ACTIVITY REPORT OF THE BOARD OF DIRECTORS OF PBG SA

for the period from 1 January 2008 to 30 June 2008

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I. CHANGES IN THE SHAREHOLDING STRUCTURE IN PBG SA IN H1 2008

1. Changes in the Company's shareholding structure

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".

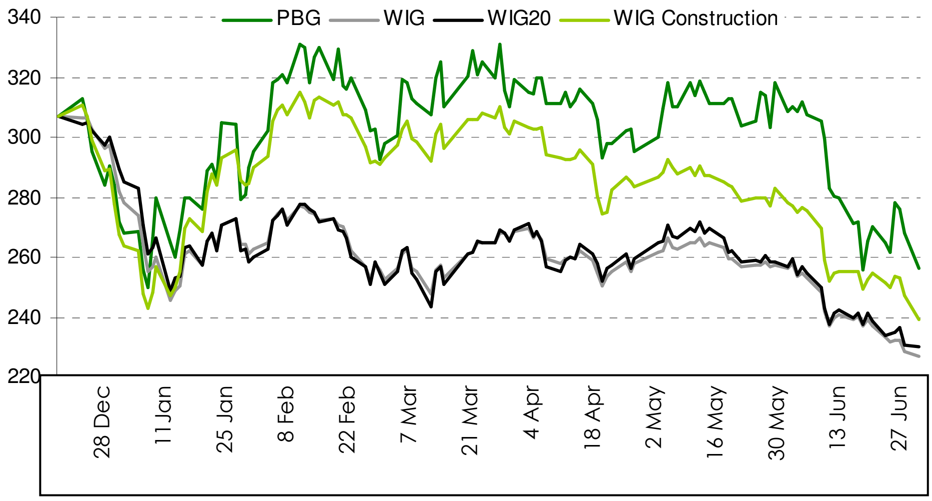
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA acting on behalf of Arka BZ WBK Akcje Fundusz Inwestycyjny Otwarty, Arka BZ WBK Zrównoważony Fundusz Inwestycyjny Otwarty, and Lukas Fundusz Inwestycyjny Otwarty (hereinafter referred to as the Funds) informed that as a result of acquisitions of shares 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.

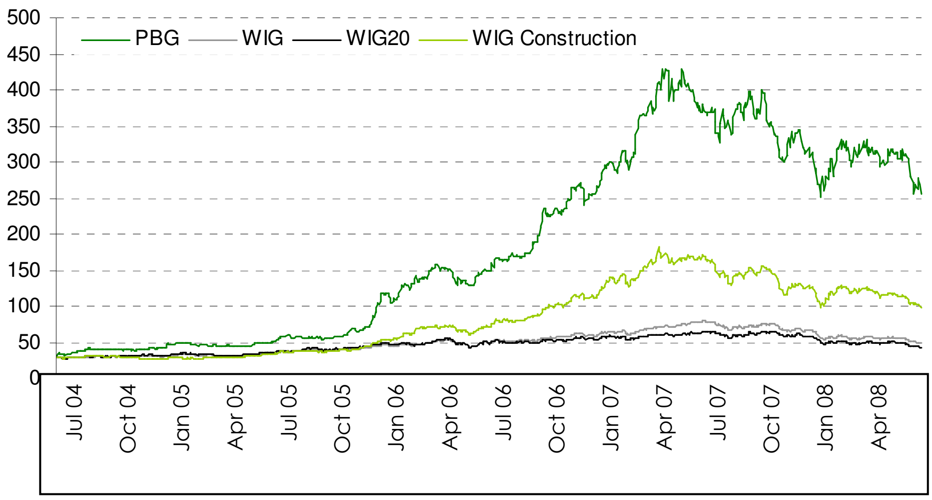
Following this transaction, 899,265 shares of PBG SA were registered in securities accounts of the Funds, which represent 6.70% of the Company's share capital. These shares carry 899,265 votes, representing 5.02% share in the total vote at the General Meeting of Shareholders of PBG SA.

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

Share price from 1 January 2008 to 30 June 2008:



Share price from the date of first listing until 30 June 2008:



II. 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

III. TOTAL NUMBER OF SHARES HELD IN RELATED PARTIES (as at 30 June 2008)

Related party	Core business	Relation		Number of shares	Nominal value of shares as at 30 June 2008
		Parent company	Type of relation		
Metorex Sp. z o.o.	construction of waterworks, sewerage systems, heating and gas pipelines, wastewater treatment plants, surfaces of roads and squares	PBG SA	subsidiary	682	PLN 51,150
INFRA SA	specialist services – renovation of waterworks and sewerage systems	PBG SA	subsidiary	9,995	PLN 4,997,500
Hydrobudowa Polska SA	end-to-end construction of hydro-technical, civil engineering, and industrial facilities	PBG SA	subsidiary	2,107,946	PLN 105,397,300
KWG SA	infrastructure investments connected with environmental protection	PBG SA	subsidiary	28,700	PLN 2,870,000
Dromost Sp. z o.o.	construction services – transport facilities and production of bituminous compounds	PBG SA	subsidiary	6,000	PLN 3,000,000
Hydrobudowa 9 PIB SA	construction services – environmental protection, hydro-technology, road construction, and buildings	PBG SA	subsidiary	9,576,222	PLN 957,622
Excan Oil and Gas Engineering Ltd. Canada	exports of technologies and implementation of contracts in the area of natural gas and crude oil	PBG SA	subsidiary		CAD 250,000

