Frąckowiak
Grant Thornton

Report Supplementing the Auditor's Opinion on the Financial Statements for 2009

PBG S.A.

1. Details of the Company

PBG Spółka Akcyjna (the Company) was incorporated on December 1st 2003 for unlimited duration. The registered office of the Company is at ul. Skórzewska 35, Wysogotowo, Poland.

Core business of the Company includes:

- service activities incidental to oil and gas extraction,
- manufacture of fabricated metal products, excluding machinery and equipment,
- manufacture of other general purpose machinery,
- manufacture of industrial process control equipment,
- building installation,
- letting of own property.

On January 2nd 2004, the Company was entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court in Poznań, VIII Commercial Division of the National Court Register, under KRS No. 0000184508.

The Company has a Tax ID (NIP) number 777-21-94-746, assigned to it on May 13th 2004, and Industry ID (REGON) number 631048917, assigned to it on January 5th 2004.

The share capital of the Company as at the end of the financial year, that is December 31st 2009, was PLN 14,295 thousand. The Company's equity as at the aforementioned date was PLN 1,623,485 thousand.

As disclosed in Note 4.16 to the financial statements, as at December 31st 2009 the ownership structure of the Company was as follows:

Shareholder	**No of shares (‘000)**	**No of votes (‘000)**	**Par value of shares (PLN ‘000)**	**% of share capital**
Jerzy Wiśniewski	4,235	8,470	4,235	29.6%
ING Otwarty Fundusz Emerytalny	1,259	1,259	1,259	8.8%
AVIVA Otwarty Fundusz Emerytalny	1,342	1,342	1,342	9.4%
Pioneer Pekao Investment Management SA's clients	951	951	951	6.7%
Other shareholders	6,508	6,512	6,508	48.2%

Total	**14,295**	**18,535**	**14,295**	**100%**

Series A shares held by Mr Jerzy Wiśniewski are preference shares. Other Series A shares, totalling 5,000, are held by Ms Małgorzata Wiśniewska and Mr Tomasz Woroch and are also preference shares. The preference is a voting preference, with two votes attached to a single preference share. The other shares are ordinary shares.

In 2009, the Company issued 865 thousand Series G shares, at PLN 220 per share. The issue price of the shares sold totalled PLN 190,300 thousand. PBG S.A. incurred share issue costs of PLN 7,265 thousand. The share premium account with respect to the sale of Series G shares totalled PLN 182,170 thousand.

As disclosed in the share register as at March 19th 2010, the following changes to the Company's owners holding more than 5% of the voting rights took place in the period January 1st–December 31st 2009 as well as subsequent to the balance-sheet date and before the issue hereof:

- On August 14th 2009, Mr Jerzy Wiśniewski disposed of 260 thousand shares in PBG S.A. The transaction was effected on the Warsaw Stock Exchange as an off-session block transaction. The preference shares were converted into ordinary shares on July 31st 2009 under a Resolution of the Polish National Depository for Securities (KDPW). The shares were admitted to stock-exchange trading on August 7th 2009, under a Resolution of the Stock Exchange's Management Board, and listed on August 14th.
- Following transactions in PBG SA shares effected by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. of Poznań from February 2nd 2009 to August 4th 2009, the Fund held 786,247 shares in PBG SA, accounting for 5.5% of the Company's share capital and conferring rights to 786,247 votes, or 4.24% of the total vote at PBG SA's General Shareholders Meeting. Prior to the aforementioned transactions, the Fund held 900,438 shares in PBG SA, accounting for 6.70% of PBG SA's share capital and conferring rights to 900,438 votes, or 5.02% of the total vote.
- On July 13th 2009, Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA (AVIVA OFE) acquired shares in PBG SA. Prior to the transaction, Aviva OFE held 871,081 shares in PBG SA, accounting for 6.49% of the Company's share capital and conferring rights to 871,081 votes at the General Shareholders Meeting, or 4.86% of the total vote. As a result of the transaction, Aviva OFE held 898,581 shares in the Company,

accounting for 6.69% of the Company's share capital and conferring rights to 898,581 votes at the General Shareholders Meeting, or 5.01% of the total vote.

- On October 23th 2009, Pioneer Pekao Investment Management SA (PPIM) acquired shares in PBG SA. Prior to the transaction, PPIM's clients held 913,863 shares in PBG, conferring rights to 913,863 votes at the General Shareholders Meeting and accounting for 6.39% of PBG's share capital, and 4.93% of the total vote at the General Shareholders Meeting. As a result of the transaction, PPIM's clients held 951,182 shares in PBG, conferring rights to 951,182 votes at the General Shareholders Meeting. The shares account for 6.7% of PBG's share capital and 5.13% of the total vote.

