes in adopted accounting principles (policy)	-	-	-	-	-	-

PBG Capital Group

Qsr 2/2008 (unless indicated otherwise, all data is presented in PLN thousands)

Balance after changes	13 430	627 263	107 303	747 996	34 550	782 546
<i>Changes in equity in the period 01.01.2008 – 30.06.2008</i>						
Revaluation gains (losses)	-	(650)	650	-	-	-
Investments available for sale:	-	-	-	-	-	-
- profits from valuation recognised in equity	-	-	-	-	-	-
- recognised in profit (loss) on sales	-	-	-	-	-	-
Cash flow hedges:	-	21 231	-	21 231	-	21 231
- profits (loss) recognised in equity	-	21 233	-	21 233	-	21 233
- profits (losses) recognised in profit or loss for the period	-	(2)	-	(2)	-	(2)
- profits (losses) included in the valuation of the carrying amount of hedged items	-	-	-	-	-	-
Foreign exchange differences from valuation of foreign entities	-	252	-	252	-	252
Tax related to items presented in equity or transferred from equity	-	(3 660)	-	(3 660)	-	(3 660)
Net profit presented directly inequity	-	17 173	650	17 823	-	17 823
Net profit for the period 01.01.2008-30.06.2008	-	-	41 205	41 205	10 310	51 515
Total profits and losses for the period 01.01.2008-30.06.2008	-	17 173	41 855	59 028	10 310	69 338
Dividends	-	-	-	-	-	-
Share capital issued	-	-	-	-	-	-
Bonds convertible to shares issued	-	-	-	-	-	-
Changes in Capital Group structure (acquisitions/disposals)	-	155 096	-	155 096	144 821	299 917
Other adjustments	-	2 453	569	3 022	(2 786)	236
Distribution of financial result	-	66 131	(72 781)	(6 650)	-	(6 650)
As at 30.06.2008	13 430	868 116	76 946	958 492	186 895	1 145 387

2 NOTES TO THE INTERIM CONSOLIDATED QUARTERLY REPORT AND SHORT-FORM QUARTERLY FINANCIAL STATEMENT FOR Q2 FY 2008

2.1 About the parent company and the Capital Group

2.1.1. Parent company

The parent company of the Capital Group, PBG Spółka Akcyjna, with its registered office in Wysogotowo near Poznań at ul. Skórzewska 35, 62-081 Przeźmierowo, was established on 2 January 2004 by the Notarial Deed drawn up on 1 December 2003. The company was registered in the National Court Register, entry no. 0000184508. The Company operates in the territory of Poland pursuant to the provisions of the Code of Commercial Companies.

PBG S.A. was established following the transformation of a limited liability company Technologie Gazowe Piecobiogaz Sp. z o.o. (resolution no. 1 of the Extraordinary General Meeting of Partners of Technologie Gazowe Piecobiogaz Sp. z o.o. of 1 December 2003). The Issuer's legal predecessor was established in 1997 by Mr. Jerzy Wiśniewski and Mrs. Małgorzata Wiśniewska.

Authorities of the parent company PBG SA

Board of Directors:

As at 30 June 2008, composition of the Company's Board of Directors was as follows:

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

As at 30 June 2008, composition of the Company's Supervisory Board was as follows:

- Maciej Bednarkiewicz – Chairman of the Supervisory Board,
- Jacek Kseń – Vice Chairman of the Supervisory Board,
- Wiesław Lindner – Secretary of the Supervisory Board,
- Jacek Krzyżaniak – Member of the Supervisory Board,
- Małgorzata Wiśniewska – Member of the Supervisory Board,
- Dariusz Sarnowski – Member of the Supervisory Board,
- Adam Strzelecki – Member of the Supervisory Board.

2.1.2. Core business of the Capital Group

Core business of the parent company includes general construction works in the area of linear facilities: pipelines, power lines, traction lines, telecommunication lines – transmission lines (Polish Classification of Economic Activities PKD 4521 C).

The Capital Group is involved in transmission, distribution and trade of natural gas and heat, construction of hydro-technical, engineering and industrial facilities, installation of water supply and sewage, heat and gas systems, as well as waste water treatment plants, and trade in materials and equipment in the gas, oil, water supply and sewage sectors.

2.1.3. The role of PBG SA in the Capital Group and changes in Group's structure

PBG S.A. is the parent company in the Capital Group. In Q2 FY08, composition of PBG Capital Group changed as presented below.

Reduction of equity interest held in Hydrobudowa Polska SA

On 30 May 2008, the Board of Directors of PBG SA informed that following the registration of share capital increase of Hydrobudowa Polska SA by the issue of series K shares, the interest held by PBG SA in the total number of votes in the Company dropped below 75% and now totals 60.69%.

After the registration of the increased share capital of Hydrobudowa Polska SA, PBG holds 105,397,300 of the Company's shares, representing 60.69% of the Company's share capital and carrying 105,397,300 votes at the Company's General Meeting of Shareholders, representing 60.69% of the Company's total vote.

Before the registration of the increased share capital of Hydrobudowa Polska SA, PBG held 105,397,300 of the Company's shares, representing 76.00% of the Company's share capital and carrying 105,397,300 votes at the Company's General Meeting of Shareholders, representing 76.00% of the Company's total vote.

Increase of equity interest held in PBG Dom Sp. z o.o.

On 11 June 2008, the Board of Directors of PBG S.A. informed that following the transaction of 10 June 2008 for the purchase of 3,572 shares in PBG Dom Sp. z o.o. from Hydrobudowa Polska SA, the interest held by PBG SA represents 100% of the share capital and 100% of the total number of votes of PBG Dom Sp. z o.o..

The total purchase price of shares in PBG Dom has been established at the level equal to their total nominal value i.e. PLN 357,200.00 (PLN three hundred fifty seven thousand and two hundred).

Share capital of PBG Dom Sp.z o.o. totals PLN 2,357,200. Per-share nominal value is PLN 100.00 (one hundred). Before the transaction, PBG S.A. held 20,000 of the Company's shares, which represented 84.85% of its share capital and 84.85% of the total vote.

Disposal of interest held in the company Apartamenty Poznańskie Sp. z o.o.

On 27 June 2008, the Board of Directors of PBG SA concluded an agreement for the sale of shares in Apartamenty Poznańskie Sp. z o.o. to its subsidiary, PBG Dom Sp. z o.o.

PBG SA sold all 255 shares held, of per-share nominal value of PLN 100.00, for the total amount of PLN 2,500,020. The said shares represent 51% of the Company's share capital and 51% of the total vote at the Company's meeting of partners. The shares sold were paid up in full by PBG SA, are not

encumbered with any rights of third parties, no proceedings have been initiated in relation to these shares, and their book value as recorded in PBG SA accounts is PLN 1,579,893.51.

As result of this transaction, PBG Dom Sp. z o.o. shall form a Capital Group with Apartamenty Poznańskie Sp. z o.o. and its financial result shall be consolidated as of 1 July 2008. PBG S.A. holds 100% of share capital in PBG Dom Sp. z o.o.

CHANGES IN SUBSIDIARIES

Infra SA

- acquisition of shares in Wiertmar Sp. z o.o.

On 2 April 2008, INFRA Sp. z o.o., a subsidiary company of PBG S.A., acquired 25,969 shares in "Wiertmar" Sp. z o.o. with its registered office in Kopanka, of the nominal per-share value of PLN 50.00. The said shares acquired for the total amount of PLN 4,207,774.19 represent 51% of equity of "Wiertmar" Sp. z o.o.

"Wiertmar" Sp. z o.o. is a company involved in the provision of construction services in the area of renovation and monitoring of pipelines and no-dig technologies.

The acquisition of Wiertmar Sp. z o.o. by INFRA SA is considered as an investment by PBG SA, and its inclusion in the Capital Group will provide a base for hydrotechnical companies. PBG SA has no intention of changing the business profile of "Wiertmar" Sp. z o.o. The transaction was financed with own funds of INFRA S.A.

Hydrobudowa Polska SA

- establishment of Hydrobudowa Polska Konstrukcje Sp. z o.o.

On 16 May 2008, Hydrobudowa Polska SA established a subsidiary company – Hydrobudowa Polska Konstrukcje Sp. z o.o., with its registered office in Mikołów.

Hydrobudowa Polska SA took over all 100 shares of the new company at PLN 500.00 per share of the total value of PLN 50,000.00. The said shares were paid up for in cash.

Hydrobudowa Polska Konstrukcje Sp. z o.o. was established in order to separate the following production and installation activities from the core business of Hydrobudowa Polska SA:

- a) production and assembly of steel structures,
- b) production and assembly of equipment and systems,
- a) production and assembly of steel tanks,
- d) implementation of all-inclusive installation projects for the industry, in particular for the petrochemical industry.

The Board of Directors of Hydrobudowa Polska SA plans to transfer all tasks and activities connected with the implementation of contracts in these areas to the new subsidiary. Additional funding of the subsidiary company will also be required, and components of assets necessary for the proper performance of the production and installation projects must be transferred from the parent.

On 30 May 2008, the new company Hydrobudowa Polska Konstrukcje Sp. z o.o. was registered by the Local Court Katowice - Wschód in Katowice, VIII Commercial Division of the National Court Register.

- conditional acquisition of shares in PRG Metro Sp. z o.o.

In the period from 26 June 2008 to 28 July 2008, the Board of Directors of Hydrobudowa Polska S.A. concluded conditional agreements for the acquisition of 465 shares of Przedsiębiorstwo Robót Górniczych Metro Sp. z o.o. with its registered office in Warsaw, at per-share nominal value of PLN 1,000.00, representing 84.55% of the acquiree's share capital.

Of the remaining 85 shares, 54 shares are held by Members of the Management Board of PRG Metro Sp. z o.o., and 31 shares are held by the Company's shareholders who did not agree to sell them.

As a result, one of conditions precedent for the acquisition of shares in PRG Metro Sp. z o.o. set out in the conditional contract of sale was satisfied.

All rights carried by these shares will be transferred after the President of the Office for Competition and Consumer Protection has issued a decision to approve this business combination. At the same time, if the above condition is not met by 15 September 2008, all conditional agreements for the acquisition of shares shall become null and void.

The total value of all contracts concluded by 28 July 2008 is PLN 29,590,879.50 and will be financed by Hydrobudowa Polska S.A. (after conditions precedent are satisfied) with proceeds from the issue of series K shares.

The inclusion of PRG Metro Sp. z o.o. to Hydrobudowa Polska SA will strengthen the project implementation potential and increase diversification of business by adding new areas of activity, in particular construction of the underground (subway). Hydrobudowa Polska S.A and PRG Metro, as the consortium member, is currently participating in a tender for the construction of the Warsaw Underground.

Hydrobudowa Polska S.A. has undertaken to keep the Company's core business as it is and plans its further development in the area of specialist construction works, including construction of tunnels, subway tunnels, and the associated facilities.

Hydrobudowa 9 PIB SA

- establishment of a subsidiary Gdyńska Projekt Sp. z o.o.

On 2 April 2008, Hydrobudowa 9 Przedsiębiorstwo Inżynieryjno-Budowlane SA established a subsidiary company Gdyńska Projekt Sp. z o.o. with its registered office in Poznań.

60,000 shares of the new Company of the nominal per-share value of PLN 50.00 were paid for with a contribution of perpetual usufruct of land (PLN 2,900,000.00) and with cash contribution (PLN 100,000.00). As a result, Hydrobudowa 9 PIB SA now holds 100% of shares and votes of the new Company.

The Company Gdyńska Projekt Sp. z o.o. is involved in the purchase, sale, rental, and administration of real property (owned or leased) for the Company's own account.

PBG Dom Sp. z o.o.

- acquisition of shares of Apartamenty Poznańskie Sp. z o.o.

On 27 June 2008, following a transaction of sale of shares of Apartamenty Poznańskie Sp. z o.o. by the Board of Directors of PBG SA, the subsidiary company PBG Dom Sp. z o.o. acquired 255 shares previously held by PBG SA of the nominal value PLN 100.00 per share, representing 51% of the Company's share capital and 51% of the total vote at the Company's meeting of partners.

The said shares were acquired for the total amount of PLN 2,500,020.

- acquisition of shares in Budwil Sp. z o.o.

On 8 April 2008, the subsidiary company of PBG Dom Sp. z o.o. acquired 255 shares in Budwil Sp. z o.o. from natural persons, of the nominal per-share value of PLN 100.00. The said shares represent 51% of the Company's share capital and 51% of the total vote at the Company's meeting of partners.

PBG DOM paid for these shares in cash at the per-share nominal value, i.e. the total of PLN 25,500.

Budwil Sp. z o.o. is involved in buying, selling and development of own real estate.

