



**ACTIVITY REPORT OF THE BOARD OF DIRECTORS OF PBG SA
ON PBG CAPITAL GROUP OPERATIONS**

for the period from 1 January 2008 to 30 June 2008

TABLE OF CONTENTS

I.	ABOUT PBG CAPITAL GROUP COMPANIES – GENERAL INFORMATION (AS AT 30 June 2008)...	4
	1. Structure of PBG Capital Group as at 30 June 2008	4
	2. Consolidated PBG Capital Group companies	7
II.	SHARE OWNERSHIP CHANGES IN PBG CAPITAL GROUP IN H1 2008.....	14
	1. Changes in the shareholding structure in PBG SA	14
	3. Price of PBG SA shares since the first listing on the Warsaw Stock Exchange.....	16
III.	SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL MEETING OF	
	SHAREHOLDERS.....	17
IV.	TOTAL NUMBER OF SHARES IN RELATED PARTIES	18
V.	CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD	
	OF PBG SA.....	19
VI.	BRANCH OFFICES.....	21
VII.	CORE BUSINESS	22
VIII.	CHANGES IN MARKETS	26
IX.	MATERIAL AGREEMENTS	30
X.	CHANGES IN ORGANISATIONAL RELATIONS BY THE DATE OF SUBMISSION OF THE FINANCIAL	
	STATEMENT	36
XI.	BUY-BACK OF TREASURY SHARES	42
XII.	RELATED PARTY TRANSACTIONS	42
XIII.	BORROWINGS: CREDIT AND LOAN AGREEMENTS.....	43
XIV.	LOANS GRANTED	44
XV.	APPROPRIATION OF PROCEEDS FROM THE 3RD ISSUE OF SERIES F SHARES	44
	1. Objectives of the 3rd issue of shares	44
	2. Appropriation of proceeds from the 3rd issue of shares	44
XVI.	EXPLANATION OF DISCREPANCIES BETWEEN ACTUAL FINANCIAL RESULTS AND FORECASTS..	46
XVII.	ASSESSMENT OF FINANCIAL ASSETS MANAGEMENT	46
XVIII.	FINANCIAL INSTRUMENTS USED BY THE CAPITAL GROUP	48
XIX.	MAIN CAPITAL EXPENDITURES AND INVESTMENTS, AS WELL AS FEASIBILITY OF INVESTMENT	
	PLANS	50
	1. Main capital expenditures and equity investments of PBG Capital Group.....	50
	2. Feasibility of investment plans	50
XX.	ASSESSMENT OF FACTORS AND EXTRAORDINARY EVENTS	50
XXI.	RISKS AND THREATS. FACTORS INFLUENCING THE DEVELOPMENT OF PBG SA CAPITAL GROUP	51
XXII.	STRATEGY OF PBG SA AND ITS CAPITAL GROUP	54
XXIII.	KEY ACHIEVEMENTS IN RESEARCH & DEVELOPMENT.....	58
XXIV.	CURRENT AND FORECAST FINANCIAL STANDING.....	58
XXV.	MATERIAL OFF-BALANCE SHEET ITEMS BY TYPE, ENTITY AND AMOUNT.....	71
XXVI.	CHANGES IN BASIC PRINCIPLES OF MANAGEMENT.....	71

XXVII. AMOUNT OF REMUNERATION, BONUSES, OR BENEFITS PAID TO MEMBERS OF THE BOARD OF DIRECTORS OR THE SUPERVISORY BOARD.....	71
XXVIII. INFORMATION ON ANY AGREEMENTS WHICH MAY RESULT IN CHANGES OF THE CURRENT SHAREHOLDING STRUCTURE	72
XXIX. AUDITOR OF THE FINANCIAL STATEMENT	72
1. Date of agreement	72
2. Total amount of the auditor's fee	72
3. The remaining amount of the agreement	72
XXX. AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND MEMBERS OF ITS BOARD OF DIRECTORS PROVIDING FOR COMPENSATION PAYABLE IN THE EVENT OF THEIR RESIGNATION FROM OFFICE OR DISMISSAL	73
XXXI. SYSTEM OF CONTROL OF THE EMPLOYEE SHARE OPTION SCHEMES	73
XXXII. LIMITATIONS SET FOR THE TRANSFER OF OWNERSHIP TITLES TO SECURITIES OF PBG SA AND FOR THE EXERCISE OF VOTING RIGHTS CARRIED BY THESE SECURITIES	73

I. ABOUT PBG CAPITAL GROUP COMPANIES – GENERAL INFORMATION (AS AT 30 June 2008)

1. Structure of PBG Capital Group as at 30 June 2008

PBG Capital Group companies (including information on the consolidation method) in the period from 1 January to 30 June 2008 are presented below:

Parent Company of PBG Capital Group:

PBG SA

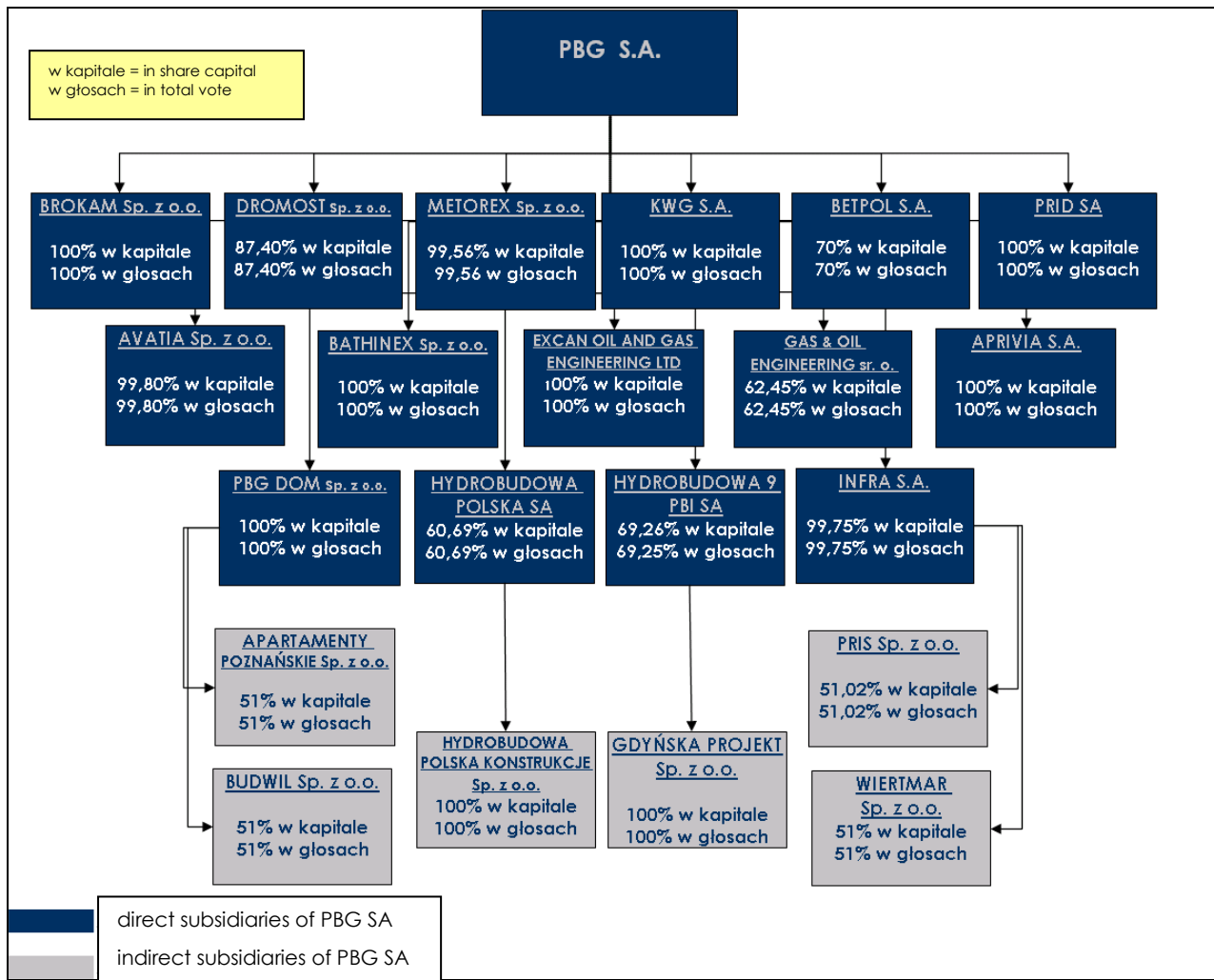
Direct subsidiaries:

- Metorex Sp. z o.o.– fully consolidated since 1.01.2005;
- Infra SA – fully consolidated since 1.06.2005;
- Hydrobudowa Polska SA – fully consolidated since 1.08.2005;
- KWG SA – fully consolidated since 1.06.2006;
- Bathinex Sp. z o.o.– fully consolidated since 1.06.2007;
- Dromost Sp. z o.o.– fully consolidated since 1.04.2007;
- Hydrobudowa 9 PIB SA – fully consolidated since 1.04.2007;
- PBG Dom Sp. z o.o.– fully consolidated since 1.04.2007;
- Gas & Oil Engineering sr.o.– fully consolidated since 1.04.2007;
- Excan Oil and Gas Engineering Ltd. – fully consolidated since 1.04.2007;
- Przedsiębiorstwo Robót Inżynieryjno Drogowych SA – fully consolidated since 1.08.2007;
- Brokam Sp. z o.o.– fully consolidated since 1.09.2007;
- Aprivia SA – fully consolidated since 7.04.2008;
- Avatia SA – fully consolidated since 1.03.2008;
- Betpol SA – fully consolidated since 1.03.2008.

Indirect subsidiaries

- PRIS Sp. z o.o.– fully consolidated since 1.09.2007 with Infra SA;
- Wiertmar Sp. z o.o.– fully consolidated since 1.06.2008 with Infra SA;
- Apartamenty Poznańskie Sp. z o.o.– fully consolidated since 1.06.2007 with PBG SA, since 1.07.2008 fully consolidated with PBG Dom Sp. z o.o.;
- Hydrobudowa Polska Konstrukcje Sp. z o.o.– fully consolidated since 30.05.2008 with Hydrobudowa Polska SA;
- Budwil Sp. z o.o.– fully consolidated since 1.04.2008 with PBG Dom Sp. z o.o.;
- Gdyńska Projekt Sp. z o.o. – fully consolidated since 2.04.2008 with Hydrobudowa 9 SA.

As at 30 June 2008, share of the Parent Company in share capital and total vote of its consolidated subsidiaries was as follows:



As at the date of submission of this report, four new entities joined PBG Capital Group, including three indirect subsidiaries of the Parent Company PBG SA.

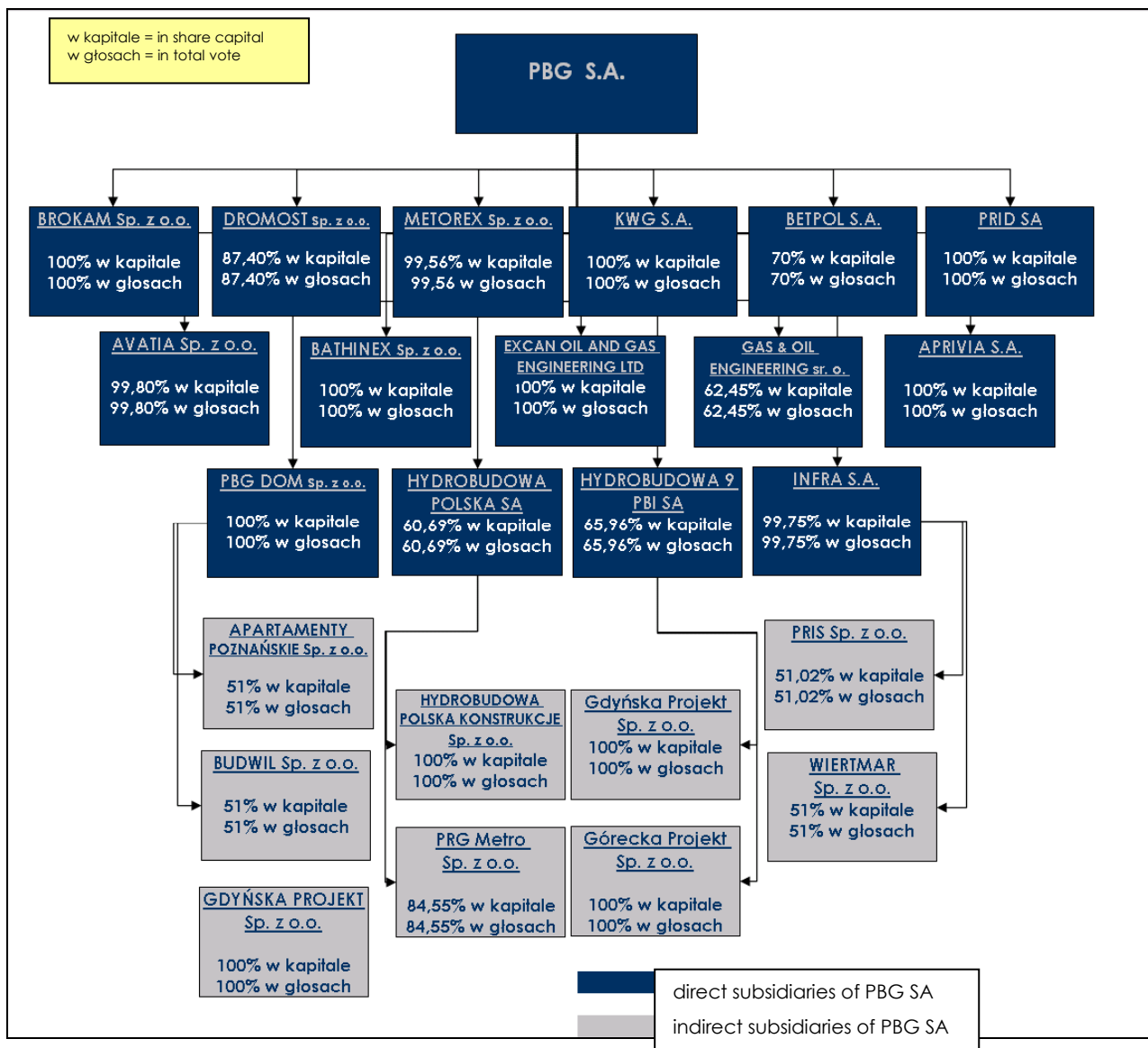
These new PBG Capital Group Companies are:

Górecka Projekt Sp. z o.o. Górecka Projekt Sp. z o.o. is a special-purpose entity established to implement a commercial project – construction of an office building. The Company's core business is in construction projects, including the development of residential and non-residential buildings, buying and selling of own real estate, rental and management of real property, as well as consultancy. The company was formed by Hydrobudowa 9 SA. Its registered office is in Poznań. In the future, Hydrobudowa 9 PIB SA may increase of the company's registered capital and pay for new shares with the perpetual usufruct of a real property.

Dawil Sp. z o.o. Dawil Sp. z o.o. is a new special-purpose entity established to implement a development project. The company is wholly-owned by PBG Dom Sp. z o.o..

PRG Metro Sp. z o.o. Przedsiębiorstwo Robót Górniczych Metro Sp. z o.o. is one of the General Contractors of tunnels for the Warsaw Underground, and the associated facilities such as ventilation units, junction chambers, micro-tunnels, and underground pedestrian passes. Since 2001, the Company's portfolio has also included water and sewerage services. PRG Metro Sp. z o.o. will strengthen the project implementation potential of Hydrobudowa Polska SA and increase diversification of business by adding new areas of activity, in particular construction of the underground (subway).

As at the date of submission of this report, share of the Parent Company in share capital and total vote of its subsidiaries was as follows:



2. Consolidated PBG Capital Group companies

Parent Company of PBG Capital Group

PBG SA

Address: ul. Skórzewska 35, 62-081 Przeźmierowo, Wysogotowo k/Poznania

Contact: Phone: (61) 665 17 00, Fax: (61) 665 17 01, www.pbg-sa.pl

Central Statistical Office classification:

4521 C – General construction works in the area of linear facilities: gas and oil pipelines, waterworks and heating lines, power transmission lines, traction lines, and electromagnetic lines.

REGON: 631048917 NIP: 777-21-94-746

Direct subsidiaries:

METOREX Sp. z o.o.

Share ownership structure:

99.56% held by PBG SA

0.44% held by natural persons

Address: ul. Żwirki i Wigury 17A, 87-100 Toruń

Phone: (0-56) 65-96-647

Fax: (0-56) 65-96-647

Website: none

e-mail: metorex@post.pl

Central Statistical Office classification:

4521C – general construction works in the area of linear facilities: pipelines, power lines, traction lines, telecommunication lines - transmission lines

4521 – general construction of buildings and civil engineering works

REGON: 870516709 NIP: 879-016-81-22

INFRA SA

Share ownership structure:

99.95% held by PBG SA

0.05% held by natural persons

Address: ul. Skórzewska 35, 61-082 Przeźmierowo, Wysogotowo k. Poznania,

Phone: (0-61) 662 25 70 Fax: (0-61) 662 25 72

Website: www.infra-sa.pl

e-mail: biuro@infra-sa.pl

Central Statistical Office classification:

4322Z – plumbing, heat and air-conditioning installation

REGON: 016342538 NIP: 524-23-68-479

Branch Office: Oddział Warszawa, ul. Mehoffera 86, 03-118 Warszawa

HYDROBUDOWA POLSKA SA

Share ownership structure:

60.69% held by PBG SA

9.95% held by ING TFI SA

6.47% held by BZ WBK AIB AM SA

6.07 % held by ING OFE

16.82% held by other shareholders

On 7 January 2008, by decision of the Local Court, change of the entity's name from HYDROBUDOWA Włocławek SA to HYDROBUDOWA POLSKA SA was registered. This decision is the final stage of the process of organisational changes in the Company's structure related to the merger with Hydrobudowa Śląsk SA.

Registered office: ul. Skórzewska 35, 62-081 Przeźmierowo, Wysogotowo k/Poznań

Phone: (0-61) 664 19 50 Fax: (0-61) 664 19 51

Website: www.hbp-sa.pl

e-mail: polska@hbp-sa.pl

Central Statistical Office classification:

4524B – construction of other hydro-engineering structures

REGON: 910097080 NIP: 888-020-59-44

Branch Offices: Oddział Włocławek, ul. Płocka 164, 87-800 Włocławek
Oddział Katowice, ul. Józefa Wolnego 4, 40-857 Katowice

KWG SA

Share ownership structure:

100% held by PBG SA

Address: ul. Wojska Polskiego 129, 70-490 Szczecin

Phone: (0-91) 432-11-30 Fax: (0-91) 469-24-24

Website: none

e-mail: biuro@kwg.com.pl

Central Statistical Office classification:

4221Z – construction of transmission pipelines and distribution networks

4222Z – construction of telecommunication and power lines

REGON: 811974250 NIP: 852-22-75-208

DROMOST Sp. z o.o.

