



DIRECTORS' REPORT ON THE OPERATIONS OF THE PBG GROUP

in 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, Internal Control and Risk Management Systems, page 36.

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 99.

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 101.

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 103.

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 of 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; they should treat their shareholdings in the Company as 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 Member 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	<ul style="list-style-type: none"> ➤ University of Warsaw – Faculty of Law
Experience	<ul style="list-style-type: none"> ➤ Member of the Parliament, 1989-1991 ➤ Judge of the State Tribunal of the Republic of Poland ➤ President of the Central Board of Lawyers (<i>Naczelna Rada Adwokacka</i>) ➤ 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	<ul style="list-style-type: none"> ➤ Poznań University of Economics – Faculty of International Trade ➤ Warsaw School of Economics (formerly: <i>Szkoła Główna Planowania i Statystyki</i>) – Ph.D. in international financial markets
Experience	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ Poznań University of Economics
Experience	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ Poznań University of Economics – Accounting
Experience	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ Poznań University of Life Sciences – Agriculture Economics, 1992–1995
Experience	<ul style="list-style-type: none"> ➤ 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 this 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	<ul style="list-style-type: none"> ➤ Poznań University of Technology – Institute of Civil Engineering ➤ MBA – Rotterdam School of Management ➤ Canadian International Management Institute – management programme
Experience	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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

	<ul style="list-style-type: none"> ➤ Hydrobudowa Śląsk S.A. – proxy ➤ PBG S.A. – Vice-President of the Management Board
Field of expertise	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ Poznań University of Technology – Institute of Civil Engineering
Experience	<ul style="list-style-type: none"> ➤ 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	bidding processes; securing contracts for the PBG Group; contract execution in the hydraulic engineering and renovation sectors

Full name	Tomasz Łatawiec
Position	Member of the Management Board until September 30th 2009
Qualifications	<ul style="list-style-type: none"> ➤ Poznań University of Technology – Institute of Civil Engineering
Experience	<ul style="list-style-type: none"> ➤ 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 this 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. Pending Court, Arbitration or Administrative Proceedings

For details concerning pending court, arbitration or administrative proceedings, see Chapter IV, Report on the PBG Group's Operations in 2009, page 93.

12. Internal Audit

For details concerning internal audit, see Chapter II, Internal Control and Risk Management Systems, page 36.

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 previous 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

Year of award	For profit in	Number of awarded shares	Price per share	Number of shares awarded to the Members of PBG's Management Board
2005	2004	110,000	PLN 1.08	In 2005, shares were not awarded to the Members of the Management Board
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				
2006	2005	110,000	PLN 1.12	18,813
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				
2007	2006	85,000	PLN 1.16	4,250
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				
2008	2007	12,500	PLN 1.22	In 2008, shares were not awarded to the Members of the Management Board
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				
2009	2008	12,500	PLN 1.26	7,000
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				

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. A new 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 ZSJZ (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 MANAGEMENT

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 the PBG Group 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

The PBG Group operates on the competitive market of specialist construction services for the natural gas, oil's upstream and downstream, water and sewage, road, and infrastructure 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.

The PBG Group 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 the PBG Group'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	none	- Per Aarslef - Diringer&Scheidel - Ludwig Pfeifer
FUELS	FUEL TERMINALS	- POL-AQUA - Polimex Mostostal	- Bilfinger Berger

CONSTRUCTION	INDUSTRIAL CONSTRUCTION SPECIALIST CONSTRUCTION RESIDENTIAL CONSTRUCTION	<ul style="list-style-type: none"> - WARBUD - POL-AQUA - Budimex - Dom Development - Hochtief Polska - Echo Investment - Instal Kraków 	<ul style="list-style-type: none"> - SKANSKA - STRABAG
ROADS	ROAD CONSTRUCTION BRIDGE CONSTRUCTION	<ul style="list-style-type: none"> - Budimex - Mostostal Warszawa - Hochtief Polska - Polimex Mostostal - WARBUD - POL-DRÓG 	<ul style="list-style-type: none"> - SKANSKA - STRABAG - MOTA - COLAS
POWER	POWER GENERATING UNIT CONSTRUCTION	<ul style="list-style-type: none"> - Polimex Mostostal - Rafako - Mostostal Warszawa 	<ul style="list-style-type: none"> - Alstom - Hitachi - Siemens - Samsung

The PBG Group'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 Parent Undertaking, 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. The Group 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.

The environmental protection market, whose scope includes construction of sewage treatment plants, water and sewage piping, as well as rehabilitation of the existing water and sewage structures, is highly competitive, with both Polish and foreign operators competing for new contracts. Nevertheless, in some segments of the market competition is less intense as requirements pertaining to qualifications and reference implementations are more stringent. The Group's share in the segment for construction or upgrade of piping structures (e.g. water and sewage piping) is estimated at over 10%. In the segment of more complex structures (with higher unit values), such as collector sewers, sewage treatment plants and water intakes, competition is limited and the Group's market share is higher. The PBG Group holds a strong position on the environmental protection market, owing to the experience and reference projects of the Hydrobudowa Polska Group.

In other markets, PBG S.A.'s shares are marginal.

3. Poland's Membership in the European Union

Following Poland's accession to the European Union, international companies providing services similar to the Group'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 major contracts, PBG S.A. and its subsidiaries have demonstrated they are well positioned to compete against foreign companies.

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

To use of the opportunities arising from Poland's accession to the EU in a most efficient manner, PBG S.A. and its Group:

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

4. Risk Related to Seasonality in the Sector

The PBG Group 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 Group'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 Group'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, the PBG Group'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 companies of the PBG Group or their customers, which may directly or indirectly affect the financial performance of the Group companies.

The companies of the PBG Group monitor developments in the tax legislation, and introduce necessary modifications 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 zloty 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 zloty 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 the Group companies as they execute 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. The companies of the PBG Group minimise 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 and other Group companies' 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 PBG Group'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 and the PBG Group,
- 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 companies.

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. or any Group company 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 the Group takes the following measures:

- the Group insures contracts and subcontractors;
- the Group 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.

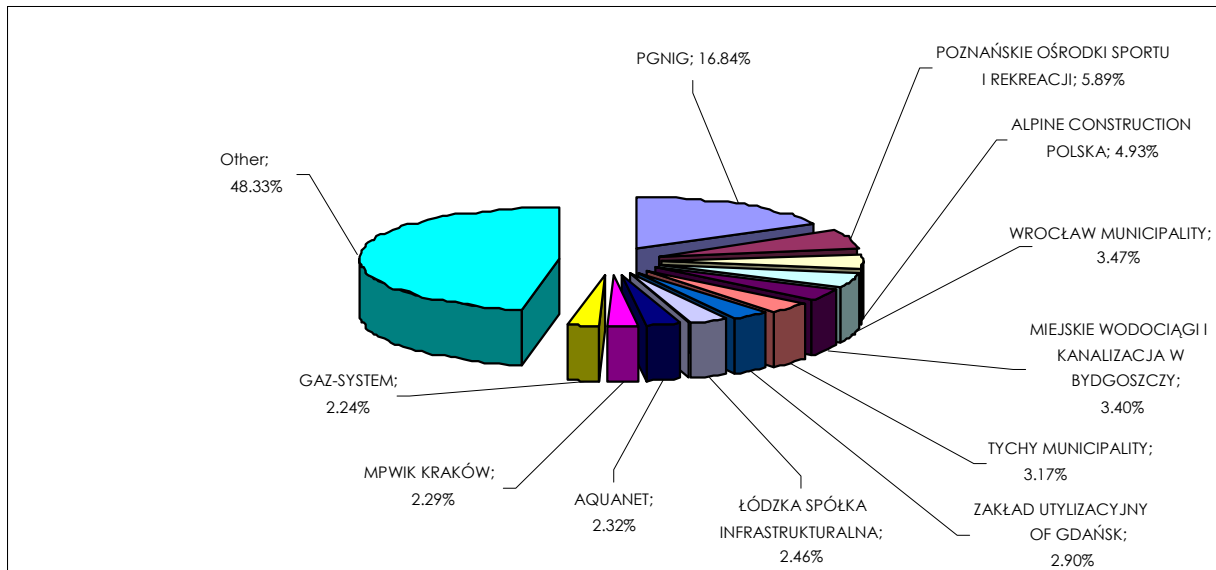
3. Risk of Dependence on Key Customers

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 covering the entire Group provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenues. In the previous years, the Group companies, with the exception of the **companies** referred to above, acquired four contracts of substantial value. These contracts relate to the following projects: construction of waste incineration plants (concluded with Zakład Utylizacyjny

of Gdańsk), extension of a stadium in Poznań (concluded with Euro Poznań 2012), construction of a stadium in Gdańsk (concluded with Biuro Inwestycji Euro Gdańsk 2012), and construction of the National Stadium in Warsaw (concluded with Narodowe Centrum Sportu). The aggregate value of the above contracts amounts to PLN 2.4bn. In order to mitigate the risk of being dependent on key customers, the PBG Group gradually attracts new customers for the Group's services, such as NATO, PKN ORLEN, PERN, LOTOS, Naffobazy, OLPP and foreign entities.

In 2009, the shares of key customers in the Group's total sales revenue did not exceed 20%.

Figure 1: PBG Group's customers in 2009



The Group companies seek 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 Group companies' 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 Group 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 PBG Group 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 Group is coordinated by the Parent Undertaking, which closely cooperates with the management boards and chief financial officers of its subsidiaries. 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 Group'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 PBG Group does not enter into speculative transaction on financial markets. In economic terms, the transactions concluded by the Group are entered into for the purpose of hedging against specific risks. Moreover, the Group 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 Group's internal situation and market conditions. The PBG Group applies a consistent and progressive approach to market risk management. The Group'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 Group:

- forwards,
- interest rate swaps (IRS),
- swaps.

The PBG Group 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 Group 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 PBG Group 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 Group's credentials already include several contracts executed abroad;
- the Group 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 Group uses advanced technologies requiring specialist equipment, which it often purchases outside of Poland.

Table 9: The PBG Group'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):					UAH	Restated in PLN
	EUR	USD	GBP	CAD	SKK		
As at Dec 31 2009							
<i>Financial assets (+), including:</i>	81,393	8,225	-	1,867	-	7,877	353,326
<i>Financial derivatives</i>	-	-	-	-	-	-	28,961
<i>Financial liabilities (-), including:</i>	(38,533)	(1,053)	(58)	(885)	-	(1,290)	(226,978)
<i>Financial derivatives</i>	-	-	-	-	-	-	(58,809)
Total exposure to currency risk	42,860	7,172	(58)	982	-	6,587	126,348
As at Dec 31 2008							
<i>Financial assets (+), including:</i>	47,324	930	3	1,502	28,334	-	210,769
<i>Financial derivatives</i>	-	-	-	-	-	-	14,196
<i>Financial liabilities (-), including:</i>	(14,393)	(1,516)	-	(1,092)	(75,955)	-	(310,220)
<i>Financial derivatives</i>	-	-	-	-	-	-	(234,889)
Total exposure to currency risk	32,931	(586)	3	410	(47,621)	-	(99,451)
As at Dec 31 2007							
<i>Financial assets (+), including:</i>	51,270	124	-	121	36,976	-	227,964
<i>Financial derivatives</i>	-	-	-	-	-	-	44,100
<i>Financial liabilities (-), including:</i>	(12,494)	(1,234)	-	(23)	(95,162)	-	(60,085)
<i>Financial derivatives</i>	-	-	-	-	-	-	(490)
Total exposure to currency risk	38,776	(1,110)	-	98	(58,186)	-	167,879

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 Group 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 PBG Group uses interest rate swaps. The Group entered into an IRS transaction for 50% of the outstanding investment 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 Group 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

	Dec 31 2009	Dec 31 2008	Dec 31 2007
Exposure to interest rate risk	Value at risk	Value at risk	Value at risk
	PLN '000	PLN '000	PLN '000
Financial assets	799,587,00	346,223,00	435,979,00
Financial liabilities	-1,127,088,00	-803,182,00	-721,834,00
Exposure to interest rate risk	-327,501,00	-456,959,00	-285,855,00

1.2 Credit Risk

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

- creditworthiness of customers with whom the Group enters into transactions for physical delivery of products;
- creditworthiness of financial institutions (banks) with whom the Group enters into hedging transactions;
- creditworthiness of entities in which the Group invests or whose securities the Group 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 PBG Group'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	272,481	40,778	14,622
Trade and other financial receivables	1,087,215	693,475	539,518
Financial derivatives	28,961	14,196	44,100
Debt securities	-	15,732	11,052
Investment fund units	-	-	-
Other classes of other financial assets	1,669	963	963
Cash and cash equivalents	660,281	288,750	409,342
Conditional payables under guarantees and sureties advanced	1,030,287	855,703	700,380
Total credit risk exposure	3,080,894	1,909,597	1,719,977

The PBG Group 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 PBG Group enters into transactions with partners whose creditworthiness is confirmed.

All entities with which the PBG Group 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 Group enters into derivative transactions operate in the financial sector. These are financial institutions (banks) with top (11%), mid-high (77%) or average (12%) 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 PBG Group is 43%.

Table 12: Currency and interest rate derivative instrument transactions entered into by the PBG Group as at the balance-sheet date

	Dec 31 2009	Dec 31 2008	Dec 31 2007
	PLN '000	PLN '000	PLN '000
Financial assets	28,961.00	14,196.00	44,100
Financial liabilities	59,809.00	234,889.00	490
Derivative instruments valuation, net	-30,848.00	-220,693.00	43,610

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

The Group has a long track record of work with many customers, which are active in diverse sectors. The table below presents the key customers based on the 2009 revenue.

Table 12: Key customers in 2009

No.	CUSTOMER	SHARE
	Total	100.00%
1	PGNiG	16.84%
2	POZNAŃSKIE OŚRODKI SPORTU I REKREACJI	5.89%
3	ALPINE CONSTRUCTION POLSKA	4.93%
4	MIEJSKIE WODOCIĄGI I KANALIZACJA W BYDGOSZCZY	4.45%
5	GMINA WROCŁAW (WROCŁAW MUNICIPALITY)	3.65%
6	GMINA TYCHY URZĄD MIASTA TYCHY (TYCHY MUNICIPALITY)	3.34%
7	MPWiK KRAKÓW	3.11%
8	ZAKŁAD UTYLIZACYJNY	3.05%
9	ŁÓDZKA SPÓŁKA INFRASTRUKTURALNA SPÓŁKA	2.87%
10	AQUANET	2.44%
11	GAZ-SYSTEM	2.35%
12	MIEJSKIE PRZEDSIĘBIORSTWO WODOCIĄGÓW I KANALIZACJI W WARSZAWIE	2.32%
13	WAMAR	2.28%
14	OTHER	42.48%

At present, the main customer for the PBG Group'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 Group'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, Naffobazy, OLPP, EURO 2012 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 13: Past due and not past due financial receivables as at the balance-sheet date

Item	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
Net trade receivables	761,649	253,969	395,295	257,551	412,961	93,792
Other net financial receivables	15,496	66	19,632	404	11,074	77
Financial receivables	777,145	254,035	414,927	257,955	424,035	93,869

Table 14: Age structure of past due current receivables as at the balance-sheet date

Item	Dec 31 2009		Dec 31 2008		Dec 31 2007	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
<i>Past due current receivables:</i>						
Up to 1 month	139,962	15	123,343	59	35,859	77
From 1 to 6 months	83,417	36	117,540	48	48,801	-
From 6 to 12 months	13,741	-	13,989	-	4,062	-
Over one year	16,849	15	2,679	297	5,070	-
Past due financial receivables	253,969	66	257,551	404	93,792	77

As assessed by the Management Board of the Parent Undertaking, 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 PBG Group did not establish collateral or used other tools to improve the credit terms.

With respect to trade receivables, the PBG Group 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 PBG Group 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 Group uses offsetting (compensating) arrangements where such solution is accepted by both parties.

1.3. Liquidity Risk

The PBG Group is exposed to the risk of losing liquidity, that is the loss of the ability to timely meet financial liabilities. The Group 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 15: Maturity dates of the PBG Group's financial liabilities as at the balance-sheet date

Item	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		
<i>As at Dec 31 2009</i>							
Total liquidity risk exposure	890,401	563,718	514,121	17,449	4,178	1,989,868	1,993,464
<i>As at Dec 31 2008</i>							
Total liquidity risk exposure	641,205	449,158	347,384	44,211	316	1,482,274	1,483,134
<i>As at Dec 31 2007</i>							
Total liquidity risk exposure	435,751	453,920	273,535	5,600	-	1,168,806	1,169,760

Table 16: Available overdraft facilities of the PBG Group as at the balance-sheet date

	Dec 31 2009	Dec 31 2008	Dec 31 2007
	PLN '000	PLN '000	PLN '000
Overdrafts granted	381,629	302,601	236,883
Overdrafts used	170,723	136,952	102,513
Available overdrafts	201,906	165,649	134,370

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 responsible 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.

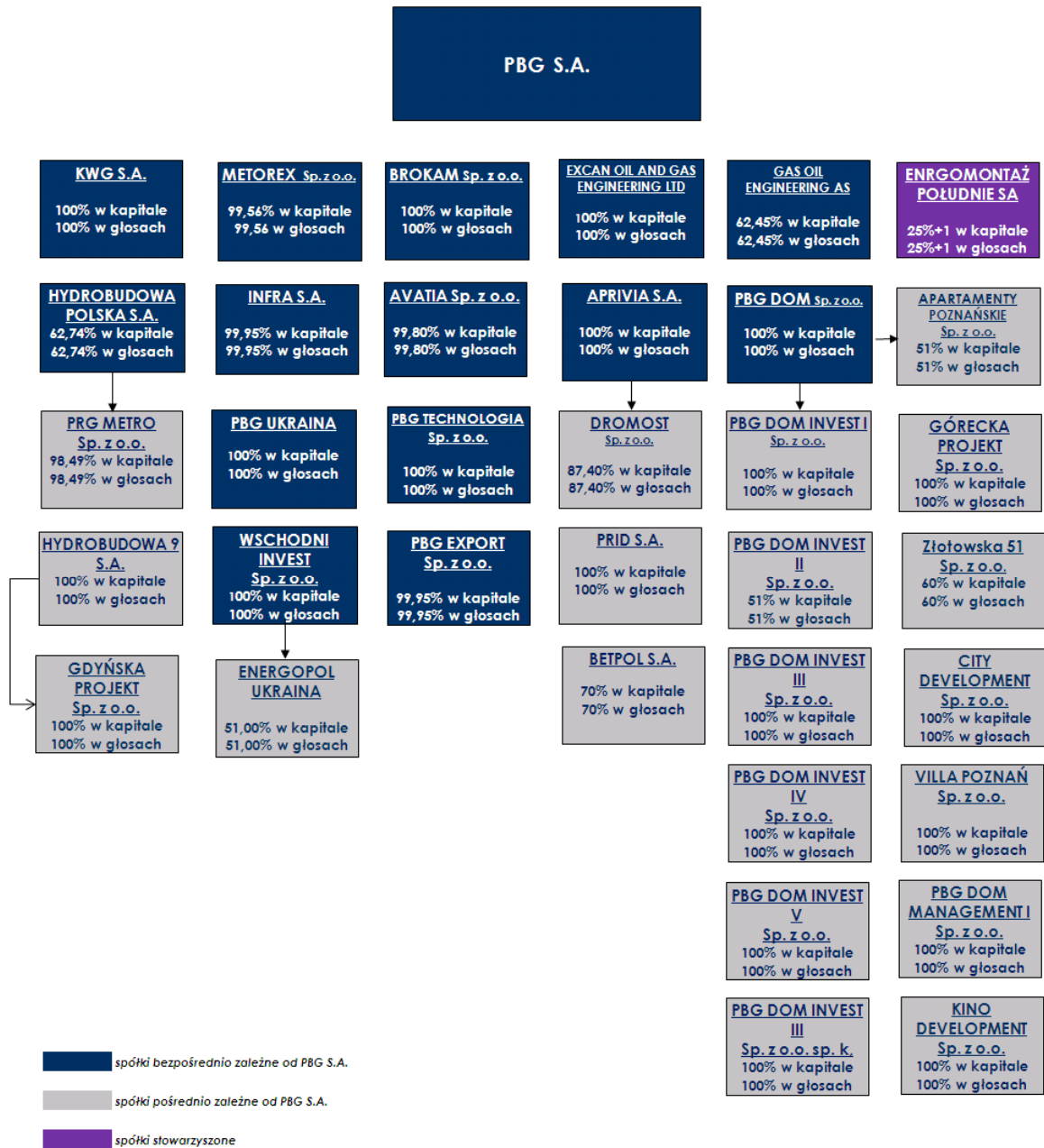
Managing the risk related to the preparation of financial statements involves identifying and assessing risk areas and defining the relevant mitigating measures.

CHAPTER III: PBG GROUP

I. STRUCTURE OF THE PBG GROUP

As at the date of filing this Report, the PBG Group was composed of 35 companies, including its Parent Undertaking, PBG S.A., 13 direct subsidiary undertakings, 20 indirect subsidiary undertakings, and one associated undertaking.

Figure 2: Structure of the PBG Group as at the date of filing this Report



% w kapitale	% of share capital
% w głosach	% of total vote
Spółki bezpośrednio zależne od PBG S.A.	Direct subsidiary undertakings
Spółki pośrednio zależne od PBG S.A.	Indirect subsidiary undertakings
Spółki stowarzyszone	Associated undertakings

II. STRATEGY AND BUSINESS MODEL

1. Business Model

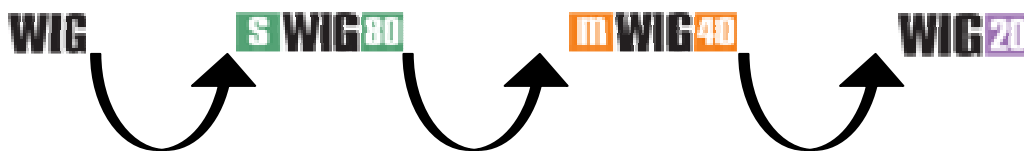
The business model of the PBG Group consists in provision of specialised construction services. The Group has been steadily increasing its revenues and profits by entering new markets and operating in niche segments, where competition is limited due to required qualifications, experience, and credentials. 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 OF THE GROUP'S VALUE BY BUILDING ONE OF THE LARGEST CONSTRUCTION GROUPS IN CENTRAL AND EASTERN EUROPE.



This is achieved 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 NEAR 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 Segment of Infrastructure and Water Engineering by:

- **Consolidating 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.

In addition, the PBG Group 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 Local Roads Construction Segment through:

- **Investments in road construction 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 acquisition of an operating 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 be 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 Koźienice and for the upgrade and repair of the boiler's furnace in Betchatów, with the total value of over PLN 6bn.

