

PROSPECTUS SUMMARY

1 Introduction

Issuer: PBG Joint-stock Company with the registered Office in Wysogotowo, www.pbg-sa.pl

The dominant entity of the Issuer is Mr Jerzy Wiśniewski.

The following are to be submitted to public trading according to the Prospectus:

- 5,700,000 registered preference A shares
- 1,500,000 common bearer's B shares
- up to 3,000,000 of common bearer's C shares
- 330,000 common bearer's D shares

The C Shares in public trading shall be connected with RTS ("Rights to Shares").

The following are offered according to the Prospectus:

- 3,000,000 of C Shares
- 330,000 of D Shares

	Issue price	Issue costs	Issuer income
Per unit in C series	◆	0.45	◆
Total C series	◆	1,355,000.00	◆
Per unit D series	1.00 PLN	0.00	1.00
Total D series	330,000.00 PLN	0.00	330,000.00

The issue price of the C Shares shall be determined within the framework of the Demand Book development process, described in detail in Chapter III item 10.8. Not later than one day before the start of subscription of the C Shares in the Retail Tranche and prior to the start of development of the Demand Book in the Institutional Tranche the price range constituting basis for the issue price of the C Shares shall be announced to public. The issue price of the C Shares shall be announced at 8.00 hours on the date of commencement of subscriptions in the Institutional Tranche.

The subscription for the C Shares shall start on 16th June 2004. From 16th – 18th June 2004 subscriptions in the Retail Tranche will be accepted and simultaneously the Demand Book will be developed in the Institutional Tranche. The subscription for the Institutional Tranche and the Closed Tranche shall be accepted on 21st June 2004. The subscription of the C Shares shall finish on 25th June 2004. The C Shares shall be allocated until 29th June 2004.

The offer comprises 3,000,000 C Shares. There will be 600,000 C Shares offered within the Retail Tranche, 200,000 C Shares within the Closed Tranche and 2,200,000 C Shares in the Institutional Tranche. The Issuer may decide to shift the C Shares between the tranches. Subscriptions in the Closed Tranche shall only be accepted from the investors indicated by the Management Board of the Issuer prior to the subscription start. The C Shares shall be allocated within the Closed Tranche by the Issuer's Management at its discretion, i.e. the allotment rate may be different for various investors. Upon the completion of development of the Demand Book, the C Shares in the Institutional Tranche shall be initially allocated to the Investors who during the process declared interest in purchasing the C Shares at the price not lower than the finally determined issue price of the C Series. The C Shares shall be allocated at discretion, i.e. the allotment rate may be different for individual investors. The Investors who are preliminarily allocated the C Shares shall be invited by the Issuer, by means of the Distribution Consortium member, to subscribe for the number of preliminarily allocated C shares, at the determined issue price. Within the Institutional Tranche the C Shares shall be allocated by the Issuer according to the submitted subscriptions. Within the Institutional Tranche and the Closed Tranche the subscriptions shall be submitted at the issue price determined by the Issuer. The Issuer shall announce the issue price by 8.00 hours on the date of subscription commencement in the Institutional and Closed Tranche, in the form of a Communication. Within the framework of the Retail Tranche the investors shall subscribe for C Shares at the maximum price from the price range determined to develop the Demand Book. Within the Retail Tranche the allotment shall be executed according to the submitted subscriptions and in the case of oversubscription – according to the proportional reduction principle. The C Shares shall not be offered within the framework of execution of the service sub-issue agreement.

The subscription for the D Shares shall be opened and shall commence on 21st June 2004. The subscription shall be closed and the acceptance of subscriptions for the D Shares shall end on 22nd June 2004. All D Shares shall be taken up by the Service Sub-issuer. The Service Sub-issuer shall take up the D Shares at the issue price of 1.00 PLN. The D Shares shall be allocated to the Service Sub-issuer until 25th June 2004.

Within the framework of execution of the Scheme the Service Sub-issuer shall divest the D Shares to the Authorised Parties in a primary turnover, pursuant to article 77 of the Law on Public Trading of Securities, according to the terms stipulated in the Prospectus. During each year of Scheme execution the divestment of D Shares by the Service Sub-issuer for Authorised Parties shall commence within two months from the date of holding the general assembly which approves the consolidated financial accounts of the Capital Group. The deadline of subscription for the D Shares shall not be shorter than 3 Working Days. The Authorised Parties shall acquire the D Shares from the Service Sub-issuer at the price of 1.00 PLN increased by the cost of financing of the share acquisition by the Service Sub-issuer. During each year of Scheme execution the Service Sub-issuer shall notify each Authorised Party about the possibility to subscribe for the D Shares by sending a registered letter to the address indicated in the resolutions of the Supervisory Board – for the Management Board Members and other parties indicated by the Supervisory Board and to the addresses indicated in the resolution of the Management Board – for other Authorised Parties. The Authorised Parties shall subscribe for the number of D Shares that does not exceed the one indicated in the resolution of the Supervisory Board – for the Management Board Members and other parties indicated by the Supervisory Board and in the resolution of the Management Board – for other Authorised Parties. The Authorised Party shall be entitled to make only one subscription for the D Shares. The Authorised Party may subscribe for the number of D Shares lower than the one granted in the respective resolution of the Supervisory Board or the Management Board. The D Shares shall be allocated to the Authorised Parties in the numbers resulting from the submitted subscription, however, not exceeding the number of shares specified for a given Authorised Party in the respective resolution of the Management Board or the Supervisory Board.

Declaration of the Securities and Exchange Commission

The Securities and Exchange Commission assessed that the submitted documents contained all information and data required by the legal provisions. The Securities and Exchange Commission shall not be liable for the investment risk related to the acquisition of securities offered in this prospectus. The Commission emphasises that the responsibility for the selection of the offer procedure is vested in the Issuer and the responsibility for the execution thereof is vested in the brokerage house performing the function of the Offering Party. Pursuant to the Decision no. DSP/E/4110/12/24/2004 dated 25th May 2004 the Securities and Exchange Commission accepted the securities referred to herein for public trading.

The Party Offering the Shares in the public trading is the BZ WBK SA Brokerage House with the registered office in Poznań.

The prospectus shall be made available to public in hardcopy, within at least seven days before the commencement of the subscription for the C Shares. The prospectus and the updates thereof shall be made available to public at the Information Centre of KPWiG [Securities and Exchange Commission] in Warsaw, Plac Powstańców Warszawy 1, at the registered office of the Issuer in Wysogotowo near Poznań, ul. Skórzewska 35 and at the registered office of the Offering Party in Poznań, Plac Wolności 15 and at the Client Service Centres listed in appendix 6 hereto. At the registered office of the Issuer the Prospectus and appendices hereto shall be made available together with the Articles of Association of the Company, the up-to-date excerpt from the National Court Register and expert opinions. The prospectus shall also be made available in an electronic form at the website of the Issuer: www.pbg-sa.pl. The Prospectus Summary shall be published in the "Parkiet" Exchange Gazette simultaneously to making the Prospectus available to public.

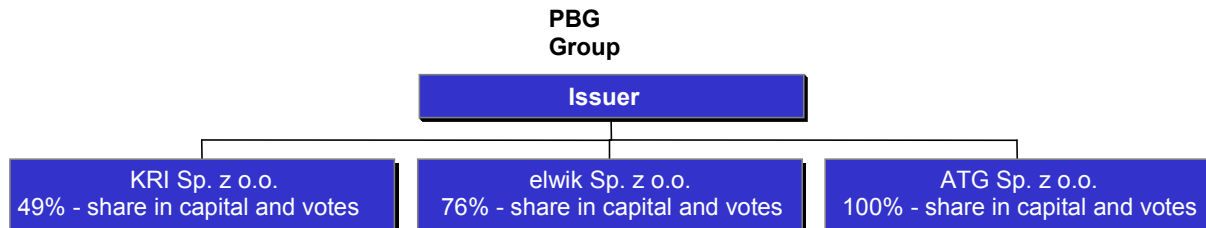
No depositary receipts shall be issued outside the territory of the Republic of Poland in relation to the C or D Shares.

2 General information on the Issuer and the Capital Group

2.1 Specifics and nature of business of the Issuer and its Capital Group

The Capital Group comprises: PBG S.A. – the dominant entity, "elwik Sp. z o. o. and ATG Sp. z o. o. as subsidiaries and KRI Sp. z o. o. as an associated company.

The position of the Issuer in individual entities of the Capital Group as of the date of drawing up this prospectus is the following:



The Issuer and its Capital Group constitute an entity with nationwide reach, operating in the installation market in gas, petroleum, heating and water-sewage trade. Moreover, the entity deals in water distribution and utilisation of liquid waste ("elwik" Sp. z o. o.), transmission, distribution and turnover of natural gas and heat (KRI Sp. z o.o.) and trading in materials and equipment for gas, petroleum and water – sewage sector (ATG Sp. z o. o.).

2.1.1 PBG S.A.

The Issuer offers professional services of construction, modernisation, general repair and exploitation of:

- steel pipelines and structures for transmission of natural gas, petroleum and water,
- LNG installations, infrastructure for heating sector, polyethylene pipelines for natural gas, water and sewage systems,
- professional structures for LPG, natural gas and oil mining,
- infrastructure for industrial structures, roads and motorways,

The Company performs the aforementioned activities within the framework of the general construction formula in the "turn-key" system, or as a subcontractor.

In the nearest future the Issuer intends to focus on construction, general repair, modernisation and exploitation of professional structures of high unit value.

The Issuer commenced its activities in 1994 as a family company with the business name PIECOBIOGAZ S.C. and it mastered in execution of reduction – measurement stations, steel gas pipelines and polyethylene pipelines for transmission and distribution of natural gas.

In line with the adopted strategy in 1997 the owners of PIECOBIOGAZ S.C. decided to establish a company with the business name TECHNOLOGIE GAZOWE PIECOBIOGAZ Sp. z o. o., which took over a part of activities of the civil company, i.e. activities in execution of gas structures.

The dynamic development of the Issuer results from implementation of cutting-edge world technologies and employment and training of young, professional engineers.

In 1998 the Company purchased the machinery and technology from the American company T.D. Williamson to execute works in active gas structures without interruption of natural gas supplies to customers; then it purchased the Compact Pipe - a trenchless pipeline rehabilitation method licensed by the Dutch company Wavin.

Moreover, in the same year the scheme of organisation of financing and execution of investment of gasification and boiler station modernisation (reconstruction of coal into gas ones) was developed for local councils within the framework of the B-O-T formula (Building – Operating – Transfer). In the years 1999 – 2001 such schemes were executed in Trzemeszno, Złotów and Tomaszów Bolesławiecki. The success of these schemes resulted in separation of this part of Issuer's business and in the establishment of KRI Sp. z o.o. in 2001.

The experience gained from the co-operation with local councils enabled common execution of an investment programme consisting in comprehensive gasification and modernisation of the boiler station in the territory of Myślubórz and Lipiany municipalities, including city heating plant and 26 other boiler stations and in the construction of a high and medium pressure gas pipeline networks. Due to the ecological aspect of the undertaking it was co-financed by the National Fund of Environmental Protection and Water Management.

In 2001 the Issuer commenced co-operation with RWE, one with the largest global public utility concerns. This resulted in signing in 2002 of the capital co-operation agreement and in taking up shares in KRI by RWE.