Share ownership structure:

87.39% held by PBG SA

12.61% held by natural persons

Address: Żabno 2A, 63-112 Brodnica

Phone: (0-61) 28 23 607 Fax: (0-61) 28 23 639

Website: www.dromost.com

e-mail: polska@dromost.com

Central Statistical Office classification:

45 21B - General construction of buildings and civil engineering works

45 23A – manufacture and trade in the area of specialist road and bridge construction works

26 82Z – manufacture of mineral and bituminous compounds

26 63Z – manufacture of ready-mix concrete, pre-fabricated units and building materials

REGON: 631190160 NIP: 785-16-18-643

HYDROBUDOWA 9 PIB SA

Share ownership structure as at 30 June 2008:

69.26% held by PBG SA

30.74% held by natural persons

Share ownership structure as at the date of submission of this report:

65.96% held by PBG SA

4.76 held by BZ WBK SA

29.28% held by natural persons

Address: ul. Sienkiewicza 22, 60-900 Poznań

Phone: (0-61) 846 97 01 Fax: (0-61) 846 97 01

Website: www.hb9.pl

e-mail: sekretariat@hb9.pl

Central Statistical Office classification:

45 21F – general construction of buildings and civil engineering works, n.e.c.

REGON: 630006130 NIP: 781 - 00 - 09 - 083

PBG Dom Sp. z o.o.

Share ownership structure:

100% held by PBG SA

Address: ul. Skórzewska 35, Wysogotowo k/Poznania, 62-081 Przeźmierowo

Phone: (0-61) 66 41 986 Fax: (0-61) 66 41 960

Website: www.pbgdom.pl
e-mail: biuro@pbgdom.pl
Central Statistical Office classification:

45.2 – building of complete constructions or parts thereof; civil and hydro-engineering;
45.3 – building installation;
45.4 – building completion;
70.1 - Real estate activities with own property;
70.20Z – letting of own property

REGON: 300530390 NIP: 777-29-66-522

APARTAMENTY POZNAŃSKIE Sp. z o.o.

Share ownership structure:

51% held by PBG Dom Sp. z o.o.

49% held by a natural person

Address: ul. Pamiątkowa 3/46, 61-512 Poznań
Phone: (0-61) 858 04 00 Fax: (0-61) 623 25 95
Website: none
e-mail: none

Central Statistical Office classification: Construction of buildings

REGON: 631048917 NIP: 783-16-22-860

GAS AND OIL ENGINEERING sr. o.o.

Share ownership structure:

62.45 held by PBG SA

37.55% held by a natural person

Address: ul. Karpatská 3256/15, Poprad 058 01, Slovak Republic
Phone: +421 52 7144 111 Fax: +421 52 7144 140
Website: www.gasoil.sk
e-mail: gasoil@gasoil.sk

The company's core business:

1. civil engineering and modifications thereof, building adaptation and maintenance works
2. engineering construction and modifications thereof, building adaptation and maintenance works
3. building control, civil engineering, hydro-engineering – pipelines
4. building control, process equipment – equipment for industrial gas production and distribution (gas and oil pipelines)
5. purchase and sale of know-how related to free entrepreneurship

6. specialist construction services in the area of: building statics – civil engineering, building structures (in the licensed area), design of engineering construction – bridges, engineering construction (in the licensed area), end-to-end industrial construction projects, technical, technological and power facilities (in the licensed area): power equipment, gas equipment, production process equipment, sanitary equipment and systems, heating and air-conditioning equipment, thermal equipment, building statics.

REGON: 36 471 224

NIP: SK2020019397

EXCAN OIL AND GAS ENGINEERING Ltd.

Share ownership structure:

100% held by PBG SA

Address: 9637-45 Avenue, Edmonton Alberta T5J 3V5, Canada

Phone: 1 780 701 7501 Fax: 1 780 430 1133

Website: www.excan.ca

e-mail: b.krasicki@excan.ca

The company's core business:

1. exports of technologies and signing of contracts in the area of natural gas and crude oil

Corporate Access Number: 2013131863

Przedsiębiorstwo Robót Inżynieryjno Drogowych SA (PRID SA)

Share ownership structure:

100% held by PBG SA

Address: ul. Poznańska 42, 64-300 Nowy Tomyśl

Phone: (0-61) 4422310 Fax: (0-61) 4422208

Website: www.prid.pl

e-mail: sekretariat@prid.pl

Central Statistical Office classification: 4523 Construction of roads

REGON: 631172333 NIP: 788-17-31-143

BROKAM Sp. z o.o.

Share ownership structure:

100% held by PBG SA

Address: ul. Skórzewska 35, 62- 081 Przeźmierowo

Phone: (0) 691 470 133 Fax: (0-61) 66 41 981

Website: none

e-mail: pawel.dolinski@pbg-sa.pl

Central Statistical Office classification:

1411Z Quarrying of gem-stones and stone for construction

REGON: 30067892 NIP: 777-30-21-309

BATHINEX Sp. z o.o.

Share ownership structure:

100% held by PBG SA

Address: ul. Skórzewska 35, 62- 081 Przeźmierowo

Phone: (0) 691 470 133 Fax: (0-61) 66 41 981

Website: none

e-mail: pawel.dolinski@pbg-sa.pl

Central Statistical Office classification:

1411Z Quarrying of gem-stones and stone for construction

REGON: 020301884 NIP: 914-15-16-064

APRIVIA SA

Share ownership structure:

100% held by PBG SA

Address: ul. Skórzewska 35, 62- 081 Przeźmierowo

Phone: (061) 66 46 426 Fax: (0-61) 66 46 427

Website: www.aprivia-sa.pl

e-mail: piotr.kwiatek@aprivia-sa.pl

Central Statistical Office classification: 4211Z Construction of roads and highways

REGON: 300804522 NIP: 777-30-43-593

BETPOL SA

Share ownership structure:

70% held by PBG SA

30% held by natural persons

Address: ul. Fordońska 168A, 85-766 Bydgoszcz

Phone: (052) 343 59 08 Fax: (0-52) 344 47 15

Website: www.betpol.com.pl

e-mail: sekretariat@betpol.com.pl

Central Statistical Office classification: 4211Z Construction of roads and highways

REGON: 091299287 NIP: 554-03-84-946

AVATIA Sp. z o.o.

Share ownership structure:

99.8% held by PBG SA

0.2% held by natural persons

Address: ul. Skórzewska 35, 62-081 Przeźmierowo
Phone: (061) 66 46 440 Fax: (061) 66 46 441
Website: www.avatia.pl
e-mail: biuro@avatia.pl
Central Statistical Office classification: 6202Z – IT consultancy
REGON: 300775832 NIP: 777-30-38-072

Indirect subsidiaries

PRIS Sp. z o.o.

Share ownership structure:

51.02% held by Infra SA

48.98% held by INVEST ECOPAP Sp. z o.o.

Address: ul. Popielskiego 14, 52-019 Wrocław

Office of the Management Board: ul. Rapackiego 5, 53-021 Wrocław

Phone: (0-71) 78 99 147 Fax: (0-71) 78 99 148

Website: www.pris.pl

e-mail: biuro@pris.pl

Central Statistical Office classification: 2523Z Manufacture of builders' ware of plastic

REGON: 931116532 NIP: 899-21-19-368

WIERTMAR Sp. z o.o.

Share ownership structure:

51.00% held by Infra SA

16.00% held by INVEST ECOPAP Sp. z o.o.

21.50 % held by Marek Piekarski

11.50 % held by Tomasz Piekarski

Address: ul. Kopanka 13/15, 92-701 Nowosolna k. Łodzi

Office of the Management Board: ul. Kopanka 13/15, 92-701 Nowosolna k. Łodzi

Phone: (0-42) 648 40 62 Fax: (0-42) 671 45 48

Website: www.wiertmar.pl

e-mail: wiertmar@wiertmar.pl

Central Statistical Office classification: 4521 A – general construction of buildings

REGON: 470361834 NIP: 728-00-25-558

HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o.

Share ownership structure:

100% held by Hydrobudowa Polska SA

On 16 May 2008, Hydrobudowa Polska SA established a subsidiary company – Hydrobudowa Polska Konstrukcje Sp. z o.o., with its registered office in Mikołów. On 30 May 2008, the new company Hydrobudowa Polska Konstrukcje Sp. z o.o. was registered by the Local Court Katowice - Wschód in Katowice, VIII Commercial Division of the National Court Register.

Registered office: ul. Żwirki i Wigury 58, 43-190 Mikołów

Phone: (0-32) 779 10 00 Fax: (0-32) 779 10 23

e-mail: sekretariat@hbpk.pl

Central Statistical Office classification:

2811B – Manufacture of metal structures (services excluded)

REGON: 240917617 NIP: 635-17-82-451

Budwil Sp. z o.o.

Share ownership structure:

51% held by PBG Dom Sp. z o.o.

49% held by natural persons

Address: ul. Mazowiecka 42, 60-623 Poznań

Central Statistical Office classification:

7011Z Development and selling of own real estate

7012Z Buying and selling of own real estate

REGON: 300667568 NIP: 781-18-10-110

GDYŃSKA PROJEKT Sp. z o.o.

Share ownership structure:

100% held by Hydrobudowa 9 SA

Address: ul. Sienkiewicza 9, 60-900 Poznań

Central Statistical Office classification: 6810 Buying and selling of own real estate

REGON: 300820811 NIP: 781-18-19-878

II. SHARE OWNERSHIP CHANGES IN PBG CAPITAL GROUP IN H1 2008

1. Changes in the shareholding structure in PBG SA

Notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA

On 11 April 2008, the Board of Directors of PBG SA received a notification dated 10 April 2008 from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA with its registered office in Poznań, acting on behalf of Arka BZ WBK Akcje Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Stabilnego Wzrostu Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Zrównoważony Funduszu

Inwestycyjnego Otwartego, on the change in the number of PBG SA shares held, resulting from the sale of shares settled on 8 April 2008. As a result of the transaction, shares held by the Notifying Party represent less than 5% of the total number of votes at the General Meeting of Shareholders of PBG SA, i.e. 4.92%. Before the sale of shares, the Funds held 896,593 shares of PBG SA, which represented 6.6760% of share capital of PBG SA and 5.0005% of the total number of votes in PBG SA. As at the day of the sale of shares, i.e. on 8 April 2008, the Funds held 882,348 shares of PBG SA, which represented 6.57% of Company share capital and 4.92% of the total number of votes in PBG SA.

Notification from ING Towarzystwo Funduszy Inwestycyjnych SA

On 25 July 2008, the Board of Directors of PBG SA was notified by ING Towarzystwo Funduszy Inwestycyjnych SA, acting for and on behalf of the following Investment Funds: ING Fundusz Inwestycyjny Otwarty Średnich i Małych Spółek, ING Fundusz Inwestycyjny Otwarty Akcji, ING Fundusz Inwestycyjny Otwarty Zrównoważony, ING Fundusz Inwestycyjny Otwarty Stabilnego Wzrostu, ING Specjalistyczny Fundusz Inwestycyjny Otwarty Akcji 2 and ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty, that the total number of votes at the AGM of PBG held by all Investment Funds managed by ING Towarzystwo Funduszy Inwestycyjnych SA, dropped below 5% of the total vote as a result of disposal of PBG shares on 22 July 2008.

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

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

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

Notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA

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

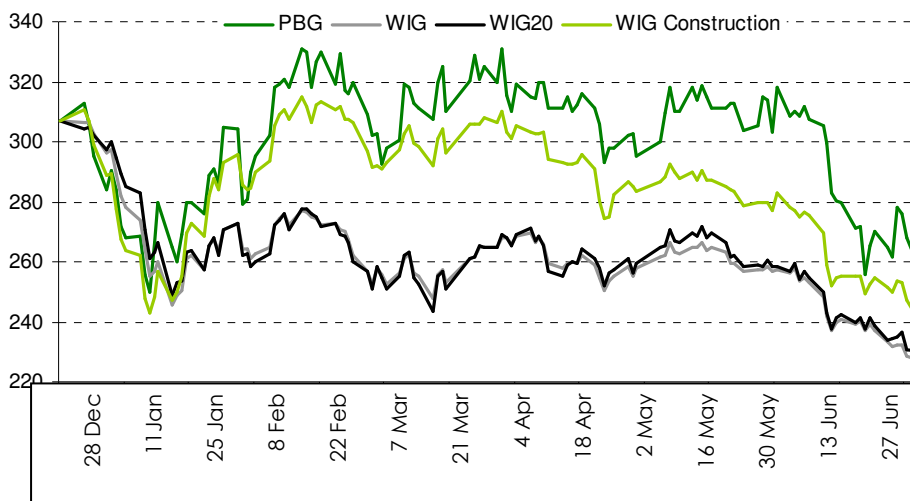
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA acting on behalf of Arka BZ WBK Akcje Fundusz Inwestycyjny Otwarty, Arka BZ WBK Zrównoważony Fundusz Inwestycyjny Otwarty and Lukas Fundusz Inwestycyjny Otwarty (hereinafter referred to as the Funds) informed that as a result of acquisitions of shares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

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

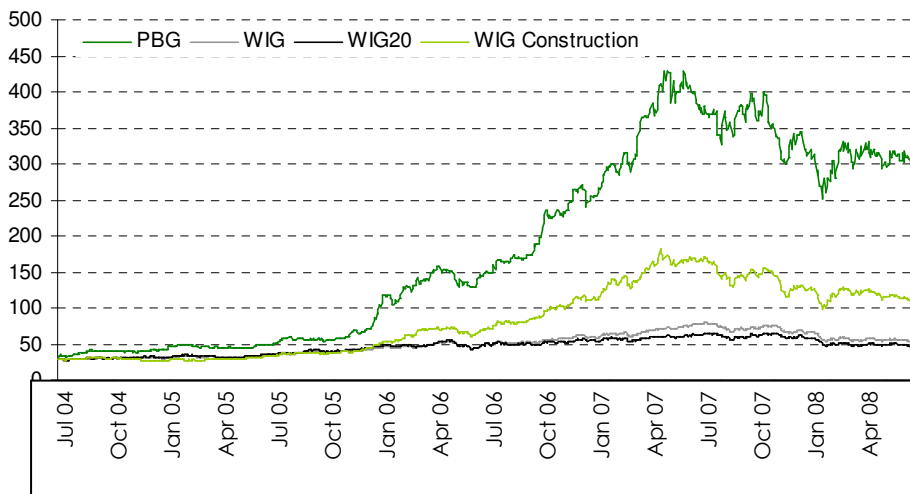
Following this transaction, 899,265 shares of PBG SA were registered in securities accounts of the Funds, which represent 6.70% of the Company's share capital. These shares carry 899,265 votes, representing 5.02% share in the total vote at the General Meeting of Shareholders of PBG SA.

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

Share price between January and June 2008:



Share price from the date of first listing to June 2008:



III. SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL MEETING OF SHAREHOLDERS

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

As at 30 June 2008, the following shareholders held at least 5% of the total vote at the AGM:

As at 30 June 2008				
Shareholder	Number of shares	Total nominal value in PLN	% of share capital held	% of votes in the total vote
Jerzy Wiśniewski	4,495,054 shares, of which: 4,495,054 registered preference shares	4,495,054	33.47	50.14
ING Towarzystwo Funduszy Inwestycyjnych SA	932,570 ordinary shares	932,570	6.94%	5.20%
ING Nationale - Nederlanden Polska PTE SA	912,991 ordinary shares	912,991	6.80%	5.09%
As at the date of submission of the report				
Shareholder	Number of votes	Total nominal value in PLN	% of share capital held	% of votes in the total vote
Jerzy Wiśniewski	4,495,054 shares, of which: 4,495,054 registered preference shares	4,495,054	33.47	50.14
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA	899,265 ordinary shares	899,265	6.70%	5.02%
ING Nationale - Nederlanden Polska PTE SA	912,991 ordinary shares	912,991	6.80%	5.09%

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

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

Members of the Board of Directors	Number of shares	
	As at 30.06.2008	As at the date of submission of the report
Przemysław Szkudlarczyk	2 000	2 000
Tomasz Tomczak	750	750
Tomasz Woroch	8 837	8 403
Mariusz Łożyński	1 553	1 553
Tomasz Latawiec	500	500
Supervisory Board members	As at 30.06.2008	As at the date of submission of the report
Małgorzata Wiśniewska	3 279	3 279
Jacek Krzyżaniak	250	250

IV. TOTAL NUMBER OF SHARES IN RELATED PARTIES

Related party	relation		As at 30.06.2008		As at the date of submission	
	parent company	type of relation	number of shares	nominal value of shares	number of shares	nominal value of shares
Metorex Sp. z o.o.	PBG SA	subsidiary	682	51,150 PLN	682	51,150 PLN
INFRA SA	PBG SA	subsidiary	9,995	4,997,500 PLN	9,995	4,997,500 PLN
Hydrobudowa Polska SA	PBG SA	subsidiary	105,397,300	105,397,300 PLN	105,397,300	105,397,300 PLN
KWG SA	PBG SA	subsidiary	28,700	2,870,000 PLN	28,700	2,870,000 PLN
Dromost Sp. z o.o.	PBG SA	subsidiary	6,000	3,000,000 PLN	6,000	3,000,000 PLN
Hydrobudowa 9 PBI SA	PBG SA	subsidiary	9,576,222	957,622 PLN	9,576,222	957,622 PLN
PBG Dom Sp. z o.o.	PBG SA	subsidiary	23,572	2,357,200 PLN	123,572	12,357,200 PLN
Apartamenty Poznańskie Sp. z o.o.	PBG Dom Sp. z o.o.	subsidiary	255	25,000 PLN	255	25,000 PLN
Excan Oil and Gas Engineering LTD Canada	PBG SA	subsidiary		250,000 CAD		250,000 CAD
Gas & Oil Engineering sr. o. Slovakia	PBG SA	subsidiary		163,000 SKK		163,000 SKK
PRID SA	PBG SA	subsidiary	25,000	500,000 PLN	25,000	500,000 PLN
BROKAM Sp. z o.o.	PBG SA	subsidiary	12,000	12,000,000 PLN	12,000	12,000,000 PLN
BATHINEX Sp. z o.o.	PBG SA	subsidiary	50	50,000 PLN	50	50,000 PLN
BETPOL SA	PBG SA	subsidiary	14,244,999	14,244,999 PLN	14,244,999	14,244,999 PLN
APRIVIA SA	PBG SA	subsidiary	500,000	500,000 PLN	500,000	500,000 PLN
AVATIA SA	PBG SA	subsidiary	998	49,900 PLN	998	49,900 PLN
PRIS Sp. z o.o.	Infra SA	indirect subsidiary	897	89,700 PLN	897	89,700 PLN
Wiertmar Sp. z o.o.	Infra SA	indirect subsidiary	897	89,700 PLN	897	89,700 PLN
Budwil Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	255	25,500 PLN	255	25,500 PLN
Gdyńska Projekt Sp. z o.o.	Hydrobudowa 9 SA	indirect subsidiary	60,000	3,000,000 PLN	60,000	3,000,000 PLN
Hydrobudowa Konstrukcje Sp. z o.o.	Hydrobudowa	indirect subsidiary	100	50,000 PLN	16100	8,050,000 PLN

	Polska SA					
Dawil Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	-	-	500	50,000 PLN
PRG Metro Sp. z o.o.	Hydrobudowa Polska SA	indirect subsidiary	-	-	465	465,000 PLN
Górecka Projekt Sp. z o.o.	Hydrobudowa 9 SA	indirect subsidiary	-	-	1000	50,000 PLN

In addition, PBG SA as the Parent Company of PBG Capital Group has interest in the following entities:

- **KRI SA** – 25,300,000 shares of the nominal value PLN 1.00 per share; the total nominal value of shares is PLN 25,300,000; these shares give PBG SA 19.97% share in the company's share capital and total vote;
- **Elwik Sp. z o.o.**– 60 shares of the nominal value PLN 500.00 per share; the total nominal value of shares is PLN 30,000; these shares give PBG SA 15% share in the company's share capital and total vote;
- **Towarzystwo Ubezpieczeń Wzajemnych TUZ** – 6 shares of the nominal value PLN 100.00 per share; the total nominal value of shares is PLN 600; these shares give PBG SA 0.04% share in the company's share capital and total vote;
- **Budownictwo Naftowe "Naftomontaż" Sp. z o.o.**– 3,500 shares of the nominal value of PLN 1000.00 per share; the total nominal value of shares is PLN 3,500,000; these shares give PBG SA 8.09% share in the company's share capital and total vote;
- **Remaxbud Sp. z o.o. (formerly MTR Sp. z o.o.)** - 840 shares of the nominal value of PLN 500.00 per share; the total nominal value of shares is PLN 420,000; these shares give PBG SA 18.92% share in the company's share capital and total vote.

V. CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD OF PBG SA

Members of the Board of Directors from 1 January to 30 June 2008:

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

The above Members Board of Directors, with the exception of Mr Tomasz Latawiec, were appointed on 10 March 2006 by the Supervisory Board of PBG SA to perform their functions for the next term of office. Mr Tomasz Latawiec was appointed Member of the Board of Directors by resolution of the Supervisory Board of PBG SA on 3 October 2007.

Persons holding the independent right of representation (proxy) granted by the Board of Directors:

- Tomasz Przebieracz – Proxy
- Cezary Pokrzywniak – Proxy
- Wojciech Byczkowski – Proxy
- Eugenia Bachorz – Proxy
- Rafał Wilczyński – Proxy
- Paweł Buczkowski – Proxy as of 25 July 2008.

Presented below are the specific areas of responsibility of all Members of the Board of Directors of PBG SA:

	NAME	FUNCTION IN THE BOARD OF DIRECTORS	AREA OF RESPONSIBILITY
BOARD OF DIRECTORS	Jerzy Wiśniewski	President of the Board	Strategy and development
	Tomasz Woroch	Vice-President of the Board	Environmental protection projects
	Przemysław Szkudlarczyk	Vice-President of the Board	Economy and finance
	Tomasz Tomczak	Vice-President of the Board	Natural gas, crude oil, and fuels projects
	Mariusz Łożyński	Member of the Board	Offers and contracting
	Tomasz Latawiec	Member of the Board	Renovation projects
AUTHORISED REPRESENTATIVES (PROXY HOLDERS)	Tomasz Przebieracz	Authorised Representative (Proxy)	Natural gas, crude oil, and fuels projects
	Cezary Pokrzywniak	Authorised Representative (Proxy)	Engineering – design of technical processes and plants
	Wojciech Byczkowski	Authorised Representative (Proxy)	Logistics
	Eugenia Bachorz	Authorised Representative (Proxy)	Accounts of PBG Capital Group
	Rafał Wilczyński	Authorised Representative (Proxy)	Economy and finance
	Paweł Buczkowski	Authorised Representative (Proxy)	Hydro-technical engineering

Members of the Supervisory Board in the period from 1 January to 30 June 2008:

- Maciej Bednarkiewicz – Chairman of the Supervisory Board
- Jacek Kseń – Vice-Chairman of the Supervisory Board
- Wiesław Lindner – Secretary of the Supervisory Board

- Jacek Krzyżaniak - Member of the Supervisory Board
- Małgorzata Wiśniewska – Member of the Supervisory Board
- Mirosław Dobrut – Member of the Supervisory Board
- Dariusz Sarnowski – Member of the Supervisory Board
- Adam Strzelecki – Member of the Supervisory Board
- Mirosław Dobrut – Member of the Supervisory Board until 12.03.2008.

The above Supervisory Board members were appointed on 23 May 2007 by the Annual General Meeting of Shareholders to perform their functions for the next term of office. In the reporting period, i.e. in March 2008, Mr Mirosław Dobrut handed in his resignation from the position of Member of the Supervisory Board of PBG SA due to a potential conflict of interest related to his membership in the management board of another listed company. The term of office of the Supervisory Board appointed in May 2007 ended at the date of the Annual General Meeting of Shareholders approving the Company's financial statement for FY 2007. On 18 June 2008, the Annual General Meeting of Shareholders of PBG SA discharged all the above Members of the Supervisory Board for the performance of their duties, and decided to re-appoint them as members of Supervisory Board of PBG SA. In the current term of office, the Supervisory Board is composed on seven members (as at the date of this report, the Supervisory Board includes six members). Mr Maciej Bednarkiewicz as was appointed Chairman of the Supervisory Board, Mr Jacek Kseń is Vice-Chairman of the Supervisory Board, and Mr Wiesław Lindner is 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. After the balance sheet date, i.e. on 1 September 2008, Mrs Małgorzata Wiśniewska handed in her resignation from the Board of Directors of PBG SA as she became President of the Board of Directors in Infra SA, a subsidiary company of PBG SA.

VI. BRANCH OFFICES

Branch offices of the parent company PBG SA:

Branch Office in Wrocław	ul. Gazowa 3, 50-513 Wrocław
Branch Office in Włocławek	ul. Płocka 164, 87-800 Włocławek
Branch Office in Warsaw	ul. Tamka 15/16, 00-355 Warszawa
Branch Office in Szczecin	ul. Wojska Polskiego 69, 70-478 Szczecin
Office in Warsaw	Al. Ujazdowskie 41, 00-540 Warszawa

Branch offices of subsidiaries

Branch Offices of Hydrobudowa Włocławek SA:

Branch Office in Włocławek,	ul. Płocka 164, 87-800 Włocławek
Branch Office in Katowice,	ul. Józefa Wolnego 4, 40-857 Katowice
Branch Office Infra SA:	ul. Mehoffera 86, 03-131 Warszawa
Branch Office in Warsaw	ul. Ateńska 10 lok. 15, 03-978 Warszawa

VII. CORE BUSINESS

Core business of PBG SA and the Capital Group companies includes general contractor's services in the area of water, crude oil, natural gas, and fuels in the "turn-key" system, as well as industrial, residential, and road construction.

PBG Capital Group currently operates in five main segments:

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

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

NATURAL GAS AND CRUDE OIL	WATER	FUELS
<ul style="list-style-type: none"> • overground natural gas and crude oil mining facilities • natural gas liquefaction facilities and LNG storage and regasification facilities • LPG separation and storage stations, C5+ • desulphurisation plants • overground facilities of underground natural gas depots • crude oil tanks • natural gas and crude oil transport systems, including: meter and regulator stations, measurement and settlement stations, mixing plants, distribution stations, compressor stations, etc. • LNG facilities 	<ul style="list-style-type: none"> • process and sanitary facilities for water and sewerage systems, such as: <ul style="list-style-type: none"> □ waterworks □ sewerage systems □ water mains and interceptors □ water intake points □ wastewater treatment plants • hydro-technical facilities, such as: <ul style="list-style-type: none"> □ water dams □ storage reservoirs □ flood defences (dykes) • renovation of waterworks and sewerage systems 	<ul style="list-style-type: none"> • fuel depots and tanks
		<p style="text-align: center;">RESIDENTIAL AND INDUSTRIAL CONSTRUCTION</p> <ul style="list-style-type: none"> • general construction • industrial infrastructure
		<p style="text-align: center;">ROADS</p> <ul style="list-style-type: none"> • road building

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

Presented below is the detailed scope of business of individual Capital Group companies as at the date of submission of this report. Companies were grouped according to their area of responsibility and respective markets.

NATURAL GAS, CRUDE OIL, AND FUELS:

PBG SA

PBG SA provides specialist services in the area of end-to-end installation of natural gas, crude oil, and fuel systems. It operates as a General Contractor or subcontractor offering design, construction/installation, repairs, operation, and maintenance of systems in the following areas: mining (natural gas, crude oil), transmission (natural gas, crude oil), and storage (natural gas, fuels, LNG, LPG, C5+, CNG).

Excan Oil and Gas Engineering LTD.

Engineering company offering design and installation of equipment and systems in the area of natural gas and crude oil; Excan Gas and Oil was registered on 5 April 2007 in Canada, Province of Alberta.

Gas & Oil Engineering Sr. o.

Gas & Oil is a company involved in engineering, design, and implementation of projects, operating on the international market. The company's portfolio of services includes analyses, research, design, financial analyses, project management, turn-key projects, and supervision of projects implemented in the area of natural gas and crude oil; the company's registered office is in Poprad in Slovakia.

WATER:

Hydrobudowa Polska SA

Hydrobudowa Włocławek SA specialises in end-to-end construction and servicing of engineering, hydro-technical, environmental protection, and water and sewerage systems.

Hydrobudowa 9 PIB SA

The company provides construction services – environmental protection system, hydro-technology systems, construction of roads and buildings.

Przedsiębiorstwo Inżynieryjne „Metorex” Sp. z o.o.

The company provides construction services – construction of waterworks, sewerage systems, heating and gas pipelines, land improvement for hydro-engineering structures, wastewater treatment plants, as well as surfaces of roads and squares.

Infra SA

The Company offers services in the area of sanitary engineering and environmental protection, using no-dig various methods of repair of waterworks, sewerage, and other systems.

KWG SA

The Company specialises in infrastructure investments connected with environmental protection, such as waterworks and wastewater systems, pumping stations and water treatment plants, low-, medium and high-pressure gas supply systems, as well as meter and regulator stations and gas boiler houses.

"PRIS" Sp. z o.o.

The company provides services related to renovation and monitoring of pipelines and no-dig technologies. Acquisition of its shares by Infra Sp. z o.o. strengthened the project implementation potential of PBG Capital Group in this area.

"Wiertmar" Sp. z o.o.

The company offers construction services related to the renovation and monitoring of pipelines and no-dig technologies. The goal of the acquisition of Wiertmar was to build a project implementation base for PBG Capital Group companies in the hydro-technology sector, in particular for Infra, in terms of renovation of the existing waterworks and sewerage systems.

ROAD BUILDING:

APRIVIA SA

The task of APRIVIA SA is to consolidate road building companies and strengthen the position of PBG Capital Group in the area of road building, including the conclusion and implementation of contracts and organisation of financing.

Dromost Sp. z o.o.

The company provides construction services – road and bridge building and production of bituminous compounds.

PRID SA

The company offers road and bridge building and engineering works, including earthworks, sewerage systems, culverts, base courses (of various kinds), soil compaction, and surface works, both bituminous and cement. The company has its own Bituminous Compounds Production Plant with a research laboratory.

BETPOL SA

The company's core business is mainly in road works, including: cold recycling with the application of foamed bitumens, as well as milling of asphalt and concrete surfaces. Betpol also manufactures cold mineral-bituminous compounds and ready-mix concrete. In addition, the company offers demolition services, steel structures, and assembly and construction works, installation, and reinforced concrete works. The incorporation of BETPOL to the Capital Group enhanced the Group's activity in the field of road building.

BROKAM Sp. z o.o.

The company owns land and license to start the production of aggregate. Its inclusion in the Capital Group will ensure a base of raw materials for road construction companies.

BATHINEX Sp. z o.o.

The company owns land and license to start the production of aggregate. Its inclusion in the Capital Group will ensure a base of raw materials for road construction companies.

REAL PROPERTY

PBG Dom Sp. z o.o.

The company is involved in real property development – construction of a housing estate in Lusówko near Poznań. In addition, the company offers management of buildings and land owned by all PBG Capital Group companies.

Apartamenty Poznańskie Sp. z o.o.

The company is involved in construction and real property development.

Gdyńska Projekt Sp. z o.o.

The Company is involved in the purchase, sale, rental, and administration of real property. The company will be involved in construction and real property development.

Budwil Sp. z o.o.

Budwil Sp. z o.o. is involved in the purchase, sale, and development of own real property. The company will be involved in construction and real property development.

Górecka Projekt Sp. z o.o.

The company will be involved in construction and real property development.

Dawil Sp. z o.o.

The company will be involved in construction and real property development.

INDUSTRIAL CONSTRUCTION

Hydrobudowa Polska Konstrukcje Sp. z o.o.

The company is involved in the manufacturing and engineering business in the following areas:

- a) manufacture and assembly of steel structures,
- b) manufacture and assembly of plant and equipment,
- a) manufacture and assembly of steel tanks,
- d) implementation of end-to-end installation projects for the industry, in particular for the petrochemical industry.

PRG Metro Sp. z o.o.

The company is one of the General Contractors of tunnels for the Warsaw Underground, and the associated facilities such as ventilation units, junction chambers, micro-tunnels, and underground pedestrian passes. Since 2001, the Company's portfolio has also included water and sewerage services. PRG Metro Sp. z o.o. will strengthen the project implementation potential of

Hydrobudowa Polska SA and increase diversification of business by adding new areas of activity, in particular construction of the underground (subway).

SUPPORT OF PBG CAPITAL GROUP COMPANIES

AVATIA Sp. z o.o.

The objects of the Company cover IT services, including IT consultancy, implementation of IT systems, data processing, and services related to IT and computer technologies. As a member of PBG Capital Group, AVATIA provides IT support for all entities in the Group.

Detailed financial data on the share of individual segments in total sales is presented below.

VIII. CHANGES IN MARKETS

In the reporting period, revenues (in accordance with IAS) from different areas of business of PBG Capital Group companies were generated mainly in the Polish market in the following amounts:

Revenues from sales	(H1 2008 (n PLN '000))
natural gas and crude oil (transmission, distribution, mining)	103 947
water (hydro-technology and environmental protection)	540 319
fuels (storage of fuels)	74 549
residential and industrial construction (construction, infrastructure for industrial facilities)	51 731
roads (road building)	44 503
other (sale of goods, materials, and products)	102 101
Total revenues from sales	826 820

Changes in markets for the Group's products result from the adopted strategy: to sign highly-specialised contracts and increase the Group's market share in the environmental protection market co-financed from the European Union funds.

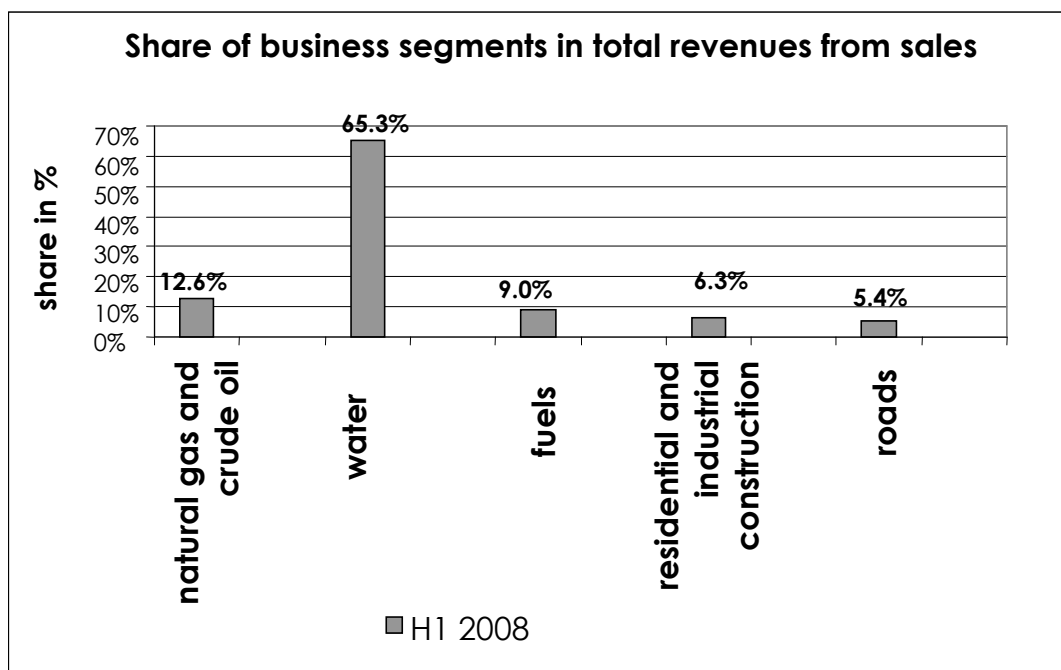
PBG Capital Group focuses its business operations mainly on the Polish market and considers it the Group's key market, taking into account the significant inflows of the Community funds and the resulting investments. However, the Group takes action to enter foreign markets as well, mainly in the natural gas and crude oil sectors. In 2006, PBG SA implemented its first-ever project for a foreign customer, the Latvian company Latvijas Gaze Akciju Sabiedriba, as a subcontractor of the company Pall Poland Sp. z o.o. This project was implemented in Latvia. The total amount of this contract was EUR 5.22 million. It may be considered the first step for PBG to enter foreign markets. In addition, PBG took actions to enter the Norwegian market. In March 2007, PBG signed the first

contract with a Norwegian company Kanfa Aragon AS for the installation of a Glycol Regeneration Plant for gas drying. The total amount of this contract is EUR 1,125 million. This transaction was considered significant, as it presents an opportunity for PBG SA to sign new contracts in Norway. Another foreign contract was signed with the same company in August 2007 for the construction of glycol regeneration units for platforms located in the off-shore sectors in the UK and the delivery of supporting pumps for these units. Net amount of this contract is nearly EUR 3 million.

In addition, in February 2007, PBG SA was contracted by the company Gas Naturale' (Pvt.) Ltd. with its registered office in Punjab, Pakistan. The total amount of these contracts is USD 5.5 million. The first of these contracts was estimated at USD 1.85 m and involves design works for the natural gas liquefaction plant installed in Pakistan. The other contract was estimated at USD 3.65 m and includes the supply of materials and technical systems for natural gas liquefaction plants. This transaction was considered significant, as it presents an opportunity for PBG SA to sign new contracts for export sales.

In H1 2008, PBG SA signed its largest export contract to date. In April, PBG SA concluded an agreement with the company Nairit Plant CJSC with its registered office in Yerevan, Republic of Armenia, for the total net amount of USD 210 million. It is the biggest foreign contract in PBG's portfolio. Under this agreement, PBG SA shall implement an end-to-end project "Reconstruction and modernisation of Nairit CJSC plant". This project is to be completed within 30 months.