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

- **Establishment of low-cost operating companies to handle low unit value contracts;**
- **Integration of companies, establishment of a single platform for common areas of operation, elimination of overlapping functions;**
- **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 PBG 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.**

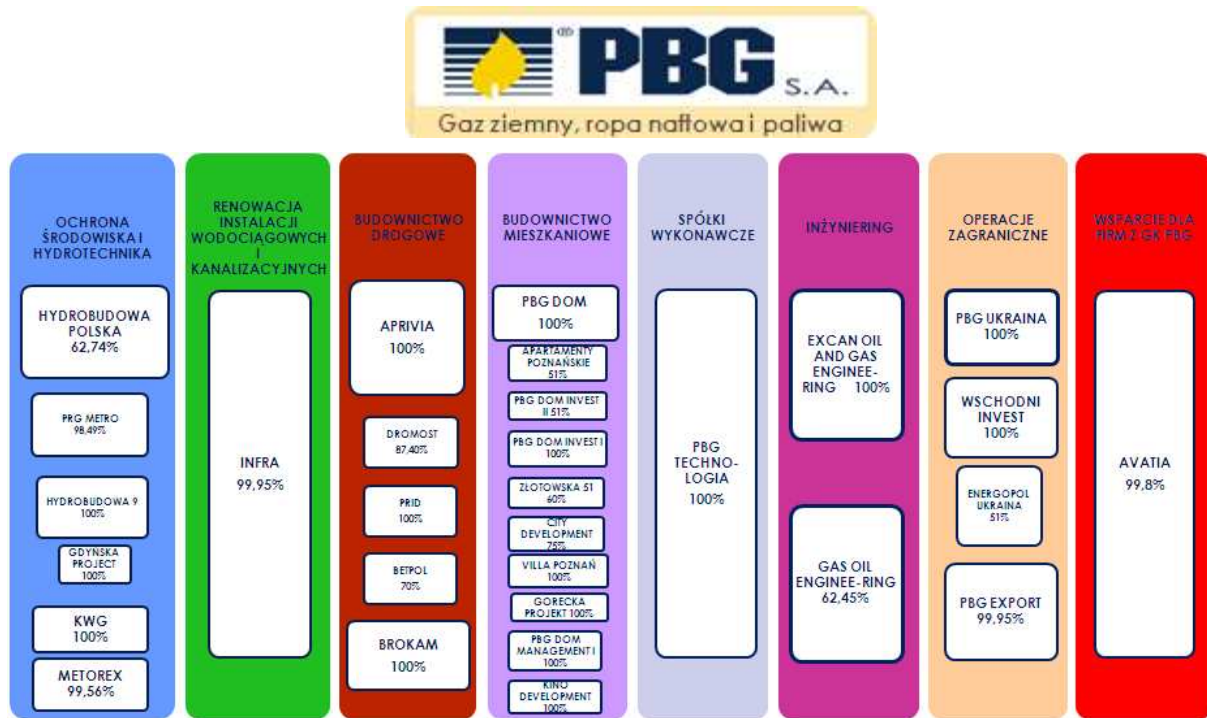
The credit and guarantee limits for the PBG Group have now exceeded the amount of PLN 2.5bn and are sufficient for the Group to participate in all strategically important tenders that are planned for 2010. Individual contracts are financed with the use of short-term working capital credit facilities,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

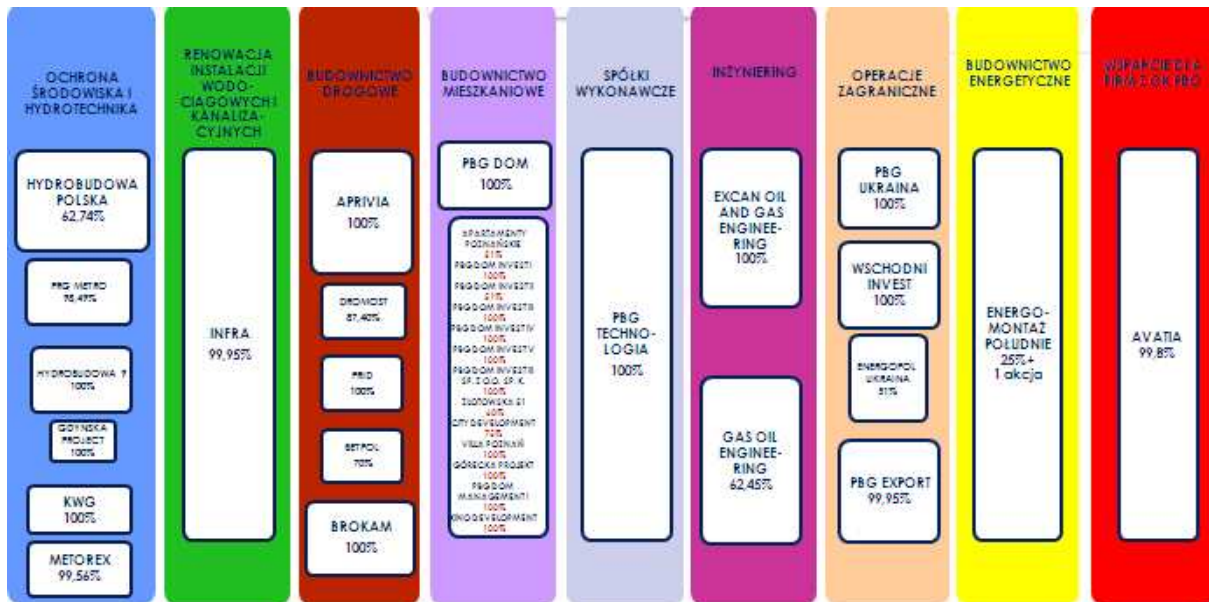
ORGANISATIONAL CHART OF THE PBG GROUP AS AT DECEMBER 31ST 2009 (PERCENTAGE OF VOTING RIGHTS HELD BY PBG)



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	OPERATING COMPANIES
PBG TECHNOLOGIA 100%	PBG TECHNOLOGIA 100%
INŻYNIERING	ENGINEERING
EXCAN OIL AND GAS ENGINEERING 100%	EXCAN OIL AND GAS ENGINEERING 100%
GAS OIL ENGINEERING 62,45%	GAS OIL ENGINEERING 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%
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)



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	OPERATING COMPANIES
PBG TECHNOLOGIA 100%	PBG TECHNOLOGIA 100%
INŻYNIERING	ENGINEERING
EXCAN OIL AND GAS ENGINEERING 100%	EXCAN OIL AND GAS ENGINEERING 100%
GAS OIL ENGINEERING 62,45%	GAS OIL ENGINEERING 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
WSPRARCIE 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 of 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 acquisition of an operating 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.

III. BUSINESS PROFILE

The business profile of PBG and its Group 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 natural gas, crude oil and fuels segment is the responsibility of PBG, Hydrobudowa Polska and Hydrobudowa 9 are the leading companies in the water segment, the road construction segment is the responsibility of Aprivia, whereas Hydrobudowa Polska and its Group and PBG are responsible for infrastructure projects.

Currently, the PBG Group 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.**

The table below lists the services performed as part of each individual segment.

Table 17: Breakdown of services performed by the PBG Group, by segment

NATURAL GAS AND CRUDE OIL	WATER	FUELS
<ul style="list-style-type: none"> ▪ 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 ▪ underground gas storage facilities ▪ LNG storage and evaporation 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. 	<ul style="list-style-type: none"> ▪ technological and sanitary installations for water supply and sewage systems, including: <ul style="list-style-type: none"> - water pipes - sewage systems - water mains and trunk sewers - water intakes - water treatment plants ▪ water engineering structures, including: <ul style="list-style-type: none"> - water dams - storage reservoirs - flood levees ▪ modernisation of water supply and sewage systems 	<ul style="list-style-type: none"> ▪ fuel storage facilities, tanks ▪ auxiliary infrastructure
		INDUSTRIAL AND RESIDENTIAL CONSTRUCTION
		<ul style="list-style-type: none"> ▪ general construction ▪ industrial infrastructure ▪ construction of stadiums ▪ construction of waste incineration plants
		ROADS
		<ul style="list-style-type: none"> ▪ road construction ▪ bridge 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.

IV. CHANGES IN THE PBG GROUP'S MARKETS

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

Table 18: Industry segments

Sales revenue	2009 (PLN '000)	2008 (PLN '000)	Change (PLN '000)	Change (%)
natural gas and crude oil (transmission, distribution, production)	399,840	258,070	141,770	55%
water (water engineering and environmental protection, modernisation)	996,045	1,115,740	-119,695	-11%
fuels (fuel storage)	83,288	180,089	-96,801	-54%
industrial and residential construction (construction, infrastructure for industrial facilities)	881,202	199,227	681,975	342%
roads (road construction)	187,022	141,191	45,831	32%
other (sale of goods for resale, materials and products, other services)	30,583	197,108	-166,525	-84%
Total sales revenue	2,577,980	2,091,425	486,555	23%

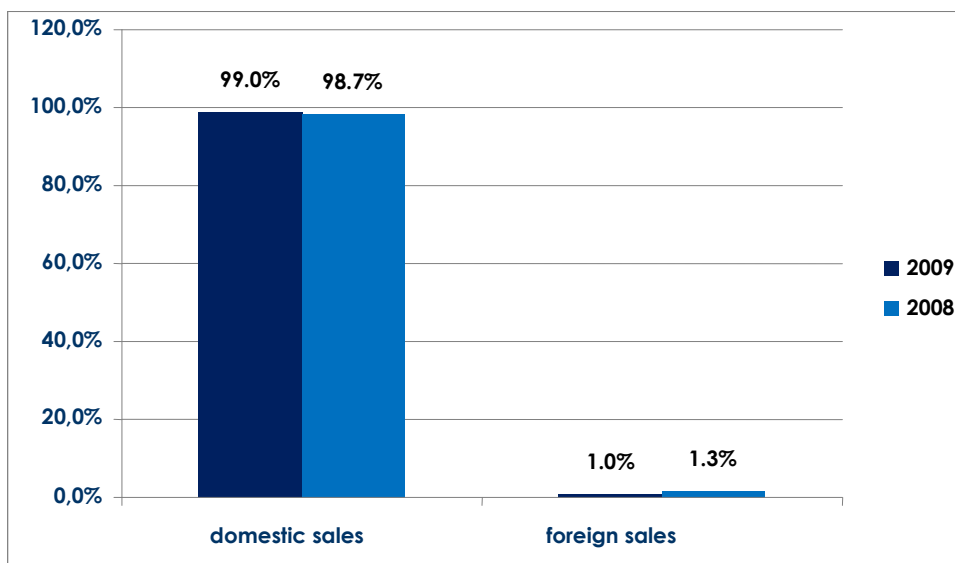
The changes which took place on the above markets are the result of the strategy whereby the Group is securing contracts involving the use of highly specialised technologies, developing its presence in the natural gas and crude oil market, securing environmental protection contracts co-financed with EU funds and expanding its portfolio to include road construction and infrastructure projects. The significant increase in sales revenue from the industrial construction segment was primarily driven by contracts relating to Euro 2012.

Table 19: Geographical segments

Sales revenues	2009 (PLN '000)	2008 (PLN '000)	Change (PLN '000)	Change (%)
domestic sales	2,552,249	2,063,322	488,927	124%
foreign sales	25,732	28,103	-2,371	92%

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

Figure 3: Percentage shares of domestic and foreign sales in the PBG Group's total sales in 2008-2009



In 2009 domestic customers accounted for some 99% of the PBG Group's sales, which is virtually the same result as in the previous year.

Operational Reach

The PBG Group's operations focus primarily on the domestic market, which the Group 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.

V. SEGMENT OPERATIONS

1. Natural Gas and Crude Oil Segment

We have introduced to the Polish market a method of working on active gas pipelines in air-tight conditions, invented by T.D. Williamson. In 1999 we were the first in Poland to design and perform, under a general contractor formula, an unmanned gas production facilities. We were also the first in Poland to design and construct a liquefied natural gas (LNG) regasification unit. The unit is used in supplying gas and heat to towns and municipalities, as well as by industrial customers. We design and build co-generation systems, as well as CNG and LCNG units.

The technologies we have developed and the experience acquired while developing the natural gas field are now being used in the development of an oil field. In 2003, we built our first unmanned crude production facilities. In 2005, in connection with more stringent requirements in the area of environmental protection, we were the first in Poland to construct a formation water purification system. A year later we worked out and implemented a system of underground crude oil heating to facilitate its extraction.

PBG GROUP COMPANIES OPERATING IN THE NATURAL GAS AND CRUDE OIL SEGMENT

PBG S.A.

The Company provides comprehensive, specialised contracting services for natural gas, crude oil, and fuels facilities. It acts as a general contractor or sub-contractor with respect to: engineering design work, construction, repairs, operation, and maintenance in the field of: production of natural gas and crude oil, transmission of natural gas and crude oil, storage of natural gas, fuels, LNG, LPG, C5+, and CNG.

Excan Oil and Gas Engineering LTD.

Excan Oil and Gas Engineering LTD. is an engineering company involved in designing and marshalling deliveries for equipment used to build natural gas and crude oil facilities. The company's registered office is in Edmonton (Alberta), Canada.

GasOil Engineering A.S.

GasOil is an engineering, design, and execution company with international presence. The Company offers analyses, preparation of studies, design work, financial analysis, project management, turn-key deliveries and supervision over the execution of natural gas and crude oil contracts. The Company's registered office is in Poprad, Slovakia.

SALES

The market for services relating to the natural gas and crude oil segment comprises primarily Poland. The inclusion in the PBG Group of GasOil Engineering, which sells its services on international markets (including: Germany, Czech Republic, Israel and Ghana) was an important move in terms of gaining a foothold on foreign markets. Currently, PBG is also executing its first foreign contracts for Norway's Kanfa Aragon and Gas

Naturale of Pakistan. The largest customers for the Group's services in this segment are PGNiG and Gaz-System.

Table 20: Sales of services in the natural gas and oil segment

Sales revenue	2009 (PLN '000)	2008 (PLN '000)	Change (PLN '000)	Change (%)
natural gas and crude oil (transmission, distribution, production)	399,840	258,070	141,770	55%

The percentage share of the natural gas and crude oil segment in the Group's total sale revenue in 2009 stood at 16%, increasing by 4 percentage points from the previous year's figure. The natural gas and crude oil segment constitutes the core operating segment of PBG S.A., which is the domestic leader of that industry. Given that August 2008 saw the signing of the largest contract in the segment to date, i.e. the contract for the development of a crude oil field for Polskie Górnictwo Naftowe i Gazownictwo SA with the net value of PLN 1.4bn and the only slightly less expensive contract for the construction of an underground gas storage facility in Wierzchowice with the value of PLN 1.1bn, PBG expects that its sales revenue from the natural gas and crude oil segment will rise significantly in the years to follow. The two contracts are currently the most significant among those carried out by the PBG Group.

2. Water Segment

Projects executed by the Group in the water segment are aimed to reduce the pollution of water, soil and air. Thus, our activities in the area help significantly improve the condition of the natural environment. The Group comprehensively executes water engineering, environmental protection as well as water and sewage systems construction projects. We have the required equipment, financial means and staff resources to secure and independently execute even the largest projects. We are the leader in the market of pipeline rehabilitation services. We use state-of-the-art technologies of trenchless renewal, maintenance and repair of underground pipeline systems.

PBG GROUP COMPANIES OPERATING IN THE WATER SEGMENT

Hydrobudowa Polska SA

Hydrobudowa Polska S.A. specialises in comprehensive execution and maintenance of investment projects (engineering and water engineering constructions) as well as construction of environmental protection and water supply and sewage structures.

Hydrobudowa 9 SA

Hydrobudowa 9 S.A. provides building services for environmental protection and water engineering structures, roads and large-sized construction.

Przedsiębiorstwo Inżynieryjne Metorex Sp. z o.o.

The company provides building contractor services for water supply, sewage, heating, and gas systems; land reclamation for water construction, sewage-treatment plants; construction of roads and yards.

Infra SA

Infra SA's business comprises sanitary and environmental protection engineering based on various methods of rehabilitation of water supply, sewage and process pipelines.

KWG SA

KWG SA specialises in the execution of infrastructure projects in the environmental protection sector, such as water supply and sewage systems, intermediate pumping stations and sewage treatment plants, as well as high-, medium- and low- pressure gas systems, pressure reduction and metering station, and gas boiler houses.

SALES

The market for water segment services covers the territory of the entire country, which follows from the fact that the Group has signed contracts with different entities whereby it has been engaged to execute projects in specifically designated locations. The Group's main customers include local government units and companies operating in the area of water and sewage management, including companies owned by local government units.

Table 21: Sales of services in the water segment

Sales revenue	2009 (PLN '000)	2008 (PLN '000)	Change (PLN '000)	Change (%)
Water (water engineering and environmental protection, pipeline rehabilitation)	996,045	1,115,740	-119,695	-11%

The **water segment** is the Group's business segment which has so far been growing very dynamically and which has had the largest share in its total sales (in 2009, the water segment accounted for 39% of total sales revenue, versus 53% in 2008). Contracts executed in the water segment are co-financed by the European Union, are characterised by large unit values and are connected with environmental protection and water engineering projects. The 2007-2013 investment budget approved for Poland includes EUR 63bn for investment projects relating to such areas as infrastructure, environmental protection and water engineering, which ensures that this market should continue to present attractive prospects over the next several years.

3. Fuels Segment

In the fuels segment, the PBG Group provides general contracting services relating to projects involving the construction of new facilities and modernisation of existing fuel terminals, together with auxiliary infrastructure. In the area of construction and repair of storage tanks, we also conduct work on active facilities. The Group is engaged in projects, commissioned by NATO, involving modernisation and extension of existing storage facilities for propellants and lubricants and delivery and execution of underground storage tanks for F-16 fighters at the military bases throughout Poland. The execution of military construction projects requires access to classified information marked as "CONFIDENTIAL". We are one of few contractors in Poland that meet the Investor's requirements in that respect.

PBG GROUP COMPANIES OPERATING IN THE FUELS SEGMENT

PBG is the leading company in the segment.

SALES

The market for fuels segment services covers virtually the entire country. It follows from the fact that the Group signs contracts with different entities and executes projects in locations designated by the investors.

Table 22: Sales of services in the fuels segment

Sales revenue	2009 (PLN '000)	2008 (PLN '000)	Change (PLN '000)	Change (%)
Fuels (fuel storage)	83,288	180,089	-96,801	-54%

In the period under review, the fuels segment's share in total sales revenue stood at 3%, down by 6% year on year. The main customers for fuels segment services include: Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego – NATO, PKN Orlen and Operator Logistyczny Paliw Płynnych.

4. Industrial and Residential Construction Segment

Projects executed by the PBG Group in this business segment relate to the infrastructure for construction of residential buildings and industrial facilities, as well as the provision of property development services in the commercial property sector, based on own land and construction structures. At present, the largest contracts performed in this business segment involve the construction and modernisation of stadiums in Poznań, Gdańsk and Warsaw in connection with the EURO 2012 Football Championships hosted by Poland.

PBG GROUP COMPANIES OPERATING IN THE INDUSTRIAL CONSTRUCTION SEGMENT

Projects related to sports facilities – **Hydrobudowa Polska, PBG**

Projects related to waste sorting plants – **Hydrobudowa Polska, Hydrobudowa 9**

P.R.G. Metro Sp. z o.o.

P.R.G. Metro Sp. z o.o. is one of the general contractors of tunnels for the Warsaw underground railway, as well as its associated facilities, such as tunnel ventilation plants, turnout chambers, underground passes and microtunnels. In 2001, the company diversified into the water supply and sewage market. PRG Metro strengthened the execution potential of Hydrobudowa Polska S.A., allowing it to diversify its business profile by entering completely new markets, such as that connected with the construction of the Warsaw underground railway.

PBG GROUP COMPANIES OPERATING IN THE RESIDENTIAL CONSTRUCTION SEGMENT

PBG Dom Sp. z o.o.

PBG Dom Sp. z o.o. operates in the property development sector. Currently it is involved in the construction of a residential estate in Lusówko, near Poznań. Furthermore, the Company also manages real property and land owned by all the PBG Group companies. PBG Dom is the leading company of the residential construction segment.

Apartamenty Poznańskie Sp. z o.o.

The company operates in the construction and property development sectors.

Gdyńska Projekt Sp. z o.o.

The company's business consists in the purchase, sale, lease and management of real property. The company operates in the construction and property development sectors.

Górecka Projekt Sp. z o.o.

Górecka Projekt Sp. z o.o. operates in the construction and property development sectors. The company is currently involved in the construction of an office building in Poznań.

PBG DOM INVEST I Sp. z o.o.

The company operates in the construction and property development sectors.

PBG DOM Invest II Sp. z o.o.

The company's business consists in the purchase, sale and management of real property for its own account. The company operates in the construction and property development sectors.

Złotowska 51 Sp. z o.o.

The company's business consists in the construction of dwelling units for sale or rent. The purpose of the investment in the company is to jointly execute a property development project.

City Development Sp. z o.o.

A special purpose vehicle established to execute a property development project.

Villa Poznań Sp. z o.o.

The company's purpose is to execute a property development project.

PBG DOM Management I Sp. z o.o.

A special purpose vehicle established to execute a property development project.

Kino Development Sp. z o.o.

A special purpose vehicle established to execute a property development project.

PBG DOM Invest III Sp. z o.o.

A special purpose vehicle established to execute a property development project.

PBG DOM Invest IV Sp. z o.o.

A special purpose vehicle established to execute a property development project.

PBG DOM Invest V Sp. z o.o.

A special purpose vehicle established to execute a property development project.

PBG DOM Invest III Sp. z o.o. sp. k.

A special purpose vehicle established to execute a property development project.

SALES

The industrial and residential construction services are provided to customers throughout Poland.

Table 23: Sales of services in the industrial and residential construction segment

Sales revenue	2009 (PLN '000)	2008 (PLN '000)	Change (PLN '000)	Change (%)
Industrial and residential construction (construction, infrastructure for industrial facilities)	881,202	199,227	681,975	342%

In 2009, the share of the industrial and residential construction segment in the Group's total sales revenue stood at 34%, up by as much as 24% relative to 2008. As was expected in connection with the new opportunities appearing on the market relating mainly to infrastructure projects, such as construction of stadiums or waste sorting plants in the largest Polish cities, the PBG Group's sales revenue in the industrial construction segment grew significantly relative to the previous year and are set to continue on an upward path in the coming years.

5. Road Construction Segment

In the road construction segment, the PBG Group carries out projects relating to road and bridge construction works. The Group operates a bitumen mastic production plant and research laboratories, which oversee the production operations. Mineral and bitumen mastics produced by the Group meet the highest standards and are designed to be used for roads carrying heavy traffic volumes.

PBG GROUP COMPANIES OPERATING IN THE ROAD CONSTRUCTION SEGMENT

APRIVIA S.A.

APRIVIA S.A. is 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 securing and performing contracts and for arranging financing.

Dromost Sp. z o.o.

Dromost Sp. z o.o.'s business consists in the provision of services relating to the construction of transport facilities and the production of bitumen mastics.

PRID S.A.

PRID S.A. provides services relating to the execution of road and bridge construction and engineering works, including excavation work, construction of sewage systems, culverts, various road bases, soil stabilisation, and surface work involving both bitumen and cement surfaces. The company operates a bitumen mastic production plant and a research laboratory.

BETPOL S.A.

BETPOL S.A.'s business consists mainly in the performance of road works, including cold recycling using foamed bitumen and milling of bitumen and cement surfaces. Betpol also produces cold-mixed mineral and bitumen blends and ready-mixed concrete. The company also provides services relating to demolition work, constructs steel structures and performs assembly and construction work, as well as installation and reinforced-concrete work. The incorporation of Betpol into the PBG Group has strengthened the Group's operations in the area of road construction.

BROKAM Sp. z o.o.

BROKAM Sp. z o.o. owns the land and holds the licence enabling it to launch the production of aggregate. The incorporation of the company into the PBG Group created a materials base for the Group companies from the road construction segment.

SALES

The road construction segment companies operate mainly on their local markets and neighbouring areas (i.e. Bydgoszcz, Nowy Tomyśl and Poznań). Currently, the companies are seeking to win contracts throughout Poland.

Table 24: Sales of services in the road construction segment

Sales revenue	2009 (PLN '000)	2008 (PLN '000)	Change (PLN '000)	Change (%)
Roads (road construction)	187,022	141,191	45,831	32%

In 2009, the share of revenue from the road construction segment in the Group's total sales was 7% and remained unchanged relative to the previous year. The segment's revenue grew by 32% over the end of 2008, from nearly PLN 141m to PLN 187m.

6. Other Operating Areas

In addition to the companies mentioned above, there are also seven other companies in the PBG Group which operate in separate areas, omitted from the above description.

CONTRACTING SERVICES

PBG Technologia Sp. z o.o.

The company is involved in THE production and assembly activities, including: production and assembly of steel structures, production and assembly of equipment and facilities, production and assembly of steel tanks, construction of complex industrial units, including in particular in the petrochemical industry. Additionally, in the future the company will also provide building contractor services.

FOREIGN OPERATIONS

PBG Export sp. z o.o.

PBG Export was established with a view to acquiring orders in Poland and abroad, and to exercise supervision over their performance.

PBG UKRAINA Publiczna Spółka Akcyjna (public company limited by shares)

PBG Ukraina was set up with a view to conducting business activities primarily involving research of the Ukrainian market and establishing contacts with companies providing construction and associated services.

Wschodni Invest Sp. z o.o.

Wschodni Invest Sp. z o.o. holds in its portfolio and manages the property development business of Energopol – Ukraina.

Energopol-Ukraina

The company holds a legal title to a land property with an area of 63,000 m² located in Kiev, which is planned to be developed and the development area is to be around 250,000 m². The company provides a wide range of services in the investment process, including: general construction, production and design works. Moreover, Energopol-Ukraina has trading experience, as well as experience in various kinds of modernisation/upgrade work related to industrial facilities.

NEW AREA OF ACTIVITY – POWER SECTOR CONSTRUCTION

Energomontaż-Południe S.A.

Energomontaż-Południe S.A. specialises in the assembly, upgrade and repairs of equipment and facilities for utility and industrial power plants, and CHP plants. The company actively participates in the construction of new, complete power facilities. In this respect, Energomontaż performs work in the following areas: power boilers, facilities and installations accompanying power boilers, steam pipelines, process pipelines, flue gas ducts, air ducts and steel structures. Energomontaż-Południe S.A. also offers its services to coking plants, cement plants, chemical plants and refineries concerning facilities and assembly of equipment and industrial facilities.

