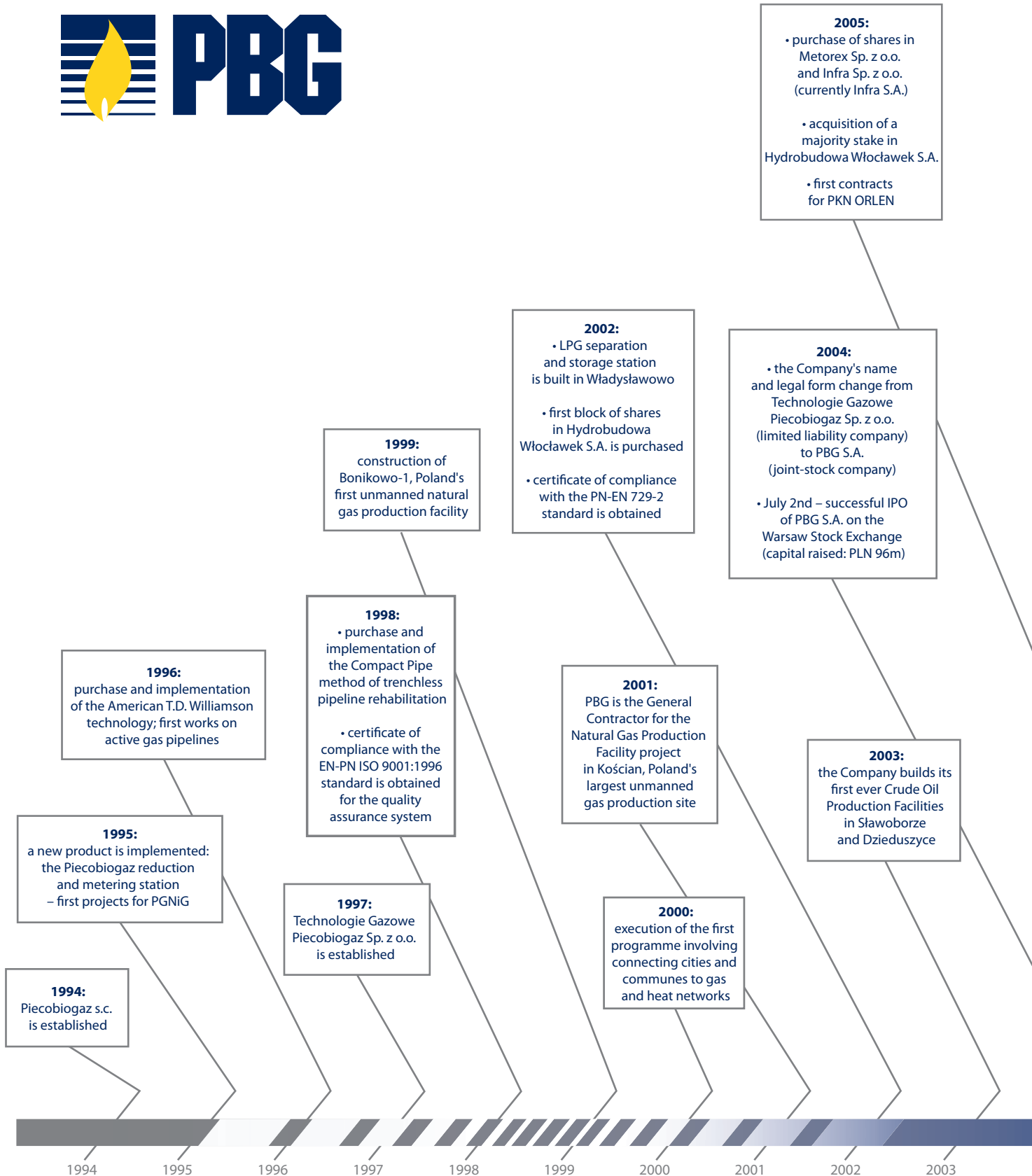




THE YEAR 2010

1. HISTORY OF OUR SUCCESS



2007:

- January – the third issue of PBG shares (capital raised: PLN 350m)
- merger of Hydrobudowa Włocławek S.A. and Hydrobudowa Śląsk S.A. leads to the establishment of one of the largest players on the Polish environmental protection and hydro-engineering market, currently operating under the name of Hydrobudowa Polska S.A.
- new companies join the PBG Group: Hydrobudowa 9 S.A., GasOil Engineering AS, Excan Oil&Gas Engineering LTD, Przedsiębiorstwo Drogowo-Mostowe Dromost Sp. z o.o., PRID S.A., PBG Dom Sp. z o.o., Apartamenty Poznańskie Sp. z o.o., Brokam Sp. z o.o., Bathinex Sp. z o.o. and PRIS Sp. z o.o.

2006:

- January – the second issue of PBG shares (capital raised: PLN 138m)
- acquisition of KB Gaz S.A. (currently KWG S.A.)
- purchase of shares in Hydrobudowa Śląsk S.A.