Consistent execution of the strategy focused on seeking new development areas was reflected in acquisition in 1999 of the first contract for construction of a natural gas mine in Bonikowo and later in Racot. The completion in 2001 of the construction of the biggest Polish natural gas mine in Kościan was a great success. At present, the Issuer as a subcontractor executes 2nd stage of this investment consisting in the development of the zones adjacent to boreholes in Brońsko.

Another important step in company development was execution in 2002 of the separation and storage station of LPG and C5+ for the heat and power plant in Władysławowo at Hel.

In 2003 the Issuer entered for the first time the market of execution of petroleum mines, executing such structures in Dzieduszyce and Sławobórz.

The Issuer is a company with significant experience and solid position in the Polish market, in particular in the field of transmission and mining of natural gas and petroleum. The services rendered by the Issuer are specified by a high quality confirmed by certificates. Already in 1998 the Issuer was one of the first companies in the gas trade to have introduced the quality assurance system audited and certified by the German Welding Institute DVS Zert from Düsseldorf.

At present, the Issuer holds the certificate of compliance of the quality assurance system with the PN-EN ISO 9001:2001 standard and with the AQAP 110:1995 guidelines, which makes it possible to participate in procurement in the military market and in NATO. In 2004 the Ministry of National Defence of the Republic of Poland awarded the Company the Recommendation no. 161 concerning the execution of assignments of strategic importance, related to security, state defence and environmental protection in the scope of construction, general repair and exploitation of gas networks and facilities.

The quality of the offered welding services is confirmed by the awarded certificate of compliance of the quality system with the requirements of the PN-EN 729-2 standard - Quality requirements for welding. Fusion welding of metallic materials. Part 2: Comprehensive quality requirements”

The currently implemented standards: ISO 14001, PN-N 18001 also contribute to the systematic increase in the quality of the offered services and to the improvement of the work health and safety.

The high level of management and quality of the offered services are also confirmed by the awards and distinctions granted to the Issuer. The most important is the Polish Quality Award received by the Company in 2002 for the European level of management in SME category, which makes it possible for the Company to apply for the European Quality Award in 2005.

Issuer's friendly relations with the Clients, staff and environment are reflected by the titles of the “Fair Play Enterprise” awarded in 2000, 2001 and 2003 and the “Golden Certificate of Fair Play Enterprise” received in 2002. Moreover, in 2003 the “Rzeczpospolita” newspaper awarded the Issuer with the “Good Wielkopolska Company” title and in January 2004 the Company was recognised as the most dynamically developing company in Wielkopolska.

The Issuer is an active member of a number of trade and business organisations and associations, regional, domestic and international ones, including but not limited to:

- Gas Industry Economic Chamber,
- Wielkopolska European Integration Club at the NOT Federation of Scientific – Technical Associations,
- The Polish Forum ISO 9000 Club,
- PROLINEA Infrastructure Development Association,

- Scientific – Technical Association of Engineers and Technicians of the Petroleum and Gas Industry,
- Project Management Polska Association,
- Wielkopolska Chamber of Industry and Commerce,
- Western Economic Club,
- Polish – Belgian – Luxembourgian Chamber of Commerce,
- Polish – Arabic Chamber of Economy.

The dynamic development of the Issuer and its specialisation in acquisition and execution of key value projects within the general execution formula in the “turn-key” system enforces the development of execution departments and increase in financial capacity of the company. Therefore in 2003, within the framework of execution of the subsequent strategy step the General Assembly decided to transform the enterprise TECHNOLOGIE GAZOWE PIECOBIOGAZ Sp. z o. o. into a joint-stock company and to change the business name into PBG S.A., which the Issuer has been using since 2nd January 2004.

2.1.2 KRI Sp. z o. o.

In accordance with the Polish Classification of Activities, the basic subject matter of Company activities comprises activities in the scope of distribution of gas fuels in network systems (PKD 40 20 B). Apart from the transmission, distribution and trading of natural gas the Company deals also in heat generation and distribution and offers advisory services in the scope of organisation of financing and execution of investments concerning the natural gas exploitation and heat generation.

At first, KRI Sp. z o. o. was to be a company offering investment and technical advisory services, established on the basis of the Development Department separated from the structures of the Issuer. In Autumn 2001, due to high interest of local councils in gasification and boiler station modernisation schemes, the Company decided to expand its activity profile by the services in the scope of transmission, distribution and trading of natural gas and heat generation and distribution. The first licence for the aforementioned activities was awarded to the Company in December 2001 by the Energy Regulation Agency. At present, its scope comprises the municipalities in which the Company has executed its gasification and boiler station modernisation schemes.

In 2002 KRI Sp. z o. o. together with the Issuer implemented the LNG distribution technology which had not been applied in Poland, making it possible to supply gas to customers distant from transmission networks. Its designing and LNG installation construction skills as well as the application of that technology made it possible for the Company to win competitive advantage and stable market position.

At present, KRI Sp. z o. o. conducts activities in the scope of transmission, distribution and trading of natural gas in 8 towns in wielkopolskie, zachodniopomorskie, lubuskie and kujawsko-pomorskie provinces, and heat generation and distribution activities in 2 cities in zachodniopomorskie and lubuskie provinces.

From the year 2002 one of the shareholders of the Company holding 51% of its shares is RWE International BV owned by the largest world public utility concerns – the RWE Group.

KRI Sp. z o. o. is a modern and client-friendly enterprise, which is confirmed by its numerous awards and distinctions, including but not limited to the European Medal for Services and the Fair Play Enterprise title awarded to the Company.

2.1.3 "elwik" Sp. z o. o.

According to the Polish Classification of Activities the basic subject matter of activities of the Company comprises activities in the scope of water consumption, treatment and distribution (PKD 41 00). Moreover, the Company deals in waste water management and disposal and liquidation of waste, sanitary and related services.

76% of "elwik" Sp. z o. o. shares are held by the Issuer and the other 24% are owned by the Lubicz Municipality. The Company was established in relation to the construction of the sanitary sewage and water system networks in the territory of the municipality of Lubicz near Toruń. The programme is an example of a positive and pioneer investment executed for local councils within the framework of a

public – private partnership (PPP) in Poland. This is confirmed by the HIT 2003 title, awarded for “practical implementation of pro-ecological public – private partnership concept” by the Economic – Local Council Contest Board.

2.1.4 ATG Sp. z o. o.

According to the Polish Classification of Activities the basic subject matter of activities of the Company comprises activities of the agent specialising in sales of specific goods or group of goods, not classified elsewhere (PKD 5118Z).

ATG Sp. z o. o. conducts trading activities in supply of materials and plant in gas, petroleum, heat and water – sewage industry. Moreover, it offers assistance in organisation of financing and advising in conformance of technical parameters to project requirements. The Company executes sales for the companies of the Group and for external customers.

The Company was incorporated in the Group within the framework of execution of the assumptions of the Issuer’s strategy of seeking additional income sources. The transaction of acquisition of 100% block of shares was concluded in March 2004.

As a dynamically developing company, ATG was distinguished by Puls Biznesu with the title „Business Gazelle 2003”.

3 Basic products, goods and services and sales markets of the Issuer and the Capital Group

3.1 Basic products, goods and services and sales markets of PBG S.A.

The offer of PBG S.A. comprises designing, execution, modernisation, general repair and exploitation of the following structures:

- steel pipelines and structures for transmission of natural gas, petroleum, water and sewage, including:
 - steel water mains and sewerages, oil pipelines, high pressure gas pipelines etc.,
 - reduction – measurement stations, mixing plants, distribution centres, pressing plants, measurements – calculation points, tanks, separation stations etc.,
- LNG installations, heating industry infrastructures, polyethylene pipelines for natural gas, water and sewage systems, including:
 - LNG storage and evaporation stations,
 - boiler stations, heat pipelines, heat centres,
 - gas pipelines, water and sanitary sewage systems,
- Professional objects for LGP, natural gas and petroleum mining, including:
 - LPG separation and storage stations,
 - petroleum and natural gas mines,
- Infrastructure for industrial structures and roads and motorways, including:
 - reconstruction of the existing infrastructure at collision points with roads and motorways under construction,
 - internal installations of industrial plants,
 - co-generation systems, i.e. associated production systems of electrical power and heat from natural gas,
- Fuel storage infrastructure,
- Other professional structures.

The professional technologies applied by the Issuer within the framework of execution of works include in particular:

- the American T. D. Williamson's method of performance of airtight works on active steel and polyethylene pipelines without bleeding gas to atmosphere,
- Trenchless pipeline system rehabilitation methods, including water, sewage, industrial and gas systems, applying the Compact Pipe and Slim Liner methods licensed by the Dutch company WAVIN.

In order to ensure a comprehensive offer, the Issuer executes also services in the scope of execution and maintenance of automation, measurement, telemetry and tele-mechanics systems.

As far as diagnostics are concerned, the offer of the Issuer comprises the evaluation of the technical condition of gas and oil pipelines, including transgressions of water courses and anti-corrosive protection systems.

The structure of income on the sales of products and services of the Issuer in the years 2001 – 2003 and during the 1st quarter of 2004 is presented in the table below:

Specification	Income on sales of products and services (k PLN)				Structure			
	1 q. 2004	2003	2002	2001	1 q. 2004	2003	2002	2001
Construction, modernisation, general repair, supervision, exploitation and maintenance of installations and technological structures and steel natural gas and oil pipelines	6 128	64 814	33 097	41 251	38.2%	41.1%	21.5%	35.1%
Construction, modernisation, general repair, supervision, exploitation and maintenance of boiler stations and heating installations, polyethylene gas networks and LNG installations	2 211	30 925	63 921	15 413	13.8%	19.6%	41.5%	13.1%
Natural gas and petroleum minim – construction of extraction installations and professional structures	4 742	40 766	47 655	47 166	29.5%	25.8%	31.0%	40.1%
Infrastructure for industrial structures, roads and motorways	1 405	13 229	6 140	10 695	8.8%	8.4%	4.0%	9.1%
General construction	1 567	8 115	3 099	2 958	9.8%	5.1%	2.0%	2.5%
Total	16 053	157 849	153 912	117 483	100.0%	100.0%	100.0%	100.0%

Source: Information obtained from the Company.

3.2 Basic products, goods and services and sales markets of the Capital Group companies

The structure of income on the sales of products and services of the Capital Group in the years 2001 – 2003 and during the 1st quarter of 2004 is presented in the table below:

Specification	Income on sales of products and services (k PLN)				Structure			
	1 q. 2004	2003	2002	2001*	1 q. 2004	2003	2002	2001*
Construction, modernisation, general repair, supervision, exploitation and maintenance of installations and technological structures and steel natural gas and oil pipelines	6 128	64 814	33 097	41 251	38.2%	36.2%	21.0%	35.1%

Construction, modernisation, general repair, supervision, exploitation and maintenance of boiler stations and heating installations, polyethylene gas networks and LNG installations	2 211	26 255	30 138	15 413	13.8%	14.6%	19.1%	13.1%
Natural gas and petroleum minim – construction of extraction installations and professional structures	4 742	40 766	47 655	47 166	29.5%	22.7%	30.3%	40.1%
Infrastructure for industrial structures, roads and motorways	1 405	7 573	5 494	10 695	8.8%	4.2%	3.5%	9.1%
General construction	1 567	2 535	3 098	2 958	9.8%	1.4%	2.0%	2.5%
Consumption, treatment, distribution of water and waste disposal	0	2 160	0	–	0.0%	1.2%	0.0%	–
Distribution of gas fuels and heat	0	10 365	15 428	–	0.0%	5.8%	9.8%	–
Construction, modernisation, general repair, supervision, exploitation and maintenance of hydro-technical installations and structures	0	24 798	22 512	–	0.0%	13.8%	14.3%	–
Total	16 053	179 266	157 422	117 483	100.0%	100.0%	100.0%	100.0%

Source: Information obtained from the Company.

