

III. The Company



1. INTERVIEW WITH JERZY WIŚNIEWSKI, CEO



How many last year's targets were implemented by you?

We have successfully achieved the most important ones. We have gained the biggest in the history of the Company gas contracts for which we had been preparing ourselves for many, many years. Besides, we have entered sport infrastructure market by signing contract for modernization of stadium in Poznań which opened us a path for another significant stadium contracts. In the backlog of orders of the Group there has appeared contract related to construction of municipal sorting plant. All above caused that at the end of the year 2008 backlog of orders has exceeded PLN 6 bn which enabled us to forecast significant growth of our financial results in the year 2009. We have also been able to put in order structure of the Group. The most important changes are acquisition of 100% shares in Hydrobudowa 9 by Hydrobudowa Polska and bringing shares of our road construction companies to Aprivia company which is the leader in this segment. Once again we did not disappoint expectations of the market and we have fulfilled forecast of our financial results. What is more, we have been able to increase it twice during the year.

So how was it possible to reach significant growths in revenues and profits in year 2008, to keep, and even to employ more people during the economic slowdown?

Our Capital Group was, and still is, in that good situation that first of all it has secured its revenues by signing numerous contracts. Secondly, it is active on markets related to specialist construction where competition is very limited and investment projects are still being executed. This is why we really have a lot of things to do. Remunerations system based on motivational programs introduced by us either on the highest managerial level or in contract management let us avoid rotation of employees and keep those the most precious for the Group. We have been working for years to improve our efficiency. The crisis let us expect improvement of efficiency but not worsen conditions of work.

What can PBG shareholders expect in the coming years? How long do you think the crisis will last?

Shareholder do not need to worry about further growth of the PBG Capital Group. We have very interesting investment projects in our sleeve and ideas related to further dynamic growth. We want to enter new attractive markets which will secure growth of our revenues in the future. Such market will be for sure construction services for energy market. Considering the crisis in Poland I am a big optimist and I think we will defend ourselves against it in the best way in our region. But I think mostly about my sector because it is the one I know the best. In short time there will be plenty of road construction projects and surplus of executive potential which emerged from slowdown in housing estate market will immediately come to roads. Every crisis has its end, hasn't it?

2. STRATEGY AND BUSINESS MODEL

BUSINESS MODEL

Business model of the PBG Capital Group is based on experience in specialist construction services. Group systematically increase its revenues and profits by entering new markets and activities in niche segments where competition is very limited because of essential qualifications and references. Operating and strategic management of the PBG Capital Group is made easier because of simple structure where responsibility for each sector of activity is taken by the Leading Company which is responsible for gaining new contracts, widening services, organizing financing and consolidation of other entities. Providing services of the PBG Capital Group take place through execution of some parts of work (those the most technologically advanced) within its own workforce and subcontracting easy works to proven subcontractors. Such model allows for execution of contracts according to set schedule and with assumed budget. Execution of specialist construction works and focussing its activity on niche markets cause that PBG Capital Group achieve one of the highest margins among companies from construction sector listed on the Warsaw Stock Exchange.

STRATEGY

THE STRATEGY OF THE PBG S.A. IS FOCUSED PRIMARILY ON SYSTEMATIC, LONG TERM MAXIMIZATION OF VALUE OF THE CAPITAL GROUP THROUGH FORMATION OF ONE OF THE LARGEST CONSTRUCTION GROUPS IN THE CENTRAL AND EASTERN EUROPE.



This could be achieved through:

- the dynamic increase in the revenues from sales and simultaneous efforts to keep the leading position among the most profitable construction companies with a similar business profile, quoted on the Warsaw Stock Exchange;
- acquisition and execution of profitable contracts of high individual value by using combined potential of all Capital Group companies;
- further diversification of operations by including operations in the area of road construction, industrial facilities, underground car parks, the underground and sports facilities;
- expansion into foreign markets.

THE ACTIONS AIMED AT ACCOMPLISHMENT OF THE ASSUMED STRATEGY OF THE PBG SA AND THE PBG CAPITAL GROUP SHALL FOCUS ON:

1. **Strengthening position in the area of crude oil and natural gas through acquisition and performance of the largest contracts in poland;**
2. **Strengthening position in the area of infrastructure and hydro-technique:**
This objective can be achieved by:
 - consolidation of Hydrobudowa Polska and Hydrobudowa 9;
 - extension of activity through performance of the contracts for construction of subway, underground car parks and industrial facilities;
 - participation in performance of contracts connected with organization of the European Football Championships Euro 2012;

3. Expansion of operations on the road construction market:

This objective can be achieved by:

- investments in road companies and acquisition of contracts of the considerable individual value;
- participation in the projects ensuring access to the aggregate deposits which are indispensable for construction of roads and railways;

4. Expansion into foreign markets.

This objective can be achieved by:

- acquisition of contracts for construction of natural gas and crude oil installations of increasing unit value for investors in Norway;
- performance of export contracts in co-operation with the Polish banks;
- commencement of the activity in Ukraine through acquisition of the executive company;
- strategic co-operation with world-wide companies;

5. Optimization of the structure and organization of the PBG Capital Group in order to decrease the costs of activity.

This objective can be achieved by:

- formation of executive low-costs companies dealing with orders of low unit value;
- transfer of registered offices of the subsidiaries to Wysogotowo where the headquarter of PBG is located and development of other property thereby;

6. Investments in projects connected with infrastructure operating activity, which generate long-term and stable income.

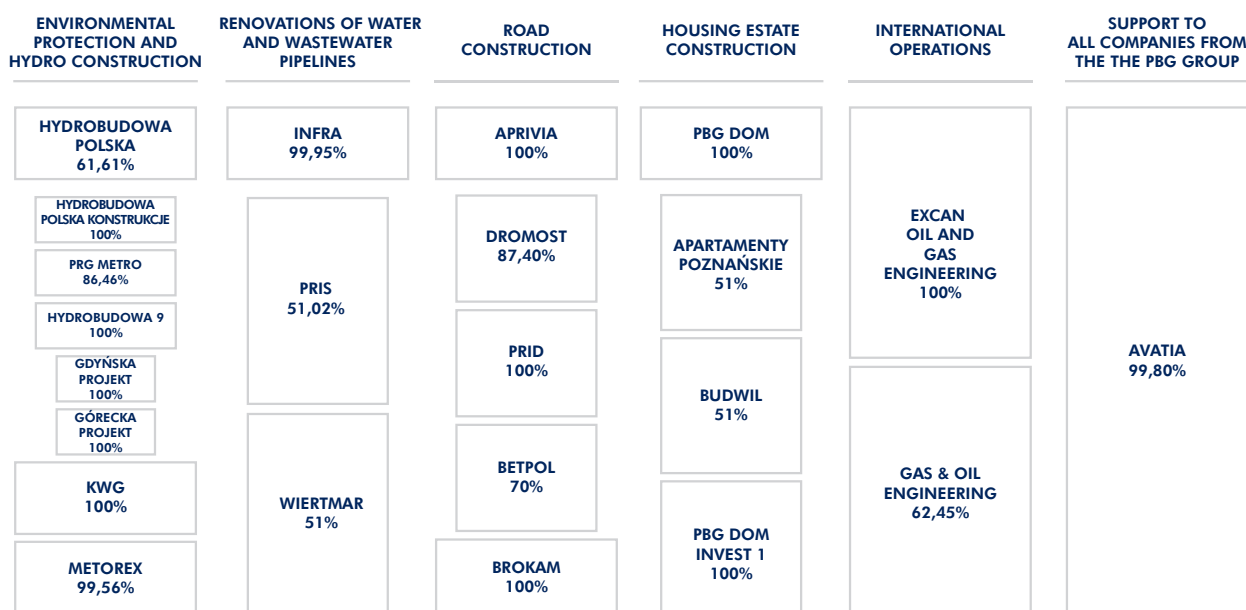
7. Financing collateral of the activity of the companies from the PBG Group by:

- searching new and long-term sources of financing (in order to change short-term debts into long-term debts).

