REPORT OF THE BOARD OF DIRECTORS OF PBG S.A. ON THE COMPANY'S OPERATIONS

for the period 1 January to 31 December 2008

TABLE OF CONTENTS

I. SHARE OWNERSHIP CHANGES IN PBG S.A. IN 2008

1. Changes in the shareholding structure of the PGB S.A.

Within the reporting period and after the balance sheet date the following significant changes in the shareholding structure of PBG SA took place:

Notifications from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA on descending below the 5% threshold and exceeding the 5% threshold of the total number of voting rights

On 11 April 2008 the Board of Directors of PBG SA received a notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA with its registered office in Pozań, acting on behalf of Arka BZ WBK Equity Open-end Investment Fund, Arka BZ WBK Stable Growth Open-end Investment Fund, Arka BZ WBK Balanced Open-end Investment Fund, on the change in the number of shares of PBG SA held resulting from the sale of shares settled on 8 April 2008. Before the sale of the shares, the Funds held 896,593 shares of PBG SA, which constituted 6.6760% of PBG SA share capital and 5.0005% share in the total vote at the General Meeting of Shareholders of the Company. On the day of the sale of the shares, i.e. on 8 April 2008, the Funds held 882,348 shares of PBG SA constituting 6.57% of PBG SA share capital and giving the right to 4.92% of the total number of votes at the General Meeting of Shareholders.

On 31 July 2008 the Board of Directors of PBG SA received a notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA, acting on behalf of Arka BZ WBK Equity Open-end Investment Fund, Arka BZ WBK Balanced Open-end Investment Fund and Lucas Open-end Investment Fund on the acquisition of shares of PBG SA, as the result of which the Funds hold PBG SA shares representing more than 5% of the total vote at the General Shareholders' Meeting. Before the increase in its shareholding, the Funds held 883,265 shares of PBG SA, which constituted 6.58% in its share capital and represented 4.93% of the total number of votes at the General Shareholders' Meeting of PBG SA. As the result of this transaction, the Funds held 899,265 shares in total in their securities accounts, which constituted 6.70% of the Company's share capital. These shares gave the right to 899,265 votes, which provided 5.02% of voting rights at the General Shareholders' Meeting.

On 9 February 2009 the Board of Directors of PBG SA received a notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA acting on behalf of Arka BZ WBK Equity Open-end Investment Fund, Arka BZ WBK New Europe Development Open-end Investment Fund, Arka BZ WBK Balanced Open-end Investment Fund and Lucas Open-end Investment Fund on the change in the volume of shares of PBG SA held resulting from the sale of shares settled on 2 February 2009. Before the sale of the shares, the Funds held 900,438 shares of PBG SA, which constituted 6.70% of PBG SA share capital and gave the entitlement to 900,438 votes, which constituted 5.02% share in the total number of votes at the General Meeting of Shareholders. On the day of the sale of the shares, i.e. on 2 February 2009, the Funds held 895,438 shares of PBG SA in total constituting 6.67% of PBG SA share capital and giving the right to 895,438 votes equalling to 4.99% share in the total number of votes at the General Meeting of Shareholders.

On 13 February 2009 the Board of Directors of PBG SA received a notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA acting on behalf of Arka BZ WBK Equity Open-end Investment Fund, Arka BZ WBK New Europe Development Open-end Investment Fund, Arka BZ WBK Balanced Open-end Investment Fund and Lucas Open-end Investment Fund on the change in the volume of shares of PBG SA held resulting from the acquisition of shares settled on 5 February 2009. Before the acquisition of the shares, the Funds held 894,458 shares of PBG SA, which constituted 6.660% of PBG SA share capital and gave the entitlement to 894,458 votes, which constituted 4.989% share in the total number of votes at the General Meeting of Shareholders of PBG SA. On the day of the acquisition of the shares, i.e. on 5 February 2009, the Funds held 896,653 shares of PBG SA in total constituting 6.676% of PBG SA share capital, giving the right to 896,653 votes equalling to 5.001% share in the total number of votes at the General Meeting of Shareholders.

Furthermore, on the same day, i.e. **on 13 February 2009** the Board of Directors of PBG SA received a notification dated as of 12 February 2009 from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA acting on behalf of Arka BZ WBK Equity Open-end Investment Fund, Arka BZ WBK New Europe Development Open-end Investment Fund, Arka BZ WBK Balanced Open-end Investment Fund and Lucas Open-end Investment Fund on the change of the volume of shares of PBG SA held resulting from the sale of shares settled on 9 February 2009. Before the sale of the shares, the Funds held 896,653 shares of PBG SA, which constituted 6.676% of PBG SA share capital and gave the entitlement to 896,653 votes, which constituted

5.001% share in the voting rights at the General Meeting of Shareholders. On the day of the sale of the shares, i.e. on 9 February 2009, the Funds held 891,469 shares of PBG SA in total constituting 6.638% of PBG SA share capital and giving the right to 891,469 of votes equalling to 4.972% share in the total number of vots at the General Meeting of Shareholders.

On 16 February 2009 the Board of Directors of PBG SA received a notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA acting on behalf of Arka BZ WBK Equity Open-end Investment Fund, Arka BZ WBK New Europe Development Open-end Investment Fund, Arka BZ WBK Balanced Open-end Investment Fund and Lucas Open-end Investment Fund on the change in the volume of shares of PBG SA held resulting from the acquisition of shares settled on 10 February 2009. Before the acquisition of the shares, the Funds held 891,469 shares of PBG SA, which constituted 6.638% of PBG SA share capital and gave the entitlement to 891,469 votes, which constituted 4.972% share in the total number of vots at the General Meeting of Shareholders. On the day of the acquisition of the shares, i.e. on 10 February 2009, the Funds held 900,469 shares of PBG SA in total constituting 6.705% of PBG SA share capital, giving the right to 900,469 votes equalling to 5.022% share in the total votes at the General Meeting of Shareholders.

On 2 February 2009 the Board of Directors of PBG SA received a notification dated as of 27 February 2009 from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA acting on behalf of Arka BZ WBK Equity Open-end Investment Fund, Arka BZ WBK New Europe Development Open-end Investment Fund, Arka BZ WBK Balanced Open-end Investment Fund and Lucas Open-end Investment Fund on the change of the volume of shares of PBG SA held resulting from the sale of shares settled on 24 February 2009. Before the sale of the shares, the Funds held 902,212 shares of PBG SA, which constituted 6.718% of PBG SA share capital and gave the entitlement to 902,212 votes, which constituted 5.032% share in the total number of votes at the General Meeting of Shareholders. On 24 February 2009, the Funds held 887,210 shares of PBG SA in total constituting 6.606% of PBG SA share capital, giving the right to 887,210 votes equalling to 4.948% share in the total number of votes at the General Meeting of Shareholders.

On 2 April 2009 the Board of Directors of PBG SA received a notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA acting on behalf of Arka BZ WBK Equity Open-end Investment Fund, Arka BZ WBK New Europe Development Open-end Investment Fund, Arka BZ WBK Balanced Open-end Investment Fund and Lucas Open-end Investment Fund that as the result of the transaction of purchase of shares in the Company on 27 March 2009 the Funds became the shareholders with the entitlement to more than 5% of the total number of votes at the General Meeting of Shareholders of PBG SA Before the acquisition of the shares, the Funds held 896,334 shares of PBG SA, which constituted 6.67% of PBG SA share capital and gave the entitlement to 896,334 votes, which constituted 4.999% share in the total number of votes at the General Meeting of Shareholders. On 27 March 2009, the Funds held 916,334 shares of PBG SA in total constituting 6.82% of PBG SA share capital, giving the right to 916,334 votes equalling to 5.11% share in the total number of votes at the General Meeting of Shareholders.

Notification from ING Towarzystwo Funduszy Inwestycyjnych SA on descending below the 5% threshold of the total number of voting rights

On 2 February 2009 the Board of Directors of PBG SA received from ING Towarzystwo Funduszy Inwestycyjnych SA acting on behalf of ING SME Open-end Investment Fund, ING Equity Open-end Investment Fund, ING Balanced Open-end Investment Fund, ING Stable Growth Open-end Investment Fund, ING Specialized Equity Open-end Investment Fund 2 and ING Umbrella Specialized Open-end Investment Fund a notification that as the result of sale of shares of PBG SA the total number of votes at the General Meeting of Shareholders of PBG SA held by all investment funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A descended below the 5% threshold of the total number of votes. Before the change, the investment funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A held 932,570 shares of PBG SA in total, which constituted 6.94% of the Company’s share capital and gave the right to 5.20% of the total number of votes at the General Shareholders’ Meeting. On the day of the sale of the shares, i.e. on 22 July 2008, the Funds held 881,570 shares of PBG SA in total constituting 6.56% of PBG SA share capital and giving the right to 4.92% of the total number of votes at the General Meeting of Shareholders. On the day of the notification, the investment funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A held 859,112 shares of PBG SA in total, which constituted 6.40% of the Company’s share capital and gave the right to 4.79% of the total number of votes at the General Shareholders’ Meeting.

2. Number of Company shares or share options held by members of the Board of Directors and the Supervisory Board of PBG SA

Members of the Board of Directors	Number of shares	
	As of 31.12.2008	As of report submission date
Mr Przemysław Szkudlarczyk	2,000	2,000
Mr Tomasz Tomczak	750	750
Mr Tomasz Woroch	8,403	8,403
Mr Mariusz Łożyński	1,553	1,553
Mr Tomasz Latawiec	500	500
Members of the Supervisory Board	**Number of shares**	
	As of 31.12.2008	**As of report submission date**
Ms Małgorzata Wiśniewska	3,279	3,279
Mr Jacek Krzyżaniak	250	250

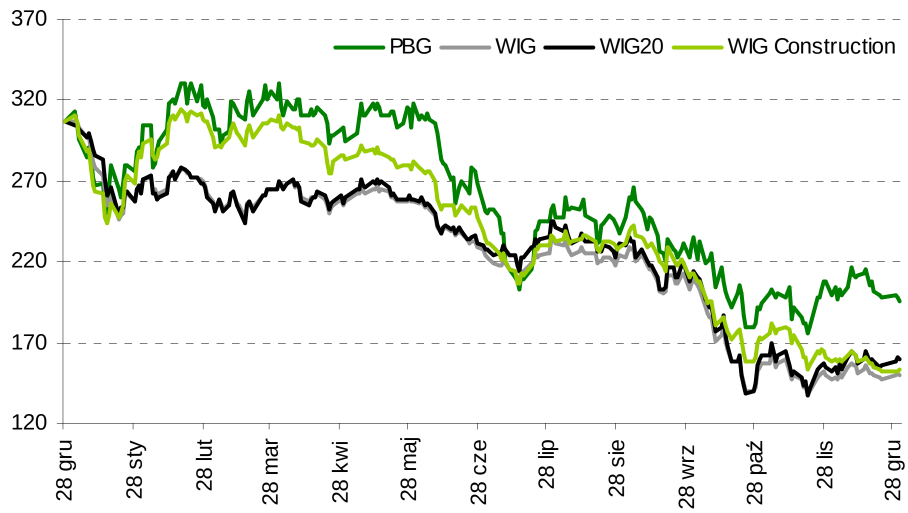
3. The assimilation of shares

On 21 November 2008, The Board of Directors of PBG S.A. submitted to Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository of Securities) and Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) applications to assimilate and to list its shares respectively. The applications covered 12,500 bearer Series D shares of PBG SA, which were allocated under the Management Share Option Scheme on 6 November 2008.

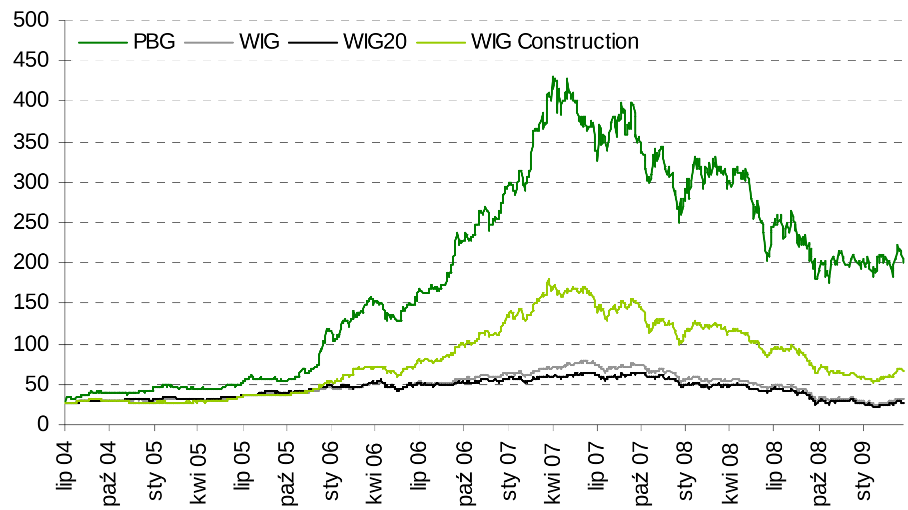
On 25 November 2008, Krajowy Depozyt Papierów Wartościowych SA (the National Depository of Securities) passed a resolution on the assimilation as of 28 November 2008 of 12,500 ordinary bearer Series D shares of PBG SA, allocated under the Management Share Option Scheme, designated with the code PLPBG0000045 with 8,905,000 ordinary bearer shares designated with the code PLPBG0000029. There are 8,917,500 ordinary bearer shares of PBG SA designated with the code PLPBG0000029 currently being traded on the stock exchange.

4. PBG SA share price since the IPO on the Warsaw Stock Exchange

Share price from 1 January 2008 to 31 December 2008:



Share price from the IPO date to 21 April 2009:



II. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE CODE BY PBG S.A

1. Identification of a corporate governance code adopted by PBG S.A.

PBG S.A. has chosen to apply the corporate governance principles that are published in the document titled "Good Practices of the Companies listed on the WSE", whose full text is available on the webpage http://www.corp-gov.gpw.pl

2. Departure from the provisions of the corporate governance code

The Board of Directors of PBG S.A. hereby declares that in 2008 the Company complied with the binding principles of the corporate governance code set forth in the document under the title "Good practices of the Companies listed on the WSE".

3. Description of the main features of the internal control systems and risk management applied by the Company in relation to the process of preparing financial statements and consolidated financial statements

The Board of Directors is responsible for the internal control system in the Company and its effectiveness in the process of preparing financial statements and interim reports prepared and published in accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and interim information to be provided by issuers of securities and on the conditions of acknowledging the equivalence of information required by laws of a non-member country (Journal of Laws 2009, No. 33, item 259).

The process of preparing financial statements is executed within the Division of the Director for Group Accounting Co-ordination and directly controlled by the Financial Statement Consolidation Department, in co-operation with other organizational units of the Company essentially responsible for the data, which do not directly result from the Company's accounting books but constitute part of the financial statement.

Due to the specific nature of the industry the Financial Control Department plays a significant role during the preparation of a financial statement. The key activity which the Company applies to minimize risk is the accurate assessment and analysis of the construction contracts that are being executed.

The basis for calculating revenues and costs associated with construction contracts are, in accordance with IAS 11, the budgets of specific contracts. The budgets are prepared in accordance with best knowledge and expertise by the Contract Directors, who have been trained in this area. During the preparation as well as the execution of construction projects, all budgets are analyzed on an ongoing basis and revised by the persons held responsible for them. The results of the analyses and budget changes are discussed at weekly meetings. This process is based on the formalized principles existing in the Company and is subject to specific supervision on the part of the Board of Directors.

For the presentation of its financial data the Company applies coherent and defined accounting principles consistent with the valuation and presentation principles applied within the whole PBG Capital Group.

As from 1 January 2009, the person approving the financial statement being responsible for its preparation is the Chief Accountant in case of an individual financial statement and in case of a consolidated financial statement – the Director for Capital Group Accounting Co-ordination – Proxy. The persons preparing financial statements, responsible for the control and co-ordination of the reporting process are specialists, who possess relevant knowledge and experience in that field and have signed confidentiality agreements.

The following members of the Bard of Directors of PBA SA are responsible for the area related to the preparation of financial statements: Mr Jerzy Wiśniewski, President of the Board, Mr Przemysław Szkudlarczyk, Vice-President of the Board and Ms Eugenia Bachorz, Proxy. Pursuant to the accepted procedure during the course of preparation of the financial statement the above-mentioned members of the Board systematically examine the economic data and matters referred to in this statement and suggest possible issues, which should be taken into account when preparing this statement, representing the whole Board. After completion of the financial statement, it is passed for auditing and review in accordance with the binding regulations. All members of the Board approve the financial statement by signing before receiving by the Company the audit opinion of the statement by the auditor.

The audit or review of the financial statement is performed by the entity authorized to audit financial statements chosen by the Company’s Supervisory Board from a group of reputable auditing firms.

The auditor while auditing of the financial statement and company accounts meets with the key persons in the company’s structure, including those members of the Board responsible for the business area discussing individual matters included in the financial statement. The final statement of accounts, after possible agreed upon corrections made by the auditor or any person preparing it or by the management, is once more examined and signed by them.

The Supervisory Board carries out an annual assessment of the Company’s audited financial statements in terms of their compliance with the books and documents as well as the factual circumstances, and informs the shareholders of the assessment’s results in its Annual Report published by the Company.

Managing Company’s risk in relation to the process of preparation of financial statements is performed through identifying and assessing risk areas while at the same time defining the activities necessary to limit or eliminate it.

4. Identification of shareholders holding directly or indirectly considerable blocks of shares with the indication of the number of shares held by these entities, their percentage share in the share capital, the number of votes the shares carry and their percentage share in the total number of votes at the General Shareholders' Meeting.

The Company's share capital as of 31 December 2008 amounted to PLN 13,430,000 and was divided into 4,500,000 voting registered shares and 8,930,000 ordinary bearer shares. The nominal value of preferred and ordinary shares amounts to PLN 1.00 each. One preferred share entitles to two votes at the General Shareholders' Meeting.

According to the information held by the Company the following shareholders hold shares entitling to at least 5% of the total vote at the General Shareholders' Meeting.

As of 31 December 2008				
Shareholder	**Number of shares**	**Total nominal value (PLN)**	**% share in capital held**	**% share in the total vote**
Mr Jerzy Wiśniewski	4,495,054 shares, of which: 4,495,054 registered preferred shares	4,495,054	33.47%	50.14%
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA	899,265 ordinary shares	916,334	6.70%	5.02%
As of report submission date				
Shareholder	**Number of shares**	**Total nominal value (PLN)**	**% share in capital held**	**% share in the total vote**
Mr Jerzy Wiśniewski	4,495,054 shares, of which: 4,495,054 registered preferred shares	4,495,054	33.47%	50.14%
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA	916.334 ordinary shares	916,334	6.82%	5.11%
ING Nationale - Nederlanden Polska PTE SA	912.991 ordinary shares	912,991	6.80%	5.09%

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

5. Identification of holders of any securities, which entitle to special control rights with the description of these rights.

There are no securities entitling to special control rights in relation to the Company. No restrictions concerning the transfer of ownership titles or in terms of exercising the voting right are attached to the Company's shares.

6. Identification of any restrictions regarding the exercise of the voting right, such as the restriction on exercising the voting right by the holders of the determined part or number of votes, temporary restrictions concerning the exerice of the voting right or provisions, according to which, with the co-operation of the Company, the equity rights associated with the securites are separated from the holding of these securities.

There are no provisions in the Issuer's Statutes concerning restrictions on the exercise of the voting right by the holders of the determined part or number of votes.

7. Description of priniples for appointing and recalling management persons and their entitlements, in particular the right to make a decision on the issue or redemption of shares

The Issuer's Board of Directors

The Board of Directors acts on the basis of the Commercial Companies Code, the Articles of Association and the Managemen Board By-laws.

The Board of Directors is the Issuer's body, whose competences include all matters that are not reserved under the provisions of the Commercial Companies Code or the Issuer's Articles of Association for other bodies of the Issuer.

Pursuant to the currently applicable provisions of the Issuer's Articles of Association (§ 37) the Issuer's Board of Directors consists of several members and is comprised of the President of the Board, from one to four Vice-Presidents of the Board and the maximum of three Board Members, appointed and recalled by the Supervisory Board.

