

PBG Capital Group

Qsr 1/2008 (all amounts are in PLN thousands unless otherwise indicated)

PBG CAPITAL GROUP

Interim consolidated financial statement for Q1 of 2008

Prepared according to International Financial Reporting Standards

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INTERIM CONSOLIDATED FINANCIAL STATEMENT OF PBG CAPITAL GROUP FOR Q1 OF 2008

SELECTED FINANCIAL DATA

Item	between		between	
	01.01 – 31.03.2008		01.01 – 31.03.2007	
	PLN		EUR	
Revenues from sales	307 336	135 602	86 393	34 714
Operating profit (loss)	20 588	6 863	5 787	1 757
Profit (loss) before tax	21 962	15 921	6 174	4 076
Net profit (loss) from continuing operations	16 696	11 277	4 693	2 887
Net profit (loss), including:	16 696	11 277	4 693	2 887
- profit (loss) of shareholders of the holding	14 847	10 204	4 174	2 612
- profit (loss) of minority shareholders	1 849	1 073	520	275
Net cash from operations	(68 043)	(73 900)	(19 127)	(18 918)
Net cash outflow for investment	(59 337)	(13 704)	(16 680)	(3 508)
Net cash from financial activities	(46 467)	277 543	(13 062)	71 050
Net change in cash and cash equivalents	(173 847)	189 939	(48 869)	48 624
Weighted average of ordinary shares	13 430 000	12 147 000	13 430 000	12 147 000
Diluted weighted average of ordinary shares	13 430 000	12 147 000	13 430 000	12 147 000
Profit (loss) per ordinary share (in PLN / EUR)	7,94	5,12	2,15	1,31
Diluted profit (loss) per ordinary share (in PLN / EUR)	7.94	5.12	2.15	1.31
Average PLN / EUR rate*			3.5574	3.9063
Item	As of		As of	
	31.03.2008		31.03.2007	
	PLN		EUR	
Assets	2 180 046	1 295 587	618 312	334 820
Long-term liabilities	346 615	197 181	98 308	50 958
Short-term liabilities	1 029 941	372 106	292 116	96 164
Shareholders' equity	803 490	726 300	227 889	187 699
share capital	13 430	13 430	3 809	3 471
Number of shares	13 430 000	13 430 000	13 430 000	13 430 000
Book value per share (in PLN/EUR)	57.13	53.10	16.20	13.72
Dividend per share-declared or paid (in PLN/EUR)	-	-	-	-
PLN / EUR rate at period end**			3.5258	3.8695

1. Selected items of assets and liabilities converted into EUR at the exchange rate published by the President of the National Bank of Poland on 28th September 2007:

1 EUR = PLN 3.5258

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- a) book value per action in PLN= shareholders' equity in PLN thousands (as of 31 March 2008) / number of shares (in thousands) as of 31 March 2008: $767,202/13,430 = \text{PLN } 50.13$
- b) book value per share in EUR= shareholders' equity in EUR thousands (as of 31 March 2008) / number of shares (in thousands) as of 31 March 2008: $217,597/13,430 = \text{EUR } 16.20$
- c) diluted number of shares as of 31 March 2008: 13,430 thousand shares.
- d) diluted book value per share in PLN= shareholders' equity in PLN thousands as of 31 March 2008
/ diluted number of shares in thousands: $767,202/13,430 = \text{PLN } 57.13$
- e) diluted book value per share in EUR= shareholders' equity in EUR thousands (as of 31 March 2008) / diluted number of shares in thousands: $217,597/13,430 = \text{EUR } 16.20$

2. Selected items from the profit and loss account for 3 months of 2008 were converted into EUR at the exchange rate calculated as an arithmetic average of exchange rates set by the President of NBP in the last 3 months of 2008:

January	31.01.2008	3.6260
February	29.02.2008	3.5204
March	31.03.2008	3.5258

$10.6722 / 3 = 3.5574$ (average exchange rate for 3 months)

Annualised profit for 12 months in PLN thousands

Profit for 2007	102,050
Profit for the first quarter of 2007	10,204
Profit for three quarters of 2007	91,846
Profit for the first quarter of 2008	14.846
Profit for the past 12 month	106,692

Weighted average number of shares in thousands: 13,430

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

$$106,692/13,430 = \text{PLN } 7.94$$

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b) profit per ordinary share in EUR= profit per share in PLN/ average EUR exchange rate for the past 12 months
7.94/ 3.6896 = EUR 2.15/ share (average EUR rate for the past 12 months)

April	30.04.2007	3.7879
May	31.05.2007	3.8190
June	29.06.2007	3.7658
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

44.2747 / 12 = 3.6896 (average exchange rate for the past 12 months)

INTERIM CONSOLIDATED BALANCE SHEET

Item	As of	As of	As of
	31.03.2008	31.12.2007	31.03.2007
Assets			
Fixed assets	775 360	717 926	367 791
Intangible assets	13 495	13 262	4 672
Goodwill acquired by merger of business entities	267 405	267 426	70 903
Tangible fixed assets	318 637	307 007	273 422
Non-renewable natural resources	27 834	27 834	-
Investment property	30 340	30 162	710
Investments in subsidiaries	50 472	4 000	-
Investments in associates settled on the basis of the equity method	-	-	-
Other long-term financial assets	44 942	41 834	5 478
- of related parties	98	98	-
- of other entities	44 844	41 736	5 478
Long-term receivables	17 657	21 614	11 374
- from related parties	-	-	-
- due from other entities	17 657	21 614	11 374
Deferred income tax assets	-	-	-
Long-term pre-paid expenses	4 578	4 787	1 232
Current assets	1 404 686	1 571 333	927 796
Inventories	63 135	40 145	21 386
Receivables from the Contracting Parties under construction services agreements/long-term agreements	530 255	445 188	317 243
- from related parties	41 642	27 002	3 749
- due from other entities	488 613	418 186	313 494
Receivables related to services and deliveries	414 453	517 953	282 977
- from related parties	4 750	9 806	1 070
- due from other entities	409 703	508 147	281 907
Receivables related to current income tax	1 387	-	-
Other short-term receivables	75 396	84 607	16 315
- from related parties	-	-	-
- due from other entities	75 396	84 607	16 315
Other short-term financial assets	67 269	58 410	29 764
- from related parties	-	-	-
- due from other entities	67 269	58 410	29 764
Cash and cash equivalents	235 907	410 305	241 268
Short-term prepaid expenses	16 884	14 725	9 174
Fixed assets held for sale	-	-	9 669
Total assets	2 180 046	2 289 259	1 295 587

Item	As of	As of	As of
	31.03.2008	31.12.2007	31.03.2007
Liabilities			
Shareholders' equity	803 490	782 546	726 300
Shareholders' equity of the holding company	767 202	747 996	713 148
Share capital	13 430	13 430	13 430
Shares owned	-	-	-

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Reserve capital from shares sold above share nominal value	551 178	551 178	551 212
Capital from the translation of hedges and exchange rate differences on consolidation	12 037	8 759	(1 372)
Other capital	68 408	67 326	75 327
Retained financial result	122 149	107 303	74 551
-profit (loss) brought forward from previous years	107 303	5 253	64 347
-net profit (loss) of the holding company shareholders from the current year	14 846	102 050	10 204
Minority shares	36 288	34 550	13 152
Payables	1 376 556	1 506 713	569 287
Long-term payables	346 615	330 025	197 181
Long-term credits and loans	74 843	50 033	67 432
- to related parties	-	-	-
- to other entities	74 843	50 033	67 432
Other long-term financial payables	208 071	208 544	109 866
Other long-term payables	20 137	30 456	3 729
- to related parties	-	-	-
- to other entities	20 137	30 456	3 729
Deferred income tax provision	22 710	18 620	11 389
Provisions for employee benefits	4 254	4 184	3 442
Other long-term provisions	15 171	18 183	1 323
Government grants	-	-	-
Long-term accruals	1 429	5	-
Short-term payables	1 029 941	1 176 688	372 106
Short-term credits and loans	393 478	350 402	157 145
- to related parties	2 306	2 306	-
- to other entities	391 172	348 096	157 145
Other short-term financial payables	6 503	116 260	1 192
Payables related to services and deliveries	354 385	387 161	130 114
- from related parties	-	4 820	-
- to other entities	354 385	382 341	130 114
Payables related to construction services agreements	9 099	19 594	3 779
- from related parties	2 519	4 241	-
- to other entities	6 580	15 353	3 779
Payables related to current income tax	1 933	17 800	1 350
Other short-term payables	140 973	156 039	63 971
- from related parties	0	-	-
- to other entities	140 973	156 039	63 971
Provisions for employee benefits	934	1 120	673
Other short-term provisions	113 897	121 536	6 735
Government grants	-	-	-
Short-term accruals	8 739	6 776	7 147
Payables related to fixed assets held for sales	-	-	-
Total liabilities	2 180 046	2 289 259	1 295 587

NET EARNINGS (LOSS) PER ORDINARY SHARE

Item	As of	As of	As of
	31.03.2008	31.12.2007	31.03.2007
Annualised net earnings (loss) from continuing operations	106 692	102 050	62 168
	-	-	-
Weighted average number of ordinary shares	13 430 000	13 197 000	12 147 000
Diluted weighted average number of ordinary shares	13 430 000	13 197 000	12 147 000
from continuing operations			
- basic	7.94	7.73	5.12
- diluted	7.94	7.73	5.12
from continuing and discontinued operations			
- basic	7.94	7.73	5.12
- diluted	7.94	7.73	5.12

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Item	Q1	Q1
	01.01.2008-31.03.2008	01.01.2007-31.03.2007
Continuing operations		
Revenues from sales	307 336	135 602
- from related parties	-	-
Revenues from sales of products	48 796	-
Revenues from sales of services	253 112	132 917
Revenues from sales of goods and materials	5 428	2 685
Cost of goods sold	(266 649)	(114 565)
- from related parties	-	-
Costs of products sold	(40 842)	-
Costs of services sold	(220 535)	(112 566)
Costs of goods and materials sold	(5 272)	(1 999)
Gross profit (loss) on sales	40 687	21 037
Costs of sales	(183)	(281)
General administration costs	(21 848)	(13 690)
Other operating revenues	5 302	2 237
Other operating expenses	(3 370)	(2 440)
The share in the profit of equity-settled entities	-	-
Restructuring costs	-	-
Operating profit (loss)	20 588	6 863
Financial revenues	13 306	4 242
Financial expenses	(11 932)	(8 727)
Other profits (losses) on investment	-	13 543
Profit (loss) before tax	21 962	15 921
Income tax	(5 266)	(4 644)
Net profit (loss) from continuing operations	16 696	11 277
Discontinued operations	-	-
Net loss from discontinued operations	-	-
Net profit (loss)	16 696	11 277
Net profit (loss) of:	16 696	11 277
- shareholders of the holding company	14 847	10 204

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- minority shareholders 1 849 1 073

PBG MANAGEMENT DISCUSSION AND ANALYSIS OF THE CAPITAL GROUP FINANCIAL RESULTS

Important events and factors which influenced financial results of PBG Capital Group in Q1 of 2008.

Consistent implementation of the strategy aimed at strengthening the Group's position on specialist installation markets and expanding business activities to new areas resulted in significant increase in the value of all key positions of profit and loss account in comparison to the analogical period of the previous year.

- The revenues from sales in the amount of 307 million PLN have doubled in comparison to the first quarter of the previous year, which is an increase of 127 %.
- Gross profit from sales increased by as much as 93 % from the amount of 21 million PLN to 40.6 million PLN.
- The profit from operations has tripled; in comparison to the analogical period of the previous year it has increased by 200 % to the amount of 20.5 million PLN.
- Net profit of the shareholders of the holding company in the first quarter reached nearly 15 million PLN, which is an increase of 46 % in comparison with the first quarter of 2007.
- At the end of the first quarter the order portfolio reached the value of over 2.6 billion PLN and in April it exceeded 3.1 billion PLN.

