DIRECTORS' REPORT ON THE OPERATIONS OF PBG S.A.

for the period January 1st – December 31st 2009

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CHAPTER I: CORPORATE GOVERNANCE REPORT

I. STATEMENT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES BY PBG S.A.

PBG S.A. PUBLISHED THE CONSOLIDATED TEXT OF THE STATEMENT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES ON ITS WEBSITE AT:
http://www.pbg-sa.pl/pub/uploaddocs/oswiadczenie-o-stosowaniu-zasad-ladu-korporacyjnego-za-rok-2009.pdf

1. Corporate Governance Principles Adopted by PBG S.A.

PBG S.A. adopted the corporate governance principles set forth in the document "Best Practices for WSE-Listed Companies", published at http://www.corp-gov.gpw.pl.

2. Corporate Governance Principles which PBG S.A. Did Not Comply with

The Management Board of PBG S.A. represents that in 2009 the Company complied with all the applicable corporate governance principles set forth in the document "Best Practices for WSE-Listed Companies".

3. Key Features of the Company's Internal Control and Risk Management Systems Used in the Preparation of Separate and Consolidated Financial Statements

For information on this item, see Chapter II, Report on Risks and Risk Management, page 37.

4. Shareholders Directly or Indirectly Holding Significant Blocks of Shares, along with an Indication of the Numbers of Shares and Percentages of Company's Share Capital Held by Such Shareholders, and the Numbers of Votes and Percentages of the Total Vote that Such Shares Represent at the General Shareholders Meeting

For information on this item, see Chapter V, Shares and Shareholders, page 68.

5. Holders of any Securities Conferring Special Control Rights, and Description of Those Rights

For information on this item, see Chapter V, Shares and Shareholders, page 71.

6. Any Restrictions on Voting Rights, such as Limitations of the Voting Rights of Holders of a Given Percentage or Number of Votes, Deadlines for Exercising Voting Rights, or Systems Whereby, with the Company's Cooperation, the Financial Rights Attaching to Securities are Separated from the Holding of Securities

For information on this item, see Chapter V, Shares and Shareholders, page 71.

7. Rules Governing the Appointment and Removal of the Company's Management Personnel and Such Personnel's Powers, Including in Particular the Power to Make Decisions to Issue or Buy Back Shares

Management Board

The Management Board acts pursuant to the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Management Board. The scope of powers of the Management Board includes any matters which are not reserved for other governing bodies of the Company pursuant to the provisions of the Commercial Companies Code or the Company's Articles of Association.

Pursuant to the provisions of the Articles of Association currently in force (Par. 37), the Management Board of PBG S.A. consists of more than one person and includes the President, from one to four Vice-Presidents and up to three Members, appointed and removed from office by the Supervisory Board. The Supervisory Board appoints President of the Management Board, and subsequently, at the Presidents' request, appoints Vice-Presidents and Members of the Management Board. Only natural persons who have full capacity to enter into legal transactions may be appointed Members of the Management Board.

Two Vice-Presidents acting jointly, a Vice-President acting jointly with a Member of the Management Board, a Vice-President acting jointly with a Proxy or a Member of the Management Board acting jointly with a Proxy are authorised to represent the Company. The President of the Management Board acting individually is authorised to represent the Company. The Management Board may grant powers of attorney (general powers of attorney, powers of attorney to perform certain types of activities, and powers of attorney to perform a certain activity) to act on behalf of the Company.

The Management Board may grant a power of proxy upon consent of all Members of the Management Board. A power of proxy may be revoked by any Member of the Management Board acting individually.

Bearing in mind the interest of the Company, the Management Board sets forth the strategy and the main objectives of the Company's operations, and submits them to the Supervisory Board for approval. The Management Board is responsible for implementation and performance of the same. The Management Board cares for transparency and effectiveness of the Company management system and the conduct of its business in accordance with legal regulations and best practice.

Members of the Management Board are appointed, removed from office and suspended from duties by the Supervisory Board in accordance with the rules set forth in the Commercial Companies Code and the Company's Articles of Association. Candidates are nominated by the President of the Management Board. The Supervisory Board enters into, and terminates, employment contracts with Members of the Management Board. The Chairperson or Deputy Chairperson of the Supervisory Board is authorised to execute such contracts on behalf of the Supervisory Board. Other actions concerning the employment relationship with Members of the Management Board are dealt with in the same manner.
The Supervisory Board determines remuneration for Members of the Management Board, taking into account the remuneration's incentivising function in ensuring effective management of the Company.

Mandate of a Management Board Member expires:

1) Upon removal of a given Member from the Management Board,

2) On the date of the General Shareholders Meeting approving the financial statements for the last full year during the term of office,
3) Upon death,
4) Upon resignation.

Resignations by Members of the Management Board should be submitted to the Supervisory Board, with a copy for the Management Board.

Without the consent of the Supervisory Board, a Management Board Member may not:

1) Conduct any activity competitive to the Company's business,
2) Be a partner in any partnership under civil law or another type of partnership, or a member of a governing body of an incorporated company or any other legal entity which conducts activities competitive to the Company's business,
3) Participate in a competitive company in which a given Member holds at least 10% of shares or rights entitling that Member to appoint at least one member of the management board.

A Management Board Member is obliged to immediately notify the Supervisory Board of the occurrence of the circumstances specified above. The Management Board Member should remain fully loyal to the Company and refrain from taking any actions which could lead to the gaining of personal profits only. If a Member of the Management Board receives information on the possibility of investment or any other profitable transaction concerning the Company's business, such Member should promptly present the information to the Management Board so that it can be considered in terms if its possible use by the Company. The use of such information by a Member of the Management Board or its conveying to a third party may only take place with the Management Board's consent and only if it does not infringe upon the Company's interest. Members of the Management Board should notify the Supervisory Board of each actual or potential conflict of interests in relation to the position they hold. A Member of the Management Board should treat its shareholding in the Company as a long-term investment.

Any activities which are beyond the scope of ordinary management require adoption of a resolution by the Management Board. In particular, the following matters require a resolution to be adopted by the Management Board:

1) Decisions regarding major projects and the manner of their financing,
2) Outlining the Company's strategic development plans and setting the Company's financial targets,
3) Definition of the Company's organisational structure,

4) Definition of the Company's rules of procedure and other internal regulations,

5) Internal division of powers between individual Members of the Management Board,

6) Outlining personnel and payroll policies, including assumptions underlying incentive schemes.

With respect to all matters not listed above, Members of the Management Board should be responsible for managing the Company's affairs individually, as per the division of powers. Members of the Management Board are obliged to notify the Supervisory Board immediately of any hindrance in their performance of duties. The President of the Management Board will take the decision which other Management Board Member will perform the duties instead.

Supervisory Board

The Supervisory Board acts pursuant to the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board.

The Supervisory Board is composed of no less than five Members appointed by the General Shareholders Meeting by way of a secret ballot for a one-year term of office. Mandates of Supervisory Board Members expire on the date of the General Shareholders Meeting approving the financial statements for the last full financial year during the term of office. The number of Members is in each case determined by the General Shareholders Meeting.

Members of the Supervisory Board may be re-elected. At least half of the Members of the Supervisory Board should satisfy the criteria of being independent from the Company. A Supervisory Board Members is deemed to be independent when:

1) He or she is not an employee of the Company or a Related Party;

2) He or she is not a member of supervisory or management bodies of a Related Party;

3) He or she is not a shareholder holding 5% or more of the total vote at the Company's General Shareholders Meeting or the general shareholders meeting of a Related Party;

4) He or she is not a member of supervisory or management bodies of an entity holding 5% or more of the total vote at the Company's General Shareholders Meeting or the general shareholders meeting of a Related Party;

5) He or she is not a descendant or ascendant, a spouse, a sibling, a parent of a spouse, or an adoptee of any of the persons listed above.

The criteria must remain satisfied during the entire term of office.

The Supervisory Board exercises ongoing supervision over the Company's business, across all areas of its operations. Each year, the Supervisory Board submits a brief assessment of the Company's standing to the General Shareholders Meeting.

The Supervisory Board's approval is required in particular for the following:

1) Acquisition of an enterprise or an organised part of enterprise,
2) Establishment and liquidation of the Company's divisions in Poland and abroad,
3) Assumption of liability for third party obligations (sureties, guarantees and avals) whose value exceeds the Company's share capital; however, assumption of liability for obligations of the Group companies does not require such approval,
4) Conduct by Members of the Management Board of activity competitive to the Company's business and participation in competitive companies as a general partner or member of the governing bodies,
5) Acquisition, subscription for, disposal of and resignation from pre-emptive rights to, shares, except shares in public companies whose number does not exceed 1% of their total number,
6) Payment of interim dividend,
7) Provision by the Company of any benefits to Members of the Management Board for whatever reason, other than benefits under the employment relationship,
8) Execution by the Company or its subsidiary undertaking of a material agreement with a related party (except agreements executed with the Group companies), a supervisory board member, a management board member or their related parties,
9) Acquisition or disposal of property, a perpetual usufruct right or interest in property.
10) Appointment of a qualified auditor,
11) Acting on behalf of the Company in agreements and disputes between the Company and Management Board Members,
12) Approval of the Rules of Procedure for the Management Board,
13) Appointment and removal from office of Management Board Members,
14) Issuing opinions on the matters submitted by the Management Board.

In order to discharge its duties, the Supervisory Board may review each area of the Company's activities, request the Management Board and employees to provide reports and clarifications, review the Company's assets, as well as inspect accounts and documents. Members of the Supervisory Board should receive regular and exhaustive reports on all matters of importance and risks connected with the Company's operations, as well as manner of managing such risks. In the case of issues which need immediate attention, information should be promptly delivered (in writing) by the Management Board to all Supervisory Board Members. In such situations, the President or two Vice-Presidents acting jointly, a Vice-President acting jointly with a Management Board Member, a Vice-President acting jointly with a Proxy, or a Management Board Member acting jointly with a Proxy submit information in writing to the Chairperson of the Supervisory Board.

A Supervisory Board Member should immediately notify the Chairperson of any hindrance in his or her performance of duties, stating the reasons for such hindrance.

A Supervisory Board Member should notify other Supervisory Board Members without undue delay of:

a) an actual conflict of interest with the Company. In such a case, the Supervisory Board Member should refrain from expressing opinions or voting on adoption of resolutions concerning the matter which has given rise to the conflict of interest. Information on the conflict of interest so reported should be recorded in the minutes of the Supervisory Board meeting;

b) Personal and factual relationships or organisational links between a Supervisory Board Member and a particular shareholder, especially the majority shareholder, which may affect the Company's affairs.

A personal relationship with a shareholder is understood as a relationship by marriage or blood of the first degree. A factual relationship with a shareholder is understood as maintaining regular economic relations. Organisational links with a shareholder are understood as links under employment or similar contracts. The Company may request a Supervisory Board Member to furnish a statement regarding such relationships and links.

8. Rules Governing Amendments to the Company's Articles of Association

The validity of an amendment to the Company's Articles of Association requires:

- the General Shareholders Meeting's resolution adopted by way of a three-fourths (3/4) majority of the votes cast (Art. 415 of the Commercial Companies Code), in the form of a notary deed (a material change in the Company's business requires a resolution adopted by way of a two-thirds (2/3) majority of the votes (Art. 416 of the Commercial Companies Code));
- an appropriate entry into the National Court Register (Art. 430 of the Commercial Companies Code).

9. Manner of Operation of the General Shareholders Meeting and its Key Powers; Shareholders' Rights and the Manner of Exercising Those Rights, including in particular the Principles Stipulated in the Rules of Procedure of the General Shareholders Meeting

9.1 Manner of Operation of the General Shareholders Meeting

The manner of operation of the General Shareholders Meeting is governed by the Rules of Procedure of the Company's General Shareholders Meeting.

A shareholder is entitled to participate in the General Shareholders Meeting if he/she has submitted to the Company a registered certificate of deposit issued by the entity operating the shareholder's securities account not later than one week prior to the date of the General Shareholders Meeting and such certificate of deposit is not collected by the shareholder prior to the conclusion of the General Shareholders Meeting. The General Shareholders Meeting is valid if the shareholders present at the meeting represent at least a half of the share capital. Members of the Supervisory Board and Management Board should also participate in the General Shareholders Meeting. The absence of any such member must be explained at the General Shareholders Meeting.

The Company's auditor should participate in the Annual General Shareholders Meeting and in any Extraordinary General Shareholders Meeting whose agenda includes discussion of the Company's financial matters. Experts and invited guests may participate in appropriate parts of the meeting, especially if their participation is advisable, given the need to present to the General Shareholders Meeting opinions on the matters discussed.

To harmonise the Company's Articles of Association with the amended Commercial Companies Code which took effect on August 3rd 2009, upon a motion of the Company's Management Board, on June 4th 2009, the General Shareholders Meeting amended the Articles of Association of PBG S.A. to include legal provisions concerning the organisation of general shareholders meetings. The Company's Articles of Association provide for convening general shareholders meetings at which shareholders may cast their votes in an electronic form.

The Chairperson of the General Shareholders Meeting presides over proceedings of the Meeting, in line with the adopted agenda and in compliance with the applicable regulations, the Company's Articles of Association and the Rules of Procedure of the General Shareholders Meeting. The Chairperson may not at his/her sole discretion remove items from the published agenda of the meeting, rearrange items in the agenda or include in the agenda important matters which were not in the agenda originally communicated to the shareholders. Upon presentation of each item in the agenda, the Chairperson prepares a list of persons who have registered for discussion and – upon closing the list – opens the discussion, giving the floor in the order the speakers registered for the discussion. The Chairperson closes the discussion at his/her sole discretion. The Chairperson may give the floor to members of the Supervisory Board and Management Board and invited experts who may speak out of turn (their speeches/responses are not included in the minutes). Participants of the meeting may take the floor exclusively on the matters on the agenda which are currently under discussion. For the purposes of discussing any individual matter, the Chairperson may limit each participant's speaking time, including the time for speech in reply. The above limitation may not be applied to a member of the Supervisory Board or Management Board and invited experts. The Chairperson decides whether to lengthen the speaking time or give the floor again to the given speaker.

Each participant of the General Shareholders Meeting has the right to put questions to the Management Board, Supervisory Board and the auditor on the matters in the agenda which are currently under discussion. Members of the Management Board, Supervisory Board and the Company's auditor are obliged to answer the questions. While answering such questions, it should be noted that the Company is required to observe the disclosure requirements under the regulations governing the trade in financial instruments. Forthwith upon closing the discussion, the Chairperson puts a formal motion to vote. At a participant's request, his/her written statement is included in the minutes of the meeting.

The General Shareholders Meeting's resolutions are adopted by way of an absolute majority of votes cast, unless an absolutely binding laws or the Company's Articles of Association require that a given resolution be adopted by way of a qualified majority.

9.2 Key Powers of the General Shareholders Meeting

According to Par. 28 of the Articles of Association of PBG S.A., the matters requiring the General Shareholders Meeting's resolution include:

1) Review and approval of the annual financial statements of the Company and the Directors' Report on the Company's operations for the previous financial year,
2) Approval of discharge of duties by Members of the Supervisory Board and Management Board,
3) Making decisions with respect to profit distribution or coverage of loss,
4) Any decisions concerning claims for repair of damage inflicted in the establishment of the Company or in exercise of supervision or management,
5) Disposal and lease of a business or its organised part and creation of usufruct rights in a business or its organised part,
6) Issue of bonds convertible into shares or conferring pre-emptive rights,
7) Defining the rules and amounts of remuneration of the Supervisory Board Members,
8) Appointment and removal from office of the Supervisory Board Members,
9) Setting the dividend record date,
10) Creation, each instance of application, and liquidation of capital reserves.

9.3 Shareholders' Rights and the Manner of Exercising Those Rights

According to the Rules of Procedure of the General Shareholders Meeting of PBG S.A.:

1. A shareholder may participate in the General Shareholders Meeting and exercise his/her voting rights personally, through a proxy or another representative. Powers of proxy to act on behalf of a shareholder should be granted in a written form under the pain of nullity and attached to the minutes of the General Shareholders Meeting. Other representatives of shareholders should duly document their authority to act on behalf of shareholders.

2. The General Shareholders Meeting selects its Chairperson from among the participants.

3. The Management Board convenes annual or extraordinary General Shareholders Meetings. If the Management Board fails to adopt a resolution convening the Annual General Shareholders Meeting before the lapse of the fifth month as from the end of the last financial year or convenes the Annual Meeting for a date later than the deadline specified in item 2, then also the Supervisory Board will have the right to convene the Annual General Shareholders Meeting. A Shareholder(s) representing at least one-tenth of the share capital may submit to the Management Board a motion for convening an Extraordinary General Shareholders Meeting.

4. Each participant of the General Shareholders Meeting has the right to put questions to the Management Board, Supervisory Board and the auditor on the matters in the agenda which are currently under discussion.

5. Each participant of the General Shareholders Meeting may submit a motion concerning a procedural matter. The Chairperson may allow participants to speak out of turn on procedural matters. At a participant's request, his/her written statement is included in the minutes of the meeting.

10. Composition and Activities of the Issuer's Management, Supervisory and Administrative Bodies or of their Committees; Changes in their Composition in the Last Financial Year

10.1 Composition and Activities of the Supervisory Board and Its Committees

The composition of the Supervisory Board in the period from January 1st to December 31st 2009 was as follows:

- Maciej Bednarkiewicz – Chairman of the Supervisory Board;
- Jacek Kseń – Deputy Chairman of the Supervisory Board;
- Wiesław Lindner – Secretary of the Supervisory Board;
- Dariusz Sarnowski– Member of the Supervisory Board;
- Adam Strzelecki – Member of the Supervisory Board;
- Jacek Krzyżaniak – Member of the Supervisory Board until June 4th 2009.

Full name	**Maciej Bednarkiewicz**
Position	**Chairman of the Supervisory Board**
Qualifications	➢ University of Warsaw – Faculty of Law
Experience	➢ Member of the Parliament, 1989-1991 ➢ Judge of the State Tribunal of the Republic of Poland ➢ President of the Central Board of Lawyers (*Naczelna Rada Adwokacka*) ➢ General partner at the Law Office Maciej Bednarkiewicz, Andrzej Wilczyński i Wspólnicy ➢ Member of the Supervisory Board of BIG Bank S.A. ➢ Chairman of the Supervisory Board of Millenium Bank S.A. ➢ Secretary of the Supervisory Board of PZU S.A. ➢ Member of the Supervisory Board of Techmex S.A. ➢ Chairman of the Supervisory Board of PBG S.A. since 2004

Full name	**Jacek Kseń**
Position	**Deputy Chairman of the Supervisory Board**
Qualifications	➢ Poznań University of Economics – Faculty of International Trade ➢ Warsaw School of Economics (formerly: *Szkoła Główna Planowania i Statystyki*) – Ph.D. in international financial markets
Experience	➢ Currency Market trader at Bank Handlowy ➢ President of the Management Board of BZ WBK S.A. ➢ Chairman of the Supervisory Board of PLL LOT ➢ Chairman of the Supervisory Board of Sygnity ➢ Deputy Chairman of the Supervisory Board of Orbis ➢ Deputy Chairman of the Supervisory Board of PBG S.A.

Full name	Wiesław Lindner
Position	Member of the Supervisory Board
Qualifications	➢ Poznań University of Economics
Experience	➢ Economics Department Manager; Deputy Economics Director; Deputy CEO; CEO at PGNiG ➢ Chief Accountant at Zakład Naprawy Gazomierzy of Poznań ➢ Member of the Supervisory Board of ATG Sp. z o.o. ➢ Member of the Supervisory Board of PBG S.A. since 2004

Full name	Dariusz Sarnowski
Position	Member of the Supervisory Board
Qualifications	➢ Poznań University of Economics – Accounting
Experience	➢ Certified Chartered Auditor ➢ Consulting Department Assistant; Audit Department Assistant at W. Frąckowiak i Partnerzy Sp. z o.o. ➢ Inspector at the consultancy division of the Capital Markets Department of BZ WBK S.A. ➢ Manager at Trade Institute – Reemtsma Polska S.A. ➢ Audit Department Assistant at BDO Polska Sp. z o.o. ➢ Audit Department Assistant at HLB Frąckowiak i Wspólnicy Sp. z o.o. ➢ Shareholder; President of Sarnowski & Wiśniewski Spółka Audytorska ➢ Vice-President of the management Board of Usługi Audytorskie DGA Sp. z o.o. ➢ Member of the Supervisory Board of Mostostal Poznań S.A. ➢ Member of the Supervisory Board of Browary Polskie BROK – STRZELEC S.A. ➢ Member of the Supervisory Board of NZOZ Szpital w Puszczykowie Sp. z o.o. ➢ Member of the Supervisory Board of Swarzędz S.A. ➢ Member of the Supervisory Board of PBG S.A. since 2005

Full name	Adam Strzelecki
Position	Member of the Supervisory Board
Qualifications	➢ Nicolaus Copernicus University of Toruń – Faculty of Law and Administration; Doctor of Law ➢ University of Warsaw – Faculty of Economic Sciences – Banking ➢ Reader; Deputy Dean of the Faculty of Administration of the University of Humanities and Economics of Włocławek ➢ Lecturer at the Higher School of Toruń ➢ Lecturer at the Higher School of Security and Protection of Warsaw
Experience	➢ Inspector at the Executive Office of the Chełmno County Council ➢ Credit Inspector at Bank Rolny of Chełmno ➢ Chief Accountant at the Chełmno Branch of NBP ➢ Manager of the Lipno Branch of NBP ➢ Manager of the Provincial Branch of NBP ➢ Manager of the Włocławek Branch of Polski Bank Inwestycyjny ➢ Manager of the Włocławek Branch of Kredyt Bank S.A. ➢ Shareholder and Member of the Supervisory Board of Zakład Doskonalenia Zawodowego Sp. z o.o. ➢ Member of the Management Board of Włocławskie Towarzystwo Naukowe ➢ Member of the Supervisory Board of PBG S.A. since 2004.

Full name	Jacek Krzyżaniak
Position	**Member of the Supervisory Board until June 4th 2009**
Qualifications	➢ Poznań University of Life Sciences – Agriculture Economics, 1992–1995
Experience	➢ Director at Fundacja Europa XXI ➢ Member of the Management Board and CEO of WIL Lobbying Sp. z o.o. ➢ Member of the Supervisory Board of Polski Fundusz Kapitałowy S.A. ➢ Member of the Supervisory Board of PC Guard S.A. ➢ Member of the Supervisory Board of Hydrobudowa Włocławek S.A. ➢ Assistant to the Management Board of Technologie Gazowe Piecobiogaz ➢ Investor Relations Director; Spokesman and Member of the Supervisory Board of PBG S.A. from 2004 to June 2009

The persons listed above were reappointed as members of the Supervisory Board for another term of office by the Annual General Shareholders Meeting on June 18th 2008. On June 4th 2009, Mr Jacek Krzyżaniak tendered his resignation from the Supervisory Board of PBG S.A.

The term of office of the Supervisory Board appointed in June 2008 expired on the date of the Annual General Shareholders Meeting which approved the Company's financial statements for 2008. On June 4th 2009, the Annual General Shareholders Meeting of PBG S.A. granted approval of duties to all members of the Supervisory Board listed above, and resolved to reappoint them as members of the Board. The Supervisory Board currently in office is composed of five members.

As at the release date of the compliance statement, there had been no changes in the composition of the Supervisory Board.

The Supervisory Board members' are elected for one-year terms, and their remuneration is determined by the General Shareholders Meeting. The Supervisory Board is responsible for exercising on-going supervision over the Company's activities in all aspects of its operations. Specific duties conferred on the Board include: assessment of the consistency of financial statements and Directors' Reports with the accounting records and documents, as well as with facts; review of the Management Board's proposals concerning profit distribution or coverage of loss; and presentation of written annual reports on the results of such reviews to the General Shareholders Meeting.

The duties of and the rules for the Supervisory Board are contained in a formal document. The Board carries out its duties as a collective body, with some of its powers delegated to specific persons or committees, as described below.

The following committees operate within the Supervisory Board of PBG S.A.:

1. Audit Committee;

2. Remuneration Committee.

The Audit Committee is composed of:

- Jacek Kseń, and
- Dariusz Sarnowski.

The Audit Committee convenes on an *ad hoc* basis, at least once every three months. In particular, the Committee is responsible for:

a) Assessing the extent to which a selected auditor satisfies the independence criteria; advising the Management Board on the appointment of the auditor and on the terms and conditions of a contract to be concluded with the auditor (including the auditor's fees). If the Supervisory Board resolves to appoint an auditor contrary to the recommendation, a detailed grounds for the decision are required;

b) Analysing and assessing links and interdependencies existing within the Company, including within the Supervisory and Management Boards, to identify potential and actual conflicts of interest; taking actions with an eye to eliminating such conflicts of interest and ensuring the fullest possible exchange of information between the auditor and the Supervisory Board;

c) reviewing separate and consolidated quarterly, semi-annual and annual financial statements.

The Remuneration Committee is composed of:

- Maciej Bednarkiewicz, and
- Wiesław Lindner.

The Remuneration Committee convenes on an *ad hoc* basis, at least once every three months. In particular, the Committee is responsible for:

- overall monitoring of the applied remuneration policies, and the levels of remuneration at the Company;
- defining terms and conditions of employment for members of the Company's Management Board and management staff;
- developing a bonus scheme for a given financial year.

Remuneration of the Supervisory Board Members

The amount of remuneration paid to members of the Supervisory Board is determined based on the resolution of the Extraordinary General Shareholders Meeting of PBG S.A., dated December 10th 2005.

The amount of remuneration depends on the respective scope of duties and responsibilities entrusted with an individual Supervisory Board member.

Table 1: Remuneration of Supervisory Board members for holding office at the Parent Undertaking

Remuneration (PLN'000)	Jan 1–Dec 31 2009			Jan 1–Dec 31 2008		
	Base remuneration	Other benefits*	Total	Base remuneration	Other benefits	Total
Maciej Bednarkiewicz	120	1	121	120	-	120
Jacek Kseń	96	1	97	96	-	96
Wiesław Lindner	60	1	61	60	-	60
Jacek Krzyżaniak	15	1	16	36	-	36
Dariusz Sarnowski	36	1	37	36	-	36
Adam Strzelecki	36	1	37	36	-	36
TOTAL	**363**	**6**	**369**	**384**	**-**	**384**

**other benefits: third-party liability insurance for members of the Supervisory Board*

Table 2: Remuneration of Supervisory Board members for holding office at subsidiary, jointly-controlled or associated undertakings

Remuneration (PLN'000)	Jan 1–Dec 31 2009			Jan 1–Dec 31 2008		
	Base remuneration	Other benefits *	Total	Base remuneration	Other benefits	Total
Maciej Bednarkiewicz	-	-	-	-	-	-
Jacek Kseń	-	-	-	-	-	-
Wiesław Lindner	-	-	-	-	-	-
Jacek Krzyżaniak	-	-	-	72	3	75
Dariusz Sarnowski	-	-	-	-	-	-
Adam Strzelecki	-	-	-	-	-	-
TOTAL				**72**	**3**	**75**

** other benefits: third-party liability insurance for members of the Supervisory Board*

Table 3: Company shares or rights to Company shares (options) held by supervising persons of PBG S.A.

Supervising person	Number of shares	
	As at Dec 31 2009	As at the date of the Report
Jacek Kseń	250	250

10.2 Composition and Manner of Operation for the Management Board

The Management Board's composition in the period from January 1st to December 31st 2009 was as follows:

- Jerzy Wiśniewski – President;
- Tomasz Woroch – Vice-President;
- Przemysław Szkudlarczyk – Vice-President;
- Tomasz Tomczak – Vice-President;
- Mariusz Łożyński – Vice-President;
- Tomasz Latawiec – Member (until September 30th 2009).