* The Issuer did not draw up a consolidated financial statement; the data origin from the entity statement.

3.2.1 Basic products, services and sales markets of "elwik" Sp. z o.o.

"elwik" Sp. z o. o. was established in 2002 for the purpose of execution of scheme of the water and sewage pipeline system and water – sewage management in the territory of the Municipality of Lubicz near Toruń. The company was established by the Issuer (76%) and the Municipality of Lubicz (24%).

"elwik" Sp. z o. o. is perceived as a good example of execution of undertakings within the framework of the so-called public – private partnership (PPP), i.e. involvement of private capital for execution of public investments.

The main tasks of the Company comprise:

- consumption, treatment and distribution of water,
- receipt and utilisation of liquid pollution,
- Disposal and liquidation of waste from institutional and individual customers

The customers of the Company include both individual and institutional clients in the territory of the municipality of Lubicz.

The possibility of future expansion of activities beyond the territory of the municipality of Lubicz is not excluded.

3.2.2 Basic products, services and sales markets of KRI Sp. z o. o.

KRI Sp. z o. o. is a power company as defined in the Energy Law and it performs activities in the following scope:

- trading, transmission and distribution of natural gas in network systems, applying LNG technology,
- generation and distribution of heat,
- technical advising with respect to possibilities and ways of application of natural gas and modernisation of heating facilities and technological lines,
- advising with respect to organisation of financing and execution of gasification of cities and municipalities for own needs and for the needs of local councils.

KRI Sp. z o. o. offers services of gas and heat supply both for individual and institutional customers (including industrial plants) in the territory of 8 municipalities in wielkopolskie, zachodniopomorskie,

lubuskie and kujawsko-pomorskie province. As far as its advisory services are concerned, the clients of the company comprise industrial plants and local councils.

3.2.3 Basic products, services and sales markets of ATG Sp. z o. o.

ATG Sp. z o. o. conducts commercial activities of assembly and supply of material and plant necessary for execution of complete objects in gas, oil, heating and water – sewage industry. Apart from purchases, the Company offer for its Clients comprises advising in conformance of technical parameters to project requirements and assistance in organisation of financing.

The customers of ATG Sp. z o. o. services are natural gas distribution companies and companies offering professional services in installation business.

4 Plans and forecasts of factors affecting future results of the Issuer and the Capital Group

The future financial results of the Capital Group will be conditioned to a great extent by the economic situation, condition of public finance and the conditions of trade markets in Poland, Europe and worldwide. The execution by the Government of the assumptions of the Polish Energy Policy and the Country Spatial Planning Policy will also constitute a significant factor.

4.1 Natural gas

The anticipated directions of gas sector development resulting from the Polish Energy Policy and the strategy of PGNiG S.A. will positively influence the demand for highly professional construction services. The factors that may affect the growth of demand for the services offered by the Issuer and hence – its financial results comprise among others:

- Increase in use of natural gas in power sector, heating sector, industry and households resulting in the necessity to develop the national transmission gas pipeline system and distribution networks,
- increase in domestic gas extraction requiring the development and construction of new gas mines,
- diversification of gas supplies resulting in the necessity of construction of new international connections,
- discovery of natural gas resources in Western Poland,
- increase in use of gas fuels in power sector, heating sector and industry requiring the expenditure for modernisation of structures, including technological lines, heating plants and heating systems,
- Growth of gas sales applying the LNG technology, by means of the so-called pre-gasification.
- Increased investments in gas, heating, water and sewage infrastructure on the part of foreign concerns in the Polish market resulting in the growth of demand for the services offered by the Issuer,
- implementation of the TPA principle (third party access to gas network) resulting in the necessity to construct new measurement and measurement – calculation points
- Increase in storage capacity of natural gas by development of underground warehouses,
- Growth of investments in road infrastructure resulting in the necessity to reconstruct the existing gas networks at the crossings thereof with the newly constructed roads.

According to the information issued by PGNiG S.A., the investments in extraction, transmission, storage and distribution of gas in 2004 shall amount to approximately 295 million USD, whereof: 105 million USD in gas transmission and storage, 60 million USD in extraction and production and 130 million USD in distribution.

4.2 Petroleum and fuels

The factors that may influence the growth in demand for the services offered by the Issuer and hence its financial results may comprise:

- discovery of petroleum resources in Western Poland,
- plans of construction of new oil pipelines,
- development of fuel bases and warehouses,
- construction of fuel warehouses for NATO bases established in Poland.

4.3 Heating sector

As far as the heating sector is concerned, the factors that may influence the growth of demand for the services offered by the Issuer and hence its financial results include in particular:

- necessity to adjust the heating infrastructure to the requirements of environmental protection in the scope of emission of pollutions to atmosphere,
- necessity to modernise old and ineffective heating systems,
- adjustment of military infrastructure, including heat sources and heating installations to NATO standards.

4.4 Water – sewage market

The water – sewage market constitutes the field for which the structural and cohesion funds to the total value of 3.7 billion EURO to be used in the period 2004 – 2006 shall constitute a significant financing source. The acquisition of these funds by Polish entities (in particular territorial governments) may result in growth of demand for the services offered by the Issuer and its Capital Group and in consequence it may positively influence the financial results of the Group.

5 Short description of development strategy of the Issuer and the Capital Group

The mission of the Issuer is “to increase the functioning level of the Polish society by implementing new technologies and solutions in gas and water – sewage sector”.

The business strategy of the Issuer and its Capital Group for the coming years is focused on maximising of value for the shareholders by the following activities:

- **In marketing and sales** – pursuing the growth in the sales income by:
 - strengthening the market position by systematic mastering of existing products and services and working on new solutions regarding professional technological structures, natural gas and petroleum mines, transmission and distribution and LNG technology,
 - focusing on acquisition and execution of contracts with high unit value,
 - commencing activities in new markets outside the territory of Poland, including the eastern and Arabic markets,
 - systematically improving the quality of co-operation with clients,
 - acquisition of new clients (e.g. NATO).
- **In organisation and management** – developing the management system making it possible to overcome growth barriers by:
 - systematic computerisation of the enterprise
 - mastering of internal and external communication,
 - implementing the IT document circulation system,
 - managing of know-how by creating the corporate information database,
 - flexible managing of organisational structure accommodated to market changes,
 - managing of the undertaking by means of software supporting the designing, process analysis and execution organisation in compliance with international standards.
- **In HR and personnel** – pursuing the qualitative and quantitative accommodation of human resources necessary to accomplish strategic goals of the enterprise by:
 - creating new teams in execution field,

- constant development of staff qualifications.
- **In finance** – effective acquisition and managing of financial means by:
 - acquisition of financial means enabling the execution of Issuer’s development strategy,
 - taking advantage of financial leverage effect,
 - maintaining overheads at the level adjusted to the real, achievable income level,
 - implementing a modern analytic and reporting system corresponding to the specifics of the Issuer’s business.

6 Management of the Issuer and the shareholders with at least 5% of the total number of votes at the general assembly

6.1 Management Board of PBG S.A.

- Jerzy Wiśniewski – President of the Management Board
- Małgorzata Wiśniewska – Vice-President of the Management Board
- Marek Grunt – Vice-President of the Management Board
- Tomasz Woroch – Vice-President of the Management Board
- Przemysław Szkudlarczyk – Vice-President of the Management Board
- Tomasz Tomczak – Member of the Management Board

6.2 Shareholders with at least 5% of the total number of votes at the General Assembly of the Issuer

Shareholder	Number of held shares	Share in the share capital	Number of votes	Share of votes at the general assembly
Jerzy Wiśniewski	4,732,700	65.73%	8,479,420	65.73%
Małgorzata Wiśniewska	1,267,300	17.60%	2,270,579	17.60%
Marek Grunt	800,000	11.11%	1,433,334	11.11%
Tomasz Woroch	400,000	5.56%	716,667	5.56%

7 Risk factors

7.1 Risk factors related to the business environment of the Issuer and the Capital Group

7.1.1 Competition risk

The Issuer operates in a competitive market of professional services of execution, modernisation, general repair and exploitation of structures and installations in the gas, petroleum, heating and water – sewage industry.

Apart from the price, a significant factor conditioning the competitive advantage of a given entity is its experience in execution of complex, expert undertakings, high quality of offered services and efficient organisation enabling the timely and effective execution of contracts.

The Issuer and the companies of the Group limit this risk by:

- seeking niche products and services,
- taking care of the high quality of offered services,
- systematic improvement of qualifications concerning modern technologies, which makes it possible to develop and present a competitive service offer in the market,
- diversifying areas of activities,
- entering in strategic alliances with renown foreign companies operating in the Polish market and abroad.

Moreover, accession to new geographic sales markets may also contribute to minimisation of this risk.

7.1.2 Risk related to economic situation in Poland

The execution of the strategic goals assumed by the Issuer and the planned financial results is influenced among others by macroeconomic factors, independent from the operations of the Company. These factors comprise: growth of national gross product, inflation, general condition of Polish economy, legislative changes. Adverse changes in macroeconomic ratios may cause a decrease in the planned income of the Issuer or increase in its activity costs.

The development of the gas and oil infrastructure are closely related to the state policy regarding assurance of energy security and the development strategy of PGNiG S.A. Reduction of the NGP growth pace and the prolonging crisis of public finance may adversely influence the results of the Issuer.

7.1.3 Risk related to Poland's accession to the European Union

The perspective market and the planned accession of Poland to the European structures may contribute to increased interest of world companies offering the services similar to those of the Issuer in the entry to the Polish market. This may cause intensification of competition and lowering of margins.

On the other hand, the opening of the European markets may create an opportunity for the Company to exist in geographically new market.

The Issuer and the companies of the Capital Group prevent the aforementioned risks by:

- Establishing strategic alliances for execution of ventures with foreign companies operating in the Polish market,
- European level of management and quality of the offered services confirmed by the implemented PN-EN ISO 9001:2001, PN-EN 729-2 standards, AQAP 110:1995 guidelines and the Polish Quality Award,
- systematic improving of qualifications, in particular with regard to unique technologies, which makes it possible to develop and present a competitive service offer in the market.

7.1.4 Risk of adverse changes in tax regulations

Changes in the laws regulating taxation of business activities are frequent in Poland. There is a risk of amendment of the existing tax regulations in such a way that the new regulations may prove less advantageous for the Issuer or its clients, which in consequence may be directly or indirectly reflected in the deterioration of the financial results of the Company.

7.1.5 Risk of exchange rate

The primary sales market of the products and services of the Capital Group is the domestic market and the agreements concluded by the Issuer are settled in PLN.

Therefore, the risk of exchange rate changes may appear upon accession of the Issuer to the foreign markets. The Company anticipates that this risk will be minimised by applying respective financial instruments.

In the case of purchases of foreign machinery and plant of significant value in relation to the executed contracts the exchange rate risk shall be minimised also by establishing security by means of financial instruments available in the market.