In the reporting period, the share of individual segments of the Capital Group's business in total sales was as follows:



Dynamic growth was recorded for the **water** segment, with the highest share in sales (in H1 2008, it represented over 65% of the Group's revenues from services). Contracts implemented in this segment are co-financed by the European Union, have high unit value, and are connected with environmental protection and hydro-technical investments. The investment budget approved for Poland for 2007-2013 includes PLN 63 billion for investments related i.a. to infrastructure, environmental protection, hydro-technology, etc. Hydrobudowa Polska SA has a great potential for contract signing in this area: in 2007 alone, this company signed contracts for over PLN 800 million. In accordance with the adopted and implemented strategy, Hydrobudowa Polska is becoming the Group's leader in the environmental protection market.

In the water segment, contracts related to the renovation of the existing waterworks and sewerage systems create a market niche. Infra Sp. z o.o. is the company operating in this market. In May 2007, the company (as a Consortium Leader) signed a contract for the upgrade of the waterworks and sewerage distribution network in Łódź. The total value of this contract is Euro 44 million. It is one of the largest investments of this type in Europe.

Natural gas and crude oil is an important segment of the Group's operations. In H1 2008, the share of this segment in revenues from sale of services reached 12.6%. Natural gas and crude oil segment is the core business of PBG SA, the leader in this area in the Polish market. Considering the largest-ever contract in this segment signed in August 2008 (contract for the construction of a crude oil mining plant for Polskie Górnictwo Naftowe i Gazownictwo SA for the total net amount

of PLN 1.4 billion), PBG expects a significant increase in revenues from sales in the natural gas and crude oil segment in the years to come. The key project currently implemented in this segment is a contract for the construction of a Gas Denitrification Plant in Grodzisk Wielkopolski implemented since Q4 2006. The total net amount of this contract is nearly PLN 119 million. This contract is implemented by PBG as a Leader of the Consortium PBG S. A. - Chart Inc. Process Systems Division - Thermo Design Engineering Ltd..

The third largest segment of the Group's business is the **fuels segment**. The main investments in this segment are connected with the storage of liquid fuels (fuel depots and storage stations). The share of this segment in total revenues from sales totalled 9% in the reporting period. The main customers for services rendered in this segment include, among others: Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego – NATO, PKN Orlen SA, and Operator Logistyczny Paliw Płynnych Sp. z o.o.. The key project currently implemented in this segment is a contract for the supply and installation of underground fuel depots, implemented since the beginning of 2007. The total net value of this contract is nearly PLN 280 million (vs. approx. PLN 255 million at the contract signing date). Considering the conclusion of a contract with NATO and the increasing demand for this type of services in the years to come, PBG expects the increase of revenues also in the fuels segment.

Another segment defined by PBG Capital Group is **residential and industrial construction**, including general construction and industrial infrastructure. In H1 2008, the share of this segment in revenues from sales reached 6.3%. Considering new prospects and opportunities in this market and the contract implemented for Pomerania Development Sp. z o. o. for the construction of nine residential and commercial complexes in Świnoujście, revenues from this segment are expected to remain at least at the current level. The total amount of this contract is nearly EUR 190 million. In August 2008, Hydrobudowa Polska SA signed a material agreement for the construction of a waste incineration plant in Gdańsk for the total amount of nearly PLN 300 million.

The last segment defined by PBG Capital Group, related to the specialist construction services, is **road building segment**. In H1 2008, the share of this segment in revenues from sales reached 5.4%. PBG entered the road building market based on acquisitions of road companies. In 2007, the Group focused on the development of this segment, acquisitions of road companies, restructuring, and financing of the Capital Group companies. These companies play a key role in this market; as a result, the share of revenues from sales generated by PBG in the road building segment in total revenues from sales is insignificant.

IX. MATERIAL AGREEMENTS

In the period from 1 January 2008 to 30 June 2008, the following material agreements were concluded:

22 January 2008

Conclusion of a contract by the Consortium of - Hydrobudowa Polska SA – Consortium Leader, AK-Bud Kurant Spółka Jawna – Consortium Partner with Poznańskie Ośrodki Sportu i Rekreacji, for construction works connected with the addition of the 3rd level of the 2nd stand of the Poznań City Football Stadium at ul. Bułgarska. Net value of this contract is PLN 14,081,965.03. Under this contract, the Consortium of Companies shall perform the following works (among others):

- construction works,
- sanitary and ventilation systems,
- electrical works,
- "Safe Stadium" system.

This contract was considered material as it is the first contract signed in the engineering construction market connected with the organisation of EURO 2012 in Poland and this market has great potential for development.

29 January 2008

Conclusion of a contract by the Consortium of Hydrobudowa Włocławek SA (Consortium Leader), HYDROBUDOWA 9 P.I-B. SA (Consortium Partner), and PBG SA (Consortium Partner) signed a contract with Bytomskie Przedsiębiorstwo Komunalne Sp. z o.o. ("the Contracting Party") for the project "IMPROVEMENT OF THE WATER AND SEWERAGE SYSTEMS IN THE MUNICIPALITY OF BYTOM", (2004/PL/16/C/PE/004) TASK NO. 3. The total net amount of this agreement is EUR 3,224,792.31. This contract shall be implemented by 30 June 2009.

This contract was considered material as it is another contracts concluded by Hydrobudowa with the Contracting Party under the project "Improvement of the water and sewerage systems in the municipality of Bytom". The earlier contract for the total net amount of EUR 7,980,000 concluded in 2006 was related to Task no. 1 under the project "Improvement of sewerage systems in the municipality of Bytom".

30 January 2008

Conclusion of a contract by the Consortium of Hydrobudowa 9 P.I-B. SA – Consortium Leader, Hydrobudowa Polska SA - Consortium Partner, and PBG SA - Consortium Partner with Karkonoski System Wodociągów i Kanalizacji Sp. z o.o. for the task "Construction and upgrade of the water and sewerage system in the Municipality of Szklarska Poręba" as part of the project "Karkonosze

Water and Sewerage System, stage 1" under the Cohesion Fund. The total net amount of this agreement is Euro 27,985,089.56.

This contract shall be implemented by 31 October 2009.

19 February 2008

Conclusion of a contract by the Consortium of KWG SA – Consortium Leader, Hydrobudowa Polska SA - Consortium Partner, Hydrobudowa 9 P.I-B. SA - Consortium Partner, and PBG SA - Consortium Partner, together with Mr Bogdan Adamczyk, entrepreneur operating in Szczecin – Consortium Partner, with Zakłady Wodociągów i Kanalizacji Sp. z o. o. ("the Contracting Party") with its registered office in Szczecin for the task "Modification and optimisation of the existing water treatment process in Miedwie Water Treatment Plant". The total net amount of this agreement is Euro 8,170,228.29. The said contract shall be performed within 18 months of works commencement date.

21 February 2008

Contract concluded by Hydrobudowa Polska SA with Centralny Ośrodek Sportu in Warsaw – Zakład Budżetowy Ministerstwa Sportu, Ośrodek Przygotowań Olimpijskich in Szczyrk, for construction works related to repairs and associated works performed by Hydrobudowa Polska SA to remove the results of a landslide and protect the hill from future landslides on the landing hill in the currently upgraded ski jump "Malinka" in Wisła. Net Contract Price was agreed at PLN 7,270,001.56. The said works shall be performed by 15 September 2008.

In addition, Hydrobudowa Polska SA and Centralny Ośrodek Sportu in Warsaw – Zakład Budżetowy Ministerstwa Sportu, Ośrodek Przygotowań Olimpijskich in Szczyrk, concluded Annex no. 4 to the material contract signed on 22 October 2004. Under this Annex, the parties agreed that after the landing hill is repaired, Hydrobudowa Polska SA shall immediately perform works on the landing hill of the upgraded ski jump "Malinka" in Wisła, together with the associated works. Works on the landing hill and the associated works shall be completed as soon as possible, but not later than by 15 September 2008. For the performance of this contract, Hydrobudowa Polska SA shall receive a lump-sum gross fee of PLN 5,269,311.45. With this Annex, the total gross fee payable to Hydrobudowa Polska SA for the performance of the contract "Upgrade and extension of the Malinka ski jump in Wisła" will amount to PLN 35,442,580.38.

5 March 2008

Contract for subcontractor's services concluded by Hydrobudowa Polska SA with the consortium of companies ("the Contractor") BUG GAZOBUDOWA Sp. z o. o. with its registered office in Zabrze – Consortium Leader, and PP-H Omnix Sp. z o. o. with its registered office in Zabrze – Consortium Partner, for construction works under a contract implemented by Hydrobudowa Polska SA.

The estimated net amount of this agreement is PLN 18,837,370.01. The said works shall be performed by 31 August 2009.

27 March 2008

Contract for subcontractor's services concluded by Hydrobudowa Polska SA with Przedsiębiorstwo Inżynieryjne Budomont 6 Sp. z o.o. with its registered office in Ruda Śląska for construction works under a contract implemented by Hydrobudowa Polska SA. The estimated net amount of this contract is PLN 10,569,171.38. The said works shall be performed by 30 September 2009. The total value of all contracts concluded with Budomont 6 Sp. z o.o. in the past 6 months is PLN 17,294.569.27. The agreement of the highest value is the above contract.

28 March 2008

Conclusion of an Annex to the contract signed with Pomerania Development Sp. z o.o. for construction and design works by PBG SA as a General Contractor, related to a building project including nine residential and commercial buildings in the area of Świnoujście. Under this Annex, net value of this contract is increased to PLN 190,035,865.22. Other provisions of the agreement were not amended.

3 April 2008

Conclusion of a material agreement by the Consortium of Hydrobudowa 9 PIB SA as the Consortium Leader and Hydrobudowa Polska SA and PBG SA as the Consortium Partners with Miejskie Wodociągi i Kanalizacja Sp. z o.o. for the task "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 amount of this contract is Euro 30,809,573.57. The said agreement shall be performed within 31 months of its effective date. PBG SA as the Consortium Partner will be responsible for 10% of works under this contract.

9 April 2008

PBG SA concluded a contract with PIECOBIOGAZ SA determining terms and conditions of co-operation for joint implementation of investments. Under this contract, PBG SA had undertaken to contract PIECOBIOGAZ SA to perform construction works for the total amount of approx. 100,000,000.00 (PLN ten million) by 31 December 2010. PIECOBIOGAZ SA had undertaken to perform these works.

Any decision to commence any joint project will be taken after the following conditions are satisfied:

- 1) PBG SA is contracted as a general contractor for a task with unit value of at least PLN 20,000,000 (twenty million);
- 2) The investor has agreed to the performance of works by subcontractors;

- 3) Partners of PBG SA have agreed for Piecobiogaz to act as a subcontractor;
- 4) PBG SA has not received any offer better than the offer placed by Piecobiogaz;
- 5) PBG SA has obtained all necessary permits required by internal corporate regulations (if any).

At the same time, the Board of Directors of PBG SA informs that in the last 12 months, PBG SA concluded agreements for the total amount of PLN 51,583,124.21 (fifty one million five hundred eighty three thousand one hundred twenty four zlotys, 21 groszy) with PIECOBIOGAZ SA, and therefore the total amount of this material agreement is PLN 151,583,124.21.

16 April 2008

A material agreement was concluded with the company Nairit Plant CJSC with its registered office in Yerevan, Republic of Armenia, for the total net amount of USD 210,000,000.00 (gross amount: USD 252,000,000.00) (in words: two hundred and fifty two million)). Under this agreement, PBG SA as a Contractor shall perform a comprehensive reconstruction and modernisation of the Nairit CJSC plant. This task is to be implemented within 30 months.

PBG SA shall ensure that from the contract signing date until the date of the Final Taking-Over report, PBG SA shall act as an insurer providing insurance in the following areas:

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

The Contract shall enter into force on the day the Contracting Party has received funds for its financing.

18 April 2008

PBG concluded a material subcontractor's agreement with the company Nairit Plant CJSC with its registered office in Yerevan, Republic of Armenia, for the estimated net amount of USD 80,000,000.00 (in words: PLN eighty million). Under this agreement, Nairit Plant CJSC as the subcontractor shall perform a part of works contracted to PBG SA (as the Contractor) under the Host Contract related to the implementation of the task "Reconstruction and modernisation of the Nairit CJSC plant". Tasks assigned to the Subcontractor shall be implemented 20 days earlier than set out in the Host Contract.

From the contract signing date until the date of the Final Taking-Over report, the Subcontractor shall provide insurance for the following risks:

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

The Contract shall enter into force on the effective date of the Host Contract.

29 April 2008

Conclusion of a contract by the Consortium of Hydrobudowa Polska SA – Consortium Leader, PBG SA – Consortium Partner, and Hydrobudowa 9 P.I-B. SA – Consortium Partner, together with Przedsiębiorstwo Inżynierii Ochrony Środowiska “Ekoklar” Sp. z o. o. with its registered office in Piła – Consortium Partner, with the municipality of Rewal (“the Contracting Party”) for the task “Upgrade and extension of the wastewater treatment plant in Pobierowo, municipality of Rewal”. This contract covers the extension and upgrade of a wastewater treatment plant with the average daily capacity in the season of 13,451 cubic meters per day, as well as obtaining a permit required under Water Law Act for the discharge of wastewater to the receiving tank, as well as a binding permit for use. The total net amount of this contract is PLN 22,947,142.00. This contract shall be implemented by 15 December 2009.

20 June 2007

Conclusion of a material agreement by Hydrobudowa Polska SA with Polimex - Mostostal SA for construction and engineering works related to the project “Construction of a Terephthalic Acid (PTA) Plant” in Włocławek. The total net amount of this contract is PLN 22,942,145.87. This contract shall be implemented by 31 October 2009.

30 June 2008

Conclusion of a material agreement with Przedsiębiorstwo Wodociągów i Kanalizacji Spółka z o.o. with its registered office in Starachowice for a project “Extension and upgrade of a wastewater treatment plant in Starachowice” – part 1. This contract covers an end-to-end upgrade of the plant with the maximum possible utilisation of the existing facilities and optimisation of the future costs of operation. The contract includes the design and implementation of this upgrade, achievement of the assumed results (capacity, water quality parameters) in accordance with the functional programme, and commissioning of the upgraded plant. Works specified in the contract will be performed in accordance with the CONTRACT TERMS AND CONDITIONS FOR EQUIPMENT, DESIGN AND CONSTRUCTION for electrical and mechanical equipment as well as construction and engineering works designed by the Contractor. The total net amount of this contract is Euro 13,330,509.40. This contract shall be implemented within 26 months of the date of signing.

Contracts concluded after the balance sheet date

6 August 2008

Conclusion of material agreement with Zakład Utylizacyjny Spółka z o. o. in Gdańsk for the task “Design and construction of a waste neutralisation plant in Gdańsk – Szadółki, construction and engineering works” in accordance with the requirements of BAT (Best Available Technique) based

on the existing Waste Removal Plant in Gdańsk – Szadółki, with the supply of process lines for the sorting station and composting plant. The new Waste Neutralisation Plant will serve the entire area of the City of Gdańsk and municipalities of Żukowo i Kolbudy in terms of municipal waste neutralisation. This contract is part of a larger project "Upgrade of Municipal Waste Management in Gdańsk".

The total net amount of this contract is PLN 299,001,006.00. This contract shall be implemented within 24 months of the date of signing.

11 August 2008

Conclusion of a contract by the Consortium of PBG SA as Consortium Leader, the Italian company Technip KTI S.P.A. and Canadian company Thermo Design Engineering Ltd. as Consortium Partners, with Polskie Górnictwo Naftowe i Gazownictwo SA (Polish Gas and Oil Company) for General Contractor services under the task "LMG Project – the Central Unit, wellsites, pipelines and other". The total net amount of this contract is PLN 1,397,000,000. The contract shall be performed by the Consortium within 56 months of the date of signing.

The following contractual penalties were agreed:

- in the case of delays in the provision of the required performance bond for the term of this contract, for which PBG is responsible – 0.005% of the agreed gross fee for every day of the delay;
- in the case of delays in the provision of the approved basic design to the Contracting Party, for which PBG is responsible – 0.01% of the agreed gross fee for every day of the delay;
- in the case of delays in the agreed contract performance term, for which PBG is responsible – 0.05% of the agreed gross fee for every day of the delay;
- in the case of delays in the elimination of defects identified upon acceptance of works or during the warranty period, for which PBG is responsible – 0.005% of the agreed fee for each day of the delay from the set date of expected elimination of defects;
- in the case of earlier termination of the Contract by the Contracting Party, for reasons attributable to the Contractor – 10% of the agreed gross fee;
- in the case of delays in the provision of the required performance bond for the warranty term, for which PBG is responsible – 0.005% of the agreed gross fee for every day of the delay;
- in the case of non-achievement of the guaranteed performance parameters defined in the functional programme and the Contract after the second test under the warranty - 5% of the agreed gross fee.

11 August 2008

Conclusion of a contract by and between PBG SA and Technip KTI S.P.A for the performance of works under the task "LMG Project – the Central Unit, wellsites, pipelines and other". As the Consortium Partner, Technip KTI S.P.A. shall provide specialist end-to-end systems, including:

- amine treatment of sour gas from oil separation and stabilisation,
- conversion of hydrogen sulphide from sour gases and storage of liquid sulphur,

- removal of organic sulphur compounds from gas products and LPG,
- treatment of post-regeneration gas.

PBG SA as the Consortium Leader shall pay PLN 306,084,000 net to Technip KTI S.P.A. for the entire scope of works performed. The Parties agreed that both in the scope covered by the Contract with the Contracting Party, and in all contracts concluded within the Consortium for the task "LMG Project", all terms and conditions of the Contract concluded by PBG SA on behalf of the Consortium with Polskie Górnictwo Naftowe i Gazownictwo SA (Polish Oil and Gas Company) shall apply.

5 September 2008

Conclusion of a contract by the Consortium of Hydrobudowa 9 PIB SA as Consortium Leader, PBG SA, Hydrobudowa Polska SA, Prace Badawczo-Rozwojowe "EKOSYSTEM" Sp. z o.o. with its registered office in Zielona Góra, and Ekotab Projekt Sp. z o.o. with its registered office in Poznań as Consortium Partners, with Miejski Zakład Oczyszczania Sp. z o.o. with its registered office in Leszno for the task "Construction of the Waste Management Plant in Trzebania, municipality of Osieczna". Net value of this contract is Euro 24,918,457.71. The said works shall be performed by 30 June 2010. PBG SA as the Consortium Partner will be responsible for 10% of works under this contract.

X. CHANGES IN ORGANISATIONAL RELATIONS BY THE DATE OF SUBMISSION OF THE FINANCIAL STATEMENT

In the reporting period and after the balance sheet date, the following changes in organisational relations occurred:

Acquisition of shares by establishing the company AVATIA Sp. z o.o.