Gas & Oil Engineering a.s. Slovakia	engineering, design and construction company; project management, turn-key projects, and supervision of projects implemented in the area of natural gas and crude oil	PBG SA	subsidiary		SKK 163,000
PBG Dom Sp. z o.o.	construction of buildings	PBG SA	subsidiary	20.000	2,000,000 PLN
Przedsiębiorstwo Robót Inżynieryjno Drogowych SA	construction of roads, bridges, and engineering works, including earthworks, sewerage systems, culverts, soil stabilisers, bituminous and cement surface works; the company has its own Bituminous Compounds Plant with a laboratory	PBG SA	subsidiary	25,000	PLN 500,000
Bathinex Sp. z o.o.	The company is an owner of granodiorite deposits used to produce bituminous compounds, trackbeds and roadbases	PBG SA	subsidiary	50	PLN 50,000
Brokam Sp. z o.o.	the company is an owner of a property not built up where granodiorite deposits are located	PBG SA	subsidiary	12,000	PLN 12,000,000
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.	PBG SA	subsidiary	14,244,999	PLN 14,244,999
Avatia SA	IT services: as a member of PBG Capital Group, AVATIA provides IT support for all entities in the Group	PBG SA	subsidiary	998	PLN 49,990
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	PBG SA	subsidiary	500,000	PLN 500,000

In addition, PBG SA holds shares of 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.

IV. CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

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. 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.

V. BRANCH OFFICES

Branch Offices of 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

VI. CORE BUSINESS

Core business of PBG SA 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 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
• overground natural gas and crude oil mining facilities • natural gas liquefaction facilities and LNG storage and regasification facilities	• process and sanitary facilities for water and sewerage systems, such as: ▫ waterworks ▫ sewerage systems	• fuel depots and tanks

• 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	▫ water mains and interceptors ▫ water intake points ▫ wastewater treatment plants • hydro-technical facilities, such as: ▫ water dams ▫ storage reservoirs ▫ flood defences (dykes) • renovation of waterworks and sewerage systems	**RESIDENTIAL AND INDUSTRIAL CONSTRUCTION** • general construction • industrial infrastructure **ROADS** • 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.

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

VII. CHANGES IN MARKETS

In the reporting period, revenues (as per IAS) from different areas of business of PBG SA were generated on the Polish market in the following amounts:

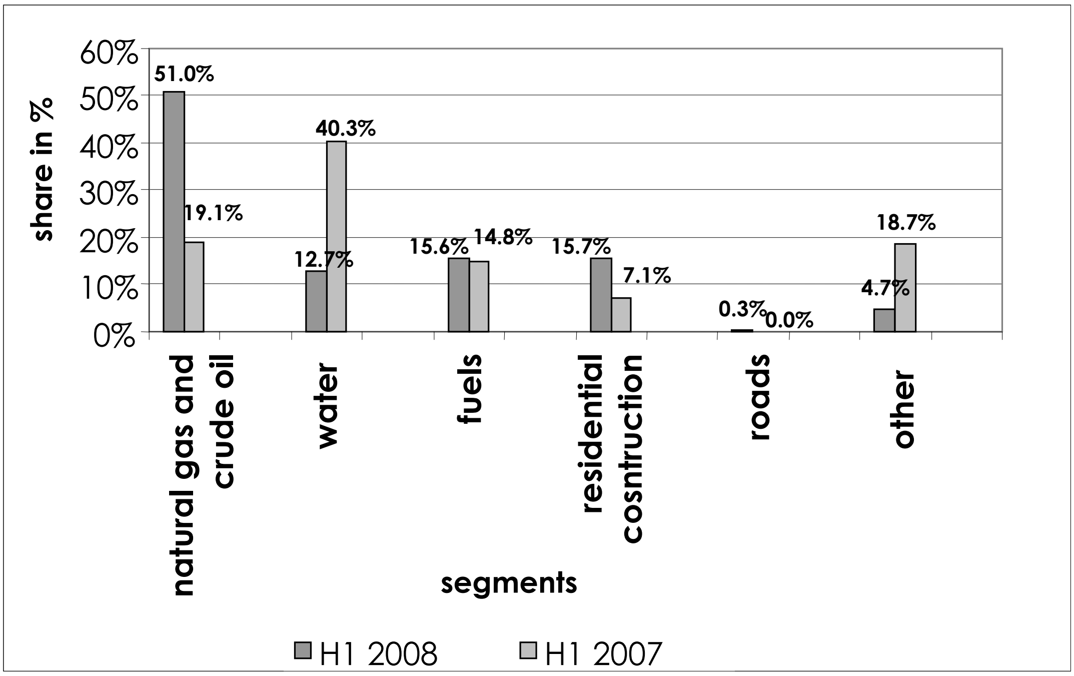
Revenues from sales	H1 2008 (in PLN '000)	H1 2007 (in PLN '000)	difference (in PLN '000)	difference (in %)
natural gas and crude oil (transport, distribution, mining)	103 947	27 054	76 893	284%
water (hydro-technology and environmental protection)	25 947	56 953	-31 006	-54%
fuels (storage of fuels)	31 723	20 913	10 810	52%
residential and industrial construction (construction, infrastructure for industrial facilities)	32 031	9 976	22 055	221%
roads (road building)	647	0	647	0
other (sale of goods, materials, and products)	9 672	26 428	-16 756	-63%
Total revenues from sales	**203 967**	**141 324**	**62 643**	**44%**

PBG SA focuses its business operations mainly on the Polish market and considers it to be its key market, taking into account the significant inflows of the Community funds and the resulting investments, as well as the planned investments connected with natural gas and crude oil mining, natural gas storage, and facilities used in the production of liquefied natural gas. 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 action 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 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 involved design works for the natural gas liquefaction plant. The other included the supply of materials and technological systems for natural gas liquefaction plant. 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 Company's business in total revenues from sales was as follows:



Natural gas and crude oil was the largest segment in the Company's business in terms of revenues from sales in H1 2008. The share of this segment in total sales was 51%, up by nearly 32% vs. the corresponding period in 2007. 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..

Residential and industrial construction, including general construction and industrial infrastructure, was the second largest segment of the Company's business in the reporting period. The share of this segment in total net revenues from sale was 15.7%, compared to 7.1% in the corresponding period in 2007, i.e. up by 8.6%. 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.