7.2 Risk factors related directly to the business of the Issuer and the Capital Group

7.2.1 Risk related to loss of key employees

The activities of the Issuer and the companies of the Capital Group are conducted most of all on the basis of the know-how and experience of the highly qualified staff, in particular engineers. Highly qualified specialists constitute a rare market asset. The main method of acquisition thereof is offering of competitive work and payment conditions.

There is a potential risk that the employees of key importance from the point of view of the development of the Issuer and the Capital Group may leave the company, which could affect the level of the offered services. This risk is limited by the following factors:

- high internal organisational culture of the Issuer, thanks to which the employees identify themselves with the Company,
- respective modelling of motivation – loyalty remuneration system,
- know-how management and extensive training scheme, thanks to which there are no “irreplaceable” employees,
- high unemployment in the market.

7.2.2 Risk related to failure to meet contractual terms

If the Issuer or the companies of the Capital Group fail to perform the executed contracts or perform them improperly there is a risk that Group business partners may lodge claims for payment of contractual penalties against the Group or may terminate the contract.

The Issuer undertakes the following activities to minimise this risk:

- insuring of contracts, including subcontractors,
- constant improving of organisation by:
 - a training programme preparing a group of employs to the exams for a certified “project manager”,
 - broad application of IT tools in undertaking design and management process.

7.2.3 Risk related to reliance on key customers

The specifics of the offered services determine the potential customers of the Issuer, who include among others PGNiG S.A. [Polish Oil and Gas Joint-stock Company] and the companies of the Group. So far, the Issuer has co-operated closely with PGNiG S.A. and the companies of the Group, which was reflected in the volume of the earned income and which may be perceived as a risk.

The share of the PGNiG Group in the total sales of the Issuer in 2001 amounted to 68.46%, in 2002 to 37.30%, and in 2003 to 51.16%.

The strategy of the Issuer assumes the execution of projects of high unit value, which may result in the increase in the share of sales for one customer in the total income.

The Issuer and its Group intend to minimise this risk by:

- diversification of income sources and acquisition of new clients,
- execution of contracts, most of all for local councils, financed with the UE funds,
- entry into foreign markets.

Moreover, the experience gained so far during the co-operation of the Issuer and PGNiG S.A., the stable position of the PGNiG Group, its development perspectives and anticipated investments related thereto, including but not limited to preparation to functioning in the EU market and state energy policy may decide about the competitive advantage of the Issuer and constitute a stable market, creating an opportunity for the Issuer to offer its services.

7.2.4 Risk related to loans, guarantees and warranties granted by the Company

The Investors are asked to note the significant amounts of loans, guarantees and warranties granted by the Company, including those for associated entities, natural persons and Company shareholders. Any potential difficulties in servicing of these liabilities by entities and persons granted the loans, guarantees or warranties by the Company might adversely affect the financial standing of the Company.

Following the consultations with the Supervisory Board the Management Board decided that after the Company shares are offered for public trading the decision of granting loans to employees, shareholders and other entities shall only be made upon issuing the opinion of the Supervisory Board,

pursuant to the provisions of paragraph 36 section 2 sub-item e of the Company Articles of Association.

7.2.5 Risk related to operating activities

The activities of the Issuer, in particular those performed with regard to active objects, are related to the risk consisting among others in the possibility of occurrence of failures resulting in human and material losses.

The Issuer counteracts this risk by:

- insuring its activities against civil liability,
- systematic equipping of the staff with the latest protection equipment,
- training and improving the qualifications of the staff,
- constant work health and safety training and supervision.

7.3 Risk factors related to Shares and capital market

7.3.1 Risk related to existence of a dominant entity

The dominant entity of the Issuer is Mr Jerzy Wiśniewski, who currently holds a 65.73% share in the capital and votes at the general assembly. After the issue of the C and D Shares (assuming, that Mr Jerzy Wiśniewski will not take up the C Shares or D Shares and assuming that all C and D Shares are taken up) the share of Mr Jerzy Wiśniewski in the capital and votes shall amount respectively to 44.94% and 52.25%. Due to his position Mr Jerzy Wiśniewski has a decisive vote in the decisions made by the general assembly. In practice this means that Mr Jerzy Wiśniewski may independently adopt resolutions at the general assembly for which the Company Articles of Association or the commercial companies code do not require a qualified majority of votes. These are resolutions concerning for example the following issues:

- examination and approval of the annual financial statement
- acknowledgement of fulfilment of duties by the Company authorities
- distribution of profit or coverage of losses
- any decisions concerning claims for remedy of damage incurred upon establishment of the Company or supervision or management thereof
- determination of terms and value of remuneration of the Supervisory Board members
- appointment and dismissal of Supervisory Board members
- determination of the dividend date
- creation, each use and liquidation of the reserve capital

7.3.2 Risk related to the requirement that must be met for the general assembly to be valid

Pursuant to § 24 of the Company Articles of Association the general assembly of the Issuer is valid if at least 50% of the Company shares are represented at the assembly.

7.3.3 Risk of failure of issue of C Shares

The issue of the C Shares may fail if:

- none of the C Shares is subscribed for and properly paid up,
- the Management Board of the Issuer fails to register the share capital increase within six months from the date of granting consent for public trading of the C Shares,
- the district court refuses to register the share capital increase by means of issue of the C Shares in a legally valid decision.

In the case of failure of the issue the payments for the C Shares shall be returned to the Investors without interest or indemnity.

7.3.4 Risk of failure of issue of D shares

The issue of the D Shares may fail if:

- 330,000 of D Shares are not subscribed for and properly paid up,
- the Management Board of the Issuer fails to register the share capital increase within six months from the date of granting consent for public trading of the D Shares,

- the district court refuses to register the share capital increase by means of issue of the D Shares in a legally valid decision.

The D Shares shall be taken up by the Service Sub-issuer at the issue price equal to the par value of the Shares, i.e. 1 PLN. The shares shall be subsequently sold to the Authorised Parties within the framework of the Scheme. It is estimated that the risk of issue failure due to failure of the Service Sub-issuer to take up all D Shares is minimum. If the Management Board does not register the increase in the share capital on the required deadline or if the court refuses to register the increase in the share capital by a legally binding decision, the payment for the D Shares shall be returned to the Service Sub-issuer without any interest or indemnity.

7.3.5 Risk of fluctuations of exchange rate or trade liquidity of the Shares or RTS

The Share or RTS prices at the Securities Exchange may be subject to significant fluctuations, depending on the modelling of the relation of the supply and demand for the Shares or RTS. There is a risk that the Investor holding the Shares or RTS may not be able to dispose of them at any time, in the assumed quantity and at satisfactory price. There is a risk of incurrence of potential loss resulting from the sales of the Shares or RTS at the price lower than their purchase price.

7.3.6 Risk of supply of B Shares

1,500,000 B Shares are to be submitted for public trading, which are taken up by the founders in the process of transformation of a limited liability company into a joint-stock company in exchange for the owned stocks. These shares shall be submitted for exchange trading together with the C Shares. There is a risk of supply of the B shares, which may affect the price of the Company Shares. The main shareholder of the Company – Mr Jerzy Wiśniewski undertook not to dispose of all his B Shares during a specified period following the completion of the subscription of the C Shares. The respective declaration shall be issued by Mr Jerzy Wiśniewski prior to the commencement of the subscription of the C Shares.

7.3.7 Risk of supply of D Shares

The D Shares shall be taken up at the issue price equal to their par value, increased by the cost of financing of the acquisition thereof by the Service Sub-issuer. There is a risk of the supply of the D Shares in the future by the Authorised Parties who shall take up the shares within the framework of the Scheme.

When the issue of the C Shares and D Shares comes into effect, the total share of the latter in the share capital of the Company shall only amount to 3.13%, and the share of the D Shares in the total number of shares admitted for exchange trading shall amount to 6.83%. Moreover, the D Shares will not be traded sooner than in the second half of 2005. According to the assumptions of the Scheme only 110,000 of 330,000 of the D Shares shall be made available to the Authorised Parties in 2005. The remaining D Shares shall be made available in the subsequent years, whereas the Scheme may be concluded in 2006 at the earliest and in 2009 at the latest. Both the number of the D Shares and the time spread of making them available to the Authorised Parties should contribute to the reduction of risk of influence of the D Shares' supply for the price of the Shares.

7.3.8 Risk related to RTS trading

The RTS shall be traded in the period before the conclusion of the subscription for the D Shares and the registration of the share capital increase by means of the issue of the D Shares by the court. If the registration court refuses to register the increase in the share capital by a legally binding decision, the RTS holder shall be returned the amount equal to the product of the issue price and the number of held RTS. If the RTS are acquired at the exchange market at the price exceeding the issue price of the D Shares, the Investors shall incur losses on the investment.

7.3.9 Risk related to refusal to admit the Shares for exchange trade

The Management of the Stock Exchange may refuse to admit the securities for exchange trading, specifying the reasons for its decision. Within one month from the date of submission of the resolution denying the admission of shares for exchange trading, the issuer may apply for re-examination of the matter by the Stock Exchange Council. The Stock Exchange Council shall examine the application within 4 weeks from the submission thereof.

A subsequent application for admission of the same securities for exchange trading may be submitted after 6 months from the date of submission of the resolution denying the admission of the securities for exchange trading.

In such a situation the investors must take into consideration a temporary absence of liquidity of the Shares.

7.3.10 Risk related to delay in introduction of C Shares to exchange trading

The C Shares may be launched for exchange trading after the increase in the share capital is registered by the respective court and after their registration in the National Depository for Securities. Any prolongation of the registration period of the C Shares by the court or National Depository for Securities shall result in the delay in introduction of the C Shares to exchange trading in relation to the trade commencement date assumed by the Issuer.

The Issuer shall apply for launching for exchange trading of the Rights to C Shares, which shall be quoted from the date of commencement of the C Shares' quoting.

7.3.11 Risk of suspension of Share trading or exclusion thereof from Stock Exchange trading

The Management Board of the Stock Exchange may suspend the trading of the Shares for the period of up to three months if it deems that this is required by the interest and security of the trade participants or if the Issuer breaches the provisions valid for the Stock Exchange.

The Management Board of the Stock Exchange may exclude the securities from the trading at the Stock Exchange in particular cases, including but not limited to:

- persistent breach by the Issuer of the provisions valid at the Stock Exchange,
- if it is considered necessary from the point of view of the interest and security of the trading parties,
- if no exchange transactions were concluded with regard to a given security within the last 3 months.

The Management Board of the Stock Exchange excludes securities from exchange trading if the securities lost the status of securities admitted for public trading or if the transferability thereof became limited.

7.3.12 Risk of exclusion of Shares from public trading

If the Issuer fails to meet the statutory obligations, the Securities and Exchange Commission may:

- issue the decision concerning the exclusion of the securities from public trading or,
- impose a financial penalty up to PLN 500,000 or,
- issue the decision concerning the exclusion of the securities from public trading, imposing simultaneously a financial penalty referred to above.

7.3.13 Risk related to possibility of prolonging the subscription deadline for C Shares

Pursuant to article 438 § 1 of the Commercial Companies Code the deadline for subscription for the shares shall not exceed 3 months from the date of opening of the subscription. If the Issuer prolongs the deadline for subscription for the C Shares the period during which the Investors who made the payments are not able to dispose of the paid means shall also be prolonged.