The Supervisory Board appoints the President of the Board and subsequently, at his request, the remaining Vice-Presidents and Members of the Board.

Only natural person having full legal capacity to act may become a Member of the Board.

Two Vice-Presidents acting jointly or a Vice-President and a Board Member acting jointly or a Vice-President with a Proxy, or a Board Member with a Proxy, are authorized to represent the Company. The President of the Board represents the Company severally. The Board of Directors may grant powers of attorney to act for the Company. The powers of attorney may be general, specific – for performing acts of determined type, and special – for performing a specific act.

The Board of Directors may grant a power of proxy. In order to establish a power of proxy consent of all Board Members is required. Each Board Member is authorized to recall the power of proxy severally.

The Board of Directors pursuing the Company's interest determines its strategy and main objectives and submits them to the Supervisory Board and is subesequently responsible for their implementation and execution. The Managing Board strives for transparency and effectiveness of the Company's management system and manages its business in accordance with the provisions of law and good practices.

Board Members are appointed, recalled and suspended from performing their duties by the Supervisory Board, pursuant to the principles set forth in the Commercial Companies Code and the Articles of Association. The President of the Board puts forward recommendations of Board Member candidates.

The Supervisory Board concludes and terminates agreements with the Board Members, whereas the President or the Vice-President of the Supervisory Board signs the agreements for the Board. The same procedure is applied to performing other activities associated with the engagement relationship of the Board Member.

The Supervisory Board determines the remuneration of the Board Members taking into account its motivational character that aims at ensuring the effective management of the Company.

The Board Member's mandate expires:

1) effective as of the date she/he is recalled from the Board,
2) effective as of the date of the General Shareholders' Meeting approving the financial statement for the last full financial year of his/her serving as a Board Member,
3) effective as of the moment of his/her death,
4) effective as of his/her submitting the notice of resignation.

In the case of resignation from the function of the Board Member, the notice should be submitted to the Supervisory Board with its copy delivered to the Board of Directors.

Without consent of the Supervisory Board a Board Member may not:

1) engage in competing interests in relation to the Company,

0) participate in a competing company as a partner in a private partnership, partnership or as a member of a share-holding company's body or serve in other competing legal person as a member of its body,
0) participate in a competing share-holding company, should the member have at least 10% shares in that company or the right to appoint at least one board member.

A Board Member is obliged to immediately inform the Supervisory Body about the circumstances referred to hereinabove. A Board Member should remain loyal to the Company and refrain from activities, which may entirely lead to achieving his/her own personal or financial gains. In the event of obtaining information about an opportunity of making an investment or another benefitial transaction concerning the Company's business, a Board Member should immediately provide the Board with such information in order consider a possibility of using it by the Company. Use of such information by a Board Member or passing it onto third party may take place only upon constent of the Board and only if it does not infringe the Company's interests. Board Members should inform the Supervisory Body of each conflict of interests associated with the function held or of a possibility of its arising. A Board Member should treat the Company's shares held as a long-term investment.

All activities outside the ordinary course of the company's business require a resolution by the Board.

The following matters require a resolution by the Board in particular:

0) making decisions concerning substantial investment projects and the methods of their financing,
0) establishing strategic development plans for the Company, determining financial objectives of the Company,
0) determining the Company's organizational structure,
0) establishing regulations and other internal normative acts of the Company,
0) establishing the internal division of competence between the Board Members,
0) determining assumptions of personnel and payroll policies, including assumptions for incentive programmes.

With the exception of the matters referred to above, individual Board Members are responsible for independent running of the Company's business resulting from the division of duties.

In the event a Board Member is unable to perform his/her duties he/she is obliged to inform the Board without delay of his/her inability to fulfil his/her obligations. The President of the Board will decide which one from the other Board Members will fulfil these duties in his/her place.

The Issuer's Supervisory Board

The Supervisory Board acts on the basis of the Commercial Companies Code, the Articles of Association and the Supervisory Board By-laws.

The Supervisory Board is comprised of not fewer than five members appointed by the General Shareholders' Meeting by secret vote for the period of one year, however, the mandates of the Supervisory Board Members expire only on the date of the General Shareholders' Meeting approving the financial statement for the last full financial year of his/her serving as a Member of the Supervisory Board. The number of members of the Supervisory Board is established each time by the General Shareholders' Meeting.

Members of the Board may by re-appointed. At least half of the number of the Supervisory Board Members should be independent members, i.e. the persons, who satisfy the following assumptions each:

A member of the Supervisory Board is considered to be independent if:

1) he/she is not an employee of either the Company or Related Company;
2) he/she is not a member of the supervisory and management bodies of the Related Company;
3) he/she is not a shareholder holding at least 5% of the votes at either the General Meeting of Shareholders of the Company or the general meeting of shareholders of the Related Company;
4) he/she is not a member of the supervisory and management bodies or an employee of the entity holding at least 5% of the total vote at either the General Meeting of Shareholders of the Company or the general meeting of shareholders of the Related Company;
5) he/she is not an ascendant, descendant, spouse, sibling, spouse's parent or a person remaining in a relationship of adoption in relation to any of the above mentioned persons in the preceding points.

The conditions indicated above must be satisfied throughout the whole period of the mandate.

Within the meaning of the Issuer's Articles of Association the entity is a „Related Company" if it is a Parent Company of the Company, a Subsidiary Company of the Company or a Subsidiary Company of the Company's Parent Company.

Within the meaning of the Issuer's Articles of Association, the entity is a „Related Company" of other entity („the Parent Company") if:

1) the Parent Company holds the majority of the votes in the bodies of other company (the Subsidiary Company), also on the basis of agreements with other authorized persons, or
2) the Parent Company is authorized to appoint or recall the majority of members of the management bodies of other company (the Subsidiary Company), or
3) more than half of the Board of Directors members of the later company (the Subsidiary Company) are simultaneuosly members of the Board of Directors or persons holding management functions in the former company or in another company that is being controlled by the former.

A company that is a Subsidiary Company of another company being controlled by the Company's Parent Company is also considered as the Subsidiary Company of the Company's Parent Company.

The Supervisory Board is obliged to exercise constant supervision over the Company's business in all areas of its activities. Every year, the Supervisory Board submits to the General Meerting of Shareholders a concise evaluation of the Company's situation that was determined during the meeting of the Supervisory Board that was convened before the Ordinary General Meeting of Shareholders.

THE FOLLOWING IN PARTICULAR REQUIRE CONSENT OF THE SUPERVISORY BOARD:

1) acquiring an enterprise or an organized part of the enterprise,
2) establishing and closing branches of the Company in the country and abroad,
3) taking over the responsibility for liabilities of others (pledges, guaranties, avals) exceeding the amount of the Company's share capital, with the exception that taking over the responsibility for liabilities of the companies belonging to the Company's capital group does not require consent of the Supervisory Body,
4) engaging in competing interests by the members of the Board and serving in competing companies as either a registered partner or a member of the management,
5) acquiring, subscribing, disposing, waiving the pre-emptive right to shares, with the exclusion of shares of publicly-owned companies in the amount not exceeding 1% (one percent) of their total number,
6) making advance payments to the shareholders towards dividend foreseen at the end of the financial year,
7) paying any benefits by the Company with the exception of the benefits arising from the engagement relationship for the benefit of the board members of the Company,

8) concluding by the Company or its subsidiary a material agreement with the Company's related company (with the exlusion of concluding agreements with the Company's capital group companies), a member of the supervisory body or the managing board and companies related to them,
9) acquiring or disposing of real estate, the perpetual usufruct or share in the real estate,
10) appointing a certified accountant,
11) representing the Company in the agreements and disputes between the Company and members of the Board of Directors,,
12) approving the Board of Directors By-laws,
13) appointing and recalling members of the Board of Directors,
14) assessing matters submitted by the Board of Directors.

For the purpose of performing its tasks the Supervisory Body may carry out a review of each department of the Company, request from the Board of Directors and Company's employees reports and explanations, revaluate the Company's assets and audit the books and documents. Members of the Supervisory Board should undertake appropriate measures to obtain from the Board of Directors regular and complete information on all fundamental matters concerning the Company's business and on the risk associated with running the business and ways of managing it. At each meeting of the Supervisory Board, the Board of Directors report on all key matters concerning the Company's business activities. Members of the Supervisory Board are informed of all urgent matters by the Board of Directors by circulation (in writing). In such cases the President or two Vice-Chairmen of the Board or a Vice-President and a Member of the Board of Directors, or a Vice-President and a Proxy, Plenipotentiary of the Board or a Member of the Board of Directors and a Proxy, Plenipotentiary of the Board hand over the written information to the President of the Supervisory Board.

In case a Member of the Supervisory Board is unable to perform his/her duties he/she is obliged to inform the President of the Supervisory Board without delay of his/her inability to fulfil his/her obligations and its causes..

A Member of the Supervisory Board should without delay inform the other Members of the Board of:

a) a conflict of interests that has arisen with the Company. In such cases the Member of the Board is obliged to refrain from participating in discussions and from voting on passing a resolution on in the matter, in relation to which the conflict of interests has arisen. The information on the reported conflict of interests should be recorded in the mintues of the meeting of the Supervisory Board.

) personal, factual and organizational connections of a Member of the Board with a given shareholder, and, in particular, with the majority shareholder, which may influence the Company’s business.

Personal connections with a shareholder are understood as the first degree of kinship or afinity. Factual connections with a shareholder are understood as remaining in permanent bussines relationships. Organizational connections with a shareholder are understood as connections arising from concluded agreements of employment and of a similar nature. The Company has the right to request at any time from a Member of the Board a statement concerning the connections referred to above.

8. Description of amendment principles of the Charter or Articles of Association of the Issuer’s Company

Amendment of the Company’s articles of assocation requires:

- a resolution by the General Meeting of Shareholders, passed by a 3/4 majority of the votes cast (Art. 415 of the Commercial Companies Code), in the form of a notarial deed (a resolution concerning a significant change in the company’s business requires a resolution passed by a 2/3 majority of the votes (Art. 416 of the Commercial Companies Code)),
- an entry to the National Court Register (Art. 430 of the Commercial Companies Code)

9. The modus operandi of the General Meeting and its principal competencies and the description of shareholders’ rights and the method to exercise them, in particular the principles resulting from the Bye-laws of the General Meeting

9. 1. The modus operandi of the General Meeting

The General Meeting acts on the basis of the Bye-laws of the General Meeting of Shareholders of the Company.

The General Meeting may be attended by those shareholders, who have submitted to the Company written deposit certificates issued in the name of the holder by the entity maintaing the securities account in accordance with the regulations on public trading in securities at least one week before the date of the General Meeting and have not collected them before the end of this Meeting. The General Meeting is regarded as valid if the present shareholders represent at least half of the share capital of the Company. The General Meeting should be attended by members of the Supervisory Board and the Board of Directors. Absence of a member of the Supervisory Board or the Board of Directors at the General Meeting requires an explanation. Such explanation is presented at the General Meeting. A certified accountant should attend the Ordinary General Meeting and that Extraordinary General Meeting, whose agenda includes the subject of financial matters of the Company. The General Meeting or its relevant part may be attended by experts and guests invited by the body convening the General Meeting, in particular if their participation is neccessary due to the need to present the participants of the General Meeting with opinions in debated matters.

The General Meeting is conducted by the Chairman in accordance with the accepted agenda, provisions of law, the Articles of Association and Bye-laws ensuring the respect of the rights and interests of all participants of the General Meeting. The Chairman cannot independently remove issues from the proposed agenda, change the order of its individual points and introduce for the debate substantive issues not included in the agenda.
After presenting each matter included in the agenda, the Chairman makes a list of persons declaring their wish to participate in the discussions, and after it has been finalized, opens the discussion giving the floor to a speaker according to the order on the list. The Chairman makes a decision on the closing of the discussion. The Chairman may give the floor not following the order of speakers on the list to members of the Board of Directors, Supervisory Board and invited experts, whose addresses are not going to be considered when establishing the list and the number of speakers. The floor may be taken only in matters included in the agenda within the currently debated point of this agenda. When debating each issue of the agenda depending on its subject, the Chairman may determine a time limit, to which one speaker is entitled for his/her address and responses. The above time restriction cannot be applied to a member of the Board of Directors, Supervisory Board and an expert. The Chairman makes a decision on extending the time of an address or giving the floor to a speaker for the second time. Each participant of the General Meeting has the right to put forward questions to the Board of Directors, Supervisory Board and a certified accountant in matters included in the agenda within the scope of the currently discussed issue. Members of the Board of Directors, Supervisory Board and a certified accountant of the Company – each within the limits of their competences – are obliged to provide answers to the asked questions, within the scope necessary to settle the issues discussed by the General Meeting. The answers should be provided taking into account the fact that the Company fulfils its obligations to provide information in accordance with the regulations

concerning trading in financial instruments, and providing such information cannot be performed in a different manner than stipulated by these regulations. Immediately after the end of a discussion the Chairman puts a formal proposal to the vote of the General Meeting. At the request of a participant of the General Meeting his/her written statement is recorded in the Minutes. Such statement is accepted at the end of the meeting. Resolutions of the General Meeting are passed by an absolute majority of the votes cast, unless the applicable rule of law or the Articles of Association require a qualified majority for a given resolution to be passed.

9.2. Main powers of the General Meeting

Pursuant to § 28 of the Articles of Associations of PBG S.A. resolutions of the General Meeting are in particular required for:

1) review and approval of the annual financial statement with the report of the Board of Directors on the Company’s operations for the preceding financial year,
2) acknowledgment of the fulfilment of duties by members of the Company’s Board of Directors and Supervisory Board,
3) distribution of the profit or determination of the method to cover losses,
4) all resolutions concerning compensation claims for damages caused while setting up the Company or managing or supervising it,
5) disposal and lease of the enterprise or its organized part and establishment of the right of its use,
6) issue of convertible bonds or pre-emptive bonds,
7) determination of principles and remuneration level of members of the Supervisory Board,
8) appointment and recall of members of the Supervisory Board,
9) determination of the dividend record date,
10) establishment, each use and liquidation of the reserve capital.

9.3. Shareholders’ rights and the method of their execution

Pursuant to the Bye-laws of the General Meeting of PBG S.A, a shareholder is in particular entitled to the following rights:

1. A shareholder may participate in the General Meeting and exercise his/her voting right in person by Proxy or through other representative.

The power of Proxy to act on behalf of a shareholder should be granted in writting under penalty of being declared null and void and attached to the Minutes of the General Meeting. Other representatives of shareholders should document their right to act on their behalf in the proper manner.

2. The Chairman is chosen among the participants of the General Meeting.

3. The Board of Directors convenes the General Meeting that is ordinary or extraordinary. If the Board of Directors has not passed a resolution to convene the Ordinary General Meeting by the end of the fifth month since the end of the financial year, or it has convened it on the date that does not fall on the date set forth in sec. 2, the Supervisory Board has also the right to convene the Ordinary General Meeting. Shareholders representing at least one tenth of the share capital may submit a request to the Company's Board of Directors to convene the Extraordinary General Meeting.

4. Each participant of the General Meeting has the right to put forward questions to the Board of Directors, Supervisory Board and a certified accountant in matters included in the agenda within the scope of the currently discussed issue.

5. Each participant of the General Meeting may put forward a motion in a matter on the agenda. The Chairman may give the floor not following the established order in matters on the agenda. At the request of a participant of the General Meeting his/her written statement is recorded in the Minutes. Such statement is accepted at the end of the meeting.

10. The composition of the Board of Directors and the changes that took place in the last financial year and the description of actions of the Board of Directors, the Supervisory Board, or administration bodies of the Issuer and their committees

10.1. The composition and principles of operation of the Board of Directors

Members of the Managment Board in the period from 1 January 2008 to 31 December 2008:

- Mr Jerzy Wiśniewski – President of the Board;
- Mr Tomasz Woroch – Vice-President of the Board;
- Mr Przemysław Szkudlarczyk – Vice-President of the Board;
- Mr Tomasz Tomczak – Vice-President of the Board;
- Mr Mariusz Łomżyński – Member of the Board until 27.11.2008, Vice-President of the Board since 28.11.2008
- Mr Tomasz Latawiec – Member of the Board.

The members of the Board of Directors referred to above, with the exception of Mr Tomasz Latawiec, were appointed on 10 May 2006 by the Supervisory Board of PBG SA to perform their functions for the next term. Mr Tomasz Latawiec was appointed Member of the Board by a resolution of the Supervisory Board of PBG SA passed on 3 October 2007. Further changes in the Board of Directors of PBG SA were made by the Supervisory Board on 28 November 2008, which, upon request of the Board of Directors, made a decision to appoint Mr Mariusz Łożyński, Member of the Company's Board of Directors until that time, Vice-President of the Company's Board of Directors. The request was submitted in relation to the changes in responsibilities within the Company's Board of Directors resulting from the conclusion last year of the largest contracts in the history of the Company in the areas of crude oil and gas. Mr Tomasz Tomczak, Vice-President of the Board, responsible so far for the whole area of production, is responsible for the implementation of new contracts (the construction of LGM (Lubiatów-Międzychód-Grotówand) crude oil extraction plant and the underground natural gas storage facility at Wierzchowice). Mr Mariusz Łożyński however, additionally to being responsible for supervising and winning contracts at home and abroad, is also responsible for winning orders from the PBG Capital Group and implementing contracts within the areas of hydro-technology and renovation.

	Nr	NAME AND SURNAME	BOARD FUNCTION	AREA OF RESPONSIBILITY
BOARD OF DIRECTORS	1.	Mr Jerzy Wiśniewski	President of the Board	Strategy and Development
	2.	Mr Tomasz Woroch	Vice-President of Board	Environmental Protection Sector
	3.	Mr Przemysław Szkudlarczyk	Vice-President of Board	Economy and Finances
	4.	Mr Tomasz Tomczak	Vice-President of Board	Crude Oil, Natural Gas and Fuels Sector
	5.	Mr Mariusz Łożyński	Vice-President of Board	Tendering, Contracting within PBG Group; Hydro-technology and Renovation

				Sector
	6.	Mr Tomasz Latawiec	Member of the Board	Renovation Sector
PROXY HOLDERS	1.	Mr Tomasz Przebieracz	Proxy	Crude Oil, Natural Gas and Fuels Sector
	2.	Mr Cezary Pokrzywniak	Proxy	Engineering – design of technological processes and facilities
	3.	Mr Wojciech Byczkowski	Proxy	Logistics
	4.	Ms Eugenia Bachorz	Proxy	PBG Capital Group Accountancy
	5.	Mr Rafał Wilczyński	Proxy	Economy and Finances
	6.	Mr Paweł Buczkowski	Proxy	Hydro-technology Engineering Sector

The current term in office of the Board of Directors expires on 10 May 2009. Pursuant to § 37 par. 7 of the Articles of Association of PBG SA, the mandates of members of the Board of Directors expire on the date of the General Shareholders' Meeting approving the financial statement for the last full financial year of their serving as Board Members.

The composition of the Board of Directors had not changed by the date of the publication of the report.

The Board of Directors deal with all affairs of the Company that are not reserved for the competence of the General Meeting or the Supervisory Board. The obligations and the Board of Directors's Standing Order are set forth in the formal document, which sets down its role. Individual members of the Board of Directors manage the areas of the Company's business under their control and their work is co-ordinated by the President of the Board.

10.2. The composition and principles of operation of the Supervisory Board and its committees.

As of 31 December 2008, the Supervisory Board of PBG S.A. is comprised of six members:

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

- Mr Wiesław Lindner – Secretary of the Supervisory Board;
- Mr Jacek Krzyżaniak – Member of the Supervisory Board;
- Ms Małgorzata Wiśniewska – Member of the Supervisory Board until 31.08.2008;
- Mr Mirosław Dobrut – Member of the Supervisory Board until 12.03.2008;
- Mr Dariusz Tarnowski – Member of the Supervisory Board;
- Mr Adam Strzelecki – Member of the Supervisory Board.

