Wysogotowo, 9th September 2005

To:

Public Office of the Polish Securities and Exchange Commission - fax: 022 33 26 726

Issuers' Department of the Warsaw Stock Exchange – fax: 022 537 78 92

Issuers' Department of the Polish Press Agency – emitent@pap.com.pl

Current report: PBG/RB/2005/64

Re: the re-submission of the Board of Directors' report on the PBG S.A. Capital Group business

In consultation with the Securities and Exchange Commission in Warsaw, the Board of Directors of PBG S.A. hereby re-submits the attached Board of Directors' report on the PBG Capital Group business, which is an integral part of the consolidated financial report for the financial year 2004, published on 9th August 2005.

Wysogotowo, 31st December 2004

Board of Directors' report on the PBG S.A. Capital Group business

(hereinafter referred to as the Capital Group)

for the period 1st January 2004 – 31st December 2004

1. Group presentation

PBG S.A.
the parent company of PBG Capital Group

Address:	ul. Skórzewska 35, 62-081 Przeźmierowo, Wysogotowo near Poznań
Contact:	Phone: (61) 665 17 00, Fax:(61) 665 17 01, www.pbg-sa.pl
GUS Classification:	4521 C – general construction works related to linear facilities, pipelines for natural gas, crude oil, water and heat supply systems, power lines, traction lines and transmission lines.

Company's statistical number (REGON): 631048917
NIP [Tax Identification Number]: 777-21-94-746

The Issuer's Branches:

Branch in Wrocław	ul. Gazowa nr 3, 50-513 Wrocław
Branch in Warsaw	ul. Smolna 20/6, 00-375 Warsaw
Branch in Szczecin,	ul. Struga 78, 70-784 Szczecin

PBG S.A., formerly Technologie Gazowe Piecobiogaz Spółka z ograniczoną odpowiedzialnością, with its registered office in Wysogotowo, was established following the transformation of the limited liability company Technologie Gazowe Piecobiogaz sp. z o.o. under Title IV, Section III, Chapters 1 and 4 of the Act of 15th September 2000 – the Code of Commercial Companies. The entry in the Register of Entrepreneurs of the National Court Register was made on 2nd January 2004. Technologie Gazowe Piecobiogaz sp. z o.o. was transformed into PBG S.A. under the resolution of the Extraordinary General Meeting of Shareholders held on 1st December 2003. Having regard for the requirements set forth in the Code of Commercial Companies, the Company's Articles of Association stipulated that during the first year from the date of its incorporation, the Company, apart from the new business name, should use the old name: formerly: Technologie Gazowe Piecobiogaz sp. z o.o.

The Company's initial share capital amounted to PLN 7,200,000 (seven million two hundred thousand zloty) and was divided into 7,200,000 shares of the nominal value of PLN 1.00 each.

The shareholders of the transformed company, i.e. Technologie Gazowe Piecobiogaz sp. z o.o. became the first shareholders of the Company.

As a result of the action to perform the first public issue of the Company's shares, the Extraordinary General Meeting of Shareholders, on 10th March 2004, adopted Resolution No. 1 on the increase in the share capital through the public issue of series C shares, excluding the pre-emptive right to subscribe for the shares for the existing shareholders, and Resolution No. 4 on the increase in the share capital through the public issue of series D shares, excluding the pre-emptive right to subscribe for the shares for the existing shareholders in order to implement an

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incentive scheme in the Company. Following the entry, in the National Court Register on 7th July, of the increased share capital through the first public shares issue on Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange - WSE), the Company's share capital amounts to PLN 10,530,000.00 and is divided into 10,530,000 shares with the nominal value of PLN 1.00 each.

The body representing the Company is the Board of Directors, which initially was composed of persons managing the transformed company. On 17th February 2004, the Supervisory Board appointed a new Vice Chairman of the Supervisory Board, Mr. Tomasz Tomczak. On October 29, Mr. Marek Grunt submitted his resignation from the position of the Vice President of the Board of Directors of PBG Spółka Akcyjna, effective as at 31st October 2004. From the said day on, the Board of Directors has been composed of:

Mr. Jerzy Wiśniewski	-	President of the Board of Directors
Ms. Małgorzata Wiśniewska	-	Vice-President of the Board of Directors
Mr. Tomasz Woroch	-	Vice-President of the Board of Directors
Mr. Przemysław Szkudlarczyk	-	Vice-President of the Board of Directors
Mr. Tomasz Tomczak	-	Vice-President of the Board of Directors

The Supervisory Board, pursuant to the resolution on the transformation of Technologie Gazowe Piecobiogaz sp. z o.o. into PBG S.A., is composed of: Maciej Bednarkiewicz, Wiesław Lindner, Jerzy Sikorski, Adam Strzelecki, Ryszard Wiśniewski.

As a result of Mr. Ryszard Wiśniewski's resignation from the membership in the Supervisory Board, in February 2004, the Extraordinary General Meeting of Shareholders appointed Mr. Jacek Krzyżaniak to be a new member of the Board.

On 16th April 2005, the Extraordinary General Meeting of Shareholders of PBG S.A. adopted a resolution on the dismissal of the Supervisory Board member – Mr. Jerzy Sikorski - effective from 16th April 2005.

On 16th April 2005, the Extraordinary General Meeting of Shareholders of PBG S.A. adopted a resolution on the appointment of the Supervisory Board member – Mr. Dariusz Sarnowski.

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PBG S.A. shares admitted to public trading:

Type of shares	No. of shares	Shares nominal value
Series A registered shares preferred in terms of votes	5 700 000	PLN 1
Series B ordinary bearer shares	1 500 000	PLN 1
Series C ordinary bearer shares	3 000 000	PLN 1
Series D ordinary bearer shares	330 000	PLN 1

Consolidated companies:

ATG Sp. z o.o.:

a subsidiary - 100% of stake held by PBG SA

full consolidation method since the date of the incorporation into the Group, i.e. 15th March 2004

Register office: ul. Kolejowa 13, 60-717 Poznań
Trade office: ul. Serdeczna 6, 62-081 Przeźmierowo Wysogotowo near Poznań
Phone: (61) 665 18 11 ; Fax:(61) 665 18 10
Website: www.atg.pl
GUS Classification: 51 53 B – wholesale of building materials and sanitary equipment
Company's statistical number (REGON): 631149660
Tax identification Number [NIP]: 778-13-31-792

The Company was established as part of the strategy of PBG S.A., i.e. seeking extra income sources. The acquisition of 100% stake took place in March 2004.

The Company's objects, according to the Polish Classification of Economic Activities (PKD), is the wholesale of building materials and sanitary equipment (51 53 B).

ATG Sp. z o. o. is involved in trade in materials and equipment used in the gas, oil, heating, water supply and sewage sectors. In addition, the company offers support in the area of management of financing and consulting services in terms

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of conformity of technical parameters and project requirements. The Company sells its products both to the Capital Group companies and external customers.