Full name	**Jerzy Wiśniewski**
Position	**President of the Management Board**
Qualifications	➢ Poznań University of Technology – Institute of Civil Engineering ➢ MBA – Rotterdam School of Management ➢ Canadian International Management Institute – management programme
Experience	➢ PGNiG S.A. – manager in charge of gas transmission system operation ➢ PBG S.A. – founder, major shareholder and President of the Management Board
Field of expertise	➢ Natural gas and crude oil ➢ Environmental protection
Areas of responsibility at the PBG Group	**Strategy and development**

Full name	**Tomasz Woroch**
Position	**Vice-President of the Management Board**
Qualifications	➢ Adam Mickiewicz University in Poznań – Faculty of Social Sciences (philosophy) ➢ University of Science and Technology in Kraków – mining of hydrocarbons ➢ MBA – Rotterdam School of Management ➢ Canadian International Management Institute – management programme
Experience	➢ Mostostal Poznań – head of administration department ➢ Stalmost Poznań – vice-president of the management board ➢ Piecobiogaz S.C. – deputy director ➢ Technologie Gazowe Piecobiogaz – member of the management board ➢ Hydrobudowa Polska – president of the management board ➢ PBG S.A. – Vice-President of the Management Board
Field of expertise	➢ Natural gas and crude oil ➢ Environmental protection
Areas of responsibility at the PBG Group	**Contract execution in the environmental protection sector**

Full name	**Przemysław Szkudlarczyk**

Position	**Vice-President of the Management Board**
Qualifications	➢ Poznań University of Technology – Institute of Machines and Motor Vehicles ➢ Warsaw University of Technology – gas engineering ➢ MBA – Rotterdam School of Management ➢ Canadian International Management Institute – management programme
Experience	➢ PGNiG S.A. – technical assistant (natural gas transmission) ➢ Technologie Gazowe Piecobiogaz – development manager, member of the management board ➢ KRI S.A. – president of the management board ➢ Hydrobudowa Śląsk S.A. – proxy ➢ PBG S.A. – Vice-President of the Management Board
Field of expertise	➢ Natural gas and crude oil ➢ Environmental protection
Areas of responsibility at the PBG Group	**Economics and finance**

Full name	**Tomasz Tomczak**
Position	**Vice-President of the Management Board**
Qualifications	➢ Poznań University of Technology – Institute of Machines and Motor Vehicles ➢ University of Science and Technology in Kraków – Faculty of Drilling, Oil and Gas ➢ MBA – Business School of the Poznań University of Economics (MBA programme run in cooperation with Nottingham Trent University) ➢ Canadian International Management Institute – management programme
Experience	➢ VOLVO SERVICE – assistant service manager ➢ Piecobiogaz – technical assistant to the management board ➢ Technologie Gazowe Piecobiogaz – technical assistant to the management board; site manager; project manager; technical manager ➢ PBG S.A. – technical manager; Member of the Management Board; Vice-President of the Management Board
Field of expertise	➢ Natural gas and crude oil ➢ Fuels
Areas of responsibility at the PBG Group	**Contract execution in the natural gas, crude oil and fuels sectors**

Full name	**Mariusz Łożyński**
Position	**Vice-President of the Management Board**
Qualifications	➢ Poznań University of Technology – Institute of Civil Engineering
Experience	➢ BORM Biuro Projektów – senior assistant ➢ GEOBUD Poznań – senior assistant designer ➢ Concret–Service Poznań – office manager ➢ Kulczyk TRADEX – project specialist ➢ PTC Poznań – specialist in charge of project planning/designing ➢ PBG S.A. – head of technical unit; head of contract execution department; manager in charge of contract preparation; proxy; Member of the Management Board; Vice-President of the Management Board
Field of expertise	

Areas of responsibility at the PBG Group	**biding processes; securing contracts for the PBG Group; contract execution in the hydraulic engineering and renovation sectors**

Full name	**Tomasz Latawiec**
Position	**Member of the Management Board until September 30th 2009**
Qualifications	➢ Poznań University of Technology – Institute of Civil Engineering
Experience	➢ Envipol Sp. z o.o. – site manager ➢ Aquarius & Co. – site manager ➢ K. Lobbe Aquasewer Sp. z o.o. – president of the management board ➢ Pollex Polska Sp. z o.o. – president of the management board ➢ INFRA S.A. – president of the management board ➢ PBG S.A. – Member of the Management Board
Field of expertise	
Areas of responsibility at the PBG Group	**Contract execution in the environmental protection sector**

On June 4th 2009, the Supervisory Board reappointed the persons listed above as members of the Management Board for another term of office. On September 30th 2009, Mr Tomasz Latawiec tendered his resignation as member of the Management Board. Mr Latawiec cited family commitments as a reason for his resignation.

The Management Board's term of office lasts three years. If appointed during a term of office, a member of the Management Board remains in office until the expiration of the term of office. The Management Board members' mandates expire on the date of the General Shareholders Meeting which approves the financial statements for the previous full financial year when the members held the office. The current term of office expires on June 4th 2012.

As at the release date of the compliance statement, there had been no changes in the composition of the Management Board.

All matters not reserved for the General Shareholders Meeting or the Supervisory Board fall within the scope of powers and responsibilities of the Management Board. Specific duties and rules of procedure are contained in a formal document, which sets out in detail the role of the Management Board as a corporate body. Members of the Board manage the respective areas of the Company's business, and their work is coordinated by the President of the Management Board.

Remuneration of the Management Board Members

The Management Board members are appointed by the Supervisory Board by virtue of a relevant resolution, and employed under employment contracts. The Supervisory Board's resolution stipulates that members of the Management Board are entitled to base pay, bonuses and additional remuneration provided for in applicable rules and regulations concerning wages and salaries. The amount of remuneration depends on the respective scope of duties and responsibilities entrusted with an individual Management Board member.

Table 4: Remuneration of Management Board members for holding office at the Parent Undertaking

Remuneration (PLN'000)	Jan 1–Dec 31 2009			Jan 1–Dec 31 2008		
	Base remuneration	Other benefits *	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	1 200	3	1 203	741	-	741
Tomasz Woroch	420	2	422	420	-	420
Przemysław Szkudlarczyk	300	2	302	300	-	300
Tomasz Tomczak	300	2	302	300	-	300
Mariusz Łożyński	300	2	302	245	-	245
Tomasz Latawiec	180	1	181	240	-	240
TOTAL	**2 700**	**12**	**2 712**	**2 246**	**-**	**2 246**

** other benefits: third-party liability insurance for members of the Management Board*

Table 5: Remuneration of Management Board members for holding office at subsidiary, jointly-controlled or associated undertakings

Remuneration (PLN'000)	Jan 1–Dec 31 2009			Jan 1–Dec 31 2008		
	Base remuneration	Other benefits *	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	-	-	-	190	4	194
Tomasz Woroch	65	-	65	273	5	278
Przemysław Szkudlarczyk	36	-	36	59	-	59
Tomasz Tomczak	9	-	9	-	-	-
Mariusz Łożyński	-	-	-	-	-	-
Tomasz Latawiec	-	-	-	121	-	121
TOTAL	**110**	**-**	**110**	**643**	**9**	**652**

* *other benefits: third-party liability insurance for members of the Management Board*

Table 6: Company shares or rights to the Company shares (options) held by managing persons and supervising persons of PBG S.A.

Managing person	Number of shares	
	As at Dec 31 2009	As at the date of the Report
Przemysław Szkudlarczyk	4,500	4,500
Tomasz Tomczak	3,250	3,250
Tomasz Woroch	1,778	1,778
Mariusz Łożyński	3,553	3,553

During the period under review, there had been no changes in the composition of management or supervisory staff of PBG S.A.

11. Internal Audit

For details concerning internal audit, see Chapter II, Report on Risks and Risk Management, page 34.

II. INCENTIVE SCHEME

The year 2009 was the last year of PBG's incentive scheme implemented by virtue of a resolution of the PBG S.A.'s Supervisory Board dated April 28th 2004. The scheme was an excellent and highly-efficient incentive tool primarily for the members of the management staff and other key employees of the PBG Group. Under the scheme, 330,000 Series D shares were distributed. In accordance with the Scheme's Rules, the Eligible Persons were the Management Board Members, PBG employees, members of management boards of other Group companies, employees of the Group companies and natural persons or partners in partnerships associated with the Company under permanent co-operation agreements, as specified every year by the Supervisory Board in its resolutions. The Scheme could be implemented and launched in a given year provided that the Group posted operating profit for the previous financial year, as presented in the consolidated financial statements, in an amount corresponding to at least 75% of the target operating profit for a given year. Failure to meet the minimum target for the pervious year would result in suspension of the Scheme in the given year, which never happened. The amount of the Group's target operating profit in a given year was determined by the PBG Group's Supervisor Board by June 30th of the year to which the target referred.

Below we present information on the distribution of 330,000 Series D shares in each of the years of the Scheme's operation.

Table 7: Distribution of Series D shares

<table>
<tr><th>Year of award</th><th>For profit in</th><th>Number of awarded shares</th><th>Price per share</th><th>Number of shares awarded to the Members of PBG's Management Board</th></tr>
<tr><td>2005</td><td>2004</td><td>110 00</td><td>PLN 1.08</td><td>In 2005, shares were not awarded to the Members of the Management Board</td></tr>
<tr><td colspan="5">For more information, see Current Report No. 73/2005 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/cena-nabycia-akcji-serii-d-w-ramach-programu-motywacyjnego-405.html</td></tr>
<tr><td>2006</td><td>2005</td><td>110,000</td><td>PLN 1.12</td><td>18,813</td></tr>
<tr><td colspan="5">For more information, see Current Report No. 73/2006 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/cena-nabycia-akcji-serii-d-w-ramach-programu-motywacyjnego.html</td></tr>
<tr><td>2007</td><td>2006</td><td>85,000</td><td>PLN 1.16</td><td>4,250</td></tr>
<tr><td colspan="5">For more information, see Current Report No. 79/2007 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty biezace/data-i-miejsce-skladania-zapisow-na-akcje-w-ramach-programu-motywacyjnego-oraz-cena-i-cena-nabycia-akcji.html</td></tr>
<tr><td>2008</td><td>2007</td><td>12,500</td><td>PLN 1.22</td><td>In 2008, shares were not awarded to the Members of the Management Board</td></tr>
<tr><td colspan="5">For more information, see Current Report No. 77/2008 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/77-2008-data-i-miejsce-skladania-zapisow-na-akcje-w-ramach-programu-motywacyjnego-oraz-cena-nabycia-akcji.html</td></tr>
<tr><td>2009</td><td>2008</td><td>12,500</td><td>PLN 1.26</td><td>7,000</td></tr>
<tr><td colspan="5">For more information, see Current Report No. RB 47/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/47-2009-data-i-miejsce-skladania-zapisow-na-akcje-w-ramach-programu-motywacyjnego-oraz-cena-nabycia-akcji.html</td></tr>
</table>

III. AGREEMENTS BETWEEN THE COMPANY AND ITS MANAGEMENT STAFF PROVIDING FOR COMPENSATION IN THE EVENT OF A GIVEN PERSON RESIGNING OR BEING REMOVED FROM OFFICE

As at the balance-sheet date, there were no agreements between PBG S.A. and its management staff, which would provide for compensation in the event of a given person resigning or being removed from office.

IV. AUDITOR OF THE FINANCIAL STATEMENTS

PBG S.A.'s Management Board represents that under the regulations currently in effect, after considering the recommendations of the Audit Committee, the Supervisory Board decided, by way of resolutions, to appoint Grant Thornton Frąckowiak Sp. z o.o. of Poznań, registered office at Plac Wiosny Ludów 2, 61-831 Poznań, Poland, a company entered in the list of entities qualified to audit financial statements maintained by the National Board of Chartered Auditors under Entry No. 238, as the company qualified to:

- audit the separate financial statements of PBG S.A. and the consolidated financial statements of the PBG Group for 2009;

- review the interim separate and consolidated financial statements as at June 30th 2009.

1. Contract Date

PBG S.A. and Grant Thornton Frąckowiak Sp. z o.o. executed a relevant contract on July 22nd 2009.

2. Total Fees

Total fees payable to Grant Thornton Frąckowiak Sp. z o.o. for the audit of the separate and consolidated financial statements as at December 31st 2009, amounts to PLN 82,900.00 (VAT excl.). The fee payable to Grant Thornton Frąckowiak Sp. z o.o. for a similar audit in the preceding year was PLN 82,800.00 (VAT excl.).

3. Other Fees Under the Contract

The other fees due to Grant Thornton Frąckowiak Sp. z o.o. for the performance of services covered by the contract (i.e. review of the financial statements of PBG S.A. and the consolidated financial statements of the PBG Group for 2009, as well as other services provided to the PBG Group) amounts to PLN 104,043.00 (VAT excl.)

V. CORPORATE SOCIAL RESPONSIBILITY AT PBG S.A.

By developing its own CSR strategy, the Company builds its image as a socially responsible organisation and a socially responsible partner in all areas of its business. PBG S.A. has for long been involved in corporate social responsibility initiatives. As it is necessary to re-arrange and formalise the Company's activities in the CSR area so as to monitor them on an on-going basis and assess their effects, PBG S.A. has established a CSR Team in 2010.

Comprised of employees from various departments, the CSR Team reports directly to the top management. The CSR Team's tasks include streamlining the Company's activities in all CSR areas, developing a formal code of ethics, and determining business objectives in connection with the Company's socially responsible business practices.

The PBG Group is aware that to be successful, it must invest in its personnel. PBG S.A. participates in long-term educational, sports and cultural initiatives. The Company finances or co-finances post-graduate management programmes (such as EMBA courses) for its best employees. Other staff members can receive financial support to finance their BA and MA studies and pay for their postgraduate courses. To ensure continued professional development of the staff and enhance their qualifications, PBG S.A. provides funds for specialist vocational training courses.

Additionally, every PBG employee can participate in courses run by a school of languages associated with the Company. PBG staff can choose between group and individual language training courses, all concluding with end-of-course examinations.

With a view to providing its personnel with the maximum comfort, PBG S.A. offers a wide array of social benefits and loyalty schemes (e.g. a loan system). The Company also uses its employee benefits fund to finance employees' participation in the Benefit System, which provides personnel with access to sports facilities and offers discount cinema tickets, discounts at restaurants and reduced admission fees to cultural centres all over Poland.

In 2009, the *Fabryka Smaków* restaurant was opened in Wysogotowo, serving hot meals. The restaurant is also a place where the Company's regular team-building events take place.

For the fourth time we held an employee blood donation initiative "We Donate Blood to the PBG Blood Bank", designed to promote blood donation. Blood stored in the PBG Blood Bank can be used by the PBG staff and their families whenever they need it.

With a view to achieving even greater improvements in communication with its stakeholders, we upgraded our website. These efforts were appreciated by the judges of the Listed Company Golden Website contest who awarded us the first prize. Anew section devoted to CSR will be added to our website soon.

Environmental Protection

PBG S.A. has a documented and implemented operating strategy with respect to environmental protection, which is consistent with the applicable laws and regulations and the ISO 14001 and SCC-compliant environmental management systems. In 2009, UDT (Polish technical inspection authority), DNV (Norwegian classification society) and ZSJiZ (the Department of Quality and Management Systems) conducted several audits, which determined that PBG complied with environmental protection standards. Furthermore, in 2009 the Company implemented a scheme with a view to improving waste segregation at construction sites. As part of the scheme, on-site workers were extensively trained. The operating objective of the scheme was to reduce the volume of municipal waste and enhance waste segregation efficiency. These objectives were successfully met.

Furthermore, PBG S.A. requires environmental care from its subcontractors. Our construction contracts require us to obtain all the necessary environmental permits and decisions under the effective environmental protection laws and regulations.

CHAPTER II: REPORT ON RISKS AND RISK CONTROL

I. RISKS AND THREATS

EXTERNAL RISKS AND THREATS

1. Economic Environment in Poland

Despite the global economic slowdown, Poland is withstanding the effects of the economic crisis much better than most European and global economies. According to the initial GDP estimates published by the Polish Central Statistics Office (GUS), the Gross Domestic Product grew in real terms by 1.7% in 2009. The GDP growth was, of course, much slower than in previous years, but it should be noted that the GDP growth rate of 1.7% ranks Poland as the leader among the EU countries. The main factor contributing to the positive GDP growth is internal consumption, which, despite its certain deterioration due to lower pay growth and growing unemployment, to name just two reasons, was still 2.3% higher than in 2008. Other important factors driving the economic growth include: a strong effect on the GDP of net exports which grew by 2.5%, and a very slight decrease (by 0.3%) in capital expenditure, which was boosted by EU funds and the Euro 2012 project.

The implementation of the strategic goals of PBG S.A. and the projected financial results are affected by, *inter alia*, the aforementioned macroeconomic factors, which include: GDP growth, structural investments, general situation in the Polish economy and legislation changes. Unfavourable changes in macroeconomic indicators may result in reduced projected revenue or increased operating costs.

The economic forecasts for Poland in 2010 assume continued GDP growth. The 2009 figures allow us to remain optimistic about the future. According to the latest forecasts published by the European Commission and the National Bank of Poland, the Polish economy will grow over the year by 2.6% or 3%, respectively. According to the National Bank of Poland, the average annualised consumer price inflation will reach 1.8% this year, and the assumed inflation target will be reached as early as in the middle of 2010. The forecasts continue to assume strong domestic consumption, resulting from, *inter alia*, lower prices, labour market stabilisation and strong demand for new employees. According to the macroeconomic forecasts, in 2010 we should see a growth in investments of around 6%, which will result mainly from record-breaking activity in the segment of infrastructure projects co-financed with the funds from the EU and the state budget. This growth will be additionally supported by stock repletion and the maintenance of low interest rates by the Monetary Policy Council in the subsequent quarters, which, given the banks' regained willingness to increase their lending activity, should provide hope for better access to cheaper external financing sources. The Group currently executes projects co-financed by the European Union under the approved 2007-2013 EU budget, which earmarks EUR 63bn for Poland.

2. Competition Risk

PBG S.A. operates on the competitive market of specialist construction services mostly for the natural gas, oil's upstream and downstream, water and sewage and road sectors. Apart from pricing, there are also other important factors which determine the competitive advantage of a business, including: experience in execution of complex and specialist projects, relevant credentials, high quality of the offered services and efficient organisation enabling timely and efficient contract execution.

PBG S.A. mitigates competition risk through:

- Seeking niche products and services,
- Assuring high quality of offered services,
- Consistent improvement of skills related to the state-of-the-art technologies, which enables the Group to develop and launch competitive service offerings,
- Diversifying the areas of operation,
- Concluding strategic alliances with reputable foreign companies operating on the Polish and foreign markets.

Expansion into new geographical markets may also mitigate competition risk.

The following domestic and international competitors are active in PBG S.A.'s existing markets:

Table 8: Domestic and international competitors

MARKET	BUSINESS SEGMENT	DOMESTIC COMPETITORS	INTERNATIONAL COMPETITORS
NATURAL GAS AND CRUDE OIL	UNDERGROUND GAS STORAGE FACILITIES	- Naftobudowa - Investgas	- ABB - Sofregas
	LNG PLANTS	- Polimex Mostostal	- Tractebel - Linde - Costain - Air Products - DAEWOO Engeneering&Construction
	TRANSMISSION	- Naftomontaż Krosno - Gazobudowa Zabrze - Gazobudowa Poznań - Gazomontaż Wołomin - POL-AQUA - ZRUG Poznań	none
	REFINERIES	- Naftomontaż Krosno - Polimex Mostostal	- ABB

	DELIVERY OF SPECIALIST GAS EQUIPMENT AND AUXILIARY INFRASTRUCTURE	- Control Process - Bartimpex - Stalbud - Polimex Mostostal	- ABB - KAWASAKI
	EXTRACTION EQUIPMENT	- Naftomontaż Krosno	- Tractebel - Linde - Costain - Air Products
WATER	WATER AND SEWAGE INFRASTRUCTURE	- POL-AQUA - Hydrobudowa Gdańsk - Budimex - Polimex Mostostal - WARBUD	- SKANSKA - STRABAG - Ferrovial
	HYDRO-ENGINEERING	none	- SKANSKA - STRABAG - Bilfinger Berger - Ferrovial
	REHABILITATION OF WATER AND SEWAGE PIPELINES	brak none	- Per Aarslef - Diringer&Scheidel - Ludwig Pfeifer
FUELS	FUEL TERMINALS	- POL-AQUA - Polimex Mostostal	- Bilfinger Berger
CONSTRUCTION	INDUSTRIAL CONSTRUCTION SPECIALIST CONSTRUCTION RESIDENTIAL CONSTRUCTION	- WARBUD - POL-AQUA - Budimex - Dom Development - Hochtief Polska - Echo Investment - Instal Kraków	- SKANSKA - STRABAG
ROAD S	ROAD CONSTRUCTION	- Budimex	- SKANSKA

	BRIDGE CONSTRUCTION	- Mostostal Warszawa - Hochtief Polska - Polimex Mostostal - WARBUD - POL-DRÓG	- STRABAG - MOTA - COLAS
POWER	POWER GENERATING UNIT CONSTRUCTION	- Polimex Mostostal - Rafako - Mostostal Warszawa	- Alstom - Hitachi - Siemens - Samsung

PBG S.A.'s position **on the natural gas and crude oil market** in all parts of Poland is strong thanks to the high quality of the services provided by the Company, experienced the personnel, modern equipment and references projects. The market is divided into two segments: the segment of specialist construction services which require appropriate know-how and references, where PBG S.A. essentially faces only foreign competitors; and the segment of less complex construction projects, such as pipelines construction, where PBG S.A. competes primarily against Polish businesses. PBG S.A. is able to secure a large number of orders on the natural gas and crude oil market: in 2009 its share in this market was estimated at approximately 50%.

The Group is also interested in **the fuel market**, however, this sector is not viewed as a strategic one and presently it does not significantly contribute to the Group's results. As a number of projects are planned with a view to increasing the volume of fuel stocks maintained by logistic companies in storage facilities, the PBG Group will monitor the market and participate in tenders when they are announced.

In other markets of interest to PBG S.A. the Company is present through its subsidiaries, in line with the adopted strategy.

3. Poland's Membership in the European Union

Following Poland's accession to the European Union, international companies providing services similar to PBG S.A.'s services have become keener on entering the Polish market. This may result in fiercer competition and squeezed profit margins. However, international operators usually seek to acquire orders jointly with Polish companies to secure local execution capabilities.

By acquiring a number of high-value contracts, PBG S.A. has demonstrated it is well positioned to compete against foreign companies.

In addition, opening of the European markets may create an opportunity for PBG S.A. to expand onto new geographical markets.

To use of the opportunities arising from Poland's accession to the European Union in a most efficient manner, PBG S.A.:

- Implements projects by forming strategic alliances with foreign companies operating in Poland,
- Has implemented and work on improving effective management culture,
- Offers the required quality of services, confirmed by implemented standards: PN-EN ISO 9001:2001, PN-EN 729-2, AQAP 2110:2003,
- Regularly improves staff qualifications, with particular focus on unique technologies, helping it create and position on the market a competitive service offering.

4. Risk Related to Seasonality in the Sector

PBG S.A. derives most of its sales revenue from the construction and assembly services segment which, like the entire sector, experiences sales seasonality. Seasonality is mostly driven by the following factors which are beyond the Company's control:

- Weather conditions in winter preventing performance of most types of work. The weather may be more severe than the average weather conditions and thus reduce the Company's revenues;

- Customers schedule most of their projects in such a way as to ensure they are completed in the final months of the year.

Accordingly, PBG S.A.'s revenue is the lowest the first quarter and grows significantly in the second half of the year.

5. Adverse Changes in the Tax Legislation

In Poland, the laws regarding taxation of business activity change frequently. There is a risk that the tax legislation currently in effect may change and the new regulations may be less favourable to the Company or its customers, which may directly or indirectly affect its financial performance.

PBG S.A. monitors developments in the tax legislation, and makes the necessary adjustments in its activities to mitigate the risk.

6. Exchange Rate

The Polish foreign currency market was volatile throughout 2009. For most of the year, the Polish currency weakened against the euro and the US dollar. Analysts' forecasts for 2010 assume possible further weakening of the złoty in the initial months of the year, and a return to an upward trend in the second half of 2010. A positive effect of the relatively strong economic growth will be offset by the large budget deficit and growing debt in the public finance sector. The exchange rate of the złoty will be shaped primarily by the USD exchange rate and the situation on global capital markets, that is factors which are not exactly related to Poland's economy. It should be noted that any attempts at long-term forecasting of exchange rates bear a high risk given the market volatility in recent years. The currency risk has a direct effect on PBG S.A. as it executes contracts co-financed with the EU funds, the majority of which are denominated in the euro. Moreover, a portion of costs related to the purchase of equipment necessary for the execution of the contracts is incurred in foreign currencies, including the euro and the Canadian dollar. PBG S.A. minimises the FX risk using appropriate financial instruments and transferring a portion of the risk on to subcontractors and suppliers. In the case of imports of high-value plant and equipment, the risk is also hedged using financial instruments available on the market.

INTERNAL RISKS AND THREATS

1. Risk Related to Loss of Key Personnel

PBG S.A.'s business operations are chiefly based on the knowledge and experience of highly qualified personnel, in particular the engineers.

There exists a potential risk that the employees with key importance for the Company's development might leave, which could affect the quality of the services provided.

The risk related to the loss of key personnel is limited by:

- high internal organisational culture, which helps employees identify themselves with the Company,
- proper implementation of remuneration systems, which motivate employees and promote loyalty,
- knowledge management and an extensive training programme,
- ample opportunities for personal and career development in the dynamically growing Company.

2. Risk Related to Default on Contracts

Construction contracts include numerous clauses related to their proper and timely performance and proper removal of defects, which involves payment of performance bond or provision of security in the form of a bank guarantee or insurance policy.

The security is generally provided on the contract execution date and settled after work under the contract is completed. The amount of the security depends on the type of contract and in most cases it is 10% of the contract value. If PBG S.A. fails to perform or improperly performs the concluded contracts, there exists a risk that a counterparty might claim payment of contractual penalties or terminate the contract.

To mitigate such risk PBG S.A. takes the following measures:

- the Company insures contracts and subcontractors;
- the Company continuously improves its organisation through a programme designed to provide professional project management training to a group of employees, and extensive use of IT tools in design and project management processes.

3. Risk Of Dependence On Key Customers

At present, the main customer for services provided by the PBG Group's natural gas and crude oil segment is PGNiG. This is related to the execution of two contracts of substantial value for the customer, totalling nearly PLN 2.5bn. These are highest-ever contracts signed by PBG S.A. with PGNiG. However, please note that PBG S.A.'s strategy provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenues. In order to mitigate the risk of being dependent on key customers,

PBG S.A. gradually attracts new customers for the Group's services, such as NATO, PKN ORLEN, PERN, LOTOS, Natfobazy, OLPP and foreign entities.
PBG S.A. seeks to mitigate the risk further by:

- diversifying sources of revenue and securing new customers,
- executing EU-funded contracts, primarily for local governments,
- operating on international markets.

4. Operating Risk
The Company's operations, in particular on-site operations, involve certain threats related to, among other things, the possibility of failure resulting in human and material loss.

The Company mitigates the risk by:

- holding third-party insurance policies,
- upgrading the employees' state-of-the-art protective equipment on a regular basis,
- organising trainings for employees and enhancing their qualifications,
- performing constant supervision over the equipment used,
- organising continuous training and exercising health and safety at work oversight.

II. IDENTIFICATION AND MANAGEMENT OF FINANCIAL RISK

1. Risk Related To Financial Instruments
The Company is exposed to many risks related to financial instruments, which mainly include:

- market risk, comprising currency risk and interest rate risk,
- credit risk,
- liquidity risk.

Financial risk management at the Company is coordinated by the Management Board. The following objectives play the most important role in the risk management process:

- hedging short-term and medium-term cash flows,
- stabilising the fluctuations in the Company's financial result,
- achieving financial forecasts by meeting budget targets,
- achieving a satisfactory rate of return on long-term investments and securing optimal financing sources for investment activities.

The Company does not enter into speculative transaction on financial markets. In economic terms, the transactions concluded by the Company are entered into for the purpose of hedging against specific risks.

Moreover, the Company has formally designated some of the derivative instruments as cash flow and fair value hedging instruments under the requirements of IAS 39 (*Hedging Derivative Instruments*).

1.1 Market Risk

All market risk management objectives should be considered as a whole, and their achievement is determined primarily by the Company's internal situation and market conditions. The Company applies a consistent and progressive approach to market risk management. The Company's market risk management strategy sets out relevant management policies for each of the exposures by defining the process of measuring the exposure, parameters of risk hedging, instruments used for hedging purposes, as well as the time horizon for each type of risk source. The market risk management policies are applied by the designated organisational units under the supervision of the Risk Committee, the Management Board and the Supervisory Board of the Company.

The key techniques used to manage market risk involve strategies based on derivative instruments and natural hedging. The following types of financial instruments may be used by the Company:

- forwards,

- interest rate swaps (IRS),

- swaps.

The Company applies hedge accounting for cash flows to protect against the risks of fluctuations in exchange rates and interest rates. Before entering into a hedging transaction and during such a transaction's lifetime, the Company confirms and documents that there is a strong negative correlation between changes in the fair value of the hedging instrument and changes in the fair value of the hedged exposure. Hedging effectiveness is assessed and monitored on an ongoing basis.

The rules of cash flow hedge accounting provide that the effective portion of the result on the valuation of hedge transactions should be posted to equity in the period in which such transactions are designated as a hedge of future cash flows. The amounts posted to equity are subsequently transferred to the profit and loss account once the hedged transaction is executed.

1.1.1 Currency Risk

The Company is exposed to risk of fluctuations in exchange rates due to the following reasons:

- as an active participant in the market for environmental protection and hydro-engineering projects, we execute contracts co-financed by the EU, which in most cases are denominated and settled in the euro;
- our development strategy provides for broader expansion into foreign markets; today, the Company's credentials already include several contracts executed abroad;
- the Company imports raw materials for large contracts (there is also a risk related to fluctuations in the other exchange rates, such as USD/PLN or CAD/PLN);

- the Company uses advanced technologies requiring specialist equipment, which it often purchases outside of Poland.