STRATEGY IN PRACTICE

Performance of the strategic goals shall be possible due to organization of the PBG Capital Group in the particular fields of activity. Development of the Capital Group may be compared the most accurately by following the scheme of CG from the previous reporting period and comparing it with the present state.

THE ORGANIZATIONAL CHART OF THE PBG CAPITAL GROUP PRESENTED BELOW (INCLUDING A PERCENTAGE SHARE OF PBG IN THE TOTAL VOTING POWER) REFLECTS THE SITUATION AS AT 31ST DECEMBER OF 2008.



AT THE DAY OF REPORT SUBMISSION THE SCHEME OF PBG CAPITAL GROUP SHALL BE AS FOLLOWS
(PERCENTAGE SHARE OF PBG IN VOTES):



ENVIRONMENTAL PROTECTION AND HYDRO CONSTRUCTION	RENOVATIONS OF WATER AND WASTEWATER PIPELINES	ROAD CONSTRUCTION	HOUSING ESTATE CONSTRUCTION	EXECUTIVE COMPANIES	INTERNATIONAL OPERATIONS	SUPPORT TO ALL COMPANIES FROM THE THE PBG GROUP
<div>HYDROBUDOWA POLSKA 61,61%</div> <div>HYDROBUDOWA POLSKA KONSTRUKCJE 100%</div> <div>PRG METRO 86,46%</div> <div>HYDROBUDOWA 9 100%</div> <div>GDYŃSKA PROJEKT 100%</div> <div>GÓRCECKA PROJEKT 100%</div> <div>KWG 100%</div> <div>METOREX 99,56%</div>	<div>INFRA 99,95%</div> <div>PRIS 51,02%</div> <div>WIERTMAR 51%</div>	<div>APRIVIA 100%</div> <div>DROMOST 87,40%</div> <div>PRID 100%</div> <div>BETPOL 70%</div> <div>BROKAM 100%</div>	<div>PBG DOM 100%</div> <div>APARTAMENTY POZNANSKIE 51%</div> <div>BUDWIL 51%</div> <div>PBG DOM INVEST 1 100%</div> <div>ZŁOTOWSKA 51 60%</div>	<div>PBG TECHNOLOGIA 100%</div>	<div>EXCAN OIL AND GAS ENGINEERING 100%</div> <div>GAS & OIL ENGINEERING 62,45%</div> <div>PBG Export 99,95%</div>	<div>AVATIA 99,80%</div>

An important strategic step was the creation of strong company operating on the environmental protection and hydro construction market through the merger of companies Hydrobudowa Włocławek and Hydrobudowa Ślqsk, which took place on 27th August 2007 (until 7th January the company operated under the name Hydrobudowa Włocławek SA and currently it operates under the name Hydrobudowa Polska SA). The merger led to the creation of a very competitive entity on the Polish environmental protection market which is capable of winning the most profitable and the most complex contracts co-financed from EU funds and performed within the scope of investments preparing Poland to Euro 2012 (the European Football Championship organized in Poland). Until the end of third quarter of 2008 the purchase process of the Hydrobudowa Polska 9 company from its shareholders by the Hydrobudowa Polska company was finished. As the result of this transaction the Hydrobudowa Polska company took up 100% of shares in the Hydrobudowa 9 company. This process took place through issue of the shares addressed only to the existing shareholders of "9" in exchange of transfer of the entire property of this Company to the company Hydrobudowa Polska company.

Moreover in 2007 and 2008 the PBG SA company focused on the formation and strengthening the new system of activity which is **the roads construction segment**. Within the scope of this activity the PBG CG is intending to deal with performance of contracts connected with construction of local roads of the communal and regional type.

In addition, the Brokam company appeared in the newly established segment which is connected with investment in the aggregate mines.

These companies will be responsible for the provision of raw materials to the companies from the road construction sector and to the companies from the PBG CG. In March 2008 yet another company – Betpol - was included into the road construction segment. This company will back up other companies in the area of contract execution and market reference. The Aprivia company was also formed in March 2008.

APRIVIA SA is responsible for strengthening the position of the PBG Capital Group in the area of road construction through activities such as acquisition and execution of contracts and the organization of financing. Roads construction constitutes a new area of activity of the PBG Group which is strategically important. The road projects are co-financed by the European Union and constitute additional priority for the government in consideration of Euro 2012 organized in Poland.

Activity of the PBG Group in this segment shall enable further dynamic increase of achieved revenues.

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The additional advantage shall constitute possibility to retain margin in the PBG Group mainly in the course of performance of contracts for sewage systems construction where replacement works constitute the major part.

Another strategic objective of the PBG Capital Group is **international operations segment**. PBG has been increasing its engineering potential through the acquisition of foreign companies in order to strengthen the Group in the area of project preparation and project management as well as to facilitate planned expansion into foreign markets. The new area of the Group's activity is created thereby. According to the assumed plans and by the date of submission of the report PBG acquired 51% shares in a Slovakian engineering company Gas Oil Engineering a.s. and it increased share capital of this company which resulted in increasing PBG's stake to 62.45%. Moreover PBG formed the Excan Oil And Gas Engineering Ltd. company in Canada in co-operation with experienced engineers. PBG is the holder of 100 % of shares in the company. The next strategy element of the PBG expansion into foreign markets is entering the Ukrainian market through acquisition of the executive company. Acquisition of that company will be finalized in the first half of 2009. Presently it seems that the local market in question will not bring notable benefits to PBG company but in long-term period PBG regards Ukrainian market as a very perspective one. Acquisition of Ukrainian company shall enable PBG to exist on that market. Gradual acquisition of more quantity of contracts shall have material impact in the context of applying for big contracts in the natural gas, crude oil and water segments, which will be co-financed by the European Union in order to adjust pipelines and waterworks to the standards of Western Europe. Presently the amount of at least EUR 2,5 billion is discussed and it will be decreasing in future. Furthermore, in April 2009 PBG established the company PBG Export. The basic activity of this company consists in acquisition of export contracts and execution thereof. All and any activities mentioned above are aimed at performance of PBG strategy which is focused on the construction of the largest construction and engineering company in the region of Central and Eastern Europe.

Presently, another area of operations of the company is **housing estate construction**. It is an area, which is not regarded presently by PBG as the strategic sector, but in long-term perspective it may turn out to be a very important activity for the entire Group. The PBG Dom company was established within the scope of the above activity. This company is responsible for the management of real estates owned by the Capital Group and its efficient use or sales.

In the long-term plans PBG intends to extend development activity, but not only in the capacity of construction contractor, but also acting as a developer. Presently within the scope of construction of land bank more attractive plots are bought out which will be used for development investments at the moment of change of trends on the housing estate construction market.