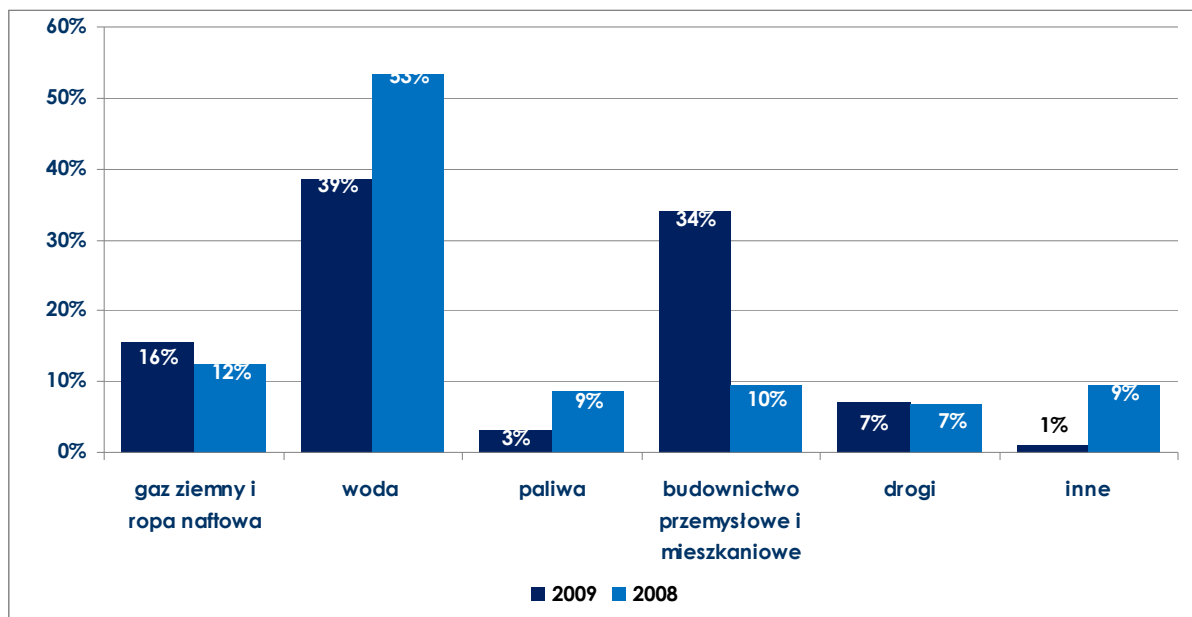
SUPPORT FOR THE PBG GROUP COMPANIES

AVATIA Sp. z o.o.

The company provides IT services, including IT consultancy, implementation of IT systems, data processing and services relating to IT and computer-based technologies. As a member of the PBG Group, Avatia provides IT support to all the PBG Group companies.

SHARES OF THE PBG GROUP'S BUSINESS SEGMENTS AND MARGINS BY SEGMENTS

Figure 4: Shares of the PBG Group's business segments in sales revenue in 2009 and 2008



gaz ziemny i ropa naftowa – natural gas and crude oil

woda – water

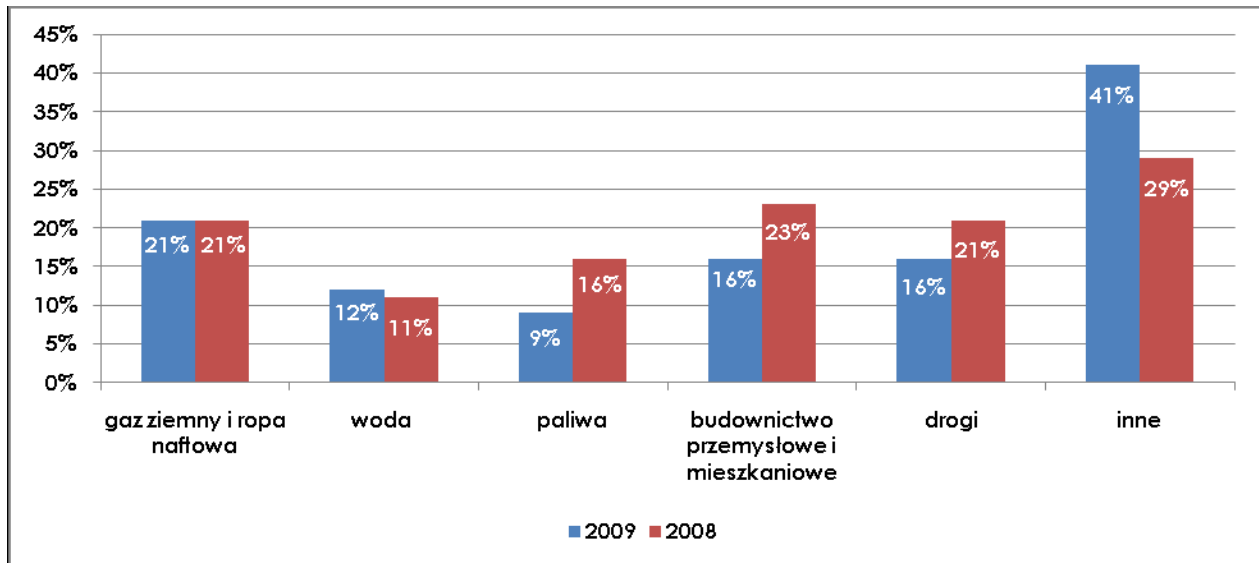
paliwa – fuels

budownictwo przemysłowe i mieszkaniowe – industrial construction and residential construction

drogi – roads

inne – other

Figure 5: Gross margins in the PBG Group's key business segments in 2009 and 2008



gaz ziemny i ropa naftowa – natural gas and crude oil

woda – water

paliwa – fuels

budownictwo przemysłowe i mieszkaniowe – industrial construction and residential construction

drogi – roads

inne – other

VI. MARKET OUTLOOK

1. Natural Gas Market

The Polish market for gas contracting services is viewed as very promising due to the expected multi-billion investments in the gas sector, following mainly from the implementation of Poland's energy policy and the need to comply with the requirements of Poland's membership in the European Union. The obligation to perform the tasks resulting from, among other things, Poland's energy policy rests primarily with the PGNiG Group and OGP Gaz System. Consequently, those companies are the leading investors in gas infrastructure projects and the projects led by them cover a wide range of investment tasks, from the construction of gas stations to the construction of gas mining plants or gas pipelines, which represent an attractive source of contracts for construction companies specialising in the provision of gas contracting services.

Policy for the Natural Gas Industry of March 20th 2007 proposed by the Ministry of Economy and Energy *Policy of Poland until 2030* of September 23rd 2009 outline the main growth directions for the Polish gas industry. In order to ensure Poland's energy security and economic growth, the Ministry of Economy set out four main task groups for the state-controlled companies:

- diversification of natural gas supplies,
- expansion of the natural gas transmission network and increase of its capacity,
- construction of new and extension of the existing underground gas storage facilities,
- increase of the domestic gas production capacity.

Poland currently needs approximately 14 bn m³ of natural gas per year, approximately 30% of which is sourced from domestic production. The balance is imported, mainly from Russia, under the Yamal Contract. In connection with the expected increase in natural gas demand in the coming years, as well as in the context of the 2009 gas crisis between Ukraine and Russia and the Northern Pipeline construction plans becoming reality, investments in the gas infrastructure aimed at improving Poland' energy security have become the priority of the Polish government. Achieving the Polish government's objective of enhancing Poland's energy security will be possible only through the execution of large-scale projects which require billions of zlotys in capital expenditure. The development of the Polish gas infrastructure will be funded by the PGNiG Group and OGP Gaz-System as well as by the EU funds (under the Infrastructure and Environment Operational Programme). The PGNiG Group alone plans to spend PLN 25bn-32bn on the strategy-related projects by 2015. The EU funds will play a very important role in the financing of the projects. The European Commission earmarked EUR 28bn for the implementation of the Infrastructure and Environment Operational Programme in 2007–2013. Out of 15 priorities of the programme, two are related to:

- Gas sector: Priority IX – environmentally friendly energy infrastructure and energy efficiency – EUR 1.4bn, and
- Priority X – energy security, including diversification of energy sources – EUR 1.7bn.

Table 25: Natural gas demand forecast

Year	Natural gas demand forecast
	(bn m ³)
2010	14.9
2015	16.2
2020	17.9

Source: Public Announcement of the Minister of Economy of May 7th 2009.

The flagship project aimed at enhancing Poland's energy security is the construction of the LNG terminal in Świnoujście. The project, which is valued at EUR 600m–EUR 700m, is to be carried out by Polskie LNG Sp. z o.o., a special purpose company fully owned by OGP Gaz-System. The procedure for selection of the contractor to build the LNG terminal has been in progress since August 6th 2009. The agreement with the contractor is expected to be signed in May 2010, and the terminal is to be placed in service June 30th 2014. Initially, the Świnoujście terminal will be able to receive 5bn m³ of gas per year.

Source: Annual Report of OGP Gaz-System.

Another project related to the diversification of gas supplies is the construction of the interconnector, i.e. a pipeline connecting Cieszyn with the Moravia network in the Czech Republic; the interconnector will enable Poland to import or export gas via the Czech transmission system. The project, valued at EUR 7m, is to be completed by 2011, and will handle approximately 0.5bn m³ of gas supplies to Poland per year. The Cieszyn-Moravia pipeline is of great importance to Poland's energy security, as it will be the second interconnector between the Polish gas network and the EU gas grid; it will also allow Poland to import gas from Norway and, in the future, from the Caspian Sea region.

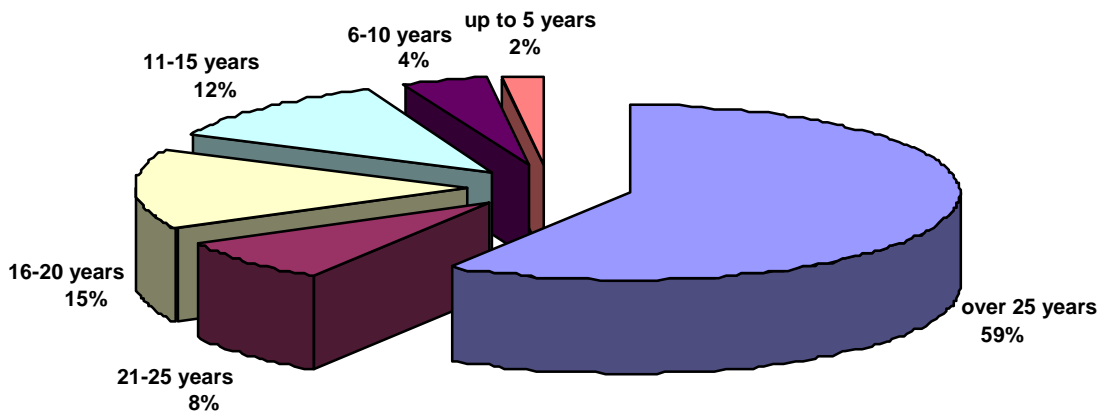
The Baltic Pipe is another project which should also contribute to the diversification of Polish gas supplies. It is a pipeline which is to connect Polish Niechorze with the Danish transmission system, facilitating gas imports

from the Norwegian sources. The Norwegian gas was originally to be delivered to Denmark through the Skanled pipeline. However, the consortium (with PGNiG as one of its members) decided to suspend the project due to the adverse economic conditions. Despite the suspension of the Skanled project, OGP Gaz-System decided to continue the work and plans to prepare the relevant technical design and perform a survey of the Baltic seabed by the end of 2011. The capacity of the 240 km long Baltic Pipe is to be 3bn m³ of gas per year.

Source: Statement by Jan Chahaj, President of OGP Gaz-System, for PAP of September 24th 2009.

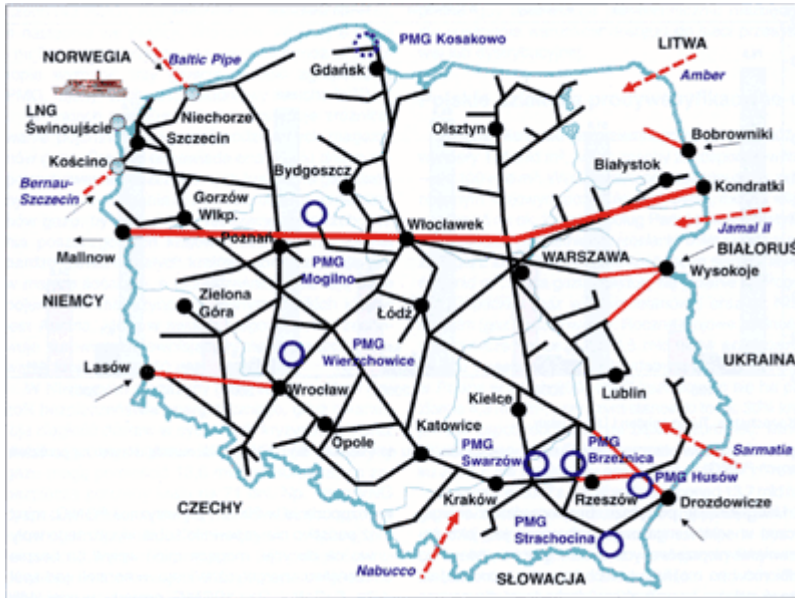
Pursuant to the 2009 Annual Report of the President of the Energy Regulation Authority (URE), the technical condition of the transmission infrastructure plays the key role in ensuring security of gas fuel supplies. Although in 2008 the transmission system's operation was failure-free, its age and heavy depreciation may pose a threat to the continuity of gas supplies in the future.

Figure 6: Age structure of gas transmission pipelines in Poland



Source: OGP Gaz-System.

Figure 7: Existing and projected natural gas transmission network in Poland



[PMG – Underground Gas Storage Facility

Norwegia – Norway

Litwa – Lithuania

Białoruś – Belarus

Ukraina – Ukraine

Słowacja – Slovakia

Czechy – Czech Republic

Niemcy – Germany]

Source: <http://rynekgazu.pl>

Furthermore, the President of URE highlights the underdevelopment of the gas transmission network, lack of capacity reserves and insufficient integration of the Polish gas system with systems of the neighbouring countries, in particular those of the EU Member States. The President of URE primarily points to the need of eliminating bottlenecks, i.e. points with reduced capacity. The greatest difficulties in transmitting high-methane gas and increasing the flow capacity to consumers at exit points from the transmission system are seen in North-Western Poland where the largest amount of capital expenditure is required in the immediate future; the required spending also pertains to the construction of the LNG terminal in Świnoujście.

The investment tasks related to development of the transmission network will be implemented through OGP Gaz-System, which in 2009–2014 intends to invest ca. PLN 5bn and construct approximately 1,000 km of new gas pipelines. According to OGP Gaz-System's annual report for 2008/2009, the projects which are currently planned or being implemented include:

- Construction of an 80 km of Świnoujście-Szczecin gas pipeline connecting the proposed LNG terminal in Świnoujście with the transmission system in the Szczecin area;

- Construction of a PLN 60 m gas compressor station in Goleniów near Szczecin, which will play an important role as a transmission hub and will help increase the capacity of the system supplying gas to the area of Szczecin, the Police Chemical Plant and the Przymorze district;
- Construction of Szczecin-Lwówek gas pipeline to increase the capacity of the Odolanów-Police gas pipeline – the new pipeline will become the main transmission line for the gas collected at the LNG terminal. The project will be executed in two stages: construction of the Szczecin-Gorzów Wielkopolski section (106 km), and the Gorzów Wielkopolski-Lwówek section (80 km);
- Construction of a 267 km Szczecin-Gdańsk gas pipeline which will be an element of the Northern main gas transmission network connecting the Gdańsk and Szczecin urban areas. The investment project is an extension of the Goleniów-Nowogard-Płoty gas pipeline;
- Construction of Gustorzyn-Odolanów gas pipeline to connect Gustorzyn and Odolanów main system hubs and Wierzchowice and Mogilno Gas Storage Facilities, which will improve gas transmission capabilities;
- Construction of the Włocławek-Gdynia gas pipeline – another 64 km of pipeline is needed to complete the project;
- Upgrade of the Rembelszczyzna-Gustorzyn gas pipeline, which will improve the safety of gas transmission through this connection, strengthen the supply systems leading to the Uniszki hub, and facilitate transmission of larger streams of gas fuel to North-Eastern Poland;
- Extension of gas pipelines in Lower Silesia involving the extension of the Lasów metering station at the Polish-German border and the construction of 104 km of gas pipelines connecting the station with the Wrocław ring road, which will enable the off-take and transmission of larger gas volumes from the Lasów station;
- Construction of a Polkowice-Żary gas pipeline required to secure stable and safe operation of the nitrogen-rich gas system.

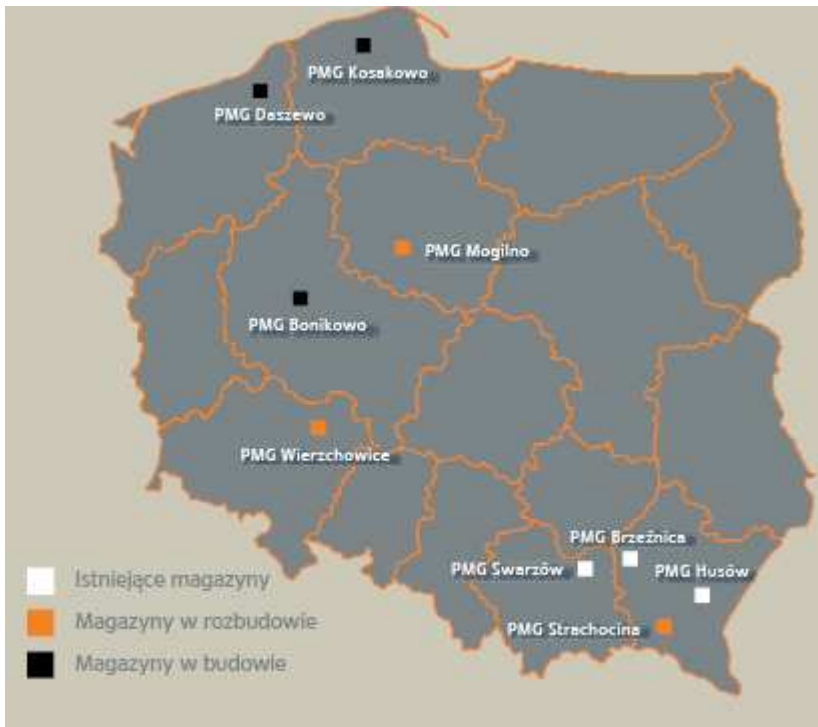
The development of the transmission network is expected to entail extension of the gas distribution network operated by the PGNiG Group.

Increasing gas production by domestic producers is another area requiring investment to ensure Poland's energy security. Projects in this area will be implemented by the PGNiG Group and will involve increasing gas production from Polish fields and providing access to the gas produced from fields located abroad, e.g. in Norway. In 2008, the PGNiG Group produced 4.1bn m³ of gas from Polish fields, of which 2.8bn m³ was produced at the Zielona Góra Branch and 1.8bn m³ at the Sanok Branch. According to the PGNiG Group's strategy adopted in 2008, in the coming years the PGNiG Group intends to increase natural gas production to approximately 6.2bn m³ p.a. by increasing production from the Polish fields to approximately 4.5bn m³ and by launching production from foreign fields in 2011. After 2015, at least 1.5bn m³ of the annual production of natural gas is to come from the equity gas reserves on the Norwegian Continental Shelf (i.e. gas produced by a consortium; PGNiG holds an interest in equity gas pro rata to its share in the consortium). The most important project related to increasing domestic gas production and doubling crude production is the development of Lubiatów-Międzychód-Grotów oil and gas fields. In 2008, the PGNiG Group and the PBG Group executed a PLN 1.7bn contract for development of an oil and gas field; the field is to be commissioned in 2013.

Another vital aspect of Poland's energy security is the implementation of projects designed to expand gas storage capacity. Gas storage facilities help maintain a required amount of reserves in case of short-term

interruptions in gas supplies resulting from system failures or reduced supplies. In addition, the storage facilities guarantee a stable level of production throughout the year. In periods of lower demand, gas is injected into a storage facility, and at times of peak demand – the gas is drawn from the facilities. PGNiG operates six storage facilities with an aggregate storage capacity of 1.66bn m³, which represents 11.9% of the annual demand in Poland. The storage facilities are located in various types of geological structures and have different gas compression and output capacities.

Chart 8: Natural Gas Storage Facilities in Poland



Source: OGP Gaz-System

PMG	Underground Gas Storage Facility
Istniejące magazyny	Existing storage facilities
Magazyny w rozbudowie	Storage facilities being expanded
Magazyny w budowie	Storage facilities under construction

PGNiG's strategy provides for the expansion of storage capacity by approximately 2bn m³, to a target capacity of 3.8bn m³ in 2015. The most extensive project is the expansion of the Wierzchowice Gas Storage Facility from 0.5bn m³ to a target capacity of 2bn m³ in 2015. The first stage of this project is currently underway and is scheduled to be completed in 2011, with the expansion of the gas storage capacity to 1.2bn m³. This contract, worth PLN 1.3bn, is performed by a PBG-led consortium. In addition to the construction of new capacity at Wierzchowice, PGNiG is currently implementing the following capacity expansion projects:

- expansion of the Mogilno Storage Facility – PLN 525m,
- construction of the Kosakowo Storage Facility – PLN 425m,
- expansion of the Strachocina Storage Facility – PLN 209m,

- construction of the Bonikowo Storage Facility – PLN 160m,
- construction of the Daszewo Storage Facility – PLN 40m.

Table 26: Expansion of gas storage capacity in Poland – projects planned for 2010–2015

Facility	Type of project	Working capacity (bn m ³)	Target capacity (bn m ³)	Year of completion
Bonikowo	construction	-	0.20	2010
Brzeźnica	-	0.07	0.07	-
Maszewo	construction	-	0.03	2010
Husów	expansion	0.40	0.50	2011
Kosakowo	construction	-	0.13	2015
Mogilno	expansion	0.37	0.62	2015
Strachocina	expansion	0.15	0.33	2011
Swarów	-	0.09	0.09	-
Wierzchowice	expansion	0.58	2.00	2015
Total		1.66	3.97	

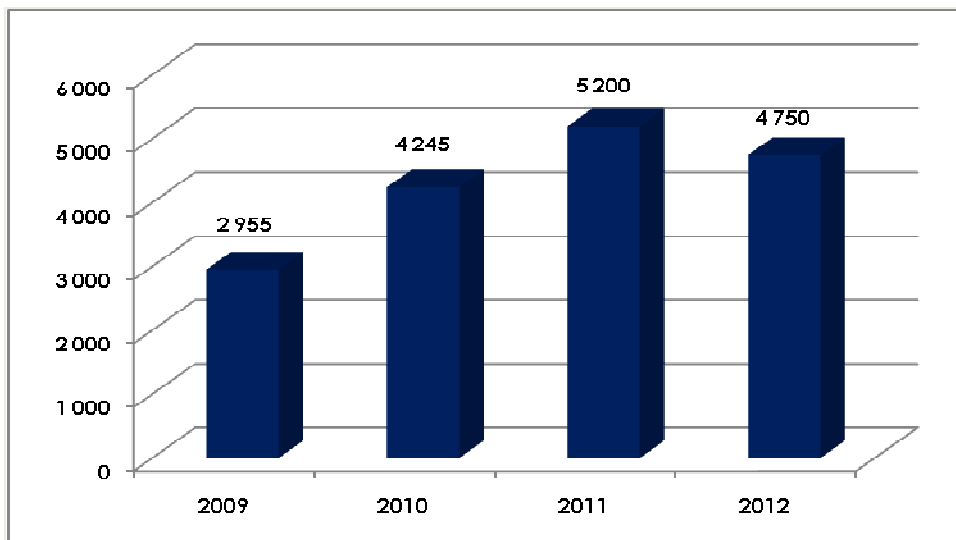
Source: OGP Gaz-System

In addition, the years 2009-2012 will see a number of large-scale investment projects (some of which are already under way) aimed to prepare Poland's infrastructure (mainly its transport system) to the 2012 European Football Championships hosted by Poland. When new motorways, expressways and beltways are built, the existing gas networks will also have to be reconstructed.

New entrants on the Polish market include private distributors of natural gas (e.g. KRI S.A.) and gas exploration companies, such as FX Energy or Aurelian Gas&Oil. Those companies also have investment plans designed to develop the existing transmission and distribution networks, as well as gas production facilities.