Consolidated companies:

The following companies were consolidated as at 30 June 2008 and 30 June 2007:

Company	Registered office	Share in equity as at		Consolidation method
		30.06.2008.	30.06.2007.	
Aprivia SA	Wysogotowo / Poland	100.00%	-	full
Avatia Sp. z o.o.	Wysogotowo/ Poland	99.80%	-	full
Bathinex Sp. z o.o.	Wrocław / Poland	100.00%	-	full
Betpol SA	Bydgoszcz / Poland	70.00%	-	full
Brokam Sp. z o.o.	Wysogotowo/ Poland	100.00%	-	full
Dromost Sp. z o.o.	Żabno / Poland	87.40%	87.40%	full
Excan Oil and Gas Engineering Ltd.	Edmonton / Canada	100.00%	-	full
Gas & Oil Engineering sr.o.	Poprad / Slovakia	62.45%	-	full
Hydrobudowa 9 PIB SA	Poznań / Poland	69.26%	-	full
Gdyńska Projekt Sp. z o.o.	Poznań / Poland	100.00%	-	full *
Hydrobudowa Włocławek SA	Włocławek / Poland	-	91.84%	full
Hydrobudowa Śląsk SA	Katowice / Poland	-	58.15%	full
Hydrobudowa Polska SA **	Wysogotowo k. Poznania / Poland	60.69%	-**	full
Hydrobudowa Polska Konstrukcje Sp. z o.o.	Mikołów / Poland	100.00%	-	full ***
Infra SA	Wysogotowo k. Poznania / Poland	99.95%	99.95%	full
PRIS Sp. z o.o.	Wrocław / Poland	51.02%	-	full ****
Wiertmar Sp. z o.o.	Kopanka / Poland	51.00%	-	full ****
KWG SA	Szczecin / Poland	100.00%	100.00%	full
Metorex Sp. z o.o.	Toruń / Poland	99.56%	99.56%	full
PBG Dom Sp. z o.o.	Wysogotowo k. Poznania / Poland	100.00%	100.00%	full

PBG Capital Group**Qsr 2/2008** (unless indicated otherwise, all data is presented in PLN thousands)

Apartamenty Poznańskie Sp. z o.o.	Poznań / Poland	51.00%	51.00%	full *****
Budwil Sp. z o.o.	Poznań / Poland	51.00%	-	full *****
Przedsiębiorstwo Robót Inżynieryjno Drogowych SA	Nowy Tomyśl / Poland	100.00%	-	full

* Subsidiary of Hydrobudowa 9 PIB SA

** Hydrobudowa Polska SA with its registered office in Wysogotowo near Poznań is an entity established following the merger of the following Companies: Hydrobudowa Włocławek SA with its registered office in Włocławek and Hydrobudowa Śląsk SA with its registered office in Katowice

*** Subsidiary of Hydrobudowa Polska SA

**** Subsidiary of INFRA SA

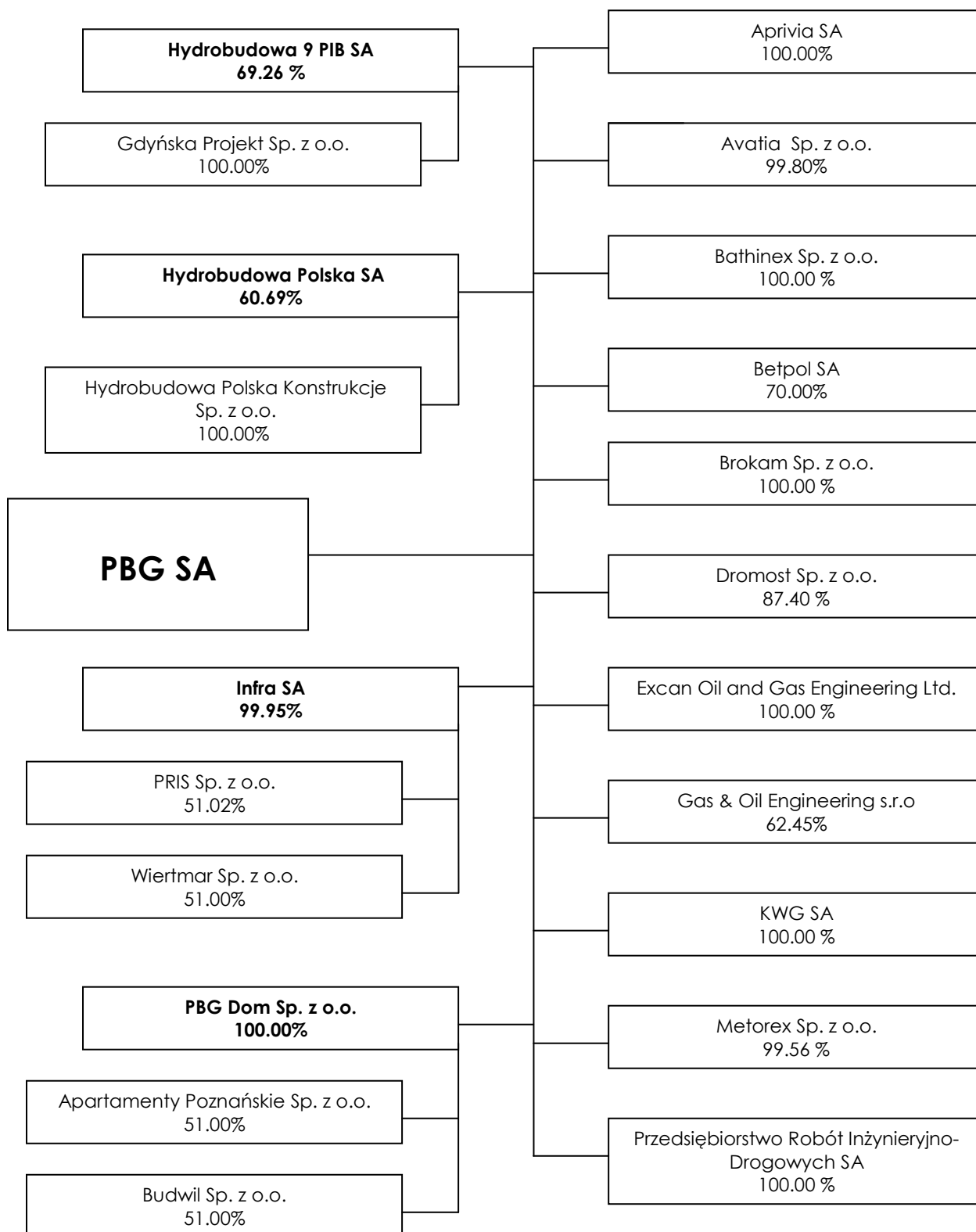
***** Subsidiary of PBG Dom Sp. z o.o. As at 30.06.2007, the Company Apartamenty Poznańskie Sp. z o.o. was a subsidiary of PBG SA - 51% interest, as at 30.06.2008 it is a subsidiary of PBG Dom Sp. z o.o. - 51% interest.

As the preparation of the opening balance of Wiertmar Sp. z o.o. is still in progress, the Board of Directors of PBG S.A. decided not to present results generated by Wiertmar Sp. z o.o. in the consolidated financial statement of PBG S.A. for Q2 FY 2008.

Hydrobudowa 9 PIB SA has a subsidiary company Gdyńska Projekt Sp. z o.o.. As at 30.06.2008, Hydrobudowa 9 PIB SA does not prepare a consolidated financial statement. Gdyńska Projekt Sp. z o.o. is consolidated at the level of the parent company (PBG).

In addition, PBG Dom Sp. z o.o. has two subsidiaries: Apartamenty Poznańskie Sp. z o.o. and Budwil Sp. z o.o., and does not prepare a consolidated financial statement as at 30.06.2008. These subsidiaries are consolidated at the level of the parent company (PBG).

PBG CAPITAL GROUP STRUCTURE AS AT 30 JUNE 2008



2.2 Accounting principles employed in the preparation of the consolidated and separate report for Q2 FY 2008

This financial statement was drawn up in accordance with IAS 34 "Interim financial reporting", adopting the same principles for the current and comparative periods. The particular accounting principles adopted by the Capital Group, as well as principles regarding the reporting currency and rounding-up procedures, are described in detail in FY07 report available at the Company's website: <http://www.inwestor.pbg-sa.pl/nowa/pl/detale.asp?id=1986>

2.3 Changes in adopted accounting principles

The Capital Group introduced a presentation adjustment in relation to the accounting principles adopted in the report for FY 2007.

Cash flow hedges are recognised at fair value taking into account changes in fair value:

- the part considered an effective hedge is recognised directly in equity,
- the ineffective portion is recognised in profit or loss.

In financial statements published previously, revenues and expenses related to the ineffective portion of a hedge were recognised in financial revenues or expenses in the Profit and Loss Account.

After an analysis conducted with an auditor, a decision was made to change the principles of presentation to ensure the true and fair presentation of economic events in separate and consolidated financial statements.

A specific transaction of purchase/sale of a financial instrument should be matched with a specific business event (project, construction) for the purposes of which it was concluded.

All entries related to financial instruments recognised in profit or loss should be presented in the "operations" part of the P&L Account: under revenues from sales or selling costs, respectively.

Comparative data was adjusted accordingly.

2.2.1 Impact of new standards and interpretations on the Capital Group's financial statement

The following standards and interpretations have entered into force since 1 January 2007:

- IFRS 7: Financial Instruments: Disclosures,
- Amendments to IAS 1 Presentation of Financial Statements – Equity-related disclosures.

The Capital Group verified new interpretations, standards and amendments to existing standards. New interpretations, standards and amendments to existing standards have no significant effect on the Group's accounting principles (policy).

The following new standards and interpretations have been published by the International Accounting Standards Board (IASB) or International Financial Reporting Standards Interpretation Committee (IFRIC), but have not come into effect yet:

- IAS 23: Borrowing Costs (effective as of 1 January 2003, not yet adopted by the European Union),
- Amendment to IAS 1: Presentation of Financial Statements (effective as of 1 January 2009, not yet adopted by the European Union),
- IFRS 8: Operating Segments (effective for annual periods beginning on or after 1 January 2009),
- Revised IFRS 3: Business Combinations (effective for annual periods beginning on or after 01 July 2009; amendment of this standard will have no effect for the Capital Group's financial statement),
- Revised IAS 27: Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009, not yet adopted by the European Union),
- IFRIC Interpretation 11: Group and Treasury Share Transactions (effective for annual periods beginning on or after 01 March 2007),
- IFRIC Interpretation 12: Service Concession Arrangements (effective for annual periods beginning on or after 01 January 2008),
- IFRIC Interpretation 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 01 January 2008).

According to the Board of Directors, application of the above standards and interpretations shall have no significant effect on the Group's accounting principles (policy).

Average PLN exchange rates in the period covered by the financial statement and comparative financial data against EURO as set by the National Bank of Poland.

a) net revenues from sales of products, goods and materials, operating profit, gross profit and net profit, as well as net cash flows from operations, net cash flows from investments, net cash flows from financial activity, and total net cash flows for Q2 2008 were calculated based on the average exchange rate of EURO – arithmetic average of exchange rates set by the National Bank of Poland as at month end in each month of the period, i.e. PLN 3.4776.

b) net revenues from sales of products, goods and materials, operating profit, gross profit and net profit, as well as net cash flows from operations, net cash flows from investments, net cash flows from financial activity, and total net cash flows for Q2 2007 were calculated based on the average exchange rate of EURO – arithmetic average of exchange rates set by the National Bank of Poland as at month end in each month of the period, i.e. PLN 3.8486.

c) total assets, liabilities and provisions for liabilities, long-term payables, short-term payables, equity and share capital as at 30 June 2008 were calculated based on the average exchange rate of EURO as at 30 June 2008, i.e. PLN 3.3542.

d) total assets, liabilities and provisions for liabilities, long-term payables, short-term payables, equity and share capital as at 30 June 2007 were calculated based on the average exchange rate of EURO as at 29 June 2007, i.e. PLN 3.7658.

2.4 Key achievements or failures of the Capital Group in Q2 FY08 and summary of the respective key events

In Q2 FY08, PBG S.A. Capital Group generated PLN 506.255k in net revenues from sales of products, goods and materials, achieving the return on sales (before tax) of PLN 73,434k.