The PBG Technologia company (previously the company conducted activity with the business name Hydrobudowa Polska Konstrukcje) was established in April 2009 within the scope of optimization of the structure and organization of the PBG Capital Group in order to lower the costs of activity. The company will be dealing with performance of smaller contracts and shall focus its services strictly on the executive activity.

Investments in the projects connected with infrastructure operating activity which may ensure the Group long-term and stable income might have significant meaning in the future activity of the PBG Capital Group. The operating practice connected with transfer of natural gas, wind energy and waterworks is concerned here. This direction seems appropriate and promising, because the first offers from the foreign financial investors appeared and they are willing to finance projects of the approximate value GBP 200 million within the scope of joint ventures execution.

In the described period not only the holding entity of the PBG Capital Group was active in acquisitions performance. In consideration of fast development and perspective market, the subsidiary of PBG SA – Infra SA carried out acquisition as well in order to increase its executive abilities. The Infra SA company is building presently its own capital group. This company conducts activity on the environmental protection market, but specializes itself mainly in the renovation of already existing water and sewage systems. Those are the services which require application of the modern technology therefore the competition on this market is limited

in principle to the foreign competition which affects in turn achievement of attractive margins. In 2007 the renovation segment was extended by the company PRIS, but in 2008 the Infra company purchased shares in the Wiertmar company.

Investments in the entities from the Capital Group and increase of executive potential still remains a very important goal for the Management Board of PBG SA apart from the above mentioned elements of the performed strategy. In relation to the above - position of the Infra company is strengthened by purchase of shares in PRIS and Wiertmar companies.

3. MARKET PERSPECTIVES

NATURAL GAS SEGMENT

Natural gas sector in Poland has huge perspectives which are related to the introduction of Poland's energy policy assumptions. It assumes realization of investments which purpose is to increase Poland's energy safety and to create an infrastructure able to allow for realization of assumptions of European Union directives. It has an influence on increasing demand for services offered by the PBG Capital Group.

Basic market conditions in the area of natural gas are:

1. 1. "Poland's energy safety policy until 2025". It assumes an increase in natural gas share as an ecological fuel in primary energy sources through its adaptation in professional power industry and supporting investments in the area of construction of gas systems for cities and municipalities.

- In countries of EU members natural gas constitutes basic source of energy. An average sales of gas there per one inhabitant is approximately 1 200m³/year and its share in primary energy sources constitutes approximately 22%. It is estimated that this share may reach a level of 33% in year 2020 and 37% in year 2030. In Poland these indicators are respectively on the level of 300m³/year and 11%. It means that usage of natural gas per one inhabitant in Poland constitutes only one fourth of EU average;
- Increasing share of natural gas in primary energy sources is connected with investments in modernization and construction of heat sources and extension of transport and distribution gas systems. Potential in this field is huge because gasified areas constitute only 43% of Poland's whole area and about 250 cities do not possess network gas at all:
 - In GAZ-SYSTEM investment plans for years 2007-2013 there is:
Construction of gas pipelines in Northern and Western Poland (Świnoujście-Szczecin, Szczecin-Lwówek, Włocławek-Gdynia, Szczecin-Gdańsk) and another gas pipelines like: Jeleniów-Dziwiszów, Taczalin-Radakowice, Radakowice-Gałów, Polkowice-Żary;
- PGNiG SA as a leading gas supplier in Poland assumes intensive actions connected with bringing into cultivation non gasified areas (so called "white spots").

2. Diversification of gas sources for Poland through increase in domestic output, construction of new international connections and planned import of compressed (CNG) or liquefied gas (LNG) in years 2010 – 2015 (about 2,5 bn to 7,5 bn m³/year):

- Documented natural gas resources in Poland are estimated at the level of about 112 bn m³ (counted as a high methane gas). It is located in the south-west part of the country and in 98% belongs to PGNiG. By yearly usage at the level of about 5,5 bn m³ it will be enough gas for another 20 years (source: PGNiG prospectus). According to facts mentioned above there are investment plans for development of gas transportation system and bringing into cultivation new deposits. Apart from PGNiG there are some new entities which start running their businesses in Poland in the field of natural gas deposits searching. One of them is **Aurelian Gas & Oil** which is going to invest in years 2008 – 2014 about EUR 300 mln for bringing into cultivation natural gas deposits near Poznań;
- PPGNiG forecasts that yearly output of natural gas will increase in the following years to reach the level of 6,2 bn m³ (4,3 bn m³ in 2005) inter alia through an increase in domestic output capabilities to 4,5 bn m³/year. Estimated growth of output will be connected with investments from PGNiG side for development and bringing deposits into cultivation in mid-term perspective either in Poland or abroad where there are plans related to natural gas and crude oil output from foreign deposits in 2011. Target is that after year 2015 it has to be at least 1,5 bn m³ of gas yearly coming from so called "equity gas" on the Norwegian Continental Shelf:

- **Investments connected with deposits in Norway for about PLN 3,2 bn;**
- **Bringing into cultivation natural gas and crude oil deposits in Norway for about PLN 650 mln.**
(source: www.pgnig.pl)

3. Securing Poland's energy safety through increasing the capacity of gas storage and extension of underground gas storages:

- According to the Minister of Economy act dated April 20, 1998 on size, way of storing and control of fuels reserves in energy companies which produce electric or heat energy or mine and distribute gas fuels (Dz. U. Nr 53, poz. 332) Polish Government has adopted, as of January 25, 2002, document called: "Information on Country's energy safety situation". It assumes inter alia creating conditions for storing reserves of natural gas fulfilling 90-days sales size:
 - PGNiG plans to increase during another few years capacity of underground gas storages from 1,5 bn m³ at present to at least 5 bn m³. Such big significant extension of storage base will cost the Company about PLN 1,4 bn,
 - Securing appropriate storage capacities for needs of PGNiG clients and for needs of an act on obligatory reserves through increasing storage capacities, mainly in the area of high methane natural gas by about 2 bn m³ to total capacity of about 3,8 bn m³ in year 2015;
- For realization of "PGNiG Capital Group strategy in the perspective of year 2015" PGNiG is going to spend about PLN 25-32 bn;
- Equally important will be announced investment of GAZ-SYSTEM company related to the construction of an onshore LNG terminal in Świnoujście worth EUR 0,5 bn.

There are a lot of companies which are interested in Polish perspective gas market and which have been present there for years operating through their agencies, subsidiaries or joint-venture. In the nearest future these entities, next to PGNiG, can become crucial recipients of services offered by the PBG Capital Group and demand created by them can have an influence on dynamic growth of revenues of entities from the sector where the PBG Capital Group is operating.

According to the information given by PGNiG SA in years 2009-2015 the PGNiG Group is going to spend about PLN 30 bn for investments. Investment plans of GAZ-SYSTEM for years 2007-2013 are estimated at the level of PLN 5 bn.

CRUDE OIL AND FUELS SEGMENT

In the area of crude oil, position of the PBG Capital Group is related to the investment plans of PKN ORLEN SA, LOTOS SA, NATO, OLPP, PERN "Przyjaźń" SA and other entities active in the fuel segment.

Main factors of crude oil and fuels market development are:

- Lotos SA investment plans for years 2009-2012 – about PLN 6,15 bn including "10+ Program" (increasing crude oil processing capacity from 6 mln tons up to 10,5 mln tons; increasing level of crude oil conversion);
- NATO investments in Poland worth PLN 2 bn including fuel storage depots – PLN 0,7 bn;



- plans of construction of crude oil pipelines: Adamów – Płock i Odessa – Brody.