The members of the Supervisory Board listed above were appointed on 23 May 2007 by the Ordinary General Meeting of Shareholders to perform their functions for the next term of office. During the reporting period, i.e. in March 2008, Mr Mirosław Dobrut resigned from his position as Member of the Sepervisory Board of PBG SA. The justification of the resignation was a potential conflict of interests in relation to his becoming a member of the management board of another listed company. Another change in the Supervisory Board of PBG SA concerned Ms Małgorzata Wiśniewska's handing the resignation from her position as from 1 September 2008 due to her assuming the position of President of the management board of INFRA SA, a subsidiary company of PBG SA.
The term of office of the Supervisory Board appointed in May 2007 expired on the date of the Ordinary General Meeting of Shareholders approving the Company's financial statement for the financial year 2007. On 18 June 2008, the Ordinary General Meeting of Shareholders acknowledged the fulfillment of duties by all Members of the Supervisory Board referred to above and passed a resolution to re-appoint them as members of the Supervisory Board of PBG SA. During the current term of office, the Supervisory Board was comprised of seven members, however, the Board consisted of six members on the date of report submission. Mr Maciej Bednarkiewicz serves as Chairman of the Supervisory Board, Mr Jacek Kseń serves as Vice-Chairman of the Supervisory Board, Mr Wiesław Lindner was appointed Secretary of the Supervisory Board.

No other changes in the composition of the Board of Directors and Supervisory Board of PBG SA took place in the reporting period.

The composition of the Supervisory Board had not changed by the date of the publication of the report.

The term of office of members of the Supervisory Board lasts one year and their remuneration is determined by the General Meeting of Shareholders. The Supervisory Body is obliged to exercise constant supervision over the Company’s business in all areas of its operations. The obligations of the Supervisory Board include in particular the execution of an assessment of the financial statement and report of the Board of Directors on the Company’s operations in terms of their compliance with the books and documents, as well as the factual circumstances, an assessment of recommendations put forward by the Board of Directors as to distribution of the profits and loss coverage and the submission of an annual written report of the assessment results to the General Meeting of Shareholders.The obligations and the Management Board’s Standing Order are set forth in the formal document, which sets down its role. The Supervisory Board fulfils its obligations collectively, however it has transferred some of its powers to specific persons or committees, which are described in the following points.

Within the Supervisory Board of PBG S.A. there are two Committees:
1. The Audit Committee
2. The Remuneration Committee

The Audit Committee is comprised of:
- Mr Jacek Kseń,
- Mr Dariusz Tarnowski.

The Audit Committee holds meetings as required, at least once per quarter.

The Audit Committee is in particular responsible for:

a) an assessment of the scope of independence of the appointed certified accountant and advising the Supervisory Board on the choice of a certified accountant as well as the terms and conditions of the agreement with him/her and the level of his/her fee. The choice by the Supervisory Board of a different entity serving as a certified accountant other than the one recommended by the Committee requires a detailed justification,

b) analysing and an assessment of the relations and relationships in the Company, as well as in the Supervisory Board and Board of Directors themselves in terms of the possibility of their discovery or existing conflicts of interests and undertaking measures aiming at eliminating their occurrence, ensuring the most effective communication between a certified accountant and the Supervisory Board,

c) reviewing quarterly, semi-annual and annual financial statements of companies of the Company's capital group, as well as quarterly, semi-annual and annual consolidated fiancial statements of the Company's capital group.

The Audit Committee holds meetings as required, at least once per quarter.

The Remuneration Committee is comprised of:

- Mr Maciej Bednarkiewicz,
- Mr Wiesław Lindner,
- Mr Jacek Krzyżaniak.

The Remuneration Committe will be comprised of two members and is responsible for:

d) general monitoring of practices in the area of compensation and its levels in the Company,

d) determining the terms and condition of employment of Members of the Board of Directors and corporate officers of the Company,

d) establishing an incentive scheme for a given financial year.

The Remuneration Committee holds meetings as required, at least once per quarter.

III. TOTAL NUMBER OF SHARES HELD IN RELATED ENTITIES (as of 31 December 2008)

Related Company	Core business	Relation		Number of Shares	Nominal Value of Sharesakcji as of 31.12.2008
		Parent Company	Relation Type		
Metorex Sp. z o.o.	Contracting for construction of water suply and distribution networks, sewage drainage networks, heat distribution networks, gas distribution networks, sewage treatment plants, road and yard pavements	PBG S.A.	Subsidiary	682	PLN 51,150.00

INFRA S.A.	Specialist renovation services of water supply and distribution networks and sewage drainage systems	PBG S.A.	Subsidiary	9,995	PLN 4,997,500.00
Hydrobudowa Polska S.A.	End-to-end construction of hydro-technical, engineering and industrial structures	PBG S.A.	Subsidiary	2,107,946	PLN 105,397,300.00
KWG S.A.	Infrastructure development projects related to environmental protection	PBG S.A.	Subsidiary	28,700	PLN 2.870,000.00
Excan Oil and Gas Engineering Ltd. Canada	Exports of technologies and tendering for contracts in the area of natural gas and crude oil	PBG S.A.	Subsidiary		250,000.00 CAD
Gas Oil Engineering A.S. Slovakia	Engineering design and construction company; project management, deliveries in turnkey system, supervision of projects in the area of natural gas and crude oil	PBG S.A.	Subsidiary		SKK 163,000.00
PBG Dom Sp. z o.o.	Building industry	PBG S.A.	Subsidiary	123,572	PLN 12,357,200.00
Brokam Sp. z o.o.	The company owns an undeveloped plot of land with deposits of granodiorite	PBG S.A.	Subsidiary	12,000	PLN 12,000,000.00
Avatia S.A.	IT services; the Company as member of the PBG Capital Group provides IT support for all companies of the Group	PBG S.A.	Subsidiary	998	PLN 49,990.00
Aprivia S.A.	Responsible for consolidation of companies in the road building sector and strengthening the position of PBG Capital Group in the area of road building, including conclusion and execution of contracts and organization of financing	PBG S.A.	Subsidiary	71,993,065	PLN 71,993,065.00
PRiS Sp. z o.o.	Renovations, monitoring of pipelines, trenchless technology, renovations of existing water supply and distribution and sewage drainage networks	INFRA S.A.	Subsidiary	897	89.700.00 zł

WIERTMAR Sp. z.o.o.	Renovations, monitoring of pipelines, trenchless technology, renovations of existing water supply and distribution and sewage drainage networks	INFRA S.A.	Subsidiary	25,969	PLN 1,298,450.00
Hydrobudowa Konstrukcje Sp. z o.o.	Manufacture and assembly of steel structures, plant and equipment, steel tanks, end-to-end installations projects for t industry, in particular for the petrochemical industry	HBP S.A.	Subsidiary	16,100	PLN 8,050,000.00
Hydrobudowa 9 S.A.	Building services of structures in: environmental protection, hydro-technology, road construction and building industry	HBP S.A.	Subsidiary	9,576.222	PLN 1,453,668.50
PRG „Metro" Sp. z o.o.	General contractor of tunnels for the Warsaw Underground and associated facilities, such as track ventilation units, junction turnouts, underground passages, micro-tunnels	HBP S.A.	Subsidiary	465	PLN 465,000.00
Gdyńska Projekt Sp. z o.o.	Purchase, sale, lease and management of real property, construction and real property development	HB9 S.A.	Subsidiary	60,000	PLN 3,000,000.00
Górecka Projekt Sp. z o.o.	Construction and real property development	HB9 S.A.	Subsidiary	1,000	PLN 50,000.00
Apartamenty Poznańskie Sp. z o.o.	Construction and real property development	PBG DOM Sp. z o.o.	Subsidiary	255	PLN 25,500.00
BUDWIL Sp. z o.o.	Purchase, sale and development of real property for its own account, construction and real property development	PBG DOM Sp. z o.o.	Subsidiary	255	PLN 25,500.00
PBG Dom Invest I Sp. z o.o.	Construction and real property development	PBG DOM Sp. z o.o.	Subsidiary	500	PLN 50,000.00 zł
Dromost Sp. z o.o.	Building of transport infrastructure structures and manufacture of bituminous mass	APRIVIA S.A.	Subsidiary	6,000	PLN 3,000,000.00
Przedsiębiorstwo Robót Inżynieryjno Drogowych	Building of roads, bridges and engineering works, including earthworks, sewer systems, culverts of all types, soil stabilizers and	APRIVIA S.A.	Subsidiary	25,000	PLN 500,000.00

S.A.	bituminous and cement surface works; the Company owns a Bituminout Mass Production Plant with and a research laboratory				
Betpol S.A.	Road building, including: cold foamed bitumem recycling, planing of asphalt and asphaltic concrete pavements; Betpol also manufactures asphalt cold mix and ready-mix concrete	APRIVIA S.A.	Subsidiary	20,350,000	PLN 20,350,000.00

Additonally, PGB has interest in the following entities:

- **KRI S.A.** - 25,300,000 shares of the nominal value PLN 1.00 each; the total nominal value of shares amounts to PLN 25,300,000.00; these shares guarantee PBG SA a 19.97% share in the company's share capital and the total vote;

- **Lubickie Wodociągi Sp. z o.o. –** 60 shares of the nominal value PLN 500.00 each; the total nominal value of shares amounts to PLN 30,000.00; these shares guarantee PBG SA a 15% share in the company's share capital and the total vote;
- **Towarzystwo Ubezpieczeń Wzajemnych TUS** - 6 shares of the nominal value PLN 100.00 each; the total nominal value of shares amounts to PLN 30,000.00; these shares guranatee PBG SA a 0.01% share in the company's share capital and the total vote;
- **Budownictwo Naftowe „Naftomontaż" Sp. z o.o. –** 3,500 shares of the nominal value PLN 1000.00 each; the total nominal value of shares amounts to PLN 3,500,000.00; these shares guarantee PBG SA a 7.82% share in the company's share capital and the total vote;
- **Remaxbud Sp. z o.o. (the former MTR Sp. z o.o.)** - – 840 shares of the nominal value PLN 500.00 each; the total nominal value of shares amounts to PLN 420,000.00; these shares guarantee PBG SA a 18.92% share in the company's share capital and the total vote;
- **STRATEG CAPITAL Sp. z o.o. –** 47 shares of the nominal value PLN 1000.00 each; the total nominal value of shares amounts to PLN 47,000.00; these shares guarantee PBG SA a 18.80% share in the company's share capital and the total vote;

After the balance sheet date the Company acquired interest in the following entities:

- **Energia Wiatrowa PL Sp. z o.o**. – 230 shares of the nominal value PLN 50.00 each; the total nominal value of shares amounts to PLN 11,500.00; these shares guarantee PBG SA a 18.92% share in the company's share capital and the total vote;

- **Poner Sp. z o.o. - –** 475 shares of the nominal value PLN 1000.00 each; the total nominal value of shares amounts to PLN 475,000.00; these shares guarantee PBG SA a 19.00% share in the company's share capital and the total vote;

IV. INFORMATION ON CORE BUSINESS

The Company's core business includes general contracting for construction and installation works in the area of natural gas and crude oil, water and fuels in the "turnkey" system as well as for investment projects in the sphere of industrial, residential, infrastructure and road construction. The largest part of the Company's business, however, focuses on the implementation of contracts in the area of natural gas, crude oil and fuels.

PBG SA operates within five main segments:

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

Services rendered within the distinguished segments are specified in the table below.

		▪ **general construction** ▪ **industrial infrastructure** ▪ **construction of stadia** ▪ **construction of a waste sorting plant**
		ROADS
		▪ **road building**

The scope of building services in the aforementioned segments includes end-to-end installation, design, modernization, renovations, maintenance and servicing of the facilities and installations.

Detailed financial data concerning the share of individual segments in the revenues form sales are presented in the next part of the report.

V. INFORMATION ON CHANGES IN MARKETS

In the reporting period, revenues (in accordance with IAS) from individual areas of business of PBG SA were generated mainly in the domestic market in the following amounts:

INDUSTRY SEGMENTS

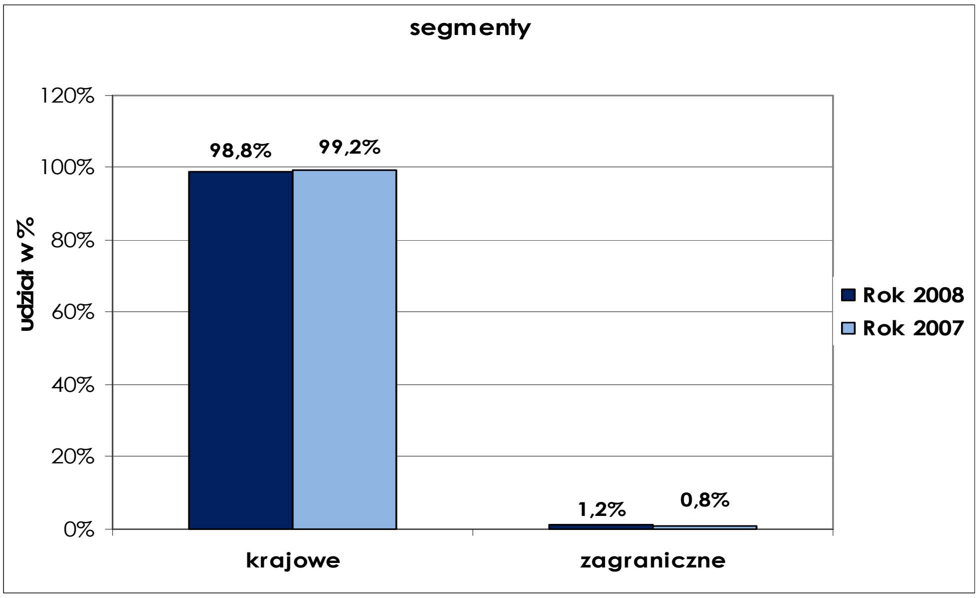
Revenues from Sales	2008 (in PLN '000)	2007 (in PLN '000)	Difference (in PLN '000)	Difference (%)
Natural Gas and Crude Oil (transmission, distriubution, extraction)	236,871	127,034	109,837	86%
Water (hydro-technology and environmental protection, renovations)	83,667	97,679	- 14,012	-14%
Fuels (Storage of fuels)	73,625	136,910	- 63 285	-46%
Industrial and Residential Construction (construction, infrastructure for industrial facilities)	147,542	97,662	49,880	51%
Roads (road building)	6,368	0	6,368	0%
Other (sale of goods, materials and products, other services)	23,503	0	23,503	0%

Total Revenues from Sales	**571,576**	**459,285**	**112,291**	**24%**

GEOGRAPHIC SEGMENTS

Revenues from Sales	2008 (in PLN '000)	2007 (in PLN '000)	Difference (in PLN '000)	Difference (%)
Domestic Sales	564,985	455,653	109,332	24%
Sales Abroad	6,591	3,622	2,969	82%

In the reporting period, the share of the geographic segments of PBG Capital Group in the total revenues from sales was as follows:



Tłumaczenie tekstu wewnątrz diagramu (od lewej strony)

udział w % - % share

segmenty – Segments

krajowe – domestic

zagraniczne – abroad

Rok 2008 – 2008

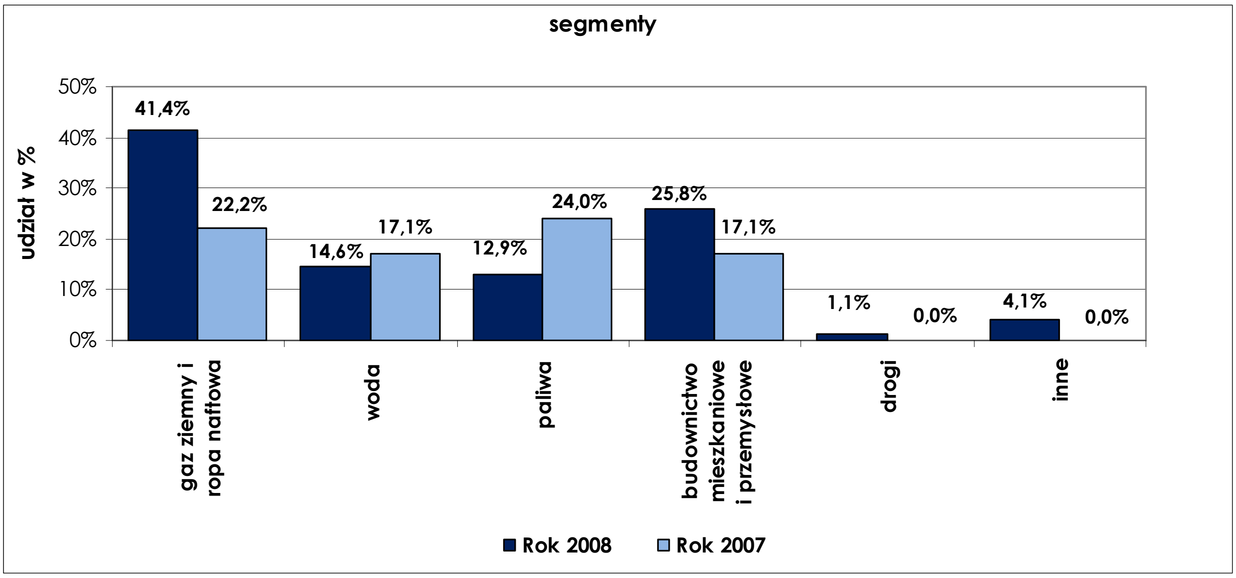
Rok 2007 - 2007

In 2008 the share of domestic sales and sales abroad in the total revenues amounted to 98.9% and 1.1% respectively. The achieved results did not substantially differ from those, which were generated by the Company last year, where the share of domestic sales reached the level of 99.2%, and the share of sales abroad amounted to 0.8%.

PBG Capital Group focuses its business operations mainly on the domestic market, which is considered by the Group's as the key market due to: the considerable inflows of Community funds and the resulting investment projects, planned investment projects related to the LNG production facility and the auxilliary infrastructure (gas compressor stations, pipelines, others) and due to investment projects currently being executed for the European Football Championships EURO 2012. However, the Company has undertaken measures to enter foreign markets in the future, chiefly in the natural gas and crude oil sectors. In 2006, PBG SA finalized its first contract, in the capacity of a subcontractor of the company Pall Poland Sp. z o.o., for a foreign investor, the Latvian company Latvijas Gaze Akciju Sabiedriba. This project was implemented in Latvia. The total amount of this contract amounted to EUR 5.22 million. This contract may be considered as the first step for PBG to enter foreign markets. Furthermore, PBG took steps towards its expansion on the Norwegian market. In March 2007, PBG signed the first contract with a Norwegian company Kanfa Aragon AS for the installation of a glycol regeneration plant for gas drying. The total value of this contract was EUR 1.125 million. This transaction was considered as significant as it presented an opportunity for PBG SA to win other contracts in Norway. PBG received another foreign order from this company in August 2007. This contract was for the construction of glycol regeneration units for platforms located in the coastal sectors of the United Kingdom and the delivery of supporting pumps for these units. The net value of the contract was calculated to be in the region of EUR 3 million.

Moreover, in 2007, PBG SA singed new contracts with the company Gas Naturale' (Pvt.) Ltd. with its registered office in Punjab in Pakistan. The total value of these contracts amounted to USD 5.5 mln USD. One of the contracts was for design works for the natural gas liquefaction plant. The other contract was for delivery of materials and process systems for the natural gas liquefaction plant. The concluded contracts were considered as significant as they provided additonal opportunities to win further export contracts.

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



Tłumaczenie tekstu wewnątrz diagramu (od lewej strony)

udział w % - % share

segmenty – Segments

Natural gas and crude oil, Water, Fuels, Residential and industrial construction, Roads, Others

Rok 2008 – 2008

Rok 2007 - 2007

The largest segment in terms of share in sales in 2008 was the **sector of natural gas and crude oil.** Its share in total revenues from sales in the period in question amounted to 41.4% (i.e. over 19% more in comparison with the corresponding period of last year). Owing to signing of the largest ever contracts in this segment, i.e. the contract for the construction of the crude oil extraction plant for PLN 1.4 billion (in August 2008) and the contract for the construction of the underground natural gas storage facility at Wierzchowice for PLN 1.1 billion (in November 2008) for the company Polskie Górnictwo Naftowe i Gazownictwo SA, PBG expects a considerable increase in revenues from sales in the natural gas and crude oil sector in the years to come.