8 Selected financial data and consolidated financial data

8.1 Selected financial data of the Issuer

The basic financial data of the Issuer for the years 2001-2003 and 1st quarter of 2004

Selected financial data of the Issuer in the years 2001-2003 and in the 1st quarter of 2004

Specification	For the period (k PLN)			
	1 st quarter 2004	2003	2002	2001
Sales income	16 474	158 768	157 099	120 399
Result on sales	1 088	17 046	14 713	13 976

Result on operating activity	2 670	16 971	13 662	13 984
Result on economic activity	2 028	15 267	7 294	11 992
Gross result	2 028	15 267	7 294	11 992
Net result	768	12 692	5 401	8 031

Source: Financial statement of the Company

Selected financial data of the Issuer in the period 1st January 2004 – 2nd January 2004

Specification	For the period (k PLN)	
	01.01.2004 - 02.01.2004	
Sales income	0	
Result on sales	0	
Result on operating activity	0	
Result on economic activity	0	
Gross result	0	
Net result	0	

Source: Financial statement of the Company

Selected financial data of the Issuer in the years 2001 – 2003 and the 1st quarter of 2004

Specification	State at period end (k PLN)			
	1 st quarter 2004	2003	2002	2001
Total assets	137 084	155 087	111 561	82 546
Equity	35 516	34 748	24 153	20 296
Share capital	7 200	7 200	7 200	7 200
Liabilities and reserves for liabilities	101 568	120 339	87 408	62 250
Total liabilities	97 048	115 663	81 017	59 981
Long-term liabilities	31 201	28 493	13 010	14 115
Current liabilities	65 847	87 170	68 007	45 866
Number of shares (pieces)*	7 200 000	72 000	72 000	72 000
Profit (loss) per one share (PLN)	No data**	176.28	75.01	111.54
Diluted profit (loss) per one share (PLN)	No data**	-	-	-
Paid out dividend per one share (PLN)	-	-	6,94	-

Source: Financial statement of the Company

* In the years 2001-2003 the Issuer performed activities as a limited liability company. On 2nd January 2004 the limited liability company was transformed into a joint-stock company. The number of shares was specified in the 1st quarter of 2004.

** The Company does not draw up a comparative statement for 1st quarter of 2003 therefore it is impossible to calculate the annual profit which is necessary to specify this ratio.

Selected financial data of the Issuer in the period 1st January 2004 – 2nd January 2004

Specification	State at period end (k PLN)	
	01.01.2004 - 02.01.2004	
Total assets	155 087	
Equity	34 748	
Share capital	7 200	
Liabilities and reserves for liabilities	120 339	
Total liabilities	115 663	

Long-term liabilities	28 493
Current liabilities	87 170
Number of shares (pieces)*	72 000
Profit (loss) per one share (PLN)	-
Diluted profit (loss) per one share (PLN)	-
Paid out dividend per one share (PLN)	-

Source: Financial statement of the Company

* Income statement for the period 1st January 2004 to 2nd January 2004 indicated the financial result of 0.00 PLN.

8.2 Selected financial data of the Capital Group

The basic financial data of the Capital Group for the years 2001-2003 and for the 1st quarter of 2004

- In 2001 the Issuer was not obliged to draw up consolidated financial statements,
- In 2002 the following entities were consolidated:
 - KRI Sp. z o. o. – full consolidation,
 - "elwik" Sp. z o. o. – full consolidation,
 - Hydrobudowa Włocławek S.A. – full consolidation.
- In 2003 the following entities were consolidated:
 - KRI Sp. z o. o. – proportional consolidation – from 01.01.2003 to 31.08.2003 an affiliate – result operations included in the consolidated income statement.
 - "elwik" Sp. z o. o. – full consolidation,
 - Hydrobudowa Włocławek S.A. – from 01.01.2003 to 31.12.2003 an affiliate – result operations included in the consolidated income statement.

Selected financial data of the Capital Group in the years 2001-2003 and 1st quarter of 2004

Specification	For the period (k PLN)			
	1 st quarter 2004	2003	2002	2001 *
Sales income	16 777	180 666	162 141	120 399
Result on sales	950	15 515	10 370	13 976
Result on operating activity	2 627	14 290	9 181	13 984
Result on economic activity	1 936	14 396	4 780	11 992
Gross result	1 936	13 803	4 415	11 992
Net result	484	11 301	4 626	8 031

Source: consolidated financial statement of the Group

*The Issuer did not draw up the consolidated accounts; the data are retrieved from the unit statement.

Selected financial data of the Capital Group in the years 2001-2003 and 1st quarter of 2004

Specification	State at period end (k PLN)			
	1 st quarter 2004	2003	2002	2001 *
Total assets	162 353	166 007	183 893	82 546
Equity	32 993	32 510	23 378	20 296
Share capital	7 200	7 200	7 200	7 200
Liabilities and reserves for liabilities	129 075	133 168	147 288	62 250
Total liabilities	124 555	128 492	138 430	59 981
Long-term liabilities	43 829	40 700	48 647	14 115
Current liabilities	80 726	87 792	89 783	45 866

Number of shares (pieces)*	7 200 000	72 000	72 000	72 000
Profit (loss) per one share (PLN)	No data***	156.96	64.25	111.54
Diluted profit (loss) per one share (PLN)	No data***	-	-	-
Paid out dividend per one share (PLN)	-	-	6.94	-

Source: consolidated financial statement of the Group

*The Issuer did not draw up the consolidated accounts; the data are retrieved from the unit statement.

* In the years 2001-2003 the Issuer performed activities as a limited liability company. On 2nd January 2004 the limited liability company was transformed into a joint-stock company. The number of shares was specified in the 1st quarter of 2004.

** The Company does not draw up a comparative statement for 1st quarter of 2003 therefore it is impossible to calculate the annual profit which is necessary to specify this ratio.

9 Ratios specifying economic activity effectiveness

The following financial ratios were applied in evaluation of effectiveness of economic activity and capability of liability settlement by the Issuer and the Capital Group:

- Return on Equity (ROE) – net profit / average equity,
- Return on Assets (ROA) – net profit / average assets,
- Return on Sales – sales profit / sales income,
- Dividend payment rate – paid out dividend / net profit,
- Equity indebtedness ratio – total indebtedness / equity.

9.1 Ratios specifying the effectiveness of economic activity and capability of the Issuer to settle liabilities

Basic financial ratios of the Issuer in the years 2001-2003 and 1st quarter of 2004

Specification	For the period			
	1 st quarter 2004	2003	2002	2001
Return on Equity	No data*	36.5%	22.4%	39.6%
Return on Assets	No data *	8.2%	4.8%	9.7%
Return on Sales	6.6%	10.7%	9.4%	11.6%
Dividend payment rate	-	-	9.3%	-
Equity indebtedness ratio	286.0%	346.3%	361.9%	306.7%

Source: Own calculations according to financial statements of the Company

* The Company does not draw up a comparative statement for 1st quarter of 2003 therefore it is impossible to calculate the annual profit which is necessary to specify this ratio.

Basic financial ratios of the Issuer in the period 1st January 2004 – 2nd January 2004

Specification	For the period
	01.01.2004 - 02.01.2004
Return on Equity	-
Return on Assets	-
Return on Sales	-
Dividend payment rate	-
Equity indebtedness ratio	-

* The income statement for the period from 1st January 2004 to 2nd January 2004 indicated the financial result equal to 0.00 PLN therefore it is impossible to calculate the profitability ratios.

9.2 Ratios specifying economic activity effectiveness and liability settlement capabilities of the Capital Group

Basic financial ratios of the Capital Group in the years 2001-2003 and 1st quarter of 2004

Specification	For the period			
	1 st quarter 2004	2003	2002	2001 *
Return on Equity	No data**	34.8%	19.8%	39.6%
Return on Assets	No data **	6.5%	5.0%	9.7%
Return on Sales	5.7%	8.6%	6.4%	11.6%
Dividend payment rate	-	-	10.8%	0.0%
Equity indebtedness ratio	391.2%	409.6%	630.0%	306.7%

Source: Own calculations according to financial statements of the Company

*The Issuer did not draw up the consolidated accounts; the data are retrieved from the unit statement.

* The Company does not draw up a comparative statement for 1st quarter of 2003 therefore it is impossible to calculate the annual profit which is necessary to specify this ratio.

10 Rating

The Issuer or the securities issued by the Issuer have not been granted any rating.

11 Goals of issue

11.1 C Shares

The cash earned on the issue of the C Shares shall be allocated for the following purposes (in order of importance, starting from the most important purpose):

Issue goal	Allocation of issue means (k PLN)
Increase in capacity to acquire and execute projects of significant unit value in Poland and abroad	30,000 – 65,000
Implementation of new products	3,000 – 15,000
Computerisation of the Company	1,000 – 2,000

The most important purpose of the issue is to increase the capacity to acquire and execute contracts of significant value home and abroad. This is related to the expenditure for, among others:

- Seeking new territories and organisation of agencies,
- Organisation of teams to prepare bids and acquire contracts,
- Development of concept in co-operation with design agencies in Poland and abroad,
- Procedure of qualification of the Company as the entity authorised to bid in procurement proceedings,
- Promotion of the company in new markets,
- Specification of key order terms,
- Deposit and security of proper contract execution,
- Insurance of contracts,
- Assurance of current capital to cover the variable costs related to execution of assignments from the incurrance thereof until the receipt of receivables from the investor,
- Development of execution teams and investments in new equipment,
- Potential acquisitions in the case of rapid growth of executive potential.

Another purpose of the issue is to acquire cash for the implementation of new products. This requires seeking new technologies functioning worldwide and works on development of a technical concept

together with foreign design agencies and technology suppliers. Entry of the Company into a new market requires investment expenditure for the purchase of equipment and training.

The continuation of the computerisation process of the Issuer shall make it possible to further improve the functioning of the organisation. This shall be facilitated by analytical systems, document circulation or design management systems.

The aforementioned goals shall be executed successively to the appearing opportunities and needs. If as the result of the public issue of the C Shares the Company acquires less financial means than assumed, the missing amount shall be financed with own cash or alternatively by means of a credit. Giving up the execution of the least important components of the investment plan is also possible.

It is possible to use the issue cash to reduce the level of indebtedness of the Issuer in current accounts. As of the date of drawing up this Prospectus the Company holds current accounts at DZ Bank Polska S.A. with the maximum indebtedness limit of 6,000 thousand PLN, with the interest rate according to the WIBOR +1.50% rate, valid until 30th August 2005 and at Bank Handlowy in Warsaw S.A. with the maximum indebtedness limit of 6,500.00 thousand PLN and the interest rate according to the WIBOR +1.65% rate, valid until 10th September 2004. The indebtedness shall be repaid in maximum amounts specified hereinafter upon receipt of the cash earned on the issue of the C Shares. The issue cash shall be used to repay the indebtedness in current accounts in order to reduce the financial costs incurred by the Company.

The Issuer does not intend to acquire asset components on the terms significantly different from the existing terms of acquisition of such asset components by the Issuer.

The issue cash shall not be allocated for acquisition of asset components from the associated entities of the Issuer.

During the period from the acquisition of the issue cash and the execution of the goals referred to in the Prospectus the Company shall invest the cash in secure financial instruments or bank deposits; it is also possible that the issue cash shall be used to reduce the Issuer's indebtedness in the current accounts – as indicated above.