The key sources of income in Q2 from the Group's core business included the following construction contracts:

- a. contract for "Construction of a Gas Denitrification Plant in Grodzisk" signed by and between the Warsaw Branch of Polish Oil & Gas Company (PGNiG) and PBG SA – recorded revenues: PLN 26,185 k;
- b. contract for "Extension and conversion of the wastewater treatment plant in Piaseczno" signed by and between Piaseczno Municipality and Hydrobudowa Polska SA – recorded revenues: PLN 21,535 k;
- c. contract for "Extension of the sewerage system of the Oltaszyn housing estate" signed by and between Wrocław Municipality and Hydrobudowa Polska SA – recorded revenues: PLN 19,884 k
- d. contract for "Modification and optimisation of the existing water treatment process used in the water treatment station Miedwie" signed between Zakład Wodociągów i Kanalizacji Sp. z o.o in Szczecin and KWG SA – recorded revenues: PLN 15,197 k;
- e. contract for "Upgrade of the Left-Bank Wastewater Treatment Plant in Poznań" signed by and between the City of Poznań and HB 9 PIB SA - recorded revenues: PLN 14,564 k;
- f. contract for "Preparatory works for construction and design works for a building in Świnoujście" concluded by and between Pomerania Development and PBG S.A. – recorded revenues: PLN 14,322 k;
- g. contract for "Supply and construction of underground gas storage facilities in Poland" signed by and between Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego (NATO Investment Department) and PBG SA – recorded revenues: PLN 13,961 k;
- h. contract for "Construction of the sewerage and water supply system for left-bank Szczecin (PART 1 – K2 collector, Part 2 - W collector)" concluded by and between Zakład Wodociągów i Kanalizacji Spółka z o.o. in Szczecin and HB 9 PIB SA – recorded revenues: PLN 13,853 k;
- i. contract for "Construction of a MHC unit in Rafineria Gdańsk (Gdańsk Refinery)" signed by and between Technip Polska and PBG SA – recorded revenues: PLN 13,557 k

- j. contract for "Extension and conversion of the wastewater treatment plant in Ciernie and upgrade of the wastewater treatment plant in Jugowice" signed by and between Wałbrzyski Związek Wodociągów i Kanalizacji and HB PIB SA – recorded revenues: PLN 11,127 k;
- k. contract for "Improvement of wastewater and water management in the Municipality of Zabrze, districts of Grzybowo and Rokitnica", part of the project "Improvement of wastewater management in the Municipality of Zabrze" signed by and between the Municipality of Zabrze with Zabrzeńskie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. Zabrze and Hydrobudowa Polska SA – recorded revenues: PLN 10,586 k;
- l. contract for "Upgrade of the existing water mains in Bydgoszcz – contract no. 2004/PL/16/P/C/PE/03/3,5,7" signed by and between MPWiK Bydgoszcz and PBG SA – recorded revenues: PLN 10,534 k

Summary of major events related to key achievements or failures of the Capital Group in Q2 FY08 communicated by the parent company in current reports in the reporting period

Mergers, acquisitions and establishment of new subsidiaries

On 2 April 2008, Infra S.A., a subsidiary company of PBG S.A., acquired 25,969 shares in "Wiertmar" Sp. z o.o. with its registered office in Kopanka, of the nominal per-share value of PLN 50.00. The said shares acquired for the total amount of PLN 4,207,774.19 represent 51% of equity of "Wiertmar" Sp. z o.o.

"Wiertmar" Sp. z o.o. is a company involved in the provision of construction services in the area of renovation and monitoring of pipelines and no-dig technologies.

The acquisition of Wiertmar Sp. z o.o. by Infra SA is considered as an investment by PBG SA, and its inclusion in the Capital Group will provide a base for hydrotechnical companies. PBG SA has no intention of changing the business profile of "Wiertmar" Sp. z o.o. The transaction was financed with own funds of Infra S.A.

On 11 June 2008, the Board of Directors of PBG S.A. informed that following the transaction of purchase of 3,572 shares in PBG Dom Sp. z o.o. from Hydrobudowa Polska SA, dated 10 June 2008, the interest held by PBG SA represents 100% of the share capital and 100% of the total number of votes of PBG Dom Sp. z o.o..

The total purchase price of PBG Dom shares was set at the level equal to their total nominal value i.e. PLN 357,200.00 (PLN three hundred fifty seven thousand and two hundred).

Share capital of PBG Dom Sp.z o.o. totals PLN 2,357,200. Per-share nominal value is PLN 100.00 (one hundred). Before the transaction, PBG S.A. held 20,000 of the Company's shares, which represented 84.85% of its share capital and 84.85% of the total vote.

Disposal of shares

On 27 June 2008, the Board of Directors of PBG SA concluded an agreement for the sale of shares in Apartamenty Poznańskie Sp. z o.o. to its subsidiary, PBG Dom Sp. z o.o.

PBG SA sold all 255 shares held, of per-share nominal value of PLN 100.00, for the total amount of PLN 2,500,020. The said shares represent 51% of the Company's share capital and 51% of the total vote at the Company's meeting of partners. The shares sold were paid up in full by PBG SA, are not encumbered with any rights of third parties, no proceedings have been initiated in relation to these shares, and their book value as recorded in PBG SA accounts is PLN 1,579,893.51.

As result of this transaction, PBG Dom Sp. z o.o. shall form a Capital Group with Apartamenty Poznańskie Sp. z o.o. and its financial result shall be consolidated as of 1 July 2008. PBG S.A. holds 100% of share capital in PBG Dom Sp. z o.o. The acquired assets were considered material as they represent over 20% of the Company's share capital.

Investment agreements

On 3 April 2008, the Board of Directors of PBG SA, acting as Partner of the Consortium consisting of other PBG Capital Group companies as well, i.e.: :

- Hydrobudowa 9 PIB SA - Consortium Leader

- Hydrobudowa Polska SA – Consortium Partner,

signed an agreement with Miejskie Wodociągi i Kanalizacja Sp. z o. o. (hereinafter referred to as the „Contracting Party”) with its registered seat in Bydgoszcz, for the task “Discharge of stormwater from the protection areas of water intake points LAS GDAŃSKI and CZYŻKÓWKO and extension of the stormwater drainage system in Bydgoszcz”.

The total net amount of this agreement is EUR 30,809,573.57.

The said agreement shall be performed within 31 months of its effective date. The parties have agreed on the following share of works:

- Hydrobudowa Polska SA - Consortium Partner, shall perform and be responsible for 20% of works under this task;

- PBG SA - Consortium Partner, shall perform and be responsible for 10% of works under this task.

Works specified in the contract will be performed in accordance with the CONTRACT TERMS AND CONDITIONS FOR EQUIPMENT, DESIGN AND CONSTRUCTION for electrical and mechanical equipment as well as construction and engineering works designed by the Contractor.

As part of the task, the Consortium of Companies shall design and construct, among others: :

* gravity channels of the total length of 75.48 km

* delivery piping of the total length of 2.15 km

* network rainwater pumping stations – 5 pcs

* storage reservoirs – 9 pcs

* stormwater treatment plant – 61 sets (including 5 pumping stations) in the area of Bydgoszcz.

The agreement contains provisions on contractual penalties whereunder the Contractor shall pay to the Contracting Party a contractual penalty of 0.05% of the gross Accepted Contract Amount for each day of delay in the completion of works. The maximum amount of contractual penalties cannot exceed 20% of the Accepted Contract Amount.

On 9 April 2008, PBG SA concluded an agreement with Piecobiogaz SA specifying the rules of cooperation for joint implementation of an investment.

Under the said agreement, PBG SA has undertaken to commission construction works for the total amount of approx. PLN 100,000,000 to Piecobiogaz SA. The agreement shall be performed by 31 December 2010. Under the provisions of this agreement, Piecobiogaz SA shall ensure its readiness to perform the said tasks.

Each decision to start cooperation shall be possible only if the following requirements are met:

- 1) PBG SA is contracted as a general contractor for a task with unit value of at least PLN 20,000,000 (twenty million);
- 2) The investor has agreed to the performance of works by subcontractors;
- 3) partners of PBG SA have agreed for Piecobiogaz to act as a subcontractor;
- 4) PBG SA has not received any offer better than the offer placed by Piecobiogaz;
- 5) PBG SA has obtained all necessary permits required by internal corporate regulations (if any).

At the same time, the Board of Directors of PBG SA informed that in the period of 12 months, PBG SA had concluded agreements with Piecobiogaz SA for the total amount of PLN 51,583,124.21 (fifty-one million five-hundred and eighty-three thousand one hundred twenty-four point twenty-one PLN), and as a result the value of the material agreement described herein totals PLN 151,583,124.21.

On 16 April 2008, the Board of Directors of PBG S.A. concluded a material agreement with "Nairit Plant" CJSC, with its registered office in Yerevan, Republic of Armenia, for the net amount of USD 210,000,000.00 (two hundred and ten million) (USD 252,000,000.00 gross (two hundred and fifty two million)). Under this agreement, PBG SA was appointed a General Contractor of the project "Reconstruction and Modernisation of the Nairit CJSC Site". The task shall be delivered within 30 months.

PBG SA shall ensure that from the date this Agreement is signed and until the date of the Final Taking-Over report, PBG SA shall act as an insurer providing insurance in the following areas:

- third party liability insurance, including contractual and tortious liability,
- third party liability insurance for damage to property entrusted by the Contracting Party,
- third party liability insurance for damage caused by the Contractor's subcontractors.

Under this Agreement, contractual penalties shall apply as follows:

PBG SA shall pay the following contractual penalties to the Contracting Party:

- a) for delays in the delivery of the Project: 0.1% of net Fee for each week of delay,
- b) the total value of contractual penalties claimed pursuant to subsection 1a) above must not exceed 5.0% of the Contractor's net fee.

The Contracting Party shall pay PBG SA a contractual penalty:

a) for any delay in obtaining or submitting documents defined in the Agreement, such as arrangements, test results, measurements, Required Decisions and other, in the amount of 0.1% of net Fee for each week of delay from the respective set dates; the total value of contractual penalties must not exceed 5.0% of the Contractor's net fee.

b) for the waiver or termination of the Agreement for the reasons attributable to the Contracting Party, in the amount of 10% of the Contractor's net fee.

In addition, on 18 April 2008 the Board of Directors of PBG SA concluded a material subcontracting agreement with the company "Nairit Plant" CJSC the estimated net value of USD 80,000,000.00 (eighty million USD). Under of this agreement, "Nairit Plant" CJSC is appointed Subcontractor of PBG SA, i.e. a Contractor of a part of works related to the project entitled "Reconstruction and Modernisation of the Nairit CJSC Site" commissioned to PBG SA under the Host Agreement.

Tasks assigned to the Subcontractor shall be implemented 20 days earlier than set out in the Host Agreement.

From the date this Agreement is signed and until the date of the Final Taking-Over report, the Subcontractor shall provide insurance for the following risks:

- a. third party liability insurance, including contractual and tortious liability,
- b. third party liability insurance for damage to property entrusted by the Contracting Party,
- c. third party liability insurance for damage caused by Contractor's subcontractors.

The maximum amount of contractual penalties must not exceed 10% of the Subcontractor's Fee.

The scope of works to be performed by the Subcontractor cannot exceed the allowed percentage share of works or goods or services rendered or delivered by a foreign business partner in accordance with the provisions of Polish law on export loan insurance.

Agreements with financial institutions

On 2 April 2008, PBG Capita Group companies (hereinafter referred to as "the Obligated Parties"), i.e. PBG SA, Hydrobudowa Polska SA, Infra SA, and Hydrobudowa 9 PIB SA, and Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA ("Guarantor") concluded a cooperation agreement on insurance guarantees within the guarantee limit.

Under this agreement, Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA shall issue, upon written requests of PBG Capital Group companies, the following insurance guarantees:

- * bid bond guarantees with validity up to 12 months;
- * performance bonds with validity up to 60 months;
- * defects liability bonds with validity up to 60 months,
- * Validity of performance guarantees issued jointly with defects liability bond shall not exceed 72 months; validity of performance guarantees issued jointly with defects liability bond for projects co-

financed with EU funds or in the case of public tenders shall not exceed 84 months, provided that a respective legal or formal requirement exists;

* Advance payment guarantees with validity up to 18 months;

The maximum amount of all guarantees issued thereunder cannot exceed PLN 90,000,000.00 (hereinafter referred to as the "principal limit").

The principal limit is the maximum amount of jointly valid guarantees and is a revolving limit, i.e. new guarantees can replace any expired guarantees. As at the date of the agreement, the total amount of guarantees granted to the Obligated Parties under guarantee agreements totalled PLN 48,553,976.96.

The term of this agreement shall be indefinite.

Any claims of the Guarantor are secured by 10 blank promissory notes issued by the Obligated Parties. Each promissory note is accompanied with a promissory note agreement.

On 7 April 2008, PBG Capital Group companies concluded contracts of mandate (assignment contracts) for temporary insurance guarantees with Powszechny Zakład Ubezpieczeń SA. The agreement was concluded by the following PBG SA Capital Group companies: Hydrobudowa Polska SA, Hydrobudowa 9 SA and Infra SA.

This agreement sets out the rules for granting contract insurance guarantees by PZU SA under a revolving commitment limit of PLN 100,000,000, valid until 6 April 2009. Under this agreement, the following guarantees may be granted to Capital Group companies:

- bid bond (valid up to 12 months);
- performance bond (valid up to 72 months);
- defects liability bond (valid up to 72 months);
- performance bond and defects liability bond (valid for the joint term of up to 84 months plus 15 days for the release of security);
- advance payment guarantee (valid up to 36 months).