The second largest segment of PBG business activities in the period in question was the **industrial and residential construcion** sector, which includes general construction and industrial infrastructure. The share of this segment in total revenues from sales amounted to 25.8% in comparison with 17.1% achieved in the corresponding period of last year, i.e. an increase by 8.7%. Owing to the emergence of new opportunities on this market concerning infrastructure investment projects, such as, for example, the construction of stadia, one can expect to maintain or even increase revenues from the industrial construction segment in the coming years. Currently, the most significant project executed within this segment is the contract for the construction of nine multi-purpose complexes (residential and commercial developments) in Świnoujście for the company Pomerania Development Sp. z o.o.. The total value of the contract is currently estimated at over PLN 190 milion.

In 2008, the **water segment** represented 14.6% of the revenues from sales and was the third segment in terms of size. The contracts implemented in the area of water are co-financed by the European Union and are related to environmental protection and hydro-technical investment projects. A drop in PBG revenues in this segment is connected with the implementation of the PGB Capital Group’s strategy aiming at taking over the leading role on the environmental protection market by another company of the Group – Hydrobudowa Polska S.A. and is an element of the preparation by PBG to win and execute the largest contracts in other areas, especially in the area of crude oil and natural gas.

The forth largest segment of the Group’s business in 2008 was the **fuels segment**, within which PBG was implementing investment projects connected with the storage of liquid fuels (fuel depots and storage stations). The segment’s share in total revenues from sales in the period amounted to 12.9% (in comparison to the corresponding period of last year, the share of this segment in total revenues from sales dropped by oper 11%). The main customers for PGB services provided in the fuels segment include, among others: Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego – NATO, PKN Orlen and Operator Logistyczny Paliw Płynnych Sp. z o.o.. The most crucial project in this segment having been executed since the beginning of 2007 is a contract for the delivery and installation of underground fuel depots. The total net contract value currently amounts to almost PLN 280 milion (at the sigining of the contract its value was around PLN 225 milion). Owing to the conclusion of a contract with NATO and the increasing demand for this type of services, the Company should expect an increase in revenues in this segment in the coming years.

The last segment defined by PBG Capital Group, related to the specialist construction services, is the **road building segment**. In 2008, the share of this segment in revenues from sales reached merely 1.1%. PBG commenced its business on the road building market through acquisitions of road construction companies. Last year was the time when the Group focused on the development of this segment, acquisitions of road construction companies, restructuring, and providing additional financing for entities already constituting part of the Capital Group. These companies play a key role in this market, hence the revenues generated by PBG from the road construction segment have an insignificant share in total revenues from sales.

Indication of entities with turnover reaching at least 10% of total revenues from sales

In the reporting period, turnover with the following entities reached at least 10% of total revenues from sales:

- as a receipient: PGNiG S.A.;
- as a supplier: not applicable.

VI. INFORMATION ON MATERIAL AGREEMENTS

Material agreements concluded in the reporting period and after the balance sheet date:

Conclusion date	Parties	Subject	Material Terms
28.03.2008	PBG SA - General Contractor and Pomerania Development Sp. z o.o.	Construction and design works for the construction of 9 mix-purpose (residential and commercial) complexes in Świnoujście	The net value of the contract increased to PLN 190,035,865.22
3.04.2008	HB 9 PIB SA - Consortium Leader, HBP SA and PBG SA – Consortium Partners and the Ordering Party - Miejskie Wodociągi i Kanalizacja Sp. z o.o.	"Rainwater discharge from the protected water intake areas of LAS GDAŃSKI and CZYŻKÓWKO and extension of the rainwater discharge system in Bydgoszcz"	The total net contract value EUR 30,809,573.57 (PLN 107,263,530.40 net); The execution within 31 months of the effective date. PBG SA as the Consortium Partner will execute 10% of works
9.04.2008	PBG SA – Ordering Party and PIECOBIOGAZ SA	Co-operation terms and conditions for joint implementation of construction works	The value c. PLN 10, 000,000.00; Execution by the end of 31.12.2010. (Within 12 months PBG SA concluded with PIECOBIOGAZ SA

			contracts for the total of PLN 51,583,124.21. The total value of the material contract PLN 151,583,124.21)
16.04.2008	PBG SA – Contractor and “Nairit Plant” CJSC	Comprehensive “Reconstruction and modernization of Nairit CJSC plant”, Main Agreement	The contract net value USD 210,000,000.00; Completion date - 30 months.
18.04.2008	PBG SA – Ordering Party and “Nairit Plant” CJSC	Subcontracting by “Nairit Plant” CJSC from PBG SA part of Works related to the execution of the task “Reconstruction and modernization of Nairit CJSC plant”	The estimated contract net value USD 80,000,000.00. Tasks assigned to “Nairit Plant” CJSC to be implemented 20 days earlier than determined in the schedules of the Host Contract.
11.08.2008	PBG SA – Consortium Leader, Technip KTI S.P.A., Thermo Design Engineering Ltd. – Consortium Partners – Contractor and Polskie Górnictwo Naftowe i Gazownictwo SA	General Contractor services for "LMG Project – the Central Unit, wellsites, pipelines and other"	The contract net value PLN 1,397,000,000; Completion within 56 months of the effective date.
11.08.2008	PBG SA – Ordering Party and Technip KTI S.P.A	"LMG Project – the Central Unit, wellsites, pipelines and other", execution of construction and installation of end-to-end specialised systems by Technip KTI S.P.A.	The contract net value PLN 306,084,000
5.09.2008	HB 9 PIB SA – Consortium Leader, PBG SA, HBP SA, Prace Badawczo-Rozwojowe "EKOSYSTEM" Sp. z o.o., Ekotab Projekt Sp. z o.o. – Consortium Partners – Contractor and Miejski Zakład Oczyszczania Sp. z o.o.	"Construction of the Waste Management Plant at Trzebania, Osieczna commune"	The contract net value EUR 24,918,457.71; Completion by 30.06.2010

<table>
<tr><td>19.11.2008</td><td>PBG SA – Consortium Leader, Tecnimont S.P.A., Société Française d'Etudes et de Réalisations d'Equipements Gaziers "SOFREGAZ", Plynostav Pardubice Holding A.S. - Plynostav Regulace Plynu A.S. – Consortium Partners – Contractor and Polskie Górnictwo Naftowe i Gazownictwo SA</td><td>General Contractor services for the "Construction of overground part of the Underground Natural Gas Storage Facility at Wierzchowice 3,5 mld nm3 sub-stage 1,2 mld nm3"</td><td>The contract net value PLN 1,089,000,000.00 zł; Turnkey completion by 18.11.2011</td></tr>
<tr><td>12.02.2009</td><td>PBG SA – Ordering Party and Control Process S.A.</td><td>Two contracts for the execution of the task related to “LMG Project – – the Central Unit, wellsites, pipelines and other". 1. General contractor services for construction of wellsites and central units, including the design construction and their start-up. 2. General Contractor services for the construction and start-up of a gas-fired c.h.p. plant.</td><td>The net value of 1st contract PLN 183,955,000; The net value of the 2nd contract PLN 94,610,000; Completion by 10.04.2013.</td></tr>
<tr><td>16.04.2009</td><td>PBG SA – Consortium Leader – Ordering Party and PLYNOSTAV PARDUBICE HOLDING A.S.</td><td rowspan="2">Contracts related to the agreement for the General Contractor services concluded by the Consortium comprised of PBG SA (Consortium Leader), Tecnimont S.P.A., Société Française d'Etudes et de Réalisations d'Equipements Gaziers "SOFREGAZ" Plynostav Pardubice Holding A.S. - Plynostav Regulace Plynu A.S. (Consortium Partners), and PGNiG SA for the "Construction of overground part of the Underground Natural Gas</td><td>The contract value PLN 84,178,442.00 zł.; Completion by 18.11.2009</td></tr>
<tr><td>16.04.2009</td><td>PBG SA Consortium Leader and PLYNOSTAV REGULACE PLYNU A.S.</td><td>The contract value PLN 83,731,000.00; Completion by 18.11.2011</td></tr>
</table>

		Storage Facility at Wierzchowice 3,5 mld nm3 sub-stage 1,2 mld nm3". The contract subject is the design, supply and assembly of the installations.	

The criteria constituting the basis for the recognition of an agreement as material:

Legal basis:

Art. 5 (1) (3) of the Regulation of 19 October 2005 on current and interim information to be provided by issuers of securities.

Art. 56 (5) of the Act of Law on Public Offering – Current and Periodic Information

Legal basis:

the Regulation of the Minister of Finance of 19 February 2009 on current and interim information to be provided by issuers of securities and on the conditions of acknowledging the equivalence of information required by laws of a non-member country (Journal of Laws 2009, No. 33, item 259).

VII. INFORMATION ON CHANGES IN THE ORGANIZATIONAL RELATIONSHIPS

In the reporting period and after the balance sheet date, the following changes in the organizational relationships took place:

Date	Subjects	Type of transaction	Description	Objective
15.02. 2008	PBG SA and two natural persons	**ESTABLISHMENT OF THE COMPANY AVATIA SP. z o.o.** Registered by the District Court in Poznań on 29 February 2008	The initial capital amounts to PLN 50,000.00 and is divided into 1,000 shares of the nominal value of PLN 50.00 each. The Company’s partners are: PBG SA, which took up 998 shares, of the total value PLN 49,900.00 and two natural persons, each holding 1 share. Shares held by PBG SA constitute 99.80% of share capital and the total number of votes. The Company provides IT services. The initial capital was paid in by PBG SA from the Company’s own funds.	AVATIA as a member of PBG Capital Group will provide IT suport function for all Companies of the Group

13.03. 2008	PBG SA and three natural persons	**ACQUISITION OF BETPOL SA**	PBG SA acquired 14,244,999 registered series A of BETPOL SA of the nominal value of PLN 1.00 each. The shares were acquired for PLN 2.90 per share, the amount of PLN 40,246,497.10 was paid within 3 days of the agreements signing date, the amount of PLN 1,064,000.00 zł will be paid after the approval of the financial statement for FY 2008 subject to the Company achieving the planned results for 2008. The acquired shares represent a 70% stake in the Company's share capital and the total number of votes. The financing of the Company's acquisition is one of the objectives of share issue.	The acquisition of BETPOL will strenghten the Group's position in the area of road building
18.03. 2008	PBG SA	**ESTABLISHMENT OF THE COMPANY APRIVIA SA** Registered by the District Court in Poznań on 7 April 2008	The Company's initial capital amounts to PLN 500,000.00. PBG SA took up 100% shares in APRIVIA SA and holds a 100 % stake in the share capital and the total number of votes. Funds paid for the establishment of the Company came from proceeds form the issue of shares. The book value in PBG SA books on the date of establishing the Company amounted to PLN 0.00, and on 13.10.2008 it amounted to PLN 505,737.	APRIVIA SA objective is to strengthen the position of PGB Capital Group in the area of road building through winning and implementing contracts and organizing their financing
2.04. 2008	Infra SA, and a natural person	**ACQUISITION OF WIERTMAR Sp. z o.o.**	As a result of signing two agreements, INFRA SA acquired 25,969 shares in WIERTMAR Sp. z o.o. of the nominal value of PLN 50.00 each for the total amount of PLN 4,207,774.19. Shares purchased from the natural person represent 51% of share capital of Wiertmar Sp. z o.o. and the same amount of votes at the meeting of shareholders. The book value of acquired shares in INFRA S.A. accounts amounts to PLN 4,207,774. The transaction was financed with INFRA S.A. own funds.	Wiertmar provides construction and renovation services, monitoring of pipelines and trenchless technologies; Its inclusion into the Capital Group was aimed at creating support function for the Companies operating in the area of hydrotechnology.

2.04. 2008	Hydrobudowa 9 SA	**ESTABLISHMENT OF THE COMPANY GDYŃSKA PROJEKT Sp. z o.o.**	60,000 shares in the new company of the nominal value of PLN 50.00 each were paid for with a contribution of perpetual usufruct of plot of land of the value of PLN 2,900,000 and with cash contribution (PLN 100,000). Hydrobudowa 9 SA holds 100% of votes and shares in the share capital of the new company. The Company specializes in purchase, sale, lease and management of real property for the Company's own account. The book value of Gdyńska Projekt Sp. z o.o. in Hydrobudowa 9 accounts amounts to PLN 3,000,000.	Establishment of the company is a long-term investment related to the execution of a real property development project.
8.04. 2008	PBG Dom Sp. z o.o., natural persons	**ACQUISITION OF BUDWIL Sp. z o.o.**	PBG Dom acquired 255 shares in Budwil Sp. z o.o. from natural persons of the nominal value of PLN 100.00 each. Acquired shares represent a 51% stake in the share capital and the equivalent stake in the total number of votes at the general meeting of shareholders. PBG Dom paid for these shares with cash of PLN 25,500. Budwil Sp. z o.o. deals with purchase, sale and development of real property for its own account. The book value of shares in Budwil Sp. z o.o. in PBG Dom Sp. z o.o. accounts amounts to PLN 26,055.	PBG Dom plans to continue the Company's business activities and treats it as a long-term investment related to a real property development project.
16.05. 2008	Hydrobudowa Polska SA	**ESTABLISHMENT OF THE COMPANY HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o.;** Registered by the District Court in Katowice on 30 May 2008	The Company's initial capital amounts to PLN 50,000.00 and is divided into 100 shares of the nominal value of PLN 500.00 each. Hydrobudowa Polska SA took up all 100 shares, which were paid for in cash. The Company was established to separate from the core business of Hydrobudowa Polska SA the production and installation activities related to: manufacture and assembly of steel structures, plant and equipment, steel tanks, implementation of complete installation projects for the industry, in particular for the petrochemical industry.	Transfer of tasks related to the execution of production and installation contracts

30.05. 2008	PBG SA	**REDUCTION OF INTEREST HELD IN HYDROBUDOWA POLSKA SA (from 76% to 60.69%)** following the registration of share capital increase of Hydrobudowa Polska	Following the issue of series K shares and the registration of share capital increase of Hydrobudowa Polska SA with the issue of series K shares, the interest held by PBG SA in the total number of votes in Hydrobudowa Polska SA dropped below 75% and amounted to 60.69%. After the registration of share capital increase in Hydrobudowa Polska SA, PBG SA held 105,397,300 of its shares representing 60.69% of the Company's share capital entitling to 105,397,300 votes at the GMS, which represented a 60.69% stake in the total number of votes. Before the registration of share capital increase in HBP SA, PBG SA held 105,397,300 shares of the Company representing 76.00% of share capital of the Company carrying 105.397.300 votes at the GMS, which represented 76.00% of the total number of votes.	The reduction of PBG SA share in the share capital and the total number of votes of Hydrobudowa Polska SA resulted from the public offering of shares carried out by this Company.
10.06. 2008	PBG SA, Hydrobudowa Polska SA, PBG Dom Sp. z o.o.	**INCREASE IN INTEREST HELD BY PBG SA IN PBG DOM Sp. z o.o. (from 84.85% to 100%)** through acquisition of shares from Hydrobudowa Polska SA	Purchase transaction by PBG SA 3,572 shares in PBG Dom Sp. z o.o. from HBP SA. Following the transaction. PBG SA holds shares representing 100% of the share capital entitling to 100% share in the total number of votes. The total purchase prise was determined at their nominal value, i.e. PLN 357,200. PBG Dom Sp. z o.o. share capital amounts to PLN 2,357,200. The nominal value of one share amounts to PLN 100.00.	Restructuring of PBG Capital Group.
26.06-28.07. 2008	Hydrobudowa Polska SA, PRG Metro Sp. z o.o.	**ACQUISITION OF PRZEDSIĘBIORSTWO ROBÓT GÓRNICZYCH METRO Sp. z o.o.**	Hydrobudowa Polska acquired 465 shares in PRG Metro of the nominal value of PLN 1,000 each, which represented an 84.55% share in the share capital in total. Out of the remaining 85 shares, 54 shares are held by the Members of the Management Board of PRG Metro. The total value of contracts was financed by HBP with proceeds from the issue of series K shares.	Increase in the operational potential enabling the diversification of operational areas with new areas related to the construction of tunnels, underground tunnels and associated facilities.

27.06. 2008	PBG SA, PBG Dom Sp. z o.o., Apartamenty Poznańskie Sp. z o.o.	**TAKOVER OF APARTAMANTY POZNAŃSKIE SP. z o.o. by PBG DOM**	PBG SA sold all 255 shares held in Apartamenty Poznańskie of the nominal value of PLN 100 each, representing 51% of the Company's share capital and the equivalent share in the total number of votes at GMS, for the total amount of PLN 2,500,020 to PBG DOM Sp. z o.o. The shares were paid up in full and their book value in PBG SA accounts amounted to PLN 1,579,893.51. PBG SA holds 100% of PBG Dom Sp. z o.o. share capital.	Restructuring of PBG Capital Group
5.08. 2008	PBG SA, PBG Dom Sp. z o.o.	**INCREASE IN THE REGISTERED CAPITAL OF PBG DOM Sp. z o.o.** through taking up of additonal shares	PBG Dom share capital was increased from PLN 2,357,200 to PLN 12,357,000, i.e. by the amount of PLN 10,000,000 through creating 100,000 shares of the nominal value of PLN 100.00 each. The newly created shares were taken up by PBG SA, remaining the only shareholder of PBG Dom Sp. z o.o. After the share capital increase PBG SA holds 123,572 shares representing 100% of the Company's share capital and the equivalent share in the total number of votes. All new shares were paid up and financed from own funds. The book value of the shares in PBG Dom Sp. z o.o. in PBG SA accounts amounts to PLN 12,376,179.	Provision of financing for the development of investment activities in real property

22.08. 2008	PBG SA, J.A. natural person as - Sokół - Melafir Sp. z o.o.	**TERMINATION OF A PRELIMINARY CONTRACT OF SALE OF EQUITY INTEREST IN J.A.SOKÓŁ – MELAFIR SP. Z O.O.**	A preliminary contract of sale of equity interest concluded between PBG SA and a natural person. The subject of the agreement was the acquisition of equity interest in J.A.Sokół - MELAFIR Sp. z o.o. with its registered office at Tłumaczów. PBG SA and the Seller had agreed to conclude the final sale agreement, whereunder the Seller would sell all his shares in the Company to PBG SA, free of any encumbrances, for the price of PLN 32,000,000. The final agreement of sale of shares were to be concluded subject to the following conditions precedent: ae positive result of an audit carried out by PBG SA and the licence to extract melaphyre from the deposit “Tłumaczów – Gardzień” put back and becoming binding.	The parties duly terminated the agreement due to lack of agreement on fulfilment of the condition to carry out an audit producing a positive result
11.09. 2008	Hydrobudowa 9 SA	**ESTABLISHMENT OF THE COMPANY GÓRECKA PROJEKT Sp. z o.o.** Registered by the District Court in Poznań on 19 September 2008	1,000 shares in the new Company of the nominal value of PLN 50.00 each were paid up for in cash in the amount of PLN 50,000. HB9 SA holds 100% votes and shares in the share capital of the new Company. The Company specializes in construction projects: erection of residential and commercial buildings, purchase and sale of real estate for its own account, lease and management of real estate consultancy.	The establishment of the company is a long-term investment related to the implementation of a commercial development project.

26.08. 2008 12.09. 2008	PBG Dom Sp. z o.o. natural person	**ACQUISITION OF DAWIL Sp. z o.o. (currently PBG Dom Invest I Sp. z o.o.)**	PBG Dom Sp. z o.o. acquired from a natural person 250 shares in Dawil Sp. z o.o. of the nominal value of PLN 100.00 each for the total amount of PLN 25,000.00. The shares represent a 50% share in the share capital and the equivalent share in the total number of voices. PBG DOM paid for the shares with cash according to their nominal value, i.e. for the amount of PLN 25,000.00. The equity share of PBG Dom in Dawil Sp. z o.o. increased to 100% in its share capital and to 100% in the total number of votes as the result of the acquisition of the remaining 250 shares on 12.09.2008. Dawil Sp. z o.o. share capital amounts to PLN 50,000 and is divided into 500 shares of the nominal value of PLN 100.00 each. PBG Dom Sp. z o.o. acquired shares in Dawil Sp. z o.o. from its own funds. The book value of the shares in Dawil in PBG Dom Sp. z o.o. accounts increased from PLN 25,180 zł to PLN 50,360. In August 2008 a change of the name of Dawil to PBG Dom Invest 1 Sp. z o.o. was registered.	The establishment of the company is a long-term investment related to the implementation of a real property development project.