Currently PERN "Przyjaźń" SA concentrates its plans mainly on raw materials infrastructure development. It is being done via two different directions.

Eastern direction – there is a construction of the third line of the Adamów – Płock crude oil pipeline in progress. New pipeline will let adapt capacity of Polish pipelines to current possibilities of transfer via northern part of the "Przyjaźń" pipeline. Investment in "Przyjaźń" pipeline is a company's reaction to growing demand for Russian crude oil. Poland is one of the major export routes of this resource. New pipeline, apart from important matters related to the energetic safety of the country, will additionally enable further development of the transit services of the crude oil via Poland.

Southern direction – PERN “Przyjaźń” SA in cooperation with Ukrainian Ukrtransnafta continues works heading to the construction of Brody – Płock pipeline which will enable supplies of Caspian crude oil to the refineries located in Central and Western Europe. There are initial assumptions that Brody – Płock pipeline will enable transport of even up to 25 mln tons of Caspian crude oil yearly.

Pipelines in Europe



source: www.pern.com.pl

ENVIRONMENTAL PROTECTION AND HYDRO CONSTRUCTION SEGMENT

One of the main factors causing development of this sector is money from the European Union. It is estimated that in the frameworks of “2007-2013 Infrastructure & Environmental Operational Program” value of investments for hydro construction will constitute at least EUR 4,8 bn. This amount of money is going to be even higher due to an input of investors (at the level of about 20% of each planned investment).

Source: www.funduszestrukturalne.gov.pl

EU funds beneficiaries are mainly local governments. Gaining funds by them will result in growth of demand for services offered by the PBG Capital Group.

Principal priority of Structural Funds in the scope of environmental protection is flood safety improvement. There are planned such investments as:

- increasing capacity of reservoirs in Poland which means abilities to store water by about 2 bn m³ to reach the level of about 3,3 bn m³ including Racibórz reservoir worth PLN 650 mln;
- modernisation of about 1000 km of levees;
- rivers regulation in the length of 4000 km including Świna and Żuławy river worth PLN 550 mln.

According to the Ministry of the Environment estimates, total value of works connected with hydro engineering infrastructure will reach over PLN 23 bn until year 2020. This amount includes either new investments or modernization of exploited facilities. One of the most important investments is “ODRA 2006 Program” (estimated total cost of main investments is over EUR 0.52 bn). Aim of the program is inter alia construction of flood safety systems, removing flood damages and energetic usage of rivers. Money for investments will come partially from European Union Structural Funds.

According to the financial plan of Ministry of the Environment, in years 2002-2016 there will be almost PLN 3,1 bn spent on flood safety facilities. Reconstruction and modernization of levees will cost PLN 364,5 mln.

The biggest projects being constructed right now and which are going to be done are:

- construction and modernization of levees for Kędzierzyn Koźle, Brzeg, Oława, Brzeg Dolny, Nowa Sól, Krosno Odrzańskie and Słubice;
- construction and modernization of levees for Wrocław, Opole, Racibórz and Nysa;
- construction of water barrage in Malczyce near Wrocław (estimated cost is PLN 400 mln);
- construction of polder in Katowice (estimated cost is PLN 170 mln);
- construction of reservoir on the Prosna river;
- construction of reservoir in Racibórz (estimated cost is PLN 500 mln);
- construction of dam in Chrościce in Dobrzeń municipality (estimated cost is PLN 60 mln);
- construction of flood safety systems in Lwówek Śląski (estimated cost is over PLN 20 mln).

One of the key documents related to the investments from the area of environmental protection is, approved by European Commission on December 7, 2007 "2007-2013 Infrastructure & Environmental Operational Program". It is crowning of many months works over preparation of the biggest program in the European Union history. This program – according to the National Strategic Reference Framework (NSRF) for years 2007-2013 – constitute one of the operational programs being basic tool for reaching aims established in the NSRF by using EU Structural Funds.

Principal aim of the program is to improve investment attractiveness of Poland and its regions through technical infrastructure development with protection and improvement inter alia condition of environment and developing territorial cohesion. It means that also inflow of EU structural funds contributes to expenditures on technical infrastructure where the PBG Capital Group specializes. Especially when it comes to financing of construction of water and sewage systems and waste water treatment plants. To picture an influence of funds coming from EU funds on size of revenues of the water construction sector it is necessary to point out that in years 2000-2003 Poland has been given EUR 0,7 bn for financing investments in the area of environmental protection and hydro engineering. Total amount of money to use in years 2004-2006 has reached EUR 4,2 bn. Whereas total amount of financial funds engaged into realization of "2007-2013 Infrastructure & Environmental Operational Program" will come to EUR 37,6 bn from which EU input will be EUR 27,9 bn and domestic input will be EUR 9,7 bn (including investments in environmental protection worth EUR 5 bn).
Source: www.funduszestrukturalne.gov.pl

Program, according to the National Strategic Reference Framework (NSRF) approved on May 7, 2007 by European Commission constitute one of the operational programs being basic tool for achieving aims established in NSRF by using EU Structural Funds. "2007-2013 Infrastructure & Environmental Operational Program" is also an important tool for realization of renewed Lisbon Strategy and expenses on priority EU aims constitute in the frameworks of the program 66,23% of all expenditures from EU funds.

Source: *Infrastructure & Environmental Operational Program, document approved by European Commission on December 7, 2007; National Cohesion Strategy, Ministry of Regional Development, Warsaw, September 7, 2007*

INDUSTRIAL CONSTRUCTION MARKET AND ROAD CONSTRUCTION MARKET

In the development of these markets crucial meaning will have investments connected with organization in Poland European Football Championships – EURO 2012. Total estimated value of investments in Poland and in Ukraine will come to EUR 38 bn, from which about 60% will be projects implemented in Poland. For investments connected with modernization and construction of stadiums there is EUR 2,9 bn. For modernization, extension and construction of airports in following cities: Warsaw, Poznań, Wrocław, Gdańsk, Katowice, Cracow, Szczecin and Rzeszów expenditures can reach even EUR 396 mln which will come from EU budget

plus EUR 370 mln financed by the local governments of cities mentioned above. Organization of EURO 2012 will definitely has an influence on speeding up investments related to the construction of roads where there is going to be spent even PLN 120 bn for it.

Moreover, very important investment can be construction of second line of Underground in Warsaw – estimated level of expenditures for the investment is between EUR 1-1,2 bn.

Key projects for the PBG Capital Group could be construction of waste disposal plants in the largest Polish cities. Only for waste disposal plants in Poznań, Cracow, Olsztyn and Szczecin there is going to be spent PLN 2 bn.

In the frameworks of investment plans connected with organization of EURO 2012, Poland is going to be granted EUR 19 bn from EU funds for construction of roads and railways.

4. BUSINESS ACTIVITY IN DISTINGUISHED SEGMENTS

The offer of the Companies belonging to the PBG Capital Group comprises the complex work realization including the branch of design, mechanics, building, as well as automation and measurements in the following fields:

- installations to extract, process, transfer and store natural gas, crude oil and fuels
- engineering in the field of environmental protection, hydraulic engineering and renovation of water and sewage systems
- industrial and large volume buildings construction
- road construction

We introduce new environment friendly technologies. We constantly increase executive potential. We are able to perform the biggest construction projects in Poland and to participate in international undertakings thanks to our financial potential. We manage our budgets with full awareness and build trust of financial institutions.