PGNiG intends to allocate an amount in the range of **PLN 25bn–PLN 32bn** to the implementation of the PGNiG Group's Strategy until 2015. On the other hand, the **Gaz-System** Group's planned investment expenditure for 2007-2013 is approximately **PLN 5bn**.

Figure 9: PGNiG's capital expenditure planned for 2009-2012 (PLNm)



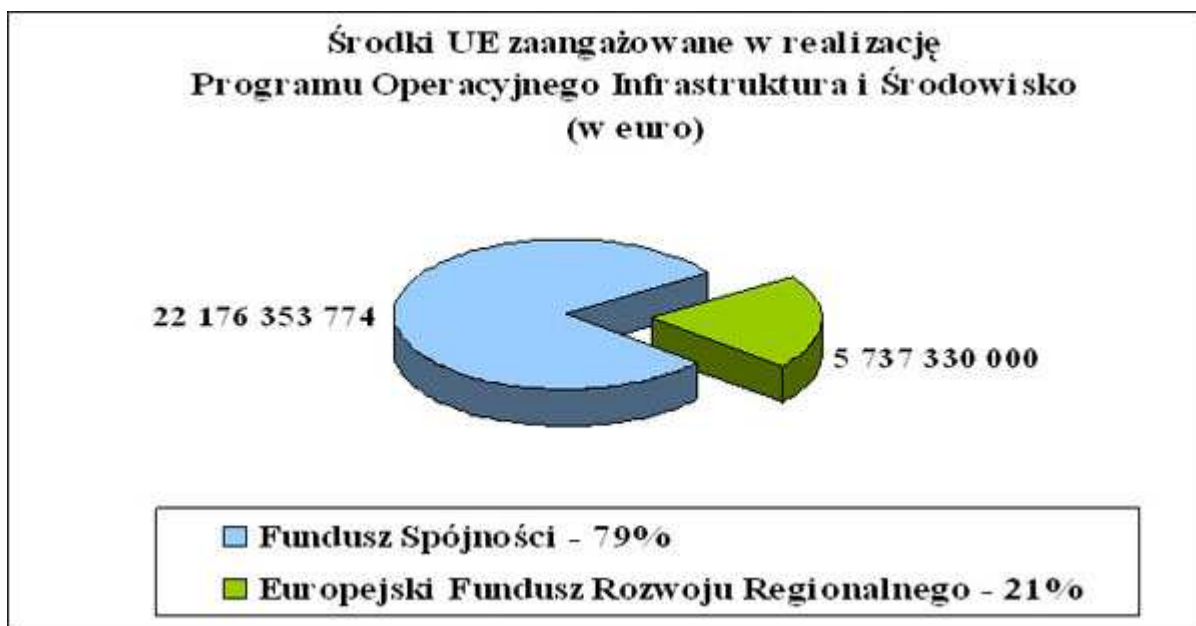
source: PGNiG, KBC Securities

2. Environmental Protection and Water Engineering Market

One of the key documents applicable to environmental protection projects is the Infrastructure and Environment Operational Programme for 2007-2013, adopted and endorsed by the European Commission on December 7th 2007. The Programme – in line with the draft National Strategic Reference Framework (NSRF) for 2007-2013 – is one of the operational programmes which constitute a critical tool in helping achieve the objectives stated in the NSRF, with the financial support from the Cohesion Fund and the European Regional Development Fund .

The main objective behind the Programme is to promote Poland (also at the level of its individual regions) as an attractive investment destination, by developing technical infrastructure, protecting and improving the quality of the environment and developing the country's territorial cohesion. This means that investment into technical infrastructure (the core area of the PBG Group's business) is additionally driven by an influx of structural funds from the EU. This is particularly true in the case of financing of water and sewage systems, as well as wastewater treatment plants. To illustrate the impact of EU funds on the water segment's revenues, suffice it to mention that the amount of financial support received by Poland in 2000-2003 to co-finance projects in the area of environmental protection and water engineering amounted to EUR 0.7bn. In 2004-2006, the total grants amounted already to EUR 4.2bn. The total amount of funds committed to the **implementation of the Infrastructure and Environment Operational Programme for 2007-2013 will reach EUR 37.6bn** (at current prices), of which the public contribution will amount to EUR 35.3bn. The public contribution will comprise EU funds of EUR 27.9bn (including EUR 22.2bn from the Cohesion Fund and EUR 5.7bn from the European Regional Development Fund), and funds from the Polish state budget of EUR 7.4bn. In addition to public funds, the Programme will also be financed with private money – financial support for the corporate sector will be subject to competitive terms. The total amount of private funds has been estimated at EUR 2.3bn.

Figure 10: EU funds committed to the Infrastructure and Environment Operational Programme



Środki UE zaangażowane w realizację Programu Operacyjnego Infrastruktura i Środowisko (w euro)	EU Funds committed to the Infrastructure and Environment Operational Programme (EUR)
Fundusz Spójności	Cohesion Fund
Europejski Fundusz Rozwoju Regionalnego	European Regional Development Fund

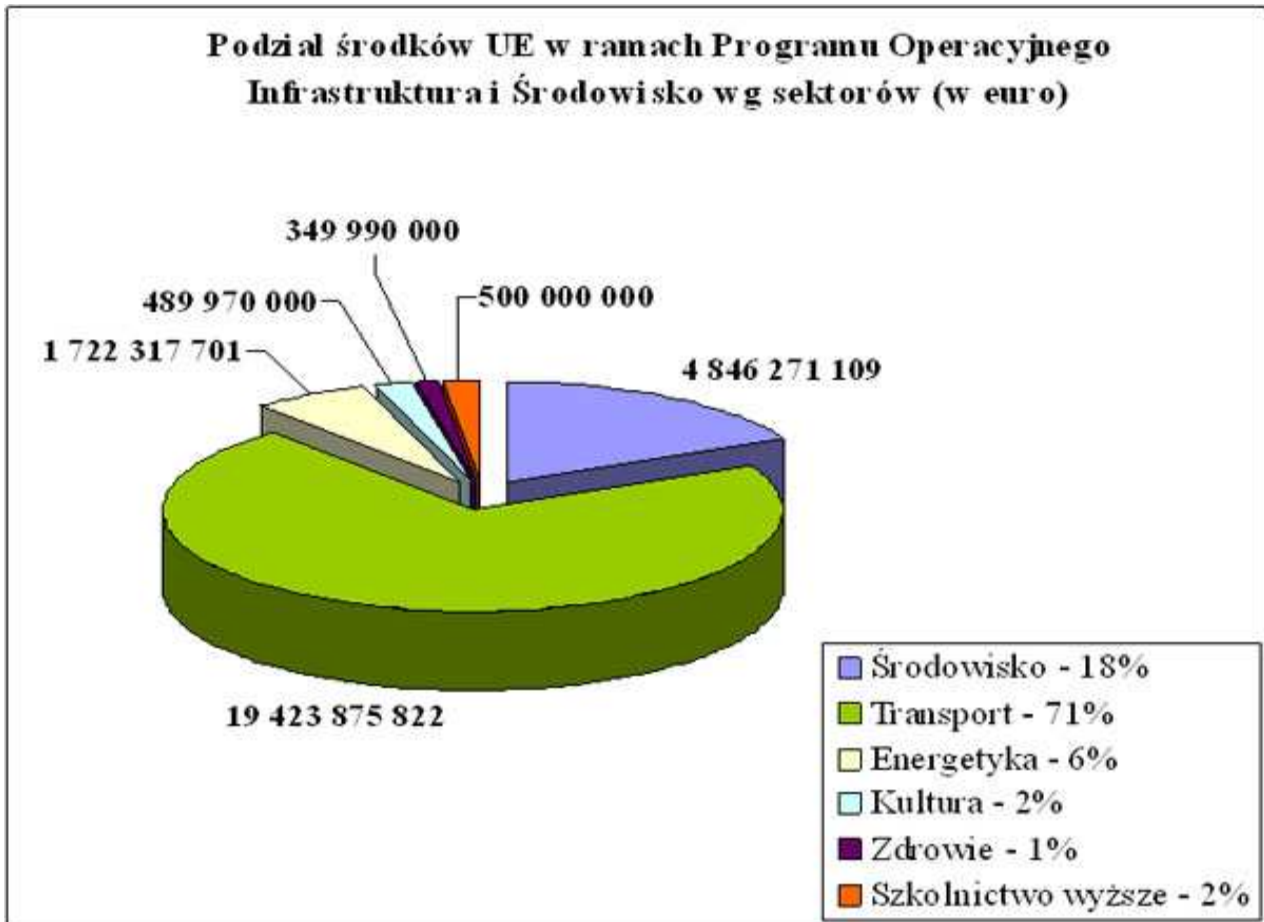
Table 27: Allocation of EU funds under the Infrastructure and Environment Operational Programme, by priority

1	Infrastructure and Environment Programme	Community contribution (EUR '000)		%	
		ERDF	CF	ERDF	CF
2		3	4	5	6
P I	Water and wastewater management		2,783,943		12.6%
P II	Waste management and land conservation		1,215,740		5.5%
P III	Resource management and environmental risk prevention		556,788		2.5%
P IV	Projects designed to adapt businesses to meet environmental requirements	200,000		3.5%	
P V	Protection of the environment and environmental awareness promotion	89,800		1.6%	
P VI	The TEN-T road and air transport network		8,802,367		39.7%
P VII	Environment-friendly transport		7,676,019		34.6%
P VIII	Transport safety and domestic transport networks	2,945,490		51.3%	
P IX	Environment-friendly power infrastructure and energy efficiency		748,037		3.4%
P X	Energy security, including through diversification of energy sources	974,280		17.0%	
P XI	Culture and cultural heritage	489,970		8.5%	
P XII	Health security and improvement of health-care efficiency	349,990		6.1%	
P XIII	Higher education infrastructure	500,000		8.7%	
P XIV	Technical support – European Regional Development Fund	187,800		3.3%	
P XV	Technical support – Cohesion Fund		393,459		1.8%
Total allocation 2007-2013		5,737,330	22,176,353	100.0%	100.0%

Allocation of EU funds under the Infrastructure and Environment Operational Programme, by sector:

- environmental protection – **EUR 4.84bn**;
- transport – **EUR 19.4bn**;
- power – **EUR 1.7bn**;
- culture – **EUR 490m**;
- health – **EUR 350m**;
- higher education – **EUR 500m**.

Figure 11: Allocation of EU funds under the Infrastructure and Environment Operational Programme



Podział środków UE w ramach Programu Operacyjnego Infrastruktura i Środowisko wg sektorów (w euro)	Allocation of EU funds under the Infrastructure and Environment Operational Programme, by sector (EUR)
Środowisko	Environmental protection
Transport	Transport
Energetyka	Power
Kultura	Culture
Zdrowie	Health
Szkolnictwo wyższe	Higher education

The Programme – in line with the National Strategic Reference Framework (NSRF) approved by the European Commission on May 7th 2007 – is one of the operational programmes which constitute a critical tool in helping achieve the objectives stated in the NSRF, with the support of funding from the Cohesion Fund and the European Regional Development Fund. In addition, the Infrastructure and Environment Operational Programme plays an important role in the implementation of the renewed Lisbon Strategy – the Programme expenditure on EU priority policy goals account for 66.23% of its entire budget financed with EU funds.

Source: www.pois.gov.pl; *The Lisbon Strategy – a development plan for the European Union adopted by the European Council in 2000 in Lisbon – OJ L. 210 of July 31st 2006, p. 25.*

It is estimated that the value of **water engineering** projects, implemented under the Infrastructure and Environment Operational Programme in 2007-2013 will not be lower than **EUR 4.8bn**. After pooling those funds with investors' equity (at the level approximating 20% of the budget of each planned project), they add up to nearly **EUR 6bn**.

Source: www.funduszezestrukturalne.gov.pl

The main beneficiaries of EU funds are local governments. The funding obtained by those bodies will translate into higher demand for services offered by the PBG Group. As far as environmental protection issues are concerned, the Cohesion Fund gives the highest priority to improving water and wastewater management, as well as to flood security. **26 projects have been approved for implementation** in the first area, **and 17 in the second area**.

The largest planned projects include:

Water and wastewater management:

- wastewater treatment in the Żywiec region – **PLN 704m**;
- modernisation and development of the water and wastewater management system in Nowy Sącz – **PLN 250m**;
- optimisation of the water and wastewater management in the town of Żory – **PLN 229m**;
- construction of sanitary sewage system in the Marki municipality – **PLN 201m**;
- water and wastewater management in the town of Nowa Sól – **PLN 188m**;
- optimisation of wastewater management in the town of Płock – **PLN 169m**.

Water retention and flood security:

- construction of a dam and water power station in Nieszawa – **PLN 2bn**;
- development of a flood control reservoir Racibórz Dolny on the Odra river – **PLN 1.28bn**;
- modernisation of the Wrocław Hydrotechnical System – **PLN 680m**;
- flood protection of Żuławy – approximately **PLN 650m**;
- modernisation of the Wrocław Hydrotechnical System – reconstruction of the town's flood control system – **PLN 572m**;
- modernisation of the Nysa water reservoir – **PLN 467m**;
- modernisation of the artificial waterfall in Włocławek – **PLN 153m**;

According to estimates prepared by the Ministry of Environment, the aggregate value of projects related to **water structures** will exceed **PLN 23bn** by 2020. The amount includes both greenfield expenditure and expenditure on modernisation of parts of facilities deteriorated through wear and tear. The project designated as "**Program ODRA 2006**" is one of the most important investment projects in this area (with the estimated aggregate value of the key projects exceeding **EUR 0.52bn**). The programme's objectives include the construction of a flood-control system, removal of flood damage and utilisation of the power-generation potential of rivers. The projects will be partially financed with EU aid funds. According to the Ministry of

Environment's budget plans, the amount of nearly **PLN 3.1bn** is to be allocated to financing **flood-control structures** in the years 2002–2016. **The redevelopment and modernisation of flood embankments** will cost **PLN 364.5m**.

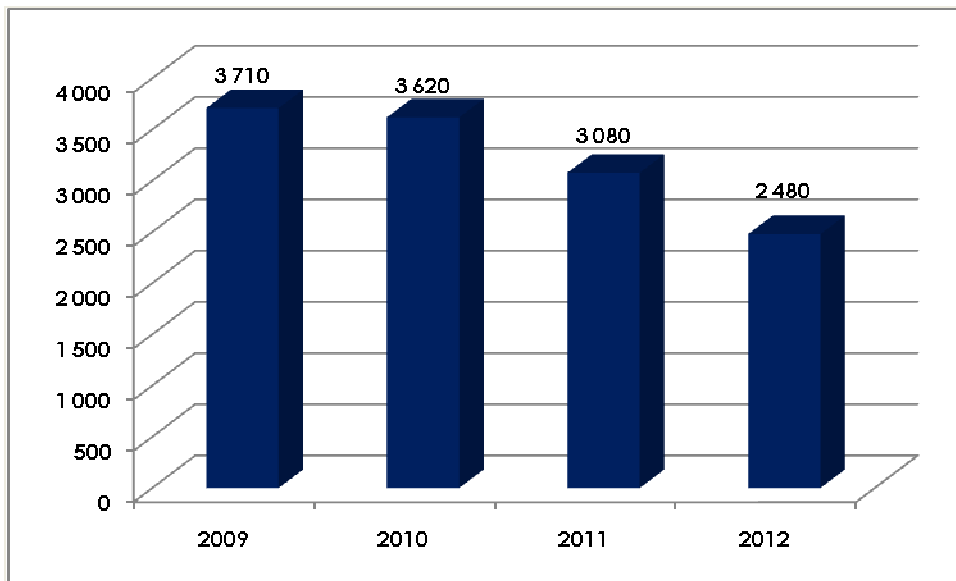
3. Oil and Fuels Market

The PGB Group's position in the oil industry is related to investment plans of PGNiG S.A., LOTOS S.A., NATO, OLPP, PERN Przyjaźń S.A. as well as other organisations in the fuel sector.

Factors with a material bearing on the oil and fuel market include:

- **Investment plans of PKN Orlen SA** for 2009–2013, amounting to **PLN 12.9bn**;

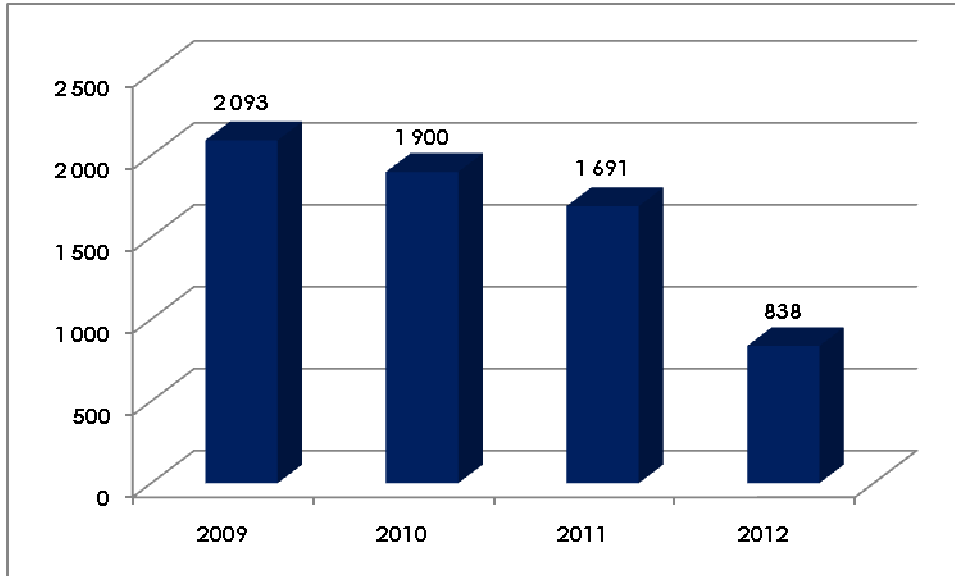
Figure 12: Capital expenditure planned by PKN ORLEN for 2009-2012 (PLN m)



Source: PKN ORLEN, KBC Securities

- **Investment plans of LOTOS S.A.** for 2009–2012, amounting to ca. **PLN 6.7bn**, including implementation of the 10+ Programme comprising capital outlays of **PLN 5.2bn** (objectives of the Programme include increasing crude processing capacity from 6m to 10.5m tonnes; improving the oil conversion ratio; mild hydrocracking unit (MHC); diesel oil hydrodesulphurisation unit (HDS); and residuum oil supercritical extraction (ROSE).

Figure 13: Capital expenditure planned by LOTOS for 2009-2012 (PLN m)



Source: LOTOS, KBC Securities

➤ **NATO's investments** in Poland in 2009-2014, worth **EUR 400m**, including fuel storage depots (PLN 0.7bn);



lotniska NATO – NATO airfields

składy paliwowe – fuel depots

porty wojenne NATO – NATO naval sea ports

radary dalekiego zasięgu NATO – NATO long-range radars

➤ **Plans for construction of crude oil pipelines:** Adamów–Płock and Odessa–Brody.

The currently implemented plans of PERN Przyjaźń S.A. focus on development of the feedstock infrastructure. The infrastructure is being developed in two independent directions:

The eastern direction – construction of the third line of the Adamów–Płock pipeline is in progress. The new pipeline will help adjust the capacity of Polish pipelines to the current transmission capacity via the northern section of the Friendship pipeline. The final completion of the project is planned for 2011–2012. The investment in the Friendship pipeline was made in response to the growing demand for Russian crude. Poland lies on one the major routes for oil exports from Russia. In addition to resolving the urgent issues of the state's energy security, the new pipeline will also create conditions conducive to the development of services related to crude transit through Poland.

The southern direction – PERN Przyjaźń S.A. together with Ukrtransnafta of Ukraine continue work on construction of the Brody–Płock pipeline, which will enable delivery of Caspian crude to refineries in Central and Western Europe. The initial assumption is that the transmission volume of Caspian crude transported via the Brody–Płock pipeline will be up to 25m tonnes annually.

Rurociągi w Polsce



Source: www.pern.com.pl

Pipelines in Poland

Rurociągi paliwowe – fuel pipelines

Rurociągi ropy naftowej – crude pipelines

Rurociągi w budowie – pipelines under construction

rafineria – refinery

bazy magazynowe – storage depots
 port – sea terminal

Rurociągi w Europie



Source: www.pern.com.pl

Pipelines in Europe

Rurociąg Odessa–Brody – Odessa–Brody pipeline

Rurociąg Przyjaźń – Friendship Pipeline

III nitka w budowie – Third line under construction

Planowany rurociąg – Planned pipeline

rafineria – refinery

port – sea terminal

4. Infrastructure Construction Market

Development of **these markets** will be strongly influenced by projects related to the organisation of the European Football Championships **EURO 2012**. The aggregate value of projects in Poland and Ukraine is estimated at nearly **EUR 38bn**, of which 60% will be spent on projects in Poland. **Stadium refurbishment and construction projects** are expected to involve expenditure of around **EUR 2.9bn**. The largest projects concerning refurbishment and construction of Polish stadiums have already been contracted.

Upgrade, extension and construction of airports in eight cities in Poland is planned to cost up to **EUR 396m** from the EU budget plus EUR 370m in outlays incurred by the relevant local authorities. Investment plans concerning airports are included in the Infrastructure and Environment Operational Programme for 2007–2013. Fourteen projects have been approved, whereas 11 are in the reserve list. **The key airport-related projects are listed below:**

- extension of the passenger terminal and the existing infrastructure of the Krakow airport – **PLN 630m**;
- upgrade of the Warsaw airport's infrastructure – **PLN 502m**;
- extension and upgrade of the Katowice airport – **PLN 416m**;
- extension and upgrade of the Poznań airport's infrastructure – **PLN 395m**;
- construction of the second passenger terminal, including associated infrastructure, plus extension and upgrade projects at the Gdańsk airport – **PLN 377m**;
- construction of a new terminal and extension and upgrade of the existing infrastructure of the Rzeszów airport – **PLN 334m**;
- upgrade of the Wrocław airport's infrastructure – **PLN 313m**;
- extension and upgrade of the Szczecin airport – **PLN 121m**.

Projects related to the **construction of waste incineration plants** in Poland's largest cities can potentially become key investment tasks for the PBG Group's activities. These projects also fall within the scope of the Infrastructure and Environment Operational Programme for 2007–2013. Priority II of the Programme precisely concerns waste management and land conservation. Eighteen projects have been submitted and approved. The key projects include:

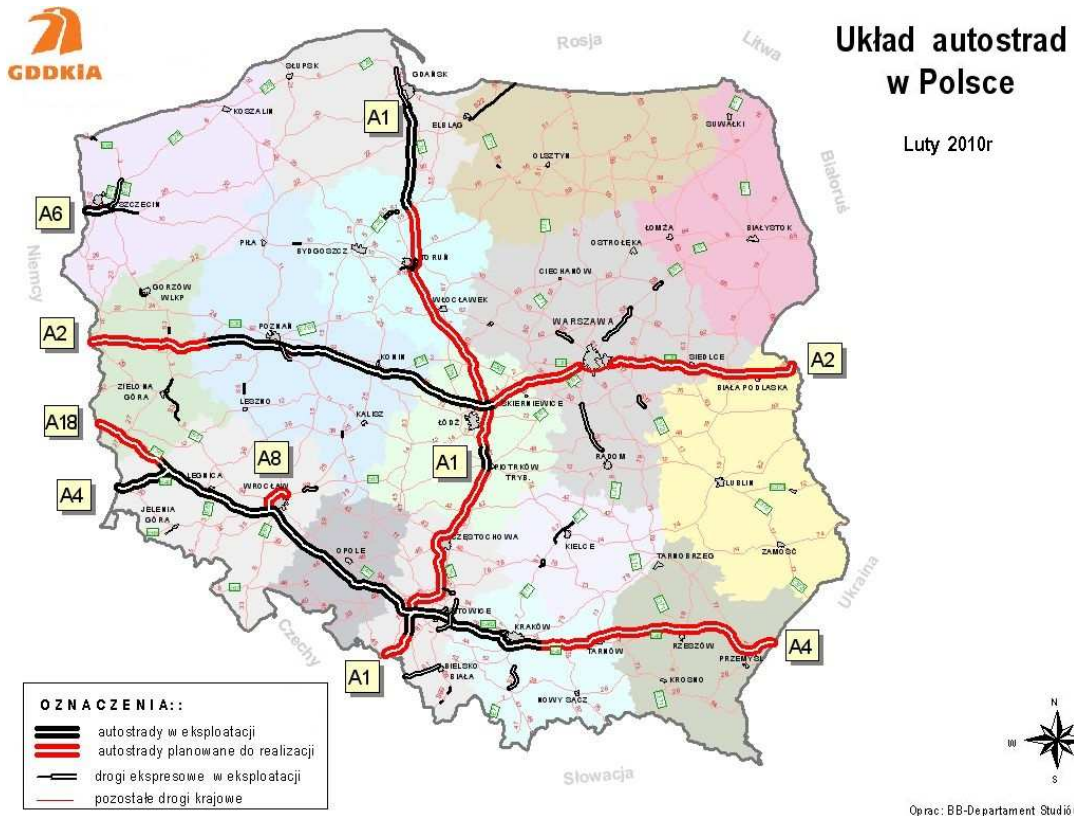
- development of a waste management system for the towns and cities in the Upper Silesian Metropolitan Area, including construction of waste incineration plants – **PLN 1.1bn**;
- municipal waste management in Kraków, including construction of a waste incineration plant – **PLN 703m**;
- municipal waste management in Łódź, including construction of a waste incineration plant – **PLN 660m**;
- waste management system for the municipality of Poznań – **PLN 640m**;
- waste management system for the Gdańsk Metropolitan Area – **PLN 539m**;
- upgrade and extension of the Municipal Solid Waste Treatment Plant in Warsaw – **PLN 533m**;
- construction of a waste incineration plant in Olsztyn – **PLN 518m**;
- integrated waste management system for the Białystok urban agglomeration – **PLN 414m**;
- construction of a waste incineration plant for the Bydgoszcz–Toruń Metropolitan Area – **PLN 400m**;
- municipal waste management upgrade project in Gdańsk – **PLN 329m**; a **PLN 299m** tender concerning construction of a waste incineration plant has already been completed, with companies from the PBG Group having been awarded the contracts in August 2008;
- construction of a waste incineration plant for the Szczecin Metropolitan Area – **PLN 300m**.