8.10. 2008	PBG SA, APRIVIA SA	**INCREASE IN THE REGISTERED CAPITAL OF APRIVIA SA**	The increase of share capital of APRIVIA SA was the result of the issue of 71.493.065 registered series B shares, directed by means of a closed subscription for the sole benefit of one shareholder - PBG SA. APRIVIA SA share capital was increased from PLN 500,000 to PLN 71,993,065 and is divided into 500,000 series A shares on the nominal value of PLN 1.00 each and 71.493.065 series B shares of the nominal value of PLN 1.00 each. The issue price is equal to the par value of each share and amounts to PLN 1.00 per share. All 71,993,065 registered shares carry 143,986,130 votes (i.e. 2 votes for from one share). After the initial capital increase PBG SA remains the only shareholder that holds 100% of the share capital and 100% of the total number of votes at GMS. The book value of APRIVIA SA shares in PBG SA accounts increased from PLN 505,737 to PLN 71,998,802. The series B shares of APRIVIA SA were taken up by PBG SA for the non - cash contribution in the following manner: a) 22,379,325 series B shares were taken up for 25,000 shares in the company PRID SA with its registered office in Nowy Tomyśl, each share of the nominal value of PLN 20.00 (PBG SA held a 100% share in the share capital, and the book value in the Company's accounts was recorded as PLN 22,379,325.00); b) 45,971,637 series B shares were taken up for 14,245,000 shares in the company BETPOL SA with its registered office in Bydgoszcz, each share of the nominal value of PLN 1.00 zł (PBG SA held a 70% share in the share capital of the Company and its book value was recorded as PLN 45,971,636); c) 3,142,103 series B shares were taken up for 6,000 shares in the company DROMOST Sp. z o.o. with its registered office in Żabno, each share of the nominal value of PLN 500.00 zł (PBG SA held a	Restructuring of PBG Capital Group

23.12. 2008	PBG SA, Bathinex Sp. z o.o., Ecopap Sp. z o.o.	**SALE OF EQUITY INTEREST IN BATHINEX Sp. z o.o.**	PBG SA disposed of 50 shares in its subsidiary Bathinex Sp. o.o., o of the nominal value of PLN 1,000 each, representing 100 % of the total number of votes at the General Meeting of Shareholders and the equivalent stake in its share capital, of the total nominal value of PLN 50,000 zł in the share capital of the Company. PBG SA sold the shares to Ecopap Sp. z o.o.. for PLN 5,950,000.00. Ecopap Sp. z o.o. is a party of the transaction concluded by PBG SA on 31 July 2007 of the sale by PBG of shares to KRI.	Preparation for an investment project with the financial investors
2.04. 2009	PBG SA	**ESTABLISHMENT OF THE COMPANY PBG EXPORT SP. Z O.O.**	The initial capital of the Company amounts to PLN 1,000,000.00 and is divided into 20,000 shares of the nominal value of PLN 50.00 each. PBG SA took up 19,990 shares at PLN 50.00 each, for the total of PLN 999,500.00. The taken up shares were paid for with cash contribution. PBG SA holds a 99.95% stake in the initial capital and a 99.95% stake in the total number of votes.	Winning orders at home and abroad and supervision of their execution

2.04. 2009	PBG SA, Hydrobudowa Polska SA	**TAKEOVER OF HBP KONSTRUKCJE Sp. z o.o. by PBG SA**	PBG SA acquired from HBP S.A. shares in HBP KONSTRUKCJE Sp. z o.o. with its registered office at Mikołowo. From the company of the Capital Group – Hydrobudowa Polska SA. PBG SA acquired all 16,100 shares of the nominal value of PLN 500.00 each, of the total value of PLN 8,050,000.00, for PLN 9,000,000.00. The share represent a 100% stake in the total number of votes at the General Meeting of Shareholders and the equivalent stake in the share capital of HBP KONSTRUKCJE Sp. z o.o.	Restructuring of PBG Capital Group and creating low-cost companies
9.04. 2008	PBG Dom Sp. z o.o., KM Investment Sp. z o.o.	**ACQUISITION OF KM INVESMENT Sp. z o.o.**	PBG Dom Sp. z o.o. acquired material assets in KM Investment Sp. z o.o. following the increase in its share capital. The increase in share capital to PLN 125,000 took place on 9 April 2009 roku through passing a resolution by the Extraordinary General Shareholders' Meeting of KM Investment Sp. z o.o.. PBG Dom took up 150 shares of the nominal value of PLN 500.00 each. PBG Dom Sp. z o.o. took up all newly-created shares in the Company for PLN 75,000 (the book value of the taken up shares in PBG Dom accounts is PLN 76,664). The taken up shares represent a 60% stake in the initial capital of KM Investment and a 60% stake in the total number of votes. KM Investment Sp. z o.o. is currently undergoing the registration process by the Court to change its name to "Złotowska 51" Sp. z o.o.	A long-term investment aiming at the completion of a real-property development project and the construction of apartments for sale and rent

VIII. INFORMATION ON BUY-BACK OF TREASURY SHARES

No treasury shares were bought back in the reporting period.

IX. TRANSACTIONS WITH RELATED ENTITIES

In the reporting period, PBG SA Capital Group concluded transactions with related entities, whose total value exceeded the equivalent of EUR 500,000 expressed in PLN. These transactions were typical, concluded at arm's length, and resulted from current operations of PBG SA and its subsidiaries.

Moreover, some of these transactions resulted from existing contracts signed with Financial Institutions containing a security in the form of sureties or mutual guarantees granted by PBG Capital Group companies as parties of these agreements.

This approach was defined in the financing strategy adopted by PBG Capital Group. Furthermore, PBG SA as the Parent Company with the strongest financial standing grants sureties for the repayment of liabilities of PBG Capital Group companies.

The main types of transactions concluded within PBG Capital Group are:

- construction works contracts,
- loan agreements,
- suretyship agreements:
  - credit limits,
  - gurantee limits,

The business of PBG Capital Group is conducted on the basis of the activities of highly specialized entities, whose profiles constitute a perfect match for the mutually oferred types of services. The undertaking of co-operation among PBG Capital Group companies is to improve the level of utilisation of resources of the transaction parties and reduce business risks associated with running the business, e.g. by ensuring appropriate risk allocation. The allocation of risk and division of business functions of the enterprise enable the Group to:

- achieve higher turnover through the possibility of long-term planning of the utilization of its own resources and investment projects simultaneously ensuring constant demand for its products and services;

- achieve the Group's strategic goals – maintaining the position of a leader in relation to comparable entities and obtaining a "monopoly rent" is dependent on the suitably organized Capital Group, which can respond to specific market demands;
- limit the risks associated with normal business operations – the co-operation within a group of related entities allows to reduce or eliminate in its entirety the dependence on the current economic changes and their impact on the Capital Group's financial standing;
- offer competitive produces and services resulting in an increase in turnover and the Company's profitability;
- to reduce the operating costs through the reduction of costs of manufacture and a more efficient use of resources;
- to reduce procurement costs and inrease the Group's bargaining power in price negotiations;
- to achieve savings of financial resources related to granting a surety by PBG. Granting a surety for a liability as well as a security for its repayment undoubtedly ensures a faster implementation of a contract, which may contribute to a better management of PBG Capital Group's companies and more efficient utilization of their resources.

X. INFORMATION ON RAISED CREDITS, LOAN AGREEMENTS

Information of raised credits and loan agreements in the reporting period is provided in the Company's financial statement in the explanatory notes to the balance sheet - Note 11.

XI. INFORMATION ON LOANS GRANTED

Information of loans granted in the reporting period is provided in the Company's financial statement in the explanatory notes to the balance sheet - Note 10.

XII. APPROPRIATION OF PROCEEDS FROM THE 3rd ISSUE OF SERIES F SHARES

The issue of series F shares was carried out in January 2007.

1. Objectives of the 3rd issue of shares

1. Increasing the amount of working capital of PBG SA and Capital Group companies (PLN 200 - 250 million).

2. Acquisitions and recapitalization of CG companies (PLN 60-100 million).

3. Investment in construction support base and construction equipment (PLN 20 - 30 million).

4. Expansion into foreign markets, including setting up a company or a branch office in Norway (PLN 10 – 25 million).

5. Extension and integration of IT systems (PLN 10-15 million).

2. Appropriation of proceeds from the 3rd issue of shares

Following the issue of 1,400,000 series F shares with pre-emptive rights at the selling price of PLN 250 per share, the proceeds of PBG SA amounted to PLN 350 million and were earmarked, among others, for:

1. Financing the current operations of PBG SA and PBG Capital Group companies – PLN 160.6 million;

2. Acquisitions and recapitalization of the CG companies – PLN 160.3 million; part of these acquisitions was subsequently refinanced with credit facilities for the total amount of PLN 52 million:

- **Acquisition of interest in Dromost Sp. z o.o.** (PBG S.A. took up 6,000 shares of the nominal value of PLN 500.00 each for the total amount of PLN 3,000,000);
- **Taking up shares through acquisition of interest in Hydrobudowa 9 PIB S.A.** (PBG S.A. took up 9,576,222 shares, of which 9,105,115 series A shares and 471,107 series B shares of the nominal value of PLN 0.10 each for the total amount of PLN 55,350,563.16);
- **Taking up shares through acquisition of interest in PRID S.A.** (under the provisions of these contracts, PBG SA acquired 25,000 shares of PRID SA of the total nominal value of PLN 500,000. PBG SA acquired the shares for the total amount of PLN 12,500,000, i.e. PLN 500.00 for each share, and PLN 9,500,000 paid as a bonus for a controlling block of shares);
- **Acquisition of interest in BROKAM Sp. z o.o.** (PBG S.A. acquired 11,999 shares from HEWICO Sp. z o.o. and 1 share from a natural person in BROKAM Sp. z o.o. for the total amount of PLN 12,130,000, the nominal value of the acquired shares is PLN 1,000 each and they represent 100% of the Company’s share capital);

- **Acquisition of interest in BATHINEX Sp. z o.o.** (PBG S.A. acquired 50 shares from a natural person in BATHINEX Sp. z o.o. for the total amount of PLN 4,000,000, the nominal value of the acquired shares is PLN 1,000 each and they represent 100% of the Company's share capital);
- **Taking up shares through acquisition of interest in BETPOL SA** (under the provisions of these contracts, PBG SA has become a holder of 14,244,999 registered series A shares of BETPOL SA, of the nominal value of PLN 1.00 each. All shares were acquired at he per-share price of PLN 2.90; the amount of PLN 40,246,497.10 was paid within 3 days of the signing date of the said sales agreements, and the amount of PLN 1,064,000.00 zł will be paid after the approval of the financial statement for FY 2008 subject to the Company achieving the planned results for 2008. The acquired shares represent a 70% stake in both the Company's share capital and the total number of votes);
- **Taking up additional shares through an inrease in the registered capital of PBG Dom Sp. z o.o.** (On 5 August 2008 the District Court registered an increase in the registered capital of PBG Dom Sp. z o.o., a subsidiary of PBG SA, from PLN 2,357,200 to PLN 12,357,000, i.e. by PLN 10,000,000, by creating 100,000 shares of the nominal value of PLN 100.00 each; PBG SA took up all newly-created shares);

3. Purchase of equipment and development of construction support base - PLN 25 million;

4. Establishment of a company in Canada and acquisition of a company in Slovakia - PLN 7 million:

- **Taking up shares through registration of Excan Oil and Gas Engineering Ltd. In Canada** (the company's registered capital amounts to CAD 250,000);
- **Taking up share in Gas & Oil Engineering sr.o. with its registered office in Poprad and increase of its registed capital** (the Company's registered capital amounts to SKK 200,000, under the provisions of the agreement, PBG SA paid SKK 40,000,000 (the equivalent of PLN 4,584,000) to the Seller for the transfer of interest in the Slovak Company; on 8 August 2007 the increase in the share capital of Gas & Oil Engineering s.r.o. to SKK 261,000 was registered, the amount of the share capital increase was SKK 61,000, which was equivalent to PLN 1,824,827, and PBG S.A. interest in Gas & Oil increased from SKK 102,000 to SKK 163,000);
- **Setting up a representative office in Norway;**
- **Setting up a representative office in Rome;**

5. Purchase and implementation of ERP Oracle system and supporting systems associated with Oracle – PLN 8,7 million, part of which was subsequently refinanced with a credit of PLN 1,3 million;
6. Provisional repayment of an overdraft in the current account aiming at optimization of financial costs; this amount is the Company’s disposal to finance contract implementation – PLN 70 million.

XIII. EXPLANATION OF DIFFERENCES BETWEEN THE FINANCIAL RESULTS AND FORECASTS

The Company does not publish an individual financial forecast of PBG SA but a consolidated financial forecast of PBG Capital Group for the end of a financial year.

XIV. ASSESSMENT OF FINANCIAL ASSETS MANAGEMENT

The strategy concerning financing of PBG SA business operations was introduced in 2004 and its assumptions were still still adhered to in 2008.

Following the continuing dynamic development of PBG Capital Group the amounts of obligatory bank and insurance limits were enlarged. The agreements for the financing of the contract "LMG Project – the Central Unit, wellsites, pipelines and other" for the total amount of PLN 286 million were signed.
The total amount of bank and insurance limits granted to PBG Capital Group and earmarked for the financing of the Group’s current operations and investments as well as currency market transactions exceeded PLN 2 billion and amounted to PLN 2 billion 73.2 million at the end of FY 2008 .
The successful applicaton of standard and uniform general terms of reference of co-operation with the financial institutions has been confirmed by another positive opinion by the auditor concerning the conclusion of agreements in accordance with the corporate finance principles.

The continuation of this financing strategy enabled the Company to:

1. maintain the diversification of its sources of financing,
2. extend the availability of offered bank and insurance products,
3. standardise products and services offered to PBG SA,

0. reduce the level of security for credit lines,
0. connect bank and insurance products with a specific contract following the "project finance” principles.

Availability, flexibility and standardisation of bank products allowed relating these products directly to the contract and adjust them to cash flows, which significantly reduced risks associated with PBG Capital Group operations according to the opinion of the financial institutions. Financial control principles adopted by PBG SA and the monitoring carried out by the financial institutions enabled to automatically settle contracted liabilities of the Company from contract cash flows.

Risks associated with financial resources:

- contract implementation periods extending for upto 4 years with annual period sof credit limits,
- prolonged business cycle periods of EU contracts exceeding the bank standard payment periods, the risk associated with adverse change of interest rates and foreign exchange rates

Under the current circumstances, The Board of Directors does not envisage a risk of the reduced availability of bank and insurance limits.
Measures to minimize the threats:

- diversification of financial resources among banks, insurance companies, brokerage houses, the capital market,
- continuous monitoring of the utilization of resources by PBG SA,
- application of the procedures in accordance with the implemented Integrated Management Systems,
- connection of bank products with specific contracts enabling the active financial control on the part of the financial institutions.

XV. FINANCIAL INSTRUMENTS USED BY THE CAPITAL GROUP

With regard to:

1) price change risks –

a) Basis: the risk of increase in prices of materials and services provided by subcotractors during contract implementation in relation to proces determined in the contract budżet.
b) Minimized by: contracts with a “stop cost” clause and earlier payment option.
c) Instruments: hedging of fixed price contracts, deliveries in stages, subsequent price adjustment and discount. Each contract has its cost estimate with a separate sub-ledger account where all costs are recorded.
d) Objectives: hedging of contract profit margins and reduction of similar costs in different contracts by means of economies of scale.
e) Management methods: analysis of profitability and financial liquidity of each contract, constant monitoring.

2) credit risks –

a) Basis: maintaining credit limits for the optimum management of working capital.
b) Financial strategy: diversification of limits for the financing of PBG current operations among 9 banks in the total amount of PLN 1.2867 bilion 286,7 million, of which PLN 1 billion 52,5 million for credits and guarantees.
c) Instruments: co-operation based on the uniform undertakings (pari passu, material change, negative pledge) confirmed in the annual opinion by the certified auditor within the scope referred to above, sent directly to all financial institutions. The use of an ever expanding portfolio of products of banks and insurance companies.
d) Objectives: flexibility of the usage of limits for individual companies of PBG Capital Group, products and currency.
e) Management methods: moving the focus from the assessment of the Company’s financial performance to the assessment of the contract whose cash flows are considered reliable by the financial institutions.

3) liquidity risks –

a) Basis: the risk of loosing the ability of the Company to settle its liabilities.
b) Minimized by: through close monitoring of cash flows for each contract and adjusting the inflows and outflows over time, supported by bank credit limits for the settlement of long business cycles for individual contracts.
c) Instruments: analysis sheets of the structure of payables and receivables and adjustment of these variables over time to avoid the risk.

d) Management methods: constant monitoring and analyses of the liquidity threshold and safety margin.

4) interest rate risks –

a) Basis: the risk of adverse change in interest rates negatively affecting the Company’s financial results.
b) Minimized by: the application of bank macroeconomic recommendations that provide the basis for the determination of a strategy in this area.
c) All liabilities incurred by the Company to the financial institutions are based on a variable interest rate with the interest rate variability period form one to six months.
d) Instruments: IRS transactions.

5) foreign currency risks –

a) Basis: the risk of adverse changes in foreign currency rates resulting in an increase of costs and expenditures of the implemented contracts or a decrease in revenues and inflows.
b) The adopted Strategy determines the hedging Instruments, methods and periods and the principles of measurement of these instruments. The Company applies hedge accounting. The available transaction limits secure the current and planned portfolio of contracts in relation to the planned exchange rate adopted in the budget for each contract.
c) Instruments: forward transactions, NDF.
d) Management methods: hedging foreign currency rates at the signing of contracts by means of the instruments referred to above, with their termination and settlement on the date of the realization of revenue from the hedged contract.

6) insurance risks –

a) Basis: the risk of the Company’s loosing its ability to provide insurance for contracts under implementation and of unsuitable choice of the insurance package, which, in case of any fortuitous event, may cause that the resulting compensation loose its replacement nature.
b) The insurance strategy aimed at a full insurance coverage.
c) Instruments: individually adjusted to the requirements of each contract to meet its obligations.
d) Management methods: centralized management of the insurance portfolio.

XVI. MAIN CAPITAL EXPENDITURES AND INVESTMENTS AND FEASIBILITY OF INVESTMENT PLANS

1. Main capital and equity investments

The largest capital investments of PBG SA in 2008

No.	Description	Amount (PLN '000)
1	Modernization and extension of the existing office, warehouse and workshop buildings	10,738
2	Heavy construction equipment	4,158
3	Means of transport	2,021
4	Other expenditures	5,596

Equity investments of PBG SA in 2008

No.	Description	Amount (PLN '000)
1	Acquisition of share in Betpol SA	41,310
2	Acquisition of shares in Avatia Sp. z o.o.	49.9
3	Acquisition of shares in Aprivia SA	506
4	Acquisition of shares in PBG Dom sp. z o.o.	10,358

2. Feasibility of investment plans

Cash from the proceeds from the issue of series F shares carried out in January 2007 by PBG SA Capital Group and the signed credit agreements fully cover the planned capital expenditures connected with the currently implemented capital expenditure and equity investments projects.

In 2008, the outlays on capital expenditures amounted to just over PLN 30 million and on equity investments the Company spent almost PLN 74 million. The outlays on capital investments are planned by the Company at the replacement level for FY 2009. The Company is currently planning to spend c. PLN 40 million on equity investments.

XVII. ASSESSMENT OF FACTORS AND EXTRAORDINARY EVENTS

In FY 2008, PBG SA concluded hedging transactions concerning exclusively the future planned foreign exchange exposures with the application of a standard financial instrument (forward contracts). PBG SA did not conclude any foreign exchange options contracts. The hedging transacations were concluded in accordance with the applicable hedging policy, concerned the contracts concluded with investors and suppliers (mainly denominated in EUR and CAD) and were not of speculative nature, because they were concluded following the principles of the hedging policy in order to ensure the future level of cash flows resulting from revenues from sales (from the long-term construction works projects under execution) and the costs of sales.