2009:

- new companies join the PBG Group: PBG Export Sp. z o.o., KM Investment Sp. z o.o. (currently: Złotowska 51 Sp. z o.o.), PBG Dom Management I Sp. z o.o., City Development Sp. z o.o., Villa Poznań Sp. z o.o., PBG Ukraina Public Joint-Stock Company, PBG Dom Management Sp. z o.o. (currently: Quadro House Sp. z o.o.) and Kino Development Sp. z o.o.
- disposal of shares in PRIS Sp. z o.o. and Wiertmar Sp. z o.o.
- contracts are won for the construction of stadiums for EURO 2012: the BALTIC ARENA Stadium in Gdańsk and the National Stadium in Warsaw
- June – the fourth issue of PBG shares (capital raised: PLN 190m)
- the Group enters the Ukrainian market through the acquisition of 100% of shares in Wschodni Invest Sp. z o.o., holding a 51% stake in Energopol Ukraina of Kiev

2008:

- new companies join the PBG Group: Betpol S.A., Aprivia S.A., Avatia Sp. z o.o., Wiertmar Sp. z o.o., Budwil Sp. z o.o., Gdyńska Projekt Sp. z o.o., Hydrobudowa Polska Konstrukcje Sp. z o.o. (currently: PBG Technologia Sp. z o.o.), PRG Metro Sp. z o.o., Górecka Projekt Sp. z o.o. and Dawil Sp. z o.o. (currently: PBG Dom Invest 1 Sp. z o.o.)
- multi-million contracts are signed with PGNiG for the development of the Lubiatów-Międzychód-Grotów fields and the construction of the Wierchowice Underground Gas Storage Facility
- first agreement connected with EURO 2012 is signed for the construction of the City Stadium in Poznań

2010:

- new companies join the PBG Group: PBG Dom Invest III Sp. z o.o., PBG Dom Invest IV Sp. z o.o., PBG Dom Invest V Sp. z o.o., PBG Dom Invest III Sp. z o.o. sp. k., PBG Dom Invest VIII, PBG Dom Invest IX, PBG Dom Invest X, PBG Dom Invest VI Sp. z o.o., PBG Dom Invest VII Sp. z o.o. and PBG Bułgaria Sp. z o.o.
- the Group enters the power market through the acquisition of 25% of the share capital + 1 share in Energomontaż Południe
- disposal of shares in INFRA S.A.
- first large contracts for road construction projects, for the construction of sections of the A1 and A4 motorways
 - bid submitted by a consortium including PBG wins the tender for the construction of an LNG terminal in Świnoujście
- disposal of shares in INFRA S.A.
- an agreement is signed with OHL of Spain; the parties confirm their interest in entering into equity cooperation with respect to the provision of services on the construction and operator markets in Poland and abroad, through sale of shares in HBP S.A. and APRIVIA S.A.
- new companies join the PBG Group: HBP Drogi Sp. z o.o. and AQUA S.A.

2011:

- temporary suspension of the negotiations with OHL concerning sale by PBG of shares in its subsidiaries: HYDROBUDOWA POLSKA S.A. and APRIVIA S.A., after a decline in the values of construction companies listed on the Warsaw Stock Exchange; however, despite having suspended the sale negotiations, the Company remains determined to continue cooperation with OHL with respect to the bidding for and execution of construction contracts in Poland and abroad
 - expansion into the power market – the Company increases its equity interest in Energomontaż Południe to 66%
- expansion into the power market – a preliminary agreement is signed concerning acquisition of a majority stake in RAFAKO S.A.

2004

2005

2006

2007

2008

2009

2010

2011

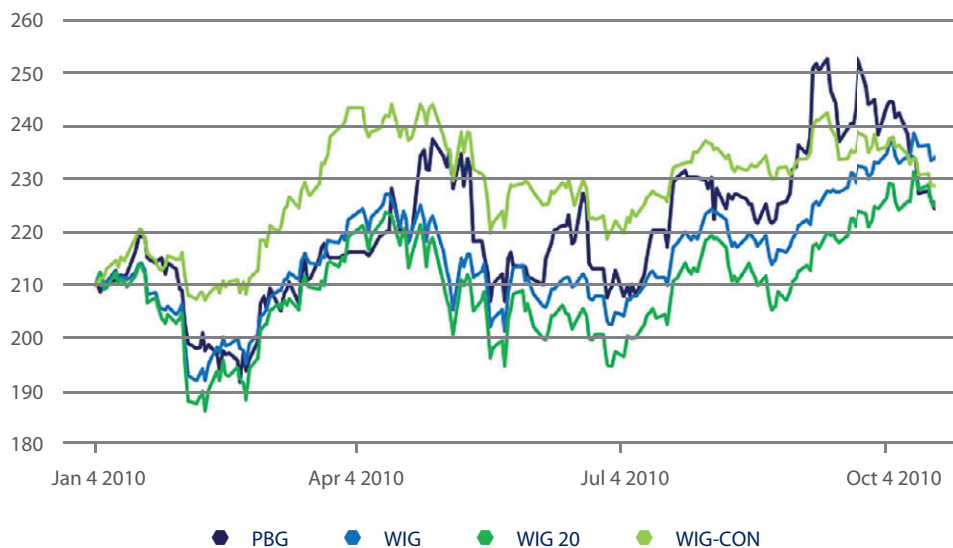
2. PBG S.A. SHARES AND SHAREHOLDERS

PBG S.A. ON THE CAPITAL MARKET

- IPO – issue price of PLN 32 per share (June 2004)
- Share price on first-time WSE listing – PLN 35 (July 2nd 2004)
- SPO – issue price of PLN 92 per share (January 2006)
- SPO – issue price of PLN 250 per share (January 2007)
- SPO – issue price of PLN 220 per share (June 2009)
- All-time high – PLN 438 per share (May 4th 2007)
- Current price – PLN 194.50 per share (March 21st 2011)
- Market capitalisation – PLN 2.78bn (as at March 21st 2011)
- MSCI EM Index – since June 1st 2007 PBG S.A. has been included in the emerging markets index
- WIG 20 Index – since June 18th 2007, PBG S.A. has been included in the blue chips WIG 20 index of the WSE

PBG STOCK PERFORMANCE SINCE FIRST-TIME LISTING PBG

GRAPH 1: PRICE OF PBG SHARES IN JANUARY 1ST–DECEMBER 31ST 2010



GRAPH 2: PRICE OF PBG SHARES SINCE FIRST-TIME LISTING TO MARCH 2011



MARKET VALUE RELATIVE TO PEERS

GRAPH 3: LARGEST WSE-LISTED CONSTRUCTION COMPANIES BY MARKET CAPITALISATION (AS AT DECEMBER 31ST 2010)