The third largest segment of the Company's business in H1 2008 was the **fuels segment**. The main investments in this segment are connected with the storage of liquid fuels (fuel depots and storage stations). In H1 2008, the share of this segment in total revenues from sales totalled 15.6% (compared to the previous corresponding period, the share of this segment in total revenues from sales was up by 0.8%). 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 of2007. 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.

Water segment represented 12.7% of total revenues from sales of services in H1 2008. 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. A drop in revenues generated by PBG in this segment results from implementation of the Capital Group's strategy – to allow another Group company, Hydrobudowa Polska SA, to take the leading position in the environmental protection market, and is a part of the larger project whose objective is to sign and implement the largest contracts in other segments, in particular in the crude oil and natural gas segment.

The last segment defined by PBG, related to the specialist construction services, is **road building segment**. In H1 2008, the share of this segment in total revenues from sales reached only 0.3%. 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.

Suppliers and customers representing at least 10% of the total revenue from sales

In the reporting period, sales with the following entities represented at lest 10% of the total revenue from sales:

- as the customer: PGNiG SA, Pomerania Development Sp. z o.o., and Ministry of National Defence (NATO);
- as the supplier: there were no suppliers representing over 10% of total revenues from sales.

VIII. CONTRACTS AND AGREEMENTS

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

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

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

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.

Contracts concluded after the balance sheet date

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.

IX. ORGANISATIONAL CHANGES

In the period from 1 January 2008 to 30 June 2008, 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 into1,000 (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 14,244,999.1 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 208, the subsidiary company of PBG Dom Sp. z o.o. acquired 255 shares in Budwil Sp. z o.o. from natural persons, of the nominal per-share value of PLN 100.00. The said shares represent 51% of the Company's share capital and 51% of the total vote at the Company's meeting of partners. PBG DOM paid for these shares in cash at the per-share nominal value, i.e. the total of PLN 25,500. Budwil Sp. z o.o. is involved in 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) 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. 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.

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 27June 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.

The following changes in organisational relations occurred after the balance sheet date:

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 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.

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.

X. BUY-BACK OF TREASURY SHARES

No treasury shares were bought back in the reporting period.

XI. RELATED PARTY TRANSACTIONS

In the reporting period, PBG SA 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.

XII. BORROWINGS: CREDIT AND LOAN AGREEMENTS

Credits taken out and loan agreements concluded in the reporting period are described in Note 11 to the Balance Sheet.

XIII. LOANS GRANTED

Loans granted in the reporting period are described in Note 9 to the Balance Sheet in the Company's financial statement.

XIV. 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.

XV. EXPLANATION OF DISCREPANCIES BETWEEN ACTUAL FINANCIAL RESULTS AND FORECASTS

The Company does not publish separate forecasts of PBG SA, only a forecast of the year-end consolidated result of PBG Capital Group.

XVI. ASSESSMENT OF FINANCIAL ASSETS MANAGEMENT

In 2008, PBG SA continued its strategy adopted in 2004.
The total amount of bank and insurance limits granted to PBG SA and earmarked for the financing of the Company's current operations and investments as well as currency market transactions exceeded PLN 1 billion as at the end of 2007. Given the Company's further dynamic growth, these limits were increased to PLN 1,434,784 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 SA,
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 allowed PBG SA to relate these products directly to the contract and adjust them to its cash flows, which significantly reduced operating risks of PBG SA (in the opinion of the Financial Institutions). Principles of controlling adopted by PBG SA and monitoring carried out by Financial Institutions allowed to settle the Company's payables from contract cash flows automatically.

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 SA,
- 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.

XVII. FINANCIAL INSTRUMENTS USED

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 921,270 k, of which PLN 691,650 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: the Company's potential inability to fulfil its 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. The Company uses 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.

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

1. Main capital expenditures and equity investments

Main capital expenditures of PBG SA in H1 2008

No.	Item	Amount (in PLN '000)
1	Upgrade and extension of the existing offices, warehouses and workshops	PLN 6,074
2	Transport vehicles	PLN 2,021
3	Heavy construction equipment	PLN 4,158
4	Power units	PLN 319
5	Other	PLN 5,277
	Total	**PLN 17,849**

Equity investments of PBG SA in H1 2008

No.	Item	Amount (in PLN '000)
1	Acquisition of Betpol SA shares	PLN 45,972
2	Acquisition of shares in Apatia Sp. z o.o.	PLN 49,9
3	Acquisition of shares in Aprivia SA	PLN 506
4	Acquisition of shares in PBG Dom sp. z o.o.	PLN 357
	Total	**PLN**

2. Feasibility of investment plans

Cash from proceeds from the issue of series F shares held in January 2007 by PBG SA and the concluded credit agreements fully cover the planned outlays connected with the currently implemented projects (capital expenditure and equity investments). In 2008, the Company is planning to spend over PLN 50 million on capital expenditure and over PLN 71 million on equity investments.

XIX. ASSESSMENT OF FACTORS AND EXTRAORDINARY EVENTS

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

XX. RISKS AND THREATS. FACTORS INFLUENCING THE DEVELOPMENT OF PBG SA

External factors

1. Competition risk

PBG SA operates on the competitive market of specialist construction services in the gas, oil, water supply and sewerage, as well as road construction 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.

PBG SA 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

Strategic goals and planned financial results of PBG SA are also determined by macroeconomic factors beyond the Company's control. These include 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 the Company to enter the Polish market. This may intensify market competition and reduce profit margins.

Having signed several contracts of considerable value, the Company has proved that it is well prepared to compete with foreign companies.

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

To fully benefit from the opportunities resulting from Poland's membership in the EU, PBG SA:

- forms strategic alliances with foreign companies operating in the Polish market to implement joint projects;
- implements and develops good management culture;
- offers high quality of services confirmed by the implemented standards: PN-EN ISO 9001: 2001, PN-EN 729-2, AQAP 2110: 2003;
- consistently improves qualifications of its staff, especially in the area of unique cutting-edge technologies, with the goal to develop a competitive offer and ensure its optimum market placement.