"elwik" Sp. z o.o.

a subsidiary - 76% of stake held by PBG SA and 24% by Lubicz Municipality

full consolidation

Address:	Lubicz Dolny, ul. Toruńska 21, 87-162 Lubicz	
Phone:	(0-56) 678-21-28 ;	Tel/fax:(0-56) 678-53-14
Website:	www.lubicz.pl	
GUS Classification:	4100 - collection, purification and distribution of water	
Company's statistical number (REGON):		871629373 ;
NIP [Tax Identification Number]:		879-23-26-737

The Company's objects are the collection, purification and distribution of water (PKD 4100). Further, the Company is involved in effluent management, waste disposal and neutralization, and sanitary and related services.

In "elwik" Sp. z o. o., the Issuer holds 76% of stake and the Municipality of Lubicz holds the remaining 24% of shares. The establishment of the Company in 2002 was related to the implementation of a programme of the construction of waterworks and sewage systems in the Lubicz Municipality near Toruń.

KRI sp. z o.o.

a subsidiary - 49% PBG, 51% - RWE Gas International BV

equity method

Address:	ul. Serdeczna 8, 62-081 Przeźmierowo	
Phone:	(0-61) 664-18-50 ;	Fax: (0-61) 664-18-51
GUS Classification:	PKD 4020B - distribution of gaseous fuels through mains	
Company's statistical number (REGON):		639803477
NIP [Tax Identification Number]:		779-21-30-301
Branches:	Chojna Branch, ul. Różana 16 ; 75-500 Chojna	

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The core business of the Company, according to the Polish Classification of Economic Activities (PKD), is the distribution of gaseous fuels through mains (PKD 40 20 B). Apart from the transmission, distribution and trade in natural gas, the Company is also involved in heat generation and distribution, and provides consulting services in terms of management of financing and completion of investments related to the use of natural gas and heat production.
Since 2002, the Company's shareholder, holding 51% of stake, is RWE International BV, a member of one of the world's leading public utility concerns – RWE Group.

PGS Sp. z o.o.
a subsidiary - 75% - PBG; 25% - PETRICO S.A.
full consolidation method since the date of the incorporation in the Group, i.e. 8th September 2004

Address:	ul. Krotoszyńska, 63-430 Odolanów		
Phone:	(0-62) 733 37 88 ;	Fax:	(0-62) 733 30 44
GUS Classification:	60 24A freight transport by road in specialized vehicles		
Company's statistical number (REGON):		251458960	
NIP [Tax Identification Number]:		622-24-16-626	

PGS is the only company in Poland which applies the technology of the transport of liquefied natural gas (LNG) and provides emergency gas supplies during overhauls of gas pipelines. The acquisition of PGS by the Issuer is the complementary to the strategy of providing all-inclusive services in the gas industry. Due to the possibility of applying the LNG technology as an alternative to the construction of gas pipelines, the market is expected to grow rapidly, which ensures PGS development.

2. Important events (including material agreements) in the period from 1st January 2004 to 31st December 2004.

PBG S.A., formerly: Technologie Gazowe Piecobiogaz Sp. z o.o., throughout the whole period subject to this report, continued and developed the Capital Group's

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business maintaining the direction set in previous years by its legal predecessor – Technologie Gazowe Piecobiogaz sp. z o.o., at the same time expanding the scope of its environmental services, co-financed from the EU funds.

The major events in the period subject to the report were as follows:

- the entry of PBG S.A. to the Register of Entrepreneurs on 2nd January 2004.
- adopting, on 10th March 2004, by the Extraordinary General Meeting of Shareholders of PBG S.A., formerly: Technologie Gazowe Piecobiogaz sp. z o.o., resolutions on: on the increase in the share capital through the public issue of series C shares, excluding the pre-emptive right to subscribe for the shares for the existing shareholders, on the increase in the share capital through the public issue of series D shares, excluding the pre-emptive right to subscribe for the shares for the existing shareholders in order to implement an incentive scheme in the Company and introduce the Company's shares to public trading;
- obtaining, on 25th May 2004, of Decision No. DSP/E/4110/12/23/2004 of the Securities and Exchange Commission on the introduction of the Company's shares to public trading;
- closing the public subscription for series C and series D shares resulting in PLN 96,330,000 of revenue;
- obtaining, on 25th June 2004, Resolution No. 195/2004 of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (WSE) to admit series C and series D ordinary bearer shares and the rights in series C shares to trading on the WSE's main market;
- the floating of the shares of PBG Spółka Akcyjna at the WSE;
- obtaining, from the Ministry of Economy and Labour, the positive opinion of the Steering Committee of the Task Force for the Financial Aid for Entrepreneurs to grant financial support to the new investment within the Sectoral Operational Programme - Improvement of the Competitiveness of

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Enterprises, years 2004-2006. The total amount of this aid is PLN 14,009,120, including: PLN 11,956,608.00 on capital expenditure and PLN 2,052,512.00 on creation of new jobs.

Also, other major events in the Capital Group's operation, during the period subject to the report, were as follows:

- the acquisition by PBG S.A., formerly: Technologie Gazowe Piecobiogaz Sp. z o.o., of 100% stake in ATG sp. z o.o. with its registered office in Poznań for PLN 4,000,000, which resulted in the expansion of the capital group, in which PBG S.A. acts as the parent company;
- the acquisition, by PBG S.A., formerly: Technologie Gazowe Piecobiogaz Sp. z o.o., of 75% stake in PGS Sp. z o.o. with its registered office in Odolanów for PLN 2,000,000.00, the only company in Poland specializing in the transport of LNG, which resulted in the expansion of the capital group, in which PBG S.A. acts as the parent company;
- the execution, by the parent company, of an agreement with Przedsiębiorstwo Budowy Gazociągów i Obiektów Towarzyszących MEGAGAZ S.A. concerning "Construction works for the Natural Gas Pumping Plant in Szamotuły" worth of PLN 14,569,321.00;
- concluding, by the parent company, of a contract with MITEX S.A. with its registered office in Kielce to carry out technological, construction, sanitary and electrical works as part of the project "Upgrade of fuel depot no. 2" at the airport in Siemirowice, worth of PLN 8,865,000, the first contract on the provision of services for the Armed Forces;
- concluding, by the parent company acting as the Syndicate Partner, of a contract with Zakład Wodociągów i Kanalizacji Sp. z o.o. in Szczecin on construction works in terms of the delivery and assembly of ductile iron pipeline as part of the project "Construction of water mains supplying water

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to the city of Szczecin", with the value of EUR 12,649,998.86; the share of PBG S.A. in the Syndicate is 40%;