The Parties agreed on the following forms of legal security against any claims of PZU SA:

- a) 3 blank promissory notes with a promissory note agreement issued by PBG S.A. and guaranteed by other Parties to the Agreement;
- b) 3 blank promissory notes with a promissory note agreement issued by Hydrobudowa Polska SA and guaranteed by other Parties to the Agreement;
- c) 3 blank promissory notes with a promissory note agreement issued by INFRA SA and guaranteed by other Parties to the Agreement;
- d) 3 blank promissory notes with a promissory note agreement issued by Hydrobudowa 9 SA and guaranteed by other Parties to the Agreement;

For the grant of guarantees, PZU SA shall receive remuneration set at arm's length.

The term of this agreement shall be indefinite. If the final date of the maximum commitment limit valid until 6 April 2009 is not extended, the agreement shall be terminated on the day of expiry of all obligations of the Parties arising from the agreement.

On 7 April 2008, PBG Capital Group companies concluded annexes to the framework agreement with ING Bank Śląski.

Under this agreement, PBG SA, Hydrobudowa Polska SA, INFRA SA and Hydrobudowa 9 SA were granted a limit of PLN 100,000k. Pursuant to the agreement, Companies may take out loans for the period from 3 to 12 months, obtains guarantees for the period of up to 5 years and letters of credit for the period of up to 12 months. Any fees and commissions related to these loans, guarantees and letters of credit shall be charged by ING at arm's length. All Companies are jointly liable for all and any obligations arising from this agreement. The agreement shall be valid until 13 August 2008. The Parties have agreed upon the following forms of legal security for loan repayment: - assignment of receivables, authorisations to debit bank accounts of the Companies, written judgment note (agreement for judgment) of up to PLN 150,000,000 whereunder the Bank shall have the right to demand the immediate execution of its enforceable title by 13 August 2012, as well as corporate guarantees of Companies acting as Parties to the Agreement, granted up to PLN 100,000,000 each, valid until obligations arising from the Framework Agreement have been performed.

Under the annex concluded today, other PBG Capital Group companies, i.e. Avatia Sp. z o.o. and PRIS Sp. z o.o., became Parties to the agreement. The second annex provides for the possibility to extend the guarantee after three years up to two re-guarantees for offers placed in Pakistan.

In addition, on 7 April 2008, PBG Capital Group companies concluded an annex to the agreement of 28 December 2005 on contract guarantees granted within the specified guarantee limit, with TuiR "Warta" SA.

Under this agreement, TuiR "Warta" SA set a limit up to which, upon written requests of PBG Capital Group companies, i.e. PBG SA, Hydrobudowa Polska SA and INFRA S.A., TuiR "Warta" SA shall grant contractual guarantees. The limit was set at PLN 100.000.000. Under this limit, the insurance company may grant the following guarantees: bid bonds, performance bonds, defects liability bonds, and advanced payment guarantees.

Pursuant to the annex, securities used by the Parties were changed. Claims of the insurance company under this agreement are now secured with:

- a) 8 blank promissory notes with a promissory note agreement issued by PBG S.A. and guaranteed by Hydrobudowa Polska SA,
- a) 14 blank promissory notes with a promissory note agreement issued by Hydrobudowa Polska SA and guaranteed by PBG SA,
- a) 7 blank promissory notes with a promissory note agreement issued by INFRA SA and guaranteed by Hydrobudowa Polska SA and PBG SA,
- d) judgment note (agreement for judgment) issued by PBG SA, Hydrobudowa Polska SA and INFRA SA, whereunder the Companies shall be subject to enforcement proceedings under claims of the insurance company resulting from guarantees granted upon request of any Company - Party to the agreement.

e) one blank promissory note issued by natural persons operating jointly under the name Kazimierz Mazur, Andrzej Wilczyński "MAZUR" spółka cywilna, securing a performance guarantee for the order no. PO/234/105/GW/GG/2007, guaranteed by Hydrobudowa Polska SA i INFRA SA,

f) PBG SA corporate guarantee.

On 2 April 2008, the Board of Directors of PBG S.A. and the following Capital Group companies: Hydrobudowa Polska SA and Infra SA concluded a credit limit agreement with Millennium SA Bank with its registered office in Warsaw.

Under this agreement, the Bank shall grant a credit limit to the Companies up to PLN 95,000,000.00, including:

- PBG SA – up to PLN 49,600,000;
- Hydrobudowa Polska SA – up to PLN 27,250,000;
- Infra SA – up to PLN 18,150,000;

The limit may be utilised by 7 October 2008, based on separate agreements, in the form of:

- short-term loans and letters of credit for up to 12 months in total;
- bonds and guarantees (bid bonds, advance payment guarantees, warranties, performance bonds, retention money guarantees, payment guarantees) valid up to 36 months;
- treasury transactions.

Specific separate agreements shall establish transaction security in the form of:

a) in the case of short-term revolving loans and debit cards:

- * blank promissory notes,
- * judgment note (agreement for judgment) of 150% of the transaction amount,
- * assignment of receivables from the contract whose total value calculated as the outstanding contract amount shall cover the limit amount in at least 150%, provided that the assignment applies to the concluded contract (this form of security shall not apply to debit cards),
- * authorisation to debit the bank account in Bank Millennium SA,
- * civil law cross guarantee of PBG SA, Hydrobudowa Polska SA and Infra SA.

b) in the case of bid bonds, performance bonds, advance payment guarantees, warranties and retention guarantees:

- * judgment note (agreement for judgment) of 150% of the transaction amount,
- * assignment of receivables from the contract whose total value calculated as the outstanding contract amount shall cover the limit amount in at least 150%, provided that the assignment applies to the concluded contract (this form of security shall not apply to bid bonds),
- * authorisation to debit the bank account in Bank Millennium SA,
- * civil law cross guarantee of PBG SA, Hydrobudowa Polska SA and Infra SA.

c) In the case of treasury transactions:

- * authorisation to debit the current bank account in Bank Millennium SA,
- * judgment note (agreement for judgment) of 150% of the transaction amount.

The Parties agreed that notwithstanding the above forms of legal security, upon the conclusion of specific separate agreements, the Borrowers shall submit to the Bank their judgment note (agreement for judgment).

At the same time, the Board of Directors of PBG SA informed that in relation to the credit line agreement concluded with Bank Millennium SA, the Borrowers concluded annex no. 2 to the agreement for the assignment of receivables of 21 March 2007.

Under the said annex, the nominal value of the receivables assigned to the Bank was reduced from PLN 110,000,000.00 to PLN 95,000,000.00 without additional considerations – in particular the payment of interest.

In addition, on 29 April 2008 the Board of Directors of PBG S.A. concluded an annex to the credit line agreement of 27 April 2007 concluded by and between PBG Capital Group companies, i.e.: PBG SA, Hydrobudowa Polska SA and Infra SA on the one part, and Bank Gospodarki Żywnościowej SA with its registered office in Warsaw on the other part.

Under this annex, the period for utilisation of the credit line in the following forms was extended until 26 May 2008:

- 1) working capital facilities in PLN, EUR, or USD,
- 2) revolving credit facilities in PLN, EUR or USD,
- 3) bank guarantees, in particular bid bonds, advance payment guarantees, performance bonds, defects liability bonds, retention guarantees, and payment guarantees in PLN, EUR or USD,
- 4) documentary letters of credit at the Borrower's request in PLN, EUR or USD,
- 5) revolving credit facilities to cover the Bank's receivables under transactions concluded with the Borrower on the basis of the "Framework Agreement on the Terms and Conditions of conclusion and performance of financial market transactions in BGŻ SA" and/or "Agreement on the conclusion of currency exchange transactions whose conditions are agreed individually with BGŻ SA customers" under transaction limit granted by the Bank.

In addition, the period for utilisation of a credit line in the form of revolving facilities used to finance L/C payments was extended until 26 June 2010, and the period for utilisation of a credit line in the form of revolving facilities used to finance guarantee payments was extended until 26 June 2013. The period for final repayment of the credit line was also extended until 26 June 2013.

At the same time, the Board of Directors of PBG S.A. informed that in connection with the above annex, the date until which the Bank may demand the immediate execution of the enforceable title was extended until 26 June 2015.

The Companies submitted a representation containing their judgment note (agreement for judgment) under the bank's enforceable title for the enforcement of monetary consideration up to PLN 127,500,000.00

Other provisions of the agreement were not amended.

On 30 April 2008, the Board of Directors of PBG S.A. concluded an annex to a material agreement defining general terms of cooperation related to bank products offered to PBG S.A. with Bank Polska Kasa Opieki S.A. as the Lender.

Pursuant to this annex, the value of bank products was increased from PLN 143,500,000 to PLN 147,755,113.25 and the validity of the agreement was extended until 30 April 2009. In addition, the annex reduced the level of securities in the form of assignment of receivables from 200% to 150% of the limit utilised.

On 16 May 2008, the Board of Directors of PBG SA concluded an annex to the agreement for a facility liability limit, concluded between PBG S.A. and PBG Capital Group companies such as Hydrobudowa Polska SA, Infra SA, Metorex Sp. z o.o., Dromost Sp. z o.o., Hydrobudowa 9 S.A., and Raiffeisen Bank Polska S.A. with its registered office in Warsaw.

Under this annex, Hydrobudowa Polska SA withdrew from the agreement, and another Capital Group company - Przedsiębiorstwo Robót Inżynieryjno-Drogowych SA with its registered office in Nowy Tomyśl – joined the agreement. From the date of signing the agreement, the company shall be jointly liable for obligations of other Capital Group companies acting as Parties to the agreement.

Other provisions of the agreement were not amended.

Under the annexed agreement, the Companies are entitled to a facility liability limit up to the total amount of PLN 75,000,000 to be used to finance current operations. The Companies may use the limit in the following forms:

- revolving credit in PLN, EUR and USD up to PLN 50,000,000 until 28 November 2008,
- limit for uncovered letters of credit in PLN or other currency up to PLN 50,000,000 until 28 November 2008,
- limit for bank guarantees in PLN or other currency up to PLN 50,000,000 until 30 November 2008.

The fee of Raiffeisen Bank Polska SA under this agreement was agreed at arm's length.

Receivables of Raiffeisen Bank Polska S.A. are secured with:

- 1) Authorisation to charge any receivables and claims of the Bank arising from the Agreement to current accounts of each Borrower in the Bank and other accounts of each Borrower managed by the Bank,
- 2) judgment note (agreement for judgment) under Art. 97 of the Banking Law (i.e. enforcement proceedings initiated by the Bank on the basis of an enforceable title), up to the total amount of the current debt including interest and other charges, but not exceeding PLN 112,500,000.

On 26 April 2008, the Board of Directors of PBG S.A. concluded an annex to the credit line agreement of 27 April 2007 concluded by and between PBG Capital Group companies, i.e.: PBG SA, Hydrobudowa Polska SA and Infra SA on the one part, and Bank Gospodarki Żywnościowej SA with its registered office in Warsaw on the other part.

Under this annex, the period for utilisation of the credit line in the following forms was extended until 26 June 2008:

- 1) working capital facilities in PLN, EUR, or USD,

2) revolving facilities in PLN, EUR or USD,

3) bank guarantees, in particular bid bonds, advance payment guarantees, performance bonds, defects liability bonds, retention guarantees, and payment guarantees in PLN, EUR or USD,

4) documentary letters of credit at the Borrower's request in PLN, EUR or USD.

In addition, PBG and other Borrowers shall jointly with repay the credit line in the part specified in subsections a) and b) by 26 June 2008 at the latest, on the dates and in amounts specified in the Payment Schedules. As regards the Bank's receivables arising from the payment of the guarantees issued or open letters of credit, or the Bank's receivables arising from the transaction concluded as part of the transaction limit: a) if the payment is made between 27 April 2007 and 26 June 2008– on the last day of this period at the latest, b) if the payment is made after 26 June 2008– on the day of payment made by the Bank.

Under the said annex, the final date of repayment of the credit line was extended until 26 June 2013.

At the same time, the Board of Directors of PBG S.A. informed that the Bank shall have the right to demand the immediate execution of its enforceable title by 26 June 2015.

The Companies submitted a representation containing their judgment note (agreement for judgment) under the bank's enforceable title for the enforcement of monetary consideration up to PLN 127,500,000.00

Other provisions of the agreement were not amended.

On 19 June 2008, PBG S.A. concluded an agreement with Polska Kasa Opieki SA. for the establishment of the registered pledge on shares held by PBG SA in its subsidiary, Betpol SA, in order to secure the Bank's claims of PLN 34,209,522 arising from the loan granted by the Bank to PBG SA to be repaid by 31 December 2013.

The pledged shares are the exclusive property of PBG SA, are not encumbered with any third-party rights, and their disposal by PBG SA is not subject to any regulatory, contractual or statutory limitations. The registered assets account for 70% of Company's share capital and the total number of votes in Betpol SA (PBG Capital Group company). The total value of this pledge, expressed in PLN, exceeds EUR 1,000,000.