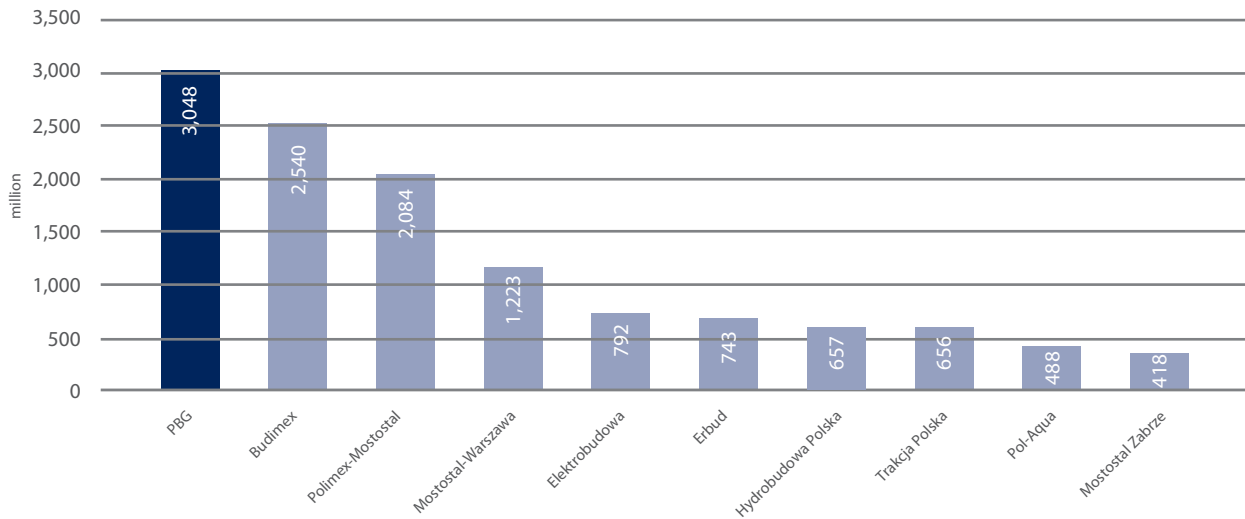


TABLE 1: KEY INFORMATION ON PBG SHARES

Key information (per share)		2010	2009	y-o-y change
Earnings	PLN	15,69	15,00	+5
Equity	PLN	112,29	97,49	+15
52-week high	PLN	252,00	242,90	+4
52-week low	PLN	192,00	182,00	+5
Share price at year end	PLN	213,00	203,20	+5
P/E ratio (max.)		21,78	35,35	-38
P/E ratio (min.)		16,59	26,49	-37
P/E ratio at year end		18,41	29,57	-38
Number of shares at the end of period	number of shares	14 295 000	14 295 000	-
Number of outstanding shares	number of shares	10 055 000	10 055 000	-
Capitalisation at year end	PLN'000	3,044,835	2,904,744	+5
Average daily trading value	PLN'000	10,399	15,128	-31

SHAREHOLDER STRUCTURE

Currently, the Company's share capital amounts to PLN 14,295 thousand and is divided into 3,740,000 registered shares with voting preference and 10,555,000 ordinary bearer shares. The par value of the preferred and ordinary shares is PLN 1 per share. Each preferred share confers the right to two votes at the General Shareholders Meeting. Nearly 99.9% of the preferred shares are held by Mr Jerzy Wiśniewski, the founder and main shareholder of PBG S.A. who also serves as the President of the Company's Management Board.

TABLE 2: SHARE CAPITAL OF PBG S.A.

PBG shares	Number of shares	Type of shares	Number of votes	Number of votes	Number of outstanding shares
Series A	5 700 000	conferring voting preference	3,740,000	7,480,000	0
		ordinary	1,960,000	1,960,000	1,960,000
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	18,035,000	10,555,000