Table 9: The Company's financial assets and liabilities, expressed in foreign currencies and translated into PLN using the closing price as at the balance-sheet date

	Amount in foreign currency ('000):					Restated in PLN
	EUR	USD	GBP	CAD	Inne	
As at Dec 31 2009						
Financial assets (+):	*17,641*	*6,954*	*-*	*279*	*-*	*110,628*
Financial liabilities (-):	*(2,573)*	*(4)*	*(58)*	*(297)*	*-*	*(12,187)*
Total exposure to currency risk	**15,068**	**6,950**	**(58)**	**(18)**	**-**	**98,441**
As at Dec 31 2008						
Financial assets (+):	*9,967*	*930*	*3*	*258*	*-*	*52,163*
Financial liabilities (-):	*(2,686)*	*(573)*	*-*	*(1,092)*	*(159)*	*(26,586)*
Total exposure to currency risk	**7,281**	**357**	**3**	**(834)**	**(159)**	**25,577**
As at Dec 31 2007						
Financial assets (+):	*12,077*	*124*	*-*	*-*	*-*	*45,748*
Financial liabilities (-):	*(3,259)*	*(1,234)*	*-*	*(47)*	*(3,001)*	*(16,313)*
Total exposure to currency risk	**8,818**	**(1,110)**	**-**	**(47)**	**(3,001)**	**29,434**

1.1.2 Interest Rate Risk

Management of interest rate risk concentrates on the minimisation of the impact of fluctuations in interest cash flows on financial assets and liabilities which bear interest at variable interest rates. The Company is exposed to the interest rate risk in connection with the following categories of financial assets and liabilities:

- granted loans,

- acquired treasury debt securities, bank debt securities, commercial debt securities, including bonds and treasury bills,

- deposits,

- received loans and borrowings,

- debt securities in issue,

- finance leases,

- interest rate swaps (IRS).

With a view to hedging against the variable interest rate risk, the Company uses interest rate swaps. Pursuant to the requirements of the credit facility agreement for the financing of projects, the Company was obliged to manage interest rate risk. In order to comply with the Bank's requirements, on July 23rd 2008, entered into an IRS transaction for 50% of the outstanding loan amount, maturing by December 31st 2013.

The IRS transaction consists in the swap of interest payments accruing at a variable 1M WIBOR rate for interest payments accruing at a fixed interest rate. The Company uses hedge accounting for cash flows with respect to the derivative transaction referred to above and partially hedging against interest rate risk to which the cash flows are exposed.

Table 10: Financial assets and liabilities bearing interest at variable interest rates as at the balance-sheet date

Exposure to interest rate risk	Dec 31 2009	Dec 31 2008	Dec 31 2007
	Value at risk	Value at risk	Value at risk
	PLN '000	PLN '000	PLN '000
Financial assets	907,612	280,327	501,703
Financial liabilities	-689,454	-374,146	-425,771
Exposure to interest rate risk	218,158	-93,819	75,932

1.2 Credit Risk

Credit risk is understood as the inability to meet obligations towards the Company's creditors. Credit risk has three primary aspects:

- creditworthiness of customers with whom the Company enters into transactions for physical delivery of products;
- creditworthiness of financial institutions (banks) with whom the Company enters into hedging transactions;
- creditworthiness of entities in which the Company invests or whose securities the Company acquires.

The following are the credit risk exposures with different credit risk profiles:

- cash and bank deposits,

- derivatives,

- trade receivables,

- loans advanced,

- debt securities,

- guarantees and sureties advanced.

Table 11: The Company's maximum exposure to credit risk measured through carrying value of the disclosed financial assets

	Dec 31 2009	Dec 31 2008	Dec 31 2007
	PLN '000	PLN '000	PLN '000
Loans	517,322	35,213	74,935
Trade and other financial receivables	316,182	270,692	227,861
Financial derivatives	19,581	14,195	2,483
Debt securities	5,643	80,172	98,099
Investment fund units	-	-	-
Other classes of other financial assets	963	-	-
Cash and cash equivalents	529,324	164,942	327,707
Conditional payables under guarantees and sureties advanced	1,479,150	1,303,304	93,979
Total credit risk exposure	**2,868,165**	**1,868,518**	**825,064**

The Company monitors clients' and creditors' outstanding payments by analysing the credit risk individually, or for the individual asset classes according to credit risk (e.g. by industry, region or structure of customers). Further, as part of risk management activities, the Company enters into transactions with partners whose creditworthiness is confirmed.

All entities with which the Company enters into deposit transactions operate in the financial sector. These are exclusively banks registered in Poland, or with Polish operations as subsidiaries of foreign banks, owned by European financial institutions which, in most cases, have top credit ratings, and those with sufficient equity as well as a robust and stable market position. Considering the above, as well as the short-term nature of placements, it is reasonable to argue that the credit risk for cash and bank deposits is low.

All entities with which the Company enters into derivative transactions operate in the financial sector. These are financial institutions (banks) with top (26%), mid-high (66%) or average (8%) credit rating. They have the sufficient equity and a robust and stable market position. The maximum share of a single entity in the total value of derivative transactions effected by the Company is 66%.

Table 12: Currency and interest rate derivate instrument transactions entered into by the Company as at the balance-sheet date

	Dec 31 2009	Dec 31 2008	Dec 31 2007
	PLN '000	PLN '000	PLN '000
Financial assets	19,581.00	14,195.00	2,483.00

Financial liabilities	789.00	16,831.00	490.00
Derivative instruments valuation, net	**18,792.00**	**-2,636.00**	**1,993.00**

Thanks to the highly diversified composition of the group of counterparties, and due to the credit ratings of our partner financial institutions, the Company is not exposed to credit risk inherent in the derivative transactions.

The Company has a long track record of working with many customers across diverse sectors, who enjoy stable financial position and meet their liabilities towards the Company in a timely manner.

Table 13: Key customers in 2009

No.	Customer	Share
	Total	100.00%
1	PGNIG	50.97%
2	GAZ-SYSTEM	7.12%
3	MAXER	5.48%
4	POMERANIA DEVELOPMENT	5.66%
5	ZIOTP	4.55%
6	PKP CARGO	3.89%
7	TECHNIP POLSKA	2.47%
8	STRATEG CAPITAL	2.25%
9	MPWIK KRAKÓW	7.27%
10	Other	10.34%

At present, the main customer for the Company's natural gas and oil services is PGNiG. This is related to the execution of two contracts of substantial value for the customer, totalling nearly PLN 2.5bn. However, the PBG S.A.'s strategy provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenues. In order to mitigate such risk, PBG gradually attracts new customers for the Group's services, such as NATO, PKN ORLEN, PERN, LOTOS, Natfobazy, OLPP and foreign entities.

The analysis of receivables, as the most important category of assets exposed to credit risk, in terms of outstanding amounts and aging for which impairment losses were not recognised, is presented in the tables below.

Table 14: Past due and not past due financial receivables as at the balance-sheet date

	Dec 31 2009		Dec 31 2008		Dec 31 2007	
	Not past due	Past due	Not past due	Past due	Not past due	Past due
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
Financial receivables	267,011	41,460	189,619	70,602	168,245	49,560

Table 15: Age structure of past due current receivables as at the balance-sheet date

	Dec 31 2009		Dec 31 2008		Dec 31 2007	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Past due current receivables:						
Up to 1 month	11,804	-	23,299	-	27,684	-
From 1 to 6 months	29,656	-	47,303	-	21,876	-
From 6 to 12 months	-	-	-	-	-	-
Over one year	-	-	-	-	-	-
Past due financial receivables	**41,460**	-	**70,602**	**-**	**49,560**	**-**

As assessed by the Management Board of the Company, the above financial assets which are not past due and for which no impairment losses were recognised as at the respective balance-sheet dates, can reasonably be considered as good credit quality assets. Thus, the Company did not establish collateral or used other tools to improve the credit terms.

With respect to trade receivables, the Company is not exposed to credit risk inherent in being dependent on a single major partner or a group of partners sharing the same characteristics. Based on historical data on overdue payments, the receivables that are past due and for which no impairment charges have been recognised do not show a marked deterioration in quality, as most of them fall into the "up to 6 months" category, and there is no threat to their effective collectability.

The Company operates in the market of specialist construction services for the natural gas, petroleum, fuel, water supply and sewerage, road and infrastructural sectors, there is no credit risk concentration.

In order to reduce its credit risk exposure, the Company uses offsetting (compensating) arrangements where such solution is accepted by both parties.

1.3.Liquidity Risk

The Company is exposed to the risk of losing liquidity, that is the loss of the ability to timely meet financial liabilities. The Company manages the liquidity risk by monitoring payment dates and demand for cash with respect to the servicing of current payables (current transactions are monitored on a weekly basis) and long-term demand for cash based on cash flow projections that are updated monthly. The demand for cash is compared with the available sources of funding (in particular by evaluating the ability to source funds under credit facilities) and with the ability to place free funds.

Table 16: Maturity dates of the Company's financial liabilities as at the balance-sheet date

PLN '000	Current:		Non-current:			Liabilities total (no discount)	Carrying value
	up to 6 months	from 6 to 12 months	1 to 3 years	3 to 5 years	over 5 years		
As at Dec 31 2009							

Total liquidity risk exposure	395,626	145,619	466,346	11,096	382	**1,019,069**	**1,024,001**
As at Dec 31 2008							
Total liquidity risk exposure	238,437	28,852	250,123	22,688	0	**540,100**	**540,507**
As at Dec 31 2007							
Total liquidity risk exposure	**145,863**	**192,523**	**213,592**	**5,600**	**0**	**557,578**	**558,776**

Table 17: Available overdraft facilities of the Company as at the balance-sheet date

	Dec 31 2009	Dec 31 2008	Dec 31 2007
Overdrafts granted		65,000	65,000
Overdrafts used	45,747	-	-
Available overdrafts	49,253	65,000	65,000

III. INTERNAL CONTROL SYSTEM

As a result of the acquisitions made in recent years, the number of the PBG Group companies rose. This, in turn, necessitated establishing an internal audit function at PBG S.A.

Internal Audit Department **(IAD)** was formed on August 1st 2009, and it incorporated the Procurement Platform **(PP)**. Under the current structure, the Internal Audit Department and the Procurement Platform report directly to Mr Jerzy Wiśniewski, President of the Management Board of PBG S.A. The Department employs seven persons, including four at the Procurement Platform and three dedicated strictly to the internal audit activities.

IAD has been designed as a tool in the process of building the Group, which comprises: analysing business processes, including identification of areas requiring efficiency improvement and implementing a common business strategy, or, to be more precise, monitoring proper performance of tasks executed by particular Group members, and diagnosing the weak points, reasons for inefficiencies and bottle necks, as well as streamlining various processes. The Management Board of the parent company should have access to instruments which optimise the effects of functioning within a single body of interrelated and complementary entities. The concept of IAD envisages its gradual development. At the current stage, the Internal Audit Department performs standard audit functions which consist in determining – on a test basis – whether particular Group members incur costs and manage resources in a reasonable manner. In particular, the following tasks are performed as part of the internal audit function:

- assessment of risks associated with a given company, and evaluating the efficiency of risk management activities;
- submitting reports on the findings, and, where appropriate, presenting relevant conclusions and suggestions for improvement (recommendations);

- issuing opinions on the effectiveness of the control mechanisms which form part of a system under scrutiny, and performing consulting services;
- based on the assessment of an internal control system, providing a reasonable assurance that a company functions properly.

Types of audit carried out at the Group include:

financial audit designed to

- analyse the correctness of and rationale for costs incurred (i.e. determine whether costs related to a particular project may be evidenced by relevant documents and invoices, and whether funds have been credited to the accounts specified in the contracts);
- determine whether prepayments have been used in a proper manner;
- determine whether the requirement to ensure transparency of operational procedures has been met;
- compare costs incurred against the investment project's budget (determine whether the invoices evidencing costs incurred in connection with the project implementation are correct; examine whether costs have been recorded in the accounting books in a correct manner and in accordance with the accounting standards and applicable laws),

project performance audit designed to

- review contracts concluded with contractors in order to ensure that the contracted services have been delivered in a proper manner, and that the portfolio of project documents is complete;
- determine whether the requirement to ensure transparency of the contract award process has been met, and whether the process has been carried out in line with the applicable procedures;
- determine whether rates of fees payable to the contractor do not materially differ from the rates generally applied to a given type of goods/services in the region;
- determine whether plant and equipment purchased are located on the project's site;
- determine whether contractors meet their warranty obligations.

At a later stage of development, IAD is expected to assume the role of a partner-consultant of the Company's Management Board and its President, as provided for in the International Standards for the Professional Practice of Internal Auditing which define internal audit as an activity that provides independent, objective assurance and consulting services designed to add value and improve organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management.

In the immediate future, IAD will seek to provide a helicopter view (or a fresh look) of the PBG Group, i.e. an opportunity to see its business from afar (from a bird's-eye perspective). It is distance that allows for identifying the sources of influence and dependence, weak points, ways to enhance operating efficiency and alternative solutions. Under the development plans delineated above, the Internal Audit Department will most likely become an organisational unit of the Parent Company (PBG S.A.). Such position will offer IAD an opportunity to independently perform audit functions at the parent and its subsidiaries.

In order to prove its merit, IAD must perform the assigned tasks for all Group members and must at least:

- define the principles for information exchange among the Group members;
- ensure operating efficiency at the Group;
- develop rules governing the cooperation between related parties;
- subordinate the particular interests of the Group companies;
- take account of the discrepancies between organisational cultures of particular Group companies.

The newly assigned tasks and goals will be performed and implemented consistently throughout 2010 and in the years to follow. The process of building a fully fledged Internal Audit Department operating under the new rules, including recruitment and training of new personnel, is planned for completion towards the end of 2012.

The structure of the Internal Audit Control comprises the Procurement Platform, whose basic responsibilities include control and support functions. The former consist in compiling statistics related to tender procedures, orders and invoices, as well as in reviewing the purchase costs incurred as part of business transactions. Key duties performed as part of the support function include obtaining information on prices and contractual terms of business transactions, performing analyses, participating in negotiations, preparing master contracts and organising trainings.

The Procurement Platform is reponsible for:

- ensuring fairness of the procurement process (purchase requests, RFPs, offers from suppliers, minutes of negotiation sessions, purchase orders, contracts);
- assisting in the development of master contracts which pertain to typical products appearing in the catalogue of purchase requests of several Group members, and which allow for standardising contractual terms applied to all PBG Group companies. Master contracts offer a chance to benefit from the economies of scale (i.e. goods purchased at the negotiated prices irrespective of their volume, discounts calculated on the total volume sold to all Companies by a given supplier);
- preparing analyses and reports which may form the basis for negotiating better contractual terms for purchase transactions;
- organising trainings to optimise the use of system tools;

- coordinating the index base building processes.

Apart from its controlling role, the Procurement Platform is an intra-Group source of information. If a need arises to check the price of a product, contractual terms or discounts, the information may be quickly obtained through the operated system. Currently, the database contains ca. 26 thousand offers from suppliers, with 97 thousand prices of various materials. Thanks to the data, carefully entered into the database, the PBG Group companies have access to information concerning market participants' behaviour, prevailing price trends, suppliers, contractual terms, payment dates, discounts obtained and execution dates. Such exchange and processing of information is aimed at achieving cost efficiencies through an efficient use of data.

IV. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS USED IN THE PREPARATION OF SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of PBG S.A. is responsible for the internal control system used by the Company as well as for the system's effectiveness in the preparation of financial statements and periodic reports, drawn up and published in accordance with the Regulation of the Polish Council of Ministers on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. U. No. 33, item 259).

Financial statements are prepared by the Capital Group's Accounting Coordination team, and the process is directly supervised by the Financial Statements Consolidation Department in cooperation with other organisational units, which are responsible for providing accurate information on items not directly sourced from the Company's accounting records, but disclosed in the financial statements. Due to the nature of the industry in which the Company operates, the Controlling Department plays an important role in the preparation of financial statements. The key measures used to reduce the risks include correct assessment and analysis of the construction contracts. As required by IAS 11, revenues and expenses associated with the contracts are estimated on the basis of budgets of individual contracts. These budgets are expertly drawn up by contract managers with relevant training, and then, in the course of contract preparation and execution, the budgets are continuously reviewed and updated by the responsible personnel. Results of the reviews and any adjustments to the budgets are discussed at weekly meetings. The process is based on formal rules adopted by the Company and is subject to close supervision by the Management Board.

The Company's financial information is presented using consistent accounting policies, which are in line with the valuation and presentation policies applied in all PBG Group companies.

As of January 1st 2009, the person responsible for drawing up and signing separate financial statements is the Head Accountant, and for drawing up and signing consolidated financial statements – the Capital Group Accounting Coordination Director. The persons responsible for controlling and coordinating the process of preparing financial statements are professionals with relevant expertise in the field; all of them are bound by non-disclosure agreements.

Members of the Management Board responsible for the preparation of financial statements are: Jan Wiśniewski, President of the Management Board, Przemysław Szkudlarczyk, Vice-President of the Management Board, and Eugenia Bachorz, Proxy. In line with the internal procedures in effect, in the course of preparation of the financial statements these members of the management team, acting on behalf of the entire Management Board, review the economic information and matters disclosed in the accounts and present their comments and remarks relevant for the preparation of the statements.

Once the financial statements have been prepared, they are audited or reviewed, in accordance with applicable laws. All members of the Management Board are required to sign the financial statements before the auditor's opinion is received.

The financial statements are reviewed or audited by an entity qualified to audit financial statements, selected by the Company's Supervisory Board from among renowned audit firms offering high-quality audit services and satisfying the criterion of independence.

During the audit of financial statements and accounting records, the qualified auditor holds meetings with key members of the Company's staff, including members of the Management Board responsible for economic matters, to discuss individual aspects of the financial statements.

The final version of the financial statements is then prepared, re-read and signed by the persons responsible for the preparation of the financial statements and the managing personnel, and contains any agreed-upon corrections or adjustments made by the qualified auditor, the responsible persons or the managing personnel.

Every year, the Supervisory Board assesses consistency of the Company's audited financial statements with the accounting records and documentation as well as with facts, and presents its findings to the shareholders in an annual report published by the Company.

Managing the risk related to the preparation of financial statements involves identifying and assessing risk areas and defining the relevant mitigating measures.

CHAPTER III: The Company

I. STRATEGY AND BUSINESS MODEL

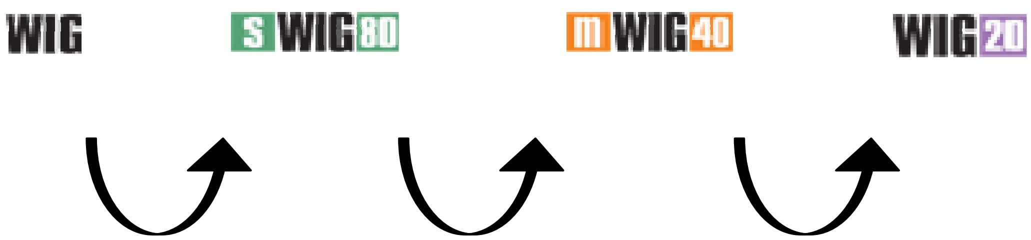
1. Business Model

The business model of the PBG Group consists in provision of specialised construction services. The Group has been steadily increasing its revenues and profits by entering new markets and operating in niche segments, where competition is limited due to required qualifications, experience, and credentials. Operational and strategic management of the PBG Group is facilitated by a simple structure where a Leading Company is in charge of each area of operations. The Leading Company is responsible for winning contracts, expanding the service range, arranging financing, and consolidating other entities. Services of the PBG Group are provided to customers through completion of certain parts of works (those technologically advanced) with own resources and commissioning simple works to proven sub-contractors. In the case of projects that require application of technologies or equipment manufactured abroad, the PBG Group will establish co-operation with foreign partners to perform contracts as a consortium. Under such model it is possible to perform contracts in accordance with the schedule and within the assumed budget. Execution of specialist construction works and focus of operations on niche markets place the PBG Group among of WSE-listed construction companies which achieve the highest profitability levels.

Currently, the Management Board of PBG S.A. is focusing on creating a construction group specialising in managing projects characterised by large unit value and technological complexity. This will drive the Group's further development and adjust its structure to market conditions.

2. Strategy

THE OPERATING STRATEGY OF PBG S.A. IS TO ACHIEVE A STEADY AND LONG-TERM GROWTH IN THE GROUP'S VALUE BY BUILDING ONE OF THE LARGEST CONSTRUCTION GROUPS IN CENTRAL AND EASTERN EUROPE.



This is done by:

- Dynamically increasing the sales revenue while maintaining a leading position among the most profitable peers listed on the Warsaw Stock Exchange;
- Winning and performing profitable contracts with a high unit value by tapping the combined potential of the Group Companies;
- Diversifying operations to embrace new areas, such as road construction, industrial facilities, underground car parks, underground railways, and sports facilities;
- Expanding into new markets related to specialised construction business, such as power industry construction; and
- Expanding into foreign markets.

IN THE NEAREST FUTURE THE ACTIVITIES AIMED AT IMPLEMENTING THE ADOPTED STRATEGY OF PBG S.A. AND ITS GROUP WILL PRIMARILY FOCUS ON:

1. Strengthening the position in the oil and natural gas segment by winning and performing the largest contracts in Poland.

In September 2009, a consortium including the PBG Group (Saipem – Techint – Snamprogetti – PBG - PBG Export) submitted its bid in the tender procedure for construction of the LNG terminal in Świnoujście. The estimated value of the project ranges from EUR 600m to EUR 700m. At the pre-qualification stage there were eight consortia competing for the contract, of which Polskie LNG, as the investor, selected three for further procedure, with the PBG consortium among them. The other entities were a consortium including Daewoo Engineering & Construction (foreign competitors) and a consortium including Tecnimont and Polimex Mostostal (domestic and foreign competitors).

The completion of the tender procedure and selection of the contractor for the investment project is planned by end of H1 2010. Winning the contract would significantly contribute to increasing the value of the Group's portfolio (an estimated amount of PLN 1bn) and boost the financial performance.

2. Strengthening the position in the area of infrastructure and water engineering segment by:

- **Consolidating the structures of Hydrobudowa Polska and Hydrobudowa 9;**
- **Expanding operations to include contracts for construction of the underground railway, underground car parks, and industrial facilities;**
- **Participating in the performance of contracts related to the organisation of the 2012 European Football Championships.**

At present, the consortium including Hydrobudowa Polska is preparing for a tender to construct a new railway station in Łódź. An estimated value of that investment project may even total PLN 2.5bn. Participation in the tender is possible thanks to specialist track record in tunnel construction in urban areas and in microtunneling. The tender is to be decided by mid-2010.

Additionally, there will be tenders announced this year for water engineering projects, including the largest project: construction of a water storage reservoir in Racibórz, with an estimated value of PLN 800m.

The PBG Group also sees major development opportunities in the environmental protection segment involving construction of waste incineration facilities. Such facilities are to be built in urban agglomerations with population of more than 350,000. The investment projects involving construction of waste incineration facilities will first be launched by Poznań, Bydgoszcz, Toruń, Szczecin, Olsztyn, and Kraków. We expect that this year's tenders will total over PLN 1.1bn.

Apart from the possibility of winning large unit value contracts, Hydrobudowa may be engaged as a sub-contractor in other assignments won by other PBG Group Companies, such as road construction contracts, gas sector projects, or power facilities construction.

3. Expanding operations in the local roads construction segment through:

- **investments in road companies and winning contracts of significant unit value;**
- **participation in projects that ensure access to aggregate deposits necessary for road and railway construction.**

At present, road construction companies from the PBG Group participate in tender procedures for construction of national roads, expressways, and motorways for the total amount of PLN 6.5bn. In addition, the PBG Group is preparing bids for the total amount of PLN 6.3bn, to be submitted soon. Moreover, we expect to be invited to submit bids totalling approximately PLN 10bn.

To supplement its credentials and increase the probability of winning contracts the PBG Group has established strategic co-operation with international companies, such as Alpine Bau, SIAC, or SRB Civil Engineering.

Currently, there is a tender procedure underway, organised by the General Directorate for National Roads and Motorways (*Generalna Dyrekcja Dróg Krajowych i Autostrad*) for the construction of a 27km section of expressway S5 with a beltway of Bojanowo and Rawicz. A consortium of PBG Group companies and Alpine Bau, as the leader, submitted the best tender, which means that the probability of winning the contract is very high. The PBG Group companies' interest in the consortium is 50%, which translates into almost PLN 400m in sales revenue (the net tender value is PLN 777m).

Additionally, PBG is involved in an investment project that ensures access to aggregate deposits necessary for road and railway construction. It is expected that this year's production will be 600 thousand tonnes, and the target is to reach 3m tonnes annually.

4. Expansion into Foreign Markets by:

- **Winning contracts to construct natural gas and oil facilities, characterized by increasing unit value, for investors in Norway;**
- **Executing export contracts in co-operation with Polish banks;**
- **Launching operations in Ukraine through the acquisition of an execution company;**
- **Entering into strategic co-operation with global corporations.**

In June 2009, PBG acquired a 51% shareholding in Energopol-Ukraina, thus expanding the geographical reach of its operations. This year the PBG Group is considering the launch of the first stage of a development project in Kiev, to be executed drawing on the capabilities of PBG Ukraina and other Group companies. The estimated investment spending may total PLN 100m. The first construction stage would be completed towards the end of 2011 and beginning of 2012. The project will be financed with internal and with external funds.

5. Expansion in the Power Construction Market Through:

- **Acquisitions of companies operating in the power construction sector;**
- **Establishment of strategic co-operation with companies enjoying a dominant position on the power market, which would facilitate participation in the largest tenders in Poland;**
- **Establishment of co-operation with foreign entities;**
- **Participation in tenders characterised by increasing unit value.**

In February 2010, PBG finalised the acquisition of 25% plus 1 share in Energomontaż-Południe SA. The PBG Group intends to use this company as a platform for consolidating the power segment. In connection with preparations to participate in the largest investment projects in Poland, the PBG Group has established strategic alliances with foreign partners specialising in power construction and having the necessary credentials.

A consortium including the PBG Group (PBG - Techint Compagnia Technica Internazionale - Ansaldo) has submitted a bid in the tender procedure for the construction of two power units in the Opole Power Plant. The estimated value of the project ranges from PLN 10bn to PLN 11bn. At the pre-qualification stage, there were four consortia competing for the contract, from among which Polska Grupa Energetyczna, the investor, selected two consortia for further procedure, including the one with PBG. The other consortium is the consortium of Polimex-Mostostal, Rafako, and Mostostal Warszawa. Pursuant to a decision of the National Chamber of Appeals, the consortium including Alstom will also participate in the next stage of the tender.

The tender procedure and selection of the contractor are to completed by the end of 2010. Winning the contract would significantly increase the value of the Group's portfolio and enhance its future financial performance. The PBG Group companies' interest in the consortium is 33%, which translates into approximately PLN 3.3bn.

In addition, the PBG Group is currently preparing to participate in tenders for the construction of a power unit in Kozienice and for the upgrade and repair of the boiler's furnace in Bełchatów, with the total value of over PLN 6bn.

6. Enhancing the Structure and Organisation of the PBG Group to Reduce the Operating Expenses Through:

- **Establishment of low-cost execution companies to handle low unit value contracts;**
- **Integration of companies, establishment of a common platform for common areas of operations, elimination of overlapping structures;**
- **Effective management of real estate.**

Currently, all leading companies from the PBG Group have their registered offices in Wysogotowo. The companies are as follows: PBG, Hydrobudowa Polska, Hydrobudowa 9, Infra, Aprivia, and PBG Dom.

In performance of the adopted strategy, in 2009 PBG Technologia was established on the basis of Hydrobudowa Konstrukcje and took over a part of the execution units of PBG and Hydrobudowa 9. The takeover involved staff (220 employees), assets, and organisational resources that together formed an organised technology execution unit of PBG, as well as staff (46 persons) and assets from the Equipment Manufacturing Unit of Hydrobudowa 9.

The reason behind such changes was the need to establish a company that would focus on executing a large number of contracts with a lower unit value. Merging the three entities into one company is to contribute to an even better use of human resources and assets.

Further changes in the Group will involve seizing the small contracts market in the environmental protection segment, including chiefly construction of sewage systems by KWG and Metorex. This will enable the Hydrobudowa Polska Group to focus on managing projects characterised by increasingly higher unit value.

7. Investments in Infrastructure Operation Projects Generating Long-term and Stable Revenues

At present, the PBG Group is performing analyses and making preparations related to operator projects. These projects may potentially involve electrical energy production by small hydro-electric power stations, operation of water supply and sewage disposal systems, underground car parks, and other infrastructure facilities. These types of projects carried out by the PBG Group are aimed at diversifying operations and entering markets being a source of long-term and stable sales revenue, irrespective of conditions prevailing in the construction business.