- concluding, by the parent company, of a contract with PGNiG S.A, Oddział Zielonogórski Zakład Górnictwa Nafty i Gazu (the Polish Gas and Oil Company, Oil and Gas Upstream Units in Zielona Góra), concerning the development and obtaining of a complete technical and legal documentation as well as the provision of General Contractor services within the project "Construction of the Grodzisk Gas Mixing Plant" (Milestones I-IV) worth of PLN 7,490,000.00;
- concluding, by the parent company acting as the Syndicate Partner, of a contract, whose parties are the Municipality of Toruń and Toruńskie Wodociągi Sp. z o.o., concerning works related to the "Construction of main interceptor in Toruń Południowy (Toruń - South) and the municipal sewage treatment plant for the following town districts: Pogórz, Stawki i Rudak" amounting to EUR 2,373,779.00;
- concluding, by a subsidiary "ewik" Sp. z o.o., of a cash loan contract with the National Fund for Environmental Protection and Water Management amounting to PLN 8,160,000. The loan interest is 10.89% annually, with maturity date by 31st March 2011. The loan will be employed to finance the project "Wastewater management in the Lubicz Municipality – phase 1: construction of the sewage system in Nowa Wieś and Złotoryja including transport of wastewater to the sewage treatment plant in Lubicz Górny"; on 28th June 2005, an annex was made to the said cash loan agreement; the annex stipulates the cancellation of PLN 4,080,000, i.e. 50% of the loan;
- concluding, by the parent company acting as the Syndicate Partner, of a contract, with Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji, on the project "Upgrade of the wastewater treatment plant in Włocławek", worth of EUR 16,490,270.74, where the share of PBG S.A. in the Syndicate is 50 %;
- concluding, by the parent company, of a contract with Polskie Górnictwo Naftowe i Gazownictwo S.A headquartered in Warsaw, KRIO Gas

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Denitrification Plant in Odolanów, concerning the project "Extension of the Odolanów compressor station – motor compressor n 8", worth of PLN 10,900,000.00, under which PBG S.A. is a contractor;

- concluding, by the parent company acting as the Syndicate Leader, of a contract with PGNiG S.A. Oddział Zielonogórski Zakład Górnictwa Nafty i Gazu, concerning the project "Management of the natural gas deposit in Górzyca" for the total amount of PLN 16,900,000.00;
- concluding, by the parent company, of the largest contract in the Company's history with Zakład Wodociągów i Kanalizacji w Szczecinie, under which PBG S.A. acts as the Syndicate Leader, amounting to EUR 42,218,150.90 EURO; the contract concerns the implementation of the project: "Upgrade of the existing sewerage network of left-bank Szczecin";
- concluding, by the parent company acting as the Syndicate Leader, of an agreement with the Governor of the Warmińsko-Mazurskie Province concerning the project "Construction of the Grzechotki-Mamonowo II border crossing point ", for the total amount of EUR 11,694,84.02.

3. The description of organizational changes in PBG S.A. Capital Group, formerly: Technologie Gazowe Piecobiogaz sp. z o.o., and their causes (the description of the main capital investments structure).

The 2004 witnessed the following changes in PBG S.A. Capital Group, formerly: Technologie Gazowe Piecobiogaz sp. z o.o.:

- the acquisition of 100% stake in ATG sp. z o.o. with its registered office in Poznań for PLN 4,000,000, which made it possible to expand the Capital Group's business with the trade in materials and equipment in the gas, crude oil and environmental protection industries. ATG sp. z o.o., using the scale effect, will provide the logistic services related to the delivery of materials and equipment for projects implemented by the companies of the Capital Group at the lowest possible purchase prices;

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- the acquisition of 75% stake in PGS Sp. z o.o. with its registered office in Odolanów for PLN 2,000,000.00, the only company in Poland specializing in the transport of LNG. The inclusion of PGS sp. z o.o. will make it possible to expand the scope of services with LNG transport to meet the needs of natural gas distribution companies in Poland and other specialized services based on LNG technology, at home and abroad.

The financial resources for the acquisition of shares in PGS Sp. z o.o. originated from the issue of the securities of PBG S.A. in 2004. Furthermore, the resources obtained from the issue enabled the company to acquire fixed assets, boosting, among other things, the Company's operating capabilities.

4. The expected development of the Capital Group and its main areas of operation

Spółka PBG S.A., formerly: Technologie Gazowe Piecobiogaz sp. z o.o., pursues the development strategy adopted in previous years by its legal predecessor. It involves the continuous enhancement of the quality of the services provided by the companies in the Capital Group, the improvement of customer service, the advancement of the organizational culture, the enhancement of performance, fostering and successive implementation of the state-of-the-art technologies, while respecting Polish and foreign environmental standards. The Company's dynamic growth is a result of the implementation of the latest technologies, the sourcing of a specialist engineering staff and continuous trainings.

The other basic development direction is seeking new operating areas for the Capital Group. The Group companies attempt to establish cooperation with new partners, at home and abroad, which results in e.g. sourcing new orders in the environmental protection industry. The Company establishes cooperation with new investors, which results in improved performance.

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The material financial resources resulting from the IPO of PBG S.A. shares in 2004, furthered the possibilities of winning and performing contracts with a material individual value.

In order to enhance the efficiency of the contracts, the Company will continue to build up its performance potential. The development is bi-directional: organic, through the increase in employment, and through acquisitions. Capital expenditure will only be effected in the form of contracts and may contribute to further dynamic development of PBG S.A. This process is supported with grants obtained for this purpose from the Sectoral Operational Programme - Improvement of the Competitiveness of Enterprises.

The Company pursues the policy of proactive seeking of brand new, attractive areas of operation abroad. However, to date, no revenue was obtained from this source.

The Company's and the Group's objects include:

- design, construction, upgrade, repairs and operation of:

- Steel pipelines and transport facilities for natural gas, crude oil, water supply and sewage systems, including:
  - Steel waterworks mains and interceptors, oil pipelines, high-pressure gas pipelines, etc;
  - meter and regulator stations, mixing plants, distribution stations, gas pumping stations, measurement and settlement stations, tanks, separator stations, etc;
  - LNG installations, heating infrastructure, PE pipelines for natural gas, water supply and sewage systems, including:
  - LNG storage and evaporation stations;
  - boiler rooms, heat networks, heat distribution substations;
  - gas pipelines and waterworks;

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- Specialist LPG, natural gas mining and crude oil facilities, including:
  - LPG separation and storage stations,;
  - cruide oil and natural gas mines.
- Infrastructure for industrial facilities and roads / highways, including:
  - Re-construction of existing infrastructure crossing roads and highways under construction;
  - installation of internal industrial plants
  - Co-generation systems, i.e. combined production of electricity and heat from natural gas;
  - infrastructure for storing fuels;
  - other specialist facilities.