GRAPH 4: VOTES AT THE GENERAL SHAREHOLDERS MEETING

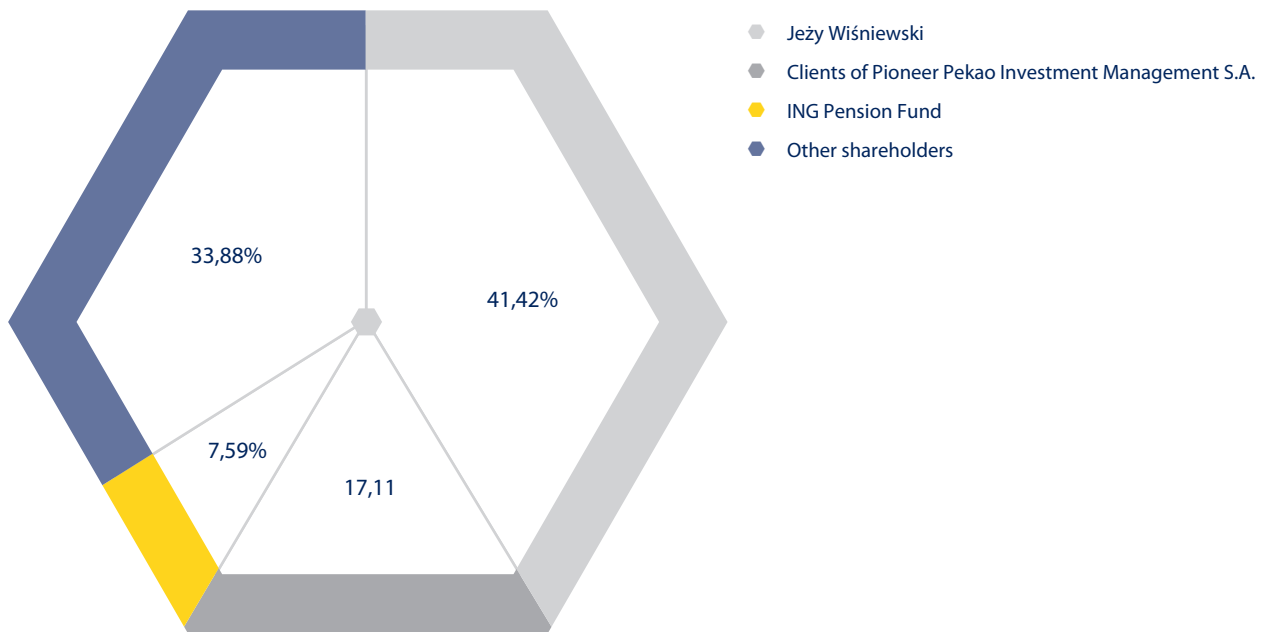


TABLE 3: KEY INFORMATION ON PBG SHARES

As at Dec 31st 2010				
Shareholder	Number of shares	Total par value (PLN)	% of share capital	% of total vote
Jeży Wiśniewski	4,235,054 shares, including: 4,235,054 registered preferred shares	4,235,054	29,63%	45,70%
Clients of Pioneer Pekao Investment Management SA	2,228,695 ordinary shares	2,228,695	15,59%	12,02%
ING Otwarty Fundusz Emerytalny	1,369,463 ordinary shares	1,369,463	9,58%	7,59%
As at the date of filing of this Report				
Shareholder	Number of shares	Total par value (PLN)	% of share capital	% of total vote
Jeży Wiśniewski	3,735,054 shares, including: 3,735,054 registered preferred shares	3,735,054	26,13%	41,42%
Clients of Pioneer Pekao Investment Management SA	3,085,288 ordinary shares	3,085,288	21,58%	17,11%
ING Otwarty Fundusz Emerytalny	1,369,463 ordinary shares	1,369,463	9,58%	7,59%

INVESTOR RELATIONS

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 ensure the most convenient access to information. The Company communicates with the market guided by the principle of transparency.

In 2010, the representatives of PBG S.A. held a number of meetings with investors and participated in a series of conferences. 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. 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.

Our efforts to continuously improve investor relations have earned us a number of awards from the investment community.

The title of "Issuer's Golden Website" granted in October last year was a very important award for PBG S.A. PBG S.A.'s website was selected, for the second consecutive time, as the best website the 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 information and appearance. The jury of the competition composed of various specialists focused on the clarity of the message, usability 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 2009. Moreover, in the same competition the Company was distinguished for the best Directors' Report.

BROKERS' RECOMMENDATIONS

The institutions which cover PBG S.A. on a regular basis and recommend its shares include:

- CitiGroup Investment Research;
- 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.;
- Goldman Sachs International;
- Credit Agricole Cheuvreux;
- Raiffeisen Centrobank AG.

TABLE 4: RECOMMENDATIONS RECEIVED IN 2010

Issue date	Recommending institution	Recommendation	Target price (PLN)
Jan 15 2010	UniCredit CAIB	HOLD	223.00
Jan 21 2010	KBC	BUY	245.30
Jan 25 2010	ING Securities	BUY	266.00
Jan 26 2010	Ipopema	HOLD	225.00
Feb 22 2010	DI BRE	REDUCE	172.30
Feb 24 2010	Goldman Sachs	BUY	299.00
Feb 25 2010	Beskidzki Dom Maklerski	ACCUMULATE	220.80
Mar 19 2010	DM BZ WBK	BUY	300.00
Apr 7 2010	DI BRE	SELL	173.20
Apr 9 2010	Espirito Santo	BUY	248.10
Apr 9 2010	CA Cheuvreux	BUY	245.00
Apr 16 2010	Erste	ACCUMULATE	245.00
Apr 20 2010	Wood	HOLD	234.00
Apr 26 2010	KBC	BUY	247.00
Apr 28 2010	Deutsche Bank	BUY	270.00
May 13 2010	DI BRE	SELL	194.00
Jun 11 2010	Goldman Sachs	BUY	283.00
Jul 19 2010	DI BRE	REDUCE	194.00
Jul 26 2010	ING Securities	SELL	220.00
Aug 3 2010	Beskidzki Dom Maklerski	REDUCE	210.00
Sep 9 2010	KBC	HOLD	261.64
Sep 15 2010	Ipopema	HOLD	246.00
Oct 8 2010	KBC	BUY	273.50
Nov 4 2010	Raiffeisen	REDUCE	200.00
Dec 7 2010	Wood	HOLD	227.90
Dec 10 2010	Erste	REDUCE	205.00
Dec 20 2010	Espirito Santo	BUY	253.00

Summary:

27 recommendations issued by 14 financial institutions, including:

- 11 **BUY** recommendations;
- 6 **HOLD** recommendations;
- 3 **SELL** recommendations;
- 2 **ACCUMULATE** recommendations;
- 5 **REDUCE** recommendations.