Within the framework of preparations for the accomplishment of the issue goals PBG S.A. shall undertake the following activities:

- In the scope of execution development candidates have been preliminarily recruited to new execution teams and demand has been specified for investment purchases related to equipping thereof.
- Preparations are also made to win contracts of significant value in Poland and abroad, consisting in accommodation of the company organisation, ensuring the limits of deposit guarantees and proper execution of contracts, drawing up of technical concepts in co-operation with domestic and foreign design agencies etc.
- In the scope of new product implementation technical – economic concepts are developed and preliminary talks are held with potential business partners.
- As far as Company computerisation is concerned, equipment needs have been specified and software has been evaluated and selected, including the document circulation and analysis and reporting systems. Negotiations were also conducted with potential software suppliers and purchase and implementation terms have been specified.
- For almost half a year the Issuer has been making preparations to win foreign markets. In 2003 the Issuer joined a Consortium of Polish company planning to participate in reconstruction of Iraq and it is the leader of the group responsible for the acquisition of contracts in natural gas and crude oil sector. In 2004 the Issuer has submitted first bids of significant value.

During the last 5 years the Company has issued the A Shares and the B Shares. Both series have been issued in relation to the transformation of Technologie Gazowe [Gas Technologies] Limited liability company into PBG Joint-stock Company. The A Shares and B Shares have been taken up by the shareholders of the limited liability company. The Company did not earn any cash due to the issue of the A and B Shares.

11.2 D Shares

The issue of the D Shares is aimed at enabling the execution of the Authorised Party Scheme.

The cash earned on the issue of the D Shares shall be included in the working capital of the Company and used for financing current activities of the Company.

On 10th March 2004 The Extraordinary General Assembly of the Issuer adopted the resolution concerning the issue of the D Shares for the purpose of execution of the Scheme and on 24th March 2004 the Supervisory Board of the Issuer adopted the Scheme Regulations. The Scheme Regulations constitute appendix no. 4 hereto.

12 Distribution terms of C Shares

12.1 Entity offering C Shares in public trading

The entity offering the C Shares in public trading on behalf of the Company is:

BZ WBK SA Brokerage House
60-967 Poznań,be
Pl. Wolności 15
tel.: (0-61) 856-48-80, (0-61) 856-48-88,
fax: (0-61) 856-47-70

12.2 Number of offered C Shares

The offer of the C Shares submitted for taking up comprises 3,000,000 C Shares of the par value 1.00 PLN each.

The C Shares are offered in the following tranches:

- the Retail Tranche – with 600,000 C Shares on offer,
- the Institutional Tranche – with 2,200,000 C Shares on offer
- the Closed Tranche – with 200,000 C Shares on offer.

The Issuer reserves the right to shift the offered C Shares between individual tranches. The Issuer may shift the C Shares between the tranches before the commencement of the public subscription or on the allotment date.

As the subscription for the C Shares in the Retail Tranche shall finish before the commencement of the subscription for the C Shares in the Institutional and Closed Tranche, according to the information received from the Offering Party regarding the number of the C Shares that have been subscribed for in the Retail Tranche the Issuer may offer the C Shares that were not subscribed for in other tranches, in proportions specified at its discretion. In such a case the C Shares shall be shifted from the Retail Tranche to other tranches on the allotment date.

The information about the possible shift of the C Shares between the tranches shall be announced by the Issuer in a form of a communication before the commencement of the public subscription or within 14 days from the termination of the public subscription for the C Shares – if the C Shares are shifted between the tranches on the allotment date, notifying simultaneously about the final number of the C Shares allotted in public offer, including individual tranches thereof.

12.3 Issue price of C Shares

12.3.1 Price range

Not later than one day before the commencement of the subscription the Issuer shall specify the price range of the C Shares and announce it to the public in the form of a Communication and shall make it available at the Client Service Centres accepting subscriptions for the C Shares.

Within the framework of the specified price range:

- the Investors authorised to subscribe in the Institutional Tranche shall participate in the development process of the Demand Book for C Shares, where they shall submit binding declarations of interest in purchase of the C Shares and indicate the number of the C Shares they are interested in and the price from the price range. The detailed terms of participation in the development of the Demand Book are described in item 10.8.

- within the Retail Tranche the Investors shall subscribe for the C Shares at the maximum price of the price range.

12.3.2 Determination of issue price

The issue price of the C Shares shall be determined by the Issuer according to the results of the development process of the Demand Book.

The issue price shall be uniform for all tranches and it shall be announced in public in the form of a Communication not later than at 8.00 hours on the date of commencement of subscription in the Institutional Tranche and the Closed Tranche.

12.4 Schedule of offer of C Shares

- until 14th June – announcement in public of the price range
- 15th June – opening of public subscription
- 15th – 17th June – accepting of subscriptions in the Retail Tranche
- 15th – 17th June until 15.00 hours – development of the Demand Book
- 18th June until 8.00 hours – announcement in public of the issue price value
- 18th June until 10.00 hours – inviting the Investors to subscribe in the Institutional Tranche
- 18th June – accepting of subscriptions in the Institutional Tranche
- 18th June – accepting of subscriptions in the Closed Tranche
- 22nd June – possible subscriptions of sub-issuers
- 23rd June – closing of the subscription
- Until 25th June – allotment of the C Shares

The Issuer may decide to change the aforementioned deadlines. The information about the potential deadline change shall be made available to public in the form of a Communication not later than on the date which the change concerns, with the reservation that if the subscription period in a given tranche is shortened the respective information shall be made available to public not later than on the date preceding the last, changed date of conclusion of the subscription acceptance.

Pursuant to article 80 section 4 of the Law on Public Trading of Securities if a change in the price range is announced in public in 2 days before the planned subscription commencement the Issuer shall postpone the subscription commencement period for at least 2 days.

12.5 Subscription venue

The subscriptions and declarations of interest in purchase of the C Shares shall be accepted at the Headquarters of the Brokerage House BZ WBK at 142 Marszałkowska Street in Warsaw at Client Service Centres of BZ WBK SA Brokerage House and in the case of establishment of a Distribution Consortium – also at the Client Service Centres of the brokerage houses – members of the Distribution Consortium listed in Appendix 6 hereto.

If the Distribution Consortium is established after the Prospectus is published, the complete list of the Client Service Centres accepting subscriptions in individual tranches shall be published in the form of a Communication not later than one day before the commencement of the subscription.

Subscriptions for the Shares and declarations of interest in the purchase of Shares may only be submitted by Internet or phone if it is admissible according to the regulations of the brokerage house accepting the subscriptions.

12.6 Actions by proxy

The parties authorised to subscribe for the C Shares and to submit declarations of interest in the purchase of the C Shares may act by means of a duly empowered proxy – a natural or legal person. The person acting as the proxy shall submit a written power of attorney and documents confirming

his/her identity. The power of attorney to submit the subscription authorises to submit disposition to deposit the shares.

In the case of powers of attorney issued for the persons conducting business activities consisting in commissioned management of third party blocks of securities, the power of attorney granted according to the agreement for management of a block of securities for a third party shall be sufficient.

The power of attorney granted outside the territory of the Republic of Poland shall be validated by the locally competent Polish consular office unless the legal provisions or international agreements concluded by the Republic of Poland stipulate otherwise.

The contents of the power of attorney granted in a language other than Polish shall be translated into Polish by a certified translator.

The power of attorney shall include the following data of the proxy and the investor:

- if the proxy is a natural person: name and surname, address, series and number of the ID card and PESEL [social security number] – in the case of residents,
- if the proxy is a legal person or an organisational unit without legal identity: business name, registered office, address and REGON statistical number (in the case of non-residents – the number of the respective register or reference to the document confirming the existence of the Investor in a given country; the document shall be presented upon submission of the subscription).

In the case of subscriptions in the Institutional Tranche the subscription may also be submitted by BZ WBK SA Brokerage House or a brokerage house – a member of the Distribution Consortium, according to the power of attorney granted within the framework of the declaration of interest in the purchase of the Shares.

The power of attorney or a copy thereof confirmed for the compliance with the original shall remain at the Client Service Centre accepting the subscription.

The parties authorised to submit a subscription are asked to note that pursuant to the Law on Stamp Duty a respective stamp duty shall be paid in respect of the document of the power of attorney.

12.7 Parties authorised to purchase Shares

Retail Tranche

The Investors authorised to acquire the C Shares in the Retail Tranche according to the terms stipulated herein are the residents and non-residents as defined in the Foreign Exchange Law: natural persons, legal persons and entities without legal identity capable of incurring liabilities and rights on their own behalf.

Institutional Tranche

The Investors authorised to acquire the C Shares in the Institutional Tranche according to the terms stipulated herein are the residents and non-residents as defined in the Foreign Exchange Law: natural persons, legal persons and entities without legal identity capable of incurring liabilities and rights on their own behalf.

Among the aforementioned the entities authorised to submit subscriptions shall be those invited by the Issuer by means of the Offering Party or the brokerage house – a member of the Distribution Consortium – to participate in the development of the Demand Book and subsequently invited to submit subscriptions.

Closed Tranche

The Investors authorised to acquire the C Shares in the Closed Tranche according to the terms stipulated herein are the persons listed by name on the list drawn up by the Management Board of the Issuer and submitted to the Offering Party not later than one day prior to the commencement of the C Shares' subscription, who meet one of the following criteria:

- the employees of one of the companies of the Capital Group employed according to employment contracts, who received a personal invitation from the Management Board of the Issuer to submit subscriptions in the Closed Tranche,

- the people with co-operation agreements or agreements for permanent service concluded with any company of the Capital Group, who received a personal invitation from the Management Board of the Issuer to submit subscriptions in the Closed Tranche,
- the people and entities other than those referred to above, who received a personal invitation from the Management Board of the Issuer to submit subscriptions in the Closed Tranche.

12.8 Development of Demand Book for Shares

Only the Investors who received the invitation to submit declarations of interest in the purchase of the C Shares from the Issuer by means of the Offering Party or a brokerage house – a member of the Distribution Consortium – may participate in the development process of the Demand Book. The parties invited to develop the Demand Book for the C Shares shall be investors, both residents and non-residents as defined in the Foreign Exchange Law, being legal or natural persons or entities without legal identity, capable of incurring liabilities and rights on their own behalf. The invitation submitted to the Investors shall include the information about the possibility to submit a declaration of interest in the purchase of the C Shares according to the terms stipulated herein.

During the development of the Demand Book the Investors shall submit declarations in which they shall specify the number of the C Shares which they would like to acquire and the price they are going to pay for these shares. The suggested price must be contained in the price range. Declarations with the price outside the price range shall be null and void.

There are no limitations with regard to the number of submitted declarations of interest in the purchase of the C Shares or the number of the C Shares covered by one declaration.

The parties conducting commissioned management of third party's block of securities may submit a collective declaration of interest in the purchase of the C Shares, comprising the accounts they manage.

The investment fund society shall submit separate declarations for individual funds it manages.

Declarations shall be submitted in the form developed by the Offering Party.

During the development of the Demand Book the Investor may cancel the submitted declaration. The declaration should be cancelled in writing, in the form of a statement by the Investor submitted at the location of submission of the declaration of interest in the purchase of the C Shares.