To provide all-inclusive offer, PBG S.A. also renders construction and maintenance services for, and repairs, of automatic control, measurement, telemetry, and telemechanics (remote control engineering) systems.

In terms of diagnostics, the Company's offer includes the technical analyses of gas and oil pipelines, including watercourse crossings and anti-corrosion systems.

- trade in materials and equipment used in the gas, oil, heating, water supply and sewage sectors; assistance in the organization of financing and consulting related to the compliance of technical parameters with the project requirements (ATG Sp. z o.o.)

- transmission and distribution of natural gas and heat to institutional and individual customers (KRI Sp. z o.o.);

- distribution of water, sewage management and the maintenance, upgrade and extension of water supply and sewerage systems in Lubicz Municipality („elwik" Sp. z o.o.);

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- transport by road of LNG and CN_2 (PGS Sp. z o.o.)

NG and CN_2 (PGS Sp. z o.o.)

Detailed financial data on the portion of particular products in sales have been included in the financial statement.

5. Major technical R&D accomplishments

Continuing the policy of ongoing improvement and upgrade of the offer, adopted in previous years, PBG S.A. have taken up a number of measures aiming at further technical and technological development, in order to fine-tune its services to European standards and prepare to operate on the EU market. The Company applies specialist technologies, including:

- the method of a US-based company - T.D. Williamson - of works carried out on steel and PE gas pipelines in operation with no release of gas into the atmosphere;
- trenchless methods of the renovation of pipeline systems using Compact Pipe and SlimLiner methods licensed by the Dutch company, WAVIN, including water supply, sewage, industrial and gas supply systems.

Also, including PGS Sp. z o.o. to the Capital Group in 2004 is connected with the implementation of the Group's technical development strategy. PGS Sp. z o.o. is the only Polish company which employs LNG transport technology.

6. Acquisition of treasury shares

Neither PBG S.A. nor other company in the Capital Group acquired treasury shares in the period subject to the report.

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7. Branches of the Group's Companies

PBG S.A. established branches in Warsaw, Wrocław, Szczecin and Włocławek. The branches prepare their own balance sheets. The aim of the establishment of the branches is ensuring the Company's effective operation.

The subsidiary, KRI Sp. z o.o., opened a branch in Chojno. The branch prepares its own balance sheet.

8. Factors determining the development of the Capital Group

a) External factors

1. Competition

The Capital Group pursues its business on the competitive market of specialist services related to the construction, upgrade, overhauls and operation of facilities and installations used in the gas, oil, heating, water supply and sewage sectors, related to the supplies of natural gas and heat to institutional and individual customers and related to the picking and supplies of materials and equipment necessary to execute complete facilities in the construction industry.
As of the date of the submission of this report, PBG S.A. does not have information on entities other than its subsidiary PGS Sp. z o.o., which also apply the LNG transport technology on the Polish market.
Apart from the price, the key factor behind competitiveness of any company is its experience and expertise in the completion of specialist projects, high quality of services, and efficient organisation to ensure timely performance of contracts in line with the efficiency assumptions.
The Companies reduce risk through:

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- Selection of niche products and services;
- Ensuring high quality of services;
- Consistent improvement of qualifications in the area of cutting-edge technologies with the goal to develop a competitive offer and launch it on the market;
- Diversification of business areas;
- Forming strategic alliances with renowned foreign companies operating on the Polish market and abroad.

In addition, this risk may be mitigated by the Company's decision to gain new markets for its products and services.

2. Economic situation in Poland

Strategic goals and planned financial results of the Capital Group are also determined by macroeconomic factors beyond the Group's control. These include: GDP growth, inflation rate, general economic situation in Poland, changes in legislation. Unfavourable changes of macroeconomic indicators may decrease planned revenues of the Group's Companies or increase its operating costs.
Development of the gas and oil infrastructure is closely related to the State policy of the country's energy security and the strategy of development of PGNiG S.A.
Slower GDP growth and long-term crisis in public finance may have a negative impact on the Company's results.

3. Poland's membership in the European Union

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Poland's accession to the EU may encourage international companies, providing services similar to those offered by the Capital Group, to enter the Polish market. This might increase the competition and cause reduction of profit margins.

Poland's membership in the EU is associated with the inflow of greater EU resources, particularly for the construction and upgrade of infrastructure in the environmental protection area. By winning a number of material contracts in H2 FY04, the Company proved that its is well-prepared to compete, also with foreign companies.

On the other hand, the opening of the European markets may become an opportunity for the Company to enter brand new geographical markets.

The Company mitigates the said risks through:

- Forming strategic alliances with foreign companies operating on the Polish market to implement joint projects;
- Achieving the European level of management and quality of services, substantiated for the parent company by the implementation of the following standards: PN-EN ISO 9001:2001, PN-EN 729-2, guidelines of AQAP 110:1995, and the Polish Quality Award;
- Consistent improvement of qualifications, especially in the area of unique cutting-edge technologies, with the goal to develop a competitive offer and present it on the market.

b) Internal factors

1. Unfavourable changes in tax regulations

In Poland, tax regulations as regards taxation of business activities are subject to frequent changes. Therefore, there is a risk of changes in current tax regulations and introduction of less favourable tax regulations for the Companies or its

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customers, which may in turn affect the Companies' financial results, either directly or indirectly.

2. FX rate

The main outlet for the Group Companies' products and services is the domestic market, but the contracts co-financed from the EU Funds are contracted in EURO.
The currency risk may materially affect the profitability of the signed contracts. The Companies mitigate the risk through the use of appropriate financial instruments, and the transfer of a part of the currency risk upon the subcontractors and vendors of materials and equipment.
In the case of the purchase of foreign machines and equipment of high value required for the performance of contracts, the FX rate risk will also be minimized with financial instruments available on the market.

3. Loss of key staff

First and foremost, the Companies' business is based on the knowledge and experience of highly qualified staff, especially engineers. Highly qualified specialists are rare assets on the market nowadays. The key method of their recruitment is to offer competitive working conditions and salary.
There is a potential risk of staff outflow, involving employees of key importance for the Capital Group's development, which in turn might affect the quality of services. This risk is mitigated by the following factors:

- Well-developed internal corporate culture in the Group's Companies and employees' identification with the Companies;
- Appropriate forms of incentive and loyalty remuneration systems in the Companies;

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- Knowledge management and comprehensive training programme to make sure that no employee is "irreplaceable";
- High unemployment rate on the market.

4. Risk related to non-performance of contracts

In the case of non-performance or undue performance of contracts signed by the Companies in the Capital Group, there is a risk of the Company's customers claiming contractual penalties to be paid or the contract to be terminated.
In order to minimize the risk, the Companies take the following measures:

- Contracts are insured (including subcontractors);
- Organization is consistently fine-tuned by:
    - the training scheme to prepare a group of employees to "certified project manager" exams;
    - extensive use of IT tools in the design and management of projects.

