

Report no.: PBG/CG/1/2010

Wysogotowo, 26 March 2010

Subject: The Supervisory's Board report on operations in FY 2009, assessment of the Company's standing

The Management Board of PBG SA presents the content of the report on operations in FY 2009, prepared by the Supervisory Board PBG SA, which includes the report on the operations of committees, self-assessment and the assessment of the Company' standing.

Report of the Supervisory Board of PBG S.A.

1. Report on the operations of the Supervisory Board of PBG S.A. in FY 2009 together with the self-assessment of the Supervisory Board's work.

In FY2009, the Supervisory Board was made up of the following persons:

- From 01 January 2009 to 04 June 2009: Maciej Bednarkiewicz, Jacek Krzyżaniak, Jacek Kseń, Wiesław Lindner, Dariusz Sarnowski and Adam Strzelecki.
- From 04 June 2009 to 31 December 2009: Maciej Bednarkiewicz, Jacek Kseń, Wiesław Lindner, Dariusz Sarnowski and Adam Strzelecki.

At the meetings, the Supervisory Board discussed the issues of the audit and supervision over the current activities of the Company in all areas of its business. In 2009, the Supervisory Board held 8 meetings and adopted 25 resolutions concerning the following issues, among others:

- granting approval for acquiring company shares;
- the assessment of the Company's financial statements for FY 2008, the Management Board's report on the Company's operations in FY 2008 and the Management Board's motion concerning the allocation of profit in FY 2008;
- the assessment of PBG Capital Group's consolidated financial statements for FY 2008 and the report on the Group's operations in FY 2008;

- accepting the agenda of the Extraordinary Meeting of Shareholders presented by the Management Board, issuing opinions regarding draft resolutions for the Extraordinary Meeting of Shareholders;
- approving the report on the operations of the Audit Committee and Remuneration Committee;
- approving the report on the operations of the Supervisory Board which includes a brief assessment of the Company's standing;
- selecting members of the Management Board, establishing monthly remuneration for the members of the Management Board;
- preparing the consolidated text of the Articles of Association;
- preparing a list of persons authorised to take up series D shares under the Company's Incentive Scheme;
- selecting an entity competent to perform semi-annual reviews and audits of financial statements for FY 2009;
- assessing the financial report for H1 2009 and the financial report for 3Q 2009;
- the changes in the Management Board.

Having carried out self-assessment of operations, the Supervisory Board has concluded that duties and authorisations of the Supervisory Board are specified in the Supervisory Board Bylaws, the current version of which was adopted at the General Meeting on 4 June 2009. The Supervisory Board meets the criteria of independence specified in the Articles of Associations and in the Good Practice Implemented by Companies listed in the Warsaw Stock Exchange. The Supervisory Board set up the Audit Committee and Remuneration Committee from among its members. The composition of the Supervisory Board ensures its full competence in executing tasks resulting from the supervisory function and guarantees that the interest of the Company and its shareholders is of superior importance.

In the reporting period, the Supervisory Board was systematically and thoroughly informed by the Management Board about the Company's financial standing, undertakings carried out by the Company and the cooperation with customers. While performing its duties, the Supervisory Board obtained information necessary to perform them from documents and communications as well as presentations and clarifications presented by the Management

Board and, if need be, the Company's employees or experts at the meetings of the Supervisory Board. The Supervisory Board has concluded that cooperation with the Management Board of PBG S.A. was seamless, and all matters reported to the Board were addressed at the meetings following a procedure which did not disturb the operations of the Management Board.

The work of the Supervisory Board was smooth, with the participation of all its Members. Detailed activities undertaken by the Supervisory Board are reflected in the minutes of the meetings which can be found in the Company's registered office.

All the meetings were held in compliance with the Supervisory Board Bylaws; as a result, the Supervisory Board was capable of adopting valid resolutions at each of the meetings.

It is the opinion of the Supervisory Board, that the Supervisory Board has appropriately fulfilled all of its duties resulting from the applicable law, the Articles of Association, bylaws and Good Practice Implemented by Companies listed in the Warsaw Stock Exchange.

2. Report on the operations of the Audit Committee.

Background information on the Audit Committee:

The Audit Committee was established under Resolution No. 2 of the Supervisory Board of PBG S.A., dated 25 June 2005.

In particular, the Audit Committee is responsible for:

- assessing the independence scope of a selected statutory auditor, advising the Supervisory Board on the selection of a statutory auditor as well as on the terms of agreement with such an expert and the amount of his/her remuneration. Should the Supervisory Board select a statutory auditor other than the expert recommended by the Audit Committee, such a decision must be supported with a detailed rationale.
- analysis and assessment of relations existing in the Company, Supervisory Board itself and the Management Board, paying special attention to conflicts of interest which may occur or be disclosed, and taking actions aiming at eliminating this phenomena.
- ensuring optimum communication between the statutory auditor and the Supervisory Board.