Due to its open currency positions on the FX market, PBG remains hedged in relation to part of the cash flows (concerning revenues from sales) in FY 2009 in the amount of EUR 34 million (of which EUR 15 million in the 1st half of 2009) and in FY 2010 in the amount of EUR 2 million (of which EUR 2 million in the 1st half of 2010). These transactions were concluded at the average weighted forward rate of EUR/PLN 3.4927. Based on the data received from the banks, the balance sheet valuation of the open currency positions in the FX forwards amounted to PLN minus 15.29 million as of 31 December 2008, and due to the occurrence of the secured revenues and the loss of effectiveness of hedging instruments the amount of PLN minus 1.78 million was recognized in the profit and loss statement of PBG and the remaining amount of PLN minus 13.51 million was recognized in equity. The profit and loss on the realized (settled) in 2008 FX forwards amounted to PLN 4.6 million, which was recognized in the profit and loss account.

In terms of the cash flows (concerning the costs of sales), PBG remains hedged by the open currency positions of the FX market in FY 2009 in the amount of CAD 3.65 million (of which CAD 1.3 million in the 1st half of 2009) and in FY 2010 and subsequent years in the amount of CAD 30.72 million (of which CAD 9.7 million in the 1st half of 2010). These transactions were concluded at the average weighted forward rate of CAD/PLN 2.16 CAD/PLN. Based on the data received from the banks, the balance sheet valuation of the open currency positions in the FX forwards amounted to PLN 14.19 million as of 31 December, and due to the occurrence of the loss of effectiveness of hedging instruments the amount of PLN 13.74 million was recognized in the profit and loss statement of PBG and the remaining amount of PLN 0.45 million was recognized in equity. The profit and loss on the realized (settled) in 2008 FX forwards amounted to PLN 0.07 million, which was recognized in the consolidated profit and loss account.

At the same time, the Board of Directors of PBG SA wishes to stress that due to a high exchange rate of EURO, PBG receives higher revenues expressed in PLN from the contracts for construction works, which compensates the impact of the negative balance sheet valuations recognized in the profit and loss statement for FY 2008. The concluded and settled FX forwards are aimed to limit the impact of negative changes in foreign exchange rates on the operating expenses of PBG SA, i.e. hedging the operating margin calculated in the budget of a contract.
The hedging contracts are concluded in accordance with the applicable strategy of PBG with regard to hedging its business activities against foreign exchange risk.

The basis of the strategy is the adjustment of hedging instruments to the planned transations of the hedge contract, taking into account the net exposure, asking rate, time horizon, and quantitative distribution of quarterly foreign exchange revenues. By adopting the approach of maximum limitation of the impact of foreign exchange risk on the operating profit (loss), PBG made a decision to use forward transactions. The Company applies hedge accounting, which requires carrying out quarterly measurements of the effectiveness of hedging instruments.

The effectiveness of a hedging instrument is verified on the basis of an indicator that is defined as a quotient of a change in the fair value of the hedging instrument (a forward contract) to a change in fair value of the secured item (revenue or cost). The change of the value of the instrument (a forward contract) is recorded from the date of its conclusion to the balance sheet date.

Depending on the value of the quotient (indicator) referred to above, the following scenarios are possible:

a) if it comes to 100%, we acknowledge that the hedge is completely effective and the change in the valuation of the hedging instrument is recognized in the equity – from the moment of realization of the secured item (revenue or cost) it does not affect the financial profit and loss;

b) if the indicator falls within the range from 80% to 100%, then the hedge is also considered as being effective – the recognition of the forward is the same as presented in point “a” (in the Company’s equity);

c) if the indicator falls within the range from 100% to 125%, in the forward there is the so-called effective part (the equivalent of 100%) recognized in the Company’s equity and the ineffetive part (above the level of 100% but below 125%) chargeable to the profit and loss of the Company;

d) if the indicator falls below 80% or above 125% - the hedge is considered as completely ineffective – the change in the valuation of the hedging instrument is recognized in the profit and loss of the Company.

At the moment of closing the hedged item (i.e. when the revenue is realised or the cost is incurred) one of the following scenarios is possible:

a) if the instrument was recognized as effective, the previously recognized changes in the fair value of the forwards are cross-posted from the equity to the profit and loss, and the realized revenue in the foreign currency is recognized at the current exchange rate adjusted for the difference between the current exchange rate of the forward closing date and the forward rate. In consequence, revenues in foreign currency are presented in the profit and loss statement at the forward rate (or at the approximate rate, if the forward closing date does not fall on the revenue realization date),

b) if the instrument was ineffective, then the profit or loss straty arising from the change in its fair value are charegeable earlier to the profit and loss of the Company - before the revenue is realized. The revenue is recorded at the moment of its occurance at the current rate.

Due to dynamic changes of the foreign exchange rates in the fourth quarter 2008, some of the transactions lost their effectiveness (the case “b” above). As a result, the valuations of the ineffective transactions (and whose completion dates fall in FY 2009) had to be recognized in the profit and loss without the corresponding revenue from the contract. In FY 2009 these revenues will be calculated at the current rate, and the negative valuation of the forward will not affect the revenue, which is supposed to be hedged by it. There will only occur a flow on the account of closing of the instrument.

In summary: hedging transactions are aimed to hedge the contract margin during its entire duration. The method of measuring effectiveness presented above in the hedging policy and the recognition of the valuation of hedging transactions in accordance with the hedging policy (the ineffective hedges) may result in a movement of the effect of the hedge for the earlier periods than the recognition in the profit and loss of the hedged item, which is the revenue. It should be noted however, that after the completion of the entire contract the effect in terms of balance is the forward hedge rate. Therefore, if in one quarter the valuation has a negative effect on the profit and loss, this result is “made up for” in the following quarters, which means that the balance of revenues from the entire contract is commensurate with the hedge rate.

To avoid the situation of recognizing the effects of the hedge in other period than in the period when the hedged item is recognized, from 1 January 2009 PBG Capital Group is planning to introduce a change of the method of measuring hedge effectiveness for the forward transactions within the Company, which will allow to minimize the effect of foreign exchange fluctuations on the Company’s profit and loss in individual quarters of the FY.

The Board of Directors once more wishes to stress, that the applied hedging policy ensures the implementation of contracts at the level of the previously assumed margins, irrespectively of the foreign exchange fluctuations and does not impact the fundamental valuation of the Company. At the same time, the application of hedges allows to precisely estimate future interim profits from contracts and ensures that none of the concluded transactions is of speculative nature.

Following the news recently published by media concerning the problem of a wide usage by companies of Currency Interest Rate Swap transactions (CIRS), the Board of Directors wishes to inform that neither PBG SA nor any of the Capital Group's companies did use such type of instruments.

XVIII. RISKS AND THREATS. FACTORS AFFECTING THE DEVELOPMENT OF PBG S.A. CAPITAL GROUP

External factors

1. Competition risk

PBG Capital Group operates on the competitive market of specialist construction services mainly in the natural gas, crude oil, fuel, as well as water supply and sewerage and road construction and sectors. Apart from the price, the key factor determining competitiveness of any company is its track record in terms of the execution of complex, specialist projects, relevant customer references, high quality of services, and efficient organisation enabling timely performance of contracts in line with the efficiency assumptions.

PBG SA limits competition risk by:

- searching for niche products and services,
- focusing on high quality of rendered services,
- consistently improving its qualifications in terms of state-of-the-art technologies enabling to develop and place a competitive service offer on the market,
- diversifying areas of its business activities,
- forming strategic alliances with reputable foreign companies operating on the Polish market and abroad.

Furthermore, by entering new geographical markets, the Company may also minimise the risk associated with competiton.

2. Economic situation in Poland

In 2008, the Polish economy witnessed a cyclical weakening of the economic growth on a month-by-month basis, as experienced during the last years. During the whole year, the growth rate of the GDP decreased from 6.7% at the end of 2007 to reach 4.8% at the end of 2008. Deteriorating perspectives for the economic growth resulted in the drop in inflation, which prompted the Monetary Policy Council (RPP) to commence cyclical reductions in the interest rates in the fourth quarter of 2008. At the end of the year, the NBP (the National Bank of Poland) reference rate was 5% after subsequent cuts by 25bp in November and 75bp in December respectively. The weakening inflation, measured by the Consumer Price Index (CPI), amounted to 3.3% YoY at the end of December 2008 in comparison to its peak of 4.8% YoY at the end of the first six months of the last year. It was caused most of all by the drop in prices of raw materials and food products.

The achievement of the planned by PBG SA strategic objectives and financial results are affected, among other things, the macroeconomic factors referred to above, which include: the growth in GDP, inflation, the overall condition of the Polish economy and legislative changes. Adverse changes of macroeconomic indicators may result in a reduction in the planned revenues or an increase in the operating costs.

The forecasts concerning the economic situation in Poland for the coming months envisage a further drop in GDP. It is caused to a greater extent by the recession mainly in the United States and the Eurozone, which translates into, a more difficult access to financing of new investment projects, a slump in exports, a growth in unemployment, a reduction in consumption and in consequence the expected inflationary trend and the growing trade deficit. The results of the economic slowdown also include a drop in prices of raw materials and building materials, access to cheaper work force and sub-contracting companies, which may translate into a reduction in the operating expenses and consequently to a rise in the Company's profitability. It has to be noted, however, that the drop in economic activities in Poland is not likely to be as noticeable as in other countries. It is chiefly related to the utilization of the European Union funds earmarked for Poland predominantly for infrastructural investment projects, environmental protection and investment projects associated with the European Football Championships to be held in Poland in 2012. The currently implemented projects are still being finances from the Cohesion Fund (with its forecasted financial support of EUR 4.5 billion in 2004-2006). Furthermore, projects co-financed by the European Union from the approved budget of the European Community for 2007-2013 are also being launched with the envisaged financial support for Poland in the amount of EUR 63 billion.

3. Poland's accession to the European Union

Poland's accession to the European structures contributed to an increase in interest of the global international companies providing similar services to those offered by PBG SA to enter the Polish market. This may cause a more stiff competition and reductions in margines.

Having won a number of contracts of considerable value, PBG SA have proven that the Group is well prepared to compete against the foreign companies.

Furthermore, opening of the European markets may also provide an opportunity for PBG to enter new geographic markets.

To fully benefit from opportunities resulting from Poland's accession to the EU, PBG SA:

- Forms strategic alliances with the foreign companies operating on the Polish market to implement joint projects,
- Have implemented and is developing its high quality management culture,
- Offers superior quality of services confirmed by the implemented standards: PN-EN ISO 9001:2001, PN-EN 729-2, AQAP 2110:2003,
- Consistently raises the level of qualifications of its employees, especially in the area of state-of-the-art technologies, which enables to develop and position a competitive offer on the market.

Internal factors

1. Unfavourable changes in tax regulations

In Poland, tax regulations related to taxation of business activities are subject to frequent changes. Therefore, there is a risk of changes in applicable tax regulations, which may be introduced in such a manner that they may turn out to be less favourable for the Company or its customers, which in turn may adversally affect financial results generated by PBG SA, either directly or indirectly.

2. Foreign exchange rates

The whole year of 2008 was characterized by undpredictable changes on the FX market in Poland. In the first six months, a continuous strenghtening of the zloty was observed, especially against the US dollar and Euro. During the second half of the year, a deep depreciation of the zloty took place. It was caused by a number of factors, not entirely related to the fundamentals of the Polish economy. The risk associated with fluctuations of foreign exchange rates directly impacts PBG SA, because the Company implements contracts co-financed by the EU Funds, which, to a greater extent, are denominated in Euro. Moreover, some costs associated with the implementation of contracts, mainly related to purchases of equipment, is also incurred in foreign currencies: EUR and CAD. The Group minimizes foreign exchange risks by using the appropriate financial instruments and by transferring part of that risk onto their subcontractors and suppliers of materials and equipment. In the event of purchase of foreign machines and equipment of significant value required for the performance of contracts, the foreign exchange risk is minimised with financial instruments available on the market.

In the future, the FX risk will be minimized thanks to the planned change of the currency of the contracts finances by the EU funds from Euro to the polish zloty (some recently singed contracts are already denominated in PLN).

In the long-term perspective, this riks will be further reduced due to Poland’s joining the Eurozone.

3. Risk associated with the industry’s seasonality

The majority of revenues from sales are generated by PBG SA in the construction and installation sector, which is characterized by the sectoral seasonality of sales. Seasonality of sales depends mainly on the following factors which are beyond the Company’s control:

- weather conditions in the winter season, limiting, to a greater extent, the performance of a considerable part of works. Difficult weather conditions, which are more adverse than the expected, may also reduce the Company's revenues.

- the majority of investment cycles planned by customers in such manner that they are completed in the last several months of the year.

Following the above, revenues generated by PBG SA are the lowest in the first quarter and their considerable growth can be observed in the second half of the year.

4. Risk associated with loosing key personel

The business of PBG SA is based primarily on the knowledge and experience of highly qualified personel, especially engineers.

There is a potential risk of employees of key importance for the Company's development leaving, which in turn might affect the quality of services. However, the situation on the job market has deteriorated recently, the unemployment rate has increased and the forecasts for the coming months do not envisage a reversal of this trend, which obviously results in a reduction in the risk associated with loosing members of the management and a higher level of loyalty of the employees in relation to the Company.

The following factors limit the risk of losing key employees: Well-developed internal corporate culture of PBG SA, thanks to which the employees identify with the Company,

- Development of incentive-based and loyalty-based remuneration programmes,
- Knowledge management and extensive training programme,
- Good opportunities for personal and professional development in a dynamically developing Company.

5. Risk related to non-performance of contract

Contracts for construction works contain a number of clauses regarding the proper and timely performance of the contract, elimination of defects, and guarantee deposits or contract performance bonds (bank or insurance guarantees) provided by the company. A contract performance security is usually provided on the contract signing date and settled after the contract is completed. The amount of this security depends on the type of contract; it usually amounts to 10%. In the case of non-performance or improper performance of contracts signed by

PBG SA, there is a risk that its customers may claim contractual penalties or contract termination. To minimise this risk, PBG SA undertakes the following measure:

- Contracts are insured (including subcontractors),
- The organisation is consistently improved through: a training programme preparing a group of employees to become certified project managers, and the extensive use of IT tools in the process of design and management of projects.

6. Risk of dependence on key customers

Currently, the key receipient of services provided by PBG in the natural gas and crude oil segment is PGNiG. It is the result of signing two contracts for this client of a considerable unit value for the amount of nearly PLN 2.5 billion. These contracts represent the largest contracts PBG has ever won within the investment project by PGNiG. It is necessary to note, however, that PBG strategy envisages implementation of projects with a high unit value, which may cause an increase in the share of sales for the benefit of one client in total revenues. To reduce the risk associated with dependence on key clients, PBG is continuously winning new clients for its services, such as: the Armed Forces – NATO, PKN Orlen, PERN, LOTOS, Naftobazy, OLPP and foreign companies. In 2008, the share of the largest clients in revenues from sales of PBG did not exceed several percent.

PBG is planning to further reduce the risk through:

- Diversification of sources of revenues and winning new clients,
- Execution of contracts, in particular for local governments financed with the EU Funds,
- Activities on foreign markets.

7. Risk associated with current operations

PBG business operations, in particular works involving any running equipment and facilities, may be a potential source of threats, including the possibility of a breakdown causing human or property losses.

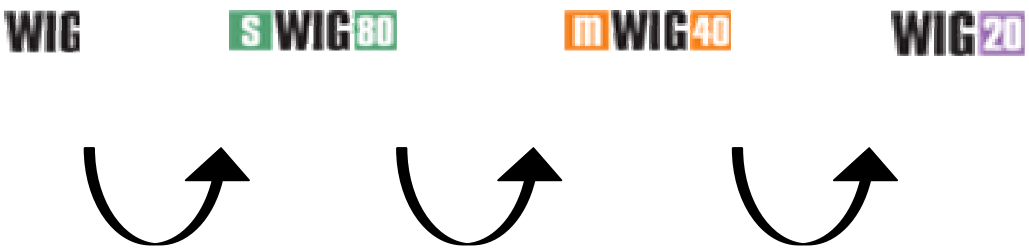
PBG SA Group counters this risk by:

- insuring operations of Capital Group companies against civil liability;
- continuously providing up-to-date personal protective equipment to employees,
- training and development of staff qualifications,

- constant control of all facilities and equipment used,
- regular H&S training and supervision.

XIX. STRATEGY OF PBG S.A. AND ITS CAPITAL GROUP

The strategy of PBG SA is based on the systematic and long-term increase in value of the entire Capital Group through the development of one of the largest construction groups in the Central and Eastern Europe.



This strategy will be achieved through:

- achieving a dynamic increase in revenues from sales while maintaing the leasing position among the most profitable construction companies of similar business profile listed on the Warsaw Stock Exchange;
- winning and implementing profitable contracts of high individual unit values, with the utilization of the combined potentials of the Companies of the Capital Group;
- diversifying its operations to include road building, industrial facilities, underground car parks, the underground and sport facilities;
- and expansion on foreign markets.

The activities that are aimed at the implementation of the adopted strategy of PBG and its Capital Group in the near future will focus primarily on:

1. Strenghtening its position in the segment of crude oil and natural gas through winning and implementing the largest contracts in Poland;

2. Strenghtening the Company's position in the sector of infrastructure and hydro-technology through:

- a merger of the companies Hydrobudowa Polska and Hydrobudowa 9;
- extension of its operations to include contracts for the construction of the underground, underground car parks, industrial facilities;
- participation in the implementation of contracts related to the organization of the European Football Championships EURO 2012;

3. Expanding its operations on the market of local road building by:

- investing in road building companies and winning new contracts of a considerable unit value;
- participating in projects ensuring access to the deposits of aggregate necessary to build road and railway tracks;

4. Expansion on foreign markets through:

- winning contracts for the construction of natural gas and crude oil installations of an ever growing unit value for investors in Norway;
- implementing exports contracts in co-operation with Polish banks;
- commencing business operations in Ukraine through acquisition of a contracting company;
- strategic co-operation with global international companies;

5. Optymization of the structure and organization of PBG Capital Group to reduce operating costs through:

- establishing low-cost contracting companies that will implement contracts of low unit value;
- transferring headquarters of subisidiaries to Wysogotowa to the headquarters of PBG Capital Group and development of the created thus real properties;

6. Investments in projects related to infrastructure outsourcing brining in long-term and stable revenues;

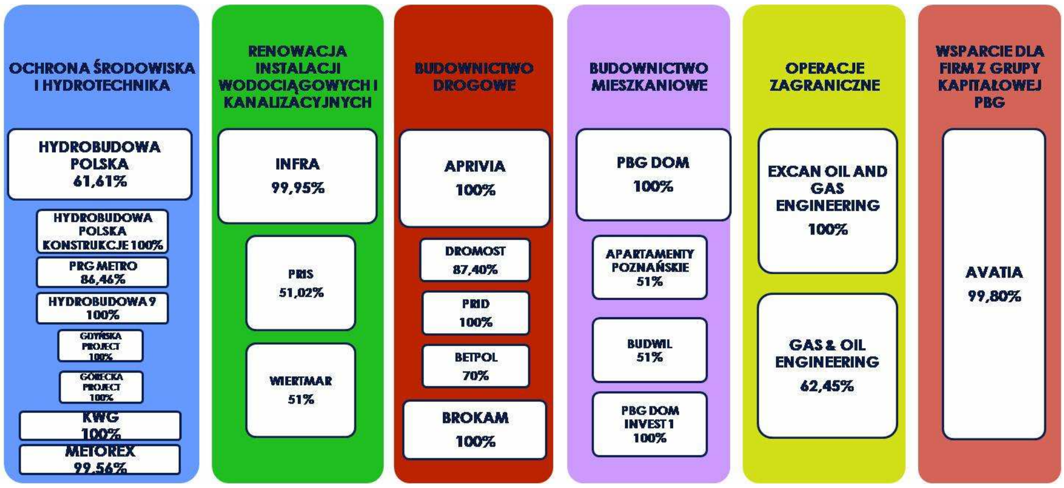
7. Securing financing of the operations of the PBG Capital Group Companies through:

- seeking new long-term sources of financing (to replice short-term debt to long-term debt).

Strategy in practice

The accomplishment of the strategic objectives is possible, among other things, due to the organization of PBG Capital Group alongside the individual areas of its operations. The development of the Capital Group can be best traced by looking at its organizational chart from the last FY and comparing it with the current structure.

The PBG Capital Group organizational chart (including share of PBG in the total votes) as of 31 December 2008 is presented below.