5. Road Construction Market

In 2008–2012, the projects for development of a basic road network will be focused on:

- construction of a motorway network with a total length of approximately 1,779 km (including sections built under Public–Private Partnership);

Figure 14: Target motorway system in Poland



Source: GDDKiA

Układ autostrad w Polsce	Motorway system in Poland
Luty 2010 r.	February 2010
Oznaczenia:	Key:
Autostrady w eksploatacji	Motorways in service
Autostrady planowane do realizacji	Motorways planned to be constructed
Drogi ekspresowe w eksploatacji	Expressways in service
Pozostałe drogi krajowe	Other main roads
Oprac.: BB-Departament Studiów GDDKiA	Developed by: BB-Department of Studies at GDDKiA

- construction of an expressway network with a total length of approximately 2,274 km;
- construction of 54 beltways with a total length of 428 km in towns affected by intense drive-through traffic, as well as prevention of new building developments in the bypass area;
- improvement of the condition of main roads to ensure that 75% of main roads are classified as roads in a good condition and 10% as roads in a satisfactory condition in 2013.

Figure 15: Projects under way and planned tenders



Source: GDDKiA

Odcinki istniejące	Existing sections
Odcinki w realizacji	Sections under construction
Odcinki na etapie przetargu	Sections for which tenders are underway
Planowany przetarg do końca 2010 r.	Tenders planned to be announced by the end of 2010
W przygotowaniu	Preparatory stage

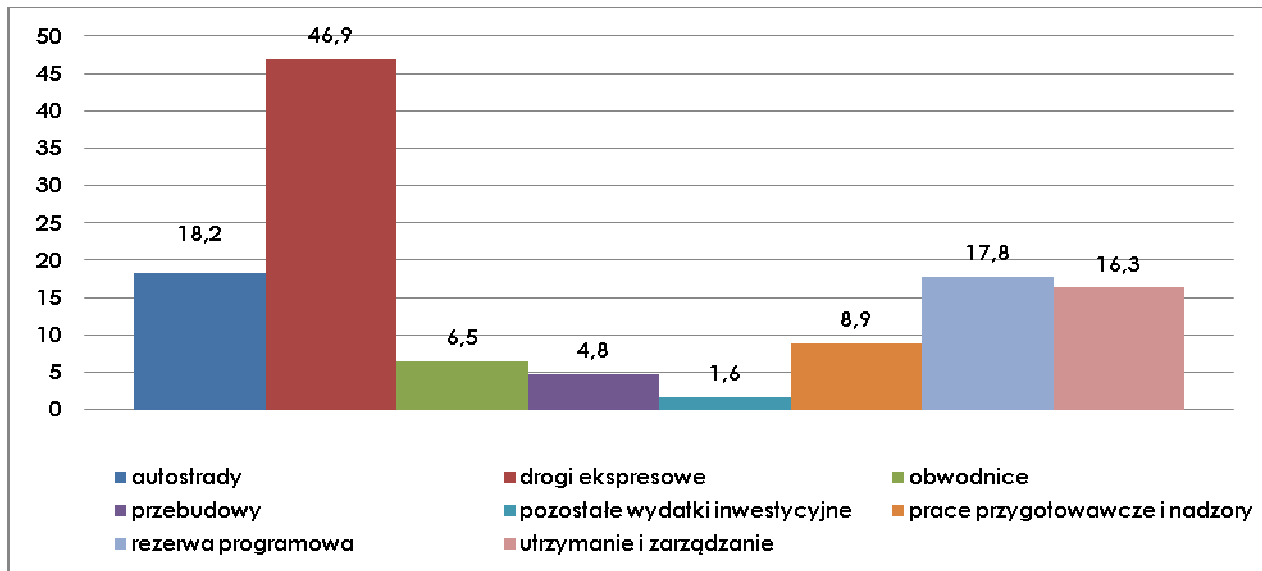
The hosting of the European Football Championships by Poland and Ukraine in 2012 significantly accelerates projects involving **road construction**, and as much as up to **PLN 121bn** is to be spent on those projects in 2008-2012.

Expenditure on projects under the Main Road Construction Programme, split in the following categories, is as follows:

- motorways – **PLN 18.2bn**;
- expressways – **PLN 46.9bn**;
- beltways – **PLN 6.5bn**;
- surface treatment and road reconstruction – **PLN 4.8bn**;
- preparatory work and supervision – **PLN 8.9bn**;
- other capital expenditure (project-related spending, e.g. office equipment and patrol cars) – **PLN 1.6bn**;

- **contract reserves and reserves for performance bonds and litigation – PLN 17.8bn;**
- road maintenance and management in 2008–2012 – **PLN 16.3bn.**

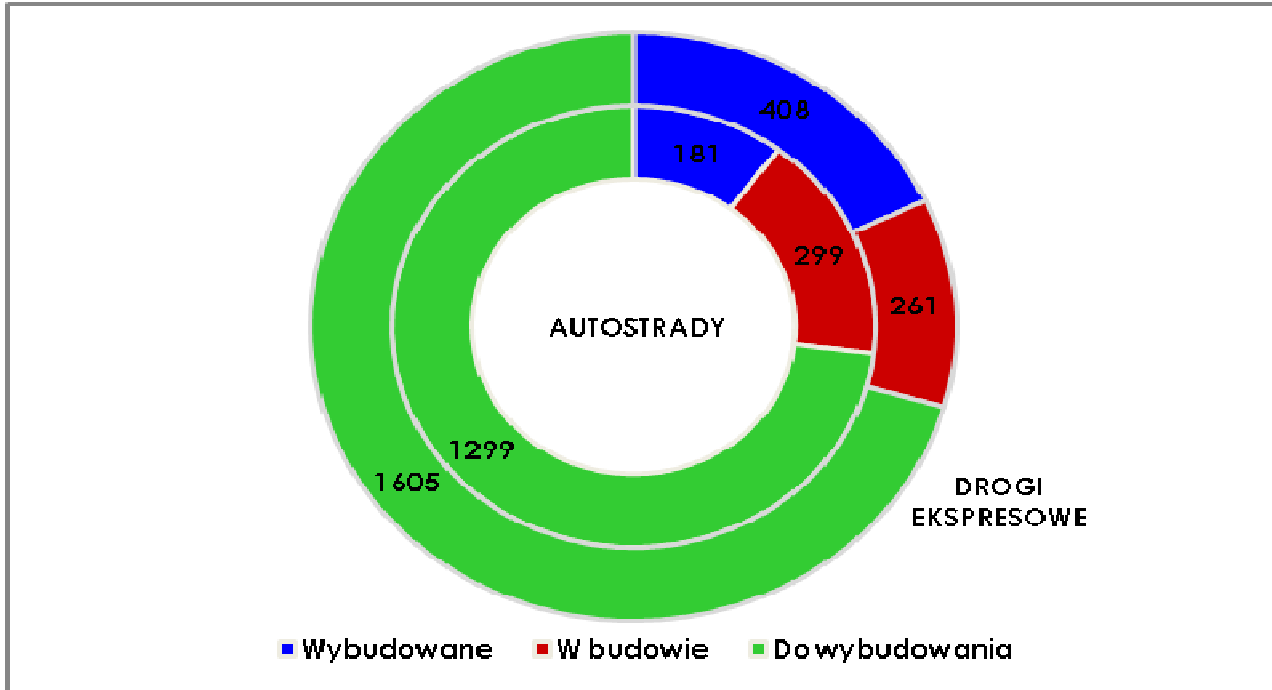
Table 28: Capital expenditure by category in 2008–2012 (PLN bn)



Source: www.mi.gov.pl

Autostrady	Motorways
Przebudowy	Road reconstruction
Rezerwa programowa	Contract reserves
Drogi ekspresowe	Expressways
Pozostałe wydatki inwestycyjne	Other capital expenditure
Utrzymanie i zarządzanie	Maintenance and management
Obwodnice	Beltways
Prace przygotowawcze i nadzory	Preparatory work and supervision

Figure 16: Progress of the motorway and main road construction programme as at February 2010 (in km)



Source: GDDKiA

Autostrady	Motorways
Drogi ekspresowe	Expressways
Wybudowane	In service
W budowie	Under construction
Do wybudowania	To be constructed

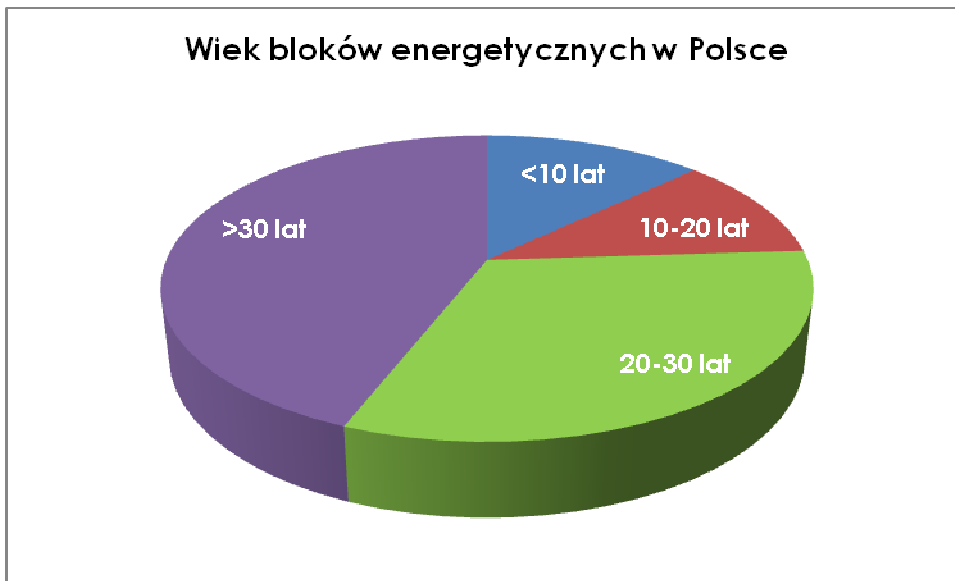
The PBG Group sees a great potential for growth in the road construction segment. Historically, the PBG Group has focused on execution of low-value contracts on local markets. The Group will continue pursuing this strategy as it generates relatively high margins, reaching up to 10% in net profit terms. However, as the market grows, the PBG Group spots opportunities in the expressways and motorways construction segment. This market, as it becomes more saturated, will generate better and, from the PBG Group's perspective, more satisfactory margins.

6. Power Sector Construction

The market for power sector construction in Poland will be one of the key growth drivers in the Polish construction sector in the coming years. Increasing capital expenditure on construction in the power sector follows from a rising demand for power and the need to upgrade obsolete power plants. According to Eurostat, the annual consumption of electricity in Poland is 160TWh, ranking Poland sixth in Europe (after France, Germany, Great Britain and Spain). This is equivalent to consumption of 3 MWh per capita, half of the average consumption in the EU-15 countries. The average age of power units owned by Polish energy producers is between 30 and 40 years, with approximately one quarter of all units in Poland older than 40 years. Such old facilities emit large amounts of carbon dioxide which, on recommendation of the European Union, must be reduced by 20% by 2020. By the end of 2012, at least 4.1GW capacities must be upgraded. According to estimates by the Polish Energy Agency, 15GW of current generation capacities would have to

be decommissioned by 2030 due to old age or environmental considerations. Depending on the source, over the next decade **the power sector in Poland will attract from PLN 150 to 200 billion in investments**. The four key players in the power sector, PGE, Tauron, Energa and Enea, plan to significantly increase their capital expenditure in the coming years. They want to focus not only on constructing new units powered by conventional energy sources but also on plants using renewable sources. The producers will also need to invest in keeping the existing units in operation. According to initial plans outlined by these operators, **PGE plans to invest PLN 30bn until 2013 and further PLN 63bn by 2023 (including in construction of a nuclear plant), Tauron wants to invest PLN 30bn by 2020, Energa – PLN 20bn by 2015, and Enea – PLN 20bn by 2020.**

Figure 17: Age of power units in Poland



Source: Vattenfall

Wiek bloków energetycznych w Polsce	Age of power units in Poland
(...) lat	(...) years

VII. COMPANIES OF THE PBG GROUP

As at the date of filing this Report, the PBG Group was composed of the following companies:

Parent Undertaking

Company	Address	Tel. No./Fax	WWW	e-mail
PBG S.A.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 665 17 00 (+48 61) 665 17 01	www.pbg-sa.pl	polska@pbg-sa.pl

Direct subsidiary undertakings

Company	Address	Tel. No./Fax	WWW	e-mail
Hydrobudowa Polska S.A.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 664 19 50 (+48 61) 664 19 51	www.hbp-sa.pl	polska@hbp-sa.pl
Metorex Sp. z o.o.	Ul. Żwirki i Wigury, 17A, 87-100 Toruń, Poland	(+48 56) 66 96 647 (+48 56) 65 96 647	www.grupapbg.pl	metorex@post.pl
Infra S.A.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 662 25 70 (+48 61) 662 25 72	www.infra-sa.pl	biuro@infra-sa.pl
KWG S.A.	Ul. Wojska Polskiego 129, 70-490 Szczecin, Poland	(+48 91) 432 11 30 (+48 91) 469 24 24	www.kwg.com.pl	biuro@kwg.com.pl
PBG DOM Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.pbgdom.pl	biuro@pbgdom.pl
Gas Oil Eneginerring AS	Ul. Karpatská 3256/15, Poprad 058 01, Slovakia	+421 52 7144 111 +421 52 7144 140	www.gasoil.sk	gasoil@gasoil.sk
Excan Oil and Gas Engineering Ltd.	9637-45 Avenue, Edmonton Alberta T5J 3V5, Canada	+1 780 701 7501 +1 780 430 1133	www.excan.ca	info@excan.ca
Brokam Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 691 470 133 (+48 61) 66 41 981	www.grupapbg.pl	pawel.dolinski@pbg-sa.pl
Avatia Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 46 440 (+48 61) 66 46 441	www.avatia.pl	biuro@avatia.pl
Aprivia S.A.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 46 426 (+48 61) 66 46 427	www.aprivia-sa.pl	biuro@aprivia-sa.pl
PBG Technologia Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 32) 779 10 00 (+48 32) 779 10 23	www.grupapbg.pl	sekretariat@pbg-t.pl
PBG Export Sp. z o.o.	Al. Słowackiego 165, 30-004 Kraków, Poland	(+48 12) 298 41 60 (+48 12) 298 41 69	www.grupapbg.pl	office@pbg-export.pl
PBG Ukraina	Ul. Kondratiuka 1, 04-201 Kiev, Ukraine	(+48 61) 665 17 00 (+48 61) 665 17 01	www.grupapbg.pl	N/A
Wschodni Invest Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 665 17 00 (+48 61) 665 17 01	www.grupapbg.pl	N/A

Indirect subsidiary undertakings

Company	Address	Tel. No./Fax	WWW	e-mail
Hydrobudowa 9 S.A.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 846 97 00 (+48 61) 847 56 23	www.hb9.pl	sekretariat@hbp.pl
Dromost Sp. z o.o.	Żabno 2A, 63-112 Brodnica, Poland	(+48 61) 28 23 607 (+48 61) 28 23 639	www.dromost.pl	polska@dromost.pl
PRID S.A.	Ul. Poznańska 42, 64-300 Nowy Tomyśl, Poland	(+48 61) 44 37 600 (+48 61) 44 37 628	www.prid.pl	sekretariat@prid.pl
Betpol S.A.	Ul. Fordońska 168A, 85-766 Bydgoszcz, Poland	(+48 52) 343 59 08 (+48 52) 344 47 15	www.betpol.com.pl	betpol@betpol.com.pl
Gdyńska Projekt Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 846 97 00 (+48 61) 847 56 23	www.grupapbg.pl	sekretariat@hbp.pl
P.R.G. Metro Sp. z o.o.	Ul. Wólczyńska 163, 01-919 Warsaw, Poland	(+48 22) 864 57 50 (+48 22) 864 57 52	www.prgmetro.pl	info@prgmetro.pl
Górecka Projekt Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
Apartamenty Poznańskie Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest I Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest II Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest III Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl

PBG DOM Invest IV Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest V Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Invest III Sp. z o.o. sp. k.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
Złotowska 51 Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
PBG DOM Management I Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
City Development Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
KINO Development Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl
Villa Poznań Sp. z o.o.	Ul. Skórzewska 35, 62-081 Wysogotowo near Poznań, Poland	(+48 61) 66 41 986 (+48 61) 661 41 960	www.grupapbg.pl	biuro@pbgdom.pl

Associated undertaking

Company	Address	Tel. No./Fax	WWW	e-mail
Energomontaż-Południe S.A.	Ul. Mickiewicza 15, 40-951 Katowice, Poland	(+48 32) 200 82 34 (+48 32) 258 65 22	www.energomontaz.pl	info@energomontaz.pl

VIII. BRANCHES

PBG S.A.'s (the Parent Undertaking's) branches:

The Parent Undertaking has no branches.

Subsidiary undertakings' branches:

Hydrobudowa Polska S.A.:

Włocławek Branch,

ul. Płocka 164, 87-800 Włocławek, Poland

Silesia Branch,

ul. Żwirki i Wigury 58, 43-190 Mikołów, Poland

Infra S.A.:

Warsaw Branch

ul. Mehoffera 86, 03-118 Warsaw, Poland

CHAPTER IV: REPORT ON THE PBG GROUP'S OPERATIONS IN 2009

I. TOTAL NUMBER OF SHARES HELD IN RELATED UNDERTAKINGS

Table 29: Number of shares held in related undertakings

Related undertaking	Relation		As at Dec 31 2009		As at the date of representation	
	Parent	Type of relation	Number of shares	Par value of shares	Number of shares	Par value of shares
Metorex Sp. z o.o.	PBG S.A.	subsidiary	682	PLN 51,150.00	682	PLN 51,150.00
INFRA S.A.	PBG S.A.	subsidiary	4,997,500	PLN 4,997,500.00	4,997,500	PLN 4,997,500.00
Hydrobudowa Polska S.A.	PBG S.A.	subsidiary	132,098,185	PLN 132,098,185.00	132,098,185	PLN 132,098,185.00
KWG S.A.	PBG S.A.	subsidiary	28,700	PLN 2,870,000.00	28,700	PLN 2,870,000.00
Excan Oil and Gas Engineering LTD, Canada	PBG S.A.	subsidiary		CAD 250,000.00		CAD 250,000.00
Gas Oil Engineering AS, Slovakia	PBG S.A.	subsidiary		EUR 414,647.48		EUR 414,647.48
PBG Dom Sp. z o.o.	PBG S.A.	subsidiary	123,572	PLN 12,357,200.00	550,000	PLN 55,000,000.00
BROKAM Sp. z o.o.	PBG S.A.	subsidiary	12,000	PLN 12,000,000.00	12,000	PLN 12,000,000.00
AVATIA Sp. z o.o.	PBG S.A.	subsidiary	998	PLN 49,900.00	998	PLN 49,900.00
APRIVIA S.A.	PBG S.A.	subsidiary	71,993,000	PLN 71,993,065.00	71,993,000	PLN 71,993,065.00
PBG Technologia Sp. z o.o.	PBG S.A.	subsidiary	46,100	PLN 23,050,000.00	46,100	PLN 23,050,000.00
PBG EXPORT Sp. z o.o.	PBG S.A.	subsidiary	19,900	PLN 999,500.00	19,900	PLN 999,500.00
Wschodni Invest Sp. z o.o.	PBG S.A.	subsidiary	37,740	PLN 3,774,000.00	37,740	PLN 3,774,000.00
PBG Ukraina Publiczna Spółka Akcyjna	PBG S.A.	subsidiary	222,227	UAH 888,908,00	222,227	UAH 888,908,00
Hydrobudowa 9 S.A.	HBP S.A.	indirect subsidiary	14,536,685	PLN 1,453,668.50	14,536,685	PLN 1,453,668.50
PRG Metro Sp. z o.o.	HBP S.A.	indirect subsidiary	5,543	PLN 5,543,000.00	5,543	PLN 5,543,000.00
Gdynska Projekt Sp. z o.o.	HB 9 S.A.	indirect subsidiary	60,000	PLN 3,000,000.00	60,000	PLN 3,000,000.00
Górecka Projekt Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	1,000	PLN 50,000.00	1,000	PLN 50,000.00
Apartamenty Poznańskie Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	255	PLN 25,500.00	255	PLN 25,500.00

PBG Dom INVEST II Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	255	PLN 25,500.00	255	PLN 25,500.00
PBG Dom Invest I Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	500	PLN 50,000.00	500	PLN 50,000.00
Złotowska 51 Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	150	PLN 75,000.00	150	PLN 75,000.00
PBG Dom Management I Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	500	PLN 5,000.00	500	PLN 5,000.00
City Development Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	53,250	PLN 2,662,500.00	53,250	PLN 2,662,500.00
Villa Poznań Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	21,000	PLN 2,110,000.00	21,000	PLN 2,110,000.00
Kino Development Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	500	PLN 50,000.00	500	PLN 50,000.00
PBG Dom Invest III Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
PBG Dom Invest IV Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
PBG Dom Invest V Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	100	PLN 5,000.00	100	PLN 5,000.00
PBG Dom Invest III Sp. z o.o. sp. k.	PBG Dom Sp. z o.o.	indirect subsidiary		PLN 2,000.00		PLN 2,000.00
Dromost Sp. z o.o.	APRIVIA S.A.	indirect subsidiary	6,000	PLN 3,000,000.00	6,000	PLN 3,000,000.00
PRID S.A.	APRIVIA S.A.	indirect subsidiary	25,000	PLN 500,000.00	25,000	PLN 500,000.00
BETPOL S.A.	APRIVIA S.A.	indirect subsidiary	14,244,999	PLN 14,244,999.00	14,244,999	PLN 14,244,999.00
Energopol-Ukraina	Wschodni Invest Sp. z o.o.	indirect subsidiary	37,240	PLN 3,724,000.00	37,240	PLN 3,724,000.00

In addition to the companies listed above, PBG S.A., the Parent Undertaking, 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 GROUP'S OPERATIONS

Table 30: Agreements material to the PBG Group's operations and concluded within the period covered by this Report and subsequent to the balance-sheet date

Date	Parties	Subject matter	Key terms
Jan 21 2009	Principal: PBG S.A. Contractor: HBP S.A.	Comprehensive project consisting in construction of fuel storage facilities, social and technological facilities, as well as external networks of underground infrastructure related to the development of crude oil and natural gas deposits in the Lubiatów, Międzychód and Grotów area.	Contract value: PLN 82,500,000.00 (VAT exclusive)
<p>For more information see: HBP Current Report No. 09/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-09-2009-zawarcie-umowy-znaczacej-z-pbg-s-a.html</p>			