The following construction contracts were the most important sources of revenue from ordinary activities of the companies within PBG Capital Group in the first quarter:

A.) Water

1. the contract for "The construction of a water pipe network for Szczecin left side of the river" signed between Zakład Wodociągów i Kanalizacji Sp. z o.o. and HB9 PIB SA- generated revenues: 25,403 thousand PLN
2. the contract for "The upgrade of the Left-Bank Wastewater Treatment Plant in Poznań" signed between the City of Poznań and HB 9 PIB SA - generated revenues: 17,156 thousand PLN
3. the contract for "The extension of the sewer system of the Ołtaszyn estate " signed between Wrocław commune and Hydrobudowa Polska SA (previously Hydrobudowa Włocławek SA)- generated revenues: 14,996 thousand PLN
4. the contract for "The extension and conversion of the wastewater treatment plant in Piaseczno" signed between Piaseczno commune and Hydrobudowa Polska SA (previously Hydrobudowa Włocławek SA)- generated revenues: 14,596 thousand PLN

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5. the contract for "The construction of the pumping plant in Grabów and Dolny Brzeg and sewer force mains" signed between Zakład Wodociągów i Kanalizacji Sp. z o.o. in Szczecin and HB 9 PIB SA- generated revenues: 9,699 thousand PLN

B.) Residential construction

6. the contract for "Preparatory works to perform construction and design works related to a construction facility in Świnoujocie" signed between Pomerania Development and PBG S.A. – generated revenues: 14,982 thousand PLN

C). Crude oil and natural gas

7. the contract for "The construction of denitrating plant in Grodzisk" signed between the Warsaw Branch of Polish Petroleum and Gas Mining Company (PGNiG) and PBG SA- generated revenues: 12,094 thousand PLN

D). Liquid fuels

8. the contract for "The supply and construction of underground storage reservoirs in Poland" signed between NATO Investment Department and PBG SA: generated revenues: 9,266 thousand PLN

Important events for the Capital Group within each operational area which took place from the beginning of the first quarter of 2008 up to the present moment:

1. Crude oil and natural gas:

- o The participation in the major tenders in the area of crude oil and natural gas, such as the tender for the construction of the crude oil mine Międzychód-Lubiatów-Grotów (LMG) and Underground Gas Storage Facility in Wierzchowice;

2. Water, including:

Hydrotechnics and environmental protection:

- o Formal completion of the process of introducing organizational changes related to the merger of the company "Hydrobudowa Włocławek" SA and the company "Hydrobudowa Śląsk" SA by registering the change of the name of the entity which merged with Hydrobudowa Włocławek SA into HYDROBUDOWA POLSKA SA. Currently the Management Board of HYDROBUDOWA POLSKA SA has its registered seat in Wysogotowo near Poznań;
- o Splitting the shares of the company Hydrobudowa Polska SA (as a result of the split the number of company shares increased from 2 773 464 to 138 673 200 shares and the nominal value of each share decreased from 50 PLN to 1 PLN);
- o Conducting and successful completion of public offering of K-series shares (the company offered 35 000 000 K series shares at the offering price of 8.80 PLN a share; as a result of the offering Hydrobudowa earned 308 million PLN and thus obtained the funds for further development);
- o The preparations made by the company Hydrobudowa Polska for the acquisition of 100 % of shares of Hydrobudowa 9 PBI SA which should take place in the third quarter of 2008;

o Taking action aimed at expanding business activities to new related markets such as the participation in the tenders for the modernisation of the Lech Stadium in Poznań and for

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the construction of the underground in Warsaw; such strategy has already proved successful, since it resulted in signing the contract for the extension of the III level of the II stand of the municipal stadium in Poznań;

Renovation of the water pipe network and the sewerage system:

o The execution of the most important contracts in the area of the renovation of the water pipe networks and the sewerage systems in Poland, including the contract for "Strengthening the company Infra SA and creating a strong group on the basis of this company which would specialize in the renovations of water pipe networks and sewerage systems, which could be achieved also through acquisitions. That is why another company called Wiertmar with a similar business profile was included in Infra Capital Group.

3. Residential construction

o Continuation of activities related to the optimal use of the real estate by the company PBG Dom Sp. z o.o. within PBG Capital Group;

o concentration of the activities of PBG Dom Sp. z o.o. on the real estate;

4. Roads

o Preparing road companies to the acquisition and execution of contracts on the market of road construction and modernization of increasing value;

o Securing the supply sources of road construction materials through investment in aggregate mines;

o Including another company- Betpol SA into the road construction segment; this company will strengthen the remaining companies in terms of execution and reference;

o The incorporation of the company Aprivia SA with the objective to strengthen the Group's position in the road construction area, including the acquisition and execution of contracts and the organization of financing activities.

5. Foreign markets:

o The acquisition of an important contract signed between PBG SA and the company " Nairit Plant" CJSC with its registered seat in Yerevan, the Republic of Armenia for the reconstruction and modernisation of a rubber producing plant in the amount of 210 million USA.

Business activity financing

1. Increasing the limits for financing ongoing activities which in April reached the amount of **1.3 billion PLN**.

The following activities will influence future results:

1. The fulfillment of the order portfolio for the amount of **3.1 billion PLN**.
2. The participation in tenders and possible acquisition of most important contracts for:
 - o The construction of the crude oil mine Lubiatów-Międzychód-Grotów,
 - o The construction of the Underground Gas Storage Facility in Wierzchowice,
 - o The construction of gas networks and LNG systems for KRI,

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- o The construction of the underground in Warsaw,
 - o The construction or the modernization of stadiums.
3. The consolidation and strengthening of the companies operating in the area of hydrotechnics and environmental protection through the acquisition of **Hydrobudowa 9 PIB SA** by **Hydrobudowa Polska SA** as well as other potential acquisitions (**PRG Metro**).
 4. Other acquisitions made by the company **Infra SA** in the area of renovation
 5. Acquiring important foreign projects and the acquisitions of foreign companies.

The table below presents the indices of profitability of the financial periods described in this document.

Profitability indices

Profitability indices	I Q 2008	I Q 2007
Gross return on sales	13,24%	15,51%
Operating profit margin ²	6,70%	5,06%
Net profit margin ³	4,83%	7,52%

¹ Gross profit from sales/revenues from sales *100

² profit from current operations/ revenues from sales *100

³ net profit/revenues from sales *100

The first quarter of 2008 was characterised by the fall in gross return on sales as well as net profit margin of the Group and the increase in operating profit. The share of variable costs in revenues from sales in the first quarter of 2008 increased from 84.4 % to 86.7 %, i.e. by more than 2 % in comparison to the analogical period of the previous year. The share of general administration costs in the discussed period has decreased from 10.1 % to 7.1 %, i.e. by 3 %.

At the end of the first quarter of 2008 PBK Capital Group generated net profit margin of nearly 5 % in comparison to the margin of 7.52 % generated at the end of the first quarter of 2007. Higher net profit margin in the first quarter of 2007 was only possible thanks to a single event related to one of subsidiaries: in this period Hydrobudowa Śląsk which currently operates as Hydrobudowa Polska posted under financial revenues the difference resulting from the share pricing of the company Mostostal Zabrze SA according to market value in the amount of over 13.5 million PLN. Hydrobudowa Polska SA has acquired the above shares on the basis of a debt-to equity swap. It should be also noted that the profitability indices of PBG Capital Group are in great measure the result of acquisitions and restructuring of acquired companies as well as the finalisation and settlement of old contracts from the portfolio of Hydrobudowa

9.B

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The analysis of the remaining positions of operating revenues and expenses as well as financial revenues and expenses

Other operating revenues

Other operating revenues in the first quarter of 2008 reached over 5.3 million PLN; revenues from compensation in the amount of nearly 1.6 million PLN and the elimination of the allowance for doubtful accounts established for the previous periods in the amount of nearly 1.7 million PLN represent an important part of other operating revenues.

When compared to the analogical period of the previous year the value of remaining operating revenues has doubled.

Other operating expenses

Other operating expenses in Q1 of 2008 reached over 3.3 million PLN, which is an increase of 38 %

in comparison with the analogical period of the previous year.

Financial revenues

Financial revenues in the first quarter reached over 13.3 million PLN, which is an increase of as much as 214 %

in comparison with the analogical period of the previous year. The main position in the financial revenues is the interest rates in the amount of nearly 6 million PLN and especially bank interest in the amount of 4.2 million PLN. Other important positions are also the revenues from financial market transactions which at the end of the discussed period reached 5 million PLN and exchange rate differences which reached 2.2 million PLN.

Financial expenses

Financial expenses in the first quarter of 2008 reached nearly 12 million PLN. The most important position of the financial expenses are interest rates and commissions of bank credits in the amount of 7.6 million PLN as well as bond interest rates in the amount of 3.4 PLN.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Item	Q1 01.01.2008- 31.03.2008	Q1 01.01.2007- 31.03.2007
Cash flows from operations		
Net profit before tax	21 962	15 921
Adjustments:	3 239	(3 923)
Amortisation of and intangible assets	723	466
Goodwill impairment write-downs	-	-
Impairment write-downs of tangible fixed assets	-	-
Depreciation of tangible fixed assets	8 491	4 668
Profit (loss) from sale of tangible fixed assets	(150)	165
Profit (loss) from sale of financial assets available for sale (held for sale)	(9 466)	(750)

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Profit (loss) from valuation of real estate investments carried at fair value	-	526
Profit (loss) from subsequent measurement of fair value of financial assets carried at fair value	(2 752)	(12 565)
Share in net profits (losses) of associates	-	-
Foreign exchange gains (losses)	1 246	-
Costs of interest	11 963	5 762
Interest received	(6 816)	(2 195)
Dividends received	-	-
Cash from operations before the changes in working capital	25 201	11 998
Change in inventories	(20 053)	(5 727)
Change in receivables	54 166	(44 258)
Change in payables	(94 906)	(25 537)
Change in provisions and prepayments/accrued income	(11 960)	(3 559)
Other adjustments	(1 432)	(5 111)
Cash generated during operations	(48 984)	(72 194)
Interest paid	(19)	(65)
Income tax paid	(19 040)	(1 641)
Net cash from operations	(68 043)	(73 900)
Cash flow from investing activities		
Outflows – acquisition of intangible assets	(55)	(451)
Inflows - sales of intangible assets	-	(2)
Outflows – acquisition of tangible fixed assets	(18 947)	(11 723)
Inflows- sales of tangible fixed assets	1 815	42
Outflows – acquisition of real estate investments	(247)	-
Inflows- sales of real estate investments	25	-
Outflows – acquisition of financial assets available for sale (held for sale)	(3 010)	(326)
Inflows- sales of financial assets available for sale (held for sale)	6 202	1 404
Outflows- acquisition of subsidiaries (less cash acquired)	(46 471)	(1 248)
Inflows-sales of subsidiaries	-	-
Inflows from government grants received	-	-
Loans granted	(584)	(1 780)
Repayment of loans granted	1 167	318
Interest received	768	93
Dividends received	-	-
Other inflows	-	74
Other outflows on investments	-	(105)
Net cash flows used in investing activities	(59 337)	(13 704)
Cash flows from financing activities		
Net proceeds from the issue of shares	-	334 325
Purchase of treasury shares	-	-
Proceeds from the issue of debt securities	-	-
Repayments of bonds	(110 000)	-
Repayment of interest on bonds	(3 441)	(1 397)
Redemption of debt securities	-	-
Proceeds from credits and loans	73 456	54 338
Repayment of credits and loans	(5 059)	(107 752)
Repayment of interest on credits and loans	(7 254)	(2 981)
Proceeds from interest on deposits	6 746	1 570
Repayment of finance lease liabilities	(732)	(560)

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interest paid	(77)	-
Dividends paid	-	-
Commission on credits	(77)	-
Other expenses	(29)	-
Net cash from financing activities	(46 467)	277 543
Net increase/decrease in cash and cash equivalents	(173 847)	189 939
Cash and cash equivalents at the beginning of the period	410 305	51 310
Increase/decrease due to foreign exchange differences	(483)	19
Cash and cash equivalents at the end of the period	235 975	241 268

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CONSOLIDATED STATEMENT OF SHARES TO SHAREHOLDERS' EQUITY BETWEEN 01.01. – 31.03.2008

Item	Shareholders' equity of the holding company				Minority shares	Total shareholders' equity
	Share capital	Other reserves	Retained earnings	Total		
Balance at 1st January 2007	12 030	292 519	63 539	368 088	12 079	380 167
Changes in adopted accounting principles (policy)	-	-	(915)	(915)	-	(915)
Fundamental error adjustments	-	-	-	-	-	-
Balance after changes	12 030	292 519	62 624	367 173	12 079	379 252
Changes in shareholders' equity between 01.01. – 31.12.2007						
Revaluation gains (losses)	-	311	-	311	-	311
Investments available for sale:	-	-	-	-	-	-
- valuation of profits (loss) charged to shareholders' equity	-	-	-	-	-	-
- transferred to profit (loss) on sales	-	-	-	-	-	-
Cash flows hedges	-	15 893	-	15 893	-	15 893
- profit (loss) charged to shareholders' equity	-	16 458	-	16 458	-	16 458
- profits (losses) charged to the financial result of the period	-	(565)	-	(565)	-	(565)
- profits (losses) included in the valuation of balance sheet value of hedged items	-	-	-	-	-	-
	-	168	-	168	-	168
Tax related to items presented in capital or transferred from capital	-	(2 837)	-	(2 837)	-	(2 837)
Net profit added directly to shareholders' equity	-	13 535	-	13 535	-	13 535
Net profit for the period between 01.01. - 31.12.2007	-	-	102 050	102 050	15 371	117 421
Total profit and loss for the period between 01.01-31.12.2007	-	13 535	102 050	115 585	15 371	130 956
Dividends	-	-	-	-	-	-
Share capital issued	1 400	333 090	-	334 490	-	334 490
Presentation adjustments	-	(742)	742	-	-	-
Distribution of financial result	-	48 929	(53 429)	(4 500)	-	(4 500)
Changes in Capital Group structure (acquisitions/sale)	-	(60 068)	-	(60 068)	(3 923)	(63 991)
Changes in Minority Shareholders' Equity resulting from negative shareholders' equity of subsidiaries	-	-	(4 684)	(4 684)	11 023	6 339
Balance at 31st December 2007	13 430	627 263	107 303	747 996	34 550	782 546

Balance at 1 st January 2008	13 430	627 263	107 303	747 996	34 550	782 546
Changes in adopted accounting principles (policy)	-	-	-	-	-	-
Balance after changes	13 430	627 263	107 303	747 996	34 550	782 546
Changes in shareholders' equity between 01.01. – 31.03.2008	-	-	-	-	-	-
Revaluation gains (losses)	-	-	-	-	-	-
Investments available for sale:	-	-	-	-	-	-
- valuation of profits transferred to shareholders' equity	-	-	-	-	-	-
- transferred to profit (loss) on sales	-	-	-	-	-	-
Cash flow hedges	-	4 948	-	4 948	-	4 948
- profits (losses) charged to shareholders' equity	-	4 314	-	4 314	-	4 314
- profits (losses) charged to the financial result of the period	-	634	-	634	-	634
- profits (losses) included in the valuation of balance sheet value of hedged items	-	-	-	-	-	-
Foreign exchange differences in the valuation of foreign	-	(12)	-	(12)	-	(12)
Tax related to items presented in capital or transferred from capital	-	(687)	-	(687)	-	(687)
Net profit presented directly as shareholders' equity	-	4 249	-	4 249	-	4 249
Net profit for the period between 01.01.- 31.03.2008	-		14 846	14 846	1 849	16 695
Total profit and loss for the period between 01.01-31.03.2008	-	4 249	14 846	19 095	1 849	20 944
Dividends	-	-	-	-	-	-
Share capital issued	-	-	-	-	-	-
Bonds convertible to shares issued	-	-	-	-	-	-
Changes in Capital Group structure (acquisitions/sale)	-	-	-	-	-	-
Other adjustments	-	111	-	111	(111)	-
Distribution of financial result	-	-	-	-	-	-
Balance at 31st March 2008	13 430	631 623	122 149	767 202	36 288	803 490

2 NOTES TO THE INTERIM CONSOLIDATED QUARTERLY REPORT AND CONDENSED QUARTERLY FINANCIAL STATEMENT FOR THE FIRST QUARTER OF 2008

2.1 Information about the holding company and the Capital Group

2.1.1. Holding company

The holding company of the Capital Group, PBG Spółka Akcyjna with its registered seat in Wysogotowo near Poznań, ul. Skórzewska 35, 62-081 Przeźmierowo was established on 2nd January 2004 by the Notarial Deed drawn up on 1st December 2003. The company was registered in the National Court Register under the no. 0000184508. The Company is operating on the territory of Poland on the basis of the provisions of the Code of Commercial Companies.