Other events

On 20 June 2008, the Board of Directors of PBG SA informed that the Board of Directors of the Polish Gas and Oil Company(PGNIg) made its decision regarding a public procurement for an investment task related to the management of crude oil and natural gas deposits in the region on Lubiatów, Międzychód and Grotów: "LMG Project – the Central Unit, wellsites, pipelines and other". The contract was awarded to the Consortium of companies including PBG SA Poland, Technip KTI S.P. A. Italy, and Thermo Design Engineering Ltd. Canada. The total gross value of this contract is PLN 1,704,340,000.00 (PLN 1,397,000,000.00 net).

The information is material in view of the development of PBG SA and the Company's financial results in the three years to come.

2.5 Factors and events of extraordinary nature with significant impact on the consolidated financial results

There were no events of extraordinary nature which could have significant impact on the financial results in Q2 FY 2008.

2.6 Events occurring after 30 June 2008 (Events After the Balance Sheet Date) with potential significant impact on the future consolidated results of the Capital Group and individual financial results of PBG S.A., not included herein

Agreements with financial institutions

On 16 July 2008, the Board of Directors of PBG SA informed that on 27 June 2008, PBG SA and other Capital Group companies, i.e. Hydrobudowa Polska SA and Infra SA, signed an annex to the agreement for a credit line used to finance current operations dated 27 April 2007, concluded with Bank Gospodarki Żywnościowej SA with its registered office in Warsaw.

Under the said annex, the final date for the repayment of the credit line of PLN 85,000,000.00 was extended until 26 June 2014.

It was also agreed that the line may be used:

- 1) in the period until 26 June 2009 – in the form of working capital facilities in PLN, EUR or USD, for the financing of on-going needs related to supply, production and sale of goods or provision of services, cash settlement process, and the financing of inventories, prepaid expenses and receivables from contractors,
- 2) in the period until by 26 June 2009 – in the form of revolving facilities in PLN, EUR or USD earmarked for the purposes set out in section 1),
- 3) in the period until 26 June 2009 – in the form of bank guarantees, in particular bid bonds, advance payment guarantees, performance bonds, defects liability bonds, retention guarantees, and payment guarantees in PLN, EUR or USD.
- 4) in the period until 26 June 2009 – in the form of documentary letters of credit as ordered by the Borrower in PLN, EUR or USDm,
- 5) in the period until 26 June 2014 – in the form of revolving credit facilities to cover the Bank's receivables under transactions concluded with the Borrower on the basis of the "Framework Agreement on the Terms and Conditions of conclusion and performance of financial market transactions in BGŻ SA" and/or "Agreement on the conclusion of currency exchange transactions whose conditions are agreed individually with BGŻ SA customers" under transaction limit granted by the Bank,
- 6) in the period until 26 June 2014 in the form of evolving credit facilities to finance payments on account of guarantees and

7) in the period until 26 June 2011 – in the form of revolving credit facilities to finance payments on account of letters of credit."

Under the annex, PBG and other Borrowers shall jointly repay the credit line in the part specified in section 1) and 2) by 27 June 2009 at the latest on the dates and in amounts specified in the Payment Schedules. As regards the Bank's receivables arising from the payment of the guarantees issued or open letters of credit, or the Bank's receivables arising from the transaction concluded as part of the transaction limit: a) if the payment is made between 27 April 2007 and 26 June 2008– on the last day of this period at the latest, b) if the payment is made after 26 June 2008– on the day of payment made by the Bank.

The annex also changed the level of securities in the form of assignments from contracts implemented by PBG Capital Group companies from 200% to 150% of the limit utilised.

The Borrowers have declared that they jointly submit themselves to the enforcement of payment, carried out in accordance with the Code of Civil Proceedings, on the basis of a bank enforceable title which can be issued by the Bank against Borrowers jointly up to the amount of 127,500,000.00. Bank shall have the right to demand the immediate execution of its enforceable title by 26 May 2017. Other provisions of the agreement were not amended.

On 21 July 2008, the Board of Directors of PBG S.A. informed that on 14 July 2008, PBG SA and the following subsidiaries: Hydrobudowa Polska SA, Infra SA and Hydrobudowa 9 PIB SA, concluded a framework agreement with HDI-Gerling Polska Towarzystwo Ubezpieczeń SA. The object of the agreement is to determine a guarantee line for contractual guarantees.

Under the said agreement, HDI-Gerling Polska S.A. shall open a credit line from 14 July 2008 to 14 June 2009 for contractual guarantees granted to all PBG Capital Group companies. These guarantees include:

- bid bonds – up to 180 days;
- proper performance bonds – up to 36 months;
- defects liability bonds – up to 60 months;
- performance bonds – up to 72 months, and if the contract is financed with EU funds – up to 84 months;
- advance payment guarantees – up to 18 months.

The total maximum amount of HDI-Gerling Polska SA's commitment under guarantees granted as part of the line was set at PLN 80,000,000 and it covers all guarantees issued before 14 July 2008.

Twenty blank promissory notes with a promissory note declaration issued by each insurer – five promissory notes per each insurer, each of them guaranteed by other insurers, shall secure the repayment of HDI-Gerling Polska SA receivables under guarantees granted as part of the credit line and with reference to guarantees granted under the agreement of 19 September 2007.

On 25 July 2008, the Board of Directors of PBG SA concluded an annex to the agreement on a facility liability limit of 28 September 2007 with Raiffeisen Bank Polska SA with its registered office in Warsaw. Under the annex, another subsidiary, Aprivia SA., joined PBG S.A. and the following PBG Capital

Group companies: Infra SA, Metorex Sp. z o. o., Dromost Sp. z o. o., Hydrobudowa 9 PIB SA, and PRID SA.

The annex also increased the liability limit facility granted to the Companies, from PLN 75,000,000 to PLN 125,000,000.

Under the annexed agreement, the Companies are entitled to a facility liability limit up to the total amount of PLN 75,000,000 to be used to finance current operations. The Companies may use the limit in the following forms:

- revolving credit facility in PLN, EUR and USD up to PLN 100,000,000 until 28 November 2008,
- limit for uncovered letters of credit in PLN or other currency up to PLN 75,000,000 until 28 November 2008,
- limit for bank guarantees in PLN or other currency up to PLN 75,000,000 until 30 November 2008.

Receivables of Raiffeisen Bank Polska S.A. are secured with:

- 1) Authorisation to charge any receivables and claims of the Bank arising from the Agreement to current accounts of each Borrower in the Bank and other accounts of each Borrower managed by the Bank,
- 2) Judgment note (agreement for judgment) under Art. 97 of the Banking Law (i.e. enforcement proceedings initiated by the Bank on the basis of an enforceable title), up to the total amount of the current debt including interest and other charges, but not exceeding PLN 187,500,000.00.
- 3) Assignment of receivables from the financed contract in the minimum amount of 150% of the utilised limit.

Other provisions of the agreement were not amended.

Other events

On 25 July 2008, the Board of Directors of PBG SA granted a proxy to Mr. Paweł Buczkowski, Hydrotechnical Construction Director at PBG SA. On behalf of the Board of Directors, as the Proxy, he will be responsible for the water and hydrotechnical sector and the Company's cooperation in this field with PBG Capital Group companies.

Mr Paweł Buczkowski is not involved in any business competitive to PBG SA. He is not listed in the Bankruptcy Register pursuant to the Act on the National Court Register.

2.7 Representation of the Board of Directors on the feasibility of forecasts adopted for the respective financial year published earlier, taking into account results published in the consolidated and short-form separate quarterly report against forecast results.

The Board of Directors hereby declares that based on the results published in the interim consolidated and short-form separate quarterly report, the Board has decided not to change its opinion that the forecast of FY08 results is realized in line with the adopted assumptions, and the presented quarterly data support the feasibility of the forecast.

2.8 Shareholders holding at least 5% of votes at the General Meeting of Shareholders of PBG S.A. – directly or indirectly through subsidiaries

Shareholders with at least 5% of the total vote at PBG S.A. General Meeting of Shareholders, held either directly or indirectly (via subsidiaries) as at the date of submission of the consolidated quarterly report; the number of shares held by these entities; percentage share in share capital; resulting number of votes carried by these shares and their percentage share in the total vote at the General Meeting; as well as changes in the structure of ownership of large blocks of PBG S.A. shares after the submission date of the previous consolidated quarterly report – based on the information held by the parent company

Shareholder	Number of votes	Total nominal value in PLN	% of share capital held	% of votes in the total vote
Jerzy Wiśniewski	4,495,054 shares, of which: 4,495,054 registered preference shares	4,495,054	33.47	50.14
ING Nationale - Nederlanden Polska PTE SA	912,991 ordinary shares	912,991	6.80%	5.09%
BZWBK AIB TFI SA	899,265 ordinary shares	899,265	6.70%	5.02%

After the date of submission of the interim financial statement, there have been some changes in the ownership structure of major blocks of Issuer's shares:

Notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA

On 11 April 2008, the Board of Directors of PBG S.A. received a notification dated 10 April 2008 from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Poznań, acting on behalf of Arka BZ WBK Akcje Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Stabilnego Wzrostu Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Zrównoważony Funduszu Inwestycyjnego Otwartego, on the change in the number of PBG SA shares held, resulting from the sale of shares settled on 8 April 2008. As a result of the transaction, shares held by the Notifying Party represent less than 5% of the total number of votes at the General Meeting of Shareholders of PBG SA, i.e. 4.92%. Before the sale of shares, the Funds held 896,593 shares of PBG SA, which represented 6.6760% of share capital of PBG S.A. and 5.0005% of the total number of votes in PBG S.A. As at the day of the sale of shares, i.e. on 8 April 2008, the Funds held 882,348 shares of PBG SA, which represented 6.57% of Company share capital and 4.92% of the total number of votes in PBG SA.

Notification from ING Towarzystwo Funduszy Inwestycyjnych SA

On 25 July 2008, the Board of Directors of PBG SA was notified by ING Towarzystwo Funduszy Inwestycyjnych SA, acting for and on behalf of the following Investment Funds: ING Fundusz Inwestycyjny Otwarty Średnich i Małych spółek, ING Fundusz Inwestycyjny Otwarty Akcji, ING Fundusz

Inwestycyjny Otwarty Zrównoważony, ING Fundusz Inwestycyjny Otwarty Stabilnego Wzrostu, ING Specjalistyczny Fundusz Inwestycyjny Otwarty Akcji 2 and ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty, that the total number of votes at the AGM of PBG held by all Investment Funds managed by ING Towarzystwo Funduszy Inwestycyjnych SA, dropped below 5% of the total vote as a result of disposal of PBG shares on 22 July 2008.

Before the change in shareholding structure, Investment Funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A. held 932,570 PBG SA shares in total, representing 6.94% of the Company's share capital and carrying 5.20% of votes at the Company's AGM.

As at 22 July 2008, Investment Funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A. jointly held 881,570 shares of PBG SA, representing 6.56% of the Company's share capital and carrying 4.92% of votes at the Company's AGM.

As at the date of this notification, Investment Funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A. hold 859,112 PBG SA shares, representing 6.40% of the Company's share capital and carrying 4.79% of votes at the Company's AGM.

Notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA

On 31 July 2008, the Board of Directors of PBG SA received "Notification of the acquisition of shares as a result of which the entity has become a holder of shares representing more than 5% of the total vote".

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of Arka BZ WBK Akcje Fundusz Inwestycyjny Otwarty, Arka BZ WBK Zrównoważony Fundusz Inwestycyjny Otwarty and Lukas Fundusz Inwestycyjny Otwarty (hereinafter referred to as the Funds) informed that as a result of acquisitions of shares settled on 29 July 2008, the above Funds became holders of shares representing more than 5% of the total number of votes at the General Meeting of Shareholders of PBG S.A.

Before this transaction, the Funds held 883,265 shares of PBG SA, representing 6.58% in the Company's share capital and carrying 883,265 votes at the General Meeting of Shareholders of PBG SA, which represented 4.93% of the total vote.

Following this transaction, 899,265 shares of PBG SA were registered in securities accounts of the Funds, which represent 6.70% of the Company's share capital. These shares carry 899,265 votes, representing 5.02% share in the total vote at the General Meeting of Shareholders of PBG SA.

2.9 Summary of changes in the Issuer's shares or right to shares (options) held by members of the Board of Directors or Supervisory Board of PBG S.A.

Changes in the ownership structure of the Issuer's shares or rights to Issuer's shares (options) held by members of Board of Directors and the Supervisory Board of PBG S.A. since the date of submission of the previous quarterly report, based on the information held by the parent company as at 4 August 2008.