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 Company 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.
In the future, currency risks will be minimised with the expected change in the currency of contracts financed with the EU funds from EUR to PLN (some of the new contracts are already denominated in PLN).
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 SA 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 Company's control:
- weather conditions in the winter season, when many 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 SA are the lowest in Q1 and their significant increase is recorded in H2.

4. Losing the key staff

The business of PBG SA 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 Company's development, which in turn might affect the quality of its services.

This risk is minimised by the following factors:

- Well-developed internal corporate culture in PBG SA and employees' identification with the Company;
- 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 company.

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 contracts signed by the PBG SA, there is a risk that the Company's customers may claim contractual penalties to be paid or the contract to be terminated.

To minimise this risk, PBG SA 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 Company's strategy assumes the implementation of projects of high individual value, which may increase the share of sales to one customer in total sales. However, the share of the largest customers in revenues from sales of PBG SA is currently below 20%.

The Company plans to 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

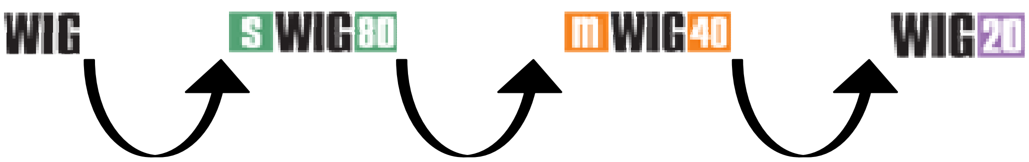
Operations of PBG SA, especially works involving any running equipment and facilities, may be a potential source of threats, including the possibility of a breakdown causing human or property losses.

The Company counters this risk by:

- insuring its operations 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.

XXI. 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

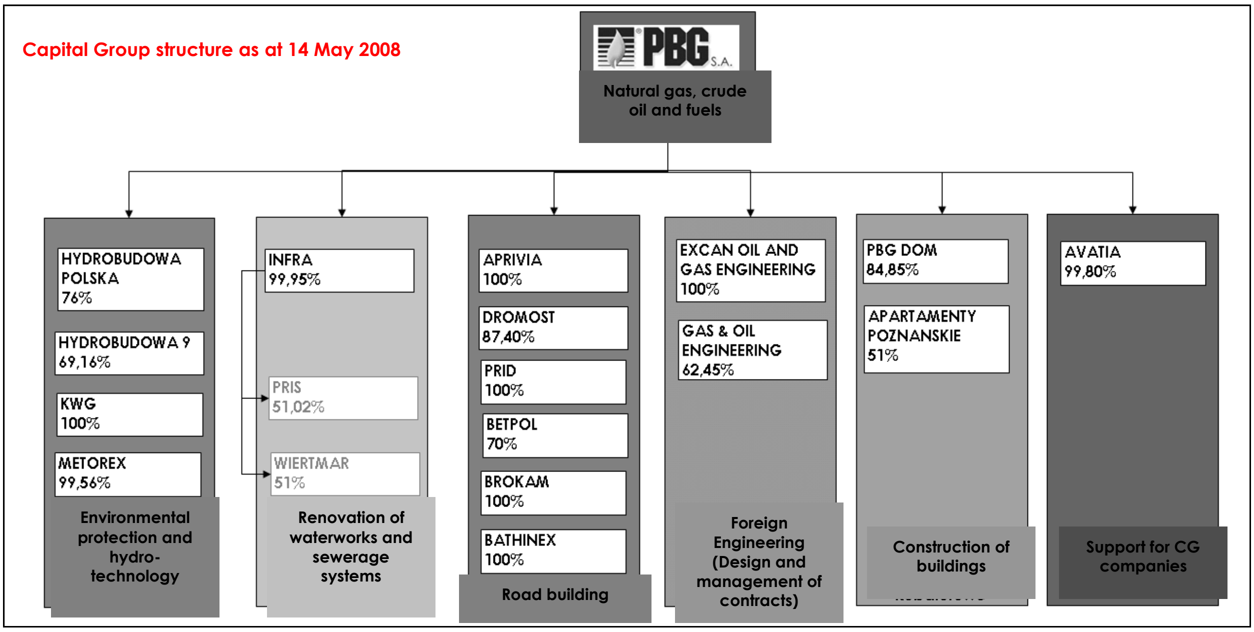
This goal will be achieved by:

- 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.