PBG SA was created as a result of the transformation of the 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 1st December 2003). The legal predecessor of the Issuer was established in 1997 by Jerzy Wiśniewski and Małgorzata Wiśniewska.

The composition of the governing bodies of the holding company PBG SA

Board of Directors

The composition of the Management Board of the company as of 31 March 2008:

- 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.

The composition of the Supervisory Board as of 31. 03. 2008:

- 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,
- Sarnowski Dariusz - Member of the Supervisory Board
- Adam Strzelecki - Member of the Supervisory Board

On 12 March 2008 Mr. Mirosław Dobrut resigned from the function of the Member of Supervisory Board; the reason for the resignation provided by him was the potential conflict of interests between the above function and another function in the governing bodies of a different Listed Company where he started to work.

2.1.2. Business line of the Capital group

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

The Capital Group also operates in the area of transfer and distribution of natural gas and heat as well as the construction of hydrotechnical, engineering and industrial facilities, water and sewage systems as well as gas and heating systems and wastewater treatment plants; it also trades in equipment and materials used in petroleum and gas branch as well as in water and sewerage branch.

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

PBG SA is a holding company of the Capital Group. The following changes took place in PBG Capital Group in the first quarter of 2008:

AVATIA Sp. z o.o.

- the registration of the Company

On 15 February 2008 the Board of Directors of PBG SA signed a Company Agreement with two natural persons; the Recitals of this agreement state that a limited liability company with a registered seat in Wysogotowo near Poznań was established. On 29 February 2008 the company was registered under a name AVATIA Sp. z o.o. by at the Regional Court Poznań- Nowe Miasto and Wilda in Poznań, VIII Commercial Division of the National Court Register. The share capital of the Company equals 50,000.00 (fifty thousand) PLN and is divided into 1,000 (one-thousand) shares with a nominal value of 50.00 (fifty) PLN each. Company partners are: PBG SA, which acquired 998 (nine-hundred ninety-eight) shares with a total value of 49,900.00 (forty-nine thousand nine hundred) PLN as well as two natural persons each of whom has 1 share. The shares which belong to PBG SA constitute 99.8 % of the share capital and the total voting power. The core business of the company is the provision of IT services, including: IT consultancy, IT systems implementation, data processing, services related with IT and computer technologies, software-related business, sale of ICT hardware, repair and conservation of hardware and peripheral devices, IT training. AVATIA as a member of PBG Capital Group will offer support in the IT area to all Companies within the Group. The share capital of the Company paid by PBG SA comes from the own resources of the Company.

BETPOL Sp. z o.o.

- acquisition of shares

,On 13 March 2006 the Board of Directors of PBG S.A. concluded an agreement for the disposal of shares with 3 natural persons, under which PBG SA acquired 14 244 999 registered series A shares of BETPOL SA, with a nominal value of 1 PLN each. All shares were purchased at a price of 2.90 PLN per share, however the amount of 40,246,497.10 PLN will be paid within three days of signing

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the agreements for the disposal of shares described above and the amount of 1,064,000.00 will be paid after the financial statement for the year 2008 has been approved on condition that the Company will have achieved forecast results for the year 2008, i.e. the revenues from sales which should not be not lower than 60,000,000.00 (sixty million) PLN and net profit not lower than 6,000,000.00 (six million) PLN. The acquired shares constitute 70 % of the share capital of the Company and the same percentage of the total voting power. Financing the acquisition of the company is a part of the strategy aimed at fulfilling issue objectives and is co-financed from the investment credit. The persons disposing of the shares and the persons managing and supervising PBG SA are not related. The acquired assets are not encumbered by limited rights in rem and were considered material as they represent over 20% of the capital of BETPOL S.A.

The company Betpol was established in 1990. The Company's scope of business includes mainly road works. The Company offers foamed bitumen cold recycling and it mills asphalt and concrete surfaces. Betpol also produces cold asphalt and bitumen mix and ready mix concrete. It also offers demolition services, assembly and construction services as well as installation services; it provides reinforced concrete works and it produces steel constructions as well as recycles gas originating from demolition.

PBG declares that it is interested in supporting further development of the Company and joint business activities consistent with the business line of the Company. The inclusion of BETPOL into the Capital Group will strengthen the activities of the group in the area of road construction.

APRIVIA Sp. z o.o.

- the registration of the Company

On 18 March 2008 the Board of Directors of PBG S.A. concluded a joint stock company deed with its registered office in Wysogotowo near Poznań. The share capital of the Company equals 500,000.00 (five-hundred thousand) PLN and is divided into 500,000 (five-hundred thousand) registered series A shares with preferential voting rights with a nominal value of 1.00 (one) PLN each. PBG SA acquired 100 % of shares in APRIVIA SA.

On 07 April 2008 the company was registered under a name APRIVIA SA. at the Regional Court Poznań- Nowe Miasto and Wilda in Poznań, VIII Commercial Division of the National Court Register. APRIVIA SA will be responsible for strengthening the position of PBG Capital Group in the area of road construction through such activities as the acquisition and the execution of new contracts and the organization of financing. The resources for the establishment of the Company paid by PBG SA come from the revenues from the issue of shares. In the future PBG SA may further invest in the newly-established company.

Changes in subsidiaries

INFRA SA

- the acquisition of shares

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On 02 April 2008 a subsidiary INFRA SA acquired 25,969 shares in the Company "WIERTMAR" Sp. z o.o. with its registered seat in Kopanka with a nominal value of 50 PLN each. The acquired shares in the amount of 4,207,774.19 PLN constitute 51 % of the share capital of "Wiertmar" Sp. z o.o.

"Wiertmar" Sp. z o.o. is a company operating in the area of construction services such as the renovation and monitoring of pipeworks and non-excavation technologies.

PBG SA views the acquisition of the Company "Wiertmar" Sp. z o.o. by the Company INFRA SA as an investment; its inclusion in PBG Capital Group will back-up the Companies operating in the area of hydrotechnics in the execution of their obligations. PBG SA has no intention of changing the business profile of "Wiertmar" Sp. z o.o. The acquisition of shares was financed from own resources of the Company INFRA SA.

The acquired assets were considered material as they represent over 20% of the capitals of the Company included into PBG Capital Group.

Consolidated companies:

The following companies were consolidated as of 31 March 2008 and 31 March 2008:

Name of the company	Registered seat	Share in the capital as of		Consolidation method
		31.03.2008.	31.03.2007.	
Metorex Sp. z o.o.	seat	99.56%	99.56%	full
Infra SA	Wysogotowo n. Poznań / Poland	99.95%	99.95%	full
INSI Sp. z o.o.	Wrocław / Poland	51.02%	-	full **
Hydrobudowa Włocławek SA	Włocławek / Poland	-	91.84%	full
Hydrobudowa Śląsk SA	Katowice / Poland	-	58.15%	full
Hydrobudowa Polska SA *	Wysogotowo n. Poznań / Polska	76.00%	-*	full
KWG SA	Szczecin / Poland	100.00%	100.00%	full
Hydrobudowa 9 PIB SA	Poznań / Poland	69.26%	-	full
Dromost Sp. z o.o.	Żabno / Poland	87.40%	-	full
PBG Dom Sp. z o.o.	Wysogotowo n. Poznań / Poland	84.85%	-	full
Apartamenty Poznańskie Sp. z o.o.	Poznań / Poland	51.00%	-	full
Przedsiębiorstwo Robót Inżynieryjno Drogowych SA	Nowy Tomyśl / Poland	100.00%	-	full
	Wrocław / Poland	100.00%	-	full
Rathinex Sp. z o.o. AMUR Sp. z o.o.	Wysogotowo/ Poland	100.00%	-	full
AVATIA Sp. z o.o.	Wysogotowo/ Poland	99.80%	-	full
Betpol SA	Bydgoszcz/ Poland	70.00%	-	full
Gas & Oil Engineering sr.o.	Poprad / Slovakia	62.45%	-	full
Excan Oil and Gas Engineering Ltd.	Edmonton / Canada	100.00%	-	full

* Hydrobudowa Polska SA with registered seat in Wysogotowo near Poznań was created as a result of merger of the following Companies: Hydrobudowa Włocławek SA with registered seat in Włocławek and Hydrobudowa Śląsk SA with registered seat in Katowice

** PRIS Spółka z o.o. is a subsidiary of INFRA SA

Due to the ongoing preparation work of the opening balance of the following companies: Avatia Sp. z o.o., Aprivia SA and Betpol SA, the Board of Directors of PBG SA decided not to include the results of the above companies in the consolidated statement of PBG for the first quarter. Such results will be included in the consolidated statement for the second quarter of 2008.

2.2 Accounting principles employed in the consolidated and individual report for the first quarter of 2008

This financial statement has been drawn in line with IAS 34 "Interim financial reporting", employing the same principles for the current and comparative periods. Detailed accounting principles employed by the Capital Group as well as the principles concerning reporting currency and the level of rounding have been described in the interim report for 2007 available on the Company's web page under the following address: <http://www.inwestor.pbg-sa.pl/nowa/pl/detale.asp?id=1639>

2.2.1 The impact of new standards and interpretation on the Capital Group statement.

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

IFRS 7: "Financial Instruments: disclosure of information"

Changes to IAS 1 "Presentation of financial statements- disclosures concerning capitals",

The Capital Group has verified new interpretations, standards and changes

to the existing standards. New interpretations and standards as well as changes to the existing standards have no significant impact on the accounting principles (policy) employed by the Capital Group. The following standards and interpretations have been released by the International Accounting Standards Board (IASB) or the International Financial Reporting Standards Interpretation Committee (IFRIC), but they have not yet come into force:

- A change to IAS 23 "Borrowing costs" (binding from 1 January 2009; however, it has not been approved by the European Union yet),
- A change to IAS 1, "Presentation of financial statements" (binding from 1 January 2009; however, it has not been approved by the European Union yet),
- IFRS 8, "Operating segments" (effective for annual periods starting after 1 January 2009),
- Revised IFRS 3, "Business combinations" (effective for annual periods starting after 1 January 2009; however, it has not been approved by the European Union yet),
- Revised IFRS 27, "Consolidated and separate financial statements" (effective for annual periods starting after 1 January 2009; however, it has not been approved by the European Union yet),

. • IFRIC Interpretation 11: "Group and Treasury Share Transactions" – effective for annual periods starting after 1 March 2007 • IFRIC Interpretation 12: Service concession arrangements (effective for the annual periods starting after 1 January 2008), • IFRIC Interpretation 13: "Customer loyalty programmes" (effective for the annual periods starting after 1 July 2008), • IFRIC Interpretation 14, IAS 19: "The limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction" ((effective for the annual periods starting after 1 January 2008). The Board of Directors of the holding company does not think that the implementation of the above standards and interpretations could significantly impact the accounting principles (policy) employed by the Capital Group.

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, profit from operations, net and gross profit, net cash flows from operations, net cash flow from investing activities and net cash flow from financing activities as well as total net cash flows for the first quarter of 2008 were calculated on the basis of average EUR exchange rate which is the arithmetic mean of average exchange rates of the National Bank of Poland on the last day of each month, i.e. 3.5574 PLN :

b) net revenues from sales of products, goods and materials, profit from operations, net and gross profit, net cash flows from operations, net cash flow from investing activities and net cash flow from financing activities as well as total net cash flows for the first quarter of 2007 were calculated on the basis of average EUR exchange rate which is the arithmetic mean of average exchange rates of the National Bank of Poland on the last day of each month, i.e. 3.9063 PLN :

c) total assets. liabilities and provision for liabilities, long term liabilities, short-term liabilities, shareholders' equity as well as share capital as of 31.03.2008 was calculated according to the average EUR exchange rate on 31.03.2008, i.e.: 3.5258 PLN.

d) total assets. liabilities and provision for liabilities, long term liabilities, short-term liabilities, shareholders' equity as well as share capital as of 31.03.2008 was calculated according to the average EUR exchange rate on 31.03.2007, i.e.: 3.8695 PLN :

2.3 Important achievements and failures of the Capital Group in the first quarter of 2008 together with the list of key events related to them.