8. Securing Financing for the Group's Operations Through:

- **Use of short-term and long-term funding sources to ensure financing for operations and investments;**
- **Arrangement of long-term financing for investment projects;**
- **Management of credit limits to ensure the ability to provide guarantees for planned tenders and for contracts.**

The credit and guarantee limits for the PBG Group have now exceeded the amount of PLN 2.5bn and are sufficient for the Group to participate in all strategically important tenders that are planned for 2010. Individual contracts are financed with the use of short-term working capital credit facilities, special purpose loans, and bonds.

In 2010, the Company intends to secure additional debt financing to optimise the debt structure, including by increasing the guarantee limits, and to carry out its investment plans.

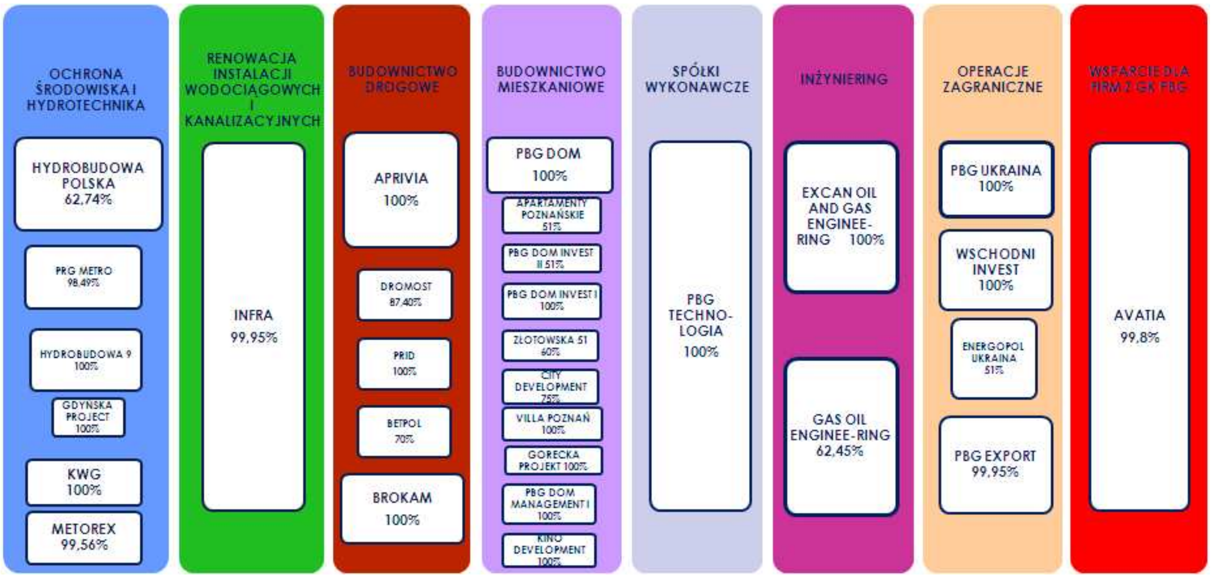
3. Strategy in Practice

One of the factors contributing to the achievement of the PBG Group's strategic objectives is the way in which the Group is organised in the individual areas of its operations.

Organisational chart of the PBG Group as at December 31st 2009 (percentage of voting rights held by PBG)

PBG S.A.

Gaz ziemny, ropa naftowa i paliwa



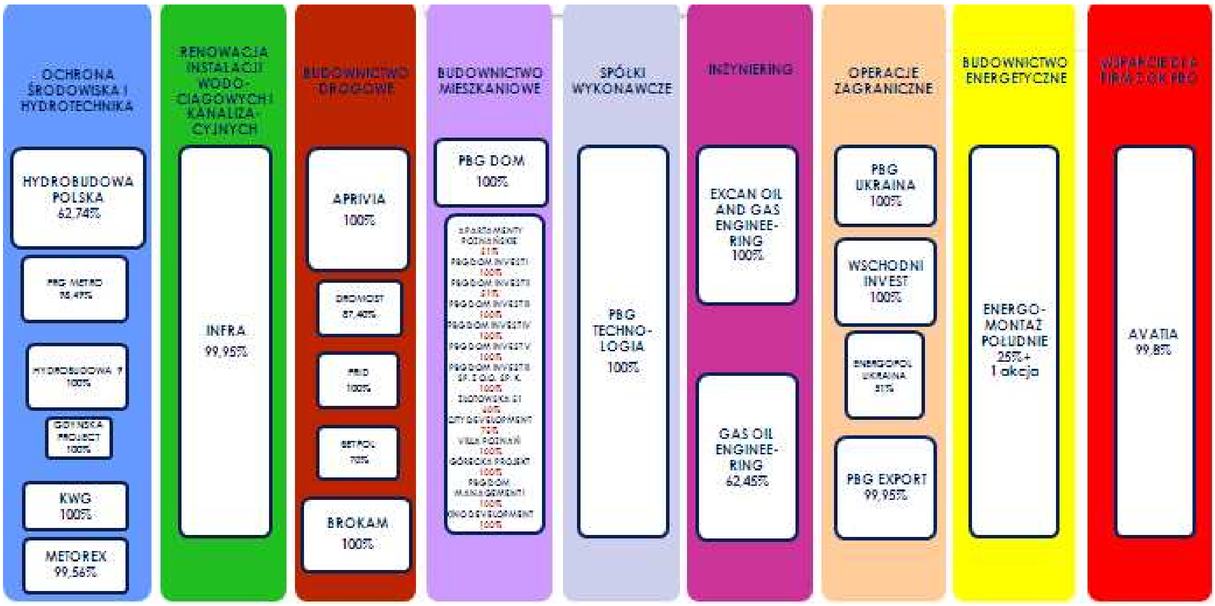
GAZ ZIEMNY, ROPA NAFTOWA I PALIWA	**NATURAL GAS, CRUDE OIL, AND FUELS**
OCHRONA ŚRODOWISKA I HYDROTECHNIKA	**ENVIRONMENTAL PROTECTION AND WATER ENGINEERING**
HYDROBUDOWA POLSKA 62,74%	**HYDROBUDOWA POLSKA 62.74%**
PRG METRO 98,49%	**PRG METRO 98.49%**
HYDROBUDOWA 9 100%	**HYDROBUDOWA 9 100%**
GDYŃSKA PROJECT 100%	**GDYŃSKA PROJECT 100%**
KWG 100%	**KWG 100%**
METOREX 99,56%	**METOREX 99.56%**
RENOWACJA INSTALACJI WODOCIĄGOWYCH I KANALIZACYJNYCH	**MODERNISATION OF WATER AND SEWAGE SYSTEMS**
INFRA 99,95%	**INFRA 99.95%**
BUDOWNICTWO DROGOWE	**ROAD CONSTRUCTION**
APRIVIA 100%	**APRIVIA 100%**
DROMOST 87,40%	**DROMOST 87.40%**
PRID 100%	**PRID 100%**
BETPOL 70%	**BETPOL 70%**
BROKAM 100%	**BROKAM 100%**
BUDOWNICTWO MIESZKANIOWE	**RESIDENTIAL CONSTRUCTION**

PBG DOM 100%	**PBG DOM 100%**
APARTAMENTY POZNAŃSKIE 51%	**APARTAMENTY POZNAŃSKIE 51%**
PBG DOM INVEST II 51%	**PBG DOM INVEST II 51%**
PBG DOM INVEST I 100%	**PBG DOM INVEST I 100%**
ZŁOTOWSKA 51 60%	**ZŁOTOWSKA 51 60%**
CITY DEVELOPMENT 75%	**CITY DEVELOPMENT 75%**
VILLA POZNAŃ 100%	**VILLA POZNAŃ 100%**
GÓRECKA PROJEKT 100%	**GÓRECKA PROJEKT 100%**
PBG DOM MANAGEMENT I 100%	**PBG DOM MANAGEMENT I 100%**
KINO DEVELOPMENT 100%	**KINO DEVELOPMENT 100%**
SPÓŁKI WYKONAWCZE	**EXECUTION COMPANIES**
PBG TECHNOLOGIA 100%	**PBG TECHNOLOGIA 100%**
INŻYNIERING	**ENGINEERING**
EXCAN OIL AND GAS ENGINEERING 100%	**EXCAN OIL AND GAS ENGINEERING 100%**
GAS OIL ENGINERING 62,45%	**GAS OIL ENGINERING 62.45%**
OPERACJE ZAGRANICZNE	**FOREIGN OPERATIONS**
PBG UKRAINA 100%	**PBG UKRAINA 100%**
WSCHODNI INVEST 100%	**WSCHODNI INVEST 100%**
ENGEROPOL UKRAINA 51%	**ENGEROPOL UKRAINA 51%**
PBG EXPORT 99,95%	**PBG EXPORT 99.95%**
WSPRARCIE DLA FIRM Z GK PBG	**SUPPORT FOR PBG GROUP COMPANIES**
AVATIA 99,8%	**AVATIA 99.8%**

Current organisational chart of the PBG Group (percentage of voting rights held by PBG S.A.)

PBG S.A.

Gaz ziemny, ropa naftowa i paliwa



GAZ ZIEMNY, ROPA NAFTOWA I PALIWA	NATURAL GAS, CRUDE OIL, AND FUELS
OCHRONA ŚRODOWISKA I HYDROTECHNIKA	ENVIRONMENTAL PROTECTION AND WATER ENGINEERING
HYDROBUDOWA POLSKA 62,74%	HYDROBUDOWA POLSKA 62.74%
PRG METRO 98,49%	PRG METRO 98.49%
HYDROBUDOWA 9 100%	HYDROBUDOWA 9 100%
GDYŃSKA PROJECT 100%	GDYŃSKA PROJECT 100%
KWG 100%	KWG 100%
METOREX 99,56%	METOREX 99.56%
RENOWACJA INSTALACJI WODOCIĄGOWYCH I KANALIZACYJNYCH	MODERNISATION OF WATER AND SEWAGE SYSTEMS
INFRA 99,95%	INFRA 99.95%
BUDOWNICTWO DROGOWE	ROAD CONSTRUCTION
APRIVIA 100%	APRIVIA 100%
DROMOST 87,40%	DROMOST 87.40%
PRID 100%	PRID 100%
BETPOL 70%	BETPOL 70%
BROKAM 100%	BROKAM 100%
BUDOWNICTWO MIESZKANIOWE	RESIDENTIAL CONSTRUCTION

PBG DOM 100%	**PBG DOM 100%**
APARTAMENTY POZNAŃSKIE 51%	**APARTAMENTY POZNAŃSKIE 51%**
PBG DOM INVEST I 100%	**PBG DOM INVEST I 100%**
PBG DOM INVEST II 51%	**PBG DOM INVEST II 51%**
PBG DOM INVEST III 100%	**PBG DOM INVEST III 100%**
PBG DOM INVEST IV 100%	**PBG DOM INVEST IV 100%**
PBG DOM INVEST V 100%	**PBG DOM INVEST V 100%**
PBG DOM INVEST III SP. Z O.O. SP. K. 100%	**PBG DOM INVEST III SP. Z O.O. SP. K. 100%**
ZŁOTOWSKA 51 60%	**ZŁOTOWSKA 51 60%**
CITY DEVELOPMENT 75%	**CITY DEVELOPMENT 75%**
VILLA POZNAŃ 100%	**VILLA POZNAŃ 100%**
GÓRECKA PROJEKT 100%	**GÓRECKA PROJEKT 100%**
PBG DOM MANAGEMENT I 100%	**PBG DOM MANAGEMENT I 100%**
KINO DEVELOPMENT 100%	**KINO DEVELOPMENT 100%**
SPÓŁKI WYKONAWCZE	**EXECUTION COMPANIES**
PBG TECHNOLOGIA 100%	**PBG TECHNOLOGIA 100%**
INŻYNIERING	**ENGINEERING**
EXCAN OIL AND GAS ENGINEERING 100%	**EXCAN OIL AND GAS ENGINEERING 100%**
GAS OIL ENGINERING 62,45%	**GAS OIL ENGINERING 62.45%**
OPERACJE ZAGRANICZNE	**FOREIGN OPERATIONS**
PBG UKRAINA 100%	**PBG UKRAINA 100%**
WSCHODNI INVEST 100%	**WSCHODNI INVEST 100%**
ENERGOPOL-UKRAINA 51%	**ENERGOPOL-UKRAINA 51%**
PBG EXPORT 99,95%	**PBG EXPORT 99.95%**
BUDOWNICTWO ENERGETYCZNE	**POWER CONSTRUCTION**
ENERGOMONTAŻ-POŁUDNIE 25% + 1 akcja	**ENERGOMONTAŻ-POŁUDNIE 25% + 1 share**
WSPARCIE DLA FIRM Z GK PBG	**SUPPORT FOR PBG GROUP COMPANIES**

AVATIA 99,8%	**AVATIA 99.8%**

Within the Group the **natural gas, crude oil, and fuels market** is the responsibility of PBG, which has been offering services on this market since the beginning of its operations. PBG is the domestic leader in this market. It has gained the leadership through strategic co-operation with international companies, which has enabled it introduce technologically advanced solutions on the Polish market. PBG was able to use the resulting credentials and necessary experience to win contracts for the execution of the largest investment projects carried in the Polish gas, oil, and fuels market. The gas and oil market is particularly important for the Group and over the next few years it will be a major contributor to the Group's financial performance. The value of PGNiG's and Gaz-System's gas investment projects identified by the PBG Group as planned to be carried out over the next two years will total over PLN 5.6bn. The Group intends to actively operate in the discussed market. The strategy of the PBG Group assumes that over the next three years the revenue from sales to the gas and oil sector would reach PLN 1bn annually.

The infrastructure market, including environmental protection and water engineering, is equally important for the PBG Group. In this segment of the Group's operations **Hydrobudowa Polska,** listed on the Warsaw Stock Exchange, has the leading role. Hydrobudowa Polska is one the sector leaders. The company's potential, experience and credentials enable it to win the largest contracts co-financed with the EU funds and contracts concerning investment projects preparing Poland for EURO 2012 (European Football Championships to be held in Poland). Hydrobudowa Polska is developing its own Group together with Hydrobudowa 9 and PRG Metro.
To mitigate the impact of the situation on the general construction market on the operations of the Hydrobudowa Group, there are plans to enter new markets, such as the power sector or specialised road construction. The investment projects in the environmental protection, water engineering, and infrastructure segments identified by the PBG Group are to total over PLN 15.1bn within the next two years. It is the market on which the Group plans to actively operate. The strategy of the PBG Group assumes that over the next three years the sales revenue of the segment of water and infrastructure investment projects would reach at least PLN 1.5bn annually.

Due to limited competition and the technological solutions that must be applied, **the market for modernisation of water and sewage systems** is a niche market. **Infra,** the leading company in this segment of operations, is currently carrying one of the largest modernisation contracts in Poland. Due to completion of several modernisation projects, Infra's Management Board decided to sell the company's interests in PRIS and Wiertmar in 2009.

Road construction is a new, strategically important area of the PBG Group's operations. Road construction projects, which are co-financed by the European Union, are a priority for the Polish government because of the 2012 European Football Championships to be hosted by Poland. The PBG Group's operations in this segment are expected to drive a further dynamic growth of its revenue. As part of that segment, the PBG Group wants to perform contracts for the construction of local roads in municipalities and counties.

Additionally, a new company (Brokam) was established in that newly developed segment in connection with the Group's investment in aggregate mines, which are to ensure access to raw materials for companies from the road construction segment and the other companies of the PBG Group.
The investment projects in the area of road construction identified by the PBG Group will total over PLN 37bn over the next two years. The Group plans to actively operate in that market. The strategy of the PBG Group assumes that over the next three years sales revenue of the road construction segment would reach PLN 500m annually.

Foreign operations are another strategically important segment**.** Acquisitions of foreign companies allow the Group to expand outside of Poland, while strengthening its own execution capabilities domestically, for example in the area of engineering and project management. Thus, another new area of the Group's operations is being developed. Gas Oil Engineering of Slovakia was the first company to be acquired in the segment. In addition, Excan Oil And Gas Engineering was established in Canada (a company wholly owned by PBG S.A.). Another element of the strategy envisaging PBG's expansion into foreign markets was its entry into the Ukrainian market through the acquisition of an execution company – Energopol-Ukraina – which was finalised in June 2009. Despite the economic downturn currently prevailing in Ukraine, the Ukrainian market is set to be very prospective for the PBG Group over the long term, especially in the context of the aid funds which that country is likely to receive to upgrade its gas pipeline systems. Given the estimated amount of the aid (EUR 2.5bn), large contracts in the natural gas segment are expected to be offered for competitive bidding. Investments in environmental protection and water engineering, which are also co-financed by the European Union, will be necessary to adapt the country's sewage and water supply systems to Western European standards. Moreover, to strengthen its foreign operations, in April 2009 PBG established PBG Export, whose core activity consists in securing and performing export contracts.

At present, an additional area of PBG's operations is **large-sized construction** projects**,** which may prove to be important for the entire Group over a long term. Within that segment **PBG Dom** was established – a company responsible for managing the real property owned by the Group (by putting it to the most effective use or selling it). In line with its long-term plans, PBG intends to launch operations in the property development business, not only as a sub-contractor, but also as a developer. Currently, the company is purchasing attractive designs, ready to be executed. That is why several new entities were established within the PBG Dom Group in the period under review. The strategy for PBG Dom assumes investment at the level of as much as PLN 100m annually over three years.

With a view to streamlining the structure and organisation of the PBG Group, PBG Technologia (formerly operating under the name of Hydrobudowa Konstrukcje) was established in April 2009. The company will handle smaller contracts and focus on execution only. Another move meant to streamline the structure of the PBG Group was the transfer of Górecka Projekt together with its assets from subsidiary undertaking Hydrobudowa 9 to subsidiary undertaking PBG Dom.

Investments in infrastructure operation projects may play an important role in the future operations of the PBG Group, as a source of long-term and stable revenue streams. Such projects involve, among others, gas transmission, renewable energy, and water supply systems.

As envisaged by the adopted strategy, a new company active in the power construction segment (Energomontaż-Południe) has been included to the PBG Group. PBG does not rule out a possibility of increasing its interest in the company, until it holds a controlling stake. Such a decision, however, will depend on the results of the co-operation between the PBG Group and Energomontaż, as well as on how effective it will prove to be in securing contracts in the power sector.

The investment projects in the power construction sector identified by the PBG Group will total nearly PLN 30bn over the next two years. The Group intends to actively operate in that sector. The strategy of the PBG Group assumes that over the next three years the sales revenue of the power construction segment would reach PLN several hundred million annually, starting from 2011.

II. BUSINESS PROFILE

The business profile of PBG comprises general contractor services related to natural gas, crude oil, water and fuels facilities, provided on a "turn key" basis, as well as general contractor services for projects in the area of industrial, residential, infrastructure, and road construction. The Company's operations mostly consist in performing contracts for its natural gas, crude oil and fuels services.

Currently, PBG S.A. divides its business into five major operating segments:

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

Table 18: Breakdown of services by segment

NATURAL GAS AND CRUDE OIL	WATER	FUELS
▪ surface installations for crude oil and natural gas production ▪ installations and facilities for liquefying natural gas and for LNG storage and regasification ▪ LPG, C5+ separation and storage facilities ▪ LNG storage and evaporation facilities ▪ underground gas storage facilities ▪ desulphurisation units ▪ surface infrastructure of underground gas storage facilities ▪ crude oil tanks ▪ transmission systems for natural gas and crude oil, including pressure reduction and metering stations and metering and billing stations, mixing plants, distribution nodes, compressor stations, etc.	▪ technological and sanitary installations for water supply and sewage systems, including: - water pipes - sewage systems - water mains and trunk sewers - water intakes - water treatment plants ▪ water engineering structures, including: - water dams - storage reservoirs - flood levees ▪ modernisation of water supply and sewage systems	▪ fuel storage facilities, tanks **INDUSTRIAL AND RESIDENTIAL CONSTRUCTION** ▪ general construction ▪ industrial infrastructure ▪ construction of stadiums ▪ construction of waste sorting plants **ROADS** ▪ road construction

The scope of construction services provided as part of the above segments comprises comprehensive contracting services, engineering design work, upgrading, modernisation, repairs, and maintenance of facilities and systems.

Detailed financial data on the share of individual business segments in sales revenue is presented in the section below on changes in the Company's markets.

III. CHANGES IN THE COMPANY'S MARKETS

In 2009, revenue streams from the individual areas of operations of PBG S.A. were generated mainly on the domestic market and were as follows:

Table 19: Industry segments

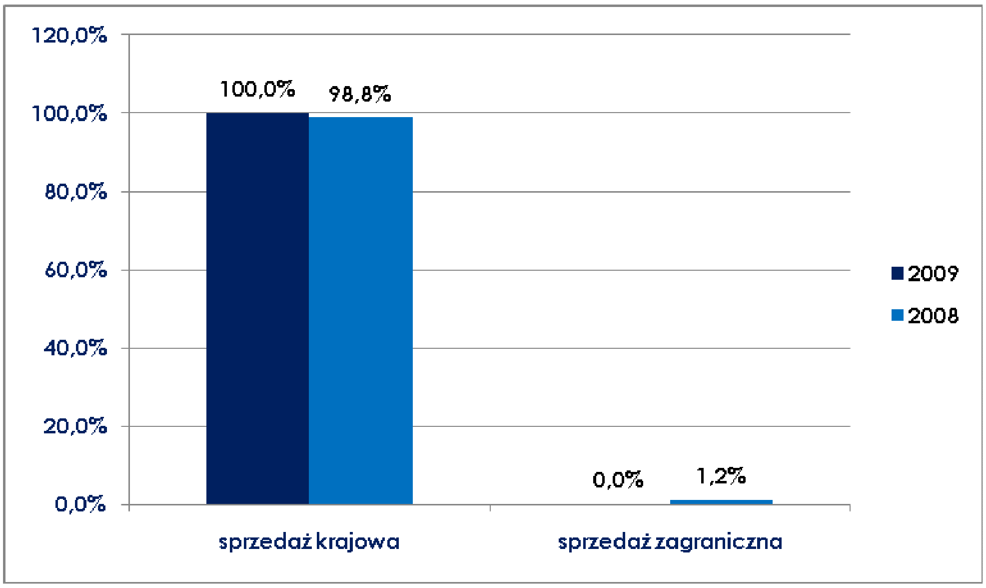
Sales revenue	2009 (PLN '000)	2008 (PLN '000)	Change (PLN '000)	Change (%)
natural gas and crude oil (transmission, distribution, production)	379,058	236,871	+142,187	+60%
water (water engineering and environmental protection, modernisation)	126,421	83,667	+42,754	+51%
fuels (fuel storage)	62,027	73,625	-11,418	-16%
industrial and residential construction (construction, infrastructure for industrial facilities)	226,783	147,542	+79,241	+54%
roads (road construction)	-	6,368	-6,368	-
other (sale of goods for resale, materials and products, other services)	33,174	23,503	+9,671	+41%
Total sales revenue	**827,463**	**571,576**	**+255,887**	**+45%**

Table 20: Geographical segments

Sales revenues	2009 (PLN '000)	2008 (PLN '000)	Change (PLN '000)	Change (%)
domestic sales	827,463	564,985	+262,478	+46%
foreign sales	-	6,591	-6,591	-

The shares of PBG S.A.'s geographical segments in its total sales revenue in the reviewed period were as follows:

Figure 1: Percentage shares of domestic and foreign sales in PBG S.A.'s total sales in 2008-2009



sprzedaż krajowa	domestic sales
sprzedaż zagraniczna	foreign sales

In 2009, domestic customers accounted for 100% of the Company's sales. The result did not change materially from the previous year's figure, where domestic sales accounted for 98.8% of the Company's total sales and the remaining 1.2% was attributable to foreign customers.

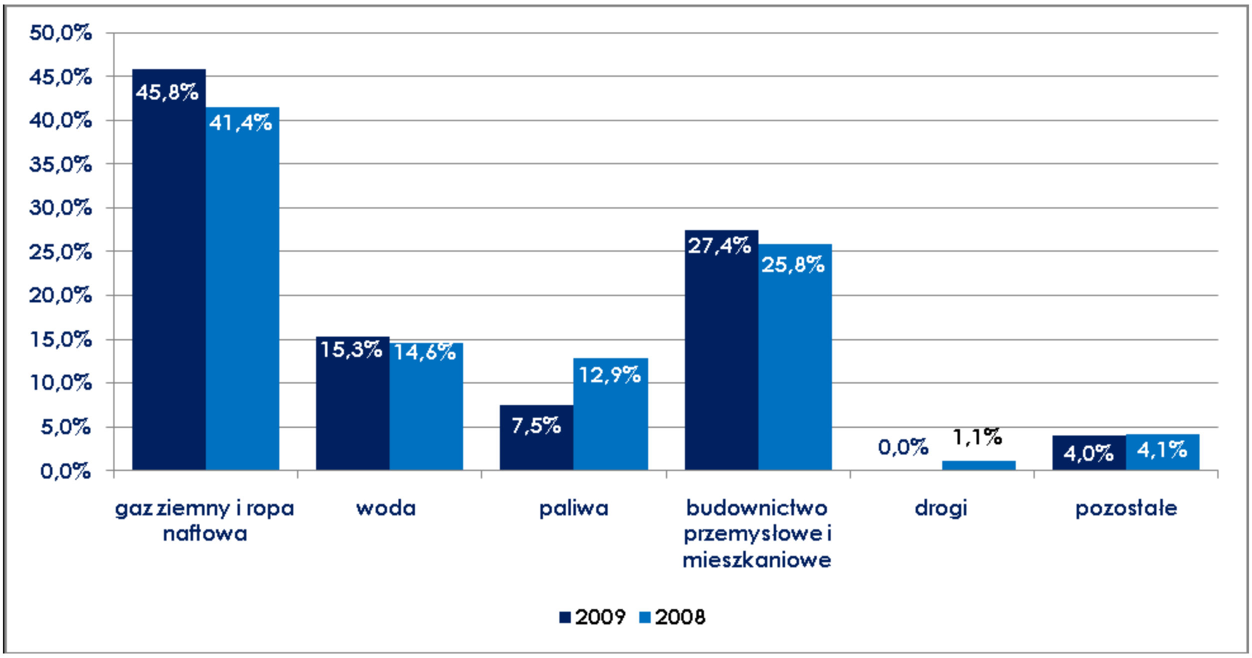
Operational Reach

PBG S.A.'s operations focus primarily on the domestic market, which the Company perceives as its key market because of: a massive influx of EU funds and the investment projects financed with those funds, the planned projects connected with LNG production facilities and the entire auxiliary infrastructure (compressor stations, gas pipelines, etc.), as well as the investment projects related to the 2012 European Football Championships to be held in Poland. Nevertheless, steps are being taken with a view to entering foreign markets, mainly in the natural gas and crude oil sector. In 2006 PBG executed its first contract in that area, as a sub-contractor for Pall Poland Sp. z o.o. The final customer was a foreign investor – Latvia's Gaze Akciju Sabiedriba; the project was executed in Latvia and its value amounted to EUR 5.22m. It can be seen as the first step in PBG's strategy to expand into foreign markets. Moreover, PBG has been taking steps to expand into a Norwegian market. In March 2007 PBG concluded its first contract with Norway's Kanfa Aragon AS . The contract, which provided for the construction of a glycol regeneration unit to be used in the gas dehydration process, was worth EUR 1.125m. The transaction was considered significant as it opened up prospects for PBG to win further contracts in Norway. In August 2007, PBG was awarded another foreign contract from the above company. The assignment consisted in the development of packages for glycol regeneration for off-shore rigs located off the coast of UK and the delivery of pumps supporting the glycol regeneration packages. The net value of the contract was set at approximately EUR 3m. Additionally, in 2007 PBG accepted assignments from Gas Naturale' (Pvt.) Ltd. of Punjab, Pakistan. The total value of the awarded contracts was USD 5.5m. The first of the assignments consisted in the preparation of an engineering design of an LNG production unit, while the second one involved the delivery of materials and technological systems for the unit. The contracts were considered significant as they opened up prospects for PBG to win further export contracts.

Share of Business Segments in the Company's Total Sales Revenue

In the period under review, the share of the Company's individual business segments in its total sales revenue was as follows:

Figure 2: Percentage share of the Company's individual business segments in its sales revenue in 2008–2009



gaz ziemny i ropa naftowa	natural gas and crude oil
woda	water
paliwa	fuels
budownictwo przemysłowe i mieszkaniowe	industrial and residential construction
drogi	roads
pozostałe	other

In 2009, the **natural gas and crude oil segment** had the largest share in the Company's sales revenue, which in the period under review stood at 45.8% (up by 4.4% year on year). In connection with the signing of the largest contracts in the segment to date, i.e. the contract for development of an oil field with a value of PLN 1.4bn (August 2008), the contract for the construction of an underground gas storage facility in Wierzchowice with the value of PLN 1.1bn (November 2008) for Polskie Górnictwo Naftowe i Gazownictwo SA, as well as new opportunities becoming available on the market, PBG S.A. expects that its sales revenue from the natural gas and crude oil segment will rise significantly in the years to follow.