Foundation of our success is knowledge and experience of highly skilled and trained engineering and production staff. Matrix teams management enable us elastic reaction to requirements of the Client and to changing conditions during projects execution.

We are in the forefront in many work types such as ground works, construction, roads, technological, installations, electrical, industry automation and cathode protection.

Currently PBG Capital Group operates in the five main segments:

- natural gas and crude oil;
- water;
- fuels;
- industrial and housing estate construction;
- roads.

4.1.NATURAL GAS AND CRUDE OIL SEGMENT

We introduced to the Polish market the hermetic method of working on active gas pipelines made by T.D Williamson. We organize complex underground gas depositories. We were the first in Poland to design and make the installation of re-gasification of liquefied gas (LNG). The apparatus are used in gas heating installations of cities and communes, as well as by industrial receivers. We design and prepare the systems of cogeneration and CNG and LCNG installations.

We were the first in Poland to design and build an automatic natural gas mine in the general investment realization.

As far as natural gas is concerned, we design and build:

- glycol installations for gas drying;
- molecular sieves;
- amino installations;
- gas liquefaction installation LNG;
- mercury removal systems;
- hydrogen sulphide removal systems;
- nitrogen removal systems;
- installations to fractionate LPG and C5+;
- re-gasification stations LNG;
- reductive-measurement stations and measuring-settlement stations;
- gas mixing stations and distribution centres on the flow network;
- transmission pipelines together with accompanying facilities;
- compressors and others.

We use devised technologies and gained experience while building natural gas mines for the construction of crude oil mines. In 2003, we built the first in the company's history automatic crude oil mine.

In 2005, in response to ever increasing requirements in environmental protection, we were the first in Poland to devise the system for thorough purification of cereal waters. Next year we prepared and introduced the underground oil warming system, whose aim was to make it easier to extract crude oil.

We design and make the following installations connected with oil:

- double-phase separation;
- three-phase separation;
- stabilization;
- chlorides removal;
- sulphur removal;
- hydrogen sulphide removal;
- mercaptan removal.

We also offer:

- shop prefabrication of steel constructions of refinery furnaces together with an assembly;
- repairs and modernizations of refinery plants.



COMPANIES FROM THE PBG CAPITAL GROUP OPERATING IN THE NATURAL GAS AND CRUDE OIL AREA



PBG SA offers specialist services in the area of end-to-end systems and facilities for natural gas, crude oil and fuels. The company is either the main contractor or a subcontractor responsible for the design, construction, upgrade, service and maintenance in the following areas: MINING of natural gas and crude oil, TRANSMISSION of natural gas and crude oil, STORAGE of natural gas, fuel, LNG, LPG, C5+, CNG.



Excan Oil and Gas Engineering LTD.

An engineering company operating in the area of design and provision of equipment for the construction of natural gas and crude oil systems; Excan Gas and Oil was registered on 5th April 2007 in Alberta province in Canada.



GasOil Engineering A.S.

GasOil is an engineering company operating in the area of design and implementation of projects on the international market. The company's offer includes preparation of the analyses and studies, designs, financial analysis, project management, "turn-key" supplies and supervision over the tasks in the areas of natural gas and crude oil; the registered seat of the company is located in Poprad in Slovakia.

SALES

Operations of the PBG Capital Group focus mainly on the Polish market. Not without a purpose for presence on international markets was joining in the structures of the PBG Capital Group the GasOil Engineering company which sales its services on the international markets such as Germany, Czech Republic, Israel or Ghana. Currently, also PBG is executing its first foreign contracts for Kanfa Aragon from Norway and Gas Naturele from Pakistan. The biggest receivers of the Group's services in this segment are PGNiG and Gaz-System.

Revenues	Year 2008 (in PLN thous.)	Year 2007 (in PLN thous.)	Change (in PLN thous.)	Change (in %)
Natural gas and crude oil (extract, transfer, distribution)	258 071	160 455	97 616	61%

Share of natural gas and crude oil in net revenues from sales in 2008 totalled 12.3 % and increased almost by one (1) percentage point in relation to the previous year. Natural gas and crude oil segment is the basic area of operations of PBG SA which is a leader in this sector on the Polish market. In relation to signing in August of 2008 historically the largest contract of this segment that is the contract for construction of crude oil plant for the Polish Gas and Oil Company SA in the net amount of PLN 1,4 bn and the contract of slightly lower value for construction of the underground gas storage in Wierzychowice in the amount of PLN 1,1 bn, PBG expects considerable increase of income from sales from the natural gas and crude oil sector in the following years. Those are the most important projects being conducted by the PBG Capital Group.

4.2. WATER SEGMENT

We build installations which aim is to decrease the pollution of water, soil and air, and therefore, we significantly influence the improvement of natural environment conditions. We carry out the whole investments of hydraulic engineering constructions, structures of environment protection and water-sewage system.

We have appropriate equipment, financing and staff to gain and execute on our own even the largest undertakings. We are in the forefront of system renovation services market.

We make use of the latest technologies of renewal installation, without the necessity to dig up, conservation and repair of underground pipeline infrastructure.

We completely prepare such environment protection structures as:

WATER:

- water treatment stations;
- water mains and supply systems;
- renewal of water supply systems;
- automation and measurements;
- electrical installations;
- designing;
- anti-corrosion protection.

SEWAGE:

- sewage treatment system;
- collectors and sewage systems;
- renewal of sewage systems;
- automation and measurements;
- designing;
- electrical installations.

WASTE:

- waste management plants;
- waste dump sites;
- reclamation;
- automation and measurements;
- designing;
- electrical installations.

We completely build such hydraulic engineering constructions as:

- hydraulic engineering reservoirs (dry and wet, fire-fighting, agricultural);
- river regulation;
- damming constructions, water levels;
- locks;
- hydroelectric power stations;
- communication structures.



COMPANIES FROM THE PBG CAPITAL GROUP OPERATING IN THE WATER AREA



GRUPA PBG

Hydrobudowa Polska SA

Company specializes in the end-to-end construction and investment servicing of engineering, hydro-technical, environmental protection, and water and sewerage systems.



GRUPA PBG

Hydrobudowa 9 SA

The core business of the company are hydro engineering, environmental protection, road and residential construction systems.



GRUPA PBG

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

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



GRUPA PBG

Infra SA

Business activities of the company concentrate on services in the area of sanitary engineering and environmental protection; the company uses different methods of renovation of waterworks, sewerage, and technological systems.



GRUPA PBG

KWG SA

The company specializes in investments in infrastructures related to the environmental protection, such as: waterworks and sewerage systems, pumping stations and wastewater treatment plants, low-, medium and high-pressure gas supply systems, as well as meter and regulator stations and gas boiler houses.



PRIS Sp. z o.o.

The company operates in the area of renovation and monitoring of pipelines and trenchless technologies. Purchase of its shares by the Infra SA company strengthened the PBG Capital Group in the area of renovation of existing waterworks and sewerage systems.



technologie bezwykopowe

Wiertmar Sp. z o.o.

The company offers services in the area of renovation and monitoring of pipelines and trenchless technologies. The objective of inclusion of Wiertmar into the PBG Capital Group was to back-up the Companies operating in the hydro-technical area and especially the Infra company in the area of renovation of existing waterworks and sewerage systems.

SALES

Sales market of the services from the water segment includes whole Poland which is a result of gaining contracts from different kinds of entities in strictly specified locations indicated by an investor. Main Group's investors are local government entities and economic entities running business within water-sewage management, including economic entities which belong to municipalities and local government entities.