On 15 January 2008, PBG SA concluded a Memorandum of Association with two natural persons, providing for the formation of a limited liability company with its registered seat in Wysogotowo near Poznań. The company shall operate under the name of AVATIA Sp. z o.o. The Company's share capital amounts to PLN 50,000.00 (in words: fifty thousand) and is divided into 1,000 (in words: one thousand) shares of the nominal value PLN 50.00 (in words: fifty) per share. The Company's partners are: PBG SA, who took over 998 (in words: ninety hundred ninety eight) shares of the total value of 49,900.00 (in words: forty nine thousand nine hundred), and two natural persons holding 1 (one) share each. The interest held by PBG SA represents 99.80% of share capital and total vote.

The objects of the Company cover IT services, including IT consultancy, implementation of IT systems, data processing, services related to IT and computer technologies, software-related business, sale of ICT hardware, repair and maintenance of hardware and peripheral devices, and IT training. As a new member of PBG Capital Group, AVATIA will provide IT support for all entities in

the Group. The company's registered capital was paid in by PBG SA from the Company's own funds.

On 29 February 2008, AVATIA Sp. z o.o. was registered by the Local Court in Poznań – Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register.

Take-over of shares in BETPOL SA

On 13 March 2008 the Board of Directors of PBG SA concluded an agreement for the sale of shares with three natural persons, under which PBG SA acquired 14,244,999 registered series A shares of BETPOL SA of the nominal per-share value of PLN 1.00. All shares were acquired at the per-share price of PLN 2.90; the amount of PLN 40,246,497.10 was paid within 3 days from the date of signing of the said agreements, and the amount PLN 1,064,000.00 will be paid after the approval of the financial statement for 2008 provided that the Company achieves the forecast results for 2008 i.e. revenues from sale not less than PLN 60,000,000.00 (sixty million) and net profit not less than PLN 60,000,000.00 (sixty million). Shares acquired by PBG SA represent 70% of share capital and total vote.

Financing of the Company's acquisition is one of the objectives of share issue and is co-financed with an investment facility.

There is no relation between PBG SA, members of the company's management or supervisory board, and persons selling these shares. The incorporation of BETPOL in the Capital Group will enhance the Group's activity in the field of road building.

Acquisition of shares by establishing the company APRIVIA SA

On 18 March 2008, PBG SA concluded a Memorandum of Association of a joint-stock company APRIVIA SA with its registered seat in Wysogotowo near Poznań. The Company's share capital amounts to PLN 500,000.00 (in words: five hundred thousand) and is divided into 500,000 (in words: five hundred thousand) registered preference series A shares of the nominal value PLN 1.00 (in words: PLN one) per share. PBG SA took over 100% shares of APRIVIA SA.

The task of APRIVIA SA will be to strengthen the position of PBG Capital Group in the area of road building, including the conclusion and implementation of contracts and organisation of the financing.

Funds for the Company's establishment paid by PBG SA came from proceeds from the issue of shares.

In the future PBG SA may make further investments in the newly-established company.

On 7 April 2008, APRIVIA SA was registered by the Local Court in Poznań – Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register.

Take-over of shares in WIERTMAR Sp. z o.o. by the subsidiary Infra Sp. z o.o.

On 2 April 2008, the subsidiary of PBG SA – INFRA SA acquired 25,969 shares in the company "WIERTMAR" Sp. z o.o. with its registered seat in Kopanka. Following the two concluded agreements, INFRA SA acquired 25,969 shares of WIERTMAR Sp. z o.o. of the per-share nominal value of PLN 50.00, for the total amount of PLN 4,207,774.19 representing 51% of share capital of Wiertmar Sp. z o.o.. Wiertmar Sp. z o.o. is a company providing construction services related to the renovation and monitoring of pipelines and no-dig technologies.

The acquisition of Wiertmar Sp. z o.o. by INFRA SA is considered as an investment by PBG SA, and its inclusion in the Capital Group will ensure a base for hydrotechnical companies. PBG SA has no intention of changing the company's core business. The transaction was financed with own funds of Infra SA.

Take-over of shares of Gdyńska Projekt Sp. z o.o. by the subsidiary company Hydrobudowa 9 PIB SA

On 2 April 2008, Hydrobudowa 9 PIB SA established a subsidiary company Gdyńska Projekt Sp. z o.o. with its registered office in Poznań. 60,000 shares of the new company of the nominal per-share value of PLN 50.00 were paid for with a contribution of perpetual usufruct of land (PLN 2,900,000.00) and with cash contribution (PLN 100,000.00). As a result, Hydrobudowa 9 PIB SA now holds 100% of shares and votes of the new company.

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

Acquisition of shares in Budwil Sp. z o.o. by the subsidiary company PBG Dom Sp. z o.o.

On 8 April 2008, the subsidiary company PBG Dom Sp. z o.o. acquired 255 shares in Budwil Sp. z o.o. from natural persons, of the nominal per-share value of PLN 100.00. The said shares represent 51% of the Company's share capital and 51% of the total vote at the Company's meeting of partners. PBG DOM paid for these shares in cash at the per-share nominal value, i.e. the total of PLN 25,500. Budwil Sp. z o.o. is involved in the purchase, sale, and development of own real property.

Take-over of shares of Hydrobudowa Polska Konstrukcje Sp. z o.o. by the subsidiary company Hydrobudowa Polska SA

On 16 May 2008, Hydrobudowa Polska SA established a subsidiary company – Hydrobudowa Polska Konstrukcje Sp. z o.o., with its registered office in Mikołów. Hydrobudowa Polska SA took over all 100 shares of the new company at PLN 500 per share of the total value of PLN 50,000.00. The said shares were paid up for in cash. Hydrobudowa Polska Konstrukcje Sp. z o.o. was established in order to separate the following production and installation activities from the core business of Hydrobudowa Polska SA:

a) production and assembly of steel structures,

b) manufacture and assembly of plant and equipment,
a) manufacture and assembly of steel tanks,
d) implementation of end-to-end installation projects for the industry, in particular for the petrochemical industry. The Board of Directors of Hydrobudowa Polska SA plans to transfer all tasks and activities connected with the implementation of contracts in these areas to the new subsidiary. Additional funding of the subsidiary will also be required, and assets necessary for the proper performance of the production and installation projects must be transferred from the parent. On 30 May 2008, the new company Hydrobudowa Polska Konstrukcje Sp. z o.o. was registered by the Local Court Katowice - Wschód in Katowice, VIII Commercial Division of the National Court Register.

Registration of the increased share capital of Hydrobudowa Polska SA

On 27 May 2008, in connection with the public offering of 35,000,000 series K shares of the nominal value PLN 1.00 per share, an increase in the company's share capital from PLN 138,673,200 to PLN 173,673,200 was registered by the Court. The total number of votes carried by all shares issued following the increase of the company's share capital is 173,673,200.

Reduction of interest held in a subsidiary company Hydrobudowa Polska SA following the registration of increased share capital

Following 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 the company dropped below 75% and now totals 60.69%.

After the registration of the increased share capital of Hydrobudowa Polska SA on 30 May 2008, PBG holds 105,397,300 of the Company's shares, representing 60.69% of the Company's share capital and carrying 105,397,300 votes at the Company's General Meeting of Shareholders, representing 60.69% of the Company's total vote. Before the registration of the increased share capital of Hydrobudowa Polska SA, PBG held 105,397,300 of the Company's shares, representing 76.00% of the Company's share capital and carrying 105,397,300 votes at the Company's General Meeting of Shareholders, representing 76.00% of the Company's total vote.

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

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

The total purchase price was equal to the total nominal value of shares, i.e. PLN 357,200.00. The registered capital of PBG Dom Sp.z o.o. totals PLN 2,357,200.00. Per-share nominal value is PLN 100 (one hundred). Before the transaction, PBG SA held 20,000 of the Company's shares, which represented 84.85% of its registered capital and 84.85% of the total vote.

Take-over of shares of PRG Metro Sp. z o.o. by the subsidiary company Hydrobudowa Polska SA

In the period from 26 June 2008 to 28 July 2008, the Board of Directors of Hydrobudowa Polska SA concluded conditional agreements for the acquisition of 465 shares of Przedsiębiorstwo Robót Górniczych Metro Sp. z o.o. with its registered office in Warsaw, at per-share nominal value of PLN 1,000.00, representing 84.55% of the acquiree's share capital. Of the remaining 85 shares, 54 shares are held by Members of the Management Board of PRG Metro Sp. z o.o. As a result, one of conditions precedent for the acquisition of shares in PRG Metro Sp. z o.o. set out in the conditional contract of sale was satisfied. Approval for this business combination given by the President of the Office for Competition and Consumer Protection is the second condition precedent. This approval was granted in September. As a result, PRG Metro will be included in the Capital Group of Hydrobudowa Polska. The total value of all contracts concluded by 28 July 2008 is PLN 29,590,879.50 and will be financed by Hydrobudowa Polska with proceeds from the issue of series K shares. The inclusion of PRG Metro Sp. z o.o. to Hydrobudowa Polska SA will strengthen the project implementation potential and increase diversification of business by adding new areas of activity, in particular construction of the underground (subway). Hydrobudowa Polska SA has undertaken to keep the company's core business as it is and plans its further development in the area of specialist construction works, including construction of tunnels, subway tunnels, and the associated facilities.

Sale of shares of Apartamenty Poznańskie Sp. z o.o.

On 27 June 2008, PBG SA concluded an agreement for the sale of shares in Apartamenty Poznańskie Sp. z o.o. to its subsidiary, PBG Dom Sp. z o.o. PBG SA sold all 255 shares held, of per-share nominal value of PLN 100.00, for the total amount of PLN 2,500,020. The said shares represent 51% of the Company's share capital and 51% of the total vote at the Company's meeting of partners. The shares sold were paid up in full by PBG SA, are not encumbered with any rights of third parties, no proceedings have been initiated in relation to these shares, and their book value as recorded in PBG SA accounts is PLN 1,579,893.51. As result of this transaction, PBG Dom Sp. z o.o. shall form a Capital Group with Apartamenty Poznańskie Sp. z o.o. and its financial result shall be consolidated as of 1 July 2008. PBG SA holds 100% of share capital in PBG Dom Sp. z o.o.

Acquisition of shares in Apartamenty Poznańskie Sp. z o.o. by the subsidiary company PBG Dom Sp. z o.o.

On 27 June 2008, following a transaction of sale of shares of Apartamenty Poznańskie Sp. z o.o. by the Board of Directors of PBG SA, the subsidiary company PBG Dom Sp. z o.o. acquired 255 shares previously held by PBG SA of the nominal value PLN 100.00 per share, representing 51% of the Company's share capital and 51% of the total vote at the Company's meeting of partners. The said shares were acquired for the total amount of PLN 2,500,020.

Take-over of additional shares by increasing the registered capital of PBG Dom Sp. z o.o.

On 5 August 2008, increase of the registered capital of the subsidiary company PBG Dom Sp. z o.o. was registered by the Court. The company's registered capital was increased from PLN 2,357,200.00 to PLN 12,357,000.00, i.e. by PLN 10,000,000.00, by creating 100,000 shares of the nominal per-share value of PLN 100.00. All new shares were taken over by PBG SA, the sole partner of PBG Dom Sp. z o.o. After the increase in registered capital from 123,572 shares, PBG SA may exercise 123,572 votes representing 100% of the total vote.

Registration of increased share capital of a subsidiary of Hydrobudowa Polska SA – the company Hydrobudowa Polska Konstrukcje Sp. z o.o.

On 12 August 2008, increase of the registered capital of Hydrobudowa Polska Konstrukcje Sp. z o.o. was registered by the Local Court Katowice - Wschód in Katowice, VIII Commercial Division of the National Court Register. This increase covered 16,000 shares of the nominal value PLN 500.00 per share, all taken over by Hydrobudowa Polska SA. As a result, the company's registered capital increased from PLN 50,000.00 (represented by 100 shares) to PLN 8,050,000.00. After this registration of increased capital, the interest held by Hydrobudowa Polska SA in the registered capital and total vote of Hydrobudowa Polska Konstrukcje Sp. z o.o. is 100%.

Termination of a preliminary contract of sale of equity interest in the company J.A. Sokół – Melafir Sp. z o.o.

On 22 August 2008, the preliminary contract of sale of equity interest in the company J.A. Sokół – Melafir Sp. z o.o. was terminated. The said contract was concluded by and between PBG SA and a natural person on 22 June 2007. The object of this contract was the acquisition of equity interest in the company J.A. Sokół – Melafir Sp. z o.o. with its registered office in Tłumaczów. PBG SA and the Seller had undertaken to conclude the final contract of sale, whereunder the Seller would sell all 500 shares of the company J.A. Sokół - Melafir Sp. z o.o. to PBG SA, free of any encumbrances, for the total price of PLN 32,000,000. The final contract of sale was to be concluded subject to the following conditions precedent: - results of the audit conducted by PBG SA in the Acquiree must be positive;

- a license to extract melaphyre from the deposit "Tłumaczów - Gardzień" must be brought back into effect and become binding. On 22 August 2008, PBG SA represented by its authorised representative and the natural person acting as a Party to the said preliminary contract of sale agreed to terminate this contract as no agreement had been reached whether the first condition precedent (positive audit result) was satisfied.

Take-over of shares of Górecka Projekt Sp. z o.o. by the subsidiary company Hydrobudowa 9 PIB SA

On 11 September 2008, Hydrobudowa 9 PIB SA established a subsidiary company Górecka Projekt Sp. z o.o. with its registered office in Poznań. 1,000 shares of the new company of the nominal per-share value of PLN 50.00 were paid for with a cash contribution of PLN 50,000. As a result, Hydrobudowa 9 PIB SA now holds 100% of shares and votes of the new company. Górecka Projekt Sp. z o.o. is a special-purpose entity established to implement a commercial project – construction of an office building. The Company's core business is in construction projects, including the development of residential and non-residential buildings, buying and selling of own real estate, rental and management of real property, as well as consultancy. In the future, Hydrobudowa 9 PIB SA may increase of the Company's registered capital and pay for new shares with the perpetual usufruct of a real property.

Acquisition of shares in Dawil Sp. z o.o. by the subsidiary company PBG Dom Sp. z o.o.

On 26 August 2008, the subsidiary company PBG Dom Sp. z o.o. acquired 250 shares in Dawil Sp. z o.o. from a natural person, of the nominal per-share value of PLN 100.00. Shares acquired by PBG Dom Sp. z o.o. represent 50% of share capital and total vote. PBG DOM paid for these shares in cash at the per-share nominal value, i.e. the total of PLN 25,000. Dawil Sp. z o.o. is a special-purpose entity established to implement a development project. PBG Dom Sp. z o.o. does not exclude any further investments in the company's shares. The company's name is to be changed to PBG Dom Invest I Sp. z o.o. Following the transaction of purchase of the remaining 250 shares, the interest held by PBG Dom in Dawil Sp. z o.o. increased to 100% of capital and 100% of the total vote. The company's registered capital amounts to PLN 50,000.00 and is divided into 500 shares of nominal value PLN 100 per share.

XI. BUY-BACK OF TREASURY SHARES

No treasury shares were bought back in the reporting period.

XII. RELATED PARTY TRANSACTIONS

In the reporting period, PBG SA Capital Group concluded related-party transactions whose total value exceeded the equivalent of EURO 500.000 (expressed in PLN). These transactions were typical, concluded at arm's length, and resulted from current operations of PBG SA and its subsidiaries.

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

This approach was defined in the financing strategy adopted by PBG Capital Group.

In addition, PBG SA as the Parent Company with the strongest financial position granted sureties for the repayment of liabilities of PBG Capital Group companies.

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

- construction contracts,
- loan agreements,
- suretyship agreements:
 - credit limits,
 - guarantee limits,
 - guarantees, etc.

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

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

XIII. BORROWINGS: CREDIT AND LOAN AGREEMENTS

Credits and loans taken out in the reporting period are described in additional notes to the financial statement (Note 14).

XIV. LOANS GRANTED

Loans granted in the reporting period are described in additional notes to the financial statement (Note 12).

XV. APPROPRIATION OF PROCEEDS FROM THE 3RD ISSUE OF SERIES F SHARES

Issue of series F shares – 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 recapitalisation of CG companies (PLN 60-100 million).
3. Investments in project implementation base and construction equipment (PLN 20-30 million).
4. Entering foreign markets, including establishment of a company or a branch office in Norway (PLN 10-15 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 totalled PLN 350 million and were earmarked (among others) for:

1. Financing the current operations of PBG SA and PBG Capital Group companies – PLN 147.7 million;
2. Acquisitions and recapitalisation of CG companies – PLN 160.3 million; part of these acquisitions was subsequently refinanced with credit facilities for the total amount of PLN 128.1 million:
 - **Acquisition of shares in the company Dromost Sp. z o.o.** (PBG took over 6,000 shares of per-share nominal value PLN 500.00 for the total amount of PLN 3,000,000);
 - **Take-over of shares of Hydrobudowa 9 PIB SA by acquisition** (PBG took over 9,576,222 shares, of which 9,105,115 series A shares and 471,107 series B shares of per-share nominal value PLN 0.10 for the total amount of PLN 55,350,563.16);
 - **Take-over of shares of PRID SA by acquisition** (under these contracts, PBG SA acquired 25,000 shares of PRID SA of the total nominal value of PLN 500,000. The total price paid by PBG SA was PLN 12,500,000, i.e. PLN 500 per share, and PLN 9,500,000 paid as a bonus for a controlling interest);
 - **Take-over of shares in the company BROKAM Sp. z o.o.** (PBG SA 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 price of PLN 12,130,000; the nominal value of the acquired shares is PLN 1,000 per share and they represent 100% of the company's share capital);

- **Take-over of shares in BATHINEX Sp. z o.o.** (PBG SA acquired 50 shares from a natural person in BATHINEX Sp. z o.o. for the total price of PLN 4,000,000; the nominal value of the acquired shares is PLN 1,000 per share and they represent 100% of the company's share capital);
- **Take-over of shares in BETPOL SA** (under these contracts, PBG SA acquired 14,244,999 registered series A shares of BETPOL SA of the nominal value of PLN 1.00 per share. All shares were acquired at the per-share price of PLN 2.90; the amount of PLN 40,246,497.10 was paid within 3 days from the date of signing of the said agreements, and the amount PLN 1,064,000.00 will be paid after the approval of the financial statement for 2008 provided that the Company achieves the forecast results for 2008 i.e. revenues from sale not less than PLN 60,000,000.00 (sixty million) and net profit not less than PLN 60,000,000.00 (sixty million).
- **Take-over of additional shares by increasing the registered capital of PBG Dom Sp. z o.o.** (On 5 August 2008, the Court registered an increase in the company's registered capital from PLN 2,357,200.00 to PLN 12,357,000.00, i.e. by PLN 10,000,000.00, by creating 100,000 shares of the nominal per-share value of PLN 100.00; all new shares were taken over by PBG SA);

3. Purchase of equipment and development of the project-implementation base – PLN 25 million;

4. Establishment of a company in Canada and acquisition of a Slovak company – PLN 7 million:

- **Acquisition of shares by registration of the company Excan Oil And Gas Engineering Ltd. in Canada, Alberta** (the company's registered capital is CAD 150,000);
- **Take-over of shares in the company Gas&Oil Engineering sr.o. with its registered office in Poprad and increase of its registered capital** (the Company's registered capital is SKK 200,000; under the said agreement, PBG SA paid SKK 40,000,000 (equal to PLN 4,584,000) to the Seller for the stake in the Slovak company. On 8 August 2007, the increased equity of Gas & Oil Engineering s.r.o. up to SKK 261,000.61 was registered. The Company's capital was increased by SKK 61,000, which is equivalent to PLN 1,824,827, and the stake of PBG SA in Gas & Oil was up from SKK 102,000 to SKK 163,000);
- **Establishing a representative office in Norway;**
- **Establishing a representative office in Rome;**

5. Purchase and implementation of ERP Oracle system and supporting systems connected with Oracle - PLN 8.7 million, part of which was subsequently refinanced with a credit in the amount of PLN 1.3 million;

6. Provisional repayment of an overdraft with the goal to optimise financial expenses; this amount is at the Company's disposal to finance contract implementation – PLN 70 million.