5. Dependence on key customers

Specific character of services offered by PBG S.A. determines the selection of potential customers, including Polskie Górnictwo Naftowe i Gazownictwo S.A. (Polish Oil and Gas Company). So far, the Company co-operated closely both with PGNiG S.A. and the Group's companies, which was reflected in the level of revenues. This might be considered a risk.
However, the risk is reduced due to the growing share of environmental protection contracts in the Company's portfolio and sourcing new customers.
The Company's strategy assumes the completion of projects of high individual value, which may increase the share of sales to one customer in total revenue.
The Company and the Group plan to minimize this risk by:

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- Diversification of sources of revenues and sourcing new customers;
- Conclusion of contracts financed from the EU funds (in particular with local authorities as customers);
- Entering foreign markets.

6. Risk related to current operations

The Company's operations, especially works involving running equipment and facilities and LNG transport, may be a potential source of threats, including the possibility of a breakdown causing human or property losses.
The Company prevented this risk by:

- Insuring its operations against civil liability;
- Consistently equipping employees with new, up-to-date protection equipment;
- Training and development of staff qualifications;
- Regular H&S training and supervision.

9. Assessment of the financial assets management

In 2004, the Issuer increased credit lines up to the total of PLN 108 m. It is an effect of the financial strategy for Q3 FY04, which resulted in:

- the reduction in the number of cooperating banks from 11 to 6, including 3 new banks that established cooperation;
- restating and harmonizing cooperation terms as regards of i) prices; ii) security (based on the assignments from contracts with certain and trusted payers and mutual sureties of entities from the Capital Group);

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- leveling out the Issuer's liabilities towards all banks in terms of corporate finance (the principles of „pari passu", „negative pledge", „cross default" and „material change") and any possible sanctions towards the Issuer;
- making flexible the application of the limits in such a way that the Issuer has an opportunity to choose free between a) the banking product, b) the product currency, c) the possibility of the product settlement.

The said measures will make it possible to effectively use the sources of financing at optimum financial costs.
In 2004, the Issuer paid its liabilities when due.

The risk related to financial resources:

- the annual period for credit limits at the performance of contracts with terms of up to 3 years;
- prolonged trade cycles on EU contracts exceeding the maturity dates for proper receivables adopted by banks;
- the risk of unfavorable changes in interest rates and rates of exchange.

Currently, the Issuer does not perceive any risk of decreasing bank's limits.

Measures taken to mitigate the risks:

- the diversification of financial resources between banks, insurers, brokerage companies, the capital market and the commodity exchange;
- continuous monitoring of the use of resources in the Issuer's Capital Group;
- the development of the procedures pursuant to the implemented Integrated Management Systems resulting in the centralized information circulation and management-related recommendations;
- assigning specific banking products to specific contracts, which enables financial institutions to apply active controlling.

10. The Capital Group's present situation and financial ratios.

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The financial ratios indicate that the Capital Group is in a good financial standing. The specific nature of the Company's operations, which manifests itself in generating 40-55% of revenue in Q4 of a particular year, results in a high level of EOY receivables. It may distort the value of certain ratios. The increase in the equity of the parent company (as a result of the issue of shares) would result in material variations in a number of ratios as compared to their values in the previous year. However, it is not an indicator of an unsound standing of the Capital Group. It must be underlined that the main parameters and ratios in the balance sheet and the P&L account are proof of the company's good financial standing.

PROFITABLITY RATIOS

In 2004, the Capital Group recorded an increase in the profitability at all levels of the financial results. Operating profit margin was the fastest growing ratio (by 4.07 percent point), which was a result of the decline in the costs of sale against the 2003 figures by ca. 23%. In 2004, the net profit margin increased by 2.13 percent point as compared to last year's figures, and ROA dropped by nearly 1 percent point. The decrease in this ratio is a result of a high growth in assets against the Company's profit (the assets rose by 86% as compared to last year's figures and net profit was higher by 60%). The significant ROE fall in 2004, as compared to 2003 figures, was a result of the growth in equity in 2004 over four times (due to the

NAME	CALCULATION FORMULA	2004	2003
Return on sales	net profit / sales *100	**10.92%**	**8.59%**
Operating profit margin	operating profits / sales *100	**11.98%**	**7.91%**
Gross profit margin	gross profit / sales *100	**10.61%**	**7.64%**
Net profit margin	net profit / sales *100	**8.39%**	**6.26%**
ROA	net profit / total assets *100	**5.86%**	**6.81%**
ROE	net profit / shareholders' equity excluding profit *100.	**14.61%**	**53.29%**

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issue of shares by the parent company).

LIQUIDITY RATIOS*

Name	CALCULATION FORMULA	2004	2003
Current ratio	(current assets – short-term prepaid expenses) / current liabilities	**1.44**	**0.86**
Quick ratio	current investments + current receivables / current liabilities	**1.39**	**0.83**
Net working capital in '000 PLN	current assets – current liabilities – short-term prepaid expenses	**65 431**	**-10 750**
Working capital to assets ratio	net working capital / total assets	**21.21%**	**-6.48%**

* without trade receivables with maturity dates over 12 months

The increase in current ratio in 2004 (by 68% as compared to last year's figures) is a result of an excessive share of capital in current assets due to the obtaining of substantial resources from IPO (the parent company has not invested its all resources from the shares issue in fixed assets yet). Having regard for the liquid current assets to current liabilities ratio (quick ratio), we may claim that the liquidity of the Capital Group was not jeopardized (the level recognized as optimum should be over 1). The parent company fails to maintain high levels of the least liquid current assets, hence the considerably small discrepancy between the current ratio and the quick ratio. It was also reflected in the short inventory turnover period.

In 2004, working capital was positive mainly due to the rise in current assets by PLN 130 m, i.e. by ca. 130%.

TURNOVER RATIOS

NAME	CALCULATION FORMULA	2004	2003
Inventory turnover ratio (days)	average inventory * 360 / cost of goods sold	**10**	**6**
Receivables turnover (in days)	average trade receivables * 360 / sales	**160**	**117**
Payables turnover (in days)	average trade payables* 360 / costs of goods sold	**121**	**114**

The inventory turnover ratio in the Capital Group was extended by 4 days as compared to last year's data. However, the level is still low, which is evidence of the effective inventory management. In 2004, the Capital Group paid its liabilities faster than it collected receivables, which means that it financed its customers to a

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larger extent than it used the resources of its vendors in financing the operations. The receivables turnover period was extended by 43 days. Such a long period of collecting receivables is a result of the specific nature of contracts executed by the parent company and its customers. In 2004, it was also affected by the environmental protection contracts executed by PBG S.A. within various syndicates, co-financed by the European Union, with the total value of EUR 130 m. Their settlement is performed in line with strict rules and the procedure of recognizing invoices and the payment of amunts due may even exceed 60 days. Payables turnover increased by 7 days against last year's figures. The difference between the average period of receivables payment and the duration of liabilities rose from 3 days in 2003 to 39 days in 2004.