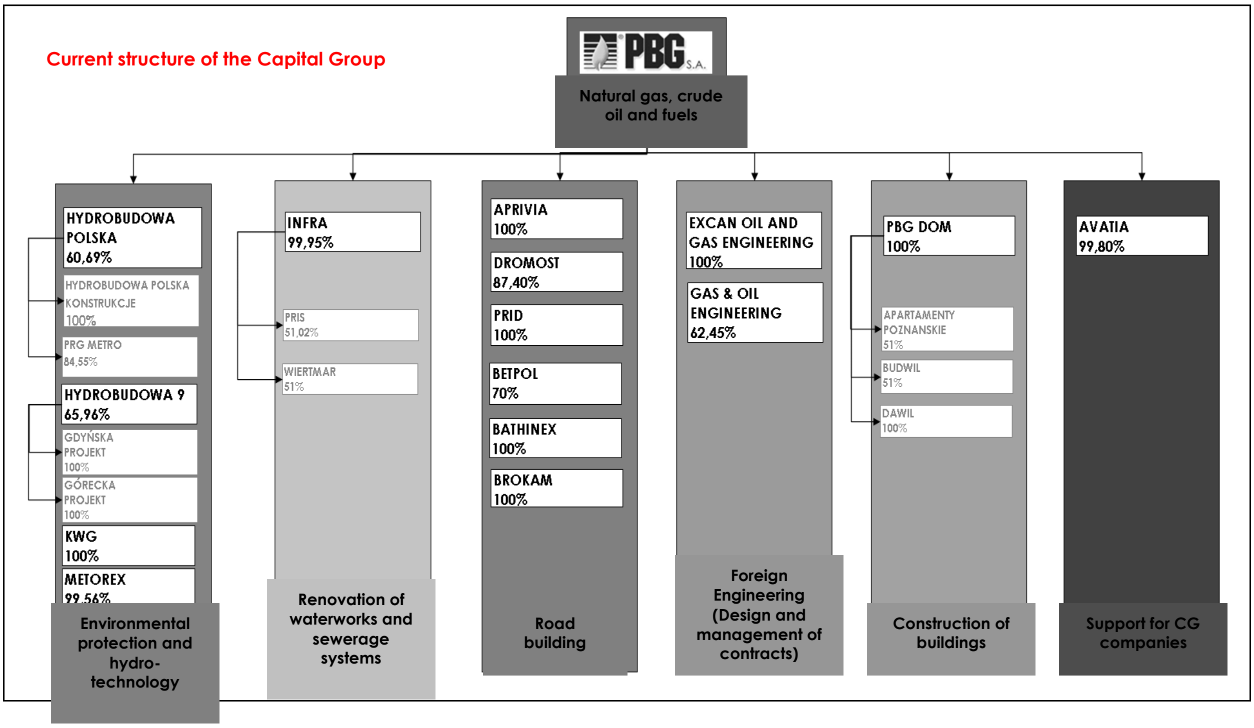
4. Strategy in practice

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 2008.



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 into 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 sr.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 in turn results in 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.

XXII. KEY ACHIEVEMENTS IN RESEARCH & DEVELOPMENT

In the reporting period, PBG SA recorded no achievements in the area of R&D which could significantly influence its financial result.

XXIII. CURRENT AND FORECAST FINANCIAL STANDING

All financial ratios and data are based on the underlying financial statement drawn up as per the International Accounting Standards.

As at the end of H1 2008, PBG recorded an increase in its revenues from sales – up by 44% vs. the previous corresponding period. The Company's revenues increased from PLN 141,324 k in H1 2007 to 203,967 k as at the end of H1 2008. Costs of products sold in the reporting period were also up by 31% – from 124,088 in H1 2007 to 162,610 k as at the end of H1 2008.

PROFITABILITY RATIOS

RATIO	CALCULATION FORMULA	H1 2008	H1 2007
Gross profit margin	profit before tax / revenues from sales *100	20.28%	12.20%
Return on sales (ROS) – profit margin	profit from sales / revenue from sales *100	13.02%	3.80%
Operating profit margin	operating profit / revenues from sales *100	13.61%	10.19%
Net profit margin	net profit / revenues from sales *100	8.63%	8.72%

ROA	net profit / total assets *100	1.46%	1.24%
ROE	net profit / equity *100	2.45%	1.85%

The higher growth in revenues from sales compared to costs of products sold had a positive impact on the Company's profitability ratios at practically all levels of the P&L account. In the reporting period, gross profit margin increased to 20.28%, i.e. by over 8%. Return on sales increased to 13.02%, i.e. by 9.2%. Operating profit margin as at the end of H1 2008 totalled 13.61% compared to 10.19% as at the end of H1 2007.

As at the end of H1 2008, Return on Assets (ROA) was up by 0.2 percentage points compared to H1 2007 – from 1.24% to 1.46%. It resulted mainly from the higher growth in net profit (43%) compared to growth in total assets (22%).

Return on equity (ROE) as at the end of H1 2008 amounted to 2.45%, i.e. 0.6 percentage points higher than as at the end of H1 2007.

LIQUIDITY RATIOS

RATIO	CALCULATION FORMULA	H1 2008	H1 2007
Current ratio	current assets / short-term payables	2.97	3.38
Working capital (in PLN '000)	current assets - short-term payables	419 620	384 468
Working capital to total assets	working capital / total asses	34.69%	38.80%

As at the end of H1 2008, current ratio was down vs. the corresponding period in 2007. It amounted to 2.97 vs. 3.38 as at the end of H1 2007. Both in H1 2008 and H1 2007, the Company would be able to repay its liabilities immediately.

In the reporting period, increase of working capital was recorded. As at the end of H1 2008, it reached PLN 419,620 k, compared to PLN 384,468 k as at the end of H1 2007 (up by 9%). Interpretation of working capital is rather obvious: its increase is a sign of a better financial situation of an entity, as working capital is a liquid reserve which may be used by an entity to satisfy its current needs. The share of working capital in total assets as at the end of H1 2008 totalled 34.69% and was down by over 4 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	23	8
Receivables turnover ratio (days in receivables)	average trade receivables * 360 / sales	263	183
Payables turnover ratio (days in payables)	average trade payables * 180 / cost of product sold	85	44

Receivables, payables, and inventory turnover ratios in H1 2008 were up vs. the previous corresponding period. In the reporting period, inventory turnover ratio (days in inventory) was 23 days, i.e. 15 days more than in the same period in 2007. In H1 2008, the Company settled its payables faster than it collected its receivables. Receivables turnover ratio (days in receivables) was up by 80 days and reached 263 days. Payables turnover ratio (days in payables) was up by 41days and reached 85 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 201 days in H1 2008 (vs. 147 days in H1 2007). It means that the Company increased the level of financing of current assets with equity by another 54 days.