TABLE 5: BROKERS' RECOMMENDATIONS ISSUED UNTIL THE DATE OF THIS REPORT

Issue date	Recommending institution	Recommendation	Target price (PLN)
Jan 2 2011	DM IDMSA	HOLD	244.60
Jan 3 2011	Deutsche Bank	HOLD	240.00
Jan 14 2011	Ipopema	SELL	200.00
Jan 20 2011	Citi	SELL	201.00
Jan 24 2011	ING	SELL	180.00
Jan 24 2011	UniCredit CA IB	HOLD	215.00
Jan 25 2011	Wood	HOLD	228.00
Feb 11 2011	Wood	HOLD	227.90
Feb 21 2011	KBC Securities	HOLD	215.60
Feb 25 2011	Goldman Sachs	NEUTRAL	218.00

THE COMPANY AND ITS SHARES

TABLE 6: PERSONS RESPONSIBLE FOR INVESTOR RELATIONS

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

3. KEY EVENTS IN 2010

JANUARY

- **Incorporation of subsidiary undertakings: PBG Dom Invest III Sp. z o.o.; PBG Dom Invest IV Sp. z o.o.; PBG Dom Invest V Sp. z o.o.; PBG Dom Invest III Sp. z o.o. sp. k.**
PBG Dom incorporated subsidiary undertakings in which it holds 100% of share capital and 100% of the total vote at the GM. The undertakings were established to execute property development projects.
- **Execution of a contract between Elektrobudowa S.A., Qumak – Sekom S.A., AGAT S.A. and Hydrobudowa Polska with Alpinie Construction**
Contract for execution of work on power-supply, low-voltage and BMS systems is worth PLN 91,000,000.00 (VAT exclusive).
- **Execution of a contract between Imtech Sp z o.o. and Hydrobudowa Polska**
The contract covers construction of a sanitary sewage system and external networks for the National Stadium in Warsaw. The contract is worth PLN 118,000,000.00 (VAT exclusive).
- **Execution of a contract between Strateg Capital Sp. z o.o. and PBG S.A.**
PBG S.A. will act as the general contractor in a project involving construction of an aggregate (melaphyre) quarry and processing plant in Tłumaczów, delivery of aggregate loading and handling systems and construction of a railway siding. A total value of contracts concluded with Strateg Capital Sp. z o.o. in the last twelve months has been PLN 168,079,202.98 (VAT exclusive) and has exceeded the significant agreement threshold.

FEBRUARY

- **Share capital increase in PBG Dom Sp. z o.o.**
Following the transaction, the share capital of the company increased from PLN 12,357,200.00 to PLN 55,000,000.00. PBG S.A. holds 100% of shares in PBG DOM Sp. z o.o. The purpose of the transaction was to secure financing of the company's operations.
- **Acquisition of shares in Energomontaż Południe S.A. – completion of the transaction**
Under the transaction, PBG S.A. purchased 17,743,002 shares in Energomontaż Południe S.A., representing 25% + 1 vote of the total vote at the company's General Shareholders Meeting. It is a long-term investment relating to the Group's entry into the power engineering sector.

MARCH

- **Execution of an operating contract between Control Process S.A., PBG S.A., Gas Oil Engineering a.s. and Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.**
The consortium is to execute a project "Turnkey Delivery of Jarosław II Gas Compressor Station as part of the Upgrade of Jarosław Gas Compressor Station". The contract is worth PLN 117,700,000.00 (VAT exclusive). PBG S.A.'s share in the contract value is approximately 50%.

- **Execution of a contract between PBG S.A. and Przedsiębiorstwo Inżynierskie Ćwiertnia Sp. z o.o.** As a result of the contract execution, the significant agreement threshold was exceeded. The total value of contracts concluded with the company in the last 12 months amounts to PLN 101,502,030.52 (VAT exclusive).

APRIL

- **Acquisition by PBG S.A. of additional shares in Hydrobudowa Polska S.A.**
Following the transaction, PBG S.A. increased its interest in Hydrobudowa Polska S.A. to 63.05% in the share capital and the total vote at the General Shareholders Meeting.

MAY

- **Execution of a cooperation agreement between PBG S.A. and ALSTOM Power Sp. z o.o.**
The cooperation agreement (Consortium Agreement) defines the rules of cooperation between the two companies with a view to submitting a joint bid for a contract "Construction of Power Unit at the Koźienice Power Plant".
- **Disposal of shares in INFRA S.A. by PBG S.A.**
The transaction was executed as part of the strategy of streamlining the organisation of the PBG Group.

JUNE

- **Execution of an annex to the agreement between the consortium: HYDROBUDOWA POLSKA S.A., ALPINE BAU DEUTSCHLAND AG, ALPINE BAU GmbH, ALPINE Construction Polska Sp. z o.o., AK-BUD KURANT Spółka jawna, PBG S.A. and Euro Poznań 2012 Sp. z o.o.**
The annex to the contract "Extension of City Stadium at ul. Bułgarska 5/7 in Poznań for EURO 2012 – construction of Tribunes I and III, and roofing over Tribunes I, II and III" extended the contract's completion date to July 29th 2010.
- **Execution of an annex to the agreement between the consortium: ALPINE BAU DEUTSCHLAND AG, ALPINE BAU GmbH, ALPINE Construction Polska Sp. z o.o., HYDROBUDOWA POLSKA S.A., PBG S.A. and Narodowe Centrum Sportu Sp. z o.o.**
Under the annex, the completion date of the contract of May 4th 2009 for construction of a multi-purpose National Stadium in Warsaw, together with auxiliary infrastructure, was extended to June 30th 2011.
- **Execution of a contract between PBG S.A., APRIVIAS.A., HYDROBUDOWA POLSKA S.A., SRB Civil Engineering Limited, John Sisk & Son Limited and the General Directorate for National Roads and Motorways**
The contract for execution of a project, "Construction of the A1 Toruń–Stryków Motorway, Brzezie-Kowal Section III, from km 186+348 to km 215+850" is worth PLN 702,768,700.00 (VAT exclusive)
- **Execution of a contract between SRB Civil Engineering Limited, PBG S.A., APRIVIAS.A., HYDROBUDOWA POLSKA S.A., John Sisk & Son Limited and the General Directorate for National Roads and Motorways**
The contract for execution of a project "Construction of A1 Toruń–Stryków Motorway, Czerniewice–Odolin Section I, from km 151+900 to km 163+300, and Odolin–Brzezie Section II, from km 163+300 to km 186+366" is worth PLN 765,632,889.69 (VAT exclusive).