FINANCIAL LEVERAGE RATIOS

NAME	CALCULATION FORMULA	2004	2003
Debt ratio	debt / total equity	**54%**	**80%**
Debt-to-equity ratio	equity / debt	**85%**	**24%**
Long-term debt	Long-term liabilities / total equity	**9%**	**24%**
Short-term debt	Short-term payables / total equity	**41%**	**53%**
Interest coverage ratio	(profit before tax + interest) / interest	**471%**	**316%**

The changes in the leverage ratios indicate the decline in debt; it was not the result of the nominal decrease in debt, which *de facto* increased. It was a result of the issue of shares by the parent company, which, in effect, resulted in the rise in the share capital and a considerably substantial growth in reserve capital.

The said alterations in the capital structure resulted in the decrease in the total debt ratio from 80% to 54%.

The debt-to-equity ratio increased considerably (by over 60%).

Both the long-term debt ratio and the short-term debt ratio decreased; the nominal long-term debt declined and the short-term debt enlarged.

The reduction of interest, on the one hand, and the increase in gross profit, on the other hand, resulted in the rise in interest coverage ratio from 3.16 in 2003 to 4.71 in the previous financial year.

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ASSETS RATIOS

NAME	CALCULATION FORMULA	2004	2003
Total asset turnover ratio	sales / total assets	**70%**	**109%**
Fixed assets turnover ratio	sales / fixed assets	**287%**	**282%**

Total asset ratio declined by nearly 40% due to the almost doubled balance sheet total.

Fixed assets ratio remained virtually at the same level, as the value of total assets grew due to a significant increase in current assets.

11. Structure of assets and liabilities in the consolidated Balance Sheet

ASSETS STRUCTURE

Balance Sheet - Assets	31-12 2004	Share in %	31-12 2003	Share in %
A. FIXED ASSETS	**75 405**	**24%**	**64 124**	**39%**
I. Intangible assets	663	0%	499	0%
II. Goodwill of subordinate parties	3 363	1%	0	0%
III. Tangible fixed assets (PPE)	50 290	16%	40 799	25%
IV. Long-term receivables	0	0%	0	0%
V. Long-term investments	14 729	5%	18 099	11%
VI. Long-term prepaid expenses	6 359	2%	4 728	3%
B. CURRENT ASSETS	**233 790**	**76%**	**101 883**	**61%**
I. Inventories	6 992	2%	2 371	1%
II. Short-term receivables	137 762	45%	61 991	37%
III. Short-term investments	48 501	16%	12 680	8%
IV. Short-term prepaid expenses	40 534	13%	24 841	15%
Total assets	**309 194**	**100%**	**166 007**	**100%**

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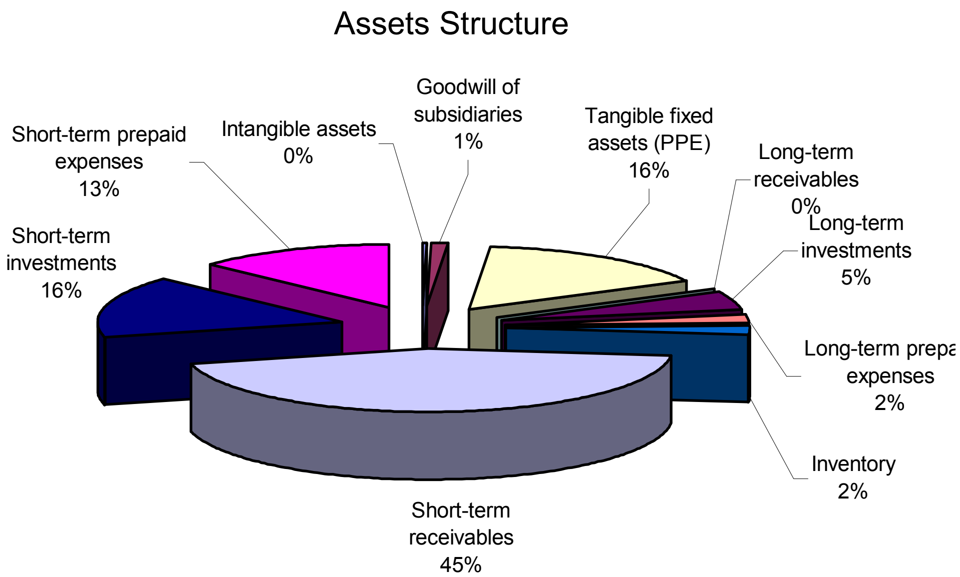

Current assets play the main role in the assets structure. In 2004, they accounted for 76% of the balance sheet total.

The following items of current assets had the following shares in total assets (in diminishing order): short-term receivables – 45%, short-term investments – 16%, short-term prepaid expenses – 13%, inventory – 2%.

Short-term receivables included mainly trade receivables from other entities falling due in the period of up to 12 months. Related parties (KRI Sp. z o.o.) held a considerably insignificant share.

The value of short-term investments included cash and granted loans; their share in total assets rose by 14% and 2% respectively.

The major items in inventory were as follows: goods inventories, advances towards supplies and raw materials; finished goods were insignificant and semi-finished products and work-in-progress were absent.

Fixed assets in 2004 had the following structure: the most important item in terms of value were tangible fixed assets (PPE); they accounted for 16% of the balance sheet total. Long-term investments accounted for nearly 5%, and long-term prepaid expenses for 2%. The two items whose value was the least in the period were goodwill of subordinate parties – 1%, and intangible assets – 0.2%. As in the previous year, long-term receivables were absent.

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Among the tangible fixed assets, buildings, premises and structures of civil engineering had the highest value (over 50% in this item); the value of plant and equipment and vehicles fluctuated around 2-3%; and the remaining items accounted for ca. 1% of total assets.

Long-term investments were mainly loans granted and shares (shares in KRI measured with the equity method).

ASSETS GROWTH

Balance Sheet - Assets	31-12 2004	31-12 2003	2004/2003
A. FIXED ASSETS	**75 405**	**64 124**	**118%**
I. Intangible assets	663	499	133%
II. Goodwill of subordinate companies	3 363	0	0%
III. Tangible fixed assets (PPE)	50 290	40 799	123%
IV. Long-term receivables	0	0	0%
V. Long-term investments	14 729	18 099	81%
VI. Long-term prepaid expenses	6 359	4 728	135%
B. CURRENT ASSETS	**233 790**	**101 883**	**229%**
I. Inventories	6 992	2 371	295%
II. Short-term receivables	137 762	61 991	222%
III. Short-term investments	48 501	12 680	382%
IV. Short-term prepaid expenses	40 534	24 841	163%
Total assets	**309 194**	**166 007**	**186%**

Also, current assets grew faster than fixed assets (229% against 118%).