There were no changes in the Issuer's shareholder structure in the period from January 1st 2010 to March 19th 2010.

The Company is the parent undertaking of the PBG Group. A list of the Company's related undertakings is contained in Section 2.4 of the audited financial statements for the financial year ended December 31st 2009.

As at March 19th 2010, the Company's Management Board was composed of:

- Jerzy Wiśniewski – 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 – Vice-President of the Management Board.

In the period from January 1st 2009 to March 19th 2010, the following changes occurred in the composition of the Company's Management Board:

- on September 30th 2009, Mr Tomasz Latawiec submitted to PBG SA's Supervisory Board his resignation from the position of Management Board Member. The resignation was motivated by family reasons.

2. Financial Statements for the Previous Year

The Company's financial statements for the financial year ended December 31st 2008 (previous financial year) were audited by Grant Thornton Frąckowiak Sp. z o.o., represented by qualified auditor Jan Letkiewicz, reg. no 9530/7106. The auditor issued an unqualified opinion on the audited financial statements.

The Company's financial statements for the financial year ended December 31st 2008 were approved by the General Shareholders Meeting on June 4th 2009. The shareholders resolved to allocate the 2008 net profit of PLN 58,469 thousand to:

– statutory reserve funds (PLN 53,469 thousand), and

– the Company's Social Benefits Fund (PLN 5,000 thousand).

The Company's financial statements for the financial year ended December 31st 2008 (previous financial year), along with the auditor's opinion, resolutions of the General Shareholders Meeting approving the statements and concerning profit distribution, and Directors' Report on the Company's operations were submitted to the National Court Register on June 26th 2009.

The supplementary information comprising the introduction to the financial statements, the balance sheet as at December 31st 2008, the income statement, statement of changes in equity, and statement of cash flows for the financial year ended December 31st 2008 (previous financial year), along with the auditor's opinion and resolutions of the General Shareholders Meeting approving the statements and concerning profit distribution, were published in *Monitor Polski B*, No 1578, on September 9th 2009.

3. Information on the Auditing Firm and the Qualified Auditor Performing the Audit

Grant Thornton Frąckowiak Sp. z o.o., registered office at pl. Wiosny Ludów 2, Poznań, Poland, is an entity qualified to audit financial statements, entered in the list maintained by the National Council of Statutory Auditors under Reg. No. 238.

The audit of the Company's financial statements on behalf of Grant Thornton Frąckowiak Sp. z o.o. was managed by qualified auditor Jan Letkiewicz, reg. No 9530.

Grant Thornton Frąckowiak Sp. z o.o. was appointed by the Supervisory Board to audit the Company's financial statements for the financial year ended December 31st 2009 on July 21st 2009. The audit was performed under an agreement executed with the Company's Management Board on July 22nd 2009.

4. Scope and Dates of the Audit

The purpose of the audit was to issue a written opinion, along with the report, stating whether the financial statements for the financial year ended December 31st 2009 present fairly and clearly, in all material respects, the assets, financial standing and financial performance of the Company in accordance with the accounting principles (policies) stipulated in the International Accounting Standards, International Financial Reporting Standards and interpretations thereof as published in the European Commission’s regulations, and to the extent not covered by those Standards, in compliance with the Polish Accountancy Act and the secondary legislation thereto.

When examining the individual items of the financial statements and accounting records, we applied tests and checks relevant to financial auditing. Our opinion on the correctness of the audited items is derived from those tests and checks. We applied the test-check procedure also with respect to tax-related settlements and charges, hence differences may arise between the findings obtained from the audit and the findings of any inspections carried out by competent tax authorities.

It was not the purpose of our audit to identify or investigate any events which, if occurred, might serve as a basis for a competent body’s initiation of criminal proceedings. Likewise, any other matters with no impact on the audited financial statements, which might have been identified outside the Company’s accounting system, were beyond the scope of our audit.

The audit of the Company’s financial statements for the financial year ended December 31st 2009 was conducted from December 7th 2009 until March 19th 2010 (including at the Company’s offices from December 7th to December 11th 2009) and from February 15th to February 23rd 2010.