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: PBG Current Report No. 11/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/11-2009-zawarcie-znaczacych-umow-podwykonawczych.html			
Mar 24 2009	Principal: HBP S.A. Contractor: HBP KONSTRUKCJE Sp. z o.o.	Construction of steel roofing support on the City Stadium in Poznań.	Contract value: PLN 107,664,862.98 (VAT exclusive)
For more information see: HBP Current Report No. 15/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-15-2009-zawarcie-znaczacej-umowy-ze-spolka-zalezna-hydrobudowa-polska-konstrukcje-sp-z-o-o.html			
Apr 10 2009	Contractor: Consortium composed of HBP S.A. (Consortium Leader), HB 9 S.A.; ALPINE BAU GmbH; ALPINE BAU DEUTSCHLAND AG; ALPINE Construction Polska Sp. z o.o. Principal: City of Gdańsk represented by Biuro Inwestycji Euro Gdańsk 2012 Sp. z o.o.	Second phase of construction work on Arena Bałtycka – football stadium in Gdańsk Letnica. Subject matter: construction of Arena Bałtycka – football stadium in Gdańsk Letnica.	Contract value: PLN 427,700,000.00 (VAT exclusive)
For more information see: HBP Current Report No. 18/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-18-2009-zawarcie-umowy-znaczacej-na-wykonanie-areny-baltyckiej-stadionu-pilkarskiego-w-gdansk-letnicy.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., Technimont 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 nm ³ extension of the Wierchowice Underground Storage Facility (first stage 1.2bn nm ³)”. The subject matter of the contracts is design, delivery and assembly of selected facilities.	Contract value: PLN 84,178,442.00 (VAT exclusive) 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 (VAT exclusive) Completion date: Nov 18 2011
For more information see: PBG 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			
Apr 27 2009	Contractor: HB 9 S.A.(Consortium Leader), Metro Sp. z o.o. and KWG S.A. Principal: MPWiK w m. st. Warszawie S.A.	Construction of a wastewater transmission system from the left-bank Warsaw to the Czajka Sewage Treatment Plant – Phase I	Contract value: PLN 236,214,352.34 (VAT exclusive) Completion date: Sep 31 2010
For more information see: HBP Current Report No. 19/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-19-2009-zawarcie-przez-spolki-zalezne-umowy-znaczacej-na-budowe-ukladu-przesylowego-sciekow-z-warszawy-lewobrzeznej-do-oczyszczalni-sciekow-czajka.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: PBG Current Report No. 22/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/22-2009-zawarcie-umowy-znaczonej-na-budowe-stadionu-narodowego-w-warszawie.html			
May 4 2009	Principal: HYDROBUDOWA 9 S.A. Contractor: HOBAS SYSTEM POLSKA Sp. z o.o.	The subject matter of the agreement is the supply of materials needed for the performance of the agreement providing for "The Construction of a wastewater transmission system from the left-bank Warsaw to the Sewage Treatment Plant Czajka – Phase I"	Contract value: EUR 24,002,007.41 (VAT exclusive) or PLN 105,448,019.15 (VAT exclusive)
For more information see: HBP Current Report No. 22/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/22-2009-zawarcie-umowy-znaczonej-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: PBG Current Report No. 30/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/30-2009-zawarcie-umowy-istotnej.html			
May 25 2009	Contractor: Consortium composed of Hydrobudowa 9 (Consortium Leader), PIECOBIOGAZ S.A. and Przedsiębiorstwo Robót Wiertniczych HYDROPOL- Gdańsk Sp. z o.o. Principal: Spółka Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o.	Modernisation of SW-4 Czyżkówko Water Supply Station in Bydgoszcz – Part 2".	Contract value: 82 446 725,64 (VAT exclusive) Completion date for Part 2: 522 days after the contract date (i.e., 16 months after the commencement date).
For more information see: HBP Current Report No. 28/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-28-2009-zawarcie-umowy-znaczonej-przez-spolke-zalezna-hydrobudowa-9-s-a.html			
May 7 2009	Principal: PBG S.A. (Consortium Leader) Contractor: Technimont 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 nm ³ extension of the facility (first stage 1.2bn nm ³).	Contract value: for Technimont: 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: PBG Current Report No. 32/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/32-2009-zawarcie-znaczonej-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: PBG Current Report No. 51/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/51-2009-zmiana-umowy-znaczonej.html			
Aug 5 2009	Principal: Hydrobudowa Polska S.A.	Subcontractor agreement for manufacture, assembly and covering of	Contract value: PLN 329,000,000.00 (VAT

	and Alpine Construction Polska Sp. z o.o. Contractor: CIMOLAI S.p.A - MOSTOSTAL ZABRZE-HOLDING S.A. and HIGHTEX GmbH	the roofing support structure, as well as comprehensive manufacture and assembly of the front elevation cover of the National Stadium in Warsaw.	exclusive) Completion date: Apr 20 2011
For more information see: HBP Current Report No. 40/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-40-2009-zawarcie-znaczonej-umowy-podwykonawczej-na-wykonanie-zadaszenia-stadionu-narodowego-w-warszawie.html			
Aug 14 2009	Contractor: Hydrobudowa Polska S.A. Principal: The Municipality of Piaseczno	Annex extending the deadline for extension and reconstruction of the sewage treatment plant in Piaseczno	Completion date: Nov 30 2009
For more information see: HBP Current Report No. 42/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-42-2009-zawarcie-aneksu-do-umowy-znaczonej-z-gmina-piaseczno.html			
Sep 4 2009	Principal: PBG S.A. Contractor: Hydrobudowa Polska S.A.	Termination, by mutual agreement, of a significant contract of January 21st 2009 for development of crude oil and natural gas deposits in the Lubiatów, Międzychód and Grotów area.	Completion date: Aug 30 2010
For more information see: HBP Current Report No. 47/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-47-2009-rozwiazanie-znaczonej-umowy.html			
Sep 11 2009	Principal: Hydrobudowa Polska S.A. and ALPINE Construction Polska Sp. z o.o. Contractor: PBG Technologia Sp. z o.o. and Energomontaż-Południe S.A. (subcontractor)	Subcontractor agreement for prefabrication, manufacture and assembly of the roof steel support structure as part of the second phase of construction of the Arena Bałtycka football stadium in Gdańsk Letnica.	Contract value: PLN 93,000,000.00 (VAT exclusive) , may be reduced to: PLN 7,950,000.00 (VAT exclusive) if the subcontractor partially withdraws from the contracted work. Completion date: Aug 13 2010
For more information see: HBP Current Report No. 54/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-54-2009-zawarcie-znaczonej-umowy-podwykonawczej-na-wykonanie-konstrukcji-stalowej-dachu-na-stadionie-pilkarskim-w-gdanskuletnicy.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: PBG Current Report No. 94/2009 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/94-2009-zawarcie-umowy-znaczonej-na-modernizacje-stacji-uzdatniania-wody-mosina.html			
Jan 7 2010	Principal: Hydrobudowa Polska and Alpinie Construction Contractor: Elektrobudowa S.A., Qumak-Sekom S.A. and AGAT S.A.	Comprehensive work on power-supply, low-voltage and BMS systems.	Aggregate value of the contract and annex: PLN 91,000,000.00 (VAT exclusive) Completion date: Feb 28 2011 Final completion: May 4 2011
For more information see: HBP Current Report No. 03/2010 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-03-2010-zawarcie-znaczonej-umowy-podwykonawczych-zwiazanych-z-budowa-stadionu-narodowego-w-warszawie.html			
Jan 7 2010	Principal: Hydrobudowa Polska and Alpinie Construction, Contractor: Imtech Sp. z o.o.	Construction of a sanitary sewage system and external networks for the National Stadium in Warsaw.	Aggregate value of the contract and annex: PLN 118,000,000.00 (VAT exclusive) Completion date: Feb 28 2011 Final completion: May 4 2011
For more information see: HBP Current Report No. 03/2010 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-03-2010-zawarcie-znaczonej-umowy-podwykonawczych-zwiazanych-z-budowa-stadionu-narodowego-w-warszawie.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: PBG Current Report No. 01/2010 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/01-2010-zawarcie-umowy-znaczej-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: PBG Current Report No. 02/2010 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/02-2010-zawarcie-umowy-znaczej-ze-spolka-zalezna-pbg-dom.html			
Mar 3 2010 (information on exceeding the significant agreement threshold)	Principal: PBG S.A. Contractor: PBG Technologia	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: PBG Current Report No. 09/2010 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/09-2010-przekroczenie-progu-umowy-znaczej-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: PBG 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 Czwiertnia 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-znaczej-ze-spolka-czwiertnia-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 31: Changes in organisational relations in the reporting period and subsequent to the balance-sheet date

Date	Parties	Transaction type	Description	Objective
Jan 09 2009	P.R.G. Metro Sp. z o.o.	Share capital increase in P.R.G. Metro	Following the increase by 78 new shares acquired by Hydrobudowa Polska SA, the share capital of PRG Metro was increased from PLN 550,000.00 to PLN 668,000.00. It is currently divided into 668 shares with a par value of PLN 1,000.00 per share. Hydrobudowa SA holds 543 shares which represent 86.46% of the total vote and share capital of PRG Metro Sp. z o.o.	To secure current operations of the Company
More in: RB HBP 07/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-07-2009-rejestracja-podwyzszenia-kapitalu-zakladowego-spolki-zaleznej-p-r-g-metro-sp-z-o-o.html				
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 9,000,000.00. 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 relating to performance of a development project
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 relating to performance of a development project
More in: RB 42/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/42-2009-rozszerzenie-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	Long-term investment relating to performance of a development project

			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.	
<p>More in: RB 42/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/42-2009-rozszerzenie-grupy-kapitalowej-przez-spolke-zalezna-pbg-dom-sp-z-o-o.html</p>				
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 Konzept Development BSD 2 Sp. z o.o.	Upon increase of the share capital in Konzept 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. Konzept 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 relating to performance of a development project
<p>More in: RB 42/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/42-2009-rozszerzenie-grupy-kapitalowej-przez-spolke-zalezna-pbg-dom-sp-z-o-o.html</p>				
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. 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 performance of a development project Long-term investment relating to performance of a development project
<p>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-zawazywania-spolki-na-ukrainie.html</p>				
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; PBG Dom manages real property within the PBG Group
<p>More in: RB 44/2009 http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-biezace/44-2009-zmiany-w-grupie-kapitalowej-pbg.html</p>				
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.	To secure funding for the Company's acquisitions and 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 of the Company
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 SA.	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				
Oct 15 2009	P.R.G. Metro Sp. z o.o.	Share capital increase in P.R.G. Metro	Upon increase by 5,000 new shares, acquired by Hydrobudowa Polska SA, the share capital of PRG Metro increased from PLN 628,000.00 to PLN 5,628,000.00. It comprises 5,668 shares with a par value of PLN 1,000.00 per share. Hydrobudowa SA holds 5,543 shares that represent 98.49% shares in P.R.G. Metro Sp. z o.o.	Securing current operations of the Company
More in: RB HBP 56/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-56-2009-rejestracja-podwyzszenia-kapitalu-zakladowego-spolki-zaleznej-p-r-g-metro-sp-z-o-o.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.	It is a long-term investment relating to performance of a development project
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				
Dec 28 2009	PBG S.A., Hydrobudowa Polska SA	Acquisition of additional shares by PBG S.A. in Hydrobudowa Polska SA	PBG S.A. acquired 2,371,377 shares at a price of PLN 3.85 per share for a total price of PLN 9,129,801.45 representing 1.13% of the share capital and the same number of total votes at the General Shareholders Meeting. PBG S.A. holds 132,098,185 ordinary shares that represent 62.74% of the share capital and of the total number of votes.	
More in: RB HBP 66/2009 http://hbp-sa.pl/relacje-inwestorskie/raporty-biezace/raport-biezacy-nr-66-2009-zwiekszenie-zaangazowania-przez-pbg-s-a-w-akcje-hydrobudowy-polska-s-a.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 carries 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 carries 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 carries one vote.	Execution of a development project
Jan 05 2010	PBG DOM Sp. z o.o., PBG DOM Invest III	Incorporation of a subsidiary company – PBG Dom Invest III Sp. z o.o. sp. k.	The Company's share capital amounts to PLN 2,000.	Execution of a development project
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, there were transactions with related parties within the PBG Group, 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,
 - treasury limits, etc.

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 the PBG Group (Section 12.5).

VI. LOANS ADVANCED

For information on loans advanced, see notes to the balance sheet of the PBG Group (Section 12.2).

VII. NON-RECURRING FACTORS AND EVENTS

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

VIII. MAJOR RESEARCH AND TECHNICAL ACHIEVEMENTS

In the period covered by this Report, the PBG Group 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

The PBG Group 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, the PBG Group companies 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.

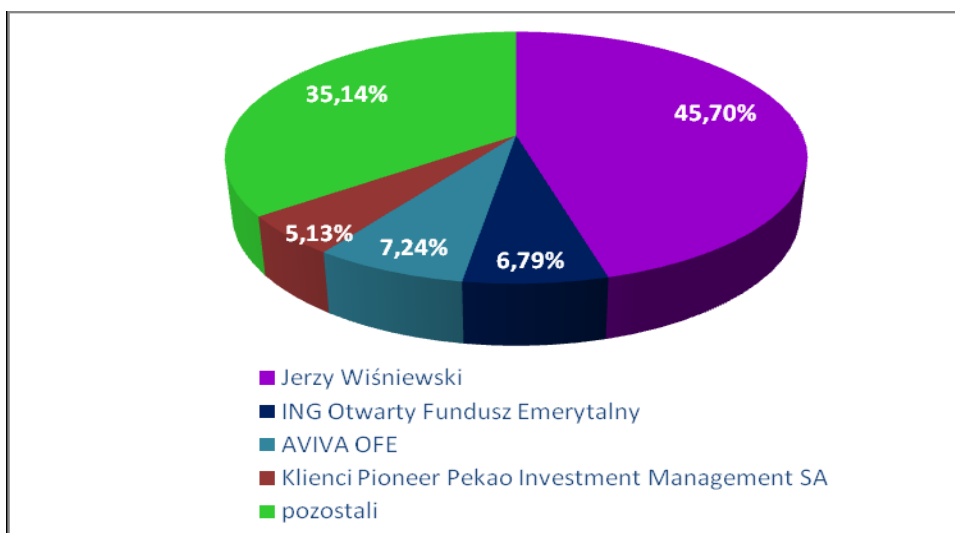
Share capital of PBG S.A.

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 33: Shareholders holding over 5% of shares

As at Dec 31 2009				
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%
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 2: 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 34: 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 19: Price of PBG S.A. shares in January 1st–December 31st 2009

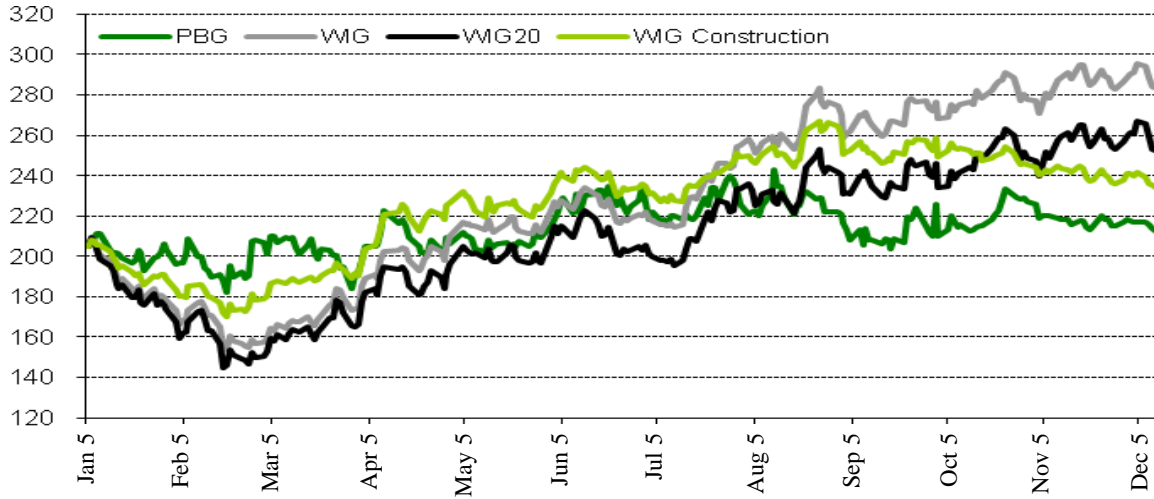
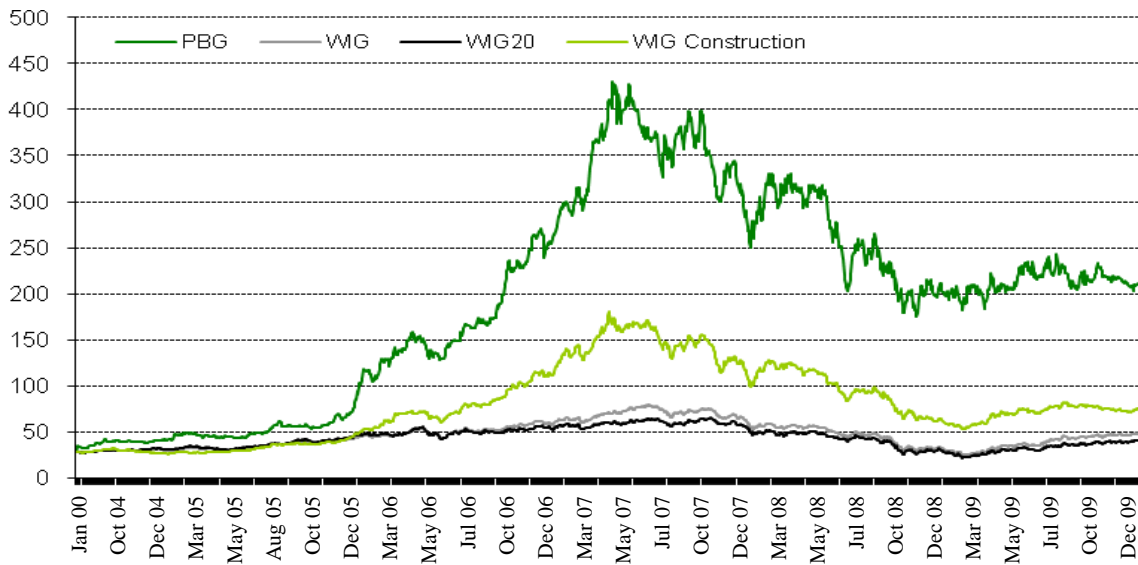
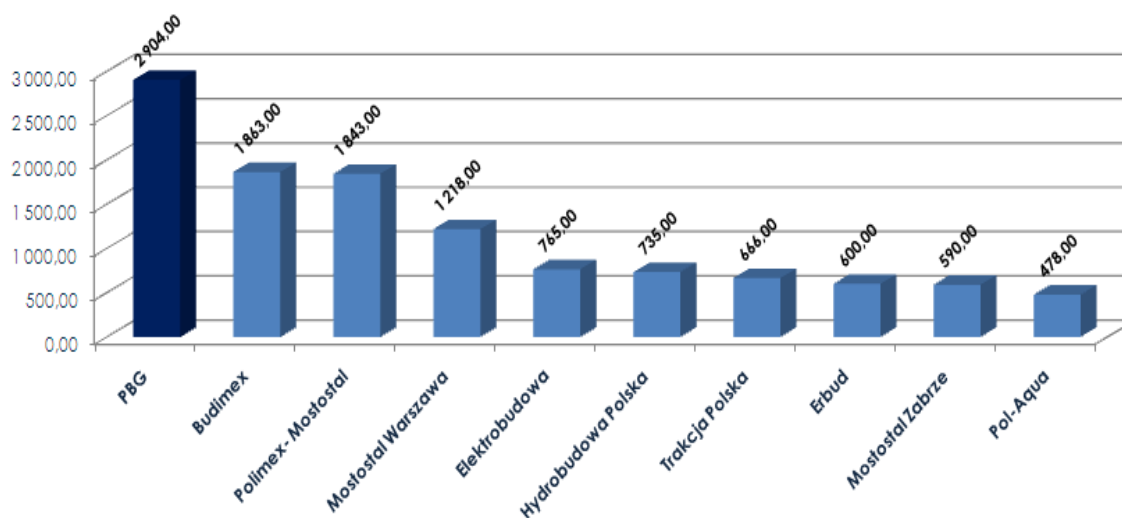


Figure 20: Price of PBG S.A. shares from first-time listing to March 2009



2. Market Value Relative to Peers

Figure 21: Largest construction companies in terms of capitalisation listed on the WSE (as at December 31st 2009)



3. General Information on Shares

Table 35: Information on Company shares (per share)

		2009	2008	y-o-y change
Earnings	PLN	15.11	11.64	+30%
Equity	PLN	97.61	69.06	+41%
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.)		16.07	28.44	-43%
P/E ratio (min.)		12.04	15.06	-20%
P/E ratio at year end		13.45	16.83	-20%
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 number 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. The Company and its Shares

Table 36: 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.pbg-sa.pl
WSE	PBG
Reuters	PBGG.WA
Bloomberg	PBG PW
ISIN	PLPBG0000029

CHAPTER VI: FINANCIAL REVIEW

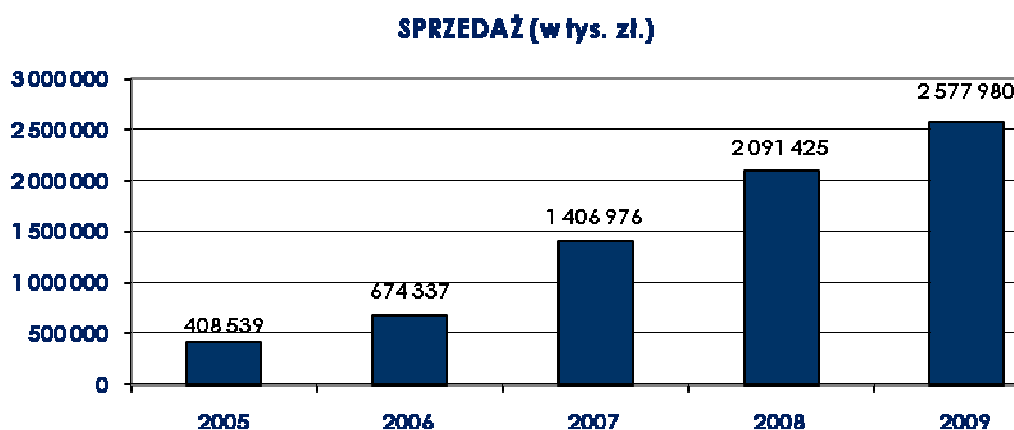
I. ANALYSIS OF THE PBG GROUP'S FINANCIAL STANDING

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, the PBG Group recorded a 23% year-on-year increase in sales revenue, from **PLN 2,091,425 thousand in 2008** to **PLN 2,577,980 thousand in 2009**. Over the period under review, cost of sales grew by 2 pp more than revenue, that is by 25%, to PLN 2,185,857 thousand as at the end of 2009.

Figure 22: Historical development of sales revenue (over the last five years)



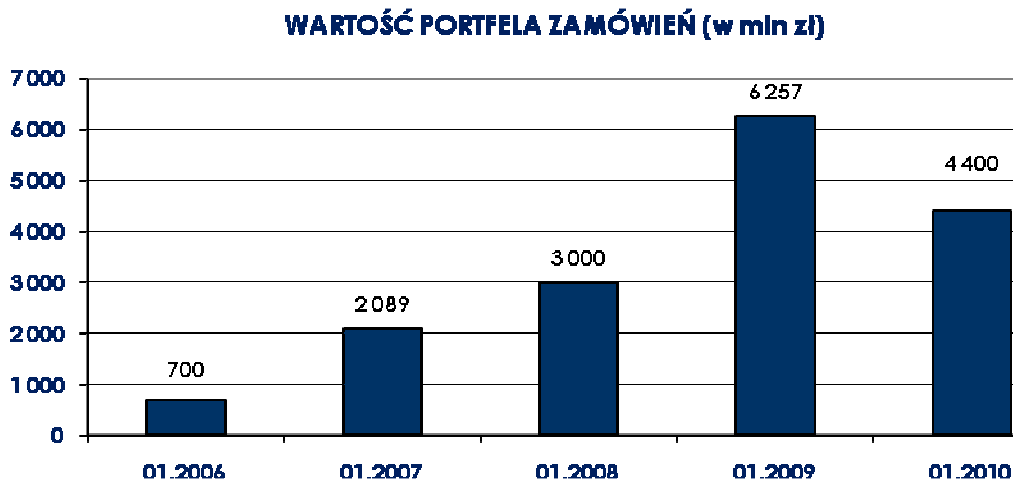
SPRZEDAŻ (w tys. zł.)	SALES (PLN '000)
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Over the last several years, the PBG Group's sales of services have been growing steadily. This is attributable to the Group's continuous growth and the growing number of large-value contracts, with the resultant expansion the order book.