Tłumaczenie tekstu na wykresie powyżej, zaczynając od lewej górnej strony

Environmental Protection and Hydro-technology

Renovation of water suply and distribution and sewage drainage networks

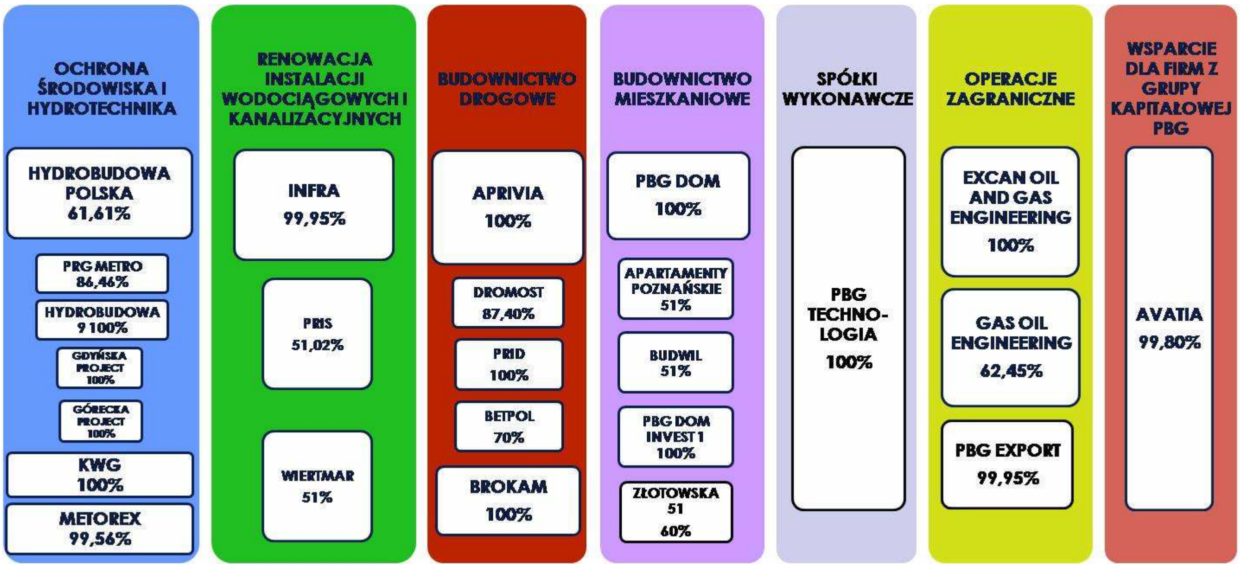
Road building

Residential construction

Operations abroad

Support for PBG Capital Group Companies

As of the report submission date, the organizational chart of PBG Capital Group was as follows (including share of PBG in the total votes):



Tłumaczenie tekstu na wykresie powyżej, zaczynając od lewej górnej strony

Environmental Protection and Hydro-technology

Renovation of water suply and distribution and sewage drainage networks

Road building

Residential construction

Contracting Companies

Operations abroad

Support for PBG Capital Group Companies

Establishment of a strong entity operating in the environmental protection and hydro-technology market was a strategically important move. The merger of Hydrobudowa Włocławek and Hydrobudowa Slask SA came into effect on 27 August 2007 (before 7 January 2007, the company operated under the name Hydrobudowa Włocławek SA, currently the company's name is Hydrobudowa Polska SA). As a result, a competitive entity was formed in the environmental protection market, which should be in a position, using its potential, experience, and customer references, to win the largest contracts co-financed with the EU funds and implemented as part of the development projects preparing Poland to host the European Football Championships EURO 2012. The acquisition process of Hydrobudowa 9 by Hydrobudowa Polska from its shareholders was completed by the end of the third quarter of 2008. As a result of this transaction, Hydrobudowa Polska took up 100% of shares in Hydrobudowa 9. It was carried out through the close issue of shares only for the benefit of the current shareholders of Hydrobudowa 9 in exchange for the transfer of all its assets to Hydrobudowa Polska.

Furthermore, in 2007 and 2008 PBG SA focused on the creation and strengthening of its new business segment of **road building**. In this segment of its operations, PBG CG wants to implement contracts related to the building of local roads for communes and districts. In addition, a newly established company Brokam started to operate in this segment in connection with an investment in aggregate mining facilities. It is to secure the access to aggregate to road building companies and other Capital Group companies. In March 2008, another company joined the road building segment – Betpol; its task is to support other road building companies both in terms of project implementation potential and customer references. Moreover, also in March 2008, PBG established another entity in this segment – Aprivia. The task of Aprivia is to strengthen the position of PBG Capital Group in the area of road building, including the winning and implementation of contracts and organisation of financing. Road building is a new strategic area of the Capital Group’s operations. The road building projects are co-financed by the European Union and are a priority for the Government due to the organization of EURO 2012 in Poland. PBG Capital Group business activities in this segment should allow for a further dynamic increase in the Capital Group’s revenues. Furthermore, In addition, an additional benefit of this is the possibility of keeping profit margins within PBG Capital Group, mainly at the implementation of contracts for the construction of sewerage systems, where a considerable part of works are reconstruction works.

Operations abroad is another strategic segment of PBG Capital Group’s business. Acquisitions of foreign companies enable the Company’s expansion outside Poland as well as the extension of its contracting and project implementation potential at home. This includes the design activities and project management. As a result, a new area of the Group’s business operations is being created. In line with its strategy, by the date of submission of this report, PBG acquired a 51% stake in a Slovak engineering company Gas & Oil Engineering AS and increased the Company’s share capital and – consequently – its interest to 62.45%. PBG SA also established Excan Oil And Gas Engineering Ltd. in Canada, taking up 100% of its shares. Another element of PBG strategy of its expansion into foreign markets is its entry on the Ukrainian market through an acquisition of a contracting company. The acquisition of this Company should be finalized in the first half of 2009. The current situation may seem to indicate that the Ukrainian market should not provide any tangible benefits to PBG SA, however, in the long-run, the Company considers that market as having great potential. The acquisition of the Ukrainian company should provide visibility of PBG SA on that market. Gradual winning of ever larger contracts should have a considerable impact in terms of taking steps to win contracts in the crude oil and natural gas segment and water segment, which will be co-financed by the EU in order to adjust the local gas and water distribution networks to the standards existing in the Western Europe. The amount of EUR 2.5 billion has been referred to and this amount is going to grow still. Moreover, in April 2009, PBG established PBG Export, a company whose primary business is to win export contracts and their implementation. All above-mentioned measures have in mind achieving PBG strategy that focus on the establishment of the largest building and engineering company in the region of Central and Eastern Europe.

Mix-purpose building is another, the the time being, segment of the Company’s operations. It is an area, which is not considered as strategic by PGB SA, however, in time it may become a significant part of the operations of the whole Group. Within this segment, PBG DOM has been established. Its task is to manage the real property owned by PBG Capital Group and its most effective use or disposal. As part of its long-term plans PBG SA is planning to expand its real property development operations, yet not in the character of a building contractor but also as a developer. The Company is currently buying attractive plots of land that are going to be used for real property development projects at the time when the current trend on the residential construction market has been reversed.

As part of the optimization of the structure and organization of PBG Capital Group and to lower its operating costs, PBG SA established PBG Technologie (before this company operated under the name Hydrobudowa Konstrukcje) in April 2009. This company will implement smaller contracts and focus its operations on providing only contracting services.

An important role in the future business operations of PBG Capital Group can be played by investment projects in the infrastructure outsourcing, which should ensure long-term and stable sources of revenues to the Group. This includes outsourcing of transmission and distribution of natural gas, wind energy and water distribution networks. This direction seems to be so appropriate and promissing, that PBG SA has received first expressions of interest on the part of foreign financial investors that are prepared to offer financing for projects for the amount of GBP 200 million under the execution of joint undertakings.

In the reporting period, the parent company of the PBG Capital Group was not the only entity engaged in acquisitions. Infra SA, a subsidiary of PBG S.A, owing to its relatively fast development and a prospective market in order to increase its contracting potential also carried acquisitions. It operates on the environmental protection market, however, and predominantly specializes in renovations of the existing water supply and distribution and sewage drainage networks. It offers services that demand use of state-of-the-art technologies, thus the competition on the market is limited in principle to foreign companies, which in turn enables achieving attractive margins. In 2007, the Company’s renovation segment was widened by the acquisition of PRIS and in 2008 Infra acquired shares in Wiertmar.

Beside the elements of the executed strategy referred to above, the Board of Directors of PBG SA still consider investing in the Companies of the Capital Group and increasing its contracting potential as a significant objective. Hence, the strengthening of Infra’s position by its acquisition of shares in PRIS and Wiertmar.

XX. MAJOR ACHIEVEMENTS IN RESEARCH & DEVELOPMENT

In the reporting period, PBG SA recorded no major achievements in the area of research and development, which could substantially affect the Company’s financial result.

XXI. CURRENT AND FORECAST FINANCIAL STANDING

All financial ratios and data are based on the underlying financial statement drawn up in accordance with the International Accounting Standards.

At the end of 2008, PBG SA recorded, in comparison with the corresponding period of last year, an increase in revenues from sales by 24%. PBG SA revenues increased from PLN 459,285 in 2007 to PLN 571,576 at the end of 2008. Costs of product sold in the period under analysis went up by 18% and amounted to PLN 465,846.

PROFITABILITY RATIOS

NAME	CALCULATON FORMULA	2008	2007
Gross Profit Margin	gross profit / revenues from sales * 100	18.5%	14.1%
Return on Sales (ROS) – profit margin	gross profit from sales / revenues from sales * 100	12.0%	7.7%
Operating Profit Margin	operating profit / revenues from sales * 100	12.6%	10.7%
Net Profit Margin	net profit / revenues from sales * 100	10.2%	10.9%
ROA	net profit / total assets * 100	4.4%	3.8%
ROE	net profit / equity *100	7.7%	7.0%

A higher growth of revenues from sales in relation to costs of product sold positively impacted the profitability ratios at practically all levels of the profit and loss account. The Company's gross profit margin increased to 18.5%, i.e. a growth of 4.4 % in FY 2008. Its operating profit margin amounted to 12.6% at the end of 2008 in comparison to 10.7% in 2007. The return on assets (ROA) ratio increased at the end of 2008 in comparision to the value of this ratio at the end of 2007 by 0.6%, from 3.8% to 4.4%. Its growth was mainly affected by the higher growth rate in net profit, which amounted to 17% than an increase in total assets, which amounted to 2.4%.

Return on equity reached 7.7%, i.e. 0.7pp more in 2008 compared to 2007.

LIQUIDITY RATIOS

NAME	CALCULATION FORMULA	2008	2007
Current Ratio	current assets / short-term paybles	2.69	2.19
Working Capital (in PLN '000)	current assets – short-term payables	489,729	421,207
Share of working capital in asssets	working capital /total assets	36.54%	32.19%

At the end of 2008, current ratio grew in comparison to the result achieved at the end of the corresponding period last year. Its value amounted to 2,69 as compared to do 2,19 in 2007. Both in 2007 and 2008, PBG SA would have been able to repay all incurred liabilities in the event of their immediate enforceability. An increase in PBG's working capital was recorded. At the end of 2008, its value amounted to PLN 489,729 in comparison to PLN 421,207 at the end of FY 2007, which represents a 16% increase. The interpretation of the result of working capital is quite unambiguous: its growth signals a more favourable financial standing of the analysed company, since working capital is a reserve thanks to which the company can satisfy its current needs. The share of working capital in total assets amounted to 36.54% at the end of FY 2008 and was higher by 4pp than the result recorded at the end of FY 2007.

TURNOVER RATIOS

NAME	CALCULATION FORMULA	2008	2007
Inventory Turnover Ratio (days)	average inventory * 360/ cost of products sold	21	14
Receivables Turnover Ratio (days)	average trade receivables * 360/ sales	239	228
Payables Turnover Ratio (days)	average trade payables * 360 / cost of product sold	103	90

In 2008, the ratios of turnover of inventory, receivables and payables went up in comparison to the corresponding period of last FY. The inventory turnover ratio in terms of days in inventory amounted to 21 in the reporting period, i.e. by 7 days more than the ratio recorded in the corresponding period in FY 2007. In 2008, the Company faster settled its payables than collected its receivables. The turnover of receivables increased by 11 days and amounted to 239 days. The turnover of payables increased by 13 days and amounted to 103 days.

The cash conversion period calculated as a difference between the sum of the inventory turnover ratio in days and the receivables turnover ratio in days and the liabilities turnover ratio in days amounted to 157 days in 2008 in comparison to 152 days in FY 2007. That means that the Company increased financing of its current assets with its own equity by another 5 days.

SOLVENCY (DEBT) RATIOS

NAME	CALCULATION FORMULA	2008	2007
Debt Ratio	total debt / total assets	0.43	0.45

Equity to Debt Ratio	equity / total debt	1.31	1.22
Long-term Debt	long-term payables / total assets	0.22	0.18
Short-term Debt	short-term payables / total assets	0.22	0.27
Total Assets to Fixed Capital	equity + reserves and long-term liabilities / fixed assets	1.87	1.79
Debt to Equity Ratio	total debt / equity + reserves	0.68	0.77

The share of debt capital in total assets decreased by 2pp in comparison with the corresponding period in FY 2007. The share of debt capital in the financing structure amounted to 43% at the end of FY 2008 compared to 45% at the end of FY 2007. An increase was recorded in the case of the long-term debt ratio, which in FY 2008 increased by 4% in comparison with the FY 2007. The ratio of short-term debt decreased by 5% at the end of FY 2008 in comparison with the ratio at the end of FY 2007. The equity to debt ratio at the end of FY 2008 amounted to 1.31. It is a better result compared to the result recorded at the end of 2007. The achieved result means that the whole debt is covered by equity, which is even higher than the debt by 31%.

The total assets to fixed capital ratio amounted to 1.87 at the end of 2008 in comparison with 1.79 of the corresponding period of last year. That means that the Company’s fixed capital could have been financed in 187% with equity, reserves and long-term liabilities.

The debt to equity ratio amounted to 0.68 at the end of 2008 in comparison with 0.77 in the corresponding period of last year. That means, that for each zloty of equity, PBG had 0.68 zloty of borrowings. In comparison with the corresponding period of last last year, the result has slightly improved.

ASSET MANAGEMENT RATIOS

NAME	CALCULATION FORMULA	2008	2007
Total Asset Turnover Ratio	revenues from sales / total assets	0.43	0.35
Fixed Asset Turnover Ratio	revenues from sales / fixed assets	1.02	0.86

The ratio of total asset turnover increased at the end of FY 2008 in comparison to the corresponding period of last year by 8pp. The increase of the ratio results from a faster growth in revenues from sales in comparison with net assets. The fixed asset turnover ratio also increased in the reporting period and achieved the result better by 16pp than the ratio of the corresponding period last year, i.e. 102%. This indicator indicates by how many times the volume of sales is higher than the quantity of fixed assets engaged in the operations of the company.

CHANGES IN THE PROFIT AND LOSS ACCOUNT

PBG Profit and Loss Account (in PLN '000)	2008	2007	2008/2007
Net revenues from sales of products, goods and materials	571,576	459,285	124%
Costs of products, goods and materials sold	465,846	394,461	118%
Gross profit (loss) on sales	**105,730**	**64,824**	**163%**
Costs of sales	0	0	0%
General administrative expenses	36,984	29,586	125%
Profit on sales	**68,746**	**35,238**	**195%**
Other operating revenues	4,938	16,306	30%
Other operating expenses	1,656	2,306	72%
Operating profit (loss)	**72,028**	**49,238**	**146%**
Financial revenues	28,189	17,141	164%
Financial expenses	29,155	17,150	170%
Profits/losses from investments in related entities	2,527	12,450	20%
Profit (loss) before tax	**73,589**	**61,679**	**119%**
Income tax	15,120	11,582	131%
Net profit	**58,469**	**50,097**	117%

At the end of FY 2008, the Company's net profit reached PLN 58.47 million and was by over PLN 8 million higher compared to the result achieved at the end of FY 2007, which gives a 17% increase. Furthermore, the results at all levels of the profit and loss account indicate that the growth trend is maintained: the gross profit on sales in comparison with the result achieved in the corresponding period of last year increased by 63%, profit on sales almost doubled and the operating profit grew by 46%.

Revenues from sales

In 2008, **revenues from sale** of PBG SA amounted to **nearly PLN 572 million mln zł and increased by o 24%**. The largest share in revenues from total sales was recorded in the **natural gas and crude oil** sector, which constituted over **41.4%**. The second largest contributor was the **residential and industrial building sector**. Its share in revenues from sales in the reporting period amounted to **25.8%**. **The water segment** came third in term sof its share in revenues from sales and represented **14.6%**. Another segment in terms of its constribution was the **fuels sector**, whose share in revenues constituted **12.9%**. The smallest share in revenues from sales was reported in **the road building and other service segments**, which represented **1.1% and 4.1%** of the value of revenues from sales respectively.

Costs of sales

In 2008, **costs of sales amounted to nearly PLN 466 million and increased only by 18%** in comparison with their corresponding value at the end of the forth quarter 2007. The share of the costs referred to above in revenues from sales considerably changed. Their value at the end of 2008 represented 81.5% of the revenues compared to 85.8% at the end of FY 2007, which constitutes a 4% drop.

In 2008, PBG SA concluded transactions hedging exposure to foreign exchange risk associated with the cost of sales. The hedging transactions were concluded following the principles of the applicable hedging policy. Based on the data received from the banks, the balance sheet valuation of the open currency positions in the FX forwards amounted to PLN 14.19 million as of 31 December 2008, and due to the loss of effectiveness of hedging instruments the amount of PLN 13.74 million was recognized in the profit and loss statement of PBG and the remaining amount of PLN 0.45 million was recognized in equity. The profit and loss on the realized (settled) in 2008 FX forwards amounted to PLN 0.07 million, which was recognized in the profit and loss account.

General administrative expenses

General administrative expenses for the whole of FY 2008 **amounted to nearly PLN 37 million and were by 25% larger** in comparison to the corresponding period of last FY. The share of general administrative expenses in revenues from sales increased in the reporting period when compared to the result achieved in 2007 from 6.4% to 6.5%, which represents a 0.1% increase.

Other operating revenues

At the end of 2008, **other operating reveneus reached nearly PLN 5 million**, a part of which were reveneus from lease (over PLN 1.2 million), received compensation (PLN 0.44 million), reversal of allowances to reduce accounts receivable and profit from sale of non-financial fixed assets. The value of the other operating revenues **is lower by 70%** in comparison with the value in the corresponding period of FY 2007.

Other operating expenses

Other operating expenses for FY 2008 **amounted to PLN 1.7 million** and were lower by **28%** than their value at the end of FY 2007. These expenses included donations, released provisions for future expenses associated with provided guarantees and asset writedowns.

Financial reveneus

Financial revenues at the end of FY 2008 **amounted to over PLN 28 million and were higher by 64%** in comparison with the corresponding period of last year. The main item in the financial revenues is bank interest of c. PLN 11.8 million, interest on loans granted – PLN 3.4 million and interes on bonds issued by the Capital Group companies and taken up by PBG – PLN 5.7 million. Futhermore, a significant item in the finacial revenues was FX differences, which amounted to nearly PLN 2.5 million.

Financial expenses

In FY 2008, **financial expenses amounted to over PLN 29 million**, and this amount is by **70% higher** than the value of financial expenses in the corresponding period of last year. The most significant item in the financial expenses is interest on bonds issued by PBG SA at end of 2007 - PLN 16.9 million. Moreover, interest and commissions on bank credits in the amount of PLN 12.1 million was another significant item in that category.

Profits from investment in related entities

At the end of 2008 **profits from investment in related entities** amounted to over **PLN 2.5 million** and were lower by **80%** in comparison with the amount achieved in the corresponding period of last year.

The following entries were recognized in this item in 2008:

- profit from sale of shares in Bathinex of PLN 1.6 million;
- profit from sale of shares in Apartamenty Poznańskie of over PLN 0.9 million.

In 2007, the following entry was recognized:

– profit from sale of shares in KRI and PGS of nearly PLN 12.5 million.