Revenues	Year 2008 (in PLN thous.)	Year 2007 (in PLN thous.)	Change (in PLN thous.)	Change (in %)
water (hydro engineering, environmental protection, renovations)	1 130 317	781 821	348 496	45%

Water segment is a very dynamic segment of the Group's operations which had the greatest share in total sales (in 2008 revenues from that segment totalled 54% of total revenues from sales in comparison to 55,6% in 2007). Contracts performed in this segment are co-financed by the European Union; the value of each contract is quite high and they are related to the investments in such areas as environmental protection and hydro-technology. The investment budget for Poland approved for years 2007-2013 provides EUR 63 bn for the investments related to: infrastructure, environmental protection and hydro engineering which allows to assume that that this market will remain attractive in the following years. Hydrobudowa Polska and Hydrobudowa 9 are leading companies in the water segment of the PBG Group.

4.3.FUELS SEGMENT

We accomplish investments in the form of general execution that consists in both the construction of new buildings, as well as the modernization of existing storage stations together with accompanying infrastructure. While repairing the storage reservoirs, we also work on structures being in operation. Following an order received from NATO we modernize and develop the existing storage reservoirs of solid fuels (MPS), as well as deliver and build underground storage reservoirs in military bases throughout Poland. The execution of designs in the field of military building is connected with access to secret information, which requires a special permission. We are among very few who satisfy the Investor's expectations in this scope.

We completely prepare:

- building and execution designs;
- ground and underground installations;
- transmission and storage technologies;
- technological installation of petrol vapour recycling;
- distribution and unloading installations;
- dosing installation of concern additives to fuels;
- safety and monitoring installation;
- sanitary installation;
- power infrastructure and akp;
- container generating sets and emergency power supply systems;
- control and supervision installations;
- complete fire systems;
- elements of railway infrastructure (tracks, sidings);
- tight trays;
- steel constructions;
- anti-corrosion protection;
- concrete and asphalt roads and fields.



COMPANIES FROM THE PBG CAPITAL GROUP OPERATING IN THE FUELS AREAS

Leading role in this segment performs the PBG company.

SALES

Sales market of services from the segment of fuels includes whole country area. It is related to gaining contracts from different kinds of entities and executing them in places shown by an investor.

Revenues	Year 2008 (in PLN thous.)	Year 2007 (in PLN thous.)	Change (in PLN thous.)	Change (in %)
fuels (fuels storage)	170 038	192 225	-22 187	-12%

Investment projects implemented in the segment of fuels are related to fuel storage (fuel depots and storage facilities). Share of the discussed segment in net revenues from sales reached 8,1% and was lower by 5,6% in comparison to the analogical period of the previous year.

The main buyers of services in this segment are: the Investment Department of NATO, PKN Orlen and OLPP Sp. z o.o.. In this segment the most important project carried out since the beginning of 2007 is the contract for execution of investment connected with delivery and execution of underground storage reservoirs. The total value of the agreement is nearly PLN 280 mln (at the time of signing agreement its value amounted approximately PLN 255 mln). Acquisition of the contract with NATO and increasing demand for such services could lead to the increase in revenues in this segment in the future.

4.4. INDUSTRIAL AND HOUSING ESTATE CONSTRUCTION SEGMENT

We accomplish works in the housing, industry and sport sectors. We construct public utilities, offices, trade and commercial structures. Our property development services include structures on the basis of our own lands and building structures. We carry out an activity connected with land purchase and development. We offer our customers finished and separate private accommodations, as well as other premises together with a share in land and housing parts of the building.

In the scope of large volume and industrial buildings we carry out:

- formal and legal agreements;
- land levelling;
- land drainage;
- staking;
- foundations;
- fields;
- concrete and steel constructions;
- provision of all technological media to structures;
- electric networks;
- central heating and ventilation;
- ventilation, air-conditioning and heating systems.

Moreover, we:

- build housing and trade centres;
- design new concepts of development;
- deal with the property management and trade;
- put the property legal status in order;
- organise formal and legal structures of property development projects.



COMPANIES FROM THE PBG CAPITAL GROUP OPERATING IN THE INDUSTRIAL CONSTRUCTION AREA

Construction of sport arenas - Hydrobudowa Polska, PBG

Construction of waste disposal plants - Hydrobudowa Polska, Hydrobudowa 9



PRG METRO

GRUPA PBG

PRG Metro Sp. z o.o.

The company is one of the general contractors of Warsaw underground tunnels and accompanying facilities such as subway routes/track fan units chambers, junction cells, underpasses, micro-tunnels. The company extended its activity on the water and sewerages market. The PRG Metro company strengthened executive potential of the Hydrobudowa Polska SA company and enabled it diversification of the areas of activity, including entering into entirely new markets connected for instance with construction of underground.

COMPANIES FROM THE PBG CAPITAL GROUP OPERATING IN THE HOUSING ESTATE AREA



PBG DOM

GRUPA PBG

PBG Dom Sp. z o.o.

The company operates in the area of real estate development (the construction of a housing estate in Lusówko near Poznań). It also manages real estates and lands owned by all companies from the PBG Capital Group.



**APARTAMENTY
POZNAŃSKIE**

GRUPA PBG

Apartamenty Poznańskie Sp. z o.o.

The company operates in the area of construction and real estate development.

Gdyńska Projekt Sp. z o.o.

The purchase, sale, lease and management of real estates constitutes the subject of activity of the Gdyńska Projekt Sp. z o.o. company. The company conducts construction and development activity.

Budwil Sp. z o.o.

The purchase, sale and development of real estates at own account constitutes the subject of activity of the Budwil Sp. z o.o. company. The company conducts construction and development activity.

Górecka Projekt Sp. z o.o.

The company conducts construction and development activity.

PBG DOM INVEST I Sp. z o.o. (previously Dawil Sp. z o.o.)

The company conducts construction and development activity.

Złotowska 51 Sp. z o.o. (previously KM Investment Sp. z o.o.)

Construction of apartments for sale and lease constitutes the subject of activity of the Złotowska 51 Sp. z o.o. company. Investment in the Złotowska 51 Sp. z o.o. company was aimed at common performance of the development project.

SALES

Services in the field of industrial and residential construction are being executed in whole Poland.

Revenues	Year 2008 (in PLN thous.,)	Year 2007 (in PLN thous.,)	Change (in PLN thous.,)	Change (in %)
Industrial construction and housing estate (construction, infrastructure for industrial facilities)	195 491	116 152	79 339	68%

Share of the industrial construction and housing estate segment in net revenues from sales in 2008 reached 9,3% which is the amount higher by 1% in comparison to year 2007. In relation to new perspectives occurring on this market concerning mainly infrastructure investments, such as: construction of stadiums or waste disposal plants in the largest cities in Poland significant increase of revenues from the industrial construction segment may be expected in the following years. Presently the most important projects carried out within the scope of discussed segment are as follows: contract for construction of stadium in Poznań in the amount of nearly PLN 400 mln, the contract for the construction of waste disposal plant in the approximate amount of PLN 300 mln and the contract for construction of stadium in Gdańsk in the amount of PLN 427 mln.