The parties representing the Investor who is a legal person or an organisational unit without legal identity shall submit valid documents confirming their powers to represent the Investor together with the documents legally required for the effective acquisition of shares not later than along with the submitted declaration.

By filling in and signing of the declaration the Investor undertakes that on request of the brokerage house accepting the declaration it shall submit a subscription for the C Shares and make a respective payment:

- on the deadline referred to in the Prospectus,
- in the number specified in the preliminary allotment list,
- at the issue price specified by the Issuer.

The obligation arising from the submission of the declaration of interest in the purchase of the C Shares shall be performed by submitting the subscription and paying for the shares in the number referred to in the preliminary allotment list on the specified deadline.

The Investor submitting the declaration of interest in the purchase of the C Shares may empower the brokerage house – a member of the Distribution Consortium to submit the subscription for the C Shares on its behalf.

The Demand Book for the C Shares shall not be made available to public.

According to the submitted declarations of interest in the purchase of the C Shares the Issuer shall determine the issue price and execute the preliminary allotment of the C Shares and draw up the list of the Investors authorised to purchase the C Shares. The list shall only comprise the Investors whose declarations indicated the price equal to or higher than the finally specified issue price and the number of the C Shares preliminarily allocated to individual Investors shall not exceed the one referred to in

their declarations. The brokerage house accepting the declarations shall submit by fax, to the number indicated therein, to the Investors to whom the Issuer preliminarily allocated the C Shares the invitations to make the payment and the subscription. The invitation shall be sent not later than by 10.00 hours on the subsequent Working Day following the conclusion of the development process of the Demand Book.

The claims of the Issuer or sub-issuer arising from the non-performance or improper performance of the obligation of the Investor referred to herein shall be pursued according to general terms.

The development process of the Demand Book shall constitute an integral part of the subscription terms.

12.9 Subscription terms

Retail Tranche

The Investor intending to purchase the C Shares in the Retail Tranche shall submit a subscription specifying the number of the C Shares and the maximum price from the price range. The Investor may submit a subscription / subscriptions for any number of the C Shares, however, a single subscription shall not refer to the number of the C Shares higher than 600,000. The subscription for a greater number of the C Shares shall be understood as the subscription for 600,000 of the C Shares.

Institutional Tranche

The subscriptions for the C Shares in the Institutional Tranche shall be accepted from the Investors who were invited to make the payment and the subscription.

The subscriptions shall be submitted for the number of the C Shares referred to in the invitation, with the reservation that the Issuer may also consider as valid a subscription for the number of the C Shares other than the number of shares referred to in the invitation. If the number of the C Shares in the subscription is lower than the number referred to in the invitation the subscription shall be deemed to refer to the number of the C Shares specified therein, however, if the number of the C Shares in the subscription exceeds the number referred to in the invitation the subscription shall be deemed to refer to the number of the C Shares specified in the invitation.

Closed Tranche

The subscriptions for the C Shares in the Closed Tranche shall only be accepted from the Investors invited by the Management Board of the Issuer to submit subscriptions and listed by name on the list drawn up by the Management Board of the Issuer and submitted to the Offering Party not later than one day before the commencement of the subscription for the C Shares. The Investors invited by the Management Board of the Issuer to subscribe shall inquire with the Offering Party if they are included on such a list. The Investor should prove the fact of being invited to submit a subscription in the Closed Tranche by presenting the invitation at the Client Service Centre upon the submission of the subscription.

The subscriptions shall only be accepted from the parties listed by name on the list drawn up by the Management Board of the Issuer and submitted to the Offering Party, who upon the submission of the subscription presented the invitation to submit the subscription in the Closed Tranche.

The responsibility for the compliance of the name list submitted to the Offering Party and the list of people invited to submit subscriptions in the Closed Tranche shall be borne by the Issuer.

Within the Closed Tranche the Investor may subscribe for any number of the C Shares, however, an individual subscription shall not refer to the number of the C Shares greater than 200,000. A subscription for a number of the C Shares exceeding 200,000 shall be deemed to constitute a subscription for 200,000 of the C Shares.

Acceptance of subscription

Subscriptions shall be accepted in the form constituting Appendix 7 hereto.

The subscription shall in particular contain the following information:

- name and surname / business name of the investor
- residence address / registered office and address

- in the case of residents: PESEL [social insurance] number, series and number of the ID Card or passport for natural persons or REGON [statistical number] for legal persons or entities without legal identity
- in the case of non-residents: passport number and country of issuing for natural persons or the number of the respective register for legal persons or entities without legal identity
- specification of the tranche subscribed for
- the number of the C Shares covered by the subscription
- the issue price and in the case of the Retail Price the maximum price from the price range
- the amount of payment
- the specification of the mode of the potential return of funds
- the address of the entity authorised to accept the subscription

The aforementioned subscription form shall be accompanied by the statement of the Investor confirming:

- that the Investor has familiarised the contents of the Prospectus and accepts the contents of the Articles of Association and the offer terms,
- that the Investor agrees for the allotment of a number of the C Shares lower than subscribed for or non-allotment of shares according to the terms stipulated herein.

The Investors being natural persons who submit subscriptions shall present a valid identity document and other Investors shall present valid documents specifying the legal status and the terms of representation of the Investor.

The subscription for the C Shares is unconditional, it shall not contain any reservations and it is irrevocable as long as the subscription remains binding.

On submission of the subscription the Investor shall submit an irrevocable disposition to deposit the C Shares in its securities account. The disposition to deposit the shares shall constitute an integral part of the subscription form. In the submitted disposition to deposit the shares the Investor shall specify its account number and the name of the entity holding the account and undertakes to notify the Client Service Centre accepting the subscription about any changes in the indicated account.

As the confirmation of the submission of the subscription the Investor shall receive one copy of the subscription form. Any consequences arising from improper filing in of the subscription form for the C Shares shall be borne by the Investor. The consequences arising from improper filling in of the subscription form include among others:

- failure to allocate the C Shares or,
- absence of possibility to deposit the C Shares in the securities account of the Investor or depositing the C Shares in an incorrect account – if the Investor specifies a wrong number of securities account,
- absence of possibility to return the funds to the bank account of the Investor or return of the funds to an incorrect bank account – if the Investor specifies a wrong number of the bank account.

The Investors who do not possess securities accounts will be able to open such accounts in the BZ WBK SA Brokerage House together with the submitted subscription.

12.10 Payment terms

12.10.1 General payment terms

The Law dated 16th November 2000 on counteracting the introduction in financial trading of property values derived from illegal or undisclosed sources (Journal of Laws no. 116 of 2000 as amended) imposes the obligation to register transactions and parties concluding transactions by banks, foreign bank agencies, brokerage houses, banks conducting broking activities and other entities conducting broking activities according to the legal act dated 21st August 1997 – the Law on public trading of

securities and other institutions listed in the quoted Law as the obliged institutions. The obliged institutions accepting dispositions (orders) from a Client to conclude a transaction shall register:

- the transaction of the value exceeding 15,000 EUR both if the transaction is concluded within a single operation and within several operations if the circumstances indicate that the operations are mutually related;
- the transaction the circumstances of which indicate that the funds may derive from illegal or undisclosed sources, regardless of the value or nature of the transaction.

12.10.2 Payments for C Shares in Retail and Closed Tranche

The subscription for the C Shares in the Retail Tranche and the Closed Tranche must be fully paid up on the date of its submission. The payment of the total value shall be understood as:

- in the case of the Retail Tranche – the product of the number of the C Shares subscribed for and the maximum price of the price range,
- in the case of the Closed Tranche – the product of the number of the C Shares subscribed for and the issue price.

In the case of subscriptions submitted at BZ WBK SA Brokerage House the payments shall be made to the bank account no. 41 10901867 00000000 83361071

In the case of establishment of the Distribution Consortium the payments for the submitted subscriptions shall be made to the account of the brokerage house where the subscription was submitted.

The payments may be made in cash or by bank transfer and shall be made in Polish zloty. The payment date shall be understood as the date of crediting of the respective bank account.

The payments for the Shares are not subject to interest.

Failure to make the payment on the specified deadline or incomplete payment for the shares shall result in the invalidity of the subscription.

12.10.3 Payments for C Shares in Institutional Tranche

The Investors listed for preliminary allotment and invited to submit subscriptions shall pay in full for the preliminarily allocated C Shares not later than by 21st June 2004. The payment of the total value shall be understood as the product of the number indicated in the preliminary allotment list and the issue price. The payment shall be made in Polish zloty by a bank transfer to the account of the BZ WBK S.A. Brokerage House, account number 41 10901867 00000000 83361071.

The payment date shall be understood as the date of crediting of the respective bank account.

The payments for the Shares are not subject to interest.

Failure to make the payment on the specified deadline shall result in the invalidity of the subscription.

In the case of an incomplete payment for the C Shares, also if the incomplete payment results from the exchange rate, the subscription shall be deemed to refer to the number of the C Shares resulting from the value of the payment.

Pursuant to the Civil Code, failure by the Investor to make the payment or making an incomplete payment shall constitute basis for the indemnity liability of the Investor for the non-performance or improper performance of the obligation towards the Issuer or the entity which is the party of the sub-issue agreement.

12.11 Allotment of C Shares

12.11.1 Shifts of C Shares between tranches

In order for the issue to be effective and for the C Shares to be allocated according to the terms referred to in the Prospectus, the Issuer reserves the right to shift the C Shares between the tranches. The Issuer may only shift the C Shares between the tranches prior to the commencement of the public subscription or on the allotment date.

At allotment the Issuer may only shift the C Shares between tranches if the number of the C Shares subscribed for in a given tranche is lower than the number of the C Shares offered in that tranche, with the simultaneous occurrence of oversubscription in any of the other tranches. If the oversubscription occurs in both other tranches, the Issuer may execute the shift at its own discretion.

12.11.2 Share Allotment in Retail Tranche

The C Shares in the Retail Tranche shall be allocated according to the submitted subscriptions. The allotment shall be based on the correct submission and payment of the subscription, in accordance with the terms stipulated herein. The information about the allotment results shall be made available to public in the form of a Communication within two weeks from the conclusion of the subscription for the C Shares.

If the total number of the C Shares subscribed for in the Retail Tranche is lower than the number of the C Shares offered in that tranche the C Shares shall be allocated in accordance with the submitted subscriptions.

If the total number of the C Shares subscribed for in the Retail Tranche is greater than the number of the C Shares offered in that tranche, also following the shift between the tranches, the C Shares shall be allocated according to the proportional reduction principle.

Fractional parts of the C Shares shall not be allocated, nor shall they be allocated jointly to several Investors. In the case of fractional parts the Issuer shall round them down to the nearest whole number. The shares unallocated by rounding shall be consecutively allocated to the parties who subscribed for the greatest number of the C Shares and in the case of equivalent subscriptions the allotment shall be based on drawing.

It is not planned to issue documents concerning the acquired C Shares. Following the allotment all C Shares shall be deposited in the account of the Investor indicated in the disposition to deposit the shares.

12.11.3 Share Allotment in Closed Tranche

The C Shares in the Closed Tranche shall be allocated according to the submitted subscriptions. The allotment shall be based on the correct submission and payment of the subscription, in accordance with the terms stipulated herein. The information about the allotment results shall be made available to public in the form of a Communication within two weeks from the conclusion of the subscription for the C Shares.