SOLVENCY (DEBT) RATIOS

RATIO	CALCULATION FORMULA	H1 2008	H1 2007
Total debt ratio	debt / total equity	0.39	0.31
Equity to debt ratio	equity / total debt	1.56	2.18
Long-term debt	long-term payables / total equity	0.21	0.15
short-term debt	short-term payables / total equity	0.18	0.16
Long-term capital to non-current assets ratio	equity + long-term provisions and payables / non-current assets	1.73	1.86
Debt to equity ratio	debt / equity + provisions	0.64	0.46

Total debt ratio (debt to total equity) was up by 8 percentage points compared to H1 2007. The share of borrowings in the structure of financing in H1 2008 was 39%, compared to 31% as at the end of H1 2007.

Long-term debt ratio and short-term debt ratio were also up.

Equity to debt ratio as at the end of H1 2008 reached 1.56. This ratio deteriorated vs. H1 2007, but it means that the Company's equity covers all of its debt and is even higher by 56%.

Long-term capital to non-current assets ratio in H1 2008 totalled 1.73% compared to 1.86% in H1 2007. It means that in H1 2008, the Company's non-current assets could be financed with equity + provisions and long-term payables in 173%.

Debt to equity ratio as at the end of H1 2008 totalled 0.64 compared to 0.45% as at the end of H1 2007. It means that per each PLN 1 of equity, the Company had PLN 0.64 of borrowings. This result is slightly worse than recorded as at the end of H1 2007.

ASSET MANAGEMENT RATIOS

RATIO	CALCULATION FORMULA	H1 2008	H1 2007
Assets turnover ratio	total revenues from sales / total assets	0.17	0.14
Fixed assets turnover ratio	revenues from sales / fixed assets	0.35	0.32

Assets turnover ratio was up by 3% in H1 2008 compared to the corresponding period in 2007. This increase resulted from the faster growth in revenues from sales compared to growth in net assets. Fixed assets turnover ratio was up by 3 percentage points in the reporting period and totalled 35% as at the end of H1 2008 (compared to 32% as at the end of H1 2007). This ratio describes how many times sales are higher than non-current assets employed by the Company.

CHANGES IN THE PROFIT AND LOSS ACCOUNT

PBG SA **Profit and Loss Account (in PLN '000)**	**H1 2008**	**H1 2007**	**2008/2007**
Net revenues from sales of products, goods and materials	203 967	141 324	144%
Costs of products, goods and materials sold	162 610	124 088	131%
Gross profit (loss) on sales	**41 357**	**17 236**	240%
Costs of sales	0	0	0%
General administrative expenses	14 809	11 859	125%
Profit on sales	**26 548**	**5 377**	494%
Other operating revenues	2 936	10 640	28%
Other operating expenses	1 729	1 611	107%
Operating profit (loss)	**27 755**	**14 406**	193%
Financial revenues	11 679	7 770	150%
Financial expenses	17 358	7 438	233%
Profits/losses from investments in related parties	920	0	0%
Profit (loss) before tax	**22 996**	**14 738**	156%
Income tax	5 398	2 419	223%
Net profit	**17 598**	**12 319**	**143%**

As at the end of H1 2008, the Company's net profit totalled PLN 17.6m and was up by over PLN 5m vs. the result recorded as at the end of H1 2007 – i.e. up by 43%. In addition, the increasing trend in financial results was maintained at practically all levels of the P&L Account: gross profit on sales was up by 140% vs. the corresponding period in 2007, a five-fold increase was recorded for profit on sales, and operating profit was up by 93%.

Revenues from sale of services

For H1 2008, the Company's revenues from sale of services exceeded PLN 193.4 m and were up by over 53%. The largest increase was recorded in the natural gas and crude oil segment – up by 51%. The second largest segment in the Company's business was residential and industrial construction. The share of this segment in total revenues from sale of services reached nearly 16% in the reporting period. Fuels represented the third largest segment in terms of its share in total revenues from sale of services – 15.6%. Water was the segment with the lowest share in total revenues from sale of services –revenues from this type of contracts totalled nearly 13% of all revenues from sales. It results from the streamlining of the Group's operations and transferring operations in this segment to Hydrobudowa Polska SA.

Costs of services sold

For H1 2008, costs of services sold totalled nearly PLN 153m and were up by only 33% vs. H1 2007. The share of these variable costs in revenues from sale of services changes considerably. As at the end of H1 2008, they represented 79% of revenues, compared to 91% as at the end of H1 2007 – i.e. down by as much as 12%.

General administrative expenses

As at the end of H1 2008, general administrative expenses totalled PLN 14.8 m and were up by 25% vs. the corresponding period in 2007.

Other operating revenues

For H1 2008, other operating revenues totalled nearly PLN 3m, including revenues from rentals, damages, and re-invoicing. Compared to the corresponding period in 2007, other operating revenues were down by 72%.

Financial revenues

Financial revenues for H1 2008 totalled nearly PLN 11.7 m and were up by 50% vs. the corresponding period in 2007. The main items under financial revenues include bank interest (over PLN 6 m), interest on loans granted (over PLN 2.3 m) and interest on bonds issued by Capital Group companies and taken over by PBG (PLN 3.1m).

Financial expenses

As at the end of H1 2008, the Company's financial expenses totalled over PLN 17 m. The main item under financial expenses was interest on bonds issued by PBG SA in 2007 – over PLN 9.8m. Significant values were recorded also for interest and commissions on bank credits – PLN 5.3m.