The fastest growing current assets, in terms of value, were short-term receivables (over 75 m), and the highest percentage growth (by 228%) was recorded for short-term investments, mainly due to the increase in cash.

In terms of value, the next most important growth is the increase, by over 15 m, of short-term prepaid expenses. Inventory grew by 196%, i.e. 4.6 m.

LIABILITIES STRUCTURE

Balance Sheet - Liabilities	31-12-2004	Share in %	31-12-2003	Share in %
A. EQUITY	**142 230**	**46%**	**32 510**	**20%**
I. Share capital (fund)	10 530	3%	7 200	4%

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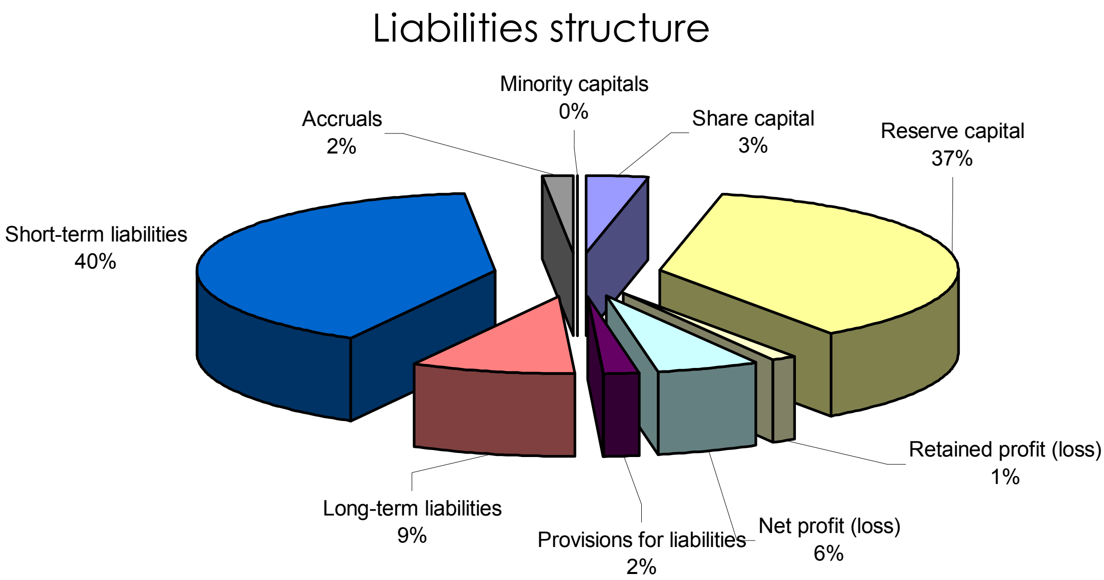
II. Subscribed but unpaid capital (negative amount)	0	0%	0	0%
III. Treasury shares (negative amount)	0	0%		0%
IV. Reserve capital	117 392	38%	16 400	10%
V. Revaluation reserve	0	0%		0%
VI. Other reserve capital (fund)	0	0%		0%
VII. FX rate discrepancies (conversion of subordinate companies)	0	0%		0%
positive FX rate discrepancies				
negative FX rate differences				
VII. Retained profit (loss) from previous years	-3 819	-1%	-2 392	-1%
VIII. Net profit (loss)	18 128	6%	11 302	7%
IX. Write-offs from net profit during the financial year	0	0%		0%
B. MINORITY CAPITAL	**388**	**0%**	**329**	**0%**
C. NEGATIVE GOODWILL OF RELATED PARTIES	**0**	**0%**	**0**	**0%**
I.Negative goodwill - subsidiaries				
II.Negative goodwill - jointly controlled entities				
IIINegative goodwill - affiliates				
LIABILITIES AND PROVISIONS FOR LIABILITIES	**166 577**	**54%**	**133 168**	**80%**
I. Provisions for liabilities	5 561	2%	2 565	2%
II. Long-term payables	28 352	9%	40 700	25%
III. Short-term payables	127 825	41%	87 792	53%
IV. Accruals	4 839	2%	2 111	1%
Total liabilities:	**309 195**	**100%**	**166 007**	**100%**



The decisive impact on the change in the liabilities structure in the Capital Group was exerted by the issue of shares by the parent company.

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The share of equity in total capitals increased from 20% to 46%. Reserve capital was the most important item in 2004 equity; the share premium from the above mentioned issue of shares was charged to it.

The next most important item, was the result on the current period, which accounted for 6% of total capitals.

Among the liabilities and provision for liabilities, short-term liabilities had the highest value (41% of total liabilities). As in the previous year, in 2004, the second item, in terms of the share in debt, was long-term liabilities, where the share decreased from 25% to 9% of total equity.

Both the provisions for liabilities and accruals accounted for 2% of the balance sheet total.

LIABILITIES GROWTH

Balance Sheet - Liabilities	31-12 2004	31-12 2003	2004/2003
A. EQUITY	**142 230**	**32 510**	**437%**
I. Share capital (fund)	10 530	7 200	146%
II. Subscribed but unpaid capital (negative amount)	0	0	0%
III. Treasury shares (negative amount)	0		0%
IV. Reserve capital	117 392	16 400	716%
V. Revaluation reserve	0		0%
VI. Other reserve capital (fund)	0		0%
VII. FX rate differences (translation of subsidiaries)	0		0%
positive FX rate discrepancies			
negative FX rate differences			
VII. Retained profit (loss) from previous years	-3 819	-2 392	160%
VIII. Net profit (loss)	18 128	11 302	160%
IX. WRITE-OFFS FROM NET PROFIT DURING THE FISCAL YEAR	0		0%
B. MINORITY CAPITAL	**388**	**329**	**118%**
C. NEGATIVE GOODWILL OF RELATED PARTIES	**0**	**0**	**0%**
I.a) negative goodwill - subsidiaries			
II.b) goodwill - jointly controlled entities			
IIIa) negative goodwill - affiliates			
Liabilities and provisions for liabilities	**166 577**	**133 168**	**125%**
I. Provisions for liabilities	5 561	2 565	217%
II. Long-term payables	28 352	40 700	70%
III. Short-term payables	127 825	87 792	146%
IV. Prepaid accruals	4 839	2 111	229%
Total liabilities:	**309 195**	**166 007**	**186%**

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The growth in equity was determined by the above-mentioned issue of shares.
As a result, the share capital increased by 46% as compared to last year's figures, however, the most crucial change was the increase by 616% of reserve capital as a result of recognizing the share premium in this item.
Debt rose by 25% as compared to 2003. The only item whose value dropped were long-term liabilities (by 30%).
The most significant growth in terms of value was recorded for short-term liabilities (slightly more than 40 m, which translated into a 46-percent growth).
Both provisions for liabilities and accruals increased by over 100%; in terms of value, they rose by less than PLN 3 m.