5. Independent Opinion

Grant Thornton Frąckowiak Sp. z o.o. (entity qualified to audit financial statements), members of its management board and supervisory bodies, the network a of which it is a member, as well as the qualified auditor in charge of the audit and other individuals participating in the audit meet the criteria to issue an unbiased and independent opinion on the audited financial statements of the Company, as stipulated in art. 56 of the Polish Act on qualified auditors and their self-government, entities qualified to audit financial statements and public oversight of May 7th 2009 (Dz.U. No 77, item 649).

6. Availability of Data and Representations

The Company's Management Board submitted to us a representation in writing, dated March 19th 2010, to the effect that the audited financial statements were complete, reliable and correct, and that between the balance-sheet date and the date of the audit completion no events had taken place that could materially impact the assets and financial standing of the Company, thus requiring disclosure in the financial statements. The Company's Management Board confirmed their liability for the approved financial statements and represented that they had made available for the audit all accounting records, financial and other information, details and other required documents, and had submitted to us explanations necessary to issue an opinion on the audited financial statements.

7. Accounting System

The Company's accounting records are kept in the Oracle E-Business Suite IT system in place at the Company's offices. The documents referred to in Art. 10 of the Accountancy Act (including a document setting out the applied accounting policies) maintained by the Company are valid and up-to-date. In our judgment, the accounting policies presented in the notes to the financial statements are adequate given the Company's business profile.

The approved closing balances as at December 31st 2008 were correctly brought forward as opening balances as at January 1st 2009 in the accounting records.

Our audit revealed no deficiencies which might affect the financial data or information contained in the audited financial statements, and which would pertain to:

- evidence of business transactions,
- fairness, correctness or verifiability of the accounting records,
- consistency of the accounting entries with relevant evidence and with the audited financial statements,
- methods used to restrict access to data and to the computer-supported data processing system,
- security of the accounting documents, accounting records and financial statements.

8. Statement of Financial Position

ASSETS (in PLN '000)	December 31st 2009	December 31st 2008	December 31st 2007
NON-CURRENT ASSETS	**685,605**	**561,260**	**534,833**
Goodwill	1,606	1,606	1,606
Intangible assets	28,069	10,596	8,675
Property, plant and equipment	138,779	148,116	132,946
Investment property	8,175	710	710
Investments in subsidiary undertakings	389,950	330,226	255,249
Other non-current financial assets	99,551	39,355	126,149
Non-current receivables under derivative financial instruments	6,415	12,916	-
Non-current receivables	7,711	9,508	9,094

Deferred tax assets	-	-	-
Non-current prepayments and accrued income	5,349	8,227	404
CURRENT ASSETS	**1,559,113**	**779,104**	**774,266**
Inventories	17,297	32,623	21,737
Receivables under construction contracts	149,609	179,287	112,488
Trade receivables	352,511	250,802	216,742
Current income tax receivable	-	-	-
Other current receivables	13,863	23,462	8,622
Other current financial assets	473,611	120,958	77,100
Current receivables under derivative financial instruments	13,166	1,279	2,483
Cash and cash equivalents	529,324	164,943	327,707
Current prepayments and accrued income	9,732	5,750	7,387
Non-current assets classified as held for sale	-	-	-
TOTAL ASSETS	**2,244,718**	**1,340,364**	**1,309,099**

EQUITY AND LIABILITIES (PLN '000)	**December 31st 2009**	**December 31st 2008**	**December 31st 2007**
EQUITY	**1,049,309**	**761,202**	**720,225**
NON-CURRENT LIABILITIES	**491,980**	**288,825**	**234,853**
Non-current loans and borrowings	80,885	65,549	18,803
Other non-current financial liabilities	376,597	200,000	200,047
Non-current liabilities under derivative financial instruments	553	1,540	
Other non-current liabilities	19,201	5,072	300
Deferred tax liabilities	1,035	4,099	3,606
Provisions for liabilities under employee benefits	271	303	327
Other non-current provisions	6,118	4,206	2,618
Government subsidies	-	-	-
Non-current accruals and deferred income	7,320	8,056	9,152

CURRENT LIABILITIES	**703,429**	**290,337**	**354,021**
Current loans and borrowings	104,858	108,516	97,154
Other current financial liabilities	133,705	2,252	113,372
Current liabilities under derivative financial instruments	236	15,291	490
Trade payables	371,340	145,086	109,439
Liabilities under construction contracts	41,801	4,452	3,768
Current income tax payable	17,789	3,548	4,731
Other current liabilities	28,918	9,506	22,863
Provisions for liabilities under employee benefits	186	230	175
Other current provisions	3,598	303	973
Government subsidies	-	-	-
Current accruals and deferred income	998	1,153	1,056
Liabilities under non-current assets held for sale	-	-	-
TOTAL EQUITY AND LIABILITIES	**2,244,718**	**1,340,364**	**1,309,099**