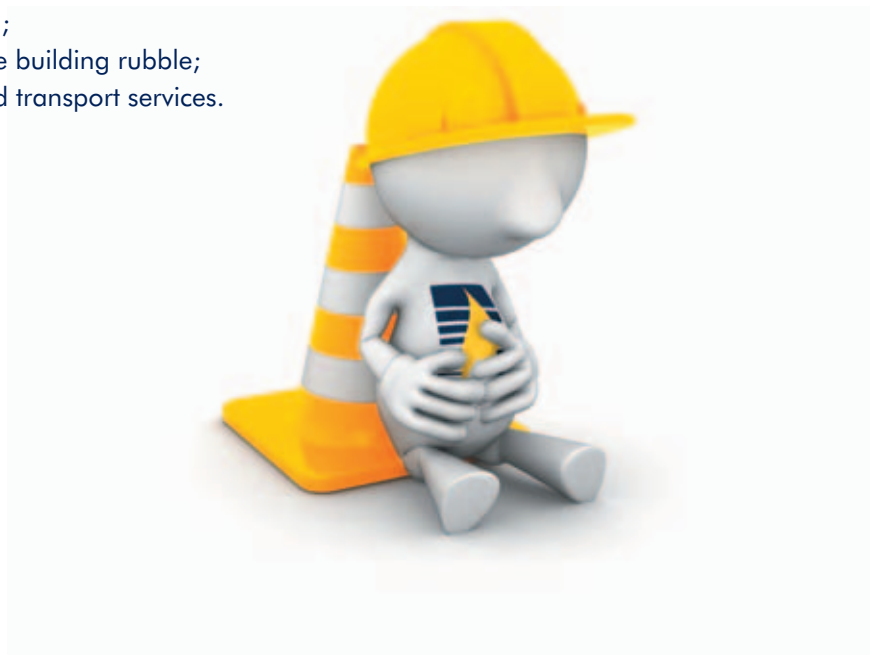
4.5.ROAD CONSTRUCTION SEGMENT

We do the works connected with road, bridge and tunnel constructions. We have our bituminous mass factory and laboratory which controls the production.

We produce mineral-bituminous masses of highest standards which are intended for roads of high level of traffic. We produce bituminous masses for cold built-in. We have modern, fully-automated concrete facilities and an aggregate mine.

In the range of road, bridge and tunnel construction we offer:

- road and street construction and modernization in various functional categories;
- complex road works, including:
 - earthwork,
 - sewage system,
 - culverts,
 - all kinds of foundations,
 - bituminous and concrete surface works,
- bridge works;
- tunnel construction, including:
 - underground tunnels,
 - road tunnels,
 - railway tunnels,
 - tunnels for pedestrians,
 - ventilation tunnels,
- bituminous mass production;
- concrete production;
- production of mineral-bituminous mixtures;
- cold recycling of roads and fields;
- soil stabilization and homogenization;
- surface milling;
- recycling of the building rubble;
- equipment and transport services.



COMPANIES FROM THE PBG CAPITAL GROUP OPERATING IN THE AREA OF ROAD CONSTRUCTION



GRUPA PBG

APRIVIA SA

The APRIVIA company is responsible for the consolidation of companies from the road construction sector and strengthening the position of the PBG Capital Group in the area of road construction, including the acquisition and execution of contracts and the organization of financing activities.



GRUPA PBG

Dromost Sp. z o.o.

The company offers construction services in the area of transport facilities and produces bituminous masses.



GRUPA PBG

PRID SA

The company is the contractor of road, bridge and engineering works including ground works, the construction of sewerage systems and bases as well as oil stabilization and surface works, both bituminous and concrete ones. The company also owns a Bituminous Mass Works with a research laboratory.



GRUPA PBG

BETPOL SA

The Company's scope of business includes mainly road works, such as: foamed bitumen cold recycling or milling asphalt and concrete surfaces. Betpol also produces cold asphalt and bitumen mix and ready mix concrete. Moreover, it produces steel constructions and it offers demolition, assembly and construction services as well as installation services including reinforced concrete works. The inclusion of BETPOL into the Capital Group strengthened the activities of the Group in the area of road construction.



GRUPA PBG

BROKAM Sp. z o.o.

The company owns the land and license for aggregate production. The company will back-up the Companies from the PBG Capital Group operating in the segment of road construction by providing construction materials.

SALES

Companies from the road construction area operate mainly on the local markets and its surroundings (which is Bydgoszcz, Nowy Tomyśl and Poznań). Currently, these companies bid for tenders in whole country.

Revenues	Year 2008 (in PLN thous.,)	Year 2007 (in PLN thous.,)	Change (in PLN thous.,)	Change (in %)
roads (road construction)	140 794	31 205	109 589	351%

The share of above segments in net revenues from sales in 2008 reached in total 6,7% and increased by 4-percent in relation to the previous year. Revenues in comparison to the end of year 2007 increased over three times and reached almost PLN 141 mln from PLN 31 mln. Year 2008 was mainly a year of road companies consolidation, introducing organizational changes, restructuring and raising capital of entities which joined the PBG Capital Group.

Moreover, there are three another companies in the PBG Capital Group which operate in different areas not mentioned above.

EXECUTIVE COMPANIES



PBG Technologia Sp. z o.o. (previously Hydrobudowa Polska Konstrukcje Sp. z o.o.)

The company is conducting production and assembly activity within the scope of: manufacture and assembly of steel constructions, production and assembly of devices and installations, production and assembly of steel containers, execution of complex installations projects for industry and particularly for petrochemical industry. This company will be dealing in future with strictly executive activity within the scope of construction services.

GAINING AND EXECUTION OF FOREIGN CONTRACTS AREA

PBG Export Sp. z o.o.

The PBG Export company was established for the purpose of acquiring orders in the country and abroad as well as for supervision over their performance.

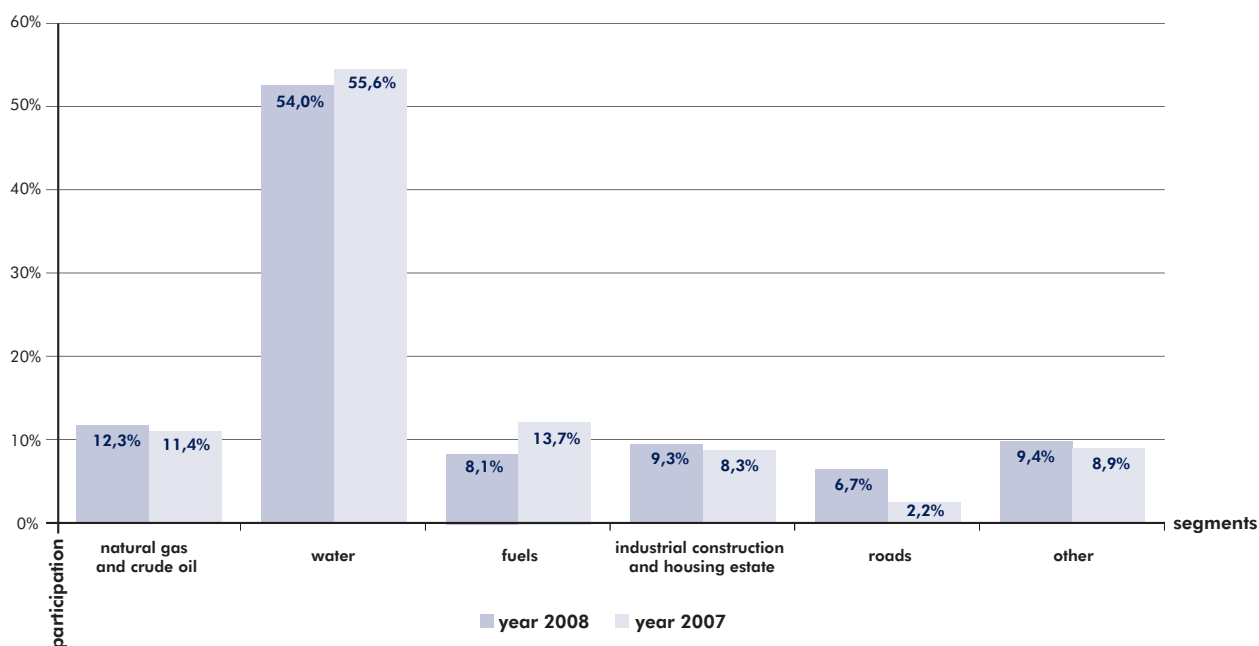
SUPPORT TO ALL COMPANIES FROM THE PBG CAPITAL GROUP