As at 30 September 2008, funds from the issue of shares remaining at the Company's disposal totalled over PLN 124 million. The Company may also use PLN 70 million earmarked for the provisional repayment of an overdraft facility.

XVI. EXPLANATION OF DISCREPANCIES BETWEEN ACTUAL FINANCIAL RESULTS AND FORECASTS

PBG Capital Group publishes its annual forecasts. Therefore, information presented below concerns the forecast of consolidated results for 2007 and its achievement.

There are no significant discrepancies between the consolidated results for 2007 and forecasts presented in January in the current report no. 02/2007: "Forecast of consolidated financial results for 2007" and subsequent adjustments of this forecast published by the Group's Parent Company – PBG SA in October 2007, December 2007, and February 2008. Adjustments of financial forecasts were related to "upward" corrections of net profit and "upward" corrections of revenues from sales.

The forecast items of the Profit and Loss Account published in the form of a communication include revenues from sales, operating profit, and net profit.

Forecast of the selected items of the Profit and Loss Account and the actual results are presented in the table below.

Forecast item	Forecast (in PLN '000)	Increase of forecast (in PLN '000)	Increase of forecast (in PLN '000)	Increase of forecast (in PLN '000)	Actuals (in PLN '000)	Forecast accuracy (in %)
Net revenues from sales	1 207 700	-	-	1 377 000	1 376 752	99.98%
Operating profit	118 100	-	-	-	109 384	92.62%
Net profit	82 300	91 100	101 000	-	102 050	101.04%

XVII. ASSESSMENT OF FINANCIAL ASSETS MANAGEMENT

In 2008, PBG Capital Group continued its strategy adopted in 2004. 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 1 billion as at the end of 2007. Given the further dynamic growth, these limits were increased to PLN 1,755,797 k as at 30 June 2008.

With the view of ensuring more diversified sources of financing:

1. In January 2008, PBG SA signed a limit agreement with Bank PEKAO SA for long-term financing of acquisitions up to the amount of PLN 60 million.
2. In November 2007, an agency and dealership agreement was signed with ING Bank Śląski SA for the organisation and management of a three-year bond issue programme for PBG SA and

Hydrobudowa Włocławek SA (currently Hydrobudowa Polska SA) for the total nominal amount of PLN 500 million. As the first tranche of bonds was issued on 12 December 2007, the line of PLN 300 million still remains available under this programme.

On 21 March 2008, in line with the adopted timetable, PBG SA redeemed its bonds totalling PLN 110 million, issued back in September 2005.

Consistent implementation of this financial strategy allowed the Company to:

1. diversify the sources of financing up to the maximum level of 10% of the total limit,
2. improve the availability of bank and insurance products on offer,
3. standardise products and services offered to PBG Capital Group,
4. reduce the level of security for the line,
5. relate bank and insurance products to specific contracts based on Project Finance rules.

Availability, flexibility and standardisation of bank products made it possible to relate these products directly to the contract and adjust them to cash flows, which significantly reduced operating risks of PBG Capital Group (in the opinion of the Financial Institutions). Controlling principles adopted by PBG SA and its Capital Group and monitoring carried out by Financial Institutions allowed to settle payables from contract cash flows of CG companies on an on-going basis.

Risks related to financial resources:

- implementation of contracts up to 4 years with annual periods of credit limits,
- prolonged business cycle periods for EU contracts – longer than standard payment periods adopted by banks,
- interest rate risks and foreign currency risks.

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

Actions taken to minimise these threats:

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

XVIII. FINANCIAL INSTRUMENTS USED BY THE CAPITAL GROUP

Financial instruments used by the Capital Group are related to:

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

- 2) credit risks
 - a) Description: to maintain credit limits for the optimum management of working capital.
 - b) Financial strategy: diversification of limits earmarked to finance the Group's current operations among 9 banks, in the total amount of PLN 1,198,707 k, of which PLN 849,074 k for credits and guarantees.
 - c) Instruments: co-operation based on uniform undertakings (pari passu, material change, negative pledge) confirmed in an unqualified annual opinion of the certified auditor sent directly to all Financial Institutions. Extending the use of various products offered by banks and insurance companies.
 - d) Objectives: flexibility in the utilisation of limits for individual Capital Group companies, products and currencies.
 - e) Risk management methods: moving the focus (weight) from the Company's financial assessment to the assessment of the contract whose cash flows are considered reliable by Financial Institutions.

- 3) liquidity risks
 - a) Description: potential inability of the Capital Group companies to fulfil their obligations.
 - b) How to minimise: close monitoring of cash flows at the level of each contract and adjusting inflows and outflows over time, based on bank limits for the settlement of long business cycles for individual contracts.
 - c) Instruments: analysis sheets for the structure of payables and receivables and adjustment of these variables over time to avoid the risk.

- d) Risk management methods: on-going monitoring and analyses of the liquidity threshold and safety margin.
- 4) interest rate risks
- a) Description: adverse change in interest rates affecting the Company's financial result.
 - b) How to minimise: define a strategy based on macroeconomic recommendations of 6 banks.
 - c) Instruments: IRS transactions
 - d) All liabilities incurred by the Company are based on a variable interest rate with the maximum interest rate variability period up to 3-6 months.
- 5) currency risks
- a) Description: risk of unfavourable changes in currency rates resulting in an increase of costs and expenses under the implemented contracts or reduction of revenues and inflows.
 - b) The adopted Strategy defines hedging instruments, methods and timing, as well as principles of measurement of hedging instruments. Capital Group companies apply hedge accounting. The available transaction limits fully secure the current and planned portfolio of contracts at the planned exchange rate adopted in the budget for each contract.
 - c) Instruments: forward transactions.
 - d) Risk management methods: hedging currency risks with the above instruments when contracts are signed, with termination and settlement as at the date of revenue from hedged contract.
- 6) insurance risks
- a) Description: the Company may be unable to provide insurance for the implemented contracts; in addition, insurance (and the resulting compensation) may lose its replacement nature in the event of any force majeure if a wrong insurance package is used.
 - b) The insurance strategy aimed at achieving a complete insurance coverage.
 - c) Instruments: Individually adjusted to each contract to meet contract requirements and an insurance programme for property risks.
 - d) Risk management methods: centralised management of the insurance portfolio. In H2 FY 2007, an outsourced company carried out an insurance audit to examine contract and asset-related risks. The goal of this audit was to raise insurance awareness and present the scope of the Insurance Programme and the available insurance products. A SWOT analysis was performed for the Company's insurance strategy, which was of particular importance for the renewal of insurance programmes of PBG Capital Group.

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

1. Main capital expenditures and equity investments of PBG Capital Group

Main capital expenditure of PBG Capital Group in H1 2008

No.	Item	Amount (in PLN '000)
1	Construction of an administration building in Mikołów	PLN 8 933
2	Upgrade and extension of the existing offices, warehouses and workshops	PLN 6,074
3	Transport vehicles	PLN 6,479
4	Heavy construction equipment	PLN 15,233
5	Power units	PLN 319

Equity investments of PBG Capital Group in H1 2008

No.	Item	Amount (in PLN '000)
1	Acquisition of shares in Betpol SA	PLN 40,247
2	Acquisition of shares in Apatia Sp. z o.o.	PLN 49,9
3	Acquisition of shares in Wiertmar Sp. z o.o.	PLN 3,208
4	Acquisition of shares in Hydrobudowa Polska Konstrukcje Sp. z o.o.	PLN 8,050
5	Acquisition of shares in Gdyńska Projekt Sp. z o.o.	PLN 3,000
6	Acquisition of shares in Budwil Sp. z o.o.	PLN 25
7	Acquisition of shares in Aprivia SA	PLN 500
8	Acquisition of shares in PBG Dom sp. z o.o.	PLN 357

2. Feasibility of investment plans

Cash from the proceeds from the issue of series F shares held in January 2007 by the Parent Company of PBG SA Capital Group and the concluded credit agreements fully cover the planned outlays connected with the currently implemented projects (capital expenditure and equity investments). In Addition, in April 2008, Hydrobudowa Polska SA issued series K shares. In this Public Offering, 35,000,000 series K shares were offered with preference. The per-share issue price was PLN 8.80. Proceeds from this issue totalled PLN 308 million. Proceeds from this issue cover investment plant of this company. In 2008, the Group is planning to spend over PLN 150 million on capital expenditure (intangible assets and PP&E) and about PLN 130 million on equity investments.

XX. ASSESSMENT OF FACTORS AND EXTRAORDINARY EVENTS

In H1 2008, there were no extraordinary events with any significant impact on the financial results of PBG Capital Group.

XXI. RISKS AND THREATS. FACTORS INFLUENCING THE DEVELOPMENT OF PBG SA CAPITAL GROUP

External factors

1. Competition risk

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

The Group reduces competition risks by:

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

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

2. Economic situation in Poland

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

Forecasts of the Polish economy assume the constant economic growth for at least several years to come. It will result mainly from the utilisation of the EU funds, primarily for infrastructure investments and environmental protection projects. Projects implemented currently are still financed with the pre-accession funds, but projects co-financed from the Cohesion Fund are already underway (the aid from the Cohesion Fund in 2005-2006 is EUR 4.5 billion). The Community budget for 2007-2013 was also approved, with EUR 63 billion earmarked for Poland. 20% of own funding must be added. According to the estimates of independent institutions, even if only 70% of this amount is utilised, GDP growth may exceed 7% per annum.

3. Poland's membership in the European Union

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

Having signed several contracts of considerable value, PBG SA and its Capital Group companies have proved that they are well prepared to compete with foreign companies.

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

To fully benefit from opportunities resulting from Poland's membership in the EU, PBG SA and its Capital Group companies:

- Form strategic alliances with foreign companies operating on the Polish market to implement joint projects,
- Have implemented and are developing good management culture;
- Offer high quality of services confirmed by the following standards: PN-EN ISO 9001:2001, PN-EN 729-2, AQAP 2110:2003;
- Consistently improve qualifications of their staff, especially in the area of unique cutting-edge technologies, with the goal to develop a competitive offer and place it 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 tax regulations currently in effect and introduction of less favourable tax regulations for companies or their customers, which may in turn affect financial results generated by companies, either directly or indirectly.

2. Currency rates

Poland is the primary market for products and services offered by the Company, but contracts co-financed with the EU Funds are denominated in EURO. The Group minimises currency risks by using the appropriate financial instruments and by passing part of the currency risk to their subcontractors and suppliers of materials and equipment. Similarly, in the case of purchase of foreign machinery and equipment of significant value required for the performance of contracts, foreign exchange risk is minimised with financial instruments available on the market.

Projects financed from the EU funds are one of the main revenue groups of PBG Capital Group. Contractual fees negotiated by PBG were denominated in EURO.

In the long-term perspective, this risk will be further reduced as Poland will join the EURO zone.

3. Seasonality of sales in the sector

The majority of revenues from sales are generated by PBG Capital Group in the construction and installation sector, where sales are seasonal (it is typical for this sector as a whole). Seasonality of sales depends mainly on the following factors which are beyond the Group's control:

- weather conditions in the winter season, when most of the works cannot be carried out. Difficult weather conditions (more adverse than usual) may also reduce the Company's revenues.
- the majority of investment cycles planned by customers are completed in the last several months of the year.

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

4. Losing the key staff

The business of PBG SA and its Capital Group companies is based primarily on the knowledge and experience of highly qualified staff, especially engineers.

There is a potential risk of staff churn involving employees of key importance for the Group's development, which in turn might affect the quality of services.

This risk is minimised by the following factors:

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

5. Risk related to non-performance of contracts

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

Contract performance security is usually provided on the contract signing date and settled after the contract is completed. The amount of this security depends on the type of contract; it usually amounts to 10%. In the case of non-performance or improper performance of contract signed by PBG SA or any Capital Group company, there is a risk that its customers may claim contractual penalties or contract termination.

To minimise this risk, the Group makes sure that:

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

6. Dependence on key customers

The risk of dependence on key customers is practically non-existent, mainly as a result of the ever-increasing share of environmental protection contracts in the Company's portfolio (projects contracted by local governments) and the growing number of new customers, including the Army and NATO, PKN Orlen, PERN, Naftobazy, and foreign customers. The strategy of PBG SA adopted or the Capital Group as a whole assumes implementation of projects of high unit value, which may increase the share of sales to one customer vs. total sales. However, the share of the largest customers in revenues from sales of PBG SA is currently below 20%.

Capital Group companies will continue to minimise this risk by:

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

7. Risk related to on-going operations

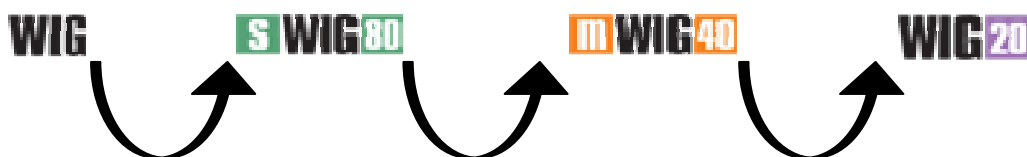
Operations of PBG Capital Group companies, especially works involving any running equipment and facilities, may be a potential source of threats, including the possibility of a breakdown causing human or property losses.

The Group counters this risk by:

- insuring operations of Capital Group companies against civil liability;
- providing new, up-to-date personal protective equipment to employees on an on-going basis,
- training and development of staff qualifications,
- on-going control of all facilities and equipment used,
- regular H&S training and supervision.

XXII. STRATEGY OF PBG SA AND ITS CAPITAL GROUP

The strategy of PBG SA and its Capital Group in the years to come is focused on the systematic and long-term increase in value of the entire Capital Group.



These goals will be attained based on:

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

The strategy of PBG SA and its Capital Group in the nearest future will be focused primarily on:

1. Expansion of business in the road construction market

This goal will be achieved by:

- making investments in road companies and increasing the Group's project implementation potential;
- securing sources of supply of road construction materials through investments in aggregate mines;
- acquisitions of Polish road companies.

2. Expansion of business in foreign markets in gas, oil, and environmental protection sectors

This goal will be achieved by:

- participating in foreign consortia;
- acquisitions or establishment of foreign companies;
- setting up business units responsible for signing foreign contracts.

3. Strengthening of the Company's position in the environmental protection and hydro-technology market by forming HYDROBUDOWA POLSKA SA, the largest Polish company in this market

This goal will be achieved by:

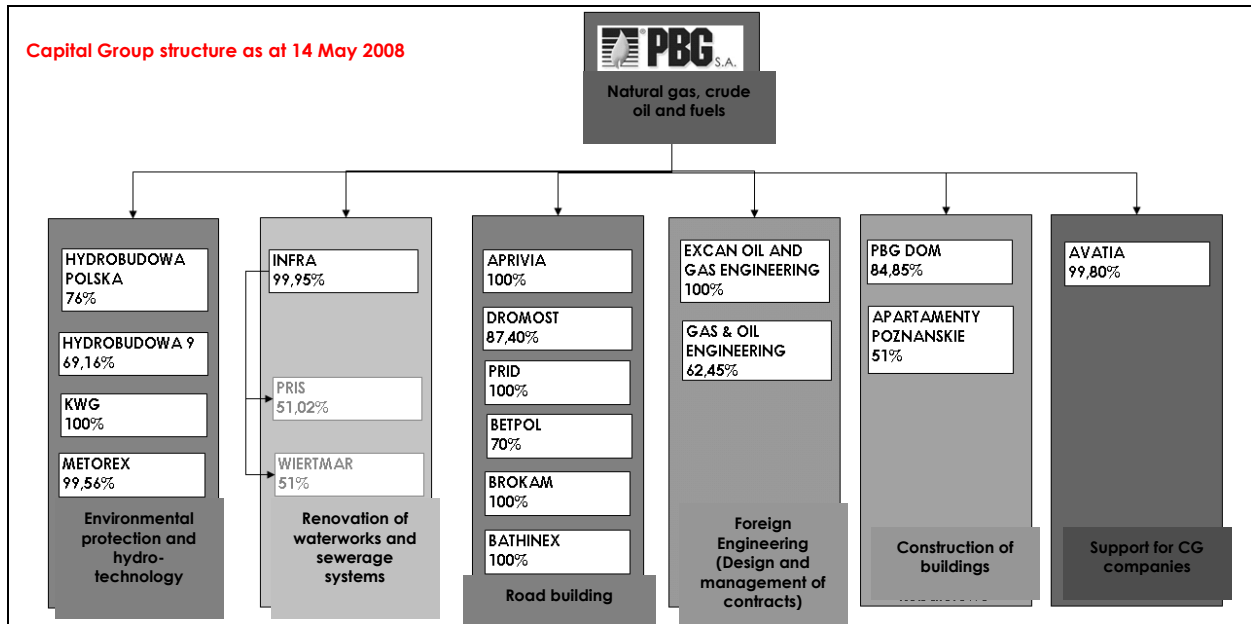
- merging Hydrobudowa Śląsk and Hydrobudowa Włocławek and establishment of Hydrobudowa Polska, followed by the formation of own capital group by Hydrobudowa Polska based on the acquisition of Hydrobudowa 9 SA (to be completed by the end of Q3 FY 2008);
- improving the Company's potential to sign and implement contracts of high individual value;
- diversification of business – residential construction, industrial facilities, underground car parks, the subway, and sports facilities.