2. Order Book

As at January 1st 2010, the value of the PBG Group's order book was PLN 4.4bn. Of that amount, nearly PLN 2.9bn pertains to orders scheduled for execution in 2010, with the balance of approximately PLN 2.9bn pertaining to further years. The largest share (almost 35%) in the Group's order book represents contracts in the natural gas and crude oil segment, where the Group recognises the largest two contracts for construction of underground gas storage facilities and development oil fields. The contracts co-financed with the EU funds represent nearly 31% of the order book and form its second largest segment. The third largest segment is residential and industrial construction, where the Group primarily recognises contracts for construction of stadiums which are to host EURO 2012 football championships (in Poznań, Gdańsk and Warsaw), as well as the contract for construction of a waste sorting plant in Gdańsk – the aggregate share of the contracts disclosed in this segment in the Group's order book is almost 30%.

Table 37: Historical development of the PBG Group's order book (over the last five years)



WARTOŚĆ PORTFELA ZAMÓWIENÍ (w mln zł.)	ORDER BOOK (PLNm)
01.200x	Jan 200x

Table 38: Structure of order book as at January 1st 2010

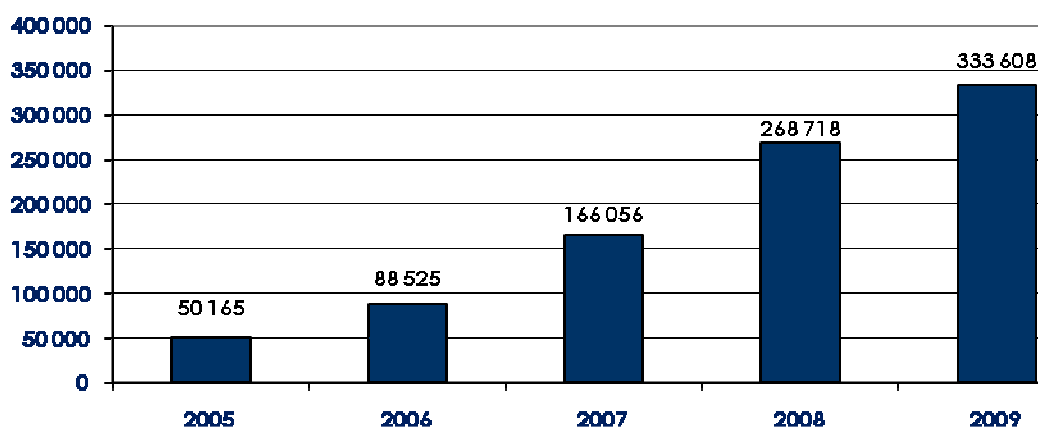
ORDER BOOK AS AT JANUARY 1ST 2010	
Natural gas and crude oil	34.6%
Water	30.7%
Industrial and residential construction	29.4%
Fuels	4.3%
Road construction	1.0%
TOTAL	100%

3. EBITDA

As at the end of 2009, the PBG Group recorded EBITDA of **PLN 333,056 thousand**, **24%** up on the respective figure (**PLN 268,718 thousand**) recorded as at the end of 2008.

Figure 23: Historical development of EBITDA (over the last five years)

EBITDA (w tys. zł)



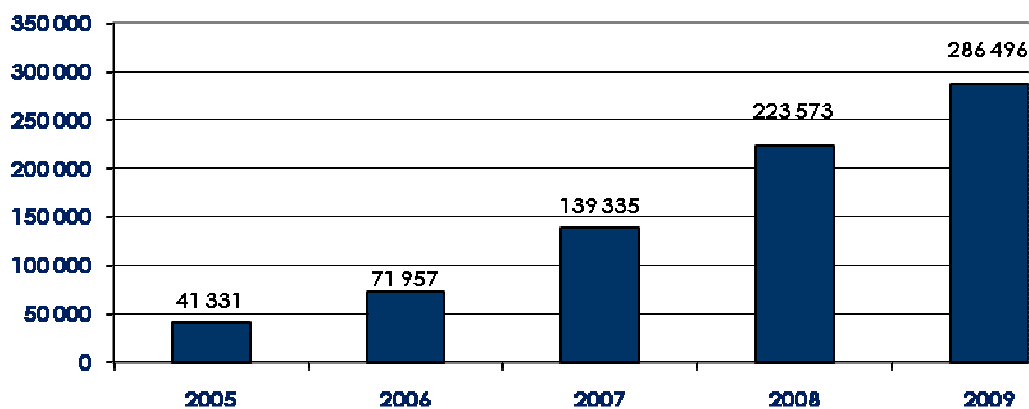
EBITDA (w tys. zł.)	EBITDA (PLN '000)
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4. EBIT

In 2009, the PBG Group recorded a 28% year-on-year increase in EBIT, from **PLN 223,573 thousand** to **PLN 286,496 thousand**.

Figure 24: Historical development of EBIT (over the last five years)

ZYSK OPERACYJNY - EBIT (w tys. zł.)

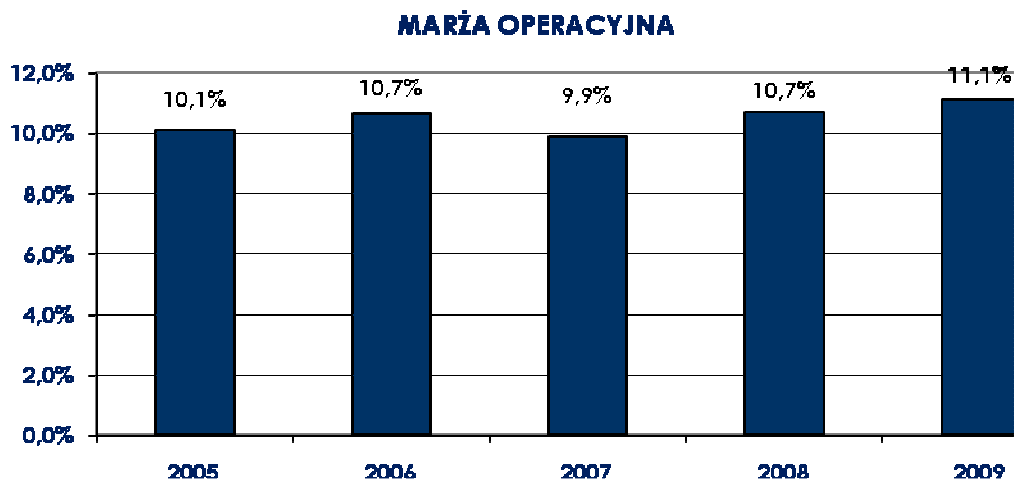


ZYSK OPERACYJNY – EBIT (w tys. zł.)	EBIT (PLN '000)
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5. Operating Margin

In 2009, the PBG Group's operating margin was by **0.4 pp** higher than in 2008. It grew from **10.7%** to **11.1%**, the record high over the last five years.

Figure 25: Historical development of the operating margin (over the last five years)



MARŻA OPERACYJNA	OPERATING MARGIN
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In 2009, two factors contributed to the record high operating margin. Firstly, general and administrative expenses remained flat year on year. Secondly, other operating income of nearly PLN 31,143 thousand was up on the 2008 figure by as much as 67%. The most material item under other operating income is revaluation of real estate by Hydrobudowa 9, an indirect subsidiary of PBG S.A. The revaluation was connected with completion of a development project and its subsequent sale to another Group company, PBG Dom, which is responsible for real-estate operations within the PBG Group. The disclosed amount of the revaluation was PLN 8.9m. This transaction was accounted for the PBG Group's financial forecasts for 2009 as reported by PBG S.A. in a current account. Another material item of other operating income represents the reversal of impairment losses on receivables of nearly PLN 9.4m. Other material income represents compensation received under insurance agreements, penalties and fines, of PLN 4.1m, and rental/lease income of PLN 1.5m.

6. Profitability Ratios

Table 39: Profitability ratios

ITEM	CALCULATION FORMULA	2009	2008
ROA	(net profit / total assets)*100%	5.3%	5.5%
ROE	(net profit / equity) *100%	15.1%	16.9%
Gross sales margin	(gross profit / sales revenue)*100%	15.2%	16.0%
Sales margin	(profit on sales / sales revenue)*100%	11.0%	10.7%
Operating margin	(operating profit / sales revenue)*100%	11.1%	10.7%
Net margin	(net profit / sales revenue)*100%	8.2%	7.5%

In 2009, the growth of costs of sales was slightly higher (124%) than the growth in sales revenue (123%), which had an adverse effect on gross sales margin. Please note that since January 1st 2009, the Group's borrowing costs have been capitalised in variable costs of contracts. In the entire 2009, total borrowing costs recognised in variable costs was PLN 7.6m. In addition, in the discussed period general and administrative

expenses remained flat which, given the 23% growth of revenue, positively contributed to operating margin. As at the end of 2009, the Group's profitability ratios, including sales margin, operating margin and net margin improved relative to the end of 2008. Gross sales margin declined by 0.8%, to 15.2%. All other ratios grew, of which sales margin rose from 10.7% to 11% (by 0.3pp), operating margin advanced from 10.7% to 11.1%, (by 0.4pp) and net sales margin increased by 0.7% to 8.2%.

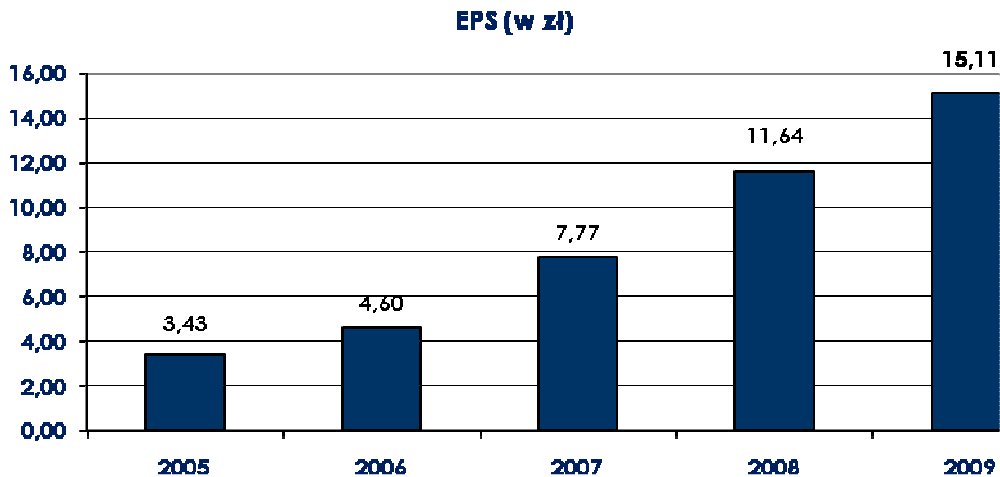
As at the end of 2009, ROA decreased by 0.2 percentage point, from 5.5% to 5.3%, relative to the end of 2008, which follows from the growth of net profit (35%) being smaller lower than the growth of total assets (41%).

As at the end of 2009, return on equity was 15.1%, down by 1.8 percentage points over the end of 2008. In other words, in 2009 for every PLN 1 of equity invested, the Group generated slightly over PLN 0.15 of net profit, down by approximately PLN 0.02 from the previous year's figure.

7. Earnings Per Share

In 2009, earnings per share grew by as much as 30% year on year, from PLN 11.64 to PLN 15.11. This has been the best result for the last five years.

Figure 26: Development of earnings per share (over a five-year period)



8. Turnover Ratios

Table 40: Turnover ratios

Item	Formula	2009	2008
Average collection period (days)	Average trade receivables * 365/ sales	231	213
Inventory cycle (days)	Average inventory * 365/ cost of sales	25	11
Average payment period (days)	Average trade payables * 365 / cost of sales	118	101

In 2009, the average collection and average payment periods as well as the inventory cycle were longer relative to the previous year. The average collection period increased by 18 days, to 231 days at the end of 2009. The inventory cycle was 25 days, extended by 14 days relative to 2008. The average payment period was 17 days longer, at 118 days. In 2009, the PBG Group continued to pay its liabilities quicker than it collected its receivables.

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 138 days (2008: 123 days), i.e. the Group's financing of current assets with equity was extended by a further 15 days.

9. Liquidity Ratios

Table 41: Liquidity ratios

Ratio	Formula	2009	2008
Current ratio	$(\text{current assets} / \text{current liabilities}) * 100$	1.64	1.45
Quick ratio	$(\text{current assets} - \text{inventory} - \text{current prepayments and accrued income} / \text{current liabilities}) * 100$	1.50	1.39
Cash ratio	$(\text{end cash balance} / \text{current liabilities}) * 100$	0.36	0.22

As at the end of 2009, the current ratio improved relative to the previous year. It was 1.64 compared with 1.45 as at the end of 2008, which is believed to be a safe level. Both in 2009 and 2008, the Group would have been able to meet its current liabilities if they had become immediately payable, and additionally would have had a surplus of current assets to use for other purposes.

The quick ratio also improved, from 1.39 as at the end of 2008, to 1.50 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 the PBG Group was able to meet its liabilities in a timely manner.

The cash ratio rose from 0.22 as at the end of 2008, to 0.36 as at the end of 2009, meaning that the Group is able to cover 36% of its current liabilities with assets of the highest liquidity.

10. Debt

Table 42: Debt ratios

Ratio	Formula	2009	2008
Equity and liabilities structure	$\text{Equity} / \text{external funds}$	0.59	0.53
Asset structure	$\text{Non-current assets} / \text{current assets}$	0.34	0.46
Interest coverage ratio	$\text{Gross profit} + \text{interest} / \text{interest}$	8.18	7.05

In the discussed period, structure of equity and liabilities remained fairly unchanged. In 2008, the Group's equity covered 53% of its debt and in 2009 the coverage of debt with equity increased to 59%. The ratio's increase is connected with, *inter alia*, another issue of Series G shares, the proceeds from which increased the Group's reserve funds by nearly PLN 190m.

Over the discussed period, the proportion of short-term debt in total equity and liabilities decreased by 1.5% while the proportion of long-term debt fell by approximately 0.4%. Nevertheless, in value terms, long-term debt increased by 37%, driven by the issue of another tranche of three-year bonds for a total amount of PLN 375m by PBG S.A., the Parent Undertaking, which materially increased long-term liabilities.

It is worth highlighting that the asset structure ratio fell by 12% year on year, indicating greater flexibility of the Group's assets and shortening of the period funds remain tied-up. This helped the Group reduce its operating risk.

The interest coverage ratio rose by **more than 1 point** during the discussed period. The ratio's value at 8.18 means that the Group's pre-tax profit exceeds the value of interest by eight-fold and that interest is repaid on a timely basis.

II. CHANGES IN THE INCOME STATEMENT AND COST ANALYSIS

1. Income Statement

Table 43: Changes in the income statement

PBG Income Statement (PLN '000)	2009	2008	2009/2008
Revenue from sales of products, services, goods for resale and materials	2,577,980	2,091,425	123.3%
Cost of sales	2,185,857	1,756,805	124.4%
Gross profit (loss) on sales	392,123	334,620	117%
Selling costs	0	0	0%
General and administrative expenses	109,764	110,035	100%
Profit on sales	282,359	224,585	126%
Other operating income	31,143	18,629	167%
Other operating expenses	27,006	19,641	137%
Operating profit (loss)	286,496	223,573	128%
Finance income	30,717	50,176	61%
Finance expenses	58,850	62,140	95%
Profit/loss on investments	4,265	2,268	188%
Pre-tax profit (loss)	262,628	213,877	123%
Corporate income tax	40,589	26,623	152%
Net profit	222,039	187,254	119%
- attributable to owners of the Parent	210,625	156,331	135%
- attributable to minority interests	11,414	30,923	37%

As at the end of 2009, the Group's net profit was over PLN 210.6m, up by 35% or PLN 54.3m 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 17% year on year and amounted to slightly over PLN 392m. Profit on sales grew by 26%, to PLN 282m, while operating profit rose by as much as 28%, to PLN 286.5m.

2. Operating Leverage

Table 44: Operating leverage

Item	Formula	2009	2008
Operating leverage (DOL)	percentage change in EBIT/percentage change in sales revenue	1.22	1.23

In the period under review, operating leverage fell slightly, from 1.23 as at the end of 2008 to 1.22 as at the end of 2009, or by 0.1 percentage point. This means that a 1% change in sales would result in a 1.22% change in EBIT. Any decrease in operating leverage results in lower operating risk.

3. Costs

Table 45: Cost ratios

Item	Formula	2009	2008
Basic cost ratio	the sum of ratio * and ratio **	0.890	0.893
Cost of sales ratio*	cost of sales / sales revenue	0.848	0.840
General and administrative expenses ratio**	general and administrative expenses / sales revenue	0.043	0.053

In 2009, the cost of sales was PLN 2.186bn, up 24% on the end of 2008. There was a change in the share of variable costs in total sales revenue. Cost of sales accounted for 84.8% of sales as at the end of 2009 versus 84% as at the end of 2008, which represents an increase of 0.8 percentage point. However, as of January 1st 2009 cost of sales included borrowing costs. In 2009, borrowing costs added PLN 7.6m to cost of sales.

In the entire 2009, general and administrative expenses reached nearly PLN 110m and remained almost unchanged year on year. Thanks to the above, the share of general and administrative expenses in sales revenue fell from 5.3% in 2008 to 4.3% in 2009, which represents a decrease of 1%. The decrease in general and administrative expenses is due primarily to 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 slightly to 89%, or by 0.3%, in 2009 relative to 2008.

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

1. Assets

The assets' structure changed slightly over the period under review. As at the end of 2009, the share of non-current assets in total assets stood at 25% and was down by 6.5% 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 75%. The largest item of non-current assets, accounting for 36% of total non-current assets, was property, plant and equipment, followed by goodwill acquired under business combination, representing 32% of total non-current assets. Goodwill acquired under business combination comprises such items as goodwill attributable to Hydrobudowa Polska of PLN 60.5m and goodwill attributable to Hydrobudowa 9 of PLN 176.4m. Another major item of non-current assets is investment property, which accounts for 14% of total non-current assets (including the value of the real property situated at ul. Górecka in Poznań, estimated at over PLN 58m, on which the project involving the construction of an office building is being executed).

Over the period under review, the structure of current assets also changed. In 2009, trade receivables were the largest item of current assets, accounting for 36% of total current assets, which represented a 1% increase year on year. They were followed by other receivables under construction contracts, representing 24% of total current assets. The third largest item of current assets is cash and cash equivalents, with a 22% share in total current assets. In 2009, the Parent Undertaking of the Group, PBG S.A., 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.

Figure 27: Assets (PLN '000)

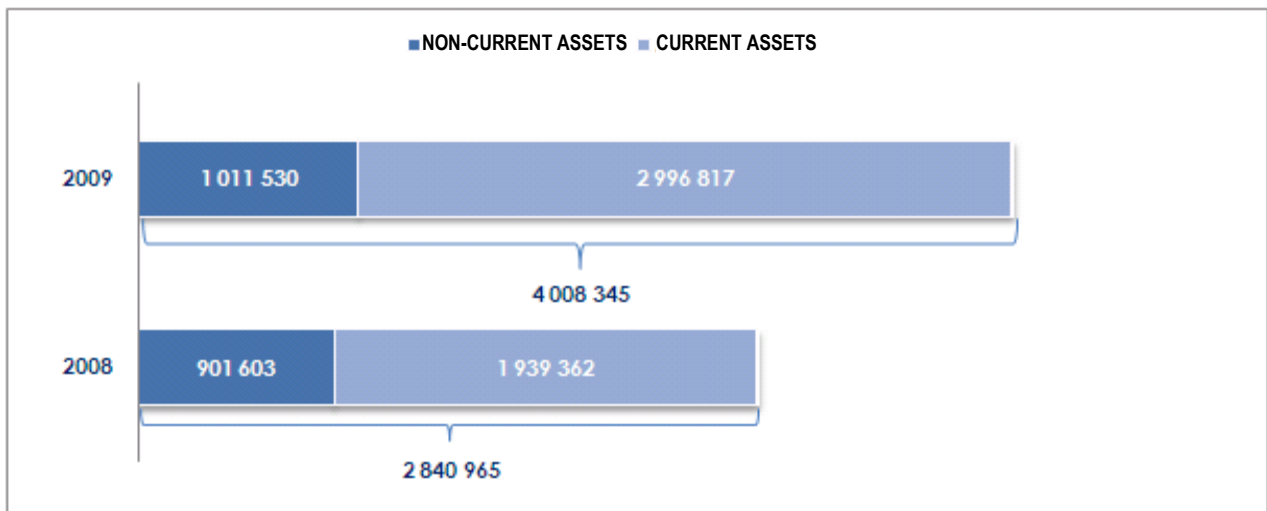


Figure 28: Percentage shares of individual asset items in total assets (assets >1%)

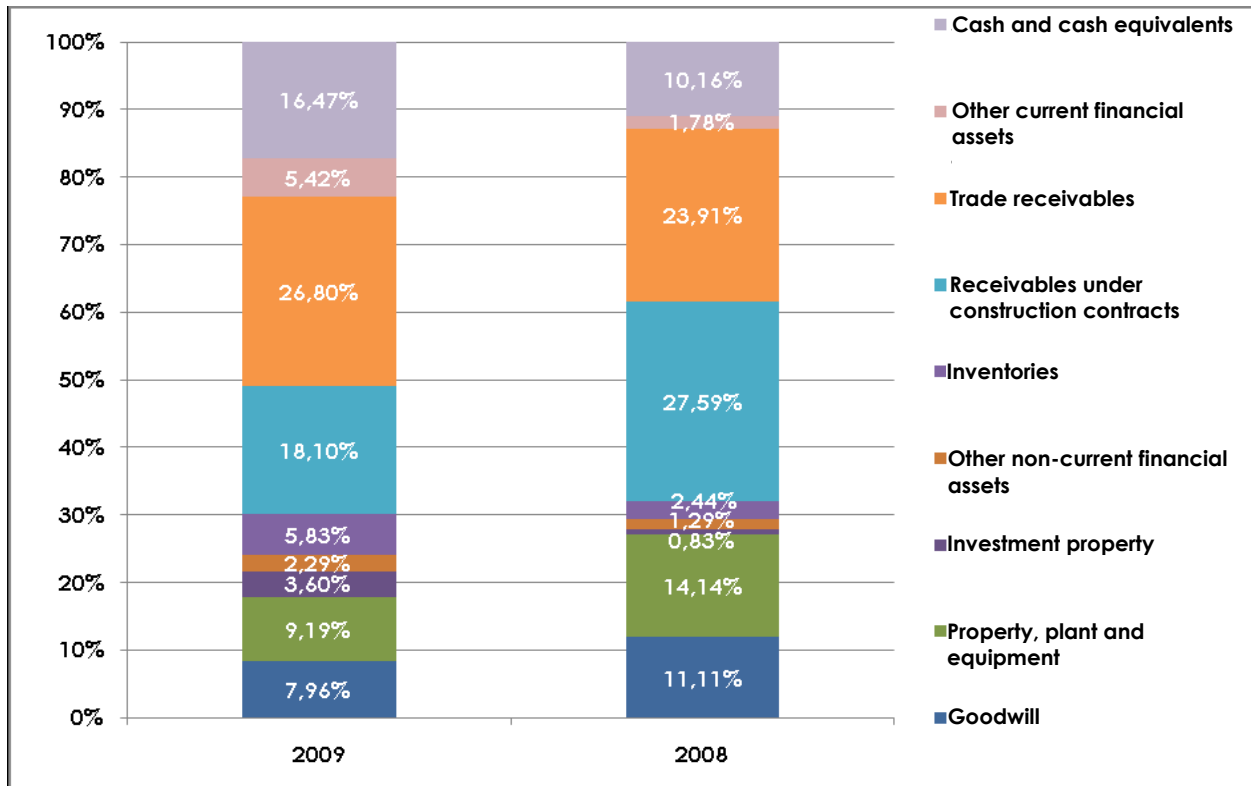


Table 46: Asset ratios (%)

Ratio	Formula	2009	2008
Basic asset structure	$(\text{non-current assets} / \text{current assets}) * 100$	33.8	46.5
Non-current assets to total assets	$(\text{non-current assets} / \text{total assets}) * 100$	25.2	31.7
Current assets to total assets	$(\text{current assets} / \text{total assets}) * 100$	74.8	68.3
Inventories to current assets	$(\text{inventories} / \text{current assets}) * 100$	7.8	3.6
Current receivables to current assets	$(\text{current receivables} / \text{current assets}) * 100$	60.1	75.5

The key asset structure ratio is discussed in detail in Section 1.10, Chapter VI.