9. Income Statement

PLN ‘000	**2009**	**2008**
CONTINUING OPERATIONS		
Sales revenue	**827,463**	**571,576**
Operating expenses	**708,513**	**502,830**
Other operating income	8,887	4,938
Other operating expenses	2,241	1,656
Operating profit / (loss)	**125,596**	**72,028**
Finance income	31,578	28,189
Finance expenses	35,487	29,155
Other gains on investments	-	2,527
Pre-tax profit /(loss)	**121,687**	**73,589**
Income tax	23,408	15,120
Net profit / (loss) from continuing operations	**98,279**	**58,469**

DISCONTINUED OPERATIONS		
Net profit / (loss) from discontinued operations	-	-
Net profit / (loss)	**98,279**	**58,469**

10. Statement of Comprehensive Income

PLN '000	**2009**	**2008**
Net profit / (loss)	**98,279**	**58,469**
OTHER COMPREHENSIVE INCOME		
Remeasurement of property, plant and equipment	-	-
Available-for-sale financial assets	-	-
Cash flow hedges	14,760	-16,882
Foreign currency differences arising on translation of foreign operations		
Foreign currency differences transferred to profit or loss – sale of foreign operations		
Income tax on items of other comprehensive income	-2,968	3,390
Other comprehensive income after tax	**11,792**	**-13,492**
Comprehensive income	**110,071**	**44,977**

11. Discussion of Selected Items of the Financial Statement

The structure of the Company's assets and equity and liabilities is disclosed in the audited financial statements for the year ended December 31st 2009.

The most recent inventory-taking of the Company's property, plant and equipment took place as at December 31st 2008. The Company, acting in compliance with the Polish Accountancy Act, carries out the inventory-taking of its property, plant and equipment every four years. The differences arising between the property, plant and equipment as disclosed in the accounting records and the property, plant and equipment as established during the inventory-taking process were reconciled in the 2008 accounting records.

The inventory-taking of materials on stock was performed by the Company in December 2009 and January 2010. We carried out an on-site inspection of the process at the Malczyce stage-of-fall on January 6th 2010. No differences were identified between inventories as disclosed in the accounting records and inventories established during the inventory-taking process.

We performed an independent test-check of trade receivables as at December 31st 2009. By the audit completion date, we had received evidence confirming 98% of the selected sample of trade receivables as at the inventory-taking date. The differences between the confirmed amounts and the balances disclosed in the accounting records were addressed by the Company and accounted for in the books.

Furthermore, we performed an independent test-check of trade payables as at December 31st 2009. By the audit completion date, we had received evidence confirming 86% of the selected sample of trade payables as at test date. The differences between the confirmed amounts and balances disclosed in the accounting records were addressed by the Company and accounted for in the books.

Revenue and related costs were disclosed in the accounting records on an accrual basis and according to the matching principle.

The Company recognises construction contracts in accordance with IAS 11. Contract revenue associated with a construction contract is recognised by reference to the stage of completion of the contract activity if the outcome of the contract can be reliably estimated. The work performed is measured by the Company as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract cots incurred that it is probable will be recoverable. For details concerning long-term contracts, see Section 4.20 (notes to the balance sheet). For business confidentiality reasons, the Company’s Management Board disclosed the aggregate value of construction contracts instead of their unit values.

Revenue and related costs were disclosed in the accounting records on an accrual basis and in accordance with the matching principle.

The Company’s operations are partly financed with external sources of funding, including notes or bonds, as well as short- and long-term loans. The Company measured the liabilities in a proper manner and charged all of them to net profit/loss for the period. For details concerning the sources of financing, see Section 4.8.3 of the financial statements.

The Company applies hedge accounting to long-term construction contracts denominated in foreign currencies, using forward contracts for hedging purposes. The objective of the Company's hedging strategy is to mitigate the currency risk associated with future cash flows from planned purchase and sale transactions. As at the balance-sheet date, the Company had EUR 800 thousand-worth of open short currency positions with a pre-defined delivery date, with the negative fair value of PLN -149 thousand; CAD 30,720 thousand-worth of open long currency positions with a pre-defined delivery date, with the positive fair value of PLN 18,444; and USD 3,250 thousand-worth of open long currency positions, with the negative fair value of PLN 100. The Company applies hedge accounting. The hedging instruments were measured as at the balance-sheet date in accordance with IAS 39, i.e. by recognising the fair value of financial instruments directly in equity until the settlement date of a hedging transaction. The value of open long positions in currency forwards as recognised in profit or loss for the period stood at PLN 18,347. The Company follows the fair-value-hedge policy. For details, see Section 4.8.3 of the financial statements.