In the first quarter of 2008 net revenues of PBG Capital Group from the sales of products, goods and materials reached the amount of 307,336 thousand PLN which resulted in the gross profit of 40,687 thousand PLN. The following construction contracts were the most important sources of revenue from ordinary activities of PBG Capital Group in the first quarter:

- a. the contract for "The construction of a water pipe network for Szczecin left side of the river (Part I- Interceptor K2, Part II- Interceptor W)" signed between Zakład Wodociągów i Kanalizacji Sp. z o.o. and HB9 PIB SA- generated revenues: 25,403 thousand PLN
- b. the contract for "The upgrade of the Left-Bank Wastewater Treatment Plant in Poznań" signed between the City of Poznań and HB 9 PIB SA - generated revenues: 17,156 thousand PLN
- c. the contract for "The extension of the sewer system of the Ołtaszyn estate " signed between Wrocław Commune and Hydrobudowa Polska SA (previously Hydrobudowa Włocławek SA)- generated revenues: 14,996 thousand PLN
- d. contract for "Preparatory works to perform construction and design works related to a construction facility in Świnoujście" concluded between Pomerania Development and PBG S.A. – generated revenues: 14,982 thousand PLN
- e. the contract for "The extension and conversion of the wastewater treatment plant in Piaseczno" signed between Piaseczno Commune and Hydrobudowa Polska SA (previously Hydrobudowa Włocławek SA)- generated revenues: 14,596 thousand PLN
- f. the contract for "The construction of denitrating plant in Grodzisk" signed between the Warsaw Branch of Polish Petroleum and Gas Mining Company (PGNiG) and PBG SA- generated revenues: 12,094 thousand PLN
- g. the contract for "The construction of the pumping plant in Grabów and Dolny Brzeg and sewer force mains" signed between Zakład Wodociągów i Kanalizacji Sp. z o.o. in Szczecin and HB 9 PIB SA- generated revenues: 9,699 thousand PLN
- h. the contract for "The supply and construction of underground storage reservoirs in Poland" signed between NATO Investment Department and PBG SA: generated revenues: 9,266 thousand PLN

The list of the key events related to the achievements or the failures of the Capital Group in the first quarter of 2008 that were included in current reports of the holding company of the Group in the period covered by this statement.

Mergers, acquisitions and new subsidiaries

On 15 February 2008 the Board of Directors of PBG SA signed a Company Agreement with two natural persons; the Recitals of this agreement state that a limited liability company with a registered seat in Wysogotowo near Poznań was established. On 29 February 2008 the company was registered under a name AVATIA Sp. z o.o. by at the Regional Court Poznan- Nowe Miasto and Wilda in Poznan, VIII Commercial Division of the National Court Register. The share capital of the Company equals 50,000.00 (fifty thousand) PLN and is divided into 1,000 (one-thousand) shares with a nominal value of 50.00 (fifty) PLN each. Company partners are: PBG SA, which acquired 998 (nine-hundred ninety-eight) shares with a total value of 49,900.00 (forty-nine thousand nine hundred) PLN as well as two natural persons each of whom has 1 share. The shares which belong to PBG SA constitute 99.8 % of the share capital and the total voting power. The core business of the company is the provision of IT services, including: IT consultancy, IT systems implementation, data processing, services related with IT and computer technologies, software-related business, sale of ICT hardware, repair and conservation of hardware and peripheral devices, IT training. AVATIA as a member of PBG Capital Group will offer support in the IT area to all Companies within the Group. Share capital of the Company paid by PBG SA comes from the own resources of the Company.

,On 13 March 2006 the Board of Directors of PBG S.A. concluded an agreement for the disposal of shares with 3 natural persons, under which PBG SA acquired 14 244 999 registered series A shares of BETPOL SA, with a nominal value of 1 PLN each. All shares have been acquired at the per-share price of PLN 2.90, while the amount of PLN 40 246 497.10 will be paid within 3 days from signing the said disposal agreements, and the amount PLN 1 064 000.00 will be payable following the approval of the financial statements for 2008 provided that the Company achieves the forecast results for 2008 i.e. revenues not less than PLN 60 000 000.00 (sixty million) from sales and net profit not less than PLN 6 000 000.00 (six million). The acquired shares constitute 70 % of the share capital of the Company and the same percentage of the total voting power. Financing the acquisition of the company is a part of the strategy aimed at fulfilling issue objectives and is co-financed from the investment credit. The persons disposing of the shares and the persons managing and supervising PBG SA are not related. The acquired assets are not encumbered by limited rights in rem and were considered material as they represent over 20% of the capitals of BETPOL S.A.

Betpol was established in 1990. The Company's scope of business includes mainly road works. The Company offers foamed bitumen cold recycling. It also mills asphalt and concrete surfaces.

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Betpol produces cold asphalt and bitumen mix and ready mix concrete. It also offers demolition services, assembly and construction services as well as installation services; it provides reinforced concrete works and it produces steel constructions. Moreover, it recycles gas originating from demolition.

PBG declares that it is interested in supporting further development of the Company and joint business activities consistent with the business line of the Company. The inclusion of BETPOL into the Capital Group will strengthen the activities of the group in the area of road construction.

On 18 March 2008 the Board of Directors of PBG S.A. concluded a joint stock company deed with its registered office in Wysogotowo near Poznan. The share capital of the Company equals 500,000.00 (five-hundred thousand) PLN and is divided into 500,000 (five-hundred thousand) registered series A shares with preferential voting rights with a nominal value of 1.00 (one) PLN each. PBG SA acquired 100 % of shares in APRIVIA SA.

On 07 April 2008 the company was registered under a name APRIVIA SA. at the Regional Court Poznań- Nowe Miasto and Wilda in Poznań, VIII Commercial Division of the National Court Register.

APRIVIA SA will be responsible for strengthening the position of PBG Capital Group in the area of road building through activities such as acquisition and execution of contracts and the organisation of financing. The resources for the establishment of the Company paid by PBG SA come from the resources from the issue of shares. In the future PBG SA may further invest in the newly-established company.

On 02 April 2008 a subsidiary INFRA SA acquired 25,969 shares in the Company "WIERTMAR" Sp. z o.o. with its registered seat in Kopanka with a nominal value of 50 PLN each. The acquired shares in the amount of 4,207,774.19 PLN constitute 51 % of the share capital of "Wiertmar" Sp. z o.o.

"Wiertmar" Sp. z o.o. is a company operating in the area of construction services such as the renovation and monitoring of pipeworks and non-excavation technologies.

PBG SA views the acquisition of the Company "Wiertmar" Sp. z o.o. by the Company INFRA SA as an investment; its inclusion in PBG Capital Group will back-up the Companies operating in the area of hydrotechnics in the execution of their obligations. PBG SA has no intention of changing the business profile of "Wiertmar" Sp. z o.o. The acquisition of shares was financed from own resources of the Company INFRA SA.

The acquired assets were considered material as they represent over 20% of the capitals of the Company included into PBG Capital Group.

Issue of shares, disposal and acquisition of shares by shareholders of PBG S.A.

On 17 January 2008 the Board of Directors of PBG SA issued the information about PBG SA share transactions in 2007 on the basis of the statement submitted to the Company by Mr. Jacek Kseń who is the Vice-Chairman of the Supervisory Board of PBG SA. On 12th November 2007, Mr. Jacek Kseń acquired 50 ordinary bearer shares of PBG SA in trading at the per-share price of PLN 300.

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On 23 January 2008 the Board of directors of PBG SA received the statements submitted by the management representatives concerning PBG SA securities transactions in 2008. All transactions consisted in acquiring PBG SA shares from the Underwriter as part of the Incentive Scheme run by the Company.

On 22nd August 2007 series D shares of PBG SA allocated as part of the Incentive Scheme at the per-share price of PLN 1.16:

1) were acquired by the management representatives who are the members of the Board of Directors in the amount of:

- - 2 000 ordinary bearer shares;
- - 750 ordinary bearer shares
- - 1 500 ordinary bearer shares;

2) were acquired by the management representatives who act as a Proxy in the amount of:

- - 365 ordinary bearer shares;
- - 365 ordinary bearer shares;

3) were acquired by the management representative who is a member of the Supervisory Board in the amount of 250 bearer ordinary shares.

Contracts concluded

On 3 January 2008 the Board of Directors of PBG SA informed about a corporate guarantee issued on 21 December 2007 by the subsidiary Hydrobudowa 9 Przedsiębiorstwo Inżynieryjno - Budowlane SA to ING Bank Śląski SA for the amount not exceeding 100 000 PLN. The guarantee was issued in relation to the participation of the company Hydrobudowa 9 SA in the Framework Agreement to grant a credit limit in the amount of 100,000 thousand PLN concluded on 6 September 2007 between the companies within PBG Capital Group such as PBG SA, Hydrobudowa Włocławek SA, Infra SA and ING Bank Śląski SA.

Corporate guarantees issued by Hydrobudowę 9 Przedsiębiorstwo Inżynieryjno - Budowlane SA and the remaining Companies are binding until the day of settlements of liabilities under the Framework Agreement. Furthermore, upon signing the Annex, Hydrobudowa 9 SA, similarly as other Companies, assumed the obligation to ensure other securities of the Framework Agreement, i.e. assignment of receivables, powers of attorney to use the bank accounts managed for the Companies and written representations about submission to enforcement of up to PLN 150.000 thousand PLN with the possibility for the bank to request an enforcement clause for the bank enforcement title until 13th August 2012.

On 15th January 2008, PBG S.A. concluded an agreement on encumbering shares of its subsidiary Przedsiębiorstwo Robót Inżynieryjno- Drogowych SA with registered seat in Nowy Tomyśl with registered pledge with Polska Kasa Opieki SA.

- The shares which are encumbered with a pledge are entirely owned by PBG SA; they are not encumbered with any third party rights and there are no contractual, legal and statutory restrictions as to their disposal.

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The shares of PRID SA encumbered with a pledge constitute 100 % of share capital. There are 25,000 shares with a nominal value of 20 PLN each. The value of PRID SA shares recorded in the accounting books of PBG SA equals 22,000 thousand PLN.

The registered pledge agreement was concluded to secure the Bank's claims of PLN 18.700 arising from the investment loan granted by the Bank to PBG SA on 11th January 2008. The registered pledge under the agreement is subject to entry to the register of registered pledges. The loan is also secured by the guarantee issued by Hydrobudowa Polska SA- a company which belongs to PBG Capital Group.

The agreement for investment loan of up to 18.700 PLN secured by the assets was concluded on the basis of the credit line agreement signed on 11th January 2008 for financing capital investment of up to 60,000 thousand PLN . The Party to the agreement is PBG S.A. and Polska Kasa Opieki S.A. is the Borrower. The agreement cannot be classified as a material agreement. The assets encumbered with a pledge constitute 100 % of the shares of the company PRID SA within PBG Capital Group and the pledge equivalent expressed in PLN exceeds 1,000,000 EUR.

On 28 February 2008 the Board of Directors of PBG SA issued a guarantee in favour of its subsidiary Hydrobudowa 9 Przedsiębiorstwo Inżynieryjno- Budowlane SA to Raifeisen Bank Polska SA in the amount of up to 22,650,000 EUR; such amount exceeds 10 % of the shareholders' equity of PBG SA. The guarantee was granted for the transactions concluded between Hydrobudowa 9 SA and Raiffesen Bank Polska SA as part of the limit of EUR 15.100.000 under the Framework Agreement for forward and derivative transactions of 29th November 2007 as amended. The guaranty is binding until 31 December 2013. In this period the Bank can request an enforcement clause for the bank enforcement title for the amount of up to 22,650,000 EUR in order to settle the claims of the Bank related to the completed transactions. The guarantee covers all liabilities that Hydrobudowa 9 SA might incur as a result of concluded transactions.

At the end of the accounting year PBG SA will charge fees for the guarantee calculated on market terms.

On 14 March 2008 the Board of Directors of PBG SA informed about the guarantees issued by the Companies: PBG SA, Hydrobudowa Polska SA, Infra SA and Hydrobudowa 9 PIB SA covering any liabilities of the Companies within PBG Capital Group in relation to the conclusion of the framework agreement and the w additional agreement between Hydrobudowa 9 PIB and ING Bank Śląski SA.

After the Bank had increased credit limit of the Companies within PBG Capital Group from the amount of 7 million EUR to the amount of 25 million EUR on the basis of the framework agreement of 4 April 2006 this agreement could be classified as a material agreement on the basis of the criterion of shareholders' equity of PBG SA. The subject matter of the framework agreement and the additional agreement is to regulate the rules of concluding and settling transactions. The types of transactions that could be concluded between the parties under the agreement described above are as follows: interest rate transactions (including deliverable interest rate transactions- such as deposit transactions, non-deliverable interest rate transactions, such as interest rate swap as well as forward rate agreement transactions (FRA transactions) as well as foreign exchange transactions (including deliverable transactions- such as currency exchange transactions, forward currency exchange transactions, currency swap and non-deliverable transactions such as non-deliverable forward foreign exchange transactions (NDF transactions) and also mixed and optional transactions.