STRUCTURE OF ASSETS

A s s e t s (in PLN '000)	H1 2008	% share	H1 2007	% share
FIXED ASSETS	**576 391**	**47.66%**	**444 757**	**44.88%**
Intangible assets	9 372	0.77%	4 121	0.42%
Goodwill	1 606	0.13%	0	0.00%
Tangible fixed assets (Property, Plant & Equipment)	144 575	11.95%	113 749	11.48%
Non-renewable natural resources		0.00%		0.00%
Investment property	710	0.06%	0	0.00%
Investments in subsidiaries	337 563	27.91%	262 232	26.46%
Investments in associates accounted for using the equity method	0	0.00%	0	0.00%
Other long-term financial assets	**73 540**	6.08%	**54 520**	5.50%
- related parties	25 910	2.14%	38 470	3.88%
- other entities	47 630	3.94%	16 050	1.62%
Long-term receivables	**8 614**	0.71%	**10 135**	1.02%
- related parties	0	0.00%	6	0.00%
- other entities	8 614	0.71%	10 129	1.02%
Deferred income tax assets	0	0.00%	0	0.00%
Long-term prepaid expenses	411	0.03%	0	0.00%
CURRENT ASSETS	**633 073**	52.34%	**546 224**	55.12%
Inventories	31 203	2.58%	10 982	1.11%
Receivables from contracting parties for works completed under contracts for construction/long-term services	**133 054**	11.00%	**126 412**	12.76%

- related parties	8 836	0.73%	8 086	0.82%
- other entities	124 218	10.27%	118 326	11.94%
Trade receivables	**174 367**	14.42%	**161 574**	16.30%
- related parties	10 985	0.91%	22 090	2.23%
- other entities	163 382	13.51%	139 484	14.08%
Current income tax receivables	0	0.00%	1 204	0.12%
Other short-term receivables	**11 805**	0.98%	**22 043**	2.22%
- related parties	418	0.03%	54	0.01%
- other entities	11 387	0.94%	21 989	2.22%
Other short-term financial assets	**58 421**	4.83%	**109 400**	11.04%
- related parties	42 088	3.48%	105 131	10.61%
- other entities	16 333	1.35%	4 269	0.43%
Cash and cash equivalents	214 811	17.76%	111 073	11.21%
Short-term prepaid expenses	9 412	0.78%	3 536	0.36%
Non-current assets classified as held for sale	0	0.00%	0	0.00%
TOTAL ASSETS	**1 209 464**	**100.00%**	**990 981**	**100.00%**

Structure of assets did not change considerably in H1 2008. As at the end of H1 2008, fixed assets totalled 47.66% and their share in total assets was down by 2.7 percentage points during the year. Current assets were down in H1 2008 and represented 52.34% of total assets.

CHANGES IN ASSETS

A s s e t s (in PLN '000)	**H1 2008**	**H1 2007**	**2008/2007**
FIXED ASSETS	**576 391**	**444 757**	**129.60%**
Intangible assets	9 372	4 121	227.42%
Goodwill	1 606	0	0.00%
Tangible fixed assets (Property, Plant & Equipment)	144 575	113 749	127.10%
Non-renewable natural resources	0	0	0.00%
Investment property	710	0	0.00%
Investments in subsidiaries	337 563	262 232	128.73%
Investments in associates accounted for using the equity method	0	0	0.00%
Other long-term financial assets	73 540	54 520	134.89%
- related parties	25 910	38 470	67.35%
- other entities	47 630	16 050	296.76%
Long-term receivables	8 614	10 135	84.99%
- related parties	0	6	0.00%
- other entities	8 614	10 129	85.04%
Deferred income tax assets	0	0	0.00%
Long-term prepaid expenses	411	0	0.00%
CURRENT ASSETS	**633 073**	**546 224**	**115.90%**
Inventories	31 203	10 982	284.13%
Receivables from contracting parties for works completed under contracts for construction/long-term services	133 054	126 412	105.25%
- related parties	8 836	8 086	109.28%
- other entities	124 218	118 326	104.98%
Trade receivables	174 367	161 574	107.92%
- related parties	10 985	22 090	49.73%
- other entities	163 382	139 484	117.13%
Current income tax receivables	0	1 204	0.00%
Other short-term receivables	11 805	22 043	53.55%

- related parties	418	54	774.07%
- other entities	11 387	21 989	51.78%
Other short-term financial assets	58 421	109 400	53.40%
- related parties	42 088	105 131	40.03%
- other entities	16 333	4 269	382.60%
Cash and cash equivalents	214 811	111 073	193.40%
Short-term prepaid expenses	9 412	3 536	266.18%
Non-current assets classified as held for sale	0	0	0.00%
TOTAL ASSETS	**1 209 464**	**990 981**	**122.05%**

As at the end of H1 2008, the balance sheet total was up by nearly 22% and this increase was related mainly to other long-term financial assets and cash and cash equivalents.

Increase in current assets in the reporting period totalled nearly 116%. In the reporting period, growth in the Company's current assets was much higher than growth in its fixed assets.

STRUCTURE OF LIABILITIES

L i a b i l i t i e s (in PLN '000)	**H1 2008**	**% share**	**H1 2007**	**% share**
EQUITY	**736 327**	**60.88%**	**679 109**	**68.53%**
Share capital	13 430	1.11%	13 430	1.36%
Treasury shares		0.00%	0	0.00%
Share premium reserve	551 178	45.57%	551 178	55.62%
Capital from measurement of hedging transactions	4 345	0.36%	-812	0.00%
Other reserves	149 776	12.38%	104 262	10.52%
Retained profit/accumulated loss	**17 598**	1.46%	**11 051**	1.12%
- profit (loss) carried forward from previous years		0.00%	-1 268	-0.13%
- net profit (loss) of the current year	17 598	1.46%	12 319	1.24%
PAYABLES	**473 137**	**39.12%**	**311 872**	**31.47%**
Long-term payables	**259 684**	**21.47%**	**150 116**	**15.15%**
Long-term credits and loans	**41 407**	3.42%	**23 838**	2.41%
- related parties	0	0.00%	0	0.00%
- other entities	41 407	3.42%	23 838	2.41%
Other long-term financial payables	200 000	16.54%	109 736	11.07%
Other long-term payables	**1 186**	0.10%	**457**	0.05%
- related parties	0	0.00%	0	0.00%
- other entities	1 186	0.10%	457	0.05%
Deferred income tax provision	4 573	0.38%	3 881	0.39%
Provisions for employee benefits	286	0.02%	252	0.03%
Other long-term provisions	3 434	0.28%	2 106	0.21%
Government grants	0	0.00%	0	0.00%
Long-term accruals and deferred income	8 798	0.73%	9 846	0.99%
Short-term payables	**213 453**	**17.65%**	**161 756**	**16.32%**
Short-term credits and loans	**101 483**	8.39%	**78 375**	7.91%
- related parties	0	0.00%	0	0.00%
- other entities	101 483	8.39%	78 375	7.91%
Other short-term financial payables	2 202	0.18%	2 472	0.25%
Trade payables	**92 237**	7.63%	**61 014**	6.16%
- related parties	35 140	2.91%	10 008	1.01%
- other entities	57 097	4.72%	51 006	5.15%
Payables under construction services	**3 178**	0.26%	**1 550**	0.16%