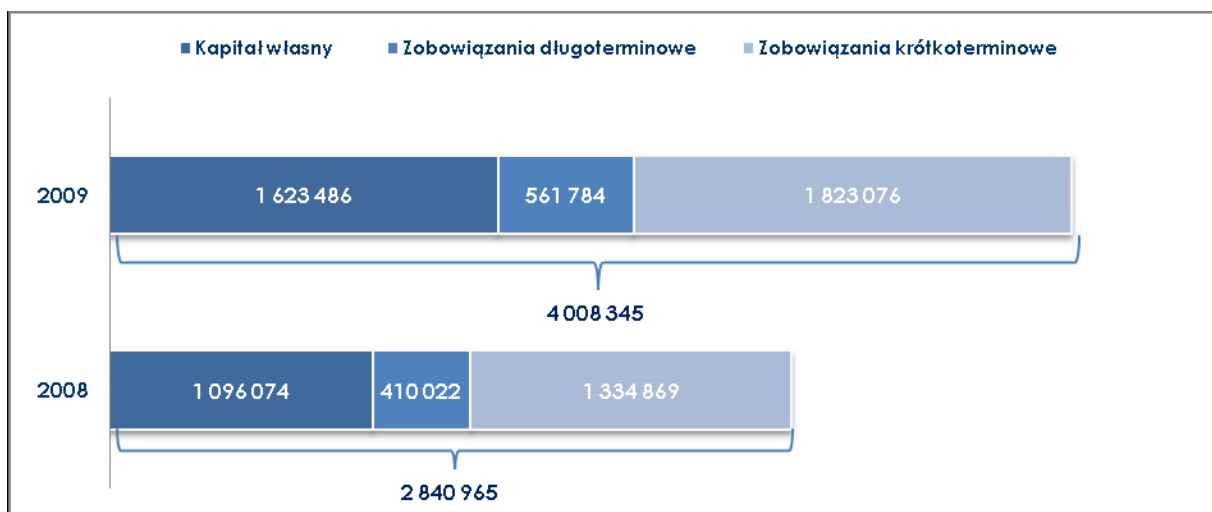
A noticeable change in the structure of the PBG Group's assets can be seen by comparing the rates of dynamics of the individual items with the rates of dynamics of other items and with the rates of dynamics of total assets. In 2009, non-current assets grew by 12% relative to 2008. An even greater increase was recorded in current assets, which grew by as much as 55%. The above ratios show that the share of non-current assets in total assets was almost 7% 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 330%, inventories by 237%, and cash and cash equivalents by 129%.

2. Equity and Liabilities

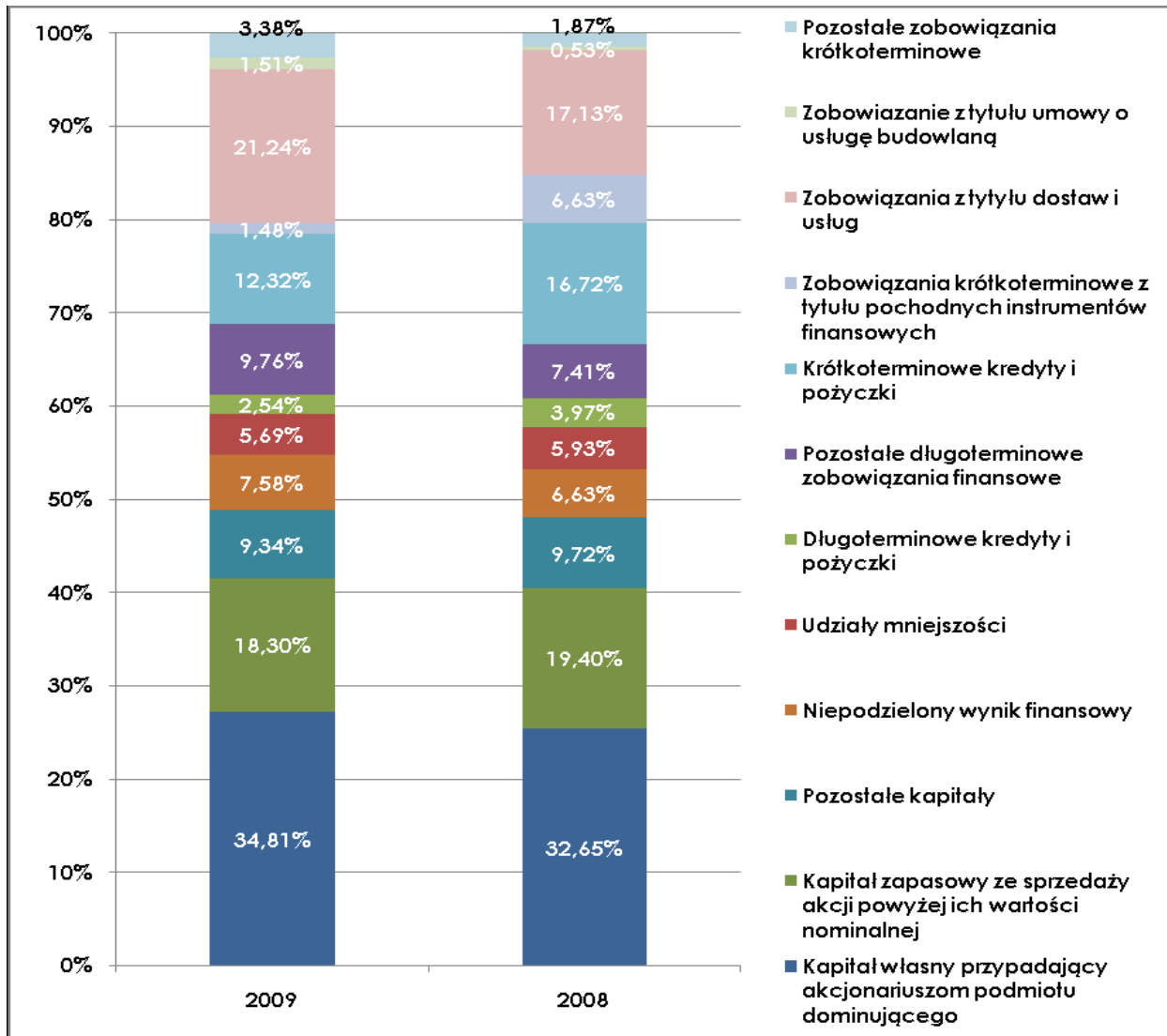
The reporting period, the PBG Group's asset financing structure changed. Equity attributable to owners of the Parent comprised 35% of total equity and liabilities. The share of non-current liabilities in the balance-sheet total slightly dropped by nearly 0.5% to 14%. The share of current liabilities also decreased to 45.5% as at the end of 2009 (47% 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 29: Equity and liabilities (PLN '000)



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

Figure 30: 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
Zobowiązania krótkoterminowe z tytułu pochodnych instrumentów finansowych	Current liabilities under derivative financial instruments
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
Udziały mniejszości	Minority interests

Niepodzielony wynik finansowy	Retained deficit
Pozostałe kapitały	Other capitals
Kapitał zapasowy ze sprzedaży akcji powyżej ich wartości nominalnej	Share premium account
Kapitał własny przypadający akcjonariuszom podmiotu dominującego	Equity attributable to owners of the Parent

Table 47: Financial ratios (%)

Ratio	Formula	2009	2008
Basic equity and liabilities structure ratio	$(\text{equity} / \text{debt capital}) * 100$	59	53
Debt capital to total capital ratio	$(\text{debt capital} / \text{total equity and liabilities}) * 100$	59	61
Debt capital to equity ratio – debt ratio	$(\text{debt capital} / \text{equity}) * 100$	171	188
Long-term capital to equity and liabilities ratio	$(\text{long-term capital} / \text{total equity and liabilities}) * 100$	14	14
Short-term debt capital to equity and liabilities ratio	$(\text{short-term debt capital} / \text{total equity and liabilities}) * 100$	45	47
Capital reserves to equity and liabilities ratio	$(\text{capital reserves} / \text{total equity and liabilities}) * 100$	1	3

The key equity and liabilities structure ratio is already discussed in detail in Section 1.10, Chapter VI.

The share of debt capital in total capital decreased by 2 percentage points relative to the end of 2008 and amounted to 59% in the PBG Group's asset financing structure. The debt ratio dropped by 17% to 171%, which means that for each złoty of its equity, the Group has PLN 1.71 of debt capital, which compares with PLN 1.88 as at the end of 2008.

The share of long-term capital in total capital stood at 14% and did not change compared with the end of 2008. However, current debt ratio went down by 2% to 45% as at the end of 2009.

Table 48: Asset financing ratios – vertical analysis (%)

Ratio	Formula	2009	2008
Equity to non-current assets ratio (first grade financing ratio)	$(\text{equity as at end of period} / \text{non-current assets as at end of period}) * 100\%$	138	103
Long-term capital to assets ratio (second grade financing ratio)	$(\text{equity as at end of period} + \text{long-term debt capital as at end of period} / \text{non-current assets as at end of period}) * 100\%$	193	148
Current debt capital to current assets ratio	$(\text{short-term debt capital as at end of period} / \text{current assets as at end of period}) * 100\%$	61	69

The analysis of financial data indicates that there are positive relations in the PBG Group's asset financing. It needs to be highlighted that both in 2009 and in 2008 the Group 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 49: Amounts disclosed in the statement of cash flows (PLN '000)

	2009	2008
Net cash provided by/used in operating activities	+306,529	-253,080
Net cash provided by/used in investing activities	-352,035	-185,622
Net cash provided by/used in financing activities	+416,919	+315,221
Net cash at end of period	+660,281	+288,750

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 306.5m (PLN -253.1m in the corresponding period of 2008). This improvement is related to the change in the structure of the PBG Group'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 -352m. This result was mostly affected by more than PLN 60m of expenses related to the acquisition of property, plant and equipment (related to the construction of office buildings and warehouses at subsidiary undertakings – Hydrobudowa Polska and GasOil Engineering, and including vehicles, equipment and machines necessary for the Group's operations). In the entire 2009, the Group's expenses related to acquisition of subsidiary undertakings amounted to PLN 45.8m. The amount includes expenses related to the acquisition of shares in Wschodni Invest (a majority shareholder of Energopol-Ukraina) and Kino Development. In the period under analysis, the PBG Group companies advanced borrowings for a total of PLN 238.3m, of which the largest borrowings included: approximately PLN 100m borrowing advanced to Strateg Capital and PLN 8.5m borrowing advanced to Bathinex in connection with the implementation of a quarry construction investment project, which is connected with the construction of one of the largest aggregate mines in Poland. A significant portion of the borrowings advanced by the PBG Group will be repaid by the end of 2010.

Another item with a bearing on the Group's cash flows includes nearly PLN 58.2m of expenses on investment property resulting from the acquisition of land for future development by PBG Dom (a subsidiary).

The balance of cash flows generated in financing activities in the reporting period was positive and amounted to PLN 404m, which mainly resulted from the issue of Series G shares by PBG S.A., the Parent Undertaking, 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 Group companies totalled PLN 231.1m while repaid loans amounted to PLN 239.7m.

The PBG Group's economic situation indicates that the Group is still in the phase of dynamic growth. Moreover, it is capable of raising third-party capital (through the issue of shares and bonds or by contracting loans). 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 Group.

Table 50: 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 51: Data used by PBG S.A. to compute net debt (PLN '000)**

	2009	2008	y-o-y change
Long-term loans and borrowings	101,878	112,850	-10%
Short-term loans and borrowings	493,867	475,147	+4%
Bonds	500,000	200,000	+150%
Net cash	660,281	288,750	129%
Net debt	435,464	499,247	-13%

As at December 31st 2009, net debt was PLN 435.5m, having declined 13% relative to the end of 2008. This figure comprises interest-bearing debt, including PLN 101.9m in long-term loans and borrowings, almost PLN 494m 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 PLN 660m as at the end of 2009 was deducted from the above figures. The falling net debt of the PBG Group 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 Group's operating activities. It is also a result of generating positive operating cash flows of PLN 306.5m.

VI. NET WORKING CAPITAL**Table 51: 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)	1,173,741	604,493	+94%

In the discussed period, the Group reported an increase in working capital. As at the end of 2009, working capital was **PLN 1,173,741 thousand** compared with **PLN 604,493 thousand** as at the end of 2008, which represented an increase of as much as 94%. 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 52: Percentage share of net working capital in assets

	2009	2008	y-o-y change
Net working capital in total assets	29%	21%	+8%

Working capital's share in total assets as at the end of 2009 was 29% and it was 8% 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 made by the Group 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 latter offers non-specialist construction services on the Ukrainian market.

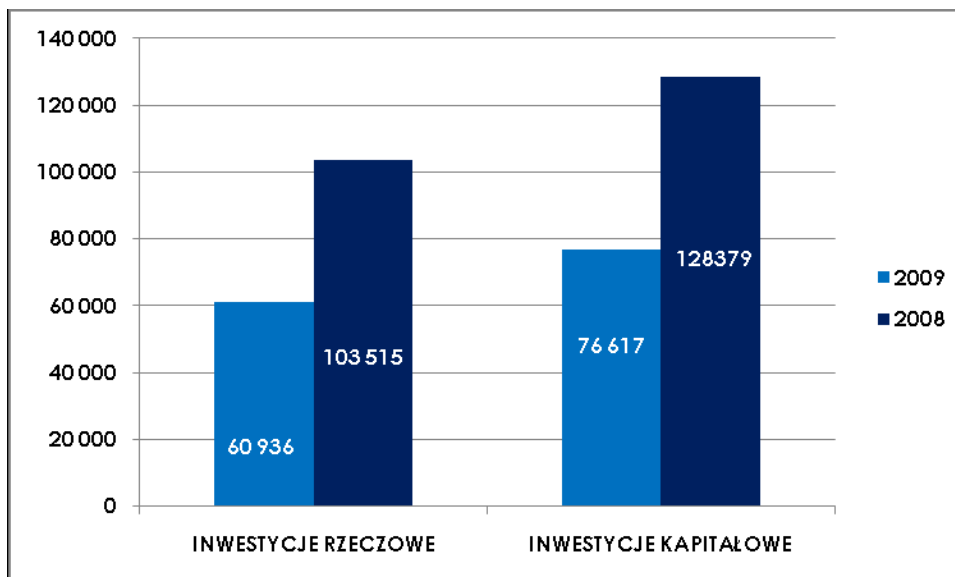
Moreover, PBG S.A. increased its equity interest in Hydrobudowa Polska, acquiring additional shares from the company's managers for over PLN 9m. Following the transaction, PBG S.A.'s share in the total vote rose from 61.61% to 62.74%.

Other PBG Group companies made the following equity investments: Hydrobudowa Polska increased the share capital of its subsidiary undertaking PRG Metro, first by PLN 78 thousand and then by PLN 5m, increasing its interest in the share capital and share in the total vote to 98.49%, while PBG Dom established special purpose vehicles to execute property development projects and made business acquisitions, allocating in total PLN 10.9m to the equity investments.

2. Expenditure on Property, Plant and Equipment

In 2009, the PBG Group's capital expenditure was focused mainly on extension of its plant and equipment, workshop buildings and storage capacities. Some funds were also allocated to upgrading and extending the existing office buildings or developing new office space. The expenditure on specialist building equipment and vehicles totalled PLN 60m.

Figure 31: Capital expenditure in 2008-2009 (PLN '000)

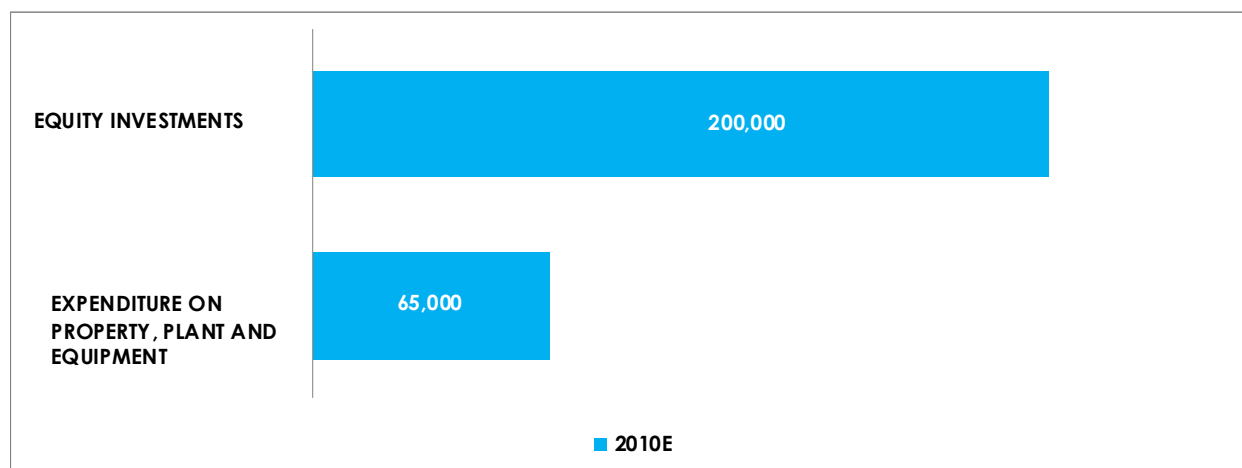


Inwestycje rzeczowe	Expenditure on property, plant and equipment
Inwestycje kapitałowe	Equity investments

3. Feasibility of the Company's Investment Plans

Financial resources available to the PBG Group following the issue of Series G shares in June 2009 by the Parent Undertaking 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 65m. Also, expenditure in new software and IT systems is planned at approximately PLN 2.5m. The PBG Group is planning to allocate PLN 200m to equity investments and total expenditure is estimated at PLN 270m. 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 32: Estimated capital expenditure in 2010 (PLN '000)



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

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

In Q4 2009, the PBG Group generated **sales revenue of nearly PLN 927m**, while its **gross profit on sales was PLN 154.1m**, having grown by 28% relative to Q4 2008. Furthermore, **operating profit** amounted to **PLN 123.6m** in the period, which represented a 53% increase, while **net profit attributable to owners of the Parent** was **PLN 90.5m**, having gone up by 26%.

Table 53: PBG Group's income statement for Q4 2009 and Q4 2008

PBG Group'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	926,925	721,382	128%
Cost of sales	772,769	597,544	129%
Gross profit/(loss)	154,156	123,838	124%
Selling costs	0	0	0%
General and administrative expenses	27,345	37,076	74%
Profit on sales	126,811	86,762	146%
Other operating income	10,531	9,061	116%
Other operating expenses	13,756	14,890	92%
Operating profit/(loss)	123,586	80,933	153%
Finance income	12,591	29,985	42%
Finance expenses	16,704	22,195	75%
Other gains/(losses) on investments	1357	2,268	60%
Pre-tax profit/(loss)	120,830	90,991	133%
Income tax	23,545	12,518	188%

Net profit/(loss) attributable to:	97,285	78,473	124%
- owners of the Parent	90,539	71,816	126%
- minority interests	6,746	6,657	101%

DISCUSSION OF REVENUE, INCOME, COSTS AND EXPENSES

1. Sales Revenue

In Q4 2009, the PBG Group's sales revenue amounted to **nearly PLN 927m, having grown by 28%** relative to the corresponding period of the previous year.

2. Cost of Sales

In Q4 2009, cost of sales reached nearly **PLN 773m**, which represented a **29% increase** over the end of Q4 2008. The share of variable costs on sales revenue changed, having grown by 0.6pp year on year, from 82.8% as at the end of Q4 2008, to 83.4% as at the end of Q4 2009. Please note, however, that as of January 1st 2009, the PBG Group 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 27.3m, having declined by 26%** year on year. The share of general and administrative expenses in sales revenue went down by 2.1pp in the period, from 5.1% to 3% relative to Q4 2008. The decrease resulted mainly 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 **PLN 10.5m** in Q4 2009. The two most significant items of other operating income were reversals of impairment losses on receivables, totalling PLN 4.5m, and fines and damages received, amounting to PLN 3.1m. Other operating income grew by 16% year on year.

5. Other Operating Expenses

As at the end of Q4 2009, other operating expenses totalled **PLN 13.7m**, having **decreased by 8%** compared with the end of Q4 2008, and included such items as donations, damages paid under insurance agreements, penalties and fines, and impairment losses on assets.

6. Finance Income

Year on year, 2009 saw a 58% fall in finance income, which stood at nearly PLN 12.6m. The most significant items of finance income were: interest from banks (PLN 5.6m) and interest on loans advanced (nearly PLN 4m).

7. Finance Expenses

As at the end of Q4 2009, finance expenses amounted to **PLN 16.7m**, having decreased by 25% year on year. Interest on notes/bonds issued by the Parent Undertaking (PLN 8m) and interest and fees on bank loans (over PLN 7.9m) stand out as the most significant items of finance expenses.

DISCUSSION OF THE FINANCIAL RESULT

1. Items of the Income Statement

As at the end of Q4 2009, the Group posted **net profit** of **PLN 90.5m**, representing a **26% 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 24%** while **operating profit advanced by 53%**.

2. EBITDA

In Q4 2009, capital expenditure on acquisition of property, plant and equipment and non-tangible assets totalled over **PLN 29m**, relative to PLN 45m in the corresponding period of the previous year. In Q4 2009, depreciation/amortisation charges amounted to **PLN 11.2m** (PLN 14m in Q4 2008). As at the end of Q4 2009, EBITDA (EBIT before depreciation/amortisation) was **PLN 134.8m**, up by as much as 42%, or PLN 39m, from the corresponding period of 2008.

3. Profitability Ratios

In Q4 2009, the growth of sales revenue (128%) was smaller than the growth in cost of sales (131%). This had an adverse effect on the Group's gross sales margin as at the end of Q4 2009, which fell from 17.2%, to 16.6%. Net margin also declined, to 9.8%, down by 0.2pp over Q4 2008. In the discussed period, operating margin increased by 2.1pp, from 11.2% as at the end of Q4 2008 to 13.3% as at the end of Q4 2009. Please note that since January 1st 2009, the Group's borrowing costs have been capitalised in variable costs of contracts, which directly affects gross sales margin and operating margin.

Table 54: Q4 2009 Profitability Ratios

Profitability Ratios	Q4 2009	Q4 2008
Gross sales margin ¹	16.6%	17.2%
Operating margin ²	13.3%	11.2%
Net margin ³	9.8%	10.0%

¹gross profit on sales/sales revenue *100

²operating profit /sales revenue *100

³net profit / sales revenue *100

IX. FINANCIAL OUTLOOK FOR THE GROUP

In 2010, the PBG Group 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. FORECAST CONSOLIDATED FINANCIAL RESULTS FOR 2010

The forecast for the PBG Group's 2010 financial results will be announced in a current report after the Group's financial results for 2009 have been published but not later than on the date of the report presenting the Group's results for Q1 2010.

XI. EXPLANATION OF DISCREPANCIES BETWEEN THE ACTUAL RESULTS AND FORECASTS

The PBG Group publishes financial forecasts annually. The forecast consolidated financial results for 2009 is presented below, with a discussion of the Group's actual performance vs. the forecast.

The consolidated results for 2009 did not vary significantly from the forecasts presented in April 2009, Current Report No. 21/2009, *Forecast consolidated financial results for 2009*, and in the subsequent upward revision of the forecast net profit published by PBG S.A. in March 2010.

The Group publishes its financial guidance regarding sales revenue, operating profit and net profit.

The forecast and actual values of the selected items of the consolidated income statement are presented in the table below.

Table 55: Financial forecast vs. actual performance in 2009

Item	Forecast (PLN '000)	Upward revision (PLN '000)	Actual (PLN '000)	Actual vs. forecast (%)
Net sales revenue	2,800,000	-	2,577,980	92.0%
Operating profit	300,000	-	286,496	95.5%
Net profit	190,000	210,000	210,625	100.3%

XII. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

The strategy for financing the operations of PBG S.A. and the PBG Group 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. and the PBG Group as a whole for the financing of their day-to-day operations and capital expenditure and to execute FX transactions was PLN 2,711m.

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 Group to:

1. maintain diversified funding sources,
2. gain wider access to available bank and insurance products,
3. standardise the products and services offered to the PBG Group,
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 Group to directly link these products to particular contracts and to adjust the products the profile of the Group's cash flows, which, as viewed from the financial institutions' perspective, significantly reduced the operating risk of the PBG Group.

The rules of controlling and monitoring PBG S.A.'s and the PBG Group's performance by the financial institutions permitted direct settlement of PBG's and the Group'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 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 the PBG Group'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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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
Member the Management Board	Tomasz Łatawiec