JULY

- **Execution of a contract between SIAC Construction Ltd, PBG S.A., APRIVIA S.A., HYDROBUDOWA POLSKA S.A. and the General Directorate for National Roads and Motorways**
The contract for construction of the Krzyż–Dębica Pustynia Section of the A4 Motorway (Tarnów–Rzeszów) is worth PLN 1,434,761,287.80 (VAT exclusive).
- **Execution of a contract between PBG S.A. and KGHM Polska Miedź S.A.**
The contract for execution and delivery of gas turbine generator sets for the project „Construction of a Combined Gas and Steam Cycle Unit in Highly-Efficient Cogeneration and Construction of Combined Gas and Steam Cycle Units at the Głogów CHP Plant and the Polkowice CHP Plant” is worth PLN 95,100,000.00 (VAT exclusive).
- **Execution of a contract between Saipem S.p.A., Saipem S.A., Techint Compagnia Tecnica Internazionale S.p.A, Snamprogetti Canada Inc., PBG S.A., PBG Export Sp. z o.o. and Polskie LNG S.A.**
The contract covers development of the engineering design, construction and commissioning of the LNG regasification terminal in Świnoujście and is worth PLN 2,415,213,000.00 (VAT exclusive).
- **Execution of a contract between Metro Sp. z o.o, HYDROBUDOWA POLSKA S.A., HYDROBUDOWA 9 S.A., INFRA S.A. and the Warsaw municipal utility company MPWiK w m.st. Warszawa S.A.**
The contract for execution of Phase II of the construction of sewage collectors for the Czajka sewage treatment plant is worth PLN 144,771,027.99 (VAT exclusive).
- **Execution of a contract between ALPINE Bau GmbH, PBG S.A., APRIVIA S.A., HYDROBUDOWA POLSKA S.A. and the General Directorate for National Roads and Motorways**
Under the contract, the consortium will construct the Kaczkowo-Korzeńsko section (the Bojanowo and Rawicz beltway) of the S5 Poznań (A2 – the Głuchowo interchange) – Wrocław (A8 – the Widawa interchange) expressway for PLN 777,239,570.60 (VAT exclusive).

AUGUST

- **Execution of an annex to the contract between HYDROBUDOWA POLSKA S.A., PBG S.A., HYDROBUDOWA 9 S.A., Korporacja Budowlana DORACO Sp. z o.o, VAUCHE S.A. and Zakład Utylizacyjny Sp. z o.o. of Gdańsk**
The annex to the contract for the project „Design and Construction of Waste Neutralisation Facility in Gdańsk Szadółki – Construction and Assembly Works”, extended the contract completion date to May 22nd 2011.

SEPTEMBER

- **Incorporation of subsidiary undertakings: PBG Dom Invest VIII Sp. z o.o., PBG Dom Invest IX Sp. z o.o. and PBG Dom Invest X Sp. z o.o.**
PBG Dom incorporated subsidiary undertakings in which it holds 100% of the share capital and 100% of the total vote at the General Shareholders Meeting. The undertakings were established to execute property development projects.
- **Execution of a Memorandum of Understanding between PBG S.A. and Obrascón Huarte Lain Construcción Internacional S.L., confirming the parties’ intention to enter into capital cooperation through disposal of shares in HBP S.A. and APRIVIA S.A.**

PBG S.A. declared that upon completion of the transaction it will hold no less than 12% of shares in HBP S.A. and 49.9% of shares in APRIVIA S.A., with a proviso that it may increase its interest in HBP S.A. in the future. The purpose of the transaction is to start capital cooperation in the area of construction and operator services in Poland and abroad.

◆ **Incorporation of subsidiary undertaking PBG Bułgaria Sp. z o.o.**

PBG S.A. incorporated a subsidiary undertaking in which it holds 100% of the share capital and 100% of the total vote at the General Shareholders Meeting. This is a long-term investment relating to the PBG Group's entry into the Bulgarian construction market.

◆ **Incorporation of subsidiary undertakings: PBG Dom Invest VI Sp. z o.o. and PBG Dom Invest VII Sp. z o.o.**

PBG Dom incorporated subsidiary undertakings in which it holds 100% of the share capital and 100% of the total vote at the General Shareholders Meeting. The undertakings were established to execute property development projects.

OCTOBER

◆ **Acquisition of shares in STRATEG CAPITAL Sp. z o.o.**

PBG S.A. acquired 152 shares in STRATEG CAPITAL Sp. z o.o. from INVEST ECOPAP Sp. z o.o. and 1 share from ESMER HOLDING LIMITED. Subsequent to the transaction, PBG S.A. holds 80% of shares in STRATEG CAPITAL Sp. z o.o. The transaction was carried out with a view to ensuring access to aggregate for road and railway construction projects.

◆ **Acquisition of shares in Bathinex Sp. z o.o.**

As a result of this transaction, PBG S.A. acquired 100% of shares in Bathinex Sp. z o.o. The transaction was carried out with a view to ensuring access to aggregate for road and railway construction projects.

◆ **Execution of an agreement for project financing between PBG S.A. (the sponsor) and STRATEG CAPITAL Sp. z o.o.**

The transaction resulted in exceeding the materiality threshold; the total value of agreements executed with the company within 12 months is PLN 165,821,288.90. Acquisition of the bonds by PBG S.A. was a condition precedent for STRATEG CAPITAL to be able to execute investment loan agreements with banks. The bonds will mature on December 29th 2017. PBG S.A.'s financial support to the company totals PLN 105,517,886.34.