- related parties	83	0.01%	0	0.00%
- other entities	3 095	0.26%	1 550	0.16%
Deferred income tax liabilities	1 373	0.11%	0	0.00%
Other short-term payables	**10 715**	0.89%	**15 852**	1.60%
- related parties	126	0.01%	22	0.00%
- other entities	10 589	0.88%	15 830	1.60%
Provisions for employee benefits	0	0.00%	0	0.00%
Other short-term provisions	617	0.05%	865	0.09%
Government grants	0	0.00%	0	0.00%
Short-term accruals and deferred income	1 648	0.14%	1 628	0.16%
Liabilities related to non-current assets held for sale	0	0.00%	0	0.00%
TOTAL LIABILITIES	**1 209 464**	**100.00%**	**990 981**	**100.00%**

The above summary presents changes in the structure of sources of financing in H1 2008. A considerable drop in the share of payables in the balance sheet total was recorded. The Company's assets were financed in nearly 61% with own funds and in 39% with borrowings. Long-term payables represented over 21.5% of the balance sheet total, and short-term payables represented nearly18%. The share of long-term payables was up, and the share of short-term payables was down compared to the corresponding period in 2007. Under short-term payables, the following items reached significant levels: short-term credits and loans and trade payables. Under long-term payables, other long-term financial payables represented the main item (equal to the value of bonds issued by the Company in December 2007).

Reserve capital was the main item under equity, representing nearly 45.5% of total equity (mainly as a result of an issue of the Company's shares in January 2007).

CHANGES IN LIABILITIES

L i a b i l i t i e s (in PLN '000)	**H1 2008**	**H1 2007**	**2008/2007**
EQUITY	**736 327**	**679 109**	**108.43%**
Share capital	13 430	13 430	100.00%
Treasury shares	0	0	0.00%
Share premium reserve	551 178	551 178	100.00%
Capital from measurement of hedging transactions	4 345	-812	0.00%
Other reserves	149 776	104 262	143.65%
Retained profit/accumulated loss	17 598	11 051	159.24%
- profit (loss) carried forward from previous years	0	-1 268	0.00%
- net profit (loss) of the current year	17 598	12 319	142.85%
PAYABLES	**473 137**	**311 872**	**151.71%**
Long-term payables	**259 684**	**150 116**	**172.99%**
Long-term credits and loans	41 407	23 838	173.70%
- related parties	0	0	0.00%
- other entities	41 407	23 838	173.70%
Other long-term financial payables	200 000	109 736	182.26%
Other long-term payables	1 186	457	259.52%
- related parties	0	0	0.00%
- other entities	1 186	457	259.52%
Deferred income tax provision	4 573	3 881	117.83%
Provisions for employee benefits	286	252	113.49%

Other long-term provisions	3 434	2 106	163.06%
Government grants	0	0	0.00%
Long-term accruals and deferred income	8 798	9 846	0.00%
Short-term payables	**213 453**	**161 756**	**131.96%**
Short-term credits and loans	101 483	78 375	129.48%
- related parties	0	0	0.00%
- other entities	101 483	78 375	129.48%
Other short-term financial payables	2 202	2 472	89.08%
Trade payables	92 237	61 014	151.17%
- related parties	35 140	10 008	351.12%
- other entities	57 097	51 006	111.94%
Payables under construction services	3 178	1 550	205.03%
- related parties	83	0	0.00%
- other entities	3 095	1 550	199.68%
Deferred income tax liabilities	1 373	0	0%
Other short-term payables	10 715	15 852	67.59%
- related parties	126	22	572.73%
- other entities	10 589	15 830	66.89%
Provisions for employee benefits	0	0	0.00%
Other short-term provisions	617	865	71.33%
Government grants	0	0	0.00%
Short-term accruals and deferred income	1 648	1 628	101.23%
Liabilities related to non-current assets held for sale	0	0	0.00%
TOTAL LIABILITIES	**1 209 464**	**990 981**	**122.05%**

The annual growth in equity as at the end of H1 2008 exceeded 108%. Under liabilities, much higher growth was recorded for borrowings (up by over 52%) than for equity (up by over 8%). Under borrowings, higher growth was recorded for long-term payables (up by nearly 175%) than for short-term payables (up by nearly 132%).

The Company's forecast financial standing

For 2008, the Company is planning to maintain its financial ratios at the level which guarantees stability of its operations.

The issue of shares in Q1 FY 2007 provided funds for the Company's future development.

XXIV. CHANGES IN BASIC PRINCIPLES OF MANAGEMENT

In the reporting period, PBG SA introduced no changes to the basic principles of management.

XXV. 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 and the Supervisory Board in the reporting period is presented in additional notes to the financial statement in the section "Total amount of salaries and bonuses paid or payable to members of the Board of Directors and Supervisory Board in H1 2008".

XXVI. 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.

XXVII. 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 payable to HLB Frąckowiak i Wspólnicy 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.

XXVIII. 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.

XXIX. SYSTEM OF CONTROL OF THE EMPLOYEE SHARE OPTION SCHEMES

PBG SA has no employee share option scheme in place.

XXX. 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 Latawiec