The agreement has been concluded for an indefinite period of time and can be terminated by any of the Parties at the end of a calendar month upon a month notice or upon mutual agreement of both Parties.

On 28 March 2008 The Board of Directors of PBG S.A. signed an annex to an agreement with Pomerania Development Sp. z o.o. The subject matter of the agreement is the execution of construction and design works related to a facility consisting of nine residential, retail and services estates in Świnoujście. According to the Agreement PBG SA would be the General Constructor. The annex increases the value of the agreement to 190,035,865.22 net PLN. The other provisions of the agreement were not amended.

Other events

On 12 March 2008 Mr. Mirosław Dobrut resigned from the function of the Member of Supervisory Board of PBG SA. The reason for the resignation provided by him was the potential conflict of interests between the above function and another function in the governing bodies of a different Listed Company where he started to work.

2.4 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 achieved financial results in the first quarter of 2008.

2.5 The events which occurred after 31 March 2008 which could greatly influence future financial results not covered by this statement and which could greatly influence consolidated financial results of the Capital Group and unit financial results of PBG SA.

Mergers, acquisitions and new subsidiaries

On 02 April 2008 a subsidiary INFRA SA acquired 25,969 shares in the Company "WIERTMAR" Sp. z o.o. with its registered seat in Kopanka with a nominal value of 50 PLN each. The acquired shares in the amount of 4,207,774.19 PLN constitute 51 % of the share capital of "Wiertmar" Sp. z o.o.

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"Wiertmar" Sp. z o.o. is a company operating in the area of construction services such as the renovation and monitoring of pipeworks and non-excavation technologies.

PBG SA views the acquisition of the Company "Wiertmar" Sp. z o.o. by the Company INFRA SA as an investment; its inclusion in PBG Capital Group will back-up the Companies operating in the area of hydrotechnics in the execution of their obligations.

PBG SA has no intention of changing the business profile of "Wiertmar" Sp. z o.o.

The acquisition of shares was financed from own resources of the Company INFRA SA.

The acquired assets were considered material as they represent over 20% of the capital of the Company included into PBG Capital Group.

Issue of shares, disposal and acquisition of shares by shareholders of PBG S.A.

On 11 April 2008 The Board of Directors of PBG SA received a notification dated 10 April 2008 from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. with its registered seat in Poznan, acting on behalf of such Funds as 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 amount of PBG SA shares held, resulting from the sale of shares settled on 8th April 2008. As a result of this transaction the shares held by the Notifying Party correspond to 5 % of the total voting power at the General Meeting of PBG SA shareholders, i.e. 4.92 %. Before the disposal of shares the Funds held 896,593 shares of PBG SA which equaled 6.6760 % of share capital of PBG SA and which corresponded to 5.0005 % of the total voting power in PBG SA. On the day of shares disposal, i.e. on 08 April 2008 the Funds held 882,348 shares of PBG SA which constituted 6.65 % of share capital of the Company and which corresponded to 4.92 % of the total voting power in PBG SA.

Contracts concluded

On 02 April 2008 the Companies from PBG Capital Group, i.e. PBG SA, HYDROBUDOWA POLSKA SA, INFRA SA, and HYDROBUDOWA 9 PIB SA, (" the Obligated Parties" and Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA ("the Guarantor") concluded a co-operation agreement which is the basis for issuing insurance guarantees within guarantee limit specified in the agreement.

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

- * bid bonds with the effective period not longer than 12 months;
- * performance bonds with the effective period not longer than 60 months;

* defects liability bonds with the effective period not longer than 60 months;

* performance bonds issued together with a defects liability bonds with the effective period not longer than 72 months;

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performance bonds issued together with a defects liability bonds for projects financed from EU funds or public tenders with the effective period not longer than 84 months on condition that such legal/official requirement applies;

*Advance payment guarantees with the effective period not longer than 18 months;

The maximum amount for all guarantees issued thereunder cannot exceed the principal limit, i.e. PLN 90 000 000.00.

The principal limit is the maximum amount of all guarantees in force and is revolving, which means that new guarantees may be issued in place of guarantees which have already expired. On the day of the conclusion of the agreement the total amount of guarantees issued to the Obligated Parties on the basis of guarantee agreements equaled 48,553,976.96 PLN

The agreement was concluded for an indefinite period.

The claims of the Guarantor are secured by 10 blank promissory notes issued by the Obligated Parties.

A blank promissory note agreement was attached to each promissory note

The Co-operation Agreement can be classified as material on the basis of the shareholders' equity of the Issuer.

On 3 April 2008 the Board of Directors of PBG SA ("the Issuer") acting as a Consortium Partner of the Consortium which also comprises two other PBG Capital Group Companies: :

- HYDROBUDOWA 9 PIB SA – the Consortium Leader
- and HYDROBUDOWA POLSKA SA – the Consortium Partner

signed an agreement with Miejskie Wodociągi i Kanalizacja Sp. z o. o. ("the Contracting Party") with its registered seat in Bydgoszcz

for " The discharge of rainwater from the zones of protected water intake LAS GDAŃSKI and CZYŻYKÓWKO and the extension of the rainwater discharge system in Bydgoszcz."

The value of the concluded agreement totals EUR 30,809,573.57 net.

The agreement will be executed within 31 months from its effective date. The Parties to the agreement have agreed upon the following percentage division of works to be executed:

- HYDROBUDOWA POLSKA SA – a Consortium Partner shall perform and shall be responsible for 20% of the scope of works related to task completion;
- PBG SA - a Consortium Partner, shall perform and shall be responsible for 10% of the scope of works related to task completion.

The works specified in the Agreement will be executed according to the CONTRACTUAL TERMS AND CONDITIONS OF INSTALLATIONS, DESIGN AND CONSTRUCTION for electrical and mechanic 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 with a total length of 75.48 km
- * discharge mains with a total length of 2.15 km
- * network rainwater pumping stations – 5 pcs

* storage reservoirs 9 pcs

* rain wastewater treatment plant - 61 sets (including 5 pumping stations) on the territory of the City of Bydgoszcz.

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The agreement contains the provisions defining contractual penalties; the Contractor shall be liable to a contractual penalty of 0.05 % of the gross approved contractual amount for each day of delay in the execution of works. Maximum amount of contractual penalties cannot exceed 20% of the Approved Contractual Amount. The above agreement can be classified as material on the basis of the shareholders' equity of the Issuer.

On 7th April 2008 the Companies of PBG Capital Group concluded a mandate agreement for interim granting of contractual guarantees with Powszechny Zakład Ubezpieczeń SA. The agreement has been concluded by the following Companies of PBG SA Capital Group: Hydrobudowa Polska SA, Hydrobudowa 9 SA and Infra SA.

The subject matter of the agreement is to define rules for granting contract guarantees by PZU SA, as part of a revolving commitment limit of PLN 100.000, valid until 6th April 2009. The following guarantees may be issued to the Companies of the Capital Group under the agreement described above:

- bid bonds with the effective period not longer than 12 months;
- performance bonds with the effective period not longer than 72 months;
- defects liability bonds with the effective period not longer than 72 months;
- performance bonds issued together with a defects liability bonds with the total effective period of 84 months together with 15 days for the release of the securing instruments;
- advance payment guarantees with the effective period not longer than 36 months. The parties agreed that the claims of PZU SA will be secured by:

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

The Bank shall receive remuneration (compliant with market conditions) for the guarantees issued. The agreement was concluded for an indefinite period of time. Shall the maximum commitment limit which is binding until 06 April 2009 be not renewed the contract shall terminate on the day of expiry of all contractual obligations of the parties. This agreement was classified as material on the basis of the criterion of the shareholders' equity.

On 7 April 2008 the Companies of PBG Capital Group signed annexes to the framework agreement with ING Bank Śląski SA.

The subject matter of the agreement is a credit limit granted to the Companies of PBG Capital Group PBG SA, Hydrobudowa Polska SA, INFRA SA i Hydrobudowa 9 SA in the amount of 100.000 thousand PLN. Under this agreement the companies can obtain loans for the period between 3 and 12 months, guarantees for the maximum period of 5 years and letters of credit for the period of 12 months.

ING charges fees and commissions related to granted loans, guarantees and letters of credit in the amounts based on market conditions. The enforcement of any obligations arising under this agreement is the joint responsibility of all Companies. The agreement provides 13 August 2008 as the expiry date of the agreement. The parties agreed to use the following credit guarantees: - assignment of receivables, powers of attorney to use the bank accounts managed for the Companies and written representations about submission to enforcement of up to PLN 150.000 thousand PLN with the possibility for the bank to request an enforcement clause for the bank enforcement title until 13th August 2012 as well as corporate guarantees of the Companies which are the Parties to the agreement of up to 100,000 thousand PLN each and which shall be binding until the settlement of liabilities under the framework agreement. In accordance with the annex signed this day, more Companies from PBG Capital Group, i.e. Avatia Sp. z o.o. and PRIS Sp. z o.o., became Parties to the agreement. The second annex introduces the possibility to extend the guarantee after three years to two reguarantees to offers made in Pakistan.

Moreover on 7th April 2008, Companies from the PBG Capital Group signed an annex to the agreement of 28th December 2005 on granting contract guarantees as part of the specified guarantee limit, with an insurance company TuiR "Warta" SA.

Under this agreement, TuiR "Warta" SA specified a limit, to which, upon written requests of the Companies of the PBG Capital Group, i.e. PBG SA, Hydrobudowa Polska SA and INFRA S.A., TuiR "Warta" SA shall grant contractual guarantees. The limit was defined as the amount of 100,000,000 PLN. The insurance company can issue the following guarantees within the limit described above: a) bid bonds, b) performance bonds, c) defects liability bonds, d) advance payment guarantees.

Pursuant to the annex concluded, the guarantee portfolio was changed. At present, guarantees for claims of the insurance company resulting from this agreement are:

- a) 8 blank promissory notes with a relevant blank promissory note agreement issued by PBG S.A., guaranteed by Hydrobudowa Polska SA,
- b) 14 blank promissory notes with a relevant blank promissory note agreement issued by Hydrobudowa Polska SA, guaranteed by PBG SA,
- c) 7 blank promissory notes with a relevant blank promissory note agreement issued by INFRA SA, guaranteed by Hydrobudowa Polska SA and PBG SA,
- d) the deed of voluntary submission to enforcement of PBG SA, Hydrobudowa Polska SA and INFRA SA under which the Companies may submit to enforcement as a result of claims of the insurance company related to the guarantees issued in favour of any Company which is the Party to the agreement,
- e) one blank promissory note issued by natural persons jointly running business activity under the name Kazimierz Mazur, Andrzej Wilczyński "MAZUR" spółka cywilna, for the securing of the performance bond of the order no. PO/234/105/GW/GG/2007, guaranteed by Hydrobudowa Polska SA and INFRA SA,
- f) PBG SA corporate guarantee.

On 9 April 2008 PBG SA concluded an agreement with Piecogaz SA defining the principles of co-operation in the area of joint implementation of the investment project.

Under this agreement PBG SA shall commission the construction works to the company Piecogaz SA valued approximately 100,000,000 (one-hundred million) PLN by 31 December 2010. Under the provisions of this agreement, PIECOBIOGAZ SA undertakes to ensure its readiness to execute the above mentioned tasks.

Each decision to start the co-operation will be subject to the following conditions:

- 1) PBG SA shall deliver the order as a general contractor, valued at least at 20,000,000 (twenty million) PLN;
- 2) the Investor shall agree for the works to be commissioned to a subcontractor;
- 3) PBG partners shall agree for PIECOBIOGAZ to act as subcontractor;
- 4) PBG SA shall not receive an offer which could be more beneficial than the one of PIECOBIOGAZ;

5) If PBG SA shall obtain any necessary permits required by internal compliance regulations. The Board of Directors of PBG SA would also like to inform that during 12 month PBG SA concluded agreements with Piecobiogaz SA for the total amount of 51,583,124.21 PLN (fifty-one million five-hundred and eighty-three thousand one hundred twenty-four point twenty-one PLN) and therefore the material agreement described in this statement is valued at 151,583,124.21 PLN.

On 16 April 2008 PBG SA concluded a material agreement with the company "Nairit Plant" with its registered seat in Yerevan, the Republic of Armenia, the net value of which equals 210,000,000.00 USD (two-hundred million USD net) and the gross value equals 252,000,000.00 USD (two-hundred and fifty-two million USD). The subject matter of the agreement was accepting the Company as the Contractor for comprehensive execution of the project entitled „Reconstruction and Modernisation of the Nairit CJSC Site”. The task shall be completed within 30 months.

PBG SA shall guarantee that from the moment the agreement has been signed to the moment of signing the Final Acceptance Protocol it shall act as an insurer and that it shall provide the types of insurance specified below:

- third party liability insurance, including contractual and tortious liability,
- third party liability insurance for damages to the property entrusted by the Contracting Party.
- third party liability insurance for damages caused by Contractor's subcontractors. Pursuant to the agreement, contractual penalties shall apply

as follows:

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

- a) for the delay in the completion of the whole Project: 0.1 % net remuneration for each week of delay; the penalty shall be imposed at the beginning of each week,,
- b) the total value of contractual penalties for the delay specified in 1a) shall not exceed 5.0% of the net value of Remuneration.