- reviewing quarterly, semi-annual and annual financial statements received from the members of the Company subsidiaries; as well as quarterly, semi-annual and consolidated annual financial statements of the capital group.

The Audit Committee meets when required, but at least once a quarter.

The Audit Committee is made up of the following persons:

- Jacek Kseń
- Dariusz Sarnowski,

Committee operations in 2009:

1. Organisational meeting to establish the list of tasks for 2009.
2. Cyclical meetings with the auditor of PBG S.A. Group.
3. A meeting concerning the strategy of hedging against currency risk. The meeting was held both with the Management Board and the representative of the auditor.
4. Verifying the internal audit of the group's purchasing system on a random basis to define possible risks in this area.
5. Meetings with auditors other than the auditor of PBG S.A. Group.
6. Meetings with the Management Board of PBG DOM to identify risks within the development part.

3. Report on the operations of the Remuneration Committee.

Background information:

The Remuneration Committee was established under Resolution No. 3 of the Supervisory Board of PBG S.A., dated 25 June 2005. In particular, the Remuneration Committee is responsible for:

- general monitoring of practices in the area of remuneration and their level in the Company,
- defining the terms of employment of the Management Board members and Company senior management,
- defining the bonus plan for the financial year.

The Remuneration Committee meets when required, but at least once a quarter. The Remuneration Committee elects, out of its members, a Chairperson of the Committee, who manages the works of the Committee.

Presently, the Remuneration Committee is made up of the following persons:

- Maciej Bednarkiewicz,
- Wiesław Lindner,

Remuneration Committee operations in 2009:

- 1) an organisational meeting to establish the list of tasks in 2009;
- 2) cyclical meetings to review and analyse the remuneration policy in PBG S.A.,
- 3) meetings concerning the review of the bonus system in PBG S.A.

4. Brief assessment of the Company's standing in FY 2009.

In 2009, PBG S.A. celebrated the fifteenth year of its existence. However according to the Supervisory Board, this year was special not only because of the anniversary. The Company and its Capital Group has achieved the projected operational goals and accomplished financial forecasts, in spite of the difficult situation on the construction market and the ensuing fight for new contracts. At the same time, the Company is executing the largest and most organisationally complex contracts in the history of the Capital Group – the construction of three stadiums, contracts in the gas sector which are of crucial strategic importance for the energy safety of Poland - such as the construction of Underground Gas Storehouse in Wierchowice and the construction of Lubiatów-Międzychód-Grotów petroleum and natural gas mine.

The Management Board of PBG S.A., concerned about securing the financing of operations in FY 2009, used the share premium reserve again. In spite of the recession, the Company carried out the fourth issue of shares, securing funds for its further operations in the amount of over PLN 190 million, and issued the next tranche of three-year bonds of the total value of PLN 375 million. The Supervisory Board of PBG S.A. concludes that the Company recognises emerging risks well and is able to reduce them effectively, which, in the present situation, is a

necessary element for conducting business and continuing the dynamic development of the Company.

In FY 2009, the investment operations in the capital area included mainly acquisitions of real estate companies, taking actions related to the commencement of operations in the energy sector by acquiring shares of Energomontaż Południe SA. Moreover, the structure of PBG Capital Group was continued to be organised, which consisted in setting up Capital Groups within the areas of operations of particular Group PBG companies. Hydrobudowa Konstrukcje Sp. z o.o., purchased by PBG S.A., changed its name to PBG Technologia Sp. o.o., and, after being reinforced with the PBG S.A. team and Hydrobudowa 9 S.A., constitutes the executive base of the Capital Group. PBG S.A. consistently continues its policy of searching for contracts abroad. In FY 2009, PBG Export Sp. z o.o. was established for this purpose. The subsidiary of PBG S.A. in Ukraine and a company set up by PBG S.A. in this country also carry out such activities. The results generated by the Company are the best evidence of the above statements.

And thus:

- statement of financial position as of 31 December 2009, presenting the balance sheet total of assets and liabilities of PLN 2 244 718 thousand,
- the profit and loss account for the period from 1 January 2009 to 31 December 2009, presenting the net profit of PLN 98 279 thousand,
- statement of comprehensive income for the period from 1 January 2009 to 31 December 2009, presenting the total comprehensive income in the amount of PLN 110 071 thousand,
- the statement of changes in equity shows the increase in shareholders' equity of PLN 288 107 thousand in the period from 1 January 2009 to 31 December 2009.
- the cash flow statement for the period from 1 January 2009 to 31 December 2009 shows the cash flow increase of PLN 364 381 thousand,

The Supervisory Board expresses its favourable opinion about the Company's operations and the work of the Management Board as aiming to increase the Company's value for Shareholders.