Moreover, the Company uses interest rate swaps (IRSs) to exchange floating-rate obligations under contracted loans into fixed-rate obligations. The Company applies hedge accounting with respect to IRSs. The carrying value of the instruments amounted to PLN (-)553 and was recognised in equity. For details on financial instruments and hedge accounting, see Section 4.8.3 of the financial statements.

12. Financial Highlights and Ratios

Below are presented selected financial data and ratios for 2007, 2008 and 2009, describing the financial position of the Company in the period. All ratios are calculated based on the data contained in the Company's financial statements for the years ended December 31st 2009 and December 31st 2008.

Ratio	**Formula**	**Value**		
		2009	**2008**	**2007**
Sales revenue (PLN '000)		827,463	571,576	459,285
Net profit/ (loss)*		98,279	58,469	50,097
Equity (PLN '000)*		1,049,309	761,202	720,225
Total assets (PLN '000)		2,244,718	1,340,364	1,309,099

PBG Group

Return on assets (%)	net profit (loss) / total assets at end of period	4.4%	4.4%	3.8%
Return on equity (%)	net profit (loss) / equity at beginning of period	12.9%	8.1%	15.0%
Gross margin (%)	gross profit (loss) / sales revenue	17.9%	18.5%	14.1%
Current liquidity ratio	total current assets / current liabilities	2.2	2.7	2.2
Cash liquidity ratio	cash / current liabilities	0.8	0.6	0.9
Average collection period (days)	trade receivables* x 365 days / revenue from sales of products and goods	155	160	172
Average payment period (days)	trade payables x 365 days / cost of sales	199	114	101
Inventory turnover ratio (days)	inventories x 365 days / cost of sales	9	26	20
Long-term capital to liabilities	(equity + non-current liabilities) / total liabilities	0.7	0.8	0.7
Debt ratio (%)	(total equity and liabilities – equity) / total equity and liabilities	53%	43%	45%
Inflation rate				
annualised (%)		3.5	4.2	2.5
December to December (%)		3.5	3.3	4.0

* before impairment losses

13. Going Concern

In Note 2.6.3 to the Company's audited financial statements for the year ended December 31st 2009, the Management Board stated that the financial statements were prepared on the assumption that the Company would continue as a going concern for a period not shorter than 12 months from December 31st 2009, and that no facts or circumstances are known that would indicate any threat to the Company's continuing as a going concern.

No material facts or circumstances were identified in the course of our audit that would make us believe that the Company is unable to continue as a going concern for at least 12 months from the balance-sheet date, that is from December 31st 2009, as a result of a voluntary or compulsory discontinuation or material limitation of the Company's current operations.

14. Notes on the Adopted Accounting Policies and Other Explanatory Notes

Notes on the adopted accounting policies and other explanatory notes to the financial statements for the financial year ended December 31st 2009 were prepared in all material respects in accordance with the accounting principles (policies) stipulated in the International Accounting Standards, International Financial Reporting Standards and interpretations thereof as published in the European Commission's regulations, and to the extent not covered by those Standards, in compliance with the Polish Accountancy Act and the secondary legislation thereto, as well as with the requirements of the Finance Minister's Regulation of February 19th 2009 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 (Dz.U. of 2009, No. 33, item 259, as amended).

15. Report on the Company's Operations

We have read the Directors' Report on the Company's operations for the financial year ended December 31st 2009. The data in the report that are derived from the audited financial statements for the financial year ended December 31st 2009 are consistent with the statements. The report on the Company's operations meets in all material respects the requirements of Art. 49.2 of the Polish Accountancy Act and of the Finance Minister's Regulation of February 19th 2009 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 (Dz.U. of 2009, No. 33, item 259 as amended).

16. Legal Compliance

According to the Management Board's written representation, drawn up based on its best knowledge, the Company ensured compliance with any applicable laws and regulation whose violation might have a material bearing on the audited financial statements.

This report contains 12 pages.

Jan Letkiewicz

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Qualified auditor, reg. no 9530

Grant Thornton Frąckowiak Sp. z o.o.,
pl. Wiosny Ludów 2, Poznań, Poland,
entity qualified to audit financial
statements, registration number 238

Poznań, March 19th 2010.