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

a contractual penalty in the amount of 0.1 % of the net value of Remuneration for each week of delay in taking action to obtain or supply

the documents, agreements, tests, measurements, Required Decisions and other relevant documentation specified in the Agreement;

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the delay shall be calculated with reference to the deadlines for taking action described above specified in the agreement;

the total value of contractual penalties shall not exceed 5.0 % of the net value of Remuneration.

b) a contractual penalty of 10 % of the net value of the Remuneration for the waiver or termination of the agreement at fault of the Contracting Party.

Moreover on 18 April 2008 the Board of Directors of PBG SA concluded a material subcontracting agreement with the company "Nairit Plant" CJSC the net value of which equals 80,000,000.00 USD (eighty million USD). The subject matter of the agreement is to hire "Nairit Plant" CJSC as the Subcontractor of PBG SA that is the Contractor of a part of works related to the execution of the project entitled "Reconstruction and Modernisation of the Nairit CJSC Site" commissioned to PBG SA under the Main Agreement.

The tasks assigned to the Subcontractor will be implemented in the timescales 20 days shorter than in the schedules provided for in the Main Agreement.

The Subcontractor shall insure the following risks from in the period between signing the Agreement and signing Final Acceptance Protocol:

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

Maximum amount of contractual penalties cannot exceed 10% of the Subcontractor's Remuneration.

The scope of works commissioned to the Subcontractor shall not exceed permitted percentage share of works, goods or services performed or supplied by a foreign partner in compliance with the provisions of Polish legislation on export loans.

The Agreement becomes binding on the same day on which the Main Agreement becomes binding.

This agreement was classified as material on the basis of the criterion of shareholders' equity.

On 29 April the board of Directors of PBG SA together with other Companies from PBG Capital Group: HYDROBUDOWA POLSKA SA and INFRA SA concluded a credit limit agreement with Millennium SA Bank with its registered seat in Warsaw.

Under the agreement the Bank has granted a credit limit for the maximum amount of 95,000,000.00 PLN, including:

- a credit limit granted to PBG SA for the maximum amount of PLN 49 600 000;

- a credit limit granted to HYDROBUDOWA POLSKA SA for the maximum amount of PLN 27 250 000;
- a credit limit granted to Infra SA for the maximum amount of PLN 18 150 000;

The limit shall be binding until 07 October 2008 and it can be used with under detailed agreements for obtaining:

- short-term loans and letters of credit the effective period of which shall not exceed 12 month;
- guarantees (tender bonds, advance payment guarantees, warranty and reimbursement, performance bonds, retention money guarantees, payment guarantees) the effective period of which shall not exceed 36 months;
- treasury transactions.

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Each detailed agreement shall specify the guarantees of the transactions which are specified below:

a) in case of short-term revolving loans and debit cards such guarantee could be:

- * a blank promissory note
- * a representation about submission to enforcement in the amount of 150 % of the transaction
- * an assignment of receivables under the contract the total value of which calculated as the amount due shall cover at 150 % of the limit amount on condition that the assignment shall apply only to the contract signed (this guarantee does not apply to debit cards),
- * the power of attorney to use the bank accounts managed by Bank Millenium SA,
- * a civil law guarantee such as a cross guarantee by PBG SA, HYDROBUDOWY POLSKA SA and INFRA SA

b) in case of tender bonds, performance bonds, advance payment guarantee, warranty and reimbursement of retained money such guarantee could be:

- * a representation about submission to enforcement in the amount of 150 % of the transaction
- * an assignment of receivables under the contract the total value of which calculated as the amount due shall cover at 150 % of the limit amount on condition that the assignment shall apply only to the contract signed (this guarantee does not apply to tender bonds),
- * the power of attorney to use the bank accounts managed by Bank Millenium SA,
- * a civil law guarantee such as a cross guarantee by PBG SA, HYDROBUDOWA POLSKA SA and INFRA SA

c) in case of treasury transactions such guarantee could be:

- * the power of attorney to use the bank accounts managed by Bank Millenium SA,
- * a representation about submission to enforcement in the amount of 150 % of the transaction

The parties agreed that regardless of legal guarantees specified above the Borrowers shall submit written representations about submission to enforcement in the bank upon signing detailed agreements.

The Board of Directors of PBG SA also informed that with view to the conclusion of the Credit Limit Agreement with Bank Millenium SA the Borrowers signed Annex 2 to

the agreement for the assignment of receivables of 21 March 2007.

Under this Annex the value of receivables assigned to the Bank was reduced from the amount of 110,000 thousand PLN to the amount of 95,000 thousand PLN without taking into consideration incidental receivables and especially the payment of incurred interest.

The agreement was classified as material on the basis of the criterion of PBG SA shareholders' equity.

Moreover on 29 April 2008 the Board of Directors of PBG SA signed an annex to the credit line agreement of 27 April 2007 concluded between the Companies from PBG Capital Group: PBG SA, HYDROBUDOWA POLSKA SA and INFRA SA and Bank Gospodarki Żywnościowej SA with its registered seat in Warsaw.

Under the annex described above the draw period of the credit line was extended to 26 May 2008; the credit line can be used to obtain:

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

- 2) revolving credit facilities in PLN, EUR or USD,
- 3) bank guarantees and especially tender bonds, advance payment guarantees, performance bonds, defects liability bonds, retention money guarantees and payment guarantees in PLN, EUR or USD
- 4) documentary letters of credit upon the request of the Borrower in PLN, EUR or USD
- 5) revolving credit facilities to cover the receivables of the Bank under the transactions concluded with the Borrower on the basis of "the Framework Agreement concerning the Conditions of conclusion and execution of financial market transactions in BGŻ SA" and/or "The agreement concerning the conclusion of currency exchange transactions the conditions of which are agreed individually with each BGŻ SA customer" under transaction limit granted by the Bank. Moreover the period of the obtaining revolving credit facilities from the credit line to cover the payments under letters of credit was extended to 26 June 2010 and the period for obtaining revolving credit facilities to cover payments under guarantees was extended to 26 June 2013.

The due date of the credit line was also extended to 26 June 2013.

The Board of Directors of PBG SA also informed that due to the fact of signing the annex described above the date by which the Bank can apply to the court to request an enforcement clause for the bank enforcement title was extended to 26 June 2015.

The Companies submitted a statement in which they stated that they jointly submit to enforcement on the basis of the bank enforcement title to enforce monetary benefits in the maximum amount of 127,500 thousand PLN

Other provisions of the agreement were not amended.

On 30 April 2008 the Board of Directors of PBG SA signed an annex to a material agreement defining general co-operation principles during the provision of bank products with Bank Polska Kasa Opieki SA as a creditor.

Pursuant to the Annex, the value of the bank products increased from PLN 143 500 000 to PLN 147 755 113.25 and the validity of the agreement was extended until 30th April 2009. Furthermore, the Annex introduces the decrease in the level of guarantees in the form of the assignment of receivables from 200% to 150% of the limit used.

2.6. The opinion of the Board of Directors on the feasibility of forecasts adopted for the respective fiscal year published earlier, taking into account the results published in the consolidated and condensed individual quarterly report against forecast results.

The Board of Directors declares that based on the results published in the consolidated and condensed individual quarterly report, the Board has decided to uphold its opinion that the forecast for the financial year 2008 results shall be realised in line with the adopted assumptions, and the data presented for the quarter support the feasibility of the forecast.

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2.7 The list of shareholders who own, either directly or indirectly through subsidiaries at least 5 % of the total voting power at the General Meeting of Shareholders of PBG SA.

Shareholders with at least 5% of the total voting power at the General Meeting of Shareholders of PBG S.A., held either directly or indirectly (through subsidiaries) as of the date of submission of the consolidated quarterly report; the number of shares held by these shareholders; percentage share in share capital; number of votes carried by these shares and their percentage share in the total voting power at the General Meeting; as well as changes in the ownership structure of material blocks of PBG S.A. shares from the date of submission of the previous consolidated quarterly report, based on the information held by the parent company:

Shareholder	Number	Total nominal value in PLN	% of share capital held	% of the total voting power
Jerzy Wiśniewski	4,380,054 shares, including: 4,495,054 registered preference shares	4.495.054	33.47	50.14
ING Towarzystwo Funduszy Inwestycyjnych S.A.	Lack of updated information after series F shares have been issued	lack of update information after series F shares have been issued	5 -10	5 -10
ING Nationale - Nederlanden Polska PTE SA	912,991 ordinary shares	912,991	6.80%	5.09%

2.8 The 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 in terms of 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 holding company as of 14 May 2007.

	Number of shares	
	14.02.2008,	14.05.2008,
Members of the Board of Directors		
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
Supervisory Board members		
Maciej Bednarkiewicz	-	-
Wiesław Lindner	-	-

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Jacek Krzyżaniak	250	250
Małgorzata Wiśniewska	3 279	3 279
Dariusz Sarnowski	-	-
Adam Strzelecki	-	-
Jacek Kseń	50	50

2.9 The list of proceedings held before the court, an arbitration body or a public administration body

No proceedings were started in the period covered by this statement against the entities from PBK Capital group for the amount exceeding 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 expressed in PLN.

In the first quarter of 2008 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 on market terms 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 of 31.03.2008	Liabilities as of 31.03.2008	Financial assets	Loans		Revenues from sales in 2008	Purchas es in 2008	Financial revenues in 2008	Financia l costs in 2008
				granted	received				
PBG SA (holding company)	13 916	9 425	89 505	56 044	-	1 035	7 226	2 186	-
Metorex Sp. z o.o.	3 298	1 584	-	-	-	3 078	1 834	-	-
Infra SA	7 668	13 930	-	-	-	1 901	220	-	119
Hydrobudowa Polska SA *	22 493	67 890	-	-	42 035	10 266	7 021	-	1 390

PBG Capital Group

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KWG SA	55	22 375	-	-	9 338	45	65	-	457
Dromost Sp. z o.o.	2 898	6 461	-	-	-	2 231	181	-	71
Hydrobudowa 9 PIB SA	820	14 097	-	-	-	447	3 881	-	-
PBG Dom Sp. z o.o.	157	5 569	-	-	-	394	3	-	70
Apartamenty Poznańskie Sp. z o.o.	-	-	-	-	-	-	-	-	-
PRID SA	-	-	-	-	-	244	5	-	-
Gas & Oil Engineering sr.o.	876	-	-	-	-	550	-	-	-
Excan Oil and Gas Engineering	164	-	-	-	-	145	-	-	-
AMUR Sp. z o.o.	-	-	-	-	51	-	-	-	1
Bathinex Sp. z o.o.	-	-	-	-	4 620	-	-	-	78
Avatia Sp. z o.o.,	-	167	-	-	-	227	127	-	-
Total	52 345	141 498	89 505	56 044	56 044	20 563	20 563	2 186	2 186

2.11 The information about the total amount of credits or loans guarantees or any other guaranty offered by the Issuer or its subsidiary to one entity or its subsidiary if the total value of such guarantees is equal to 10 % of the Issuer's equity

In the first quarter of 2008 the following events took place:

- on 03 January 2008 the information was issued about the corporate guarantee granted on 21.12.2007 by the company Hydrobudowa 9 Przedsiębiorstwo Inżynieryjno- Budowlane SA to ING Bank Śląski of up to the amount of 100,000 thousand PLN (the guarantee was issued in relation to the participation of the company Hydrobudowa 9 Przedsiębiorstwo Inżynieryjno- Budowlane SA initiated on 21 December 2007 in the Framework Agreement for granting a credit limit concluded on 06 September 2007 between ING Bank Śląski SA and the companies: PBG SA, Hydrobudowa Włocławek SA and INFRA SA).

The corporate guarantees issued by HB9 PIB SA as well as by the remaining companies are binding until the liabilities under the Framework Agreement have been settled.

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The bank can request an enforcement clause for the bank enforcement title to the amount of up to 150,000 thousand PLN by 31 December 2013.

- issuing a guarantee on 28 February 2008 in favour of Hydrobudowa 9 Przedsiębiorstwo Inżynieryjno-Budowlane SA to Raiffeisen Bank Polska SA in the amount of up to 22,650 thousand EUR. The guarantee was granted for the transactions concluded between Hydrobudowa 9 SA and Raiffesen Bank Polska SA as part of the limit of 15,100 thousand EUR under the Framework Agreement for forward and derivative transactions of 29th November 2007 as amended. The Bank can request an enforcement clause for the bank enforcement title by 31 December 2013.

- the conclusion of the Framework Agreement and the Additional Agreement between Hydrobudowa 9 PIB SA and ING Bank Śląski on 11 March 2008 (the subject matter of both agreements described above are the rules of concluding and settling forward and derivative transactions). The guarantees for any liabilities under the concluded Agreement were issued by PBG SA, Hydrobudowa Polska SA, INFRA SA and Hydrobudowa 9 PIB SA. The guarantors bear joint responsibility for the liabilities under the concluded agreement in the total amount of up to 25,000 thousand EUR until 06 September 2012.