5. The statement submitted in conformity with the requirements of art. 382 § 3 of the Code of Commercial Companies.

The Supervisory Board of PBG S.A., acting on the basis of art. 382 § of the Code of Commercial Companies, declares that it has conducted the detailed analysis of the following statements and reports submitted by the Management Board: financial statement of the Company for FY 2009, the Management Board's report on the operations of the Company for FY 2009, consolidated financial statement of PBG S.A. Capital Group for FY 2009, report on the operations of PBG S.A. Capital Group for FY 2009, the Management Board motion on the distribution of profit, and furthermore, it got acquainted with the opinions of statutory auditors regarding the audits of the above reports and statements.

Having analysed the above documents, the Supervisory Board concludes that

1. the financial statement of the Company for FY 2009:

- presents a true and fair view of all information relevant for the assessment of the Company's financial standing and its assets as at 31 December 2009, as well as its financial result for the period from 1 January 2009 to 31 December 2009,
- has been drawn, in all its material aspects, correctly, i.e. in line with the accounting standards (policy) resulting from the International Accounting Standards, International Financial Reporting Standards and related interpretations announced as regulations by the European Commission; and to the extent not covered by the Standards, in line with the provisions of the Accounting Act and its implementing provisions,
- presents data in line with the Regulation of the Minister of Finance of 19 February 2009 on current and interim information provided by issuers of securities and on the conditions under which information required by the regulations adopted by countries other than Member States is considered equivalent (Journal of Laws of 2009, No 33 item 259, as amended),
- is in line with all the applicable legal regulations and provisions of the Company's Articles of Association which may have any effect thereon.

2. Management Board's report on the operations of the Company for FY 2009:

- duly reflects the business events and the Board's activities in FY 2009,
- covers the thematic scope in compliance with the requirements of the applicable law,

- contains information conforming to the information included in the financial statement,

3. consolidated financial statement of PBG S.A. Capital Group for FY 2009:

- presents a true and fair view of all information relevant for the assessment of the financial standing of PBG S.A. Capital Group and its assets as at 31 December 2009, as well as its financial result for the period from 1 January 2009 to 31 December 2009,
- has been drawn, in all its material aspects, correctly, i.e. in line with the accounting standards (policy) resulting from the International Accounting Standards, International Financial Reporting Standards and related interpretations announced as regulations by the European Commission; and to the extent not covered by the Standards, in line with the provisions of the Accounting Act and its implementing provisions,
- presents data in line with the Regulation of the Minister of Finance of 19 February 2009 on current and interim information provided by issuers of securities and on the conditions under which information required by the regulations adopted by countries other than Member States is considered equivalent (Journal of Laws of 2009, No 33 item 259, as amended),
- is in line with all the applicable legal regulations which may have any effect thereon.

4. report on the operations of the PBG S.A. Capital Group for FY 2009:

- duly reflects the business events and the Group's activities in FY 2009,
- amounts and information included in the report on the operations of the Capital Group, which were taken from the consolidated financial statement are in conformity with the statement.

Moreover, the Supervisory Board concludes that the above documents have been drawn in compliance with the actual state and on the basis of correctly handled accounting books.

Taking the above into account, the Supervisory Board proposes that the Annual General Meeting of Shareholders approves the financial statement of the Company for FY 2009, the Management Board's report on the operations of the Company for FY 2009, consolidated financial statement of PBG S.A. Capital Group for FY 2009, report on the operations of PBG S.A. Capital Group for FY 2009.

The Supervisory Board expresses its favourable opinion on the motion submitted by the Management Board of PBG S.A. regarding the allocation of profit, which intends to:

- a.) allocate the amount of PLN 20 013 000.00 (twenty million thirteen thousand) for paying the dividend of PLN 1.40 per one share
- b.) allocate the amount of PLN 5 000 000.00 (five million) to the Company Social Fund
- c.) allocate the amount of PLN 73 266 428.33 (seventy three million two hundred sixty six thousand, four hundred twenty eight zlotys and 33/100) to the reserve capital of the Company.

Thus, the Supervisory Board proposes that the Annual General Meeting of Shareholders approves the method for allocating the profit gained by the Company in FY 2009, requested by the Management Board.

Basis for the report:

„Good Practice Implemented by Companies listed in the Warsaw Stock Exchange”, rule III section 1 point 1.

Signature of the authorised person:
Magdalena Eckert-Boruta