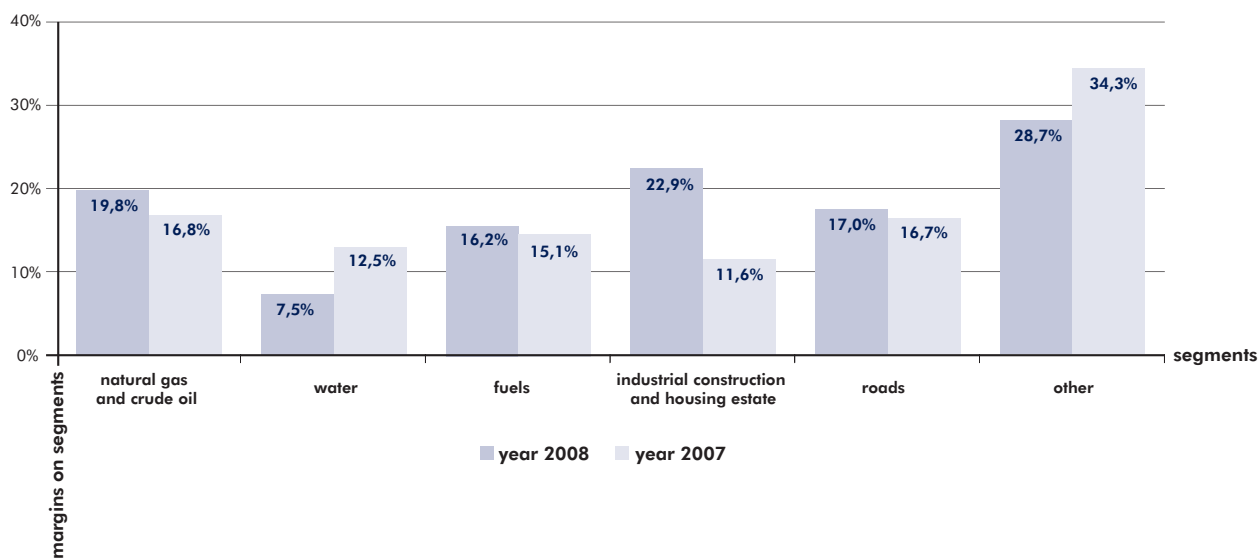
GRUPA PBG **AVATIA Sp. z o.o.**

The core business of the company is the provision of IT services, including: IT consultancy, IT systems implementation, data processing, as well as services related to IT and computer technologies. AVATIA as a member of the PBG Capital Group offers support in the IT area to all Companies within the Group.

PARTICIPATION OF SEGMENTS OF THE PBG CAPITAL GROUP ACTIVITY IN REVENUES IN YEAR 2008



FORMATION OF GROSS MARGIN ON SALES IN SEGMENTS OF THE PBG CAPITAL GROUP ACTIVITY IN YEAR 2008



5. EMPLOYEES

In 1994 in the “garage”, there has been founded family company named Piecobiogaz (TODAY’S PBG), employing 7 people. Currently Company is at the head of the PBG Capital Group, employing nearly four thousand people. They are involved in realization of big and complicated projects, increasing value of the companies and taking care of high level of given services and supplies.

In the business activity the PBG Capital Group makes its way towards high ethical standards, creating partnership relations with clients, social-economic environment and employees. In contacts with other entities, clients and in interpersonal relations, employees of the Company make their way towards such rules as: professionalism, responsibility, reliability, credibility and honest competition.

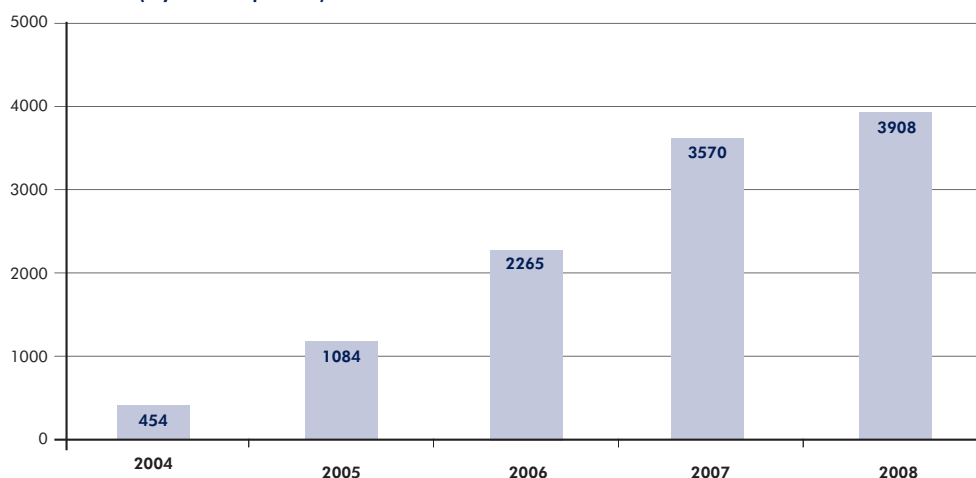
The strongest side of the PBG Capital Group is experience, education and ambition of employees. Each of them is prepared to take full responsibility for tasks entrusted to them. Unique organizational culture and family atmosphere create awareness of influence of each of US on achieved successes of the Group.

The Group effectively communicates their employees what are expectations towards them and what aims are meant to be accomplished. OUR employees in a reliable way execute responsibilities entrusted to them and maintain good relations with clients and partners. All above lead to a systematic creation of positive effigy of the Group in its surrounding either internal or external.

One of the principal assumptions of the human resources management policy in the Group is sustain development and improvement of employees what give them a chance for professional development and, as a consequence, possibility of promotion. Regardless of the level in the organization hierarchy, employees have equal access to the system of trainings. Employer meets needs of the employee and give him opportunity to raise his qualifications according to requirements of the taken position and according to perspectives of further professional development.

For top management and key employees of the PBG Capital Group there has been introduced Motivation Program which is an addition to the remuneration system. The condition of Program execution at the given year is reaching by the PBG Capital Group operating profit for the recent fiscal year, shown in consolidated financial statement, examined by an independent auditor and approved by AGM of the PBG SA company at the level of at least 75% of the operating profit forecast for the year examination has concerned. In 2008 in the frameworks of the Program there have been given 12 500 D series bearer shares of the PBG company.

EMPLOYMENT AT YEAR-END (5 years comparison)



The PBG Group is characterised by regular, dynamic growth of employment. At the end of year 2008 there was 3908 employees which means almost 10% increase in comparison to year 2007 (3570 people).