NOVEMBER

◆ **Execution of a contract between APRIVIA S.A., PBG S.A., HYDROBUDOWA POLSKA S.A., Husar Budownictwo Inżynieryjne Sp. z o.o., SRB Civil Engineering Ltd, John Sisk&Son Ltd, Roadbridge and the Municipality of Włocławek**

The value of the contract „Reconstruction of National Road No. 1, Phase II (Infrastructure and Environment Operational Programme)” is PLN 90,777,000.00 , VAT exclusive.

DECEMBER

◆ **Acquisition of shares in AQUA S.A.**

PBG S.A. acquired 81.69% of shares in AQUA S.A., representing 81.69% of the total vote at the company's General Shareholders Meeting. It is a long-term investment, aimed at enhancing the Group's engineering capabilities.

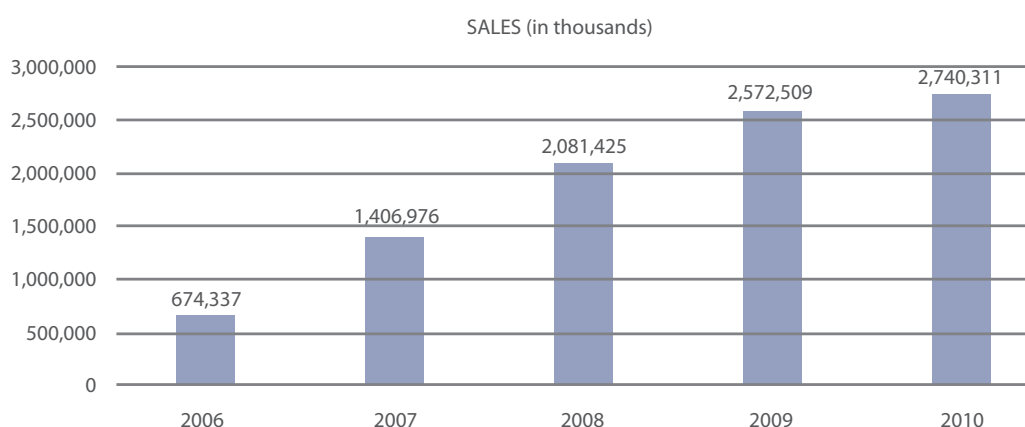
4. FINANCIAL REVIEW

2010 saw numerous developments that had a material effect on the financial and economic standing, and assets of the PBG Group. It was yet another year when the Group posted record-high results. The Parent Undertaking continued to have a significant bearing on the financial standing of the PBG Group. It also achieved record-breaking results, earning a net profit of over PLN 165m (up by PLN 67m year on year) on the back of sales revenue of nearly PLN 910m (up 10% year on year). These results were achieved only thanks to execution of profitable contracts and performance of the Group's budgets.

SALES REVENUE

As at the end of 2010, the PBG Group recorded a 7% year-on-year increase in sales revenue. The Group's revenue increased from **PLN 2,572,509 thousand in 2009** to **PLN 2,740,311 thousand in 2010**. In the period under review, cost of sales grew 4 p.p. faster than revenue, that is by 10%, to PLN 2,393,075 thousand as at the end of 2010.

GRAPH 5: HISTORICAL DEVELOPMENT OF SALES REVENUE (OVER THE LAST FIVE YEARS)

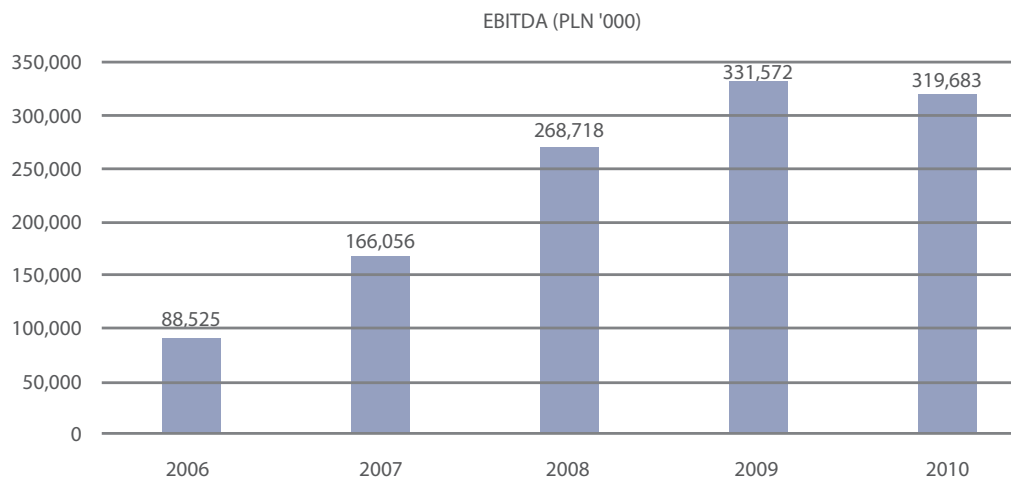


Over the last several years, the PBG Group's sales of services have been growing steadily. This has been attributable to the Group's continuous growth and the growing number of high-value contracts, with the resulting expansion of the order book.

EBITDA

As at the end of 2010, the PBG Group recorded EBITDA of **PLN 319,683 thousand**, 4% down from **PLN 331,572 thousand** as at the end of 2009.