If the total number of the C Shares subscribed for in the Closed Tranche is lower than the number of the C Shares offered in that tranche the C Shares shall be allocated in accordance with the submitted subscriptions.

If the total number of the C Shares subscribed for in the Closed Tranche is greater than the number of the C Shares offered in that tranche, also following the shift between the tranches, the C Shares shall be allocated by the Management Board of the Issuer at its discretion, i.e. the allotment rate for individual Investors may be different.

It is not planned to issue documents concerning the acquired C Shares. Following the allotment all C Shares shall be deposited in the account of the Investor indicated in the disposition to deposit the shares.

12.11.4 Allotment of C Shares in Institutional Tranche

12.11.4.1 Preliminary Allotment in Institutional Tranche

The Issuer shall preliminarily allocate the C Shares in the Institutional Tranche upon completion of the development process of the Demand Book, according to the submitted declarations of interest to purchase the C Shares.

The C Shares shall be preliminarily allocated to the selected Investors who in their declarations of interest to purchase the C Shares specified the price not lower than the finally determined issue price.

The Issuer shall allocate the shares at its discretion, i.e. the allotment rate may be different for individual Investors.

Not later than by 10.00 hours on the subsequent Working Day following the conclusion of the development process of the Demand Book the brokerage house accepting the declarations of interest to purchase the C Shares shall send to the Investors by fax to the number indicated therein, the information about the number of preliminarily allocated C Shares and shall call them to subscribe and pay for the C Shares.

In the case of entitles commissioned to manage third party portfolios the preliminary allotment shall be based on the joint declaration submitted on behalf of the parties whose accounts it manages and for whom it intends to purchase the C Shares.

12.11.4.2 Final allotment in Institutional Tranche

The Issuer shall allocate the C Shares in the Institutional Tranche according to the submitted and paid subscriptions.

The C Shares shall be allocated to the Investors who paid for the subscription in accordance with the terms referred to in item 10.10.3.

It is not planned to issue documents concerning the acquired C Shares. Following the allotment all C Shares shall be deposited in the account of the Investor indicated in the disposition to deposit the shares.

The unpaid C Shares shall be taken up by Investment sub-issuers provided that the Issuer signs the respective sub-issue agreements.

12.12 Settlement of payments

In the case of return of the cash due to non-allotment or allotment of the number of the C lower than that referred to in the subscription or due to overpayment, including the situations where the Investors purchase the C Shares in the Retail Tranche at the issue price lower than the maximum price of the price range, the cash shall be returned in the manner specified in the subscription form. The cash shall be returned not later than within 7 days from the allotment date of the C Shares.

In the case of failure of issue of the C Shares the cash shall be returned in the manner specified in the subscription form within 7 days from the date of notification of failure of the issue of the C Shares.

If the issue failure is announced in public after the RTS quoting is started the cash shall be returned to the Investors with RTS deposited in their accounts on the date of settlement of the transactions concluded on the last date of their quoting, to the amounts corresponding to the product of the number of RTS held by the Investor and the issue price of the C Shares.

The payments shall be timely returned without any interest or indemnity. The Issuer shall not be liable for untimely return of the payment if the return of cash proves impossible due to its rejection by the bank holding the account of the Investor.

12.13 Subscription validity date

The party submitting the subscription for the C Shares shall be bound by this subscription until the date of depositing the shares in its securities account, unless failure of the issue of the C Shares is announced beforehand.

12.14 Effectiveness or ineffectiveness of issue of C Shares

The issue of the C Shares shall be effective if at least 1 C Share is subscribed for and properly paid up. The information regarding the effectiveness of the issue of the C Shares shall be made available to public in the form of a Communication within two weeks from the date of conclusion of the subscription for the C Shares.

The issue of the C Shares shall be ineffective in the case of:

- failure to properly subscribe for and pay for at least 1 C share on the deadline referred to herein, or
- validation of the decision by the Court regarding the denial to register the increase in the share capital by means of issue of the C, or

- failure to register the resolution concerning the increase in the share capital in court before the expiry of six months from the date of consent by the Securities and Exchange Commission for admission of the C Shares for public trading.

Moreover, the issue of the C Shares shall be ineffective if the Issuer terminates the execution of the offer, whereas the postponement of the offer dates shall not be understood as termination of the offer.

The Issuer shall notify the public of the failure of the issue of the C Shares in the form of a Communication immediately upon occurrence of any of the aforementioned circumstances.

12.15 Termination of C Shares offer

The Issuer may terminate the Offer execution at any time prior to offer commencement, without specifying the reasons.

The Issuer shall notify about the termination of the offer immediately upon such a decision is made. The information concerning the termination of the offer shall be made available to public in the form of a Communication.

13 Secondary market

The Issuer intends to introduce the RTS and subsequently the C Shares to trading in the official market run by the Stock Exchange.

Following the allotment of the C Shares the Company shall apply to the Securities and Exchange Commission for the registration of the RTS and to the Management Board of the Commission to introduce the RTS to exchange trading. It is the intention of the Issuer that the RTS trading begins immediately upon the allotment of the C Shares.

Immediately upon registration by the court of the increase in the share capital by means of issue of the C Shares the Issuer shall apply to the Securities and Exchange Commission for the registration of the C Shares in the Commission. The C shares shall be deposited in the accounts of the Investors who on the date of registration of the C Shares were entitled to RTS. From the date following the day of crediting the accounts of Investors with the C Shares the C Shares shall be submitted for trading at the Securities Exchange.

The Issuer expects that the C Shares shall be traded at the Stock Exchange not later than in August 2004.

14 Definitions and abbreviations

Shares	Company Shares
A Shares	5,700,000 registered A Shares, privileged with regard to vote
B Shares	1,500,000 common bearer's B shares
C Shares	Up to 3,000,000 common bearer's C shares
D Shares	330,000 common bearer's D shares
ATG Sp. z o.o.	ATG limited liability company with the registered office in Poznań
Bank, BZ WBK SA	Bank Zachodni WBK Joint-stock company with the registered office in Wrocław
C5+	Hydrocarbons of carbon content exceeding 5 atoms per particle. In practice – a component in light fuel production
DM BZWBK	Brokerage House BZ WBK Joint-stock company with the registered office in Poznań
DN	Nominal diameter
Working Day	Days from Monday to Friday excluding statutory holidays

„elwik” Sp. z o.o.	„elwik” limited liability company with the registered office in Lubicz Dolny
Issuer, the Company, PBG S.A.	PBG Joint-stock Company with the registered office in Wysogotowo
WSE	Warsaw Stock Exchange Joint-stock Company
Group, Capital Group, PBG S.A. Group	Capital group of the Issuer comprising the following entities: PBG SA, ATG Sp. z o.o., "elwik" Sp. z o.o., KRI Sp. z o.o.
NG	Natural gas
Investors	Natural persons, legal persons and entities without legal identity, residents and non-residents as defined by the Foreign Exchange Law subscribing for the C Shares within the framework of public subscription
Legal Office	Attorney at Law Office Mariola Więckowska Attorney at Law
KDPW, Depository	National Depository for Securities Joint-stock Company
Civil Code	Law dated 23 rd April 1964 – the Civil Code (Journal of Laws of 1964 r. No 16 item 93 as amended)
Penal Code	Law dated 6 th June 1997 – the Penal Code (Journal of Laws of 1997 no 88 item 553 as amended)
Commercial Companies Code, ccc	Law dated 15 th September 2000 – Commercial Companies Code (Journal of Laws of 2000 no 94 item 1037 as amended)
Commission, SEC	Securities and Exchange Commission
Communication	Announcement by the Issuer in public of the information required pursuant to article 81 section 1 of the Law on Public Trading of Securities and according to the procedure stipulated therein
Distribution Consortium	Consortium of brokerage houses participating in the offer of the C Shares, if established
KRI Sp. z o.o.	KRI limited liability company with the registered office in Wysogotowo
LNG	Liquid Natural Gas
LPG	Liquefied Petroleum Gas
Offer	Public subscription for 3,000,000 C Shares
Offering Party	BZ WBK S.A. Brokerage House with the registered office in Poznań
Authorised Parties	Management Board Members and employees of the Issuer, members of management boards of other companies of the Capital Group and employees of the companies of the Capital Group and natural persons or partners in partnerships associated with the Company by permanent co-operation agreements, indicated by the Supervisory Board or the Management Board
PAP	Polish Press Agency
RTS	Rights to C Shares
PERN "Przyjaźń" SA	Oil Pipeline Exploitation Enterprise „Przyjaźń” Joint-stock Company with the registered office in Plock
PGNiG SA	Polish Oil and Gas Company Joint-stock Company with the registered office in Warsaw
PHZ Bartimpex SA	Foreign Trade Enterprise Bartimpex Joint-stock

	Company with the registered office in Meriewo
CSC	Client Service Centre of the brokerage house – a member of the Distribution Consortium
Banking Law	The Law dated 29 th August 1997 – the Banking Law (Journal of Laws of 2002 no 72 item 665 as amended)
Foreign Exchange Law	The Law dated 27 th July 2002 – the Foreign Exchange Law (Journal of Laws of 2002 no 141 item 1178)
Law on Public Trading of Securities	The Law dated 21 st August 1997 – the Law on public trading of securities (uniform text in the Journal of Laws of 2002 No 49 item 447 as amended)
Motivation Scheme, Scheme	Motivation scheme for Authorised Parties, within the framework of which up to 330,000 of D Shares shall be issued
Prospectus, Issue Prospectus	This issue prospectus drawn up in relation to the introduction of the Shares to public trading and offering of the C Shares and D Shares
Supervisory Board	Supervisory Board of the Issuer
Regulations	Motivation Scheme Regulations
Ordinance	The Ordinance of the Council of Ministers dated 16 th October 2001 concerning detailed terms applying to issue prospectus and prospectus summary (Journal of Laws of 2001 no 139 item 1568 as amended)
Ordinance on Current and Periodical Reports	The Ordinance of the Council of Ministers dated 16 th October 2001 concerning current and periodical information submitted by issuers of securities (Journal of Laws of 2001 no 139 item 1569 as amended)
RWE	RWE Gas Aktiengesellschaft with the registered office in Dortmund / Germany
Articles of Association	Articles of Association of the Issuer
Service Sub-issuer	The entity, as defined in the law dated 21 st August 1997 the Law on public trading of securities (the uniform text in the Journal of Laws of 2002 no 49 item 447), with which the Issuer shall conclude the agreement for service sub-issue
UOKiK	Office for Competition and Consumer Protection
Law on Competition and Consumer Protection	The Law dated 15 th December 2000 on competition and consumer protection (Journal of Laws of 2000 no 122 item 1319 as amended).
Law on Stamp Duty	The Law dated 9 th September 2000 on stamp duty (Journal of Laws of 2000 no 86 item 960 as amended)
Law on Income Tax on Natural Persons	The Law dated 26 th July 1991 on income tax on natural persons (Journal of Laws of 2000 no 14 item 176 as amended)
Law on Corporate Income Tax	The Law dated 15 th February 1992 on corporate income tax (Journal of Laws of 2000 no 54 item 654 as amended)
Law on Tax on Civil Law Activities	The Law dated 9 th September 2000 on tax on civil law activities (Journal of Laws of 2000 no 89 item 959 as amended)
Accountancy Act	The accountancy act dated 29 th September 1994 (Journal of Laws of 1994 no. 121 item 591)
Management Board	Management Board of the Issuer