The second largest business segment of PBG S.A. in the period under review was the **industrial and residential construction segment,** providing general construction and industrial infrastructure services. The segment's share in the Company's total sales revenue was 27.4%, which compares with 25.8% in 2008 (up by 1.5%). In connection with the new opportunities appearing on the market of infrastructure projects, such as construction of stadiums or waste incineration plants, it may be expected that the sales revenue from the industrial construction segment will remain unchanged or even substantially increase in the years to follow. Currently, the largest projects implemented in the segment include contracts for construction of the National Stadium in Warsaw for PLN 1.252bn, construction of the Baltic Arena stadium in Gdańsk for PLN 427m, and modernisation and extension of the Poznań Municipal Stadium for PLN 398m.

In 2009, the **water segment** accounted for 15.3% of total sales revenue and was the third largest segment. Contracts executed in the water segment are co-financed by the European Union and are connected with environmental protection and water engineering projects. Hydrobudowa Polska S.A. is the Group's leading subsidiary focusing on environmental protection generating significantly higher revenue from its operations in this segment.

The fourth largest business segment of the Company in 2009 was the **fuels segment**, in which PBG provides its services related to the storage of liquid fuels (fuel storage depots and facilities). In the period under review, the fuels segment's share in total sales revenue stood at 7.5% (down by only 5.4% year on year). The main customers for fuels segment services include: Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego – NATO, PKN Orlen and Operator Logistyczny Paliw Płynnych. Currently, the largest project in the segment is the contract for delivery and construction of underground fuel storage facilities, commenced in 2007. The total net value of the contract currently amounts to approximately PLN 280m (as at the date of signing the contract it was PLN 255m). The fuels segment is not a strategic segment for PBG S.A. However, the Company may increase revenues from the segment and acquire new contracts in connection with the planned and currently implemented projects by NATO, PKN Orlen, LOTOS or OLPP.

The last specialist segment operated by PBG is the **road construction segment**. PBG S.A. entered the road construction market by acquiring companies providing road construction services in 2007 and 2008. These are now the leaders of the market and contribute a significant proportion of the segment's financial result.

Entities Having 10% or Higher Share in the Company's Total Sales Revenue

In the period covered by this Report, the entities having a 10% or lager share in the Company's total sales revenue included:

- customers: PGNiG SA;
- suppliers: the Company had no suppliers with a 10% or larger share in its total sales revenue.

IV. BRANCHES

PBG S.A. has no branches.

CHAPTER IV: REPORT ON THE COMPANY'S OPERATIONS IN 2009

I. TOTAL NUMBER OF SHARES HELD IN RELATED UNDERTAKINGS

Table 21: Number of shares held in related undertakings

Related undertaking	Business profile	Relation		Number of shares	Par value of shares as at Dec 31 2009
		Parent	Type of relation		
PBG Technologia Sp. z o.o.	Manufacture and assembly of steel structures, plants and installations, steel tanks, execution of comprehensive installation projects for the industry, in particular the petrochemical sector, general construction	PBG S.A.	subsidiary	46,100	PLN 23,050,000
PBG Export Sp. z o.o.	Procurement of orders in Poland and abroad and the supervision of the execution of orders	PBG S.A.	subsidiary	19,990	PLN 999,500
Metorex Sp. z o.o.	Construction of water-pipe networks, sewage systems, heat and gas distribution networks, land melioration networks, hydro-engineering, wastewater treatment plants, road and square pavement	PBG S.A.	subsidiary	682	PLN 51,150
INFRA S.A.	Specialist services in the area of rehabilitation of water and sewage pipelines	PBG S.A.	subsidiary	4,997,500	PLN 4,997,500
Hydrobudowa Polska S.A.	Comprehensive execution of hydro-engineering, engineering and industrial construction projects	PBG S.A.	subsidiary	132,098,185	PLN 132,098,185
KWG S.A.	Execution of infrastructure projects in the environmental protection sector	PBG S.A.	Subsidiary	28,700	PLN 2,870,000
Excan Oil and Gas Engineering Ltd., Canada	Export activities in the technology sector and procurement of orders in the natural gas and crude oil sectors	PBG S.A.	subsidiary		CAD 250,000
Gas Oil Engineering A.S., Slovakia	Engineering, design and contracting company; project management, turn-key delivery, and the supervision of projects in the natural gas and crude oil sectors	PBG S.A.	subsidiary		EUR 414,647.48
WSCHODNI INVEST Sp. z o.o.	Special Purpose Vehicle	PBG S.A.	subsidiary	37,740	PLN 3,774,000
PBG Dom Sp. z o.o.	Large-volume building construction	PBG S.A.	subsidiary	123,572	PLN 12,357,200
Brokam Sp. z o.o.	Owner of an undeveloped property where granodiorite reserves are located	PBG S.A.	subsidiary	12,000	PLN 12,000,000
Avatia S.A.	IT services; a member of the PBG Group providing IT support services to all Group members	PBG S.A.	subsidiary	998	PLN 49,990
Aprivia S.A.	Company responsible for the consolidation of the road construction segment companies and the strengthening of the PBG Group's position in the area of road construction, including for the procurement and performance of contracts and the arrangement of financing	PBG S.A.	subsidiary	71,993,065	PLN 71,993,065
PBG Ukraina P.S.A.	Representative office whose purpose is to conduct research in the Ukrainian market and establish contacts with companies operating in the construction and related services sector	PBG S.A.	subsidiary	222,227	UAH 888,908

In addition to the companies listed above, PBG S.A. holds interests in the following entities:

- **KRI S.A.** – 25,300,000 shares with a par value of PLN 1.00 per share; the total par value of the shares is PLN 25,300,000.00; the shares represent 19.97% of the company's share capital and confer the right to 19.97% of the total vote;

- **Lubickie Wodociągi Sp. z o.o.** – 60 shares with a par value of PLN 500.00 per share; the total par value of the shares amounts to PLN 30,000.00; the shares represent 15% of the company's share capital and confer the right to 15% of the total vote;

- **Towarzystwo Ubezpieczeń Wzajemnych TUZ** – 60 shares with a par value of PLN 10.00 per share; the total par value of the shares amounts to PLN 600.00; the shares represent 0.01% of the company's share capital and confer the right to 0.01% of the total vote;

- **Budownictwo Naftowe Naftomontaż Sp. z o.o.** – 3,500 shares with a par value of PLN 1,000.00 per share; the total par value of the shares amounts to PLN 3,500,000.00; the shares represent 7.82% of the company's share capital and confer the right to 7.82% of the total vote;

- **Remaxbud Sp. z o.o.** - 840 shares with a par value of PLN 500.00 per share; the total par value of the shares amounts to PLN 420,000.00; the shares represent 18.92% of the company's share capital and confer the right to 18.92% of the total vote;

- **STRATEG CAPITAL Sp. z o.o.** – 47 shares with a par value of PLN 1,000.00 per share; the total par value of the shares amounts to PLN 47,000.00; the shares represent 18.80% of the company's share capital and confer the right to 18.80% of the total vote;

- **Energia Wiatrowa PL Sp. z o.o**. – 230 shares with a par value of PLN 50.00 per share; the total par value of the shares amounts to PLN 11,500.00; the shares represent 18.70% of the company's share capital and confer the right to 18.70% of the total vote;

- **Poner Sp. z o.o.** - 475 shares with a par value of PLN 1,000.00 per share; the total par value of the shares amounts to PLN 475,000.00; the shares represent 19.00% of the company's share capital and confer the right to 19.00% of the total vote;

- **Awdar Sp. z o.o.** – 95 shares with a par value of PLN 100.00 per share; the total par value of the shares amounts to PLN 9,500.00; the shares represent 19.00% of the company's share capital and confer the right to 19.00% of the total vote;

- **Bathinex Sp. z o.o.** – 9 shares with a par value of PLN 1,000.00 per share; the total par value of the shares amounts to PLN 9,000.00; the shares represent 18.00% of the company's share capital and confer the right to 18.00% of the total vote.

Subsequent to the balance-sheet date, PBG S.A. acquired 25% + 1 share in Energomontaż-Południe S.A. for approximately PLN 61.2m.

II. CONCLUDED AGREEMENTS SIGNIFICANT TO THE COMPANY'S OPERATIONS

Table 22: Agreements concluded within the period covered by this Report and subsequent to the balance-sheet date

Date	Parties	Subject matter	Key terms
Feb 12 2009	Principal: PBG S.A., Contractor: Control Process S.A.	Two contracts for execution of tasks related to the LMG Project – "Central Facility, well-adjacent zones, pipelines etc.". 1. General contracting services in relation to well-adjacent zones and group centres, including design, construction and launch thereof. 2. General contracting services in relation to a HPC plant – construction and launch.	Value of the first contract: **PLN 183,955,000.00 (VAT exclusive)** Value of the second contract: **PLN 94,610,000.00 (VAT exclusive)** Completion date: Apr 10 2013
For more information see: Current Report No. 11/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/11-2009-zawarcie-znaczacych-umow-podwykonawczych.html			
Apr 16 2009	Principal: PBG S.A. (Consortium Leader), Contractor: PLYNOSTAV PARDUBICE HOLDING A.S.	The contracts are related to the contract concluded between the PBG-led consortium composed of PBG S.A., Tecnimont S.P.A., Société Française d'Etudes et de Réalisations d'Equipements Gaziers SOFREGAZ, Plynostav Pardubice Holding A.S. - Plynostav Regulace Plynu A.S. (Consortium Partners), and PGNiG S.A. (Principal) for the provision of general contracting services in connection with the project "3.5 bn nm³ extension of the Wierzchowice Underground Storage Facility (first stage 1.2bn nm³)". The subject matter of the contracts is design, delivery and assembly of selected facilities.	Contract value: **PLN 84,178,442.00** Completion date: Nov 18 2009
Apr 16 2009	Principal: PBG S.A. (Consortium Leader), Contractor: PLYNOSTAV REGULACE PLYNU A.S.		Contract value: **PLN 83,731,000.00** Completion date: Nov 18 2011
For more information see: Current Report No. 20/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/20-2009-zawarcie-znaczacych-umow-wykonawczych-w-ramach-konsorcjum.html			
May 4 2009	Contractor: ALPINE BAU DEUTSCHLAND AG (Consortium Leader), ALPINE BAU GmbH, ALPINE Construction Polska Sp. z o.o., HYDROBUDOWA POLSKA S.A. and PBG S.A. (Consortium Partners). Principal: Narodowe Centrum Sportu Sp. z o.o.	Construction of multi-purpose National Stadium in Warsaw, with auxiliary infrastructure.	Contract value: **PLN 1,252,755,008.64 (VAT exclusive)** Completion date: 24 months after the contract date.
For more information see: Current Report No. 22/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/22-2009-zawarcie-umowy-znaczacej-na-budowe-stadionu-narodowego-w-warszawie.html			
May 25 2009	Contractor: PBG S.A. Principal: Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.	Provision of general contracting services in connection with construction of the Goleniów Gas Compression Plant".	Contract value: **PLN 54,900,000.00 (VAT exclusive)** Completion date: 17 months after the contract date.
For more information see: Current Report No. 30/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/30-2009-zawarcie-umowy-istotnej.html			

May 7 2009	Principal: PBG S.A. (Consortium Leader) Contractor: Tecnimont S.p.A. and Societe Francaise d'Etudes et de Realisations d-Equipements Gaziers SOFREGAZ	Contractors agreement between consortium members for construction of surface infrastructure of the Wierzchowice Underground Gas Storage Facility as part of 3.5 bn nm³ extension of the facility (first stage 1.2bn nm³).	Contract value: for Tecnimont: **PLN 283,224,600.00 (VAT exclusive)** for Sofregaz: **PLN 176,327,200.00 (VAT exclusive)** Completion date: Nov 18 2011
For more information see: Current Report No. 32/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/32-2009-zawarcie-znaczacej-umowy-wykonawczej-w-ramach-konsorcjum.html			
Jul 19 2009	Contractor: PBG S.A. Principal: Maxer S.A.	Annex increasing the value of the contract concluded on February 6th 2006 with Maxer S.A. in bankruptcy for Construction of the Malczyce Barrage on the Oder River.	Financial cap for the construction and assembly work to be executed by PBG S.A. in 2009–2011 increased by **PLN 216,673,815.57 (VAT exclusive)** Completion date: Dec 30 2011
For more information see: Current Report No. 51/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/51-2009-zmiana-umowy-znaczacej.html			
Dec 22 2009	Contractor: A consortium composed of HB 9 S.A. (Consortium Leader), PBG S.A., HBP S.A., PIECOBIOGAZ S.A. and Przedsiębiorstwo Techniczno-Budowlane NICKEL Sp. z o.o. (Consortium Partners) Principal: AQUANET S.A.	Modernisation of the Mosina water treatment plant (Phase II)".	Contract value: **PLN 217,700,006.21 (VAT exclusive)** Completion date: 67 months after the contract date
For more information see: Current Report No. 94/2009 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/94-2009-zawarcie-umowy-znaczacej-na-modernizacje-stacji-uzdatniania-wody-mosina.html			
Jan 11 2010 (information on exceeding the significant agreement threshold)	Principal: Strateg Capital Sp. z o.o., Contractor: PBG S.A.	General contracting services in connection with construction of an aggregate (melaphyre) quarry and processing plant in Tłumaczów, delivery of aggregate loading and handling systems and construction of a railway siding. Total value of the contracts concluded with Strateg Capital Sp. z o.o. in the last 12 months: **PLN 168,079,202.98 (VAT exclusive).**	Single agreement of the largest value is a contract of June 19th 2009 for **PLN 69,312,136.98 (VAT exclusive)** Completion date: Sep 30 2010 The Parties may extend the scope of the contract. PBG S.A. holds 18.80% of shares of Strateg Capital.
For more information see: Current Report No. 01/2010 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/01-2010-zawarcie-umowy-znaczacej-ze-spolka-strateg-capital.html			
Jan 11 2010 (information on exceeding the significant agreement threshold)	PBG S.A. and PBG Dom Sp. z o.o.	A total value of contracts concluded with the company in the last 12 months has exceeded the significant agreement threshold and amounted to **PLN 145,819,500 (VAT exclusive).**	Single agreement of the largest value is a loan agreement of June 23rd 2009, whereby PBG S.A. acts as the lender. Contract value: **PLN 35,910,000.00 (VAT exclusive)**.
For more information see: Current Report No. 02/2010 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/02-2010-zawarcie-umowy-znaczacej-ze-spolka-zalezna-pbg-dom.html			
Mar 3 2010 (information on exceeding the significant agreement threshold)	Principal: PBG S.A. Contractor: PBG Technologia Sp. z o.o.	A total value of contracts concluded with the company in the last 12 months has amounted to **PLN 132,680,264.34 (VAT exclusive).**	A single agreement of the largest value is a contract of October 5th 2009 for **PLN 30,000,000 (VAT exclusive)**
For more information see: Current Report No. 09/2010 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/09-2010-przekroczenie-progu-umowy-znaczacej-ze-spolka-zalezna-pbg-technologia-sp-z-o-o.html			

Mar 3 2010	Principal: Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. Contractor: Control Process S.A., PBG S.A. and GasOil Engineering a.s.	Turn-key delivery of the Jarosław II compressor plant as part of modernisation of the Jarosław compressor plant.	Lump-sum remuneration: **PLN 117,700,000.00 (VAT exclusive).** PBG S.A.'s share in the remuneration will amount to approximately 50%. Completion date: 18 months after the agreement date.
For more information see: Current Report No. 10/2010 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/10-2010-zawarcie-umowy-istotnej.html			
Mar 15 2010 (information on exceeding the significant agreement threshold)	Principal: PBG S.A. Contractor: Przedsiębiorstwo Inżynierskie Ćwiertnia Sp. z o.o.	A total value of contracts concluded with the company in the last 12 months: **PLN 101,502,030.52 (VAT exclusive).**	A single agreement of the largest value is a contract of October 30th 2009 for **PLN 33,075,000 (VAT exclusive)**
For more information see: Current Report No. 11/2010 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/11-2010-przekroczenie-progu-umowy-znaczacej-ze-spolka-cwiertnia-sp-z-o-o.html			

The materiality criteria are set forth in the following regulations:

Legal basis:

Par. 5.1.3 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities, dated October 19th 2005.

Art. 56.5 of the Public Offering Act – amendment of the information.

Legal basis:

The Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009.

III. INFORMATION ON CHANGES IN ORGANISATIONAL RELATIONS

Table 23: Changes in organisational relations in the reporting period and subsequent to the balance-sheet date

Date	Parties	Transaction type	Description	Objective
Apr 2 2009	PBG S.A.	**Incorporation of a subsidiary company** - PBG Export Sp. z o.o.	PBG S.A. established a subsidiary company in which it holds 99.95% of the share capital and 99.95% of the total vote. The Company's share capital amounts to PLN 1,000,000.00 and is divided into 20,000 shares with a par value of PLN 50.00 per share. PBG S.A. acquired 19,990 shares of PLN 50.00 per share, for a total value of PLN 999,500.00. The acquired shares were paid up with cash.	To acquire new contracts in Poland and abroad and control their execution
More in: RB 16/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/16-2009-zawiazanie-spolki-zaleznej-pbg-export-sp-z-o-o.html				
Apr 2 2009	PBG S.A., HBP SA	**Acquisition of shares** in HBP KONSTRUKCJE Sp. z o.o. by PBG S.A.	PBG S.A. acquired from HBP SA shares in HBP KONSTRUKCJE Sp. z o.o. PBG S.A. acquired all 16,100 shares with a par value of PLN 500.00 per share and a total value of PLN 8,050,000.00, for the price of PLN 9,000,00000. The shares represent 100% of votes at the General Shareholders Meeting and the same amount in the share capital of HBP KONSTRUKCJE Sp. z o.o.	To streamline the structure of the PBG Group and establish low-cost companies

More in: RB 17/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/17-2009-nabycie-udzialow-w-spolce-hydrobudowa-polska-konstrukcje-sp-z-o-o.html				
Apr 9 2009	PBG Dom Sp. z o.o., KM Investment Sp. z o.o.	**Acquisition of** KM Investment Sp. z o.o. by PBG Dom Sp. z o.o.	PBG Dom Sp. z o.o., a subsidiary, acquired significant assets created as a result of a share capital increase in KM Investment Sp. z o.o. The share capital increase, to PLN 125,000, was approved in a resolution of the Extraordinary Shareholders Meeting, and included 150 shares with a par value of PLN 500.00 per share. PBG Dom Sp. z o.o. acquired all new shares in the company for PLN 75,000 (the book value of the shares recognised by PBG Dom was PLN 76,664). The acquired shares represent 60% of the share capital of KM Investment and 60% of the total vote.	Long-term investment; performance of a development project and construction of residential property for sale or lease
More in: RB 18/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/18-2009-objecie-aktywow-przez-spolke-zalezna.html				
Jun 5 2009	PBG Dom Sp. z o.o.	**Incorporation of a subsidiary company** - PBG Dom Management I Sp. z o.o	All the shares in the share capital of PBG DOM Management Sp. z o.o. were acquired by PBG DOM. The share capital of the company amounts to PLN 5,000 and is divided into 100 shares with a par value of PLN 50 per share. The shares are equal and indivisible, with one vote attached to each share. The book value of these assets recognised by PBG Dom Sp. z o.o. is PLN 5,416.00.	Long-term investment; trading in real property, including development projects
More in: RB 42/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/42-2009-rozszerzanie-grupy-kapitalowej-przez-spolke-zalezna-pbg-dom-sp-z-o-o.html				
Jun 9 2009	PBG Dom Sp. z o.o.; City Development Sp. z o.o.	**Acquisition of additional shares** through share capital increase in City Development Sp. z o.o.	Upon registration of the share capital, PBG Dom Sp. z o.o. acquired 53,250 shares in City Development. The par value of new issue shares was PLN 50 per share. The shares were purchased at par value. The shares acquired by PBG DOM Sp. z o.o represented 75% of the share capital and total vote at the General Shareholders Meeting of City Development. In total, PBG Dom's investment in the company's share capital amounted to PLN 2,662,500. City Development holds the ownership title to two plots of land. The value of these assets recognised by PBG Dom Sp. z o.o. is PLN 2,664,558.00.	Long-term investment; performance of a development project and construction of residential property for sale or lease
More in: RB 42/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/42-2009-rozszerzanie-grupy-kapitalowej-przez-spolke-zalezna-pbg-dom-sp-z-o-o.html				
Jun 9 2009	PBG Dom Sp. z o.o., Concept Development BSD 2 Sp. z o.o.	**Acquisition of additional shares** upon the share capital increase in Koncept Development BSD 2 Sp. z o.o.	Upon increase of the share capital in Koncept Development BSD 2 Sp. z o.o. PBG Dom Sp. z o.o. acquired: 265 voting preference shares (2 votes per share); - 970 non-preference shares. Upon registration of the share capital increase, PBG DOM holds 1,235 shares in total, were acquired for cash of PLN 61,750. The shares entitle to exercise 51% voting rights at the General Shareholders Meeting and represent 37% of the company's share capital. Koncept Development BSD 2 operates in Warsaw. The value of the shares recognised by PBG Dom Sp. z o.o. amounts to PLN 71,025.00.	Long-term investment; performance of a development project and construction of residential property for sale or lease
More in: RB 42/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/42-2009-rozszerzanie-grupy-kapitalowej-przez-spolke-zalezna-pbg-dom-sp-z-o-o.html				

Jun 19 2009	PBG S.A., natural person	**Acquisition of shares** in Wschodni Invest sp. z o.o.	PBG S.A. acquired 37,740 shares with a par value of PLN 100 per share for a total price of PLN 40,000,000, representing 100% of the company's share capital and a total value of PLN 3,774,000 and 100% of the total vote. The seller, as the sole shareholder, acquired the following shares: 1) 500 shares with a par value of PLN 100 per share, with a total value of PLN 50,000 paid in cash; 2) 37,240 shares with a par value of PLN 100 per share, with a total value of PLN 3,724,000 were paid in the form of 51 series A ordinary registered shares of Energopol–Ukraina, a company governed by the laws of Ukraine, for a total value of PLN 3,724,000, representing 51% of the company's share capital.	Long-term investment relating to the PBG Group's entry into the Ukrainina market
			Declassification of information on an agreement concluded between the "Seller" and PBG S.A. on April 30th 2008, concerning conditional acquisition of shares in Energopol–Ukraina of Kiev by PBG S.A. Upon mutual agreement of the parties, despite satisfaction of conditions the said agreement expired. On behalf of the company, a procedure of incorporating a joint-stock company under the business name of PBG Ukraina commenced. The incorporation was completed and resulted in securing temporary registration of the entity allowing payment of the company's share capital and undertaking actions aimed at completing proper registration of PBG Ukraina. The share capital amounted to UAH 900,000, i.e. USD 117,000; the company is a wholly-owned subsidiary of PBG S.A.	Long-term investment relating to the PBG Group's entry into the Ukrainina market
More in: RB 41/09 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/41-2009-nabycie-spolki-przez-pbg-s-a-odtajnienie-informacji-wszczecie-procedury-zawiazywania-spolki-na-ukrainie.html				
Jul 1 2009	PBG Dom Sp. z o.o., Hydrobudowa 9 SA	**Acquisition of shares** by PBG Dom Sp. z o.o. in Górecka Projekt Sp. z o.o.	PBG Dom Sp. z o.o. purchased from Hydrobudowa 9 SA all shares in Górecka Projekt Sp. z o.o.	Streamline of the organisation of the PBG Group; real property management
More in: RB 44/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/44-2009-zmiany-w-grupie-kapitalowej-pbg.html				
Jul 15 2009	PBG S.A.	**Share capital increase** in PBG S.A.	The share capital of PBG S.A. was increased by way of issue of 865,000 series G ordinary bearer shares. Upon registration, the Company's share capital increased from PLN 13,430,000 to PLN 14,295,000 and the total number of votes at the Shareholders Meeting increased from 17,930,000 to 18,795,000.	Acquisitions, securing funding for execution of investment projects
More in: RB 48/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/48-2009-podwyzszenie-kapitalu-zakladowego-spolki-pbg-s-a-bdquo-spolka-rdquo-w-zw-z-emisja-akcji-serii-g-zawiadomienie-akcjonariusza-o-zmniejszeniu-udzialu-w-ogolnej-liczbie-glosow-w-spolce.html				
Aug 13 2009	PBG Technologia Sp. z o.o.	**Share capital increase** in PBG Technologia	Upon increase by 30,000 new shares, the Company's share capital increased by PLN 8,050,000 to PLN 23,050,000. It comprises 46,100 shares with a par value of PLN 500 per share. PBG S.A. holds 100% shares of PBG Technologia Sp. z o.o.	Securing current operations
More in: RB 68/2009 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/68-2009-podwyzszenie-kapitalu-w-spolce-zaleznej.html				

Sep 21 2009	PBG S.A., Energomontaż – Południe SA	**Execution of a conditional investment agreement** between PBG S.A. and Energomontaż Południe SA	The subject master of the agreement were the terms of acquisition by PBG S.A. of 17,734,002 series A subscription warrants without pre-emptive rights waived and, in exchange for the subscription warrants acquisition of the same number of shares in the conditionally increased share capital of Energomontaż – Południe S.A.	Acquisition of a company from the power construction segment related to the PBG Group entry into the power market.
More in: RB 72/2009 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/72-2009-podpisanie-warunkowej-umowy-inwestycyjnej-z-energomontaz-poludnie-s-a.html				
Sep 30 2009	INFRA SA, INVEST ECOPAPSp. z o.o.	**Sale of shares** in PRIS Sp. z o.o. and WIERTMAR Sp. z o.o.	INVEST ECOPAP Sp. z o.o. acquired from INFRA SA all 897 shares held in PRIS Sp. z o.o., for a total price of PLN 1,650,000.00. The total share capital of PRIS amounts to PLN 175,800 and is divided into 1,758 shares with a par value of PLN 100 per share; and 25,969 shares held in "WIERTMAR" Sp. z o.o., for a total price of PLN 4,300,000,00. The total share capital of WIERTMAR amounts to PLN 2,546,000 and is divided into 50,920 shares with a par value of PLN 50 per share.	Execution of the strategy of streamlining the organisation of the PBG Group
More in: RB 74/2009 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/74-2009-sprzedaz-spolek-zaleznych-od-infra-s-a.html				
Nov 03 2009	PBG Dom, 2 natural persons	**Acquisition of** Villa Poznań Sp. z o.o.	PBG Dom acquired 21,100 shares with a par value of PLN 100 per share in Villa Poznań. The share capital of Villa Poznań amounts to PLN 2,110,000. The acquired shares represent 100% of the Company's share capital and 100% of the total number of votes at the Shareholders Meeting. PBG Dom paid PLN 2,230,100 for the above shares.	Execution of development projects
More in: RB 82/2009 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/82-2009-nabycie-spolki-przez-spolke-zalezna-pbg-dom.html				
Nov 06 2009	PBG S.A.	**Incorporation of** PBG Ukraina Publiczna Spółka Akcyjna. Registered on October 28th, 2009	PBG S.A. acquired 222,227 ordinary registered shares with a par value of UAH 4 per share, representing 100% of the share capital of PBG Ukraina for a total price of UAH 888,908, an equivalent of PLN 313,517.85. Each share confers one vote at the General Shareholders Meeting. The cash contribution was made from PBG S.A.'s own funds. On October 21st, 2009 it was confirmed that the Representative Office of PBG S.A. in Ukraine was registered on October 1st, 2009. The purpose of the representative office's operations is to investigate the Ukrainian market, establish relations with companies involved in construction business and provision of accompanying services.	Long-term investment; Incorporation of an operating company in Ukraine
More in: RB 84/2009 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/84-2009-zawiazanie-spolki-pbg-ukraina-przez-pbg-sa.html				
Nov 17 2009	PBG Dom	**Acquisition of** PBG Dom MANAGEMENT I Sp. z o.o.	PBG Dom acquired 100 shares with a par value of PLN 50 per share in PBG Dom MANAGEMENT I Sp. z o.o. The share capital of PBG Dom MANAGEMENT I amounts to PLN 5,000.00, and the acquired shares represent 100% of the Company's share capital and 100% of the total number of votes at the Shareholders Meeting.	Execution of a development project
More in: RB 85/2009 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/85-2009-nabycie-spolki-przez-pbg-dom.html				

Nov 29 2009	PBG Dom; Abonferd Limited	**Sale of share** by PBG Dom held in Concept Development BDS 2 Sp. z o.o.	Abonferd Limited with its registered office in Nicosia (Cyprus) acquired all 1,235 shares held in CONCEPT DEVELOPMENT BSD 2 from PBG Dom for a total price of PLN 61,750. The shares hitherto held by PBG Dom represented 37% of the share capital and 51% of the total number of votes at the Shareholders Meeting.	
More in: RB 87/2009 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/87-2009-zbycie-przez-pbg-dom-udzialow-w-spolce-concept-development-bds-2-sp-z-o-o.html				
Nov 27 2009	PBG Dom Sp. z o.o., Ornament Trading (Overseas) Limited	**Acquisition of** Kino Development Sp. z o.o.	PBG Dom Sp. z o.o. acquired from Ornament Trading (Overseas) Limited of Nicosia 500 shares with a par value of PLN 100.00 per share held in Kino Development Sp. z o.o. of Warsaw, representing 100% of the Company's share capital and entitling to exercise 100% of the votes at the Shareholders Meeting. Kino Development Sp. z o.o. held an ownership title to a land property in Warsaw and the development thereon, encumbered with security mortgage of a total value of PLN 6,500,000. As at November 27th, Kino Development Sp. z o.o. had outstanding liabilities towards Ornament Trading (Overseas) Limited – Liability. PBG Dom Sp. z o.o. committed to pay for the Shares.	Execution of a development project
More in: RB 89/2009 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/89-2009-nabycie-przez-pbg-dom-udzialow-w-spolce-kino-development-sp-z-o-o.html				
Feb 17 2010	PBG S.A., Energomontaż-Południe SA	**Acquisition of shares in** Energomontaż-Południe SA – transaction completion	The National Depository for Securities (KDPW) of Warsaw registered under ISIN code: PLENMPD00018 series E shares of Energomontaż-Południe SA. PBG S.A. effectively acquired the rights attached to 17,743,002 series E shares of Energomontaż-Południe SA. that represent 25% of the share capital and confer the rights to exercise 17,743,002 votes which constitute 25% + 1 vote in the total number of votes.	It is a long-term investment relating to the PBG Group entry into the power construction market
More in: RB 08/2010 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/08-2010-nabycie-akcji-energomontaz-poludnie-sa-zakonczenie-transakcji.html				
Jan 05 2010	PBG DOM Sp. z o.o.	**Incorporation of a subsidiary company** – PBG Dom Invest III Sp. z o.o.	All the shares in the share capital of PBG Dom Invest III Sp. z o.o. were acquired by PBG Dom. The Company's share capital amounts to PLN 5,000 and is divided into 100 shares with a par value of PLN 50 per share. Shares are equal and indivisible, one share caries one vote.	Execution of a development project
Jan 05 2010	PBG DOM Sp. z o.o.	**Incorporation of a subsidiary company** – PBG Dom Invest IV Sp. z o.o.	All the shares in the share capital of PBG Dom Invest III Sp. z o.o. were acquired by PBG Dom. The Company's share capital amounts to PLN 5,000 and is divided into 100 shares with a par value of PLN 50 per share. Shares are equal and indivisible, one share caries one vote.	Execution of a development project
Jan 05 2010	PBG DOM Sp. z o.o.	**Incorporation of a subsidiary company** – PBG Dom Invest V Sp. z. o.o.	All the shares in the share capital of PBG Dom Invest III Sp. z o.o. were acquired by PBG Dom. The Company's share capital amounts to PLN 5,000 and is divided into 100 shares with a par value of PLN 50 per share. Shares are equal and indivisible, one share caries one vote.	Execution of a development project
Jan 05 2010	PBG DOM Sp. z o.o., PBG	**Incorporation of a subsidiary company** –	The Company's share capital amounts to PLN 2,000.	Execution of a development project

	DOM Invest III	PBG Dom Invest III Sp. z o.o. sp. k.		
Feb 17 2010	PBG DOM Sp. z o.o.	**Share capital increase** in PBG Dom Sp. z o.o.	Upon increase by 426,428 new shares, the Company's share capital increased from PLN 12,357,200.00 to PLN 55,000,000.00. It comprises 550,000 shares with a par value of PLN 100.00 per share. PBG S.A. holds 100% of shares in PBG DOM Sp. z o.o.	Securing the Company's operations

IV. RELATED-PARTY TRANSACTIONS

In the discussed period, PBG S.A. entered into transactions with related parties, whose value exceeded the złoty equivalent of EUR 500,000. These transactions were typical for the day-to-day operations of PBG S.A. and its subsidiaries, and were executed at arm's length.