12. Loans, credits, sureties and guarantees

Detailed information has been included in the financial statement.

13. Shareholders with at least 5% of the total vote at the General Meeting of Shareholders.

- as at the end of 2004

Shareholders	No. of shares	Type of shares	% in equity	% of votes at GM
Mr. Jerzy Wiśniewski	3 746 720	registered preference	44.94	52.25
	985 980	ordinary bearer shares		
Ms. Małgorzata Wiśniewska	1 003 279	registered preference	12.04	13.99
	264 021	ordinary bearer shares		
Marek Grunt	633 334	registered preference	7.60	8.83
	166 666	ordinary bearer shares		

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BZ WBK AIB Asset Management S.A. (according to information submitted by 10 September 2004)	890 325	ordinary/ bearer shares	8.45%	5.49%

- shareholders' structure following the transaction on 25 January 2005

Shareholders	No. of shares	Type of shares	% in equity	% of votes at GM
Mr. Jerzy Wiśniewski	4 380 054	registered preference	41.60%	53.97%
Ms. Małgorzata Wiśniewska	1 003 279	registered preference	9.53%	12.37%
BZ WBK AIB Asset Management S.A. (according to information submitted by 10 September 2004)	890 325	ordinary/ bearer shares	8.45%	5.49%

As at the date of submitting the statement, the Issuer does not have any information on any possible contracts under which changes in the proportions of the shares held by existing shareholders might occur.

14. Transactions concluded with related parties exceeding the PLN equivalent of EURO 500,000

In 2004, the Group concluded related-party transactions of the total value exceeding the equivalent of EUR 500,000 in PLN in the period since the beginning of the financial year, but these transactions were typical and routine, concluded at arm's length, whose type, terms and conditions were determined by current operations of the Issuer and its subsidiaries.

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15. Customers and vendors who generated at least 10% of total sales

Customers:

PGNiG Group companies: turnover of 37% of sales

Hydrobudowa – Włocławek S.A.: turnover of 20.64% of sales

TESGAS Sp. z o.o.: turnover of 11.50% of sales

Vendors:

ATG Sp. z o.o.: turnover of 11% of sales

16. The Company's and the Group's projected financial standing

In 2005, the Capital Group plans to increase its sales by 55% as compared to the revenue generated in 2004. The share of the revenue generated by the parent company already "contracted" in the Group's total revenue accounted for ca. 49%. It should be underlined here that, for the first time in the parent company's history, it began the new year with such a large orders portfolio. In the last record-breaking year in this respect, the contracts portfolio carried forward to the next year amounted to PLN 67 m, i.e. 31% of the Group's 2004 revenue.

The planned 2005 sales in the Capital Group will increase by 65% against the 2004 figures.

The cost of sales in the Capital Group is expected to increase significantly (by ca. 200% as compared to 2004 figures). It is a result of the incorporation of ATG into the Capital Group; the company recognized the costs of the operation of trade departments in the company in the cost of sales. The almost four-fold increase in the value of goods and materials sold in the forecast for the Capital Group is also a result of including ATG in consolidation; the company recognized in this item the costs of ordinary business.

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The forecast for the Capital Group provides for the increase in financial costs (by 34% against 2004) resulting mainly from the servicing of working capital facilities and investment loans within Sectoral Operational Programme - Improvement of the Competitiveness of Enterprises.

The gross profit planned for the end of 2005 will be higher by 56% than the Group's 2004 profit. Net profit will increase by 66% and according to the consolidated forecast will amount to PLN 30,015,000.

13. The directions of the development of PBG S.A. (formerly: Technologie Gazowe Piecobiogaz sp. z o.o.)

The operating strategy of PBG S.A., formerly: Technologie Gazowe Piecobiogaz sp. z o.o., and of its Capital Group for the years to come is focused on the optimum shareholder value and provides for the following activities:

Marketing and sales – increase in revenues from sales by:

- strengthening the Group's market standing based on consistent improvement of current product and services portfolio and research into new solutions, especially in the area of specialist technological facilities, natural gas and crude oil mining, transmission and distribution, as well as LNG technologies;
- focusing on conclusion and performance of contracts of high individual value;
- the development of proprietary contracting opportunities and maintaining margins in the Capital Group companies;
- expansion with new products and services and to new markets, including foreign ones;

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- systematic improvement of the quality of co-operation with customers;
- sourcing new customers.

Organisation and management – development of the management system by:

- ongoing launching of new IT systems in the Capital Group;
- improvement of internal and external communication;
- implementation of the IT-based data circulation system;
- management of know-how based on the corporate knowledge base;
- flexible, market-driven management of the organisational structure;
- undertakings management based on programmes supporting the design stage, process analysis, and organisation of works in line with the international standards.

Personnel – streamlining of human resources (in terms of quality and quantity) necessary to achieve the Capital Group's strategic goals by:

- creating new teams for the completion of projects;
- consistent development of staff qualifications;
- sourcing skilled project management staff.

Finance – efficient sourcing and management of financial resources by:

- raising resources with the aim to implement the Capital Group's strategy of development;
- efficient employment of financial instruments available on the market, including instrruments hedging against the currency risk;
- using financial leverage;

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- using available instruments to support corporate development, including loans on advantageous terms, subsidies, reliefs, etc.
- keeping fixed costs at the level matching the feasible level of revenues;
- implementing the modern corporate analytical and reporting system.

The development of the Capital Group PBG S.A., formerly: Technologie Gazowe Piecobiogaz sp. z o.o., will continue in two main directions:

1. Enhancement of the Capital Group's contracting potential will proceed in two ways: by the development of contracting services in the companies that are already the Capital Group members and by the acquisition of new contracting companies. The incorporation of new companies will enable us to reduce the necessity of subcontracting and, at the same time, of retaining a major part of the margin in the Capital Group. In addition, it will enable the Capital Group to pursue business in new areas not covered now by the operation of the Capital Group companies and, what follows, to ensure a wider scope of our services.
2. Investments in new technologies and services will be made by the acquisition or the establishment of new companies to implement investment projects. These activities will enable us to expand the scope of services, open up to new markets and handle and manage the present market niches.

The financing for the Capital Group's development strategy will originate mainly from own resources of PBG S.A., formerly: Technologie Gazowe Piecobiogaz sp. z o.o. sourced from IPO, investment loans and subsidies granted from the Sectoral Operational Programme - Improvement of the Competitiveness of Enterprises by the Ministry of Economy.

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Wysogotowo, 2 August 2005

Legal basis:
Art. 81.1.2 of the Law on Public Trading of Securities - confidential information

Signature of the authorised person:
Magdalena Eckert

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