4. Strategy in practice

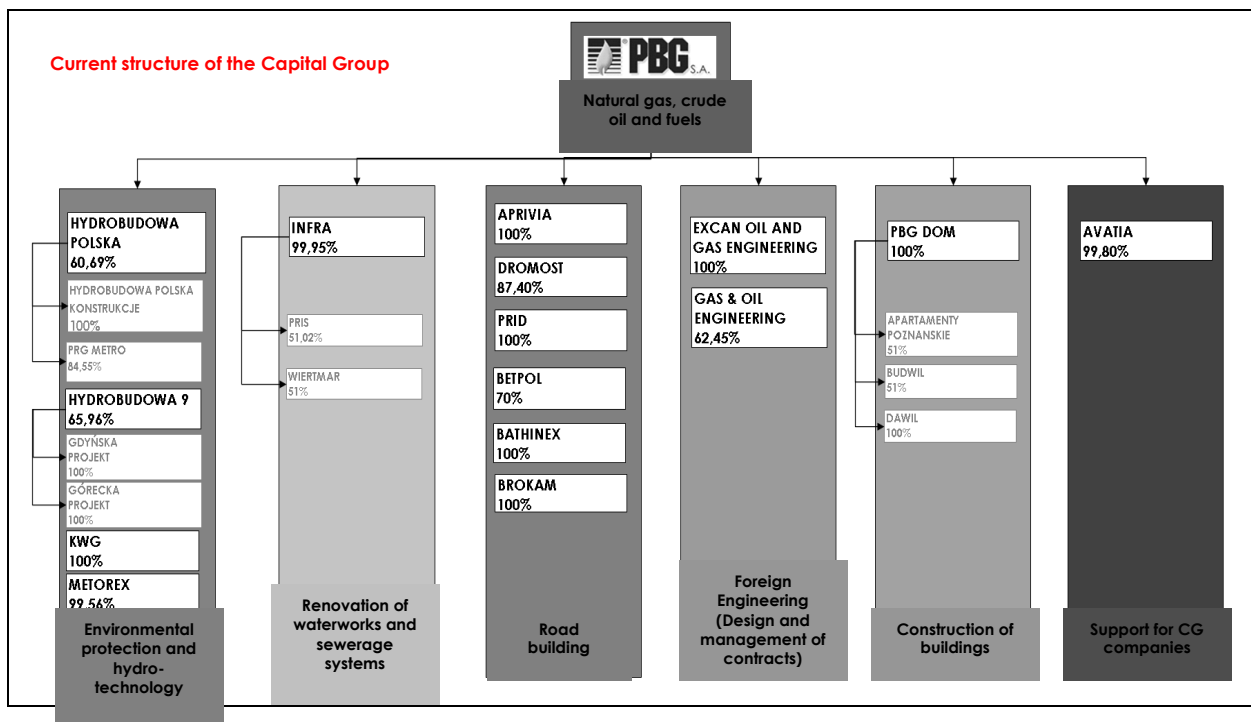
Achievement of the above strategic goals will be based, among others, on good organisation of the Capital Group in specific areas of activity. Development of the Capital Group may be

analysed against the organisational chart of PBG CG from the previous reporting period in comparison with the current situation.

Presented below is the organisational structure of the Capital Group (share of PBG in the total vote is given) as at 14 May 2007.



As at the date of submission of this financial statement, the organisation of PBG Capital Group was as follows (share of PBG in the total vote is given):



Establishment of a strong entity operating in the environmental protection and hydro-technology market was a key strategic move. Merger of Hydrobudowa Włocławek and Hydrobudowa Śląsk SA came into effect on 27 August 2007 (until 7 January 2007, the company operated as Hydrobudowa Włocławek SA, now the company's name is Hydrobudowa Polska SA). As a result, a competitive entity was formed in the environmental protection market, which will use its potential, experience, and customer references in order to win the largest and most complex contracts co-financed with the EU funds. Acquisition of Hydrobudowa 9 by Hydrobudowa Polska from its current shareholders is to be completed by the end of Q3 2008. As a result of this transaction, Hydrobudowa Polska will take over 100% of shares in Hydrobudowa 9 based on the issue of shares only for the current shareholders of Hydrobudowa 9 in exchange for the transfer of all its assets to Hydrobudowa Polska.

In addition, in 2007 PBG SA focused on the creation and strengthening of its new business segment – road construction. In this segment of its business, PBG CG will implement contracts related to the construction of local roads (municipality- and district-level roads). On addition, two newly established companies Brokam and Bathinex operate in this segment in connection with an investment in aggregate mining facilities. Their task is to secure the access to aggregate to road construction companies and other Capital Group entities. In May 2008, another company joined the road construction segment – Betpol; its task is to support other road companies both in terms of project implementation potential and customer references. In addition, PBG established another entity in this segment in the same month – Aprivia. The task of Aprivia is to strengthen the position of PBG Capital Group in the area of road construction, including the signing and implementation of contracts and organisation of financing.

Road construction is a new strategic area of the Capital Group's business co-financed by the European Union, and will ensure further dynamic increase of the Capital Group's revenues. In addition, it will keep profit margins within PBG Capital Group, mainly with the implementation of contracts for the construction of sewerage systems, where a considerable part of works are replacement/reconstruction works.

Foreign business is another strategic segment of PBG Capital Group's business. Acquisitions of foreign companies make it possible for the Group to enter foreign markets and enhance its project implementation potential in Poland, including the design activities and project management. As a result, a new area of the Group's business is created. In line with this strategy, by the date of submission of this report, PBG acquired a 51% stake in a Slovak engineering company Gas & Oil Engineering s.r.o. and increased the company's share capital and – consequently – its interest to 62.45%, and established a company Excan Oil And Gas Engineering Ltd. in Canada, taking over 100% of its shares.

Construction of buildings is an additional business segment. In the long term, this business may be of strategic importance for the entire Capital Group. In this segment, the company PBG DOM Sp. z o.o. was established. Its task is to manage the Capital Group's real estate and ensure its efficient use or sale. In addition, PBG has a stake in the company Apartamenty Poznańskie involved in a building development project.

In the reporting period, the Parent Company was not the only Capital Group entity involved in acquisitions. Having considered its intensive growth to date and a promising market, also the subsidiary of PBG SA – Infra SA made acquisitions in order to improve its project implementation potential. Infra is now building its own Capital Group. Infra operates in the environmental protection sector, but specialises mainly in renovation of the existing waterworks and sewerage systems. These services require cutting-edge technologies and therefore competition in this market comes mainly from abroad, which ensures good profit margins. In 2007, the company PRIS entered the renovation segment, and in 2008 Infra acquired a stake in Wiertmar.

Apart from the aforementioned elements of the strategy, the Board of Directors of PBG SA still focuses on investments in the Capital Group companies and improvement of their project implementation potential. Strengthening of the market position of Infra and its acquisition of PRIS and Wiertmar shares is an element of this strategy.

XXIII. KEY ACHIEVEMENTS IN RESEARCH & DEVELOPMENT

In the reporting period, PBG Capital Group companies recorded no achievements in the area of R&D which could significantly influence the Group's financial result.

XXIV. CURRENT AND FORECAST FINANCIAL STANDING

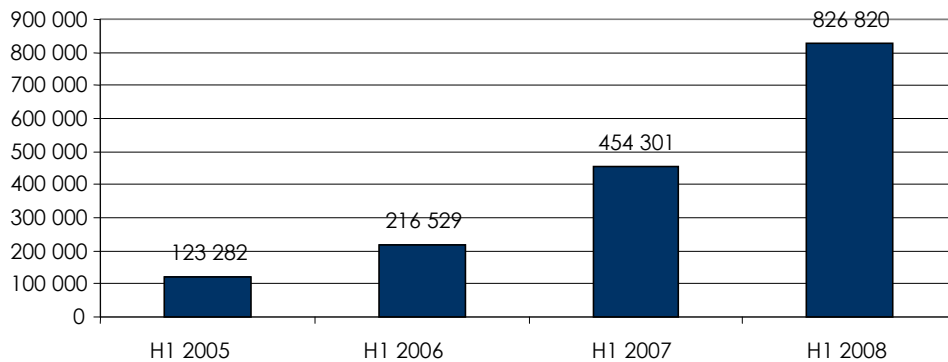
All financial ratios and data are based on the underlying financial statement drawn up in accordance with the International Accounting Standards.

Revenues from sales

In H1 2008, PBG Capital Group recorded an increase in its revenues from sales – up by 82% vs. the period corresponding previous. The Group's revenues increased from PLN 454,301 k in H1 2007 to PLN 826,820 k in H1 2008. Costs of products sold in the reporting period were also up by 85% – from PLN 377,590 k in H1 2007 to PLN 700,199 k in H1 2008.

Historical data on revenues from sales is as follows (this comparison covers four years):

Sales (in PLN '000)

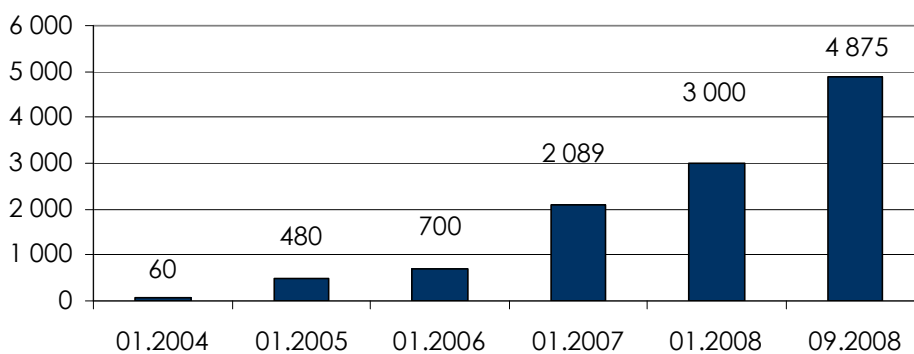


For the part several years, sales of services of PBG Capital Group have been on the increase. It is attributable to the consistent development of the Capital Group, acquisition of new companies, and signing more contracts of high individual value, and the resulting development of the portfolio of contracts.

Portfolio of contracts of PBG Capital Group

As at 1 September 2008, the value of the portfolio of contracts of the Capital Group exceeded PLN 4.87 billion. Contracts signed in the water segment represent the highest share of this portfolio; in this segment, environmental investments co-financed with the EU funds are implemented. Historical data on the portfolio of contracts is as follows:

Value of the Group's contracts portfolio (in PLN '000)



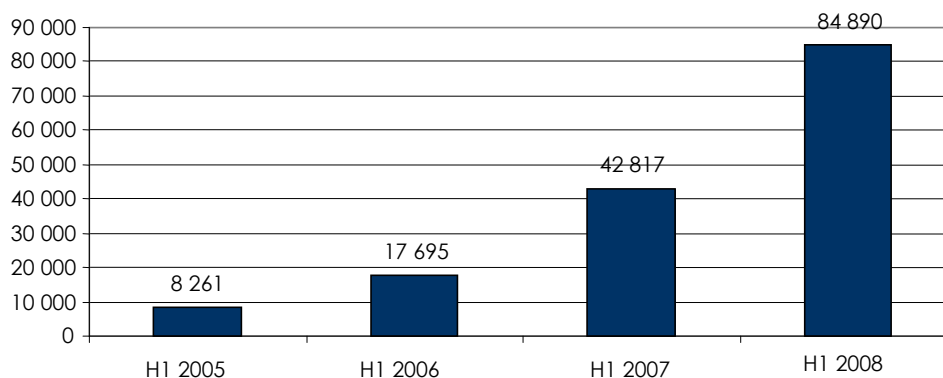
Structure of the Group's portfolio of contracts as at 1 September 2008

Structure of the Group's portfolio of contracts as at 1 September 2008	
Natural gas and crude oil	33.1%
Fuels	5.9%
Water	39.1%
<i>waterworks and sewerage systems</i>	30.8%
<i>hydro-technical construction</i>	1.6%
<i>renovation</i>	6.7%
Residential and industrial construction	20.0%
Road building	1.9%
	100%

Operating profit – EBIT

In H1 2008, PBG Capital Group recorded a considerable increase in operating profit – up by as much as 98% vs. H1 2007. The Group's operating profit increased from PLN 42,817 k to PLN 84,890 k. Historical data on operating profit generated by PBG Capital Group is as follows (this comparison covers four years):

Operating profit – EBIT (in PLN '000)



PROFITABILITY RATIOS

RATIO	CALCULATION FORMULA	H1 2008	H1 2007
Gross profit margin	profit before tax / revenues from sales *100	15.31%	16.89%
Return on sales (ROS) – profit margin	profit from sales / revenue from sales *100	9.83%	9.70%
Operating profit margin	operating profit / revenues from sales *100	10.27%	9.42%
Net profit margin	net profit / revenues from sales *100	6.04%	9.15%
ROA	net profit / total assets *100	1.96%	2.43%
ROE	net profit / equity of Parent Company shareholders less profit *100.	5.42%	6.26%

In H1 2008, the slightly lower growth in revenues from sales (182%) compared to growth in costs of products sold (185%) affected the Company's gross profit margin. For H1 2008, this ratio amounted to 15.31%, vs. 16.89% in H1 2007, i.e. down by 1.58 percentage points. Return on sales amounted to 9.83% and was up by 0.13 percentage points vs. H1 2007. Operating profit margin in H1 2008 totalled 10.27% compared to 9.42% in H1 2007, i.e. up by 0.85%. Net profit margin amounted to 6%, i.e. down by over 3% vs. the corresponding period in 2007. However, financial revenues exceeding PLN 16 million generated in 2007 were attributable to a single, one-off event.

In H1 2008, Return on Assets (ROA) was down by 0.47% compared to H1 2007 – from 2.43% to 1.96%. It resulted mainly from the higher growth in total assets (nearly 149%) compared to growth in net profit (over 20%).

Return on equity (ROE) for H1 2008 amounted to 5.4%, i.e. down by 0.84 percentage points vs. the previous corresponding period.

LIQUIDITY RATIOS

RATIO	CALCULATION FORMULA	H1 2008	H1 2007
Current ratio	current assets / short-term payables	1.65	1.42
Working capital (in PLN '000)	current assets - short-term payables	678 258	316 095
Working capital to total assets	working capital / total assets	26.65%	18.46%

In H1 2008, current ratio increased vs. H1 2007. Both in H1 2008 and H1 2007, the Group would be able to repay its liabilities immediately.

In the reporting period, a considerable (twofold) increase of working capital was recorded. As at the end of H1 2008, it reached PLN 678,258 k, compared to PLN 316,095 k as at the end of H1 2007. The share of working capital in total assets in H1 2008 totalled 26.65% and was up by over 8 percentage points compared to H1 2007.

EFFICIENCY RATIOS

RATIO	CALCULATION FORMULA	H1 2008	H1 2007
Inventory turnover ratio (days in inventory)	average inventory * 360 / cost of product sold	12	9
Receivables turnover ratio (days in receivables)	average trade receivables * 360 / sales	206	149
Payables turnover ratio (days in payables)	average trade payables * 180 / cost of product sold	87	63

All efficiency ratios in H1 2008 were up vs. the corresponding period in 2007. In the reporting period, inventory turnover ratio (days in inventory) was 12 days, i.e. 3 days more than in the same period in 2007. In H1 2008, the Group settled its payables faster than it collected its receivables. Receivables turnover ratio (days in receivables) was up by 57 days and reached 206 days. It resulted from the ever-increasing share of revenues from the water segment, where investments

are co-financed with the EU funds, and payment terms are much longer than usual. Payables turnover ratio (days in payables) was up by 24 days and reached 87 days.

Cash conversion period calculated as the difference between the total of days in inventory and days in receivables on the one hand, and days in payables on the other hand, reached 131 days in H1 2008. Compared to 95 days in H1 2007, this result means that the financing of current assets with borrowings was increased by 36 days.

SOLVENCY (DEBT) RATIOS

RATIO	CALCULATION FORMULA	H1 2008	H1 2007
Total debt ratio	debt / total equity	0.54	0.58
Equity to debt ratio	equity of the Parent Company shareholders/debt	0.70	0.71
Long-term debt	long-term payables / total equity	0.14	0.14
Short-term debt	short-term payables / total equity	0.41	0.44
Long-term capital to non-current assets ratio	equity of the Parent Company shareholders + long-term provisions and payables / non-current assets	1.59	1.46
Debt to equity ratio	debt / equity of the Parent Company shareholders + provisions	1.26	1.19

In April 2007, the Group's Parent Company acquired Hydrobudowa 9 SA. As at H1 2008, this company still presented negative equity of about PLN 137 million due to the high loss generated before the acquisition and provisions for possible losses on contracts from the "old" portfolio. Consolidation of this company with the Group's results significantly affected debt ratios.

The share of debt in total equity was down by 4 percentage points compared to H1 2007 and dropped to 54%.

Short-term debt in H1 2008 totalled 41% compared to 44% in H1 2007, i.e. down by 3%. Long-term debt in H1 2008 totalled 14%, the same as in the corresponding period in 2007. Equity to debt ratio in H1 2008 reached 70%. This result is better than recorded by the Group as at the end of H1 2007 (71%). It means that 70% of the Group's debt is covered by equity. Long-term capital to non-current assets ratio in H1 2008 totalled 1.59 compared to 1.46 in H1 2007. It means that in H1 2008, the Group's non-current assets could be financed with equity, provisions and long-term payables in 159%.

Debt to equity ratio in H1 2008 totalled 1.26 compared to 1.19 in H1 2007. It means that per each PLN 1 of equity, the Group had PLN 1.26 of borrowings. This ratio deteriorated slightly compared to the previous year.

CHANGES IN THE PROFIT AND LOSS ACCOUNT

PBG CAPITAL GROUP Profit and Loss Account (in PLN '000)	H1 2008	H1 2007	2008/2007
Net revenues from sales of products, goods and materials	826 820	454 301	182%
Costs of products, goods and materials sold	700 199	377 590	185%
Gross profit (loss) on sales	126 621	76 711	165%
Costs of sales	0	558	0%
General administrative expenses	45 319	32 081	141%
Profit on sales	81 302	44 072	184%
Other operating revenues	12 393	6 007	206%
Other operating expenses	8 805	7 262	121%
Operating profit (loss)	84 890	42 817	198%
Financial revenues	16 066	9 887	162%
Financial expenses	32 150	12 715	253%
Profits/losses from investments in related parties	0	16 150	0%
Profit (loss) before tax	68 806	56 139	123%
Income tax	4 808	5 138	94%
Net profit	63 998	51 001	125%
- shareholders of the Parent Company	49 975	41 567	120%
- minority shareholders	14 023	9 434	149%

In H1 2008, the Capital Group's revenues from sales were up by 82% vs. H1 2007, while costs of sales were up by 85%.

Significant increase was recorded at every level of financial results representing the specific areas of the Group's activity: gross profit on sales – up by 65%, profit on sales – up by 84%, operating profit – up by 98%, and net profit – up by 20%.

The Group's net profit generated in H1 2007 was determined to a considerable extent by financial revenues from realised profits on the following transaction: profit generated by Hydrobudowa Śląsk SA (currently Hydrobudowa Polska SA) on sale of shares of Mostostal Zabrze SA, which resulted in a relatively high net profit margin in the previous year. This interest was taken over by Hydrobudowa Polska SA on the basis of a debt-to equity swap. In H1 2008, the Group's profitability ratios in terms of gross return on sales and net profit margin dropped, while operating profit was on the increase.