- 2.13 Contingent payables and receivables

Item	As of	As of	As of
	31.03.2008	31.12.2007	31.03.2007
GUARANTEES GRANTED TO OTHER ENTITIES	14 053	18 346	35 931
PBG SA.	4 890	1 228	29 831
Hydrobudowa Polska SA *	4 946	12 901	-
Hydrobudowa Śląsk SA	-	-	3 050
Hydrobudowa Włocławek SA	-	-	3 050
Hydrobudowa 9 PIB SA	4 217	4 217	-

Item	As of	As of	As of
	31.03.2008	31.12.2007	31.03.2007
GUARANTEES GRANTED TO OTHER ENTITIES	555 696	642 034	289 043
PBG SA.	98 583	92 851	106 763
Metorex Sp. z o.o.	-	83	131
Infra SA	41 442	35 145	14 143
Hydrobudowa Polska SA *	173 230	284 015	-
Hydrobudowa Śląsk SA	-	-	50 096
Hydrobudowa Włocławek SA	-	-	100 726
KWG SA (previously KB-GAZ SA)	26 845	20 027	17 184

* Hydrobudowa Polska SA was created as a result of merger of the following Companies:: Hydrobudowa Włocławek

SA and Hydrobudowa Śląsk SA .Polish Financial Supervision Authority

Dromost Sp. z o.o.	158	133	-
Hydrobudowa 9 PIB SA	215 438	209 780	-

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Since the second quarter of 2007 non-consolidation has been applied to off-balance sheet items, in the financial statement of the Capital Group in the area of guarantees issued to third parties with relation to the liabilities of the holding company and the subsidiaries if such liabilities have been included in the consolidated statement as trade or credit liabilities or guarantees issued upon a request of the companies from the Capital Group to third parties.

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

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

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

In the first and second quarter of 2008 the Issuer will continue construction works under provisions of relevant contracts, including in particular:

- a. the contract for "The construction of denitrating plant in Grodzisk" signed between the Warsaw Branch of Polish Petroleum and Gas Mining Company (PGNiG) and PBG SA- planned revenues: 39,328 thousand PLN
- b. the contract the "The extension and conversion of the wastewater treatment plant in Piaseczno" signed between Piaseczno Commune and Hydrobudowa Polska SA (previously Hydrobudowa Włocławek SA)- planned revenues: 30,173 thousand PLN;
- c. the contract for "The construction of a water pipe network for Szczecin left side of the river (Part I- Interceptor K2, Part II- Interceptor W)" signed between Zakład Wodociągów i Kanalizacji Sp. z o.o. and HB9 PIB SA- planned revenues: 27,469 thousand PLN;
- d. the contract for "The upgrade of the Left-Bank Wastewater Treatment Plant in Poznań" signed between the City of Poznań and HB 9 PIB SA - planned revenues: 25,533 thousand PLN;
- e. the contract for "the Modernisation of the water and sewerage system in Łódź" signed between Łódzka Spółka Infrastrukturalna Sp. z o.o. and Infra SA- planned revenues: 30,356 thousand PLN;
- f. the contract for "The extension of the sewer system of the Ołtaszyn estate " signed between Wrocław commune and Hydrobudowa Polska SA (previously Hydrobudowa Włocławek SA)- planned revenues: 18,109 thousand PLN;

- g. the contract for "Preparatory works to perform construction and design works related to a construction facility in Świnoujocie" concluded between Pomera nia Development and PBG S.A. – planned revenues: 15,488 thousand PLN;
- .h. the contract for "The improvement of wastewater management in Zabrze Commune in the districts of Grzybowo and Rokitnica" which is the part of the project: "The improvement of wastewater management in Zabrze Commune" signed between Zabrze Commune together with Zabrzeńskie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. and Hydrobudowa Polska SA (previously Hydrobudowa Śląsk SA)- planned revenues: 15,299 thousand PLN;
- i. the contract for "The supply and construction of underground storage reservoirs in Poland" signed between NATO Investment Department and PBG SA: generated revenues: 14,501 thousand PLN
- j. the contract for "The improvement of wastewater management in Zabrze Commune- the conversion of the wastewater treatment plant "Śródmieście" signed between Zabrze Commune together with Zabrzeńskie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. and Hydrobudowa Polska SA (previously Hydrobudowa Śląsk SA)- planned revenues: 13,743 thousand PLN
- k. the contract for "The 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- planned revenues: 11,743 thousand PLN
- l) the contract for "the extension and conversion of the wastewater treatment plant in Ciernie and the modernisation of the wastewater treatment plant in Jugowice" signed between Wałbrzyski Związek Wodociągów i Kanalizacji and HB PIB SA – planned revenues: 10,254 thousand PLN

3 INTERIM CONSOLIDATED FINANCIAL STATEMENT OF THE COMPANY PBG SA FOR THE FIRST QUARTER OF 2008

SELECTED FINANCIAL DATA

Item	between	between	between	between
	01.01 – 31.03.2008	01.01 – 31.03.2007	01.01 – 31.03.2008	01.01 – 31.03.2007
	PLN		EUR	
Revenues from sales	70 636	53 758	19 856	13 762
Operating profit (loss)	7 716	4 867	2 169	1 246
Profit (loss) before tax	7 778	4 873	2 186	1 247
Net profit (loss) from continuing operations	6 207	4 284	1 745	1 097
Net profit (loss)	6 207	4 284	1 745	1 097
Net cash from operations	4 648	(50 770)	1 307	(12 997)
Net cash outflows for investments	(55 121)	(44 443)	(15 495)	(11 377)
Net cash from financial activities	(81 936)	282 857	(23 033)	72 410
Net change in cash and cash equivalents	(132 409)	187 644	(37 221)	48 036
Weighted average of ordinary shares	13 430 000	12 147 000	13 430 000	12 147 000
Diluted weighted average of ordinary shares	13 430 000	12 147 000	13 430 000	12 147 000
Profit (loss) per ordinary share (in PLN / EUR)	3,87	3,10	1,05	0,79
Diluted profit (loss) per ordinary share (in PLN / EUR)	3,87	3,10	1,05	0,79
Average PLN / EUR rate*			3,5574	3,9063
Item	As of	As of	As of	As of
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
	PLN		EUR	
Assets	1 168 146	976 882	331 314	252 457
Long-term liabilities	249 073	140 633	70 643	36 344
short-term payables:	191 624	161 643	54 349	41 774
Shareholders equity	727 449	674 606	206 322	174 339
share capital;	13 430	13 430	3 809	3 471
Number of shares	13 430 000	13 430 000	13 430 000	13 430 000
Book value per share (in PLN/EUR)	54,17	50,23	15,36	12,98
Dividend per share-declared or paid (in PLN/EUR)	-	-	-	-
PLN / EUR rate at period end**			3,5258	3,8695

1. Selected items of assets and liabilities converted into EUR at the exchange rate published by the President of the National Bank of Poland on 31 March 2008:

1 EUR = PLN 3.5258

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- a) book value per action in PLN= shareholders' equity in PLN thousands (as of 31 March 2008) / number of shares (in thousands) as of 31 March 2008: $727,449 / 13,430 = 54.17$ PLN
- b) book value per share in EUR= shareholders' equity in EUR thousands (as of 31 March 2008) / number of shares (in thousands) as of 31 March 2008: $206,322 / 13,430 = 15.36$ EUR
- c) diluted number of shares as of 31 March 2008: 13,430 thousand shares.
- d) diluted book value per share in PLN= shareholders' equity in PLN thousands as of 31 March 2008
/ diluted number of shares in thousands: $727,449 / 13,430 = 54.17$ PLN
- e) diluted book value per share in EUR= shareholders' equity in EUR thousands (as of 31 March 2008) / diluted number of shares in thousands: $206,322 / 13,430 = 15.36$ EUR

2. Selected items from the profit and loss account for 3 months of 2008 were converted into EUR at the exchange rate calculated as an arithmetic average of exchange rates set by the President of NBP in the last 3 months of 2008:

January	31.01.2008	3,6260
February	29.02.2008	3,5204
March	31.03.2008	3,5258

$10,6722 / 3 \text{ months} = 3.5574$

Annualised profit for 12 months in PLN thousands

Profit for FY 2007	50.097
Profit for the first quarter of 2007	4.284
Profit for three quarters of 2007	45.813
Profit for the first quarter of 2008	6.207
Profit for the past 12 month	52.020

Weighted average number of shares in thousands: 13.430

a) profit per share in PLN =
annualised net profit in PLN thousands /
weighted average number of shares for
the past 12 months (in
thousands) $52,020 / 13,430 = 3.87$ PLN

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b) profit per ordinary share in EUR= profit per share in PLN/ average EUR exchange rate for the past 12 months
 $3.87 / 3.6896 = 1.05$ EUR/ share (average EUR rate for the past 12 months)

April	30.04.2007	3.7879
May	31.05.2007	3.8190
June	29.06.2007	3.7658
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

$44.2747 / 12 = 3.6896$ (average exchange rate for the past 12 months)

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INTERIM CONSOLIDATED BALANCE SHEET OF THE COMPANY PBG SA

Item	As of	As of	As of
	31.03.2008	31.12.2007	31.03.2007
Assets			
Fixed assets	568 927	533 871	396 191
Intangible assets	10 762	10 281	3 541
Tangible fixed assets	138 087	132 946	110 112
Investment property	710	710	-
Investments in subsidiaries	301 770	255 249	238 817
Other long-term financial assets	108 417	125 187	33 170
- of related parties	63 819	83 695	28 071
- of other entities	44 598	41 492	5 099
Long-term receivables	8 676	9 094	10 551
- from related parties	-	-	6
- from other entities	8 676	9 094	10 545
Deferred income tax assets	-	-	-
Long-term prepaid expenses:	505	404	-
Current assets	599 219	774 738	580 691
Inventories	23 976	21 737	14 469
Receivables from the Contracting Parties under construction services agreements/long-term agreements	116 625	112 488	115 555
- from related parties	8 537	8 649	31
- from other entities	108 088	103 839	115 524
Receivables related to services and deliveries	142 353	216 742	120 223
- from related parties	13 742	16 199	22 681
- from other entities	128 611	200 543	97 542
Receivables related to current income tax	1 225	-	-
Other short-term receivables	9 131	8 622	16 821
- from related parties	841	1 763	506
- from other entities	8 290	6 859	16 315
Other short-term financial assets	102 123	79 093	102 230
- from related parties	89 730	66 276	95 571
- from other entities	12 393	12 817	6 659
Cash and cash equivalents	196 261	328 669	207 661
Short-term accruals	7 525	7 387	3 732
Fixed assets held for sale	-	-	-
Total assets	1 168 146	1 308 609	976 882

INTERIM CONSOLIDATED BALANCE SHEET OF THE COMPANY PBG SA (continued)

Item	As of	As of	As of
	31.03.2008	31.12.2007	31.03.2007
Liabilities			
Shareholders' equity	727 449	720 225	674 606
Share capital;	13 430	13 430	13 430
Shares owned	0	-	-
Reserve capital from shares sold above share nominal value	551 178	551 178	551 212
Capital from transaction translation	2 857	1 840	(583)
Other capital	104 948	104 948	71 024
Retained financial result	55 036	48 829	39 523

- Profit (loss) brought forward from previous years	48 829	(1 268)	35 239
- net profit (loss) of the current year	6 207	50 097	4 284
Payables	440 697	588 384	302 276
Long-term payables	249 073	235 040	140 633
Long-term credits and loans	42 638	18 803	25 943
- from related parties	-	-	-
- from other entities	42 638	18 803	25 943
Other long-term financial payables	200 028	200 047	109 579
Other long-term payables	118	9 634	683
- to related parties	-	-	-
- to other entities	118	9 634	683
Deferred income tax provision	5 165	3 606	3 792
Provisions for employee benefits	327	327	175
Other long-term provisions	793	2 618	461
Government grants	-	-	-
Long-term accruals	4	5	-
Short-term payables	191 624	353 344	161 643
Short-term credits and loans	100 333	97 154	59 830
- from related parties	-	-	-
- from other entities	100 333	97 154	59 830
Other short-term financial payables	3 846	113 372	237
Payables related to services and deliveries	60 814	98 661	70 229
- to related parties	9 788	33 704	15 462
- to other entities	51 026	64 957	54 767
Payables related to construction services agreements	2 274	3 768	1 859
Payables related to current income tax	-	4 731	503
Other short-term payables	21 215	34 425	28 050
- to related parties	125	139	6 542
- to other entities	21 090	34 286	21 508
Provisions for employee benefits	-	-	-
Other short-term provisions	2 882	973	810
Government grants	-	-	-
Short-term accruals	260	260	125
Payables related to fixed assets held for sales	-	-	-
Total liabilities	1 168 146	1 308 609	976 882

INTERIM CONDENSED PROFIT AND LOSS ACCOUNT

Item	Q1 01.01.2008- 31.03.2008	Q1 01.01.2007- 31.03.2007
Continuing operations		
Revenues from sales	70 636	53 758
- from related parties		
Revenues from sales of products	7 371	-
Revenues from sales of services	62 313	50 968
Revenues from sales of goods and materials	952	2 790
Cost of goods sold	(56 739)	(47 053)
- of related parties		

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Costs of products sold	(6 954)	-
Costs of services sold	(48 899)	(44 454)
Costs of goods and materials sold	(886)	(2 599)
Gross profit (loss) on sales	13 897	6 705
Costs of sales	-	-
General administration costs	(6 797)	(5 479)
Other operating revenues	1 217	4 510
Other operating expenses	(601)	(869)
The share in the profit of equity-settled entities		-
Restructuring costs		-
Operating profit (loss)	7 716	4 867
Financial revenues	6 819	3 699
Financial expenses	(6 757)	(3 693)
Other profits (losses) on investment	-	-
Profit (loss) before tax	7 778	4 873
Income tax	(1 571)	(589)
Net profit (loss) from continuing operations	6 207	4 284
Discontinued operations		
Net loss from discontinued operations		
Net profit (loss)	6 207	4 284

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS OF PBG S.A. BY BOARD OF DIRECTORS OF PBG SA

I. Important events and factors which influenced financial results of the Company in the first quarter of 2008.

In the first quarter of 2008 there was a significant improvement of all margins at all levels of profit and loss account in comparison with the results from the analogical period of the previous year.