Furthermore, part of the executed transactions were concluded in connection with the existing agreements with Financial Institutions; collateral for these agreements includes sureties and mutual guarantees issued by the PBG Group companies which are parties to individual agreements.

This approach is follows from the funding strategy adopted by the PBG Group.

Furthermore, being the Parent Undertaking with the strongest financial position within the Group, PBG S.A. also grants sureties for trade payables of the PBG Group companies.

The most frequent types of transactions concluded within the PBG Group:

- construction contracts,
- loan agreements,
- surety agreements concerning:
  - credit limits,
  - guarantee limits,

The PBG Group conducts its operations through specialist entities, whose business profiles are complementary to each other in terms of the services provided. The PBG Group companies enter into cooperation with each other in order to improve the utilisation of resources managed by the companies and to reduce the business risk through appropriate risk allocation. The benefits achieved by the PBG Group companies through risk allocation and division of functions include:

- Increased trading volumes through long-term planning of the use of company resources and investments, while securing stable demand;
- Achieving strategic objectives of the Group – maintaining leadership among peer companies and earning a monopoly rent over the competitors depend the PBG Group's ability to respond to specific market requirements;
- Reducing the risk of day-to-day operations – cooperation between the related parties can be helpful in reducing or eliminating the impact of current economic changes and their effect on the Group's financial standing;
- Competitive offering, resulting in increased trading volumes and improved profitability of business operations;
- Reduced operating expenses through lower production costs and more effective use of resources;
- Reduced costs of supplies and stronger bargaining power in price negotiations;

- Savings related to receiving sureties from PBG S.A. Undoubtedly, granting a surety for a liability or a collateral for its repayment by a related undertaking allows for quicker execution of a contract and can contribute to more efficient management of the PBG Group members and more effective use of the Group's resources.

V. CONTRACTED LOANS, LOAN AGREEMENTS

For information on contracted loans and loan agreements, see notes to the balance sheet of PBG S.A. (Note 11).

VI. LOANS ADVANCED

For information on loans advanced, see notes to the balance sheet of PBG S.A. (Note 10).

VII. NON-RECURRING FACTORS AND EVENTS

In 2009, there were no non-recurring factors or events which would have a significant bearing on the Company's financial performance.

VIII. MAJOR RESEARCH AND TECHNICAL ACHIEVEMENTS

In the period covered by this Report, PBG S.A. did not have any major research or technical achievements which would have a major effect on the Group's performance.

IX. CONTROL SYSTEMS FOR EMPLOYEE PLANS

PBG S.A. does not operate any employee plans.

X. COURT, ARBITRATION OR ADMINISTRATIVE PROCEEDINGS

The value of pending court proceedings instituted by or against PBG S.A. does not exceed 10% of the Company's equity.

XI. CHANGES IN SIGNIFICANT MANAGEMENT POLICIES

In the period covered by this Report, PBG S.A. did not make any major changes in its significant management policies.

CHAPTER V: SHARES AND SHAREHOLDERS

I. ISSUE OF 865,000 SERIES G SHARES WITH THE PRE-EMPTIVE RIGHTS WAIVED

Under the Public Offering conducted in June 2009, a total of 865,000 Series G shares with the pre-emptive rights waived were offered to Qualified Investors.

The shares were offered exclusively to selected Qualified Investors. Based on a specified criterion, eligible Investors were those investors who were also the Company shareholders on June 4th 2009. These investors were given preference in the allocation of the Shares. For each 16 Company Shares held and deposited in the investor's securities account as at June 4th 2009, the investor was entitled to acquire and be allocated one new issue Share.

The subscription for the Shares was opened on June 12th and closed on June 17th. On June 19th, all 865,000 shares offered were allocated and acquired by 51 Investors. The issue price of Series G shares of PBG S.A. was set at PLN 220 per share (par value of the shares: PLN 1 per share). **Proceeds from the issue amounted to PLN 190,300 thousand.** Share premium was PLN 189,435 thousand and it was recognised under statutory reserve funds, less direct costs of the share issue of PLN 6,650 thousand.

The share capital increase was registered by the District Court of Poznań, XXI Commercial Division of the National Court Register, **on July 15th 2009**. Following the registration, PBG S.A.'s share capital increased from PLN 13,430,000 to PLN 14,295,000, while the total number of votes at the General Shareholders Meeting rose from 17,930,000 to 18,795,000.

II. USE OF PROCEEDS FROM THE FOURTH ISSUE OF SERIES G SHARES

Series G shares were issued in June 2009.

1. Objective of the Fourth Issue of the Shares

1. Acquisitions of power construction companies (PLN 80m–100m).
2. Acquisition of a company in Ukraine (PLN 40m).
3. Investment in sources of raw materials – aggregate quarry (PLN 30m–40m).

2. Use of Proceeds from the Fourth Issue of Shares

As a result of the issue of 865,000 Series G shares with the pre-emptive rights waived, at the selling price of PLN 220, PBG S.A. raised over PLN 190m. These funds have been used in line with the issue's objectives. Until the date of this Report, PBG S.A. has applied the proceeds to finance all of the three objectives specified above.

Objective 1. Acquisition of a power construction company was completed in February 2010. PBG S.A. acquired 25% shares plus one share in Energomontaż-Południe S.A., a WSE-listed company. The transaction value was PLN 61.2m.

Objective 2. Acquisition of a company in Ukraine was completed in June 2009. PBG S.A. acquired 100% shares in Wschodni Invest, which directly holds 51% shares in Energopol-Ukraina. The transaction value exceeded PLN 41m.
Objective 3. PBG S.A. provides funding and constructs an aggregate quarry in southern Poland. The Company has used a total of PLN 68m to finance the project through loans. Ultimately, the loans are to be converted into long-term bonds of Strateg Capital, which is an SPV established for the purposes of the project. If more financial investors are involved, the bonds will be sold. Eventually, PBG S.A. intends to hold a 19% interest in the company.

III. CONVERSION OF SERIES A REGISTERED SHARES

As the request of Mr Jerzy Wiśniewski, the Company's main shareholder, in July 2009 the Management Board of PBG S.A. adopted a resolution concerning conversion of 260,000 Series A shares conferring a voting preference (each preference share confers the right to two votes at the General Shareholders Meeting) into ordinary bearer shares. The Management Board of the National Depository of Securities, in its resolution of July 28th 2009, resolved to assign ISIN code PLPBG0000052 to 260,000 ordinary bearer shares in PBG S.A. resulting from the conversion of the 260,000 registered shares in the Company, assigned ISIN code PLPBG0000037, effected on July 31st 2009. As of July 31st 2009, ISIN code PLPBG0000037Z was assigned to 4,240,000 PBG S.A. shares and ISIN code PLPBG0000052 was assigned to 260,000 ordinary bearer shares in the Company. Following the transaction, the number of votes at the General Shareholders Meeting changed. The conversion took place on **July 31st 2009.** Upon conversion, shareholders holding 14,295,000 shares have the right to a total of 18,535,000 votes at the General Shareholders Meeting.

IV. ASSIMILATION OF SHARES

On July 23rd 2009, the Management Board of the Warsaw Stock Exchange adopted a resolution whereby ordinary bearer shares, including 12,500 Series D shares and 865,000 Series G shares, were admitted and introduced to trading as of July 28th 2009, provided that Series D shares were assimilated with the currently traded shares, and Series G shares were registered and assigned ISIN code PLPBG0000029 by the National Depository of Securities.

On July 28th 2009, 12,500 Series D shares in PBG S.A. (ISIN code PLPBG0000045) were assimilated with 8,917,500 shares (ISIN code PLPBG0000029), and assigned ISIN code PLPBG0000029. The shares were allocated under the Incentive Scheme.

On the same date (July 28th 2009), 865,000 Series G shares (ISIN code PLPBG0000029) were registered and introduced to trading. At present, 9,795,000 PGB S.A. shares with ISIN code PLPBG0000029 are traded.

On July 31st 2009, 260,000 Series A shares conferring a voting preference were converted into ordinary shares. Following the conversion, shareholders holding 14,295,000 shares have the right to a total of 18,535,000 votes at the General Shareholders Meeting. In connection with the conversion of 260,000 Series A shares, PBG S.A. requested the National Depository of Securities to assimilate Series A shares, and requested the Warsaw Stock Exchange to admit and introduce the shares to trading on the regulated market. The Management Board of the Warsaw Stock Exchange (the WSE), in its Resolution No. 376/2009 of

August 7th 2009, admitted 260,000 Series A ordinary bearer shares in PGB S.A. (ISIN code PLPBG0000052 as assigned by the National Depository of Securities) to trading on the main market. Concurrently, the Management Board of the WSE resolved to introduce, as of August 14th 2009, the above stated PBG S.A. shares to trading on the main market in accordance with the ordinary procedure, provided that the National Depository of Securities assimilated those shares with the currently traded PBG S.A. shares on August 14th 2009.

As at the date of filing this Report, PBG S.A. shares which are currently traded comprise 9,795,000 shares with ISIN code PLPBG0000029 and 260,000 shares with ISIN code PLPBG0000052, which make a total of 10,055,000 shares. 4,240,000 PBG S.A. shares with ISIN code PLPBG0000037 are not traded.

V. SHARE CAPITAL STRUCTURE AND SHAREHOLDERS DIRECTLY OR INDIRECTLY HOLDING LARGE BLOCKS OF SHARES

Currently, the Company's share capital amounts to PLN 14,295 thousand and is divided into 4,240,000 registered shares with voting preference and 10,055,000 ordinary bearer shares. The par value of the preferred and ordinary shares is PLN 1 per share. Each preferred share confers the right to two votes at the General Shareholders Meeting. Nearly 99.9% of the preferred shares are held by Mr Jerzy Wiśniewski, the founder and main shareholder of PBG S.A. who also serves as the President of the Company's Management Board.

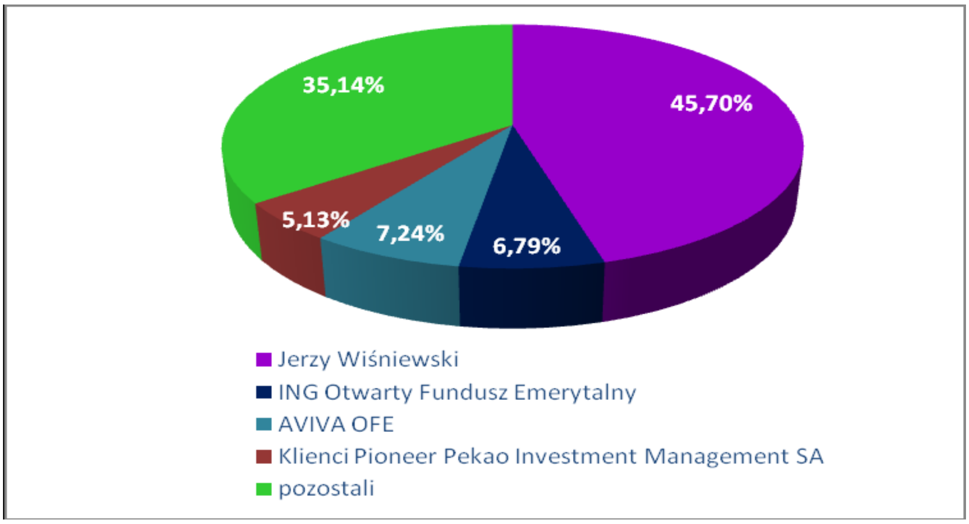
Table 24: Share Capital of PBG S.A.

PBG shares	Number of shares	Type of shares	Number of shares	Number of votes	Number of outstanding shares
Series A	**5,700,000**	conferring voting preference	4,240,000	8,480,000	0
		ordinary	1,460,000	1,460,000	1,460,000
Series B	**1,500,000**	ordinary	1,500,000	1,500,000	1,500,000
Series C	**3,000,000**	ordinary	3,000,000	3,000,000	3,000,000
Series D	**330,000**	ordinary	330,000	330,000	330,000
Series E	**1,500,000**	ordinary	1,500,000	1,500,000	1,500,000
Series F	**1,400,000**	ordinary	1,400,000	1,400,000	1,400,000
Series G	**865,000**	ordinary	865,000	865,000	865,000
		Total	**14,295,000**	**18,535,000**	**10,055,000**

Table 25: Shareholders holding over 5% of shares

Shareholder	Number of shares held	Total par value (PLN)	% of share capital held	% of total vote
As at Dec 31 2009				
Jerzy Wiśniewski	4,235,054 shares, including 4,235,054 registered preferred shares	4,235,054	29.63%	45.70%
AVIVA Otwarty Fundusz Emerytalny	1,342,417 ordinary shares	1,342,417	9.39%	7.24%
ING Otwarty Fundusz Emerytalny	1,259,078 ordinary shares	1,259,078	8.81%	6.79%
Customers of Pioneer Pekao Investment Management SA	951,182 ordinary shares	951,182	6.65%	5.13%
As at the date of this Report				
Shareholder	**Number of shares held**	**Total par value (PLN)**	**% of share capital held**	**% of total vote**
Jerzy Wiśniewski	4,235,054 shares, including 4,235,054 registered preferred shares	4,235,054	29.63%	45.70%
AVIVA Otwarty Fundusz Emerytalny	1,342,417 ordinary shares	1,342,417	9.39%	7.24%
ING Otwarty Fundusz Emerytalny	1,259,078 ordinary shares	1,259,078	8.81%	6.79%
Customers of Pioneer Pekao Investment Management SA	951,182 ordinary shares	951,182	6.65%	5.13%

Figure 3: PBG S.A. Shareholders holding over 5% of shares



Klienci Pioneer Pekao Investment Management SA — Customers of Pioneer Pekao Investment Management S.A.

Pozostali Other

The Company is not aware of any other shareholders holding 5% or more of the total vote at the General Shareholders Meeting. By the date of the Report, the Company has not been notified of any such shareholders.

VI. CHANGES IN THE COMPANY'S SHAREHOLDER STRUCTURE

In the period covered by this Report and subsequent to the balance-sheet date, the following material changes in PBG S.A.'s shareholder structure occurred:

Table 26: Changes in PBG S.A.'s shareholder structure in 2009

Notification date	Threshold	Number of shares	% of total vote at GM	Date of change
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.				
Feb 9 2009	< 5%	895,438	4.99%	Feb 2 2009
Feb 13 2009	> 5%	896,653	5.001%	Feb 5 2009
Feb 13 2009	< 5%	891,469	4.97%	Feb 9 2009
Feb 16 2009	> 5%	900,469	5.02%	Feb 10 2009
Mar 2 2009	< 5%	887,210	4.95%	Feb 24 2009
Apr 2 2009	> 5%	916,334	5.11%	Mar 27 2009
Aug 10 2009	< 5%	786,247	4.93%	Aug 4 2009
Aviva Powszechne Towarzystwo Emerytalne (Aviva OFE)				
Jul 17 2009	> 5%	898,581	5.01%	Jul 13 2009
Jerzy Wiśniewski – founder and main shareholder of PBG S.A.				
Jul 15 2009	< 50%*	4,495,054 (preferred registered shares)	47.83%	Jul 15 2009
Aug 14 2009	< 47.83%**	4,235,054 (preferred registered shares)	45.70%	Aug 14 2009
Pioneer Pekao Investment Management S.A. (PPIM):				
Oct 29 2009	> 5%	951,182	5.13%	Oct 23 2009

* Notification concerning reduction of equity interest resulting in holding less than 50% of the total vote was related to the registration of the Company's share capital increase through the issue of Series G shares.
** Notification concerning reduction of equity interest resulting in holding less than 45.70% of the total vote was related to the disposal of 260,000 Series A shares in a block transaction. As at the date of filing this Report, to the Company's best knowledge Mr Jerzy Wiśniewski does not intend to dispose of any PBG S.A. shares.

VII. KEY INFORMATION ON PBG S.A.

1. Share Price

Figure 4: Price of PBG S.A. shares in January 1st–December 31st 2009

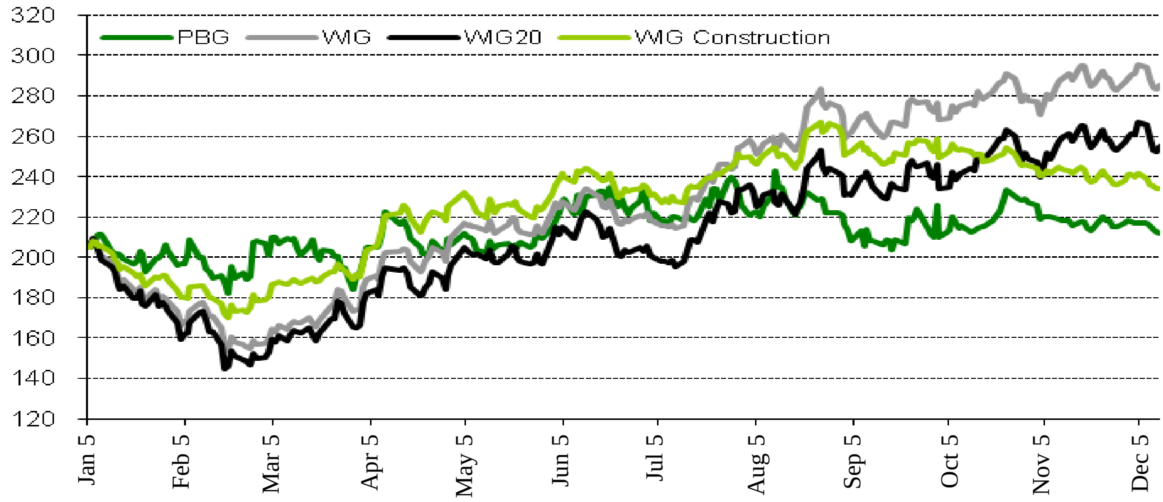
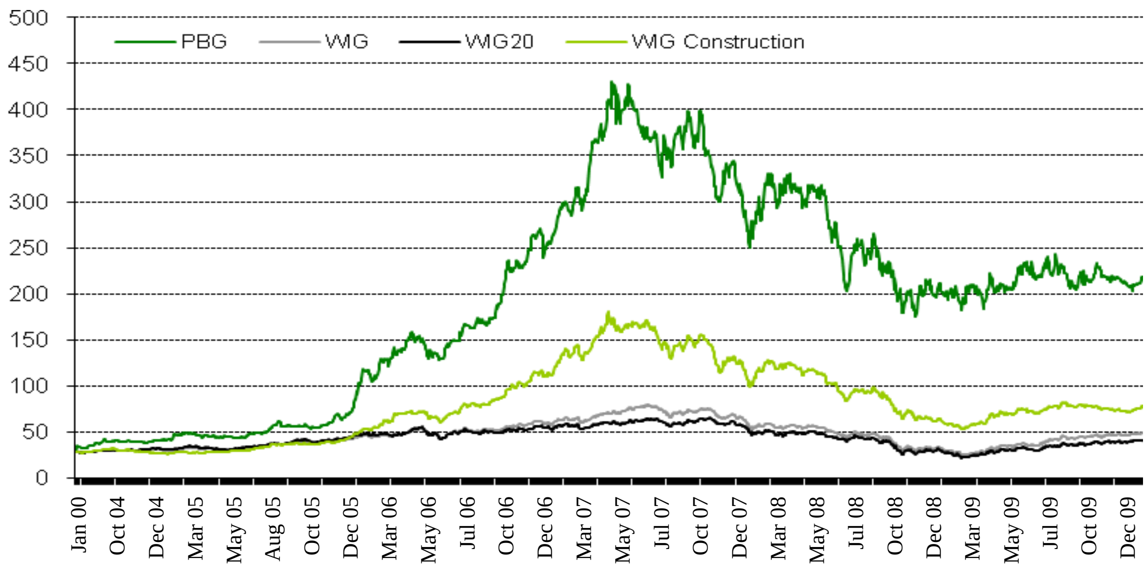
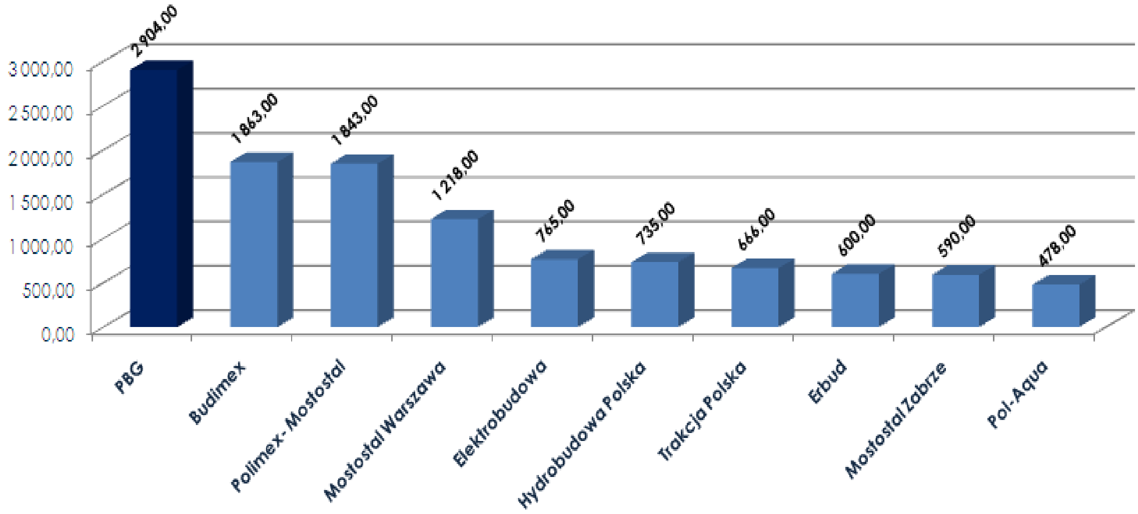


Figure 5: Price of PBG S.A. shares from first-time listing to March 2009



2. Market Value Relative to Peers

Figure 6: Largest construction companies in terms of capitalisation listed on the WSE (as at December 31st 2009)



3. General Information on Shares

Table 27: Information on Company shares (per share)

Key information (per share)		2009	2008	y-o-y change
Earnings	**PLN**	7.05	4.35	+62%
Equity	**PLN**	75.30	56.67	+33%
Year high	**PLN**	242.90	331.00	-27%
Year low	**PLN**	182.00	175.30	+3.8%
Share price at year end	**PLN**	203.20	196.00	+3.7%
P/E ratio (max.)		34.45	76.09	-55%
P/E ratio (min.)		25.81	40.29	-36%
P/E ratio at year end		28.82	45.05	-36%
Number of shares at year end	**number of shares**	14,295,000	13,430,000	+6.4%
Number of outstanding shares	**number of shares**	10,055,000	8,917,500	+12.7%
Capitalisation at year end	**PLN '000**	2,904,744	2,632,280	+10.3%
Average daily trading volume	**number of shares**	35,402	24,309	+45.6%

VIII. SHARE BUY-BACKS

In the period covered by this Report, the Company did not buy back any of its shares.

IX. HOLDERS OF SECURITIES CONFERRING SPECIAL CONTROL RIGHTS

There are no securities conferring special control rights with respect to the Company. There are no restrictions with respect to the transfer of the Company shares or limitations on the voting rights attached to them.

X. RESTRICTIONS ON VOTING RIGHTS

PBG S.A.'s Articles of Association do not provide for any limitations on the voting rights of holders of a given percentage or number of votes.

XI. RESTRICTIONS ON TRANSFER OF PBG S.A. SECURITIES AND LIMITATIONS ON THE VOTING RIGHTS

In accordance with Par. 11.1 of the Company's Articles of Association, the disposal of Series A registered shares requires the Management Board's approval.

XII. AGREEMENTS WHICH MAY RESULT IN CHANGE IN SHAREHOLDINGS

As at the date of filing this Report, the Management Board is not aware of any agreements which may result in changes in the shareholdings.

XIII. INVESTOR RELATIONS

Investor relations play an important role in PBG S.A.'s activities. The IR Department's activities are managed by the President of the Management Board and Vice-President of the Management Board, Finance and Economics Director. The main goal of the investor relations function is to establish an open platform of communication with investors and PBG S.A.'s shareholders in order to guarantee the most convenient access to information. The Company communicates with the market guided by the principle of transparency.

In 2009, the representatives of PBG S.A. participated in a nubmer of meetings with investors and conferences both in Europe and in the United States. The Management Board and IR Department staff held meetings with dozens of investors in person but also presented the Company and its strategy by holding video conferences and conference calls. Furthermore, the investor relations website is an important communication hub and provides all interested parties with ample information on the Company and allows them to download annual, interim and current reports, its financial calendar, information on the General Shareholders Meeting and recommendations issued by analysts.

Once again, the financial environment acknowledged our effort to constantly improve investor relations by granting the Company an award. In the WarsawScan 2009 survey carried out by NBS Public Relations among analysts and managers of the largest financial institutions in Poland, PBG S.A. was granted an award for being the most popular company among investors and the media, and another award for offering the best communication with investors. In the same competition, Mr Jerzy Wiśniewski, the President and the founder of PBG S.A., was awarded as the most valuable manager of a listed company.