	Number of shares	
	14.05.2008	04.08.2008
<u>Members of the Board of Directors:</u>		
Przemysław Szkudlarczyk	2,000	2,000
Tomasz Tomczak	750	750
Tomasz Woroch	8,837	8,837
Mariusz Łożyński	1,553	1,553
Tomasz Latawiec	500	500
<u>Members of the Supervisory Board:</u>		
Maciej Bednarkiewicz	0	0
Wiesław Lindner	0	0
Jacek Krzyżaniak	250	250
Małgorzata Wiśniewska	3,279	3,279
Dariusz Sarnowski	0	0
Adam Strzelecki	0	0
Jacek Kseń	50	50

2.10 Proceedings currently in progress in the public court, arbitration court or public administration office.

No proceedings were initiated in the reporting period against PBG S.A. Capital Group companies representing over 10% of shareholders' equity.

2.10 Related-party transaction(s) concluded by the Issuer or its subsidiary of value exceeding the equivalent of EURO 500,000 in PLN

In Q2 FY08, the Group concluded related-party transactions of the total value exceeding the equivalent of EURO 500,000 in PLN in the period since the beginning of the fiscal year, but these transactions were typical and routine, concluded at arm's length, whose type, terms and conditions were determined by current operations of the Issuer and its subsidiaries.

2.11 Related party transactions

(in PLN '000)

Related party	Receivables as at 30.06.2008	Payables as at 30.06.2008	Financial assets	Loans received	Financial liabilities (securities)	Revenues from sales in 2008	Acquisitions in 2008	Financial revenues in 2008	Financial expenses in 2008
PG SA (parent company)	11 402	35 266	59 996	-	-	6 414	42 801	4 584	-
Metorex Sp. z o.o.	6 059	5 679	-	-	-	10 336	3 973	31	38
GK Infra	12 517	6 323	-	-	8 452	18 920	2 700	-	268
Hydrobudowa Polska SA	51 286	14 772	13 052	-	-	39 220	22 928	153	3 121
KWG SA	-	341	-	9 502	19 786	51	98	-	935
Dromost Sp. z o.o.	3 442	661	-	-	5 313	6 915	407	-	143
Hydrobudowa 9 PIB SA	781	23 589	-	-	13 052	1 207	15 581	317	75
PBG Dom Sp. z o.o.	153	6	529	-	8 168	775	12	-	160
Apartamenty Poznańskie Sp. z o.o.	-	-	-	50	2 915	-	-	-	16
PRID SA	249	-	-	-	-	204	5	-	-
Gas & Oil Engineering sr.o.	266	-	-	-	-	1 294	-	-	-
Excan Oil and Gas Engineering Ltd.	439	230	-	-	-	2 810	-	-	-
Brokam Sp. z o.o.	-	1	-	-	103	-	2	-	3
Bathinex Sp. z o.o.	-	1	-	4 703	1 004	-	2	-	167
AVATIA Sp. z o.o.	451	179	-	-	-	1 052	179	-	-
APRIVIA Sp. z o.o.	-	4	-	-	-	-	5	-	-
Betpol Sp.z o.o.	-	-	-	-	-	-	-	-	-
Budwil Sp. z o.o.	-	-	-	529	-	-	12	-	-
Gdyńska Projekt Sp. z o.o.	-	-	-	-	-	-	-	-	-
Total	87 045	87 052	73 577	14 784	58 793	89 198	88 705	5 085	4 926

2.12 Credit or loan guarantees or other guarantees granted by the Issuer or its subsidiaries to one entity or its subsidiaries of the total value representing 10% of the Issuer's shareholders' equity.

In Q2 FY08, the following guarantees were granted:

- on 2 April 2008, an agreement was signed for the grant of insurance guarantees between Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A and PBG Capital Group companies: PBG SA, Hydrobudowa Polska SA, Hydrobudowa 9 SA and Infra SA. The limit of PLN 90,000,000.00 is secured by 10 blank promissory notes issued by the Obligated Parties. The term of this agreement shall be indefinite.

- On 7 April 2008, an annex was signed to the agreement on contract guarantees granted within the specified guarantee limit no. PO/UL/234/2005, concluded by and between TuiR "Warta" SA. and the following Capital Group companies: PBG SA, Hydrobudowa Polska SA, Infra SA (limit granted: PLN 100,000,000.00). Pursuant to the annex, the forms of security were changed.

- on 7 April 2008, a contract of mandate (assignment contract) for interim granting of contractual guarantees was signed by PZU SA and the following Capital Group companies: PBG SA, Hydrobudowa Polska SA, Hydrobudowa 9 PIB SA, and Infra SA. The agreement shall be valid until 6 April 2009 and sets out the conditions of granting contractual guarantees as part of the specified guarantee limit (PLN 100,000,000.00) by PZU SA. The limit is secured with 3 promissory notes issued by each Capital Group company and guaranteed by other Capital Group companies – Parties to the Agreement;

- on 7 April 04.2008, PBG Capital Group companies concluded annexes to the framework agreement with ING Bank Śląski. (the agreement of 6 September 2007 concluded by and between ING Bank Śląski and the following companies: PBG SA, Hydrobudowa Polska SA, Hydrobudowa 9 PIB SA and Infra SA, provides that Parties to the agreement may use bank products up to PLN 100,000,000.00. The Bank shall have the right to demand the immediate execution of its enforceable title up to PLN 150,000,000.00 by 31 December 2013). Under the said annexes, additional PBG Capital Group companies Avatia Sp. z o.o. and Prid Sp. z o.o. became parties to this agreement, and the security may be extended after three years up to two re-guarantees for offers placed in Pakistan.

- on 16 May 2008, an annex was signed to the agreement on liability limit facility no. CRD/L/25135/07 of 28 September 2007 concluded by Raiffeisen Bank Polska SA and the following PBG Capital Group companies: PBG SA, Hydrobudowa Polska SA, Infra SA, Hydrobudowa 9 PIB SA, Dromost Sp. z o.o. and Metorex Sp. z o.o. (the companies shall be jointly liable for all payables under the said contract up to PLN 112,500,000.00, and the contract shall be valid until 30 November 2015).

Under the said annex, Hydrobudowa Polska SA withdrew from the agreement, and another Capital Group company, Przedsiębiorstwo Robót Inżynieryjno – Drogowych SA, became Party to this agreement.

- on 26 May 2008, an annex was signed to the agreement no. U/00910614330/0003/2007/4000 of 28 September 2007 concluded by Bank Gospodarki Żywnościowej SA and the following PBG Capital Group companies: PBG SA, Hydrobudowa Polska SA and Infra SA. Under the said annex, the final date of credit line repayment was extended until 26 June 2013. The Bank shall have the right to demand the immediate execution of its enforceable title 26 June 2015. The Companies submitted a representation containing their judgment note (agreement for judgment) under the bank's enforceable title for the enforcement of monetary consideration up to PLN 127,500,000.00

2.13 Contingent payables and receivables

Liability	Contingent liability	as at 30.06.2008	as at 31.12.2007	as at 30.06.2007	as at 31.12.2006
SURETIES GRANTED TO OTHER ENTITIES					
surety	loan and credit repayment	9 031	12 438	7 382	21 355
surety	repayment of trade payables	3	217	6 783	3 323
surety	contractual guarantees	9 577	5 536	782	769
surety	present and future lease agreements	189	155	304	476
TOTAL SURETIES		18 800	18 346	15 251	25 923

Liability	Contingent liability	as at 30.06.2008	as at 31.12.2007	as at 30.06.2007	as at 31.12.2006
GUARANTEES GRANTED TO OTHER ENTITIES					
guarantee	bid bond	34 874	15 470	15 588	6 098
guarantee	performance bond	402 145	483 879	308 599	151 725
guarantee	defects liability bond	21 313	19 756	90 035	30 564
guarantee	advance payment guarantee	81 003	94 747	81 072	48 659
guarantee	retention money guarantee	831	7 429	6 052	1 421
guarantee	payment of trade payables	12 490	20 753	22 563	18 497
guarantee	credit repayment	11 232	0	0	0
TOTAL GUARANTEES		563 888	642 034	523 909	256 964

As of Q2 FY 2007, the financial statement of the Capital Group includes non-consolidated off-balance sheet items, guarantees and sureties granted to third parties for liabilities of the parent company and its subsidiaries, which were presented in the consolidated statement as trade and credit liabilities or guarantees granted at the request of the Capital Group companies to third parties.

2.14 Additional information relevant for the assessment of the Issuer's financial standing, assets, human resources, or the Issuer's financial result, and any changes thereof, as well as information relevant for the assessment of the Issuer's repayment ability

Apart from events listed above, no other events significant for PBG S.A. Capital Group occurred in the reporting period.

2.15 Factors likely to influence results generated by the Issuer in the next quarter or afterwards (according to the Issuer)

In the third quarter of FY 2008, the Issuer will continue construction works under the signed construction contracts, including in particular:

- a. contract for "Extension and reconstruction of the wastewater treatment plant in Piaseczno", signed by and between the Municipality of Piaseczno and Hydrobudowa Polska SA – planned revenues: PLN 35,328 k;
- b. contract for "Upgrade of the water and sewerage management in the Municipality of Zabrze – Grzybowo and Rokitnica districts", part of the project "Upgrade of the water and sewerage management in the Municipality of Zabrze", concluded by and

- between the Municipality of Zabrze and Zabrzeńskie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. Zabrze, and Hydrobudowa Polska SA – planned revenues: PLN 30,790k;
- c. contract for "Upgrade of the Left-Bank Wastewater Treatment Plant in Poznań" signed by and between the City of Poznań and Hydrobudowa 9 PIB SA – planned revenues: PLN 29,288k;
 - d. contract for "Preparatory works for the performance of construction and design works for a facility in Świnoujście" concluded by and between Pomerania Development and PBG S.A. – planned revenues: PLN 24,254 k
 - e. contract for "Extension of the sewerage system of Ołtaszyn housing estate", signed by and between the Municipality of Wrocław and Hydrobudowa Polska SA – planned revenues: PLN 24,102k;
 - f. contract for "Construction of the sewerage and water supply system for left-bank Szczecin (PART 1 – K-2 collector, Part 2 - W collector)" concluded by and between Zakład Wodociągów i Kanalizacji Spółka z o.o. in Szczecin and Hydrobudowa 9 PIB SA – planned revenues: PLN 21,670k;
 - g. contract for "Improvement of water and wastewater management in the Municipality of Zabrze – Reconstruction of the "Śródmieście" Wastewater Treatment Plant", concluded by and between the Municipality of Zabrze and Zabrzeńskie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o. o. Zabrze, and Hydrobudowa Polska SA – planned revenues: PLN 18,581 k
 - h. contract for "Supply and construction of underground gas storage facilities in Poland" signed by and between Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego (NATO Investment Department) and PBG SA – recorded revenues: PLN 16,067k;
 - i. contract for "Upgrade and extension of the wastewater treatment plant in Ciernie and upgrade of the wastewater treatment plant in Jugowice" concluded by and between Wałbrzyski Związek Wodociągów i Kanalizacji and Hydrobudowa 9 PIB SA – planned revenues: PLN 14,155k;
 - j. contract for "Construction and upgrade of the water and sewerage system in the Municipality of Szklarska Poręba" concluded by and between Karkonoski System Wodociągów i Kanalizacji Sp. z o.o. a and Hydrobudowa 9 PIB SA – planned revenues: PLN 13,813k;
 - k. contract for "Construction of the Gas Denitrification Plant in Grodzisk", concluded by and between the Warsaw Branch of Polish Oil & Gas Company and PBG SA – planned revenues: PLN 13,308k;
 - l. contract for "Replacing LS gas with E-group gas in the eastern part of the Wielkopolskie Province, including the City of Poznań, in two stages: stage 1 in 2009 and stage 2 in 2009", concluded by and between PGNiG SA and PBG SA – planned revenues: PLN 13,124k;

- m. contract for "The Vistula Lower Terrace collector – stage 1 and 2 – Kraków" concluded by and between by the Urban Municipality of Kraków and Hydrobudowa 9 PIB SA – planned revenues: PLN 12,477k;
- n. contract for "Construction of Malczyce barrage on the Odra river", concluded by and between Maxer SA (currently in liquidation) and PBG SA – planned revenues: PLN 11,393k;