1.1. In the first quarter of 2008 PBG SA reached over 70 million revenues from sales which resulted in the gross profit of nearly 14 million PLN. In comparison to the analogical period of the previous year there has been an increase of 31 % in revenues and 107 % in the gross profit from sales. Moreover in the first quarter PBG achieved operational profit of 7.7 million PLN and net profit of 6.2 PLN which constitutes an increase by 59 % and 45 % respectively in comparison with the values from the end of the first quarter of 2007.

1.2. The following construction contracts were the most important sources of revenue from ordinary activities of the company in the first quarter:

a.) The contract for "Preparatory works to perform construction and design works related to a construction facility in Świnoujście" concluded between Pomerania Development and PBG S.A. – generated revenues: 14,982 thousand PLN.

b.) The contract for "The construction of denitrating plant in Grodzisk" signed between the Warsaw Branch of Polish Petroleum and Gas Mining Company (PGNiG) and PBG SA- generated revenues: 12,094 thousand PLN.

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c). The contract for "The supply and construction of underground storage reservoirs in Poland" signed between NATO Investment Department and PBG SA: generated revenues: 9,266 thousand PLN.

II. The analysis of revenues and costs of profit and loss account.

2.1. Revenues from sales of services

The revenues from sales of services of PBG SA in the first quarter of 2008 reached over 62 million PLN, which is an increase of over 22 %. Natural gas and crude oil segment had the greatest share in the sale of services, i.e. nearly 35 %. The segment of residential and industrial construction came second in terms of the volume of revenues from sales of services. Its share in revenues from sales of services in the first quarter of 2008 equalled over 33 %. The fuel segment was third in terms of share in revenues from sales of services, reaching 23.5 %. The water segment had the smallest share in revenues from sales of services. The revenues from service contracts executed in these segments constituted only 8.3 % of the total volume of revenues from sales of services. This is mainly due to the fact of organizing the structure of operations of the Capital Group and the increasing importance of Hydrobudowa Polska SA in this area.

2.2. Costs of services sold

The costs of services sold in the first quarter of 2008 reached nearly 49 million PLN, which means that they increased by only 10 % in comparison with the analogical value from the end of the first quarter of 2007. There was a significant difference in the share of variable costs in revenues from sales of services. Their value at the end of the first quarter of 2008 equalled 69 % of the revenues in comparison with 86 % at the end of the first quarter of 2007.

2.3. General administration costs

General administration costs at the end of the first quarter of 2008 equalled 6.7 million PLN and they were nearly 24 % higher from the costs of the analogical period from the previous year. It should be noted, however, that at the end of the first quarter of 2008 these costs constituted 9.62 % of revenues from sales in comparison to 10.19 % at the end of the first quarter of 2007; in short, their share has decreased by over 0.5 %

2.4. Other operating revenues

Other operating revenues in the first quarter of 2008 reached over 1.2 million PLN; the majority of such revenues were the revenues from lease, revenues from compensation and re-invoicing. The value of other operating revenues has decreased by 73 % in comparison with the analogical period of the previous year.

2.5. Financial revenues

Financial revenues in the first quarter of 2008 reached over 6.8 million PLN, which is an increase of 84 % in comparison with the analogical period of the previous year. The main source of financial revenues are the interest rates, the value of which equals over 6.6 million PLN, and especially interest rate on the loans granted- over 1 million PLN, bank interest rates- nearly 4 million PLN and bond interest rates- nearly 1.5 million PLN.

2.6. Financial expenses

Financial expenses in the first quarter of 2008 reached nearly 6,7 million PLN. The main source of financial expenses are bond interest rates the value of which exceeds 3.4 million PLN. Another important item are also interest rates and commissions of bank loans the value of which equals 2.5 million PLN.

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III. Analysis of the financial results of profit and loss account.

3.1. The results of profit and loss account.

Net profit achieved by the Company in the first quarter of 2008 reached 6.2 million PLN and it was greater by 2 million from the result achieved at the end of the first quarter of 2007, which is an increase of 45 %. Moreover increasing trends have been observed across all financial results at all levels of profit and loss account: gross profit from sales increased by 107 % in comparison with the analogical period of the previous year and the operational profit increased by 59 %.

3.2. EBITDA

In the first quarter of 2008 the outflows for the acquisition of fixed tangible assets equalled over 6 million PLN in comparison with nearly 5 million PLN in the analogical period of the previous year. Such situation resulted in the increase of amortisation costs which in the first quarter of 2008 reached over 3.1 million PLN in comparison with 2.8 million PLN in the analogical period of the previous year. The ratio EBITDA (EBIT- operating profit plus amortisation) reached 10.8 PLN in the first quarter of 2008 and it was higher by 3.1 million PLN from the value in the first quarter of 2007, which is an increase of 42 %.

3.3. Profitability indices

A greater growth of revenues from sales in the first quarter of 2008 which reached 131 % in comparison with the growth of the costs of goods sold which reached 121 % had positive impact on profitability at all levels of profit and loss account. It should be also noted that margins achieved by the Company in the discussed quarter reached the highest level in history of the Company (the comparison was made between the first quarter of 2008 and analogical periods of the previous years). The following observations can be made when analysing the first quarter of 2008 and comparing it with the results at the end of the first quarter of 2007: gross return on sales has increased from 12.47 % to 19.67 %, i.e. by 7.2 %, operating profit margin has increased from 9.05 % to 10.92 %, i.e. by 1.87 % and net profit margin has increased from 7.97 % to 8.79 %, i.e. by 0.82 %. It should be also noted that there was a significant improvement of the margins has been mainly achieved thanks to the Company operations.

Profitability indices	I Q 2008	I Q 2007	I Q 2006	I Q 2005
Gross return on sales	19,67%	12,47%	18,68%	18,85%
Operating profit margin	10,92%	9,05%	8,82%	5,91%
Net profit margin	8,79%	7,97%	3,63%	3,65%

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NET EARNINGS (LOSS) PER ORDINARY SHARE

Item	As at 30th June 2006	As at 30th June 2006	As at 30th June 2006
	PLN / share	PLN / share	PLN / share
Net earnings (loss) from continuing operations	52 020	50 097	37 678
Net profit (loss) from discontinued operations	-	-	-
Weighted average number of ordinary shares	13 430 000	13 197 000	12 147 000
Diluted weighted average number of ordinary shares	13 430 000	13 197 000	12 147 000
from continuing operations			
- basic	3,87	3,80	3,10
- diluted	3,87	3,80	3,10
from continuing and discontinued operations			
- basic	3,87	3,80	3,10
- diluted	3,87	3,80	3,10

CASH LOW STATEMENT OF THE COMPANY PBG SA

Item	Q1 01.01.2008- 31.03.2008	Q1 01.01.2007- 31.03.2007
Cash flows from operations		
Net profit before tax	7 778	4 873
Adjustments:	1 148	4 052
Amortisation of goodwill and intangible assets	363	288
Goodwill impairment write-downs	-	-
Impairment write-downs of tangible fixed assets	-	-
Depreciation of tangible fixed assets	2 788	2 517
Profit (loss) from sale of tangible fixed assets	(14)	3
Profit (loss) from sale of financial assets available for sale (held for sale)	(221)	225
Profit (loss) from valuation of real estate investments carried at fair value	-	-
Profit (loss) from subsequent measurement of fair value of financial assets carried at fair value	(825)	526
Share in net profits (losses) of associates	-	-
Foreign exchange gains (losses)	-	-
Costs of interest	5 617	2 551
Interest received	(6 560)	(2 058)
Dividends received	-	-
Cash from operations before the changes in working capital	8 926	8 925
Change in inventories	(2 238)	(5 279)
Change in receivables	68 937	(42 866)
Change in payables	(65 322)	(8 440)
Change in provisions and prepayments/accrued income	1 404	24
Other adjustments	(1 046)	(1 995)

Cash generated during operations	10 661	(49 631)
Interest paid	-	-
Income tax paid	(6 013)	(1 139)
Net cash from operations	4 648	(50 770)
Cash flow from investing activities		
Outflows – acquisition of intangible assets	-	(296)
Inflows - sales of intangible assets		-
Outflows – acquisition of tangible fixed assets	(6 089)	(4 950)
Inflows - sales of intangible assets	14	5
Outflows – acquisition of real estate investments	-	-
Inflows- sales of real estate investments	-	-
Outflows – acquisition of financial assets available for sale	-	(303)
Inflows- sales of financial assets available for sale (held for sale)	-	78
Outflows – acquisition of financial assets held for trading	(4 000)	(20 000)
Inflows – sale of financial assets available for trading	829	-
Outflows – acquisition of subsidiaries	(46 521)	(1 248)
Inflows-sales of subsidiaries	-	-
Other outflows- called upshare capital	-	-
Inflows from government grants received	-	-
Loans granted	(600)	(18 520)
Repayment of loans granted	1 158	318
Interest received	88	473
Dividends received	-	-
Other inflows	-	-
Other outflows on investments	-	-
Net cash flows used in investing activities	(55 121)	(44 443)
Cash flows from financing activities		
Net proceeds from the issue of shares	-	333 125
Repayments of bonds	(110 000)	-
Proceeds from the issue of debt securities	-	-
Repayment of interest on bonds	(3 441)	(1 397)
Redemption of debt securities	-	-
Proceeds from credits and loans	30 270	23 977
Repayment of credits and loans	(3 059)	(73 087)
Repayment of interest on credits and loans	(2 174)	(1 154)
Proceeds from interest on deposits	6 472	1 570
Repayment of finance lease liabilities	(4)	(177)
interest paid	-	-
Dividends paid out	-	-
Commission on credits	-	-
Other expenses	-	-
Net cash from financing activities	(81 936)	282 857
Net increase/decrease in cash and cash equivalents	(132 409)	187 644
Cash and cash equivalents at the beginning of the period	328 670	20 017
Increase/decrease due to foreign exchange differences	-	-
Cash and cash equivalents at the end of the period	196 261	207 661

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF PBG S.A. BETWEEN 01.01.– 31.03.2008

Item	share capital;	Other reserves	Retained earnings	Total
Balance as at 01.01.2007	12 030	289 054	35 239	336 323
Changes in adopted accounting principles	-	-	(1 268)	(1 268)
Fundamental error adjustments	-	-	-	-
Balance after changes	12 030	289 054	33 971	335 055
Changes in shareholders' equity between 01.01. – 31.12.2007				
Revaluation gains (losses)	-	-	-	-
Investments available for sale:	-	-	-	-
- valuation of profits (loss) charged to shareholders' equity	-	-	-	-
- transferred to profit (loss) on sales	-	-	-	-
Cash flows hedges:	-	2 475	-	2 475
- profits (loss) charged to shareholders' equity	-	3 040	-	3 040
- profits (losses) charged to the financial result of the period	-	(565)	-	(565)
- profits (losses) included in the valuation of balance sheet value of hedged items	-	-	-	-
Tax related to items presented in capital or transferred from capital	-	(577)	-	(577)
Net profit added directly to shareholders' equity	-	1 898	-	1 898
Net profit for the period between 01.01 - 31.12.2007	-	-	50 097	50 097
Total profits and losses included between 01.01. – 31.12.2006	-	1 898	50 097	51 995
Dividends	-	-	-	-
Distribution of result	-	33 239	(35 239)	(2 000)
Acquisition of a subsidiary	-	685	-	685
Share capital issued	1 400	333 090	-	334 490
Balance as at 31.12.2007	13 430	657 966	48 829	720 225
Balance as at 01.01.2007	13 430	657 966	48 829	720 225
Changes in adopted accounting principles	-	-	-	-
Fundamental error adjustments	-	-	-	-
Balance after changes	13 430	657 966	48 829	720 225
Changes in shareholders' equity between 01.01. – 31.03.2008				
Revaluation gains (losses)	-	-	-	-
Investments available for sale:	-	-	-	-
- valuation of profits transferred to shareholders' equity	-	-	-	-
- transferred to profit (loss) on sales	-	-	-	-
Cash flow hedges:	-	1 061	-	1 061
profits (losses) charged to shareholders' equity	-	829	-	829
- profits (losses) charged to the financial result of the period	-	232	-	232

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PBG S.A.**Qsr Qsr1/2008** (all amounts are in PLN thousands unless otherwise indicated)

- profits (losses) included in the valuation of balance sheet value of hedged items	-	-	-	-
Foreign exchange differences in the valuation of foreign entities	-	-	-	-
Tax related to items presented in capital or transferred from capital	-	(44)	-	(44)
Net profit presented directly as shareholders' equity	-	1 017	-	1 017
Net profit for the period between 01.01 - 31.03.2008	-	-	6 207	6 207
Total profit and loss for the period between 01.01-31.03.2008	-	1 017	6 207	7 224
Dividends	-	-	-	-
Distribution of result	-	-	-	-
Share capital issued	-	-	-	-
Bonds convertible to shares issued	-	-	-	-
Balance at 31st March 2008	13 430	658 983	55 036	727 449

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Signatures of all Members of the Board of Directors

Jerzy Wiśniewski – President of the Board

Tomasz Woroch – Vice President of the Board

Przemysław Szkudlarczyk – Vice President of the Board

Tomasz Tomczak – Vice-President of the Board

Mariusz Łożyński- Member of the Board

Tomasz Latawiec – Member of the Board

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

Eugenia Bachorz –Proxy, Capital Group Coordination Director

Wysogotowo, 14 May 2008 Polish Financial Supervision Authority