Furthermore, an important award for PBG S.A. was also the title of "Issuer's Golden Website" granted in October 2009. PBG S.A.'s website was selected as the best website in the category of websites of listed companies included in WIG20 and mWIG40 indices. The "Issuer's Golden Website" competition comprised of three phases during which all listed companies' websites were scored for their content, accessibility of specific information and appearance. The jury of the competition composed of various specialists focused on the clarity of the message, intuitiveness and ergonomics of navigation and proper application of technologies.

Another very important distinction for PBG S.A. was ranking second in the main category of the competition for the best company's annual report for 2008. Moreover, PBG S.A. was granted a distinction in two categories of the same competition:
1) for the best Directors' Report; and
2) for the best value in use of an annual report and the best presentation of an annual report on the Internet.
The competition has been organised for four years by the Accounting and Tax Institute. In last year's edition, the jury focused in particular on three features of reports: reliability, accuracy and clarity.

1. Stock Recommendations

The institutions which analyse PBG S.A. on an ongoing basis include: CitiGroup Investment Research Dom Maklerski Banku Handlowego S.A., UniCredit CAiB Poland S.A., IDM S.A., Millennium DM S.A., DI BRE BANK S.A., Banco Espirito Santo S.A., Ipopema Securities S.A., Wood & Company Financial Services AS, ING Securities S.A., DM BZ WBK S.A., Erste Securities Polska S.A., Deutsche Bank Securities S.A., KBC Securities N.V. (S.A.) Branch in Poland, Beskidzki Dom Maklerski S.A., and Goldman Sachs International.

Recommendations received in 2009:

- January 14th 2009 – UniCredit CA IB, BUY, target price PLN 246.00;
- January 20th 2009 – DM BZ WBK, BUY, target price PLN 260.00;
- January 21st 2009 – ING, HOLD, target price PLN 195.00;
- February 17th 2009 – IPOPEMA, HOLD, target price PLN 220.00;
- March 9th 2009 – DI BRE BANK, HOLD, target price PLN 195.60;
- March 11th 2009 – UniCredit CA IB, HOLD, target price PLN 219.00;
- March 18th 2009 – Erste Bank, HOLD, target price PLN 230.00;
- April 29th 2009 – DM IDM, BUY, target price PLN 242.00;
- May 12th 2009 – CITIGroup, BUY, target price PLN 256.90;
- May 13th 2009 – WOOD & Co, HOLD, target price PLN 218.00;
- May 13th 2009 – IPOPEMA, HOLD, target price PLN 220.00;
- May 13th 2009 – DI BRE BANK, HOLD, target price PLN 201.60;

- May 20th 2009 – Millenium DM, NEUTRAL, target price PLN 187.00;
- May 21st 2009 – DM BZ WBK, BUY, target price PLN 270.00;
- July 16th 2009 – DM IDM, HOLD, target price PLN 242.00;
- July 17th 2009 – UniCredit CA IB, HOLD, target price PLN 229.00;
- August 4th 2009 – DM BZ WBK, BUY, target price PLN 300.00;
- August 12th 2009 – CITIGroup, SELL, target price PLN 203.30;
- August 14th 2009 – DI BRE BANK, HOLD, target price PLN 224.40;
- August 19th 2009 – Millenium DM, NEUTRAL, target price PLN 201.90;
- October 25th 2009 – DM IDM, HOLD, target price PLN 225.00;
- November 20th 2009 – IPOPEMA, SELL, target price PLN 207.00.

Summary: 22 recommendations issued by 10 financial institutions, including: 6 **BUY** recommendations, 12 **HOLD** recommendations, 2 **SELL** recommendations and 2 **NEUTRAL** recommendations.

Recommendations received before the date of this Report:

- January 15th 2010 – UniCredit CA IB, HOLD, target price PLN 223.00;
- January 21st 2010 – KBC Securities, BUY, target price PLN 245.30;
- January 25th 2010 – ING Securities, BUY, target price PLN 266.00;
- February 22nd 2010 – DI BRE BANK, REDUCE, target price PLN 172.30;
- February 24th 2010 – GOLDMAN SACHS, BUY, target price PLN 299.00;
- February 25th 2010 – Beskidzki Dom Maklerski, ACCUMULATE, target price PLN 220.80.

2. Information on the Company and its Shares

Table 28: Persons responsible for investor relations

IR Department	Jacek Krzyżaniak Kinga Banaszak – Filipiak
Tel. No.	+48 (0) 61 66 46 423 +48 (0) 61 66 51 761
Mobile	Mobile: +48 (0) 605 -470-599 Mobile: +48 (0) 691-470-491
E-mail	jacek.krzyzaniak@pbg-sa.pl kinga.banaszak@pbg-sa.pl
Website	www.pbgsa.pl
WSE	PBG
Reuters	PBGG.WA
Bloomberg	PBG PW
ISIN	PLPBG0000029

CHAPTER VI: FINANCIAL REVIEW

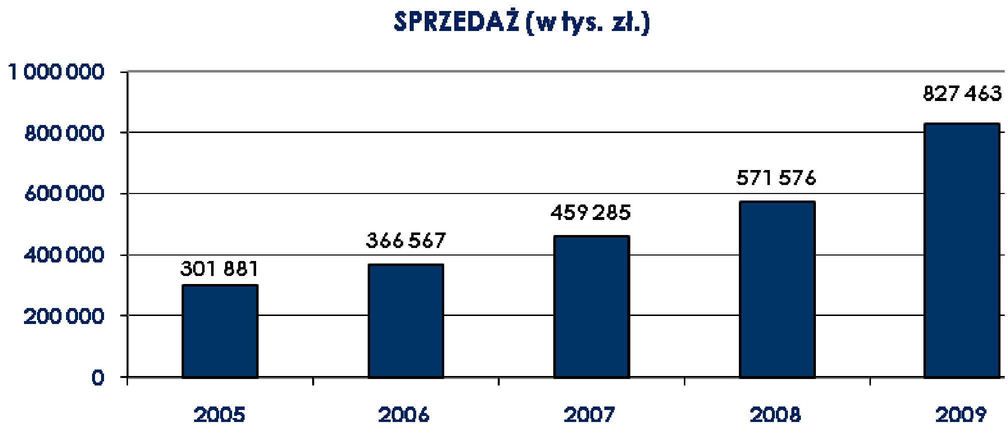
I. ANALYSIS OF PBG S.A.'S FINANCIAL STANDING

All financial ratios and data presented in this section are based on or sourced from the financial statements prepared in accordance with the International Accounting Standards.

1. Revenue

As at the end of 2009, PBG S.A. recorded a 45% year-on-year increase in sales revenue, from **PLN 571,576 thousand in 2008** to **PLN 827,463 thousand in 2009**. Over the period under review, cost of sales grew slightly faster than revenue, that is by 46%, to PLN 679,400 thousand as at the end of 2009.

Figure 7: Historical development of sales revenue (over the last five years)



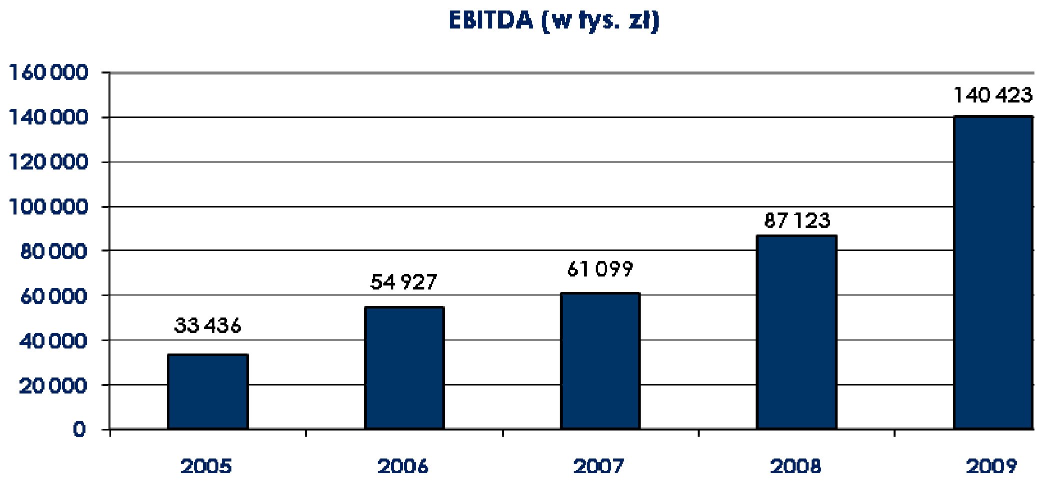
SPRZEDAŻ (w tys. zł.)	SALES (PLN '000)

Over the last several years, PBG S.A.'s sales of services have been growing steadily. This is attributable to the Company's continuous growth and the growing number of large-value contracts, with the resultant expansion the order book. As at January 1st 2010, the value of the Company's order book was over PLN 1.85bn. Of that amount, approximately PLN 870m pertains to orders scheduled for execution in 2010, with the balance of nearly PLN 1bn pertaining to further years.

2. EBITDA

As at the end of 2009, PBG S.A. recorded EBITDA of **PLN 140,423 thousand**, nearly **61%** up on the respective figure (**PLN 87,123 thousand**) recorded as at the end of 2008.

Figure 8: Historical development of EBITDA (over the last five years)

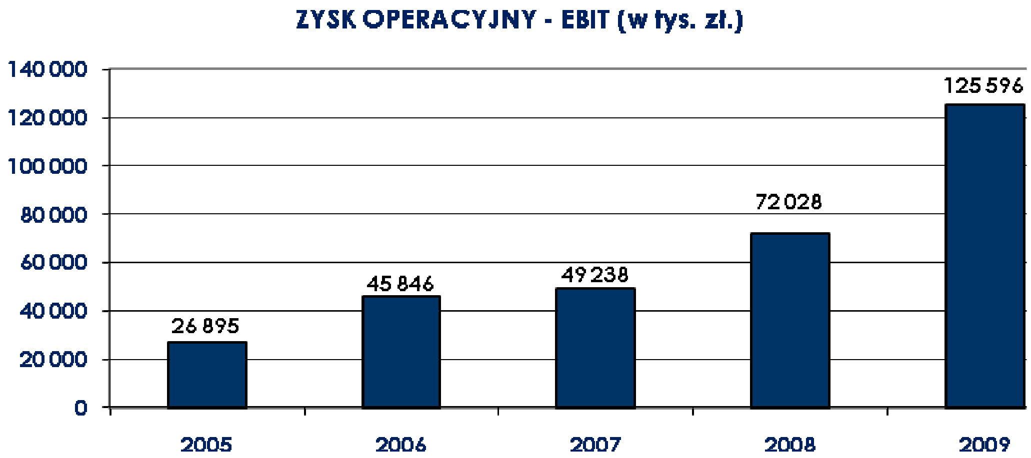


EBITDA (w tys. zł.)	EBITDA (PLN'000)

3. EBIT

In 2009, EBIT recorded by PBG S.A. increased by as much as 74% year on year, from **PLN 72,028 thousand** to **PLN 125,596 thousand**.

Figure 9: Historical development of EBIT (over the last five years)

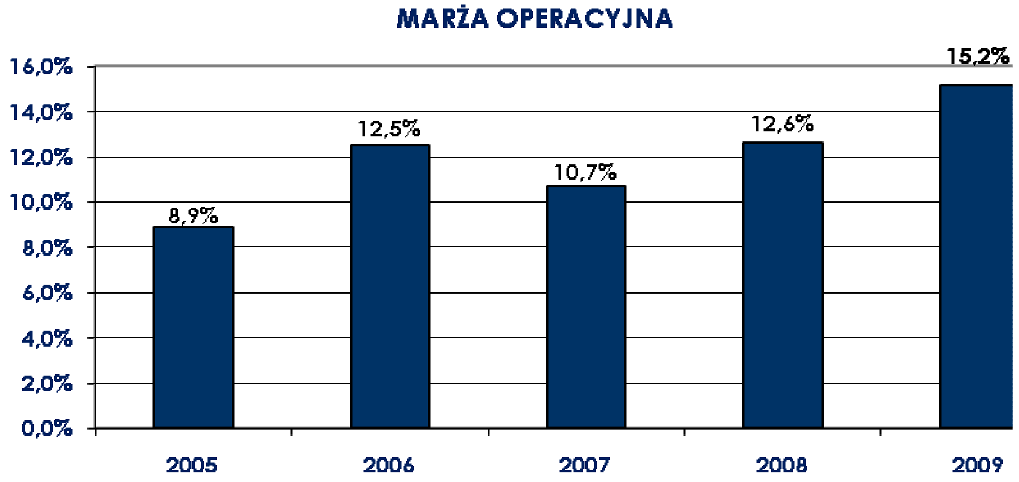


Zysk operacyjny – EBIT (w tys. zł.)	EBIT (PLN'000)

4. Operating Margin

In 2009, PBG S.A.'s operating margin was by **2.6 pp** higher than in 2008. It grew from **12.6%** to **15.2%**, the record high over the last five years.

Figure 10: Historical development of the operating margin (over the last five years)



Marża operacyjna	Operating margin

In 2009, the high operating margin is attributable to reduction in general and administrative expenses, which fell by 21% vs. 2008. This is primarily connected with the transfer of employees (approximately 45 people) to a new company, PBG Technologia, at the end of June 2009, as well as assignment of some employees to execution of large-scale contracts which resulted in recognition of costs related to those employees under costs of sales (i.e. variable costs of contract). In addition, operating margin was driven by other operating income of nearly PLN 9n, up by 80% on the corresponding period of the previous year. The most material items of other operating income include rental/lease income of over PLN 3m and gains from disposal of tangible assets of over PLN 1m.

5. Profitability Ratios

Table 29: Profitability Ratios

ITEM	Formula	2009	2008
ROA	(net profit / total assets)*100%	4.38%	4.36%
ROE	(net profit / equity) *100%	9.37%	7.68%
Gross sales margin	(gross profit / sales revenue)*100%	17.89%	18.50%
Sales margin	(profit on sales / sales revenue)*100%	14.38%	12.03%
Operating margin	(operating profit / sales revenue)*100%	15.18%	12.60%
Net margin	(net profit / sales revenue)*100%	11.88%	10.23%

In 2009, the growth of costs of sales was slightly higher than the growth in sales revenue, by 46%. Please note that since January 1st 2009, the Company's borrowing costs have been capitalised in variable costs of contracts, which directly affects gross sales margin and operating margin. It should be pointed out that in the discussed period general and administrative expenses fell by as much as 21%, benefiting margins at all levels of the income statement, i.e. sales margin, operating margin and net margin. As at the end of 2009, the Company's profitability ratios improved relative to the end of 2008, except gross sales margin which declined by 0.61%, to 17.89%. All other ratios grew, of which sales margin rose from 12.03% to 14.38% (by 2.35%), operating margin advanced from 12.60% to 15.18% (by 2.58%) and net margin increased by 1.65% to 11.88%.

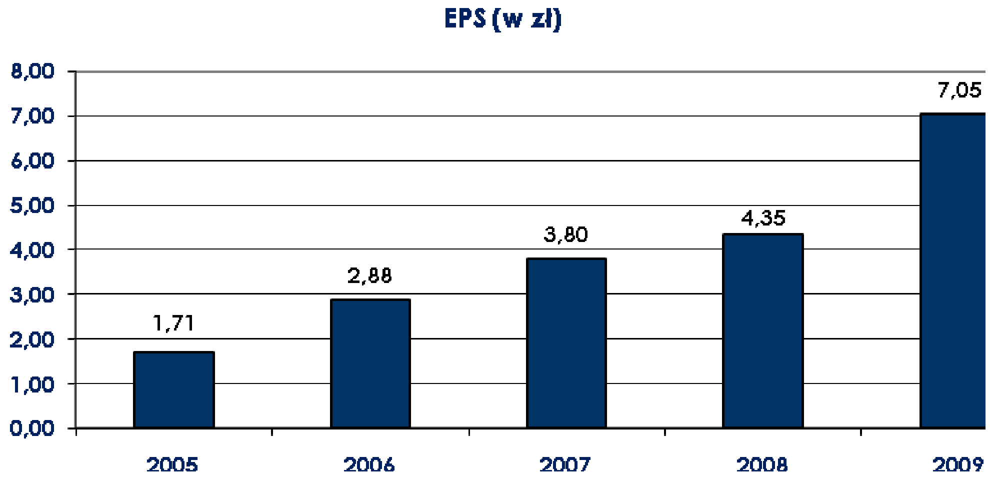
As at the end of 2009, ROA increased by 0.02 percentage point, from 4.36% to 4.38%, relative to the end of 2008, which follows from the growth of net profit (68%) being higher than the growth of total assets (67%).

As at the end of 2009, return on equity was 9.37%, up by 1.69 percentage points over the end of 2008. In other words, in 2009 for every PLN 1 of equity invested, the Company generated over PLN 0.09 of net profit and significantly improve its performance relative to the previous year's figure.

6. Earnings Per Share

In 2009, earnings per share grew by as much as 62% year on year, from PLN 4.35 to PLN 7.305. This has been the best result for the last five years.

Figure 11: Development of Earnings Per Share (over a five-year period)



7. Turnover Ratios

Table 30: Turnover ratios

Ratios	Formula	2009	2008
Average collection period (days)	Average trade receivables * 365/ sales	206	242
Inventory cycle (days)	Average inventory * 365/ cost of sales	13	21
Average payment period (days)	Average trade payables * 365 / cost of sales	151	103

In 2009, the average collection period and the inventory cycle were shorter while the average payment period was longer relative to the previous year. The average collection period decreased by 36 days, to

206 days at as the end of 2009. The inventory cycle was 13 days, shortened by 8 days relative to 2008. The average payment period was 48 days longer, at 151 days. In 2009, PBG S.A. continued to pay its liabilities quicker than it collected its receivables. However, it is worth highlighting that cash conversion cycle shortened.

In 2009, the cash conversion cycle, computed by subtracting the average payment period (days) from the sum of the inventory cycle and the average collection period (both in days), was 68 days (2008: 160 days), i.e. the Company's financing of current assets with equity was significantly reduced, by as many as 92 days.

8. Liquidity Ratios

Table 31: Liquidity ratios

Ratio	Formula	2009	2008
Current ratio	(current assets / current liabilities)*100	2.22	2.68
Quick ratio	(current assets – inventory – current prepayments and accrued income / current liabilities)*100	2.18	2.55
Cash ratio	(end cash balance / current liabilities)*100	0.75	0.57

As at the end of 2009, the current ratio deteriorated relative to the previous year. It was 2.22 compared with 2.68 as at the end of 2008, which is still believed to be a safe level. Both in 2009 and 2008, the Company would have been able to meet its current liabilities if they had become immediately payable, and additionally would have had a significant surplus of current assets to use for other purposes.

The quick ratio also fell, from 2.55 as at the end of 2008, to 2.18 as at the end of 2009. In the discussed periods, ratios remained within a range believed to be safe, and in both cases indicated that PBG S.A. was able to meet its liabilities in a timely manner.

The cash ratio rose from 0.57 as at the end of 2008, to 0.75 as at the end of 2009, meaning that the Company is able to cover 75% of its current liabilities with assets of the highest liquidity, which obviously is a very good result.

9. Debt

Table 32: Debt ratios

Item	Formula	2009	2008
Equity and liabilities structure	Equity / external funds	0.88	1.31
Asset structure	Non-current assets / current assets	0.44	0.72
Interest coverage ratio	Gross profit + interest / interest	6.62	4.64

In the discussed period, structure of equity and liabilities changed significantly. In 2008, the Company's equity covered 132% of its debt and in 2009 the coverage of debt with equity was 88%. The ratio changed in connection with the issue of another tranche of three-year bonds for a total amount of PLN 375m, which materially increased long-term liabilities. At the same time, the effect was mitigated by another issue of Series G shares, the proceeds from which increased the Company's reserve funds by nearly PLN 190m.

It is worth highlighting that the asset structure ratio fell by 12% year on year, indicating greater flexibility of the Company's assets and shortening of the period funds remain tied-up. This helped the Company reduce its operating risk (see the operating leverage ratio in Section 2.2 of Chapter VI and its sensitivity to changes in sales revenue).

The interest coverage ratio rose by 1.98 during the discussed period. The ratio's value at 6.62 means that the Company's pre-tax profit exceeds the value of interest by six-fold and that interest is repaid on a timely basis.

II. CHANGES IN THE INCOME STATEMENT AND COST ANALYSIS

1. Income Statement

Table 33: Changes in the income statement

Income Statement (PLN '000)	2009	2008	2009/2008
Revenue from sales of products, services, goods for resale and materials	827,463	571,576	144.8%
Cost of sales	679,400	465,846	145.8%
Gross profit (loss) on sales	**148,063**	**105,730**	**140%**
Selling costs	0	0	0%
General and administrative expenses	29,113	36,984	79%
Profit on sales	**118,950**	**68,746**	**173%**
Other operating income	8,887	4,938	180%
Other operating expenses	2,241	1,656	135%
Operating profit (loss)	**125,596**	**72,028**	**174%**
Finance income	31,578	28,189	112%
Finance expenses	35,487	29,155	122%
Profit/loss on investments	0	2,527	0%
Pre-tax profit (loss)	**121,687**	**73,589**	**165%**
Corporate income tax	23,408	15,120	155%
Net profit	**98,279**	**58,469**	**168%**

As at the end of 2009, the Company's net profit was over PLN 98m, up by a steep 68% or nearly PLN 40m relative to the end of 2008. The upward trends continue in financial results at all levels of the income statement. Gross profit on sales advanced by 40% year on year and amounted to PLN 148m. Profit on sales grew by a staggering 73%, to close to PLN 119m, while operating profit rose by 74%, to PLN 125.6m.

2. Operating Leverage

Table 34: Operating leverage

Item	Formula	2009	2008
Operating leverage (DOL)	percentage change in EBIT/percentage change in sales revenue	1.6	1.9

In the period under review, operating leverage fell, from 1.9 as at the end of 2008 to 1.6 as at the end of 2009, or by 0.3 percentage point. This means that a 1% change in sales would result in a 1.6% change in EBIT. Any decrease in operating leverage results in lower operating risk.

3. Costs

Table 35: Cost ratios

ITEM	FORMULA	2009	2008
Basic cost ratio	the sum of ratio * and ratio **	0.856	0.880
Cost of sales ratio*	cost of sales / sales revenue	0.821	0.815
General and administrative expenses ratio**	general and administrative expenses / sales revenue	0.035	0.065

In 2009, the cost of sales was PLN 679m, up 46% on the end of 2008. There was a slight change in the share of variable costs in total sales revenue. Cost of sales accounted for 82.1% of sales as at the end of 2009 versus 81.5% as at the end of 2008, which represents an increase of a mere 0.6 percentage point.

In the entire 2009, general and administrative expenses reached PLN 29m and were as much as 21% lower relative to the year before. The share of general and administrative expenses in sales revenue fell from 6.5% in 2008 to 3.5% in 2009, which represents a decrease of 3%. Such a large decrease in general and administrative expenses is due primarily to the transfer of employees to PBG Technologia at the end of June 2009 (around 45 individuals) and the allocation of some employees to the performance of the largest contracts and the resulting disclosure of the costs related to those employees under the cost of sales (i.e. contract variable costs).

The basic cost ratio calculated as the sum of the cost of sales ratio and the general and administrative expenses ratio fell to 85.6%, or by 2.4%, in 2009 relative to 2008.

III. COMPANY'S ASSETS, FINANCIAL STANDING AND FUNDING OF THE ASSETS

1. Assets

The assets' structure changed significantly over the period under review. As at the end of 2009, the share of non-current assets in total assets stood at over 30% and was down by 11.4% year on year. On the other hand, over the entire 2009 the share of current assets in total assets grew year on year and reached nearly 70%. The largest item of non-current assets, accounting for 57% of total non-current assets, were investments at subsidiary undertakings. In 2009, the largest capital expenditure made by the Company was the acquisition of a 51% interest in Energopol-Ukraina through the acquisition of 100% shares in Wschodni Invest. The second largest item of non-current assets was property, plant and equipment, which accounted for 20% of total non-current assets.

Over the period under review, the structure of current assets also changed. In 2009, cash and cash equivalents were the largest item of current assets, accounting for 34% of total current assets, which represented a 13% increase year on year. In 2009, the Company carried out another issue of Series G shares and another issue of 3-year bonds, obtaining the proceeds of nearly PLN 190m and PLN 375m, respectively. The second largest item of current assets were short-term financial assets, which accounted for 30% of their value, comprising mostly loans granted to PBG Group companies and to other entities. The third largest item of current assets were trade receivables, with a 23% share in total current assets.

Figure 12: Assets (PLN '000)

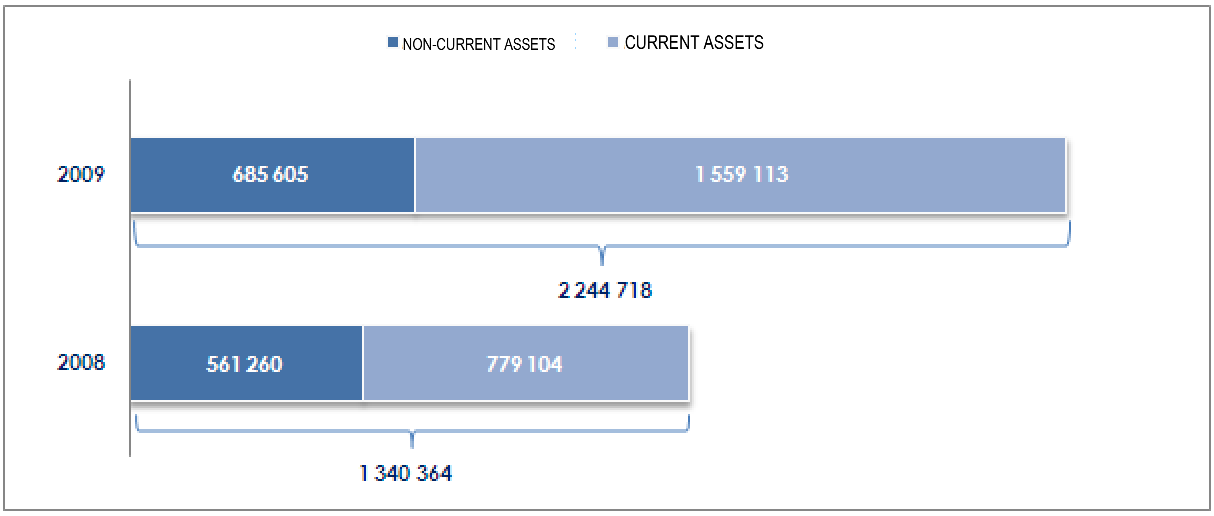


Figure 13: Percentage shares of individual asset items in total assets (assets >1%)

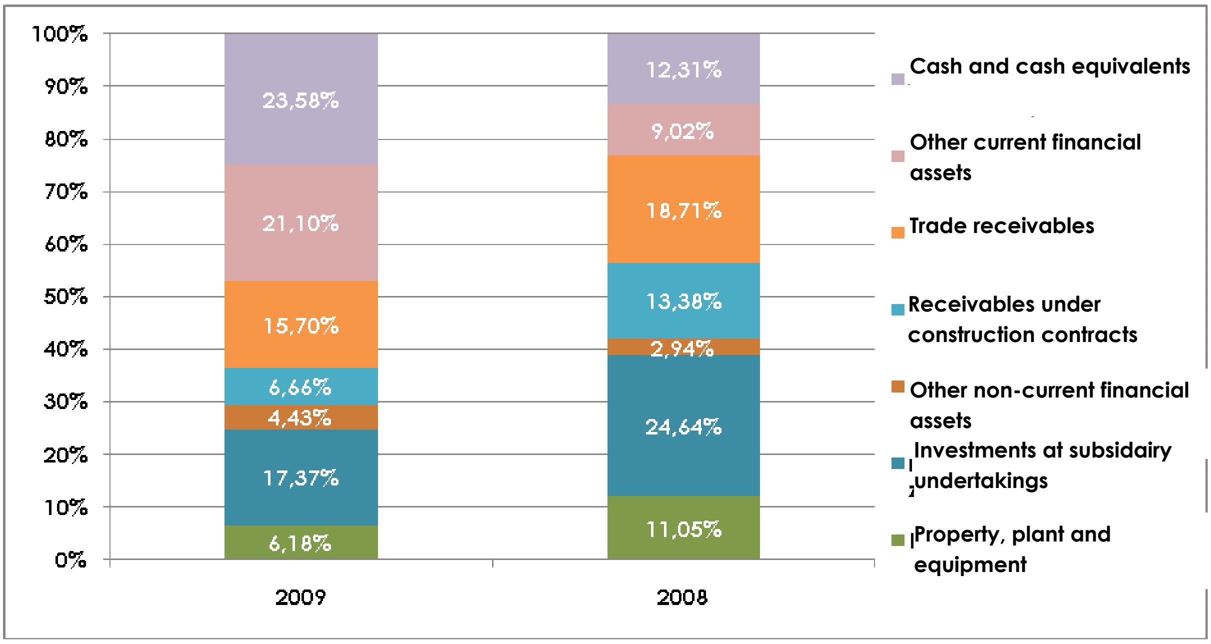


Table 36: Asset ratios (w %)

RATIO	FORMULA	2009	2008
Basic asset structure	(non-current assets / current assets)*100	43.97	72.04
Non-current assets to total assets	(non-current assets / total assets)*100	30.55	41.87
Current assets to total assets	(current assets / total assets)*100	69.46	58.13
Inventories to current assets	(inventories/ current assets)*100	1.11	4.19
Current receivables to current assets	(current receivables / current assets)*100	32.21	55.20

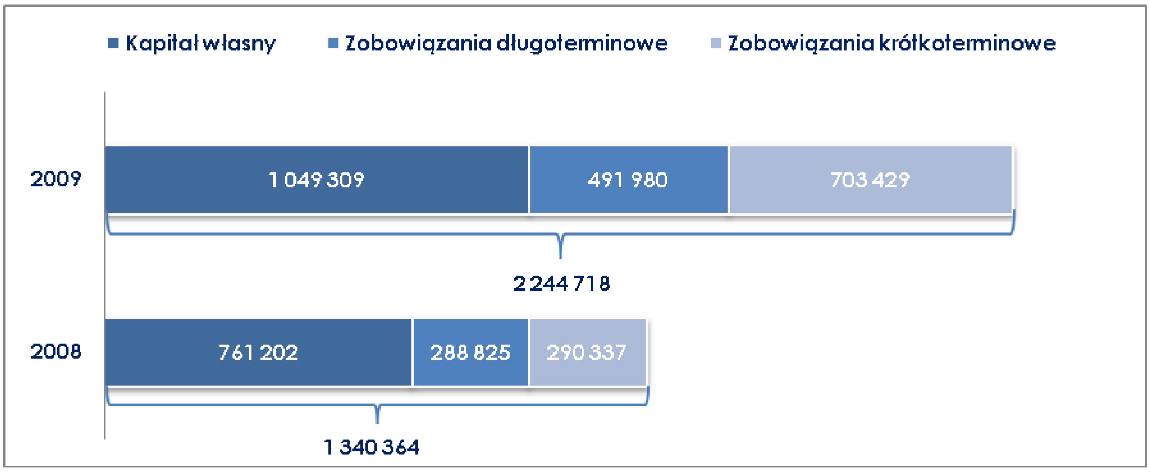
The key asset structure ratio is discussed in detail in Section 1.9, Chapter VI.