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

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

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

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

Other operating revenues

In H1 2008, operating revenues exceeded PLN 12.4 million, of which nearly 2.5 million in revenues from compensatory damages, nearly 2.3 million in revenues from re-invoicing, and nearly 5.5 million from the reversal of write-downs of receivables made in previous reporting periods. In comparison with the previous corresponding period, the value of other operating revenues was up by 106%.

Other operating expenses

In H1 2008, other operating expenses exceeded PLN 8.8 million – up by 21% vs. the previous corresponding period.

Financial revenues

In H1 2008, financial revenues exceeded PLN 16 m and were up by 65% vs. the corresponding period in 2007. Bank interest (PLN 8.8 million) and other interest (PLN 2.4 million) were the main items of financial revenues. Revenues from financial market transactions represented another significant item – about PLN 3.1 million as at the end of H1 2008.

Financial expenses

For 2 quarters to date, financial expenses exceeded PLN 32 million, and their growth totalled 252%. The main items under financial expenses included bank interest and commissions (over PLN 16.2 million) and interest on bonds (PLN 9.8 million). Other interest totalled about PLN 2.2 million. Foreign exchange differences were another important item – PLN 1.8 million.

STRUCTURE OF ASSETS

A s s e t s (in PLN '000)	H1 2008	% share	H1 2007	% share
FIXED ASSETS	830 157	32.62%	641 673	37.47%
Intangible assets	13 564	0.53%	7 436	0.43%
Goodwill acquired in business combination	298 693	11.74%	212 665	12.42%
Tangible fixed assets (Property, Plant & Equipment)	355 340	13.96%	356 699	20.83%
Non-renewable natural resources	27 834	1.09%	0	0.00%
Investment property	27 137	1.07%	5 052	0.29%
Investments in subsidiaries	34 207	1.34%	0	0.00%
Investments in associates accounted for using the equity method	0	0.00%	0	0.00%
Other long-term financial assets	49 374	1.94%	26 343	1.54%
- related parties	1 654	0.06%	9 771	0.57%
- other entities	47 720	1.87%	16 572	0.97%
Long-term receivables	19 707	0.77%	29 468	1.72%
- related parties	0	0.00%	0	0.00%
- other entities	19 707	0.77%	29 468	1.72%

Deferred income tax assets	0	0.00%	0	0.00%
Long-term prepaid expenses	4 301	0.17%	4 010	0.23%
CURRENT ASSETS	1 715 113	67.38%	1 070 936	62.53%
Inventories	60 769	2.39%	36 013	2.10%
Receivables from contracting parties for works completed under contracts for construction/long-term services	582 637	22.89%	437 611	25.55%
- related parties	53 389	2.10%	28 943	1.69%
- other entities	529 248	20.79%	408 668	23.86%
Trade receivables	556 484	21.86%	315 205	18.40%
- related parties	26 957	1.06%	1 070	0.06%
- other entities	529 527	20.80%	314 135	18.34%
Current income tax receivables	195	0.01%	1 793	0.10%
Other short-term receivables	52 495	2.06%	55 801	3.26%
- related parties	0	0.00%	0	0.00%
- other entities	52 495	2.06%	55 801	3.26%
Other short-term financial assets	102 208	4.02%	29 531	1.72%
- related parties	0	0.00%	4 011	0.23%
- other entities	102 208	4.02%	25 520	1.49%
Cash and cash equivalents	340 167	13.36%	180 480	10.54%
Short-term prepaid expenses	20 158	0.79%	14 502	0.85%
Non-current assets classified as held for sale	0	0.00%	0	0.00%
TOTAL ASSETS	2 545 270	100.00%	1 712 609	100.00%

Structure of assets did not change considerably in the reporting period. Fixed assets as at the end of H1 2008 represented over 32.6% of total assets, and their share was down by about 5 percentage points vs. the previous corresponding period. In the same reporting period, the share of current assets in total assets was up (67.45). Tangible fixed assets (Property, Plant & Equipment) are the main item of fixed assets (43%). Goodwill acquired in business combination is the second largest item of fixed assets (36% of the total value). Significant increase of this item in the reporting period was caused by acquisitions.

The structure of current assets remained practically the same as in H1 2007. Receivables from contracting parties due for works set out in contracts for long-term/construction services were the main item of current assets in H1 2007 (33% of current assets). A slightly lower share was recorded for short-term receivables (33% of current assets), followed by cash (20% of current assets).

CHANGES IN ASSETS

A s s e t s (in PLN '000)	H1 2008	H1 2007	2008/2007
FIXED ASSETS	830 157	641 673	129.37%
Intangible assets	13 564	7 436	182.41%
Goodwill acquired in business combination	298 693	212 665	140.45%
Tangible fixed assets (Property, Plant & Equipment)	355 340	356 699	99.62%
Non-renewable natural resources	27 834	0	100.00%
Investment property	27 137	5 052	537.15%
Investments in subsidiaries	34 207	0	100.00%
Investments in associates accounted for using the equity method	0	0	0.00%

Other long-term financial assets	49 374	26 343	187.43%
- related parties	1 654	9 771	100.00%
- other entities	47 720	16 572	287.96%
Long-term receivables	19 707	29 468	66.88%
- related parties	0	0	0.00%
- other entities	19 707	29 468	66.88%
Deferred income tax assets	0	0	0.00%
Long-term prepaid expenses	4 301	4 010	107.26%
CURRENT ASSETS	1 715 113	1 070 936	160.15%
Inventories	60 769	36 013	168.74%
Receivables from contracting parties for works completed under contracts for construction/long-term services	582 637	437 611	133.14%
- related parties	53 389	28 943	184.46%
- other entities	529 248	408 668	129.51%
Trade receivables	556 484	315 205	176.55%
- related parties	26 957	1 070	2519.35%
- other entities	529 527	314 135	168.57%
Current income tax receivables	195	1 793	0.00%
Other short-term receivables	52 495	55 801	94.08%
- related parties	0	0	0.00%
- other entities	52 495	55 801	94.08%
Other short-term financial assets	102 208	29 531	346.10%
- related parties	0	4 011	0.00%
- other entities	102 208	25 520	400.50%
Cash and cash equivalents	340 167	180 480	188.48%
Short-term prepaid expenses	20 158	14 502	139.00%
Non-current assets classified as held for sale	0	0	0.00%
TOTAL ASSETS	2 545 270	1 712 609	148.62%

The balance sheet total of assets was up by nearly 50% vs. H1 2007, which resulted from significant increase of each category of assets.

In the reporting period, fixed assets were up by nearly 31%. The highest increase was recorded for goodwill acquired in business combinations, as a result of the Group's activities in the area of take-overs and acquisitions of other entities (in H1 2008, Betpol and Wiertmar, among others, joined PBG Capital Group).

The value of current assets was up by 60% vs. H1 2007. The highest growth was recorded for other short-term financial assets, cash, and inventories. In terms of value, the highest increase was recorded for **receivables** from contracting parties for works completed under contracts for construction/long-term services, short-term receivables, and cash. Considerable increase of the first two of these items (over PLN 100 million in both cases) was attributable to the increase in the portfolio of orders and implemented contracts.

STRUCTURE OF LIABILITIES

Liabilities (in PLN '000)	H1 2008	% share	H1 2007	% share
Equity	1 158 776	45.53%	724 991	42.33%
Equity of shareholders of the Parent Company	971 864	38.18%	705 188	41.18%
Share capital	13 430	0.53%	13 430	0.78%
Treasury shares	0	0.00%	0	0.00%
Share premium reserve	551 178	21.65%	551 178	32.18%
Reserve from the valuation of hedging transactions and foreign exchange differences on consolidation	21 682	0.85%	130	0.01%
Other reserves	295 858	11.62%	87 524	5.11%
Retained profit/accumulated loss	89 716	3.52%	52 926	3.09%
- profit (loss) carried forward from previous years	39 741	1.56%	11 359	0.66%
- net profit (loss) for the current year of the parent company shareholders	49 975	1.96%	41 567	2.43%
Minority interest	186 912	7.34%	19 803	1.16%
PAYABLES	1 386 494	54.47%	987 618	57.67%
Long-term payables	349 639	13.74%	232 777	13.59%
Long-term credits and loans	84 249	3.31%	65 121	3.80%
- related parties	0	0.00%	0	0.00%
- other entities	84 249	3.31%	65 121	3.80%
Other long-term financial payables	208 880	8.21%	114 472	6.68%
Other long-term payables	17 790	0.70%	10 650	0.62%
- related parties	0	0.00%	0	0.00%
- other entities	17 790	0.70%	10 650	0.62%
Deferred income tax provision	13 049	0.51%	16 676	0.97%
Provisions for employee benefits	4 841	0.19%	4 788	0.28%
Other long-term provisions	12 032	0.47%	6 102	0.36%
Government grants	0	0.00%	0	0.00%
Long-term accruals and deferred income	8 798	0.35%	14 968	0.87%
Short-term payables	1 036 855	40.74%	754 841	44.08%
Short-term credits and loans	368 767	14.49%	275 501	16.09%
- related parties	0	0.00%	0	0.00%
- other entities	368 767	14.49%	275 501	16.09%
Other short-term financial payables	5 873	0.23%	4 015	0.23%
Trade payables	409 725	16.10%	235 114	13.73%
- related parties	19 453	0.76%	0	0.00%
- other entities	390 272	15.33%	235 114	13.73%
Payables under contract for construction services	6 473	0.25%	28 271	1.65%
- related parties	498	0.02%	0	0.00%
- other entities	5 975	0.23%	28 271	1.65%
Deferred income tax liabilities	9 171	0.36%	2 406	0.14%
Other short-term payables	117 536	4.62%	97 776	5.71%
- related parties	0	0.00%	0	0.00%
- other entities	117 536	4.62%	97 776	5.71%
Provisions for employee benefits	704	0.03%	1 107	0.06%
Other short-term provisions	110 467	4.34%	101 136	5.91%
Government grants	0	0.00%	0	0.00%
Short-term accruals and deferred income	8 139	0.32%	9 515	0.56%
Liabilities related to non-current assets held for sale	0	0.00%	0	0.00%
TOTAL LIABILITIES	2 545 270	100.00%	1 712 609	100.00%

This structure of liabilities does not reflect the significant change in the sources of financing of the Group's assets, which took place in the reporting period. Equity represented 45.5% of all liabilities. The share of long-term payables in the balance sheet total of liabilities increased slightly (from about 13.59% in 2007 to 13.74% in 2008). On the other hand, the share of short-term payables totalled 40.7% as at the end of H1 2008, compared to 44% in the previous corresponding period. Other long-term payables were the highest item under of long-term payables; these included bonds issued in December by the Group's Parent Company (PLN 200 million).

CHANGES IN LIABILITIES

Liabilities (in PLN '000)	H1 2008	H1 2007	2008/2007
Equity	1 158 776	724 991	159.83%
Equity of shareholders of the Parent Company	971 864	705 188	137.82%
Share capital	13 430	13 430	100.00%
Treasury shares	0	0	0.00%
Share premium reserve	551 178	551 178	100.00%
Reserve from the valuation of hedging transactions and foreign exchange differences on consolidation	21 682	130	0.00%
Other reserves	295 858	87 524	338.03%
Retained profit/accumulated loss	89 716	52 926	169.51%
- profit (loss) carried forward from previous years	39 741	11 359	349.86%
- net profit (loss) for the current year of the Parent Company shareholders	49 975	41 567	120.23%
Minority interest	186 912	19 803	943.86%
PAYABLES	1 386 494	987 618	140.39%
Long-term payables	349 639	232 777	150.20%
Long-term credits and loans	84 249	65 121	129.37%
- related parties	0	0	0.00%
- other entities	84 249	65 121	129.37%
Other long-term financial payables	208 880	114 472	182.47%
Other long-term payables	17 790	10 650	167.04%
- related parties	0	0	0.00%
- other entities	17 790	10 650	167.04%
Deferred income tax provision	13 049	16 676	78.25%
Provisions for employee benefits	4 841	4 788	101.11%
Other long-term provisions	12 032	6 102	197.18%
Government grants	0	0	0.00%
Long-term accruals and deferred income	8 798	14 968	58.78%
Short-term payables	1 036 855	754 841	137.36%
Short-term credits and loans	368 767	275 501	133.85%
- related parties	0	0	100.00%
- other entities	368 767	275 501	133.85%
Other short-term financial payables	5 873	4 015	146.28%
Trade payables	409 725	235 114	174.27%
- related parties	19 453	0	100.00%
- other entities	390 272	235 114	165.99%
Payables under contract for construction services	6 473	28 271	22.90%
- related parties	498	0	100.00%
- other entities	5 975	28 271	21.13%
Deferred income tax liabilities	9 171	2 406	100.00%
Other short-term payables	117 536	97 776	120.21%
- related parties	0	0	0.00%
- other entities	117 536	97 776	120.21%
Provisions for employee benefits	704	1 107	63.60%
Other short-term provisions	110 467	101 136	109.23%
Government grants	0	0	0.00%
Short-term accruals and deferred income	8 139	9 515	85.54%
Liabilities related to non-current assets held for sale	0	0	0.00%
TOTAL LIABILITIES	2 545 270	1 712 609	148.62%

Under liabilities, higher growth was recorded for borrowings (credits and loans) – up by over 40% (PLN 1.4 billion) than for equity – up by over 38% (over 971 million). Under borrowings, the following items reached significant levels: other long- and short-term payables, credits and loans, and trade payables (74% increase vs. H1 2007).

Forecast of the Capital Group' financial standing

For 2008, the Capital Group is planning to maintain its financial ratios at the level which guarantees stability of its operations. Another issue of shares by the Parent Company in Q1 2007 secured funds for the future development of PBG Capital Group. In addition, a subsidiary company Hydrobudowa Polska SA also issued its shares in Q1 2008; this issue is an important factor for the development of the water segment and secured funds for this development, as Hydrobudowa Polska is the Group's leader in this segment.

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

- Implementation of the Group's portfolio of contracts exceeding PLN 2.7 billion as at the beginning of FY 2008;
- Participation in tenders and potential award of the most important contracts for:
 1. Construction of an oil mining facility Lubiatów-Międzychód-Grotów (contract awarded to the Group's Parent Company – PBG SA, agreement with the investor was signed in August 2008),
 2. Construction of the underground gas storage facility in Wierzchowice (under a public procurement procedure),
 3. Construction of gas networks and LNG systems for KRI,
 4. Construction or upgrade of football stadiums.
- Consolidation and strengthening of companies operating in the hydrotechnical and environmental protection sectors based on the acquisition of Hydrobudowa 9 PIB SA by Hydrobudowa Polska SA and other potential acquisitions (PRG Metro has recently joined the Group).
- Acquisitions in the renovation business by the subsidiary company Infra SA (in H1 2008, Infra acquired Wiertmar);
- Award of important foreign contracts and acquisitions of foreign companies.

Forecast of consolidated financial results for 2008

In its current report no. 14/2008, the Parent Company of PBG Capital Group presented the following forecast of consolidated financial results for 2008:

Forecast item	Forecast (in PLN '000)
Net revenues from sales	1 924 000
Operating profit	194 000
Net profit	142 600

Forecast results for 2008 vs. 2007 assume an increase in revenues by nearly 40%, increase in the Group's operating profit by over 77%, and increase in net profit by about 40 %. The forecast operating profit margin is up by 2.1% vs. the end of 2007 and totals 10%.

Forecast of the financial results of PBG Capital Group was estimated based on contracts currently found in the Group's portfolio, as well as contracts to be signed and implemented in 2008. This forecast does not include contracts of high unit value which may be signed this year by the Parent Company, such as investments connected with crude oil and natural gas mining, natural gas storage, and facilities used to produce liquefied natural gas (LNG) both in Poland and abroad. Potential acquisitions and their impact on the Group's result were also disregarded.

It is expected that the highest share in the consolidated results will be represented by revenues generated in the segment of environmental protection (61%), crude oil, natural gas, and fuel systems (31%), road building (7%), and real property (1%).

XXV. MATERIAL OFF-BALANCE SHEET ITEMS BY TYPE, ENTITY AND AMOUNT

Information on the amount of off-balance sheet items (guarantees and sureties) is presented in Note 21 to the financial statement – Contingent liabilities under guarantees and sureties granted as at 30.06.2008.

XXVI. CHANGES IN BASIC PRINCIPLES OF MANAGEMENT

In the reporting period, PBG Capital Group companies introduced no changes in their basic principles of management.

XXVII. AMOUNT OF REMUNERATION, BONUSES, OR BENEFITS PAID TO MEMBERS OF THE BOARD OF DIRECTORS OR THE SUPERVISORY BOARD

Information on the amount of remuneration, bonuses and benefits paid to members of the Board of Directors or the Supervisory Board in the reporting period is presented in additional notes to the financial statement in the following tables:

- remuneration of Members of the Board of Directors and Supervisory Board for their function held in the Parent Company in the period from 01.01.2008 to 30.06.2008;

- remuneration of Members of the Board of Directors and Supervisory Board for their function held in subsidiaries, associates and jointly controlled entities in the period from 01.01.2008 to 30.06.2008

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

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

XXIX. AUDITOR OF THE FINANCIAL STATEMENT

The Board of Directors of PBG SA hereby declares that under the applicable regulations currently in effect, having analysed recommendations of the Audit Committee, the Supervisory Board of PBG SA decided to appoint the company HLB Frąckowiak i Wspólnicy Sp. z o.o. with its registered office in Poznań at ul. Plac Wiosny Ludów 2, 61-831 Poznań (currently operating under the name Grant Thornton Frąckowiak 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 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 at 30 June 2008 (pursuant to Resolution of the Supervisory Board of 13 June 2007).

1. Date of agreement

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

2. Total amount of the auditor's fee

The total amount of fee payable to Grant Thornton Frąckowiak Sp. z o.o. for the review of the Company's separate financial statement and the consolidated financial statement of PBG Capital Group drawn up as at 30 June 2008 is PLN 56,700.00 net of tax. Fee paid to Grant Thornton Frąckowiak Sp. z o.o. for the same review made in the previous year was PLN 56,700.00 net of tax.

3. The remaining amount of the agreement

The remaining amount payable to Grant Thornton Frąckowiak Sp. z o.o. for future services provided for in the agreement signed on 17 August 2007 (audit of the separate financial statement of PBG SA and the consolidated financial statement of PBG Capital Group for FY 2008) totals PLN 82,800.00 net of tax.

XXX. AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND MEMBERS OF ITS BOARD OF DIRECTORS PROVIDING FOR COMPENSATION PAYABLE 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.

XXXI. SYSTEM OF CONTROL OF THE EMPLOYEE SHARE OPTION SCHEMES

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

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

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

SIGNATURES OF ALL MEMBERS OF THE BOARD OF DIRECTORS

President of the Board	Jerzy Wiśniewski
Vice-President of the Board	Tomasz Woroch
Vice-President of the Board	Przemysław Szkudlarczyk
Vice-President of the Board	Tomasz Tomczak
Member of the Board	Mariusz Łożyński
Member of the Board	Tomasz Łatawiec