STRUCTURE OF ASSETS

Assets (in PLN '000)	2008	% share	2007	% share
FIXED ASSETS	**560,298**	**41.8%**	**533,871**	**40.8%**
Intangible assets	10,596	**0.8%**	8,675	**0.7%**
Goodwill acquired in business combination	1,606	**0.1%**	1,606	**0.1%**
Tangible fixed assets	148,116	**11.1%**	132,946	**10.2%**
Investment property	710	**0.1%**	710	**0.1%**
Investments in related entities	330,226	**24.6%**	255,249	**19.5%**
Other long-term financial assets	**51,309**	**3.8%**	**125,187**	**9.6%**
- from related entities	29,916	**2.2%**	108,995	**8.3%**
- from other entities	21,393	**1.6%**	16,192	**1.2%**
Long-term receivables	**9,508**	**0.7%**	**9,094**	**0.7%**
- from related entities	0	**0.0%**	0	**0.0%**
- from other entities	9,508	**0.7%**	9,094	**0.7%**
Deferred income tax assets	0	**0.0%**	0	**0.0%**
Long-term prepaid expenses	8,227	**0.6%**	404	**0.0%**
CURRENT ASSETS	**780,066**	**58.2%**	**774,738**	**59.2%**
Inventories	32,623	**2.4%**	21,737	**1.7%**
Receivables from contracting parties for works under contracts for long-term / construction service	**179,287**	**13.4%**	**112,488**	**8.6%**
- from related entities	6,994	**0.5%**	8,649	**0.7%**
- from other entities	172,293	**12.9%**	103,839	**7.9%**
Trade receivables	**250,802**	**18.7%**	**216,742**	**16.6%**
- from related entities	26,662	**2.0%**	16,199	**1.2%**
- from other entities	224,140	**16.7%**	200,543	**15.3%**
Current income tax receivables	0	**0.0%**	0	**0.0%**
Other short-term receivables	**23,462**	**1.8%**	**8,622**	**0.7%**
- from related entities	5,838	**0.4%**	1,763	**0.1%**
- from other entities	17,624	**1.3%**	6,859	**0.5%**
Other short-term financial assets	**122,237**	**9.1%**	**79,093**	**6.0%**
- from related entities	79,096	**5.9%**	66,276	**5.1%**
- from other entities	43,141	**3.2%**	12,817	**1.0%**
Cash and cash equivalents	165,905	**12.4%**	328,669	**25.1%**
Short-term prepaid expenses	5,750	**0.4%**	7,387	**0.6%**
Fixed assets classified as held for sale	0	**0.0%**	0	**0.0%**
TOTAL ASSETS	**1,340,364**	**100.0%**	**1,308,609**	**100.0%**

Structure of assets did not change considerably in 2008. At the end of 2008, fixed assets represented nearly 42% of total assets, and their share increased just by 1 pp. In 2008, the share of current assets in total assets decreased by 1% in comparison with the corresponding period of last year and represented 58.2%. The share of cash and cash equivalents in the structure of assets considerably decreased and in comparison with the corresponding period of last year it dropped by nearly 13%. Their share amounted to 12.4% compared to 25.1%. It was mainly caused by utilizing the resources to finance the Company's business operations.

CHANGES IN ASSETS

Assets (in PLN '000)	2008	2007	2008/2007
FIXED ASSETS	**560,298**	**533,871**	**105.0%**
Intangible assets	10,596	8,675	122.1%
Goodwill acquired in business combination	1,606	1,606	100.0%
Tangible fixed assets	148,116	132,946	111.4%
Investment property	710	710	100.0%
Investments in related entities	330,226	255,249	129.4%
Other long-term financial assets	51,309	125,187	41.0%
- from related entities	29,916	108,995	27.4%
- from other entities	21,393	16,192	132.1%
Long-term receivables	9,508	9,094	104.6%
- from related entities	0	0	0.0%
- from other entities	9,508	9,094	104.6%
Deferred income tax assets	0	0	0.0%
Long-term prepaid expenses	8,227	404	2036.4%
CURRENT ASSETS	**780 066**	**774 738**	**100,7%**
Inventories	32,623	21,737	150.1%
Receivables from contracting parties for works under contracts for long-term / construction services	179,287	112,488	159.4%
- from related entities	6,994	8,649	80.9%
- from other entities	172,293	103,839	165.9%
Trade receivables	250,802	216,742	115.7%
- from related entities	26,662	16,199	164.6%
- from other entities	224,140	200,543	111.8%
Current income tax receivables	0	0	0.0%
Other short-term receivables	23,462	8,622	272.1%
- from related entities	5,838	1,763	331.1%
- from other entities	17,624	6,859	256.9%
Other short-term financial assets	122,237	79,093	154.5%
- from related entities	79,096	66,276	119.3%
- from other entities	43,141	12,817	336.6%
Cash and cash equivalents	165,905	328,669	50.5%
Short-term prepaid expenses	5,750	7,387	77.8%
Fixed assets classified as held for sale	0	0	0.0%
TOTAL ASSETS	**1,340 364**	**1,308,609**	**102.4%**

As of the end of 2008, the balance sheet total of assets increased slightly, i.e. by 2.4%, and this increase was predominantly recorded in receivables from contracting parties for works completed under contracts for construction/long-term services, trade receivables, investments in related entities and other short-term financial assets.

The change in current assets amounted to nearly 101%.

In the reporting period, the fixed assets of the Company grew faster than the current assets.

STRUCTURE OF LIABILITIES

Liabilities (in PLN '000)	2008	% share	2007	% share
Equity	**761,202**	**56.8%**	**720,225**	**55.0%**
Share capital	13,430	1.0%	13,430	1.0%
Tresury shares	0	0.0%	0	0.0%
Share premium reserve	551,178	41.1%	551,178	42.1%
Reserve from the valuation of hedging transactions and foreign exchange differencies on consolidation	-11,652	-0.9%	1,840	0.1%
Other reserves	149,777	11.2%	104,948	8.0%
Retained profit/accumulated loss	**58,469**	4.4%	**48,829**	3.7%
- profit (loss) carried forward from previous years	0	0.0%	-1,268	-0.1%
- net profit (loss) for the current year of the parent company shareholders	58,469	4.4%	50,097	3.8%
PAYABLES	**579,162**	**43.2%**	**588,384**	**45.0%**
Long-term payables	**288,825**	**21.5%**	**234,853**	**17.9%**
Long-term credits and loans	**65,549**	**4.9%**	**18,803**	**1.4%**
- from related entities	0	0.0%	0	0.0%
- from other entities	65,549	4.9%	18,803	1.4%
Other long-term financial payables	201,540	15.0%	200,047	15.3%
Other long-term payables	**5,072**	0.4%	**300**	0.0%
- from related entities	0	0.0%	0	0.0%
- from other entities	5,072	0.4%	300	0.0%
Deferred income tax provision	4,099	0.3%	3,606	0.3%
Provisions for employee benefits	303	0.0%	327	0.0%
Other long-term provisions	4,206	0.3%	2,618	0.2%
Government grants	0	0.0%	0	0.0%
Long-term accruals and deferred income	8,056	0.6%	9,152	0.7%
Shor-term payables	**290,337**	**21.7%**	**353,531**	**27.0%**
Short term credits and loans	**108,516**	**8.1%**	**97,154**	**7.4%**
- from related entities	0	0.0%	0	0.0%
- from other entities	108,516	8.1%	97,154	7.4%
Other short-term financial payables	17,543	1.3%	113,372	8.7%
Trade payables	**147,630**	**11.0%**	**109,439**	**8.4%**
- from related entities	68,901	5.1%	33,704	2.6%
- from other entities	78,729	5.9%	75,735	5.8%
Payables under contract for construction services	**4,452**	**0.3%**	**3,768**	**0.3%**
- from related entities	1,273	0.1%	25	0.0%

- from other entities	3,179	0.2%	3,743	0.3%
Current income tax liabilities	3,548	0.3%	4,731	0.4%
Other short-term payables	**6,962**	**0.5%**	**22,863**	**1.7%**
- from related entities	3,592	0.3%	139	0.0%
- from other entities	3,370	0.3%	22,724	1.7%
Provisions for employee benefits	0	0.0%	0	0.0%
Other short-term provisions	303	0.0%	973	0.1%
Government grants	0	0.0%	0	0.0%
Short-term accruals and deferred income	1,383	0.1%	1,231	0.1%
Liabilities related to fixed assets held for sale	0	0.0%	0	0.,0%
TOTAL LIABILITIES	**1,340,364**	**100.0%**	**1,308,609**	**100.0%**

The above balance sheet represents changes in the structure of the sources of financing in 2008. The share of payables in the balance sheet total of payables decreased. The Company's assets were financed by equity - nearly 57% and by debt - 43%. Long-term liabilities represented 21.6% in the balance sheet total of payables, short-term liabilities accounted for nearly 21.7%. The share of long-term liabilities increased and the share of short-term liabilities decreased in comparison with the corresponding period of last year. The significant items in terms of the short-term liabilities were: short-term credits and loans and trade payables. On the other hand, in terms of long-term liabilities category, the significant item was other long-term financial payables (it was the value of bonds issued by the Company in December 2007). The most significant item in the equity category was share premium reserve of over 41.4% of the total value of total capital (it chiefly resulted from the issue of the Company's shares carried out in January 2007).

CHANGES IN LIABILITIES

LIABILITIES (in PLN '000)	2008	2007	2008/2007
Equity	**761,202**	**720,225**	**105.7%**
Share capital	13,430	13,430	100.0%
Tresury shares	0	0	0.0%
Share premium reserve	551,178	551,178	100.0%
Reserve from the valuation of hedging transactions and foreign exchange differencies on consolidation	-11,652	1,840	-633.3%
Other reserves	149,777	104,948	142.7%
Retained profit/accumulated loss	58,469	48,829	119.7%
- profit (loss) carried forward from previous years	0	-1,268	0.0%
- net profit (loss) for the current year of the parent company shareholders	58,469	50,097	116.7%

PAYABLES	**579,162**	**588,384**	**98.4%**
Long-term payables	**288,825**	**234,853**	**123.0%**
Long-term credits and loans	65,549	18,803	348.6%
- from related entities	0	0	0.0%
- from other entities	65,549	18,803	348.6%
Other long-term financial payables	201,540	200,047	100.7%
Other long-term payables	5,072	300	1690.7%
- from related entities	0	0	0.0%
- from other entities	5,072	300	1690.7%
Deferred income tax provision	4,099	3,606	113.7%
Provisions for employee benefits	303	327	92.7%
Other long-term provisions	4,206	2,618	160.7%
Government grants	0	0	0.0%
Long-term accruals and deferred income	8,056	9,152	88.0%
Shor-term payables	**290,337**	**353,531**	**82.1%**
Short term credits and loans	108,516	97,154	111.7%
- from related entities	0	0	0.0%
- from other entities	108,516	97,154	111.7%
Other short-term financial payables	17,543	113,372	15.5%
Trade payables	147,630	109,439	134.9%
- from related entities	68,901	33,704	204.4%
- from other entities	78,729	75,735	104.0%
Payables under contract for construction services	4,452	3,768	118.2%
- from related entities	1,273	25	5092.0%
- from other entities	3,179	3,743	84.9%
Current income tax liabilities	3,548	4,731	75.0%
Other short-term payables	6,962	22,863	30.5%
- from related entities	3,592	139	2584.2%
- from other entities	3,370	22,724	14.8%
Provisions for employee benefits	0	0	0.0%
Other short-term provisions	303	973	31.1%
Government grants	0	0	0.0%
Short-term accruals and deferred income	1,383	1,231	112.3%
Liabilities related to fixed assets held for sale	0	0	0.0%
TOTAL LIABILITIES	**1,340,364**	**1,308,609**	**102.4%**

The annual growth in equity amounted to almost 106% in 2008. Under liabilities a larger growth was recorded in equity - its value increased by 5.7%, whereas payables decreased by 1.6%. In terms of payables a stronger growth was recorded in long-term payables, whose dynamics amounted to almost 123%, than the in short-term payables, whose dynamics was 82%.

Forecasted financial standing of the Company

For 2009, the Company is planning to maintain its financial ratios at the level that will guarantee stability of its business operations.

The issue of shares, which took place in the first quarter of 2007 provided funds for further development of the Company.

XXII. CHANGES IN BASIC MANAGEMENT PRINCIPLES

In the reporting period, PBG Capital Group did not introduce significant changes in its basic principles of management.

XXIII. VALUE OF REMUNERATION, BONUSES AND BENEFITS PAID TO MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

1. Remuneration Committee

On 25 June 2005, the Remuneration Comittee was established within the Supervisory Board that is responsible in particular for:

- general monitoring of practices in the area of compensation and its levels in the Company,
- determining the terms and condition of employment of Members of the Board of Directors and corporate officers of the Company,
- establishing an incentive scheme for a given financial year.

The Remuneration Committee holds meetings as required, at least once per quarter, submits an annual report of its activites, which constitutes part of the Report of the Supervisory Board Activities, submitted to Shareholders at the Ordinary General Meeting of Shareholders of PBA SA.

The Remuneration Committee is comprised of:

- Mr Maciej Bednarkiewicz,
- Mr Wiesław Lindner,
- Mr Jacek Krzyżaniak.

2. Incentive Scheme

The Supervisory Board passed a resolution on 28 June 2004 on the introduction of an incentive scheme for the management and key employees of PBG Capital Group.

The condition necessary for the implementation of the Incentive Scheme is the Capital Group's achieving an operating profit for the previous financial year, reported in the consolidated financial statement, at the level of at least 75% of the operating profit forecast for a given year. Not achieving the minimial level of the realization of the operating profit forecast for the previous FY results in the absence of the scheme in a given year. The amount of the operating profit to be achieved by the Capital Group in a given year is determined by the Supervisory Board by 30 June each year, for which the forecast is made.

3. Remuneration of members of the Supervisory Board and the Board of Directors of PBG S.A.

The level of remuneration of members of the Supervisory Board was established by the Resolution of Extraordinary General Meeting of Shareholders of PBG SA on 10 December 2005.

Members of the Board of Directors are appointed by a resolution of the Supervisory Board. They are employed on the basis of employment contract. Pursuant to the Resolution of the Supervisory Board of PBG SA, members of the Board of Directors are entitled to basic salary as well as bonuses and additional benefits as provided in the provisions of the regulations on remuneration.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD FOR THEIR FUNCTION HELD IN THE PARENT COMPANY FROM 01.01.2008 TO 31.12.2008

Member's Name	Basic Salary	Other Benefits	Total
Remuneration of members of the Board of Directors			
Mr Jerzy Wiśniewski	741	-	741
Mr Tomasz Woroch	420	-	420
Mr Przemysław Szkudlarczyk	300	-	300
Mr Tomasz Tomczak	300	-	300
Mr Mariusz Łożyński	245	-	245

Mr Tomasz Latawiec	240	-	240
Total	**2,246**	**-**	**2,246**

Member's Name	Basic Salary	Other Benefits	Total
Remuneration of members of the Supervisor Board			
Mr Maciej Bednarkiewicz	120	-	120
Mr Jacek Kseń	96	-	96
Mr Wiesław Lindner	60	-	60
Mr Jacek Krzyżaniak	36	-	36
Ms Małgorzata Wiśniewska	24	-	24
Mr Dariusz Sarnowski	36	-	36
Mr Adam Strzelecki	36	-	36
Mr Mirosław Dobrut	6	-	6
Total	**414**	**-**	**414**

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD FOR THEIR FUNCTION HELD IN SUBSIDIARIES, JOINTLY CONTROLLED UNDERTAKINGS AND ASSOCIATES FROM 01.01.2008 TO 31.12.2008

Member's Name	Basic Salary	Other Benefits	Total
Remuneration of members of the Board of Directors			
Mr Jerzy Wiśniewski	190	4	194
Mr Tomasz Woroch	273	5	278
Mr Przemysław Szkudlarczyk	59	-	59
Mr Tomasz Tomczak	-	-	-

Mr Mariusz Łożyński	-	-	-
Mr Tomasz Latawiec	121	-	121
Total	**643**	**9**	**652**

Member's Name	Basic Salary	Other Benefits	Total
Remuneration of members of the Supervisor Board			
Mr Maciej Bednarkiewicz	-	-	-
Mr Jacek Kseń	-	-	-
Mr Wiesław Lindner	-	-	-
Mr Jacek Krzyżaniak	72	3	75
Ms Małgorzata Wiśniewska	315	1	316
Mr Dariusz Sarnowski	-	-	-
Mr Adam Strzelecki	-	-	-
Mr Mirosław Dobrut	-	-	-
Total	**387**	**4**	**391**

XXIV. INFORMATION ON AGREEMENTS THAT MAY RESULT IN CHANGES IN THE SHAREHOLDING STRUCTURE

As of the date of submission of this financial statement, the Board of Directors has no knowledge of any agreements, which may result in any change to the current shareholding structure.

XXV. INFORMATION ON THE AUDITOR OF THE FINANCIAL STATEMENT

The Board of Directors of PBG SA hereby declares that pursuant to the applicable regulations, having analysed recommendations of the Audit Committee, the Supervisory Board of PBG SA passed a resolution to appoint the company HLB Frackowiak i Wspólnicy Sp. z o.o. with its registered office in Poznan at ul. Plac Wiosny Ludów 2, 61-831 Poznan (currently operating under the name Grant Thornton Frackowiak Sp. z o.o.), entered in the register of auditors certified to audit financial statements kept by the National Chamber of Certified Auditors (entry no. 238), as the certified auditor authorised to:

- audit the separate financial statement of PBG SA and the consolidated financial statement of PBG Capital Group for FY 2007 and 2008 (pursuant to the resolution of the Supervisory Board of 13 June 2007);

- review the interim separate financial statement of PBG SA and the interim consolidated financial statement of PBG Capital Group drawn up as of 30 June 2007 and 30 June 2008 (pursuant to the resolution of the Supervisory Board of 13 June 2007).

1. Date of agreement

PBG S.A. concluded the agreement with HLB Frąckowiak i Wspólnicy Sp. z o.o. (currently operating under the name of Grant Thornton Frąckowiak Sp. z o.o.) on dnia 17 August 2007.

2. Total amount of the auditor’s fee

The total net amount of the fee payable to Grant Thornton Frąckowiak Sp. z o.o. for auditing the Company's separate financial statement and the consolidated financial statement of PBG Capital Group as of 31 December 2008 is PLN 82,800.00. The fee due to HLB Frąckowiak i Wspólnicy Sp. z o.o. for carrying out a similar audit in the previous year amounted to PLN 82,800.00 net.

3. The remaining amount of the agreement

The remaining amount payable to Grant Thornton Frąckowiak Sp. z o.o. for future services under the agreement of 17 August 2007 (i.e. audit of the separate financial statement of PBA S.A. and the consolidated financial statement of PBG Capital Group for FY 2008) is PLN 0.00 net.

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

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

XXVII. INFORMATION ON THE CONTROL SYSTEM OF EMPLOYEE SHARE OPTION SCHEMES

The Capital Group companies have no employee share option schemes in place

XXVIII. IDENTIFICATION OF PROCEEDINGS BEFORE THE COURT, COMPETENT BODY FOR ARBITRATION PROCEDURE OR PUBLIC ADMINISTRATION BODY

The value of proceedings instigated by PBG SA and against PBG SA does not exceed the value constituting at least 10% of the Company's equity.

XXIX. RESTRICTIONS SET FOR TRANSFER OF OWNERSHIP TITLES OF SECURITIES OF PBG S.A. AND FOR THE EXERCISE OF VOTING RIGHTS ATTACHED TO THESE SECURITIES

Pursuant to §11 (1) of the Company's Articles of Association, consent of the Board of Directors is required for disposal of registered series A shares.

XXX. CONTACT DETAILS OF PBG S.A

PBG S.A. HEADQUARTERS:
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THE COMPANY'S SPOKESPERSON:

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INVESTOR RELATIONS:

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Mobile Tel. No.: + 48 691 470 491

Email: kinga.banaszak@pbg-sa.pl

SIGNATURES OF ALL MEMBERS OF THE BOARD OF DIRECTORS

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

Vice-president of the Board	**Mr Tomasz Tomczak**
Vice-president of the Board	**Mr Mariusz Łożyński**
Member of the Board	**Mr Tomasz Latawiec**