3 INTERIM SHORT-FORM FINANCIAL STATEMENT OF PBG S.A. FOR Q2 FY 2008

SELECTED FINANCIAL DATA

Item	for the period 01.01 – 30.06.2008	for the period 01.01 – 30.06.2007	for the period 01.01 – 30.06.2008	for the period 01.01 – 30.06.2007
	PLN		EUR	
Revenues from sales	203 967	141 324	58 652	36 721
Operating profit (loss)	27 755	14 406	7 981	3 743
Profit (loss) before tax	22 996	14 738	6 613	3 829
Net profit (loss) from continuing operations	17 598	12 319	5 060	3 201
Net profit (loss)	17 598	12 319	5 060	3 201
Net cash from operations	(10 339)	(104 221)	(2 973)	(27 080)
Net cash used in investments	(1 335)	(152 315)	(384)	(39 577)
Net cash from financial activity	(102 184)	347 592	(29 383)	90 316
Net balance of cash and cash equivalents	(113 858)	91 056	(32 740)	23 660
Weighted average number of ordinary shares	13 430 000	12 497 000	13 430 000	12 497 000
Weighed average diluted number of ordinary shares	13 430 000	12 497 000	13 430 000	12 497 000
Earnings (loss) per ordinary share (in PLN / EUR)	4,12	3,06	1,15	0,79
Diluted earnings (loss) per ordinary share (in PLN / EUR)	4,12	3,06	1,15	0,79
Average exchange rate of PLN / EUR*			3,4776	3,8486
Item	as at 30.06.2008	as at 30.06.2007	as at 30.06.2008	as at 30.06.2007
	PLN		EUR	
Assets	1 209 464	990 981	360 582	263 153
Long-term payables	259 793	139 002	77 453	36 912
Short-term payables	213 344	171 602	63 605	45 569
Equity	736 327	680 377	219 524	180 673
Share capital	13 430	13 430	4 004	3 566
Number of shares	13 430 000	13 430 000	13 430 000	13 430 000
Book value per share - BVPS (in PLN / EURO)	54,83	50,66	16,35	13,45
Dividend per share – declared or paid (in PLN / EURO)	-	-	-	-
PLN / EURO exchange rate as at period end **			3,3542	3,7658

1. Selected items of assets and liabilities converted to Euro at the exchange rate published by the President of the National Bank of Poland as at 30 June 2008:

EUR 1 = PLN 3.3542

- a) book value per share (BVPS) in PLN = equity in PLN '000 (as at 30.06.2008) / number of shares (in thousands) as at 30.06.2008:

$$736,327 / 13,430 = \text{PLN } 54.83$$

- b) book value per share (BVPS) (in EUR) = equity in EUR '000 (as at 30.06.2008) / number of shares (in thousands) as at 30.06.2008:

$$219,524 / 13,430 = \text{EUR } 16.35$$

- c) diluted number of shares as at 30.06.2008: 13,430 thousand of shares

- d) diluted book value per share in PLN = equity in PLN '000 (as at 30.06.2008) / diluted number of shares (in thousands):

$$736,327 / 13,430 = \text{PLN } 54.83$$

- e) diluted book value per share in EUR = equity in EUR '000 (as at 30.06.2008) / diluted number of shares (in thousands):

$$219,524 / 13,430 = \text{EUR } 16.35$$

2. Selected items from the Profit and Loss Account for 6 months of 2008 were converted to EURO at the exchange rate calculated as an arithmetic average of exchange rates set by the President of NBP in the past 6 months:

January	31.01.2008	3.6260
February	29.02.2008	3.5204
March	30.06.2008	3.5258
April	30.04.2008	3.4604
May	30.05.2008	3.3788
June	30.06.2008	3.3542
		20.8656 / 6 months = 3.4776

Annualised profit for 12 months in PLN '000

profit for 2007	50,097
profit for H1 2007	12,319
profit for H2 2007	37,778
profit for 2 quarters 2008	17,598

Profit for the past 12 months **55,376**

Weighted average number of shares in thousands: 13,430

- a) earnings per share (EPS) in PLN = annualised net profit in PLN '000 / weighted average number of shares for the past 12 months (in thousands)

$$55,376 / 13,430 = \text{PLN } 4.12$$

- b) earnings per ordinary share (EPS) in EUR = EPS in PLN / average exchange rate of EURO for the past 12 months:

$$4.12 / 3.5913 = \text{EUR } 1.15 / \text{share}$$

July	31.07.2007	3.7900
August	31.08.2007	3.8230
September	28.09.2007	3.7775
October	31.10.2007	3.6306
November	30.11.2007	3.6267
December	30.06.2008	3.5820
January	31.01.2008	3.6260
February	29.02.2008	3.5204
March	30.06.2008	3.5258
April	30.04.2008	3.4604
May	30.05.2008	3.3788
June	30.06.2008	3.3542
		43.0954 / 12 = 3.5913 (average exchange rate for 12 months)

INTERIM SHORT-FORM BALANCE SHEET OF PBG SA

Item	as at 30.06.2008	as at 31.03.2008	as at 31.12.2007	as at 30.06.2007	as at 31.03.2007
Assets					
Fixed assets	576 391	568 927	533 871	444 757	396 191
Intangible assets	10 978	10 762	10 281	4 121	3 541
Tangible fixed assets (Property, Plant & Equipment)	144 575	138 087	132 946	113 749	110 112
Investment property	710	710	710	-	-
Investments in subsidiaries	337 563	301 770	255 249	262 232	238 817
Other long-term financial assets	73 540	108 417	125 187	54 520	33 170
- related parties	59 441	63 819	83 695	38 470	28 071
- other entities	14 099	44 598	41 492	16 050	5 099
Long-term receivables	8 614	8 676	9 094	10 135	10 551
- related parties	-	-	-	6	6
- other entities	8 614	8 676	9 094	10 129	10 545
Deferred income tax assets	-	-	-	-	-
Long-term prepaid expenses	411	505	404	-	-
Current assets	633 073	599 219	774 738	546 224	580 691
Inventories	32 787	23 976	21 737	10 982	14 469
Receivables from contracting parties for works completed under contracts for construction/long-term services	133 054	116 625	112 488	126 412	115 555
- related parties	8 677	8 537	8 649	8 086	31
- other entities	124 377	108 088	103 839	118 326	115 524
Trade receivables	162 690	142 353	216 742	161 574	120 223
- related parties	16 584	13 742	16 199	22 090	22 681
- other entities	146 106	128 611	200 543	139 484	97 542
Current income tax receivables	-	1 225	-	1 204	-
Other short-term receivables	21 898	9 131	8 622	22 043	16 821
- related parties	2 360	841	1 763	54	506
- other entities	19 538	8 290	6 859	21 989	16 315
Other short-term financial assets	58 421	102 123	79 093	109 400	102 230
- related parties	44 298	89 730	66 276	105 131	95 571
- other entities	14 123	12 393	12 817	4 269	6 659
Cash and cash equivalents	214 811	196 261	328 669	111 073	207 661
Short-term prepaid expenses	9 412	7 525	7 387	3 536	3 732
Non-current assets classified as held for sale	-	-	-	-	-
Total assets	1 209 464	1 168 146	1 308 609	990 981	976 882

INTERIM SHORT-FORM BALANCE SHEET OF PBG SA – continued

Item	as at 30.06.2008	as at 31.03.2008	as at 31.12.2007	as at 30.06.2007	as at 31.03.2007
Liabilities					
Equity	736 327	727 449	720 225	680 377	674 606
Share capital	13 430	13 430	13 430	13 430	13 430
Treasury shares	-	-	-	-	-
Share premium reserve	551 178	551 178	551 178	551 178	551 212
Capital from measurement of hedging transactions	4 345	2 857	1 840	(812)	(583)
Other reserves	149 776	104 948	104 948	104 262	71 024
Retained profit/accumulated loss	17 598	55 036	48 829	12 319	39 523
- profit (loss) carried forward from previous years	-	48 829	(1 268)	-	35 239
- net profit (loss) of the current year	17 598	6 207	50 097	12 319	4 284
Payables	473 137	440 697	588 384	310 604	302 276
Long-term payables	259 793	260 456	235 040	139 002	140 633
Long-term credits and loans	41 407	42 638	18 803	23 838	25 943
- related parties	-	-	-	-	-
- other entities	41 407	42 638	18 803	23 838	25 943
Other long-term financial payables	200 000	200 028	200 047	109 736	109 579
Other long-term payables	10 089	9 412	9 634	457	683

- related parties	-	-	-	-	-
- other entities	10 089	9 412	9 634	457	683
Deferred income tax provision	4 573	5 165	3 606	4 179	3 792
Provisions for employee benefits	286	327	327	252	175
Other long-term provisions	3 434	2 882	2 618	540	461
Government grants	-	-	-	-	-
Long-term accruals and deferred income	4	4	5	-	-
Short-term payables	213 344	180 241	353 344	171 602	161 643
Short-term credits and loans	101 483	100 333	97 154	78 375	59 830
- related parties	-	-	-	-	-
- other entities	101 483	100 333	97 154	78 375	59 830
Other short-term financial payables	2 202	3 846	113 372	2 472	237
Trade payables	93 301	60 814	98 661	61 014	70 229
- related parties	36 061	9 788	33 704	10 008	15 462
- other entities	57 240	51 026	64 957	51 006	54 767
Payables under construction services	3 178	2 274	3 768	1 550	1 859
Deferred income tax liabilities	1 373	-	4 731	-	503
Other short-term payables	10 513	11 921	34 425	26 669	28 050
- related parties	126	125	139	22	6 542
- other entities	10 387	11 796	34 286	26 647	21 508
Provisions for employee benefits	-	-	-	-	-
Other short-term provisions	617	793	973	865	810
Government grants	-	-	-	-	-
Short-term prepaid expenses	677	260	260	657	125
Liabilities related to non-current assets held for sale	-	-	-	-	-
Total liabilities	1 209 464	1 168 146	1 308 609	990 981	976 882

INTERIM SHORT-FORM PROFIT AND LOSS ACCOUNT OF PBG SA

Item	Q2 01.04.2008 - 30.06.2008	2 quarters to date 01.01.2008 - 30.06.2008	Q2 01.04.2007 - 30.06.2007	2 quarters to date 01.01.2007 - 30.06.2007
<i>Continuing operations</i>				
Revenues from sales	132 938	203 967	87 483	141 324
- related parties	3 933	4 968	6 745	11 309
Revenues from sale of products	1 633	9 004	-	-
Revenues from sale of services	130 695	193 401	75 150	126 201
Revenues from sale of goods and materials	610	1 562	12 333	15 123
Selling costs	(105 617)	(162 610)	(77 035)	(124 088)
- related parties	(34 549)	(41 655)	(18 465)	(34 028)
Costs of products sold	(1 244)	(8 198)	-	-
Costs of services sold	(103 783)	(152 936)	(70 219)	(114 673)
Costs of goods and materials sold	(590)	(1 476)	(6 816)	(9 415)
Gross profit (loss) on sales	27 321	41 357	10 448	17 236
Costs of sales	-	-	-	-
General administrative expenses	(8 012)	(14 809)	(6 380)	(11 859)
Other operating revenues	1 719	2 936	6 130	10 640
Other operating expenses	(1 128)	(1 729)	(742)	(1 611)
Share in profits of related parties accounted for under the equity method	-	-	-	-
Restructuring costs	-	-	-	-
Operating profit (loss)	19 900	27 755	9 456	14 406
Financial revenues	4 999	11 679	4 154	7 770
Financial expenses	(10 601)	(17 358)	(3 745)	(7 438)
Other profits (losses) from investments	920	920	-	-
Profit (loss) before tax	15 218	22 996	9 865	14 738
Income tax	(3 827)	(5 398)	(1 830)	(2 419)
Net profit (loss) from continuing operations	11 391	17 598	8 035	12 319
<i>Discontinued operations</i>	-	-	-	-
Net loss from discontinued operations	-	-	-	-
Net profit (loss)	11 391	17 598	8 035	12 319

MANAGEMENT'S DISCUSSION AND ANALYSIS REGARDING THE FINANCIAL RESULTS OF PBG S.A.

I. Key events and factors with significant impact on the Company's financial results (data related to Q2 2008)

In Q2 2008, the increase in revenues from sales was accompanied by a significant increase in profitability at practically all levels of the P&L Account vs. the corresponding period in FY 2007.

1.1. In Q2 FY08, PBG S.A. generated over PLN 133m in revenues from sales and nearly PLN 27.5m in gross profit on sales. Compared to the previous corresponding period, revenues were up by 52% and gross profit on sales was up by 161%. In addition, in Q2 PBG recorded operating profit of PLN 20m and net profit of PLN 11.4m, up by 110% and 42%, respectively, compared to Q2 FY 2007.

1.2. The key sources of income in the Company's core business in Q2 included the following construction contracts:

- a) contract for "Construction of a Gas Denitrification Plant in Grodzisk" signed with the Warsaw Branch of Polish Oil & Gas Company (PGNiG) – recorded revenues: PLN 26.2m;
- b) contract for "Preparatory works for the construction and design works for a facility in Świnoujście" concluded with Pomerania Development – recorded revenues: PLN 14.3m;
- c) contract "Supply and construction of underground gas storage facilities in Poland" with Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego (NATO Investment Department) – recorded revenues: PLN 13.9m;
- d) contract for "Construction of a MHC unit in Rafineria Gdańsk (Gdańsk Refinery)" signed with Technip Polska – recorded revenues: PLN 13.5m;
- e) contract for "Upgrade of the existing water mains in Bydgoszcz" concluded with Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji Bydgoszcz – recorded revenues: PLN 10,5m.