A noticeable change in the structure of PBG S.A.'s assets can be seen by comparing the rates of dynamics of the individual items with the rates of dynamics of other items and with the rates of dynamics of total assets. In 2009, non-current assets grew by 22% relative to 2008. An even greater increase was recorded in current assets, which doubled. The above ratios show that the share of non-current assets in total assets was over 11% lower at the end of 2009 than at the end of 2008. A decrease in the share of non-current assets in total assets was accompanied by an increase in the share of current assets. The increase was due mainly to a rise in other current financial assets by as much as 292% and cash and cash equivalents by a steep 221%.

2. Equity and Liabilities

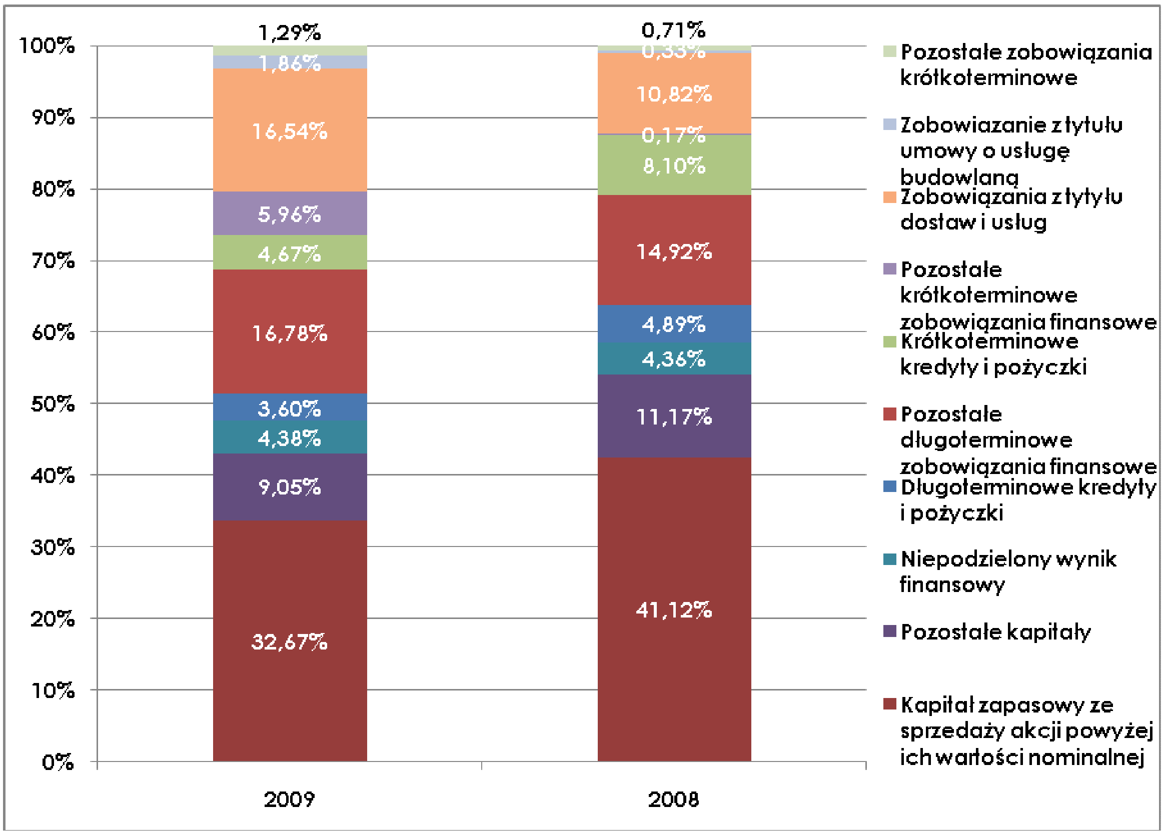
The reporting period, PBG S.A.'s asset financing structure changed. Equity comprised 47% of total equity and liabilities. The share of non-current liabilities in the balance-sheet total did not change and amounted to 22%. On the other hand, the share of current liabilities increased to 31% as at the end of 2009 (22% as at the end of the previous year). The largest item under non-current liabilities was other non-current financial liabilities, which comprised bonds with a value of PLN 375m issued by PBG S.A. in 2009. The remaining PLN 125m was attributable to bonds issued in 2007 and was disclosed under other current financial liabilities.

Figure 14: Equity and liabilities (PLN '000)



Kapitał własny	Equity
Zobowiązania długoterminowe	Non-current liabilities
Zobowiązania krótkoterminowe	Current liabilities

Figure 15: Percentage shares of individual equity and liabilities items in total equity and liabilities (assets >1%)



Pozostałe zobowiązania krótkoterminowe	Other current liabilities
Zobowiązanie z tytułu umowy o usługę budowlaną	Liability under construction contract
Zobowiązania z tytułu dostaw i usług	Trade payables
Pozostałe krótkoterminowe zobowiązania finansowe	Other current financial liabilities
Krótkoterminowe kredyty i pożyczki	Current loans and borrowings
Pozostałe długoterminowe zobowiązania finansowe	Other non-current financial liabilities
Długoterminowe kredyty i pożyczki	Non-current loans and borrowings
Niepodzielony wynik finansowy	Retained earnings/(deficit)
Pozostałe kapitały	Other capitals
Kapitał rezerwowy ze sprzedaży akcji powyżej ich wartości nominalnej	Share premium account

Table 37: Financial ratios (w%)

Ratio	Formula	2009	2008
Basic equity and liabilities structure ratio	(equity / debt capital)*100	87.78	131.43
Debt capital to total capital ratio	(debt capital / total equity and liabilities)*100	53.25	43.21
Debt capital to equity ratio – debt ratio	(debt capital / equity)*100	113.92	76.09
Long-term capital to equity and liabilities ratio	(long-term capital / total equity and liabilities)*100	21.92	21.55
Short-term debt capital to equity and liabilities ratio	(short-term debt capital / total equity and liabilities)*100	31.34	21.66
Capital reserves to equity and liabilities ratio	(capital reserves / total equity and liabilities)*100	0.33	0.64

The key equity and liabilities structure ratio is already discussed in detail in Section 1.9, Chapter VI.

The share of debt capital in total capital increased by 10 percentage points relative to the end of 2008 and amounted to 53.25% in the asset financing structure. The debt ratio rose by 38% to 114%, which means that for each złoty of its equity, the Company has PLN 1.14 of debt capital, which compares with PLN 0.76 as at the end of 2008

The share of long-term capital in total capital rose from 21.55% as at the end of 2008 to 21.92% as at the end of 2009. Current debt ratio went up significantly, by almost 10%, to 31.34% as at the end of 2009.

Table 38: Asset financing ratios – vertical analysis (%)

Ratio	Formula	2009	2008
Equity to non-current assets ratio (first grade financing ratio)	(equity as at end of period / non-current assets as at end of period)*100%	153.05	135.62
Long-term capital to assets ratio (second grade financing ratio)	(equity as at end of period + long-term debt capital as at end of period / non-current assets as at end of period)*100%	224.81	187.08
Current debt capital to current assets ratio	(short-term debt capital as at end of period / current assets as at end of period)*100%	45.12	37.27

The analysis of financial data indicates that there are positive relations in PBG S.A.'s asset financing. It needs to be highlighted that both in 2009 and in 2008 PBG S.A. fulfilled the requirements of the so-called golden rule of financing and the golden rule of balance sheet. The former requires that non-current assets should be fully financed with long-term capital whereas the latter, that equity must finance at least the company's non-current assets.

IV. STATEMENT OF CASH FLOWS

Table 39: Amounts disclosed in the statement of cash flows (PLN ‘000)

	2009	2008
Net cash provided by/used in operating activities	352,329	-40,642
Net cash provided by/used in investing activities	-466,115	-54,956
Net cash provided by/used in financing activities	478,167	-67,166
Net cash at end of period	529,324	164,943

In 2009, the statement of cash flows improved compared with 2008. The most important change involves generating positive cash flows in operating activities amounting to PLN 352.3m (PLN -40.6m in the corresponding period of 2008). This improvement is related to the change in the structure of the Company’s order book, which in 2009 had lower percentage share of EU co-financed contracts involving long payment procedures and engagement of significant amount of current assets, as well as the commencement of performance of the largest contracts for services of natural gas and crude oil segment companies and implementation of investment projects related to preparations to EURO 2012 in Poland.

The balance of cash flows generated in investing activities in the reporting period was negative and amounted to PLN –466,1m. This result was mostly affected by almost PLN 64m of expenses related to the acquisition of subsidiary undertakings. The amount includes expenses related to the acquisition of shares in Wschodni Invest (a majority shareholder of Energopol-Ukraina). In the period under analysis, PBG S.A. advanced borrowings for a total of almost PLN 512m, of which over PLN 287m were borrowings to its subsidiaries. These were mostly specific-purpose borrowings to finance new projects or acquisition of real estate. With respect to other entities, large borrowings included: over PLN 100m borrowing advanced to Strateg Capital and PLN 8.5m borrowing advanced to Bathinex in connection with the implementation of a quarry construction project, which is connected with the construction of one of the largest aggregate mines in Poland. A significant portion of the borrowings will be repaid by the end of 2010.

The balance of cash flows generated in financing activities in the reporting period was positive and amounted to PLN 478m, which mainly resulted from the issue of Series G shares in June 2009 and the related proceeds from the issue amounting to PLN 182.1m. In addition, PBG S.A. acquired PLN 300m through the issue of bonds. In the reporting period, loans contracted by the Company totalled almost PLN 148m while repaid loans exceeded PLN 135m.

PBG S.A.’s economic situation indicates that the Company is still in the phase of dynamic growth. Moreover, it is capable of raising substantial third-party capital (through the issue of shares and bonds or by increasing credit limits). This capital, together with the funds generated in operating activities, is necessary to implement planned investment projects and to acquire and finance contracts with strategic importance for the Company.

Table 40: Nature of cash flows

	2009	2008
Net cash provided by/used in operating activities	+	-
Net cash provided by/used in investing activities	-	-
Net cash provided by/used in financing activities	+	-
Net cash at end of period	+	+

V. NET DEBT

Table 41: Data used by PBG S.A. to compute net debt (PLN '000)

	2009	2008	y-o-y change
Long-term loans and borrowings	80,885	65,549	+23%
Short-term loans and borrowings	104,858	108,516	-3%
Bonds	500,000	200,000	+150%
Net cash	529,324	164,943	+221%
Net debt	**156,419**	**209,122**	**-25%**

As at December 31st 2009, net debt was PLN 156.4m, having declined by 25% relative to the end of 2008. This figure comprises interest-bearing debt, including PLN 80.9m in long-term loans and borrowings, almost PLN 105m in short-term borrowings and PLN 500m in bonds (issued in two tranches: PLN 125m in 2007 and PLN 375m in 2009). Net cash of nearly PLN 530m as at the end of 2009 was deducted from the above figures. The falling net debt of PBG S.A. is an effect of raising substantial funds through another equity offering and a bond issue, and of the fact that these funds were only partially used to finance the Company's operating activities. It is also a result of generating positive operating cash flows of PLN 352m.

VI. NET WORKING CAPITAL

Table 42: Net working capital (PLN '000)

	2009	2008	y-o-y change
Net working capital based on the short-term formula (current assets – short-term liabilities)	855,684	488,767	+75%

In the discussed period, the Company reported an increase in working capital. As at the end of 2009, working capital was PLN 855,684 thousand compared with PLN 488,767 thousand as at the end of 2008, which represented an increase of as much as 75%. Interpretation of working capital is fairly straightforward: its rise demonstrates improving financial standing as working capital is a liquid reserve which can be used to meet financing current needs.

Table 43: Percentage share of net working capital in assets

	2009	2008	y-o-y change
Net working capital in total assets	38%	36%	+2%

Working capital's share in total assets as at the end of 2009 was 38% and it was 2% higher than as at the end of 2008.

VII. INVESTMENTS

1. Equity Investments

In 2009, PBG S.A. acquired shares in Wschodni Invest, a company holding 51% of shares in Energopol–Ukraina, for over PLN 41m. This was the largest equity investment in 2009, whose objective was to gain access to the Ukrainian market.

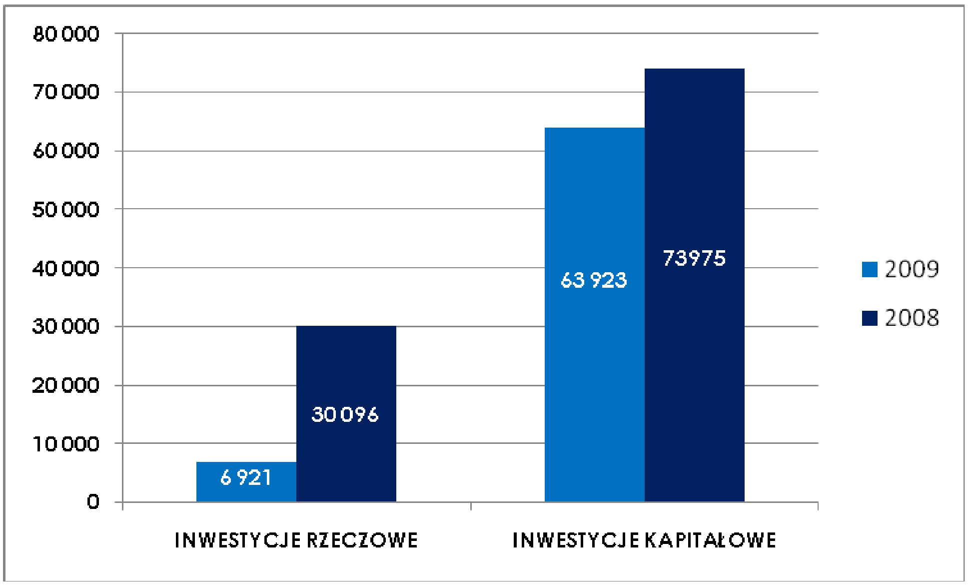
Furthermore, PBG S.A. acquired shares in a subsidiary undertaking, Hydrobudowa Polska Konstrukcje, for PLN 9m. The company was subsequently incorporated as PBG Technologia, and PBG S.A. increased the company's share capital by PLN 15m. Incorporation of PBG Technologia was to help adjusting the structure of the PBG Group to the current market situation and establish a smaller operating company with a simple organisational structure, which would be able to compete for low-value orders. Two other companies were incorporated: PBG Export (nearly PLN 1m) and PBG Ukraina (PLN 0.75m). The former is responsible for the Group's foreign operations, including participation in tenders on foreign markets, while the later offers non-specialist construction services on the Ukrainian market.

Moreover, PBG S.A. increased its equity interest in Hydrobudowa Polska, acquiring additional shares from the company's managers for over PLN 9m. Following the transaction, PBG S.A.'s share in the total vote rose from 61.61% to 62.74%.

2. Expenditure on Property, Plant and Equipment

In 2009, PBG S.A.'s capital expenditure was focused mainly on extension of its plant and equipment, including, in particular, equipment required to render specialist construction services.

Figure 16: Capital expenditure in 2008-2009 (PLN '000)

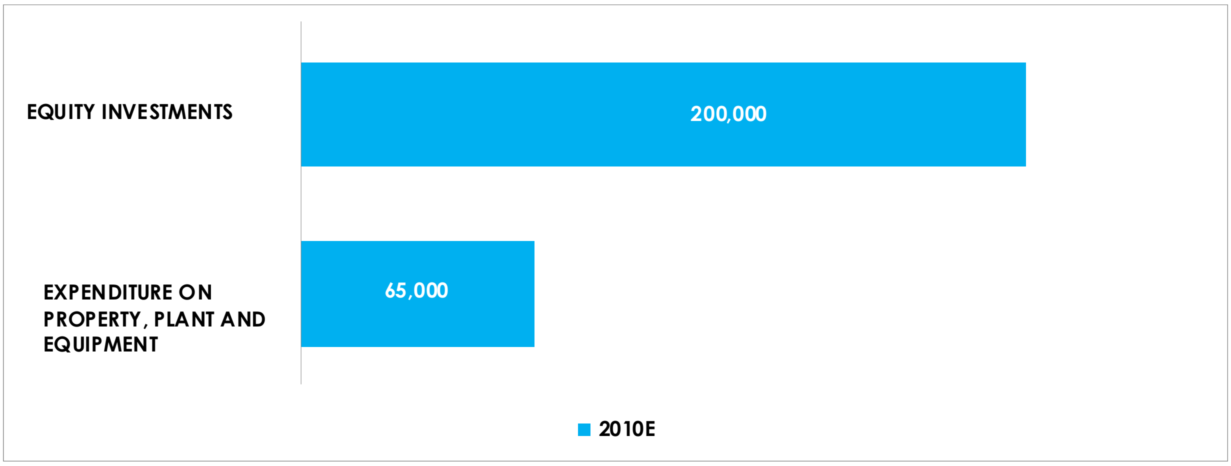


Inwestycje rzeczowe	**Expenditure on property, plant and equipment**
Inwestycje kapitałowe	**Equity investments**

3. Feasibility of the Company's Investment Plans for 2010

Financial resources available to PBG S.A. following the issue of Series G shares in June 2009 and the concluded loan agreements fully secure funding for the current projects and equity investments. In 2010, replacement investments in property, plant and equipment is estimated to reach approximately PLN 30m. The Company is planning to allocate PLN 200m to equity investments and total expenditure is estimated at approximately PLN 236m. So far, expenditure on equity investments has included PLN 61.2m for the acquisition of 25%+1 share in Energomontaż-Południe and PLN 42.6m for the share capital increase at PBG Dom. PBG S.A. intends to further increase the share capital of PBG Dom, by approximately PLN 100m, so that the company is sufficiently capitalised to execute property development projects.

Figure 17: Estimated capital expenditure in 2010 (PLN '000)



VIII. MANAGEMENT BOARD'S DISCUSSION OF THE PBG S.A.'S FINANCIAL PERFORMANCE IN Q4 2009

In Q4 2009, sales revenue increased, while margins improved at almost all levels of the P&L relative to the figures for the corresponding period of the previous year.

In Q4 2009, PBG S.A. generated **sales revenue of over PLN 294m**, while its **gross profit on sales** was **PLN 51.9m**, having grown by 49% relative to Q4 2008. Furthermore, **operating profit** amounted to **PLN 48.8m** in the period, which represented a 117% increase, while **net profit** was **PLN 38.55m**, having gone up by 59%.

Table 44: Income statement for Q4 2009 and Q4 2008

PBG S.A.'s income statement	for the period	for the period	Growth rate
	Oct 1 - Dec 31 2009	Oct 1 - Dec 31 2008	Q4 2009/Q4 2008
Sales revenue	**294,602**	**196,821**	**150%**
Cost of sales	242,715	161,947	150%
Gross profit/(loss)	**51,887**	**34,874**	**149%**
Selling costs	0	0	0%
General and administrative expenses	5,131	13,769	37%
Profit on sales	**46,756**	**21,105**	**222%**
Other operating income	2,596	1,694	153%
Other operating expenses	531	326	163%
Operating profit/(loss)	**48,821**	**22,473**	**217%**
Finance income	12,879	11,782	109%
Finance expenses	13,861	4,988	278%
Other gains/(losses) on investments	0	1,607	0%
Pre-tax profit/(loss)	**47,839**	**30,874**	**155%**
Income tax	9,289	6,600	141%
Net profit/(loss)	**38,550**	**24,274**	**159%**

DISCUSSION OF REVENUE, INCOME, COSTS AND EXPENSES

1. Sales revenue

In Q4 2009, PBG S.A.'s sales revenue amounted to over **PLN 294m, having grown by 50%** relative to Q4 2008.

2. Cost of sales

In Q4 2009, cost of sales reached nearly **PLN 243m,** which represented a **50% increase** over the end of Q4 2008. The share of variable costs on sales revenue changed slightly, having grown by as little as 0.1pp year on year, from 82.3% as at the end of Q4 2008, to 82.4% as at the end of Q4 2009. Please note, however, that as of January 1st 2009, the Company capitalises borrowing costs under variable costs.

3. General and administrative expenses

As at the end of Q4 2009, general and administrative expenses amounted to **PLN 5.1m**, **having declined by 63%** year on year. The share of general and administrative expenses in sales revenue went down significantly in the period, by 5.3pp, from 7% to 1.7% relative to Q4 2008. This significant decrease resulted mainly from transferring 45 employees to a new company of PBG S.A., PBG Technologia, as at the end of

June 2009, as well as from delegating some employees to execute major contracts and disclosing the costs related to such change under costs of sales (i.e. variable contract costs).

4. Other operating income

Other operating income was nearly **PLN 2.6m** in Q4 2009, having gone up by 53% year on year.

5. Other operating expenses

As at the end of Q4 2009, other operating expenses totalled nearly **PLN 0.53m**, having **grown by 63%** compared with the end of Q4 2008.

6. Finance income

Year on year, 2009 saw a 9% rise in finance income, which stood at nearly PLN 12.9m.

7. Finance expenses

As at the end of Q4 2009, finance expenses amounted to nearly **PLN 13.9m**, having increased by as much as 178% year on year.

DISCUSSION OF THE FINANCIAL RESULT

1. Items of the Income Statement

As at the end of Q4 2009, the Company posted net profit of **PLN 38.55m**, representing as much as **59% growth** relative to Q4 2008. In Q4 2009, the financial result at all levels of the income statement continued its growth. **Gross profit on sales rose by 49%** while **operating profit advanced by 117%**.

2. EBITDA

In Q4 2009, capital expenditure on acquisition of property, plant and equipment and non-tangible assets totalled nearly PLN 2.9m, relative to PLN 15.7m in the corresponding period of the previous year. In Q4 2009, depreciation/amortisation charges amounted to PLN 3.3m (PLN 5m in Q4 2008). As at the end of **Q4 2009**, EBITDA (EBIT before depreciation/amortisation) was **PLN 52.2m**, **up by as much as 89%**, or more than **PLN 24.6m**, from the corresponding period of 2008.

3. Profitability Ratios

In Q4 2009, the growth of sales revenue was identical to the growth in cost of sales (150%). Owing to this, the Group's gross sales margin as at the end of Q4 2009 was at the practically the same level at which it was a year earlier: it went down by as little as 0.1% from 17.7% to 17.6%. The other profitability ratios (operating margin and net margin) improved significantly relative to the respective figures as at the end of 2008. Operating margin increased by as much as 5.2%, from 11.4% to 16.6%. Net margin increased from 12.3% as at the end of Q4 2008 to 13.1% as at the end of Q4 2009, or by 0.8%.

Table 45: PBG S.A.'s Q4 2008 Q4 2009 profitability ratios

Profitability ratios	Q4 2009	Q4 2008
Gross sales margin[1]	17.6%	17.7%
Operating margin[2]	16.6%	11.4%
Net margin[3]	13.1%	12.3%

*[1]gross profit on sales/sales revenue *100*
*[2]operating profit /sales revenue *100*
*[3]net profit/ sales revenue *100*

IX. FINANCIAL OUTLOOK FOR THE COMPANY

In 2010, PBG S.A. plans to maintain its financial ratios at level ensuring stable operations. Current operations and investment projects will be financed using internally generated funds, short-term facilities and investment loans. It is possible that the Group may change its financing arrangements by increasing the amount of credit facilities and long-term bonds if this proves necessary to implement the Group's strategic objectives, such as acquisition of major contracts or implementation of its projects.

X. EXPLANATION OF DISCREPANCIES BETWEEN THE ACTUAL RESULTS AND FORECASTS

The Company does not publish standalone forecasts for PBG S.A., but only consolidated forecasts for the PBG Group. The actual performance over the period under analysis, as well as the explanation of discrepancies between the actual results and forecasts are described in the Directors' Report on the operations of the PBG Group in 2009, in Section X of Chapter VI, FINANCIAL REVIEW.

XI. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

The strategy for financing the operations of PBG S.A. was introduced in 2004. In 2009, implementation of the strategy continued.
In connection with the continued dynamic growth of the PBG Group, the available credit limits were increased, e.g. Nordea Bank Polska S.A. increased its credit line to PLN 200m.
As at December 31st 2009, the amount of bank and insurance limits awarded to PBG S.A. for the financing of their day-to-day operations and capital expenditure and to execute FX transactions was PLN 2,308m.
To further diversify the funding sources, in November 2007, an agency and dealer agreement with ING Bank Śląski S.A. was executed, whereby the bank agreed to organise a three-year PLN 500m bond issue programme for PBG S.A. and Hydrobudowa Polska S.A.
Under the programme, on September 10th 2009, PBG S.A. issued the second tranche of bonds worth PLN 375m maturing on September 10th 2012. Debt outstanding under the bond issue is PLN 500m.

The continued implementation of the financing strategy has helped the Company to:

1. maintain diversified funding sources,
2. gain wider access to available bank and insurance products,
3. standardise the products and services offered to PBG S.A.,
4. reduce collateral requirements for the credit facilities,
5. link bank and insurance products with particular contracts, on a project finance basis.

The availability, flexibility and standardisation of the bank products allowed the Company to directly link these products to particular contracts and to adjust the products the profile of the Company's cash flows, which, as viewed from the financial institutions' perspective, significantly reduced the operating risk of the PBG S.A. The rules of controlling and monitoring PBG S.A.'s performance by the financial institutions permitted direct settlement of PBG's debt liabilities with cash flows under particular contracts.

Threats related to the financial resources:

- Contracts executed over up to five years vs. one-year credit limits;

- Payment periods under EU contracts protracting beyond settlement periods viewed by the banks as regular; interest rate and currency risks.

In the present situation, the Management Board of PBG S.A. believes there is no risk of availability of the credit facilities or insurance limits being restricted.
Measures aimed at mitigating the risk:

- Diversified sources of financing: banks, insurance companies, brokerage companies and the capital market,
- Constantly monitored use of PBG S.A.'s resources,
- Application of procedures defined under the implemented Integrated Management Systems
- Linking between banking products to particular contracts, to enable active controlling by financial institutions,
- Gradual change in the debt structure towards long-term debt.

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SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

President of the Management Board	**Jerzy Wiśniewski**
Vice-President of the Management Board	**Tomasz Woroch**
Vice-President of the Management Board	**Przemysław Szkudlarczyk**
Vice-President of the Management Board	**Tomasz Tomczak**
Vice-President of the Management Board	**Mariusz Łożyński**