II. Discussion and analysis of revenues and expenses presented in the P&L Account

2.1. Revenues from sale of services

For 2 quarters 2008 to date, the Company's revenues from sale of services totalled nearly PLN 193.4 m and were up by over 53%. The largest increase was recorded in the natural gas and crude oil segment – up by 49%. The second largest segment in the Company's business was residential and industrial construction. The share of this segment in total revenues from sale of services totalled 28% in the reporting period. Fuels represented the third largest segment in terms of its share in total revenues from sale of services – 16%. Water was the smallest segment –revenues from this type of contracts totalled 14% of all revenues from sales. It results from the streamlining of the Group's operations and transferring operations in this segment to Hydrobudowa Polska SA.

2.2. Costs of services sold

For 2 quarters 2008 to date, costs of services sold totalled nearly PLN 153m and were up by only 33% vs. Q2 2007. The share of these variable costs in revenues from sale of services changes considerably. As at the end of Q2 2008, they represented 79% of revenues, compared to 91% as at the end of Q2 2007 – i.e. down by as much as 12%.

2.3. General administrative expenses

As at the end of Q2 2008, general administrative expenses totalled PLN 14.8 m and were up by 25% vs. the corresponding period in 2007. It must be noted, however, that as at the end of Q2 2008, general administrative expenses accounted for 7.3% in revenues from sale compared to 8.4% as at the end of Q1 2007 – i.e. down by over 1%.

2.4. Other operating revenues

For 2 quarters 2008 to date, other operating revenues totalled nearly PLN 3m, including revenues from rent, damages, and re-invoicing. Compared to the corresponding period in 2007, other operating revenues were down by 72%.

2.5. Financial revenues

Financial revenues for 2 quarters to date totalled over PLN 11.7 m and were up by 50% vs. the corresponding period in 2007. The main items under financial revenues include bank interest (over PLN 6 m), interest on loans granted (over PLN 2.3 m) and interest on bonds issued by Capital Group companies and taken over by PBG (PLN 3.1m).

2.6. Financial expenses

As at the end of Q2 2008, the Company's financial expenses totalled over PLN 17m. The main item under financial expenses was interest on bonds issued by PBG SA in 2007 – over PLN 9.8m. Considerable values were recorded also for interest and commissions on bank credits – PLN 5.3m.

III. Management's discussion and analysis of the financial results presented in the P&L Account**3.1. Results presented in the Profit and Loss Account**

As at the end of Q2 2008, the Company's net profit totalled PLN 17.6m and was up by over PLN 5m vs. the result recorded as at the end of Q2 2007 – i.e. up by 43%. In addition, the increasing trend in financial results was maintained at practically all levels of the P&L Account: gross profit on sales was up by 140% vs. the corresponding period in 2006, and operating profit was up by 93%.

3.2. EBITDA

In 2 quarters 2008 to date, outlays on tangible fixed assets and intangible assets totalled over PLN 13.7m compared to PLN 13.2 in the corresponding period in 2007. It resulted in the increase in depreciation costs – PLN 6.5m vs. PLN 5.9m in 2 quarters in 2007. EBITDA (EBIT – operating profit plus amortisation and depreciation) as at the end of Q2 2008 totalled PLN 34.2m and was up by nearly PLN 14m vs. the result recorded for the corresponding period in 2007 – i.e. up by 68%.

3.3. Profitability ratios

As at the end of Q2 2008, the higher growth in revenues from sales (114%) compared to costs of products sold (131%) had a positive impact on the Company's profitability ratios at practically all

levels of the P&L Account. It must be also noted that the Company's margins (gross margin on sale and operating margin) reached very high levels. On the other hand, a slight drop was recorded for net margin for 2 quarters 2008 to date – 8.63% vs. 8.72% as at the end of Q2 2007. If we analyse Q2 2008 only and compare it to results generated in Q2 2007 only, we will see that gross return on sales was from 12.03% to 20.67%, i.e. by 8.57%; operating margin was up from 10.89% to 15.03%, i.e. by 4.14%, and net profit margin was down from 9.18% to 8.54%, i.e. by 0.64%. A drop in net profit margin results mainly from the quick increase in financial expenses related to the servicing of the Company's debts, depending directly on the ever-increasing interest rates.

profitability ratios	2 quarters to date 2008	2 quarters to date 2007	Q2 2008	Q2 2007
Gross profit margin ¹	20.28%	12.20%	20.60%	12.03%
Operating profit margin ²	13.61%	10.19%	15.03%	10.89%
Net profit margin ³	8.63%	8.72%	8.54%	9.18%

¹ gross profit on sales / revenues from sales *100

² operating profit / revenues from sales *100

³ net profit / revenues from sales *100

EARNINGS (LOSS) PER ORDINARY SHARE

Item	as at 30.06.2008 PLN / share	as at 31.03.2008 PLN / share	as at 31.12.2007 PLN / share	as at 30.06.2007 PLN / share	as at 31.03.2007 PLN / share
Net profit (loss) from continuing operations	55 376	52 020	50 097	38 189	37 678
Net profit (loss) from continuing and discontinued operations	-	-	-	-	-
Weighted average number of ordinary shares	13 430 000	13 430 000	13 197 000	12 497 000	12 147 000
Weighed average diluted number of ordinary shares	13 430 000	13 430 000	13 197 000	12 497 000	12 147 000
<i>from continuing operations</i>					
- basic	4.12	3.87	3.80	3.06	3.10
- diluted	4.12	3.87	3.80	3.06	3.10
<i>from continuing and discontinued operations</i>					
- basic	4.12	3.87	3.80	3.06	3.10
- diluted	4.12	3.87	3.80	3.06	3.10

CASH FLOW STATEMENT OF PBG SA

Item	2 quarters to date 01.01.2008 - 30.06.2008	2 quarters to date 01.01.2007 - 30.06.2007
Cash flow from operations		
Net profit before tax	22 996	14 738
Adjustments:	7 480	4 325
Amortisation of intangible assets	712	609
Goodwill impairment write-downs	-	-
Impairment write-downs of tangible fixed assets	-	-
Depreciation of tangible fixed assets	5 788	5 294
Profit (loss) from sale of tangible fixed assets	(68)	2
(Profit) loss on sale of available-for-sale (held-for-trading) financial assets	(1 926)	(1 860)
Profit (loss) on valuation of investment property carried at fair value	-	-
(Profit) loss on revaluation of fair value of financial assets carried at fair value	-	(666)

Share in profits (losses) of associates	-	-
Foreign exchange (gains) losses	-	-
Interest expense	14 630	5 657
Interest received	(11 656)	(4 711)
Dividends received	-	-
Cash flow from operations before changes in working capital	30 476	19 063
Change in inventories	(11 050)	(1 791)
Change in receivables	20 619	(23 630)
Change in payables	(35 134)	(20 895)
Change in provisions, prepaid expenses, accruals and deferred income	(1 616)	(99)
Other adjustments	(5 699)	(72 620)
Cash generated in business operations	(2 404)	(99 972)
Interest paid	-	-
Income tax paid	(7 935)	(4 249)
Net cash from operations	(10 339)	(104 221)
<i>Cash flow from investments</i>		
Outflows – acquisition of intangible assets	(633)	(1 197)
Inflows – sale of intangible assets	-	-
Outflows – acquisition of tangible fixed assets	(13 071)	(12 084)
Inflows – sale of tangible fixed assets	521	42
Outflows – acquisition of investment property	-	-
Inflows – sale of investment property	-	-
Outflows – acquisition of available-for-sale financial assets	-	-
Inflows – sale of available-for-sale financial assets	-	-
Acquisition of held-to-maturity financial assets	(11 400)	(40 918)
Inflows – sale of held-to-maturity financial assets	50 000	-
Outflows – acquisition of available-for-sale financial assets	(579)	(827)
Inflows – sale of held-for-trading financial assets	2 505	2 687
Outflows – acquisition of subsidiaries	(82 315)	(77 583)
Inflows – sale of subsidiaries	2 500	-
Other outflows – additional paid-in capital	-	(8 000)
Inflows from government grants received	-	1 769
Loans granted	(6 850)	(38 251)
Repayment of loans granted	39 500	20 790
Interest received	7 087	1 257
Dividends received	-	-
Other inflows	-	-
Other outflows on investments	-	-
Net cash used in investments	(1 335)	(152 315)
<i>Cash flow from financial activity</i>		
Net inflows – issue of shares	-	333 090
Repayment of bonds	(110 000)	-
Inflows – issue of debt securities	-	-
Repayment of interest on bonds	(8 680)	(2 828)
Redemption of debt securities	-	-
Inflows – credits and loans incurred	32 688	21 817
Repayment of credits and loans	(5 763)	(5 187)
Repayment of interest on credits and loans	(4 787)	(2 583)
Inflows from interest on deposits	6 305	3 454
Repayment of finance lease liabilities	(8)	(171)
Interest paid	-	-
Dividends paid out	-	-
Commissions on bank credits and loans	(539)	-
Other outflows	-	-
Net cash from financial activity	(102 184)	347 592
Net balance of cash and cash equivalents	(113 858)	91 056
Opening balance of cash and cash equivalents	328 669	20 017
Change in cash resulting from foreign exchange differences	-	-
Closing balance of cash and cash equivalents	214 811	111 073

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF PBG S.A. BETWEEN 01.01.2008 AND 30.06.2008

Item	Share capital	Other reserves	Retained profit/accumulated loss	Total
As at 01.01.2007	12 030	289 054	35 239	336 323
Changes in the adopted accounting principles (policy)	-	-	(1 268)	(1 268)
Corrections of fundamental errors	-	-	-	-
Balance after adjustments	12 030	289 054	33 971	335 055
<i>Statement of Changes in Equity for the period from 01.01 to 31.12.2007</i>				
Revaluation gains (losses)	-	-	-	-
Available-for-sale investments:	-	-	-	-
- valuation gains (losses) recognised in equity	-	-	-	-
- transferred to profit (loss) on sales	-	-	-	-
Cash flow hedges:	-	2 475	-	2 475
- gains (losses) recognised in equity	-	3 040	-	3 040
- gains (losses) recognised in profit or loss	-	(565)	-	(565)
- profits (losses) included in the valuation of the carrying amount of hedged items	-	-	-	-
Tax related to items recognised in equity or transferred from equity	-	(577)	-	(577)
Net profit recognised directly in equity	-	1 898	-	1 898
Net profit (loss) for the period from 01.01 to 31.12.2007	-	-	50 097	50 097
Total gains and losses recorded in the period 01.01 – 31.12.2007	-	1 898	50 097	51 995
Dividends	-	-	-	-
Distribution of the financial result	-	33 239	(35 239)	(2 000)
Acquisition of a subsidiary	-	685	-	685
Share capital issued	1 400	333 090	-	334 490
As at 31.12.2007	13 430	657 966	48 829	720 225
As at 01.01.2008	13 430	657 966	48 829	720 225
Changes in the adopted accounting principles (policy)	-	-	-	-
Corrections of fundamental errors	-	-	-	-
Balance after adjustments	13 430	657 966	48 829	720 225
<i>Statement of Changes in Equity for the period from 01.01 to 30.06.2008</i>				
Revaluation gains (losses)	-	-	-	-
Available-for-sale investments:	-	-	-	-
- valuation gains recognised in equity	-	-	-	-
- transferred to profit (loss) on sales	-	-	-	-
Cash flow hedges:	-	2 650	-	2 650
- gains (losses) recognised in equity	-	1 885	-	1 885
- gains (losses) recognised in profit or loss	-	765	-	765
- profits (losses) included in the valuation of the carrying amount of hedged items	-	-	-	-
Foreign exchange differences – valuation of related parties operating abroad	-	-	-	-
Tax related to items recognised in equity or transferred from equity	-	(146)	-	(146)
Net profit recognised directly in equity	-	2 504	-	2 504
Net profit (loss) for the period from 01.01 to 30.06.2008	-	-	17 598	17 598
Total gains and losses recorded in the period 01.01 – 31.12.2008	-	2 504	17 598	20 102
Dividends	-	-	-	-
Distribution of the financial result	-	44 829	(48 829)	(4 000)
Share capital issued	-	-	-	-
Options convertible to shares issued	-	-	-	-
As at 30 June 2008	13 430	705 299	17 598	736 327

Signatures of all Members of the Board of Directors

Jerzy Wiśniewski – President of the Board of Directors

.....

Tomasz Woroch – Vice President of the Board of Directors

.....

Przemysław Szkudlarczyk – Vice President of the Board of Directors

.....

Tomasz Tomczak – Vice President of the Board of Directors.

.....

Mariusz Łożyński – Member of the Board of Directors

.....

Tomasz Łatawiec – member of the Board of Directors

.....

Signature of a person responsible for the preparation of the financial statement

Eugenia Bachorz –Proxy, Capital Group Coordination Director

Wysogotowo. 4 August 2008