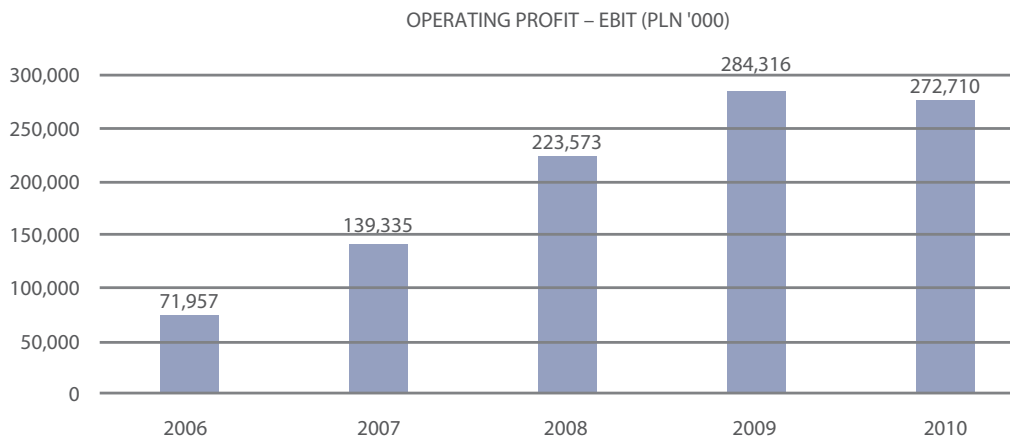
GRAPH 6: HISTORICAL DEVELOPMENT OF EBITDA (OVER THE LAST FIVE YEARS)



OPERATING PROFIT – EBIT

In 2010, the PBG Group recorded a 4% year-on-year decline in EBIT. EBIT decreased from **PLN 284,316 thousand** to **PLN 272,710 thousand**.

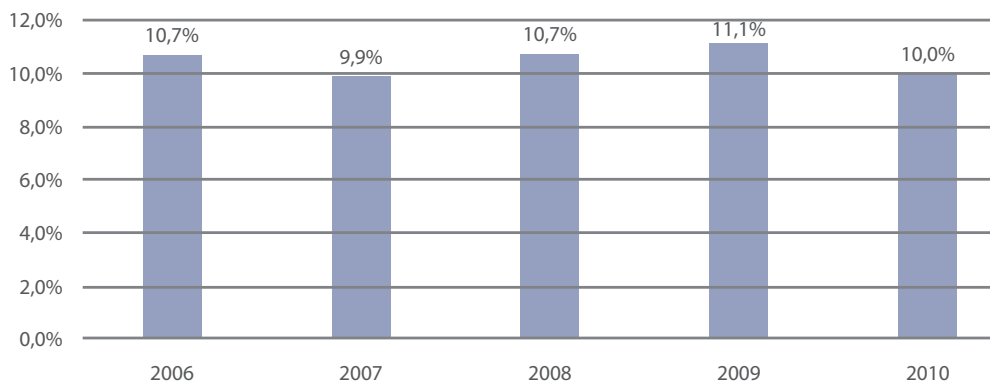
GRAPH 7: HISTORICAL DEVELOPMENT OF EBIT (OVER THE LAST FIVE YEARS)



OPERATING MARGIN

In 2010, the PBG Group recorded a **1.1% year-on-year decrease in operating margin**. The margin declined from **11.1% to 10.0%**.

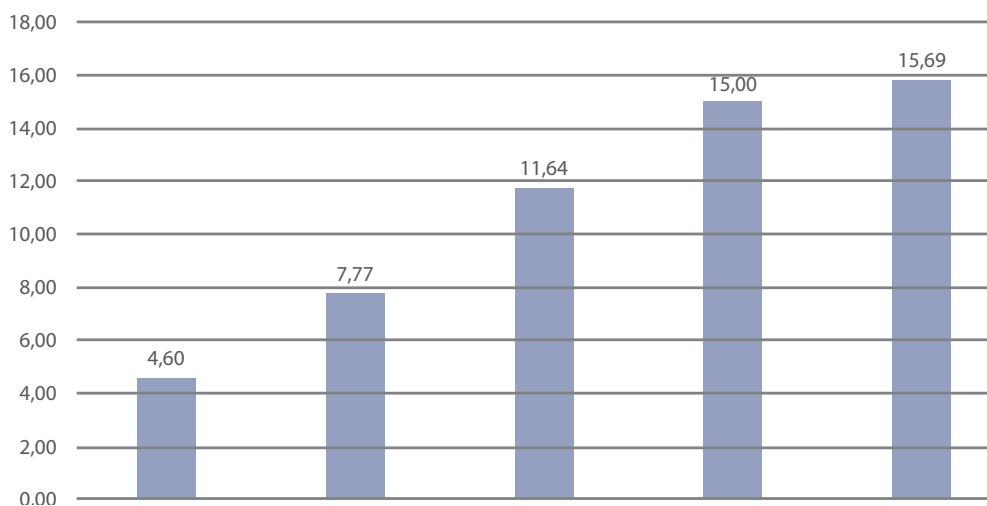
GRAPH 8: HISTORICAL DEVELOPMENT OF THE OPERATING MARGIN (OVER THE LAST FIVE YEARS)



EARNINGS PER SHARE

In 2010, earnings per share grew by 5% year on year, from PLN 15.00 to PLN 15.69. This has been the best result for the last five years.

GRAPH 9: HISTORICAL DEVELOPMENT OF EARNINGS PER SHARE (OVER THE LAST FIVE YEARS)



CHANGES IN THE GROUP'S MARKETS

In 2010, revenue streams from the individual areas of operations of the PBG Group were generated mainly on the domestic market and were as follows:

TABELA 7: PRZYCHODY WG SEGMENTÓW W LATACH 2009-2010

Sales revenue	2010 (PLN '000)	2009 (PLN '000)	Change (PLN '000)	Change (%)
natural gas, crude oil and fuels (transmission, distribution, production)	791,883	483,128	+308,755	+64
water (water engineering and environmental protection, pipeline rehabilitation)	644,019	996,045	-352,026	-35
industrial and residential construction (construction, infrastructure for industrial facilities)	995,284	877,489	+117,795	+13
roads (road construction)	298,868	187,022	+111,846	+60
other (sale of goods for resale, materials and products, other services)	10,257	28,825	-18,568	-64
Total sales revenue	2,740,311	2,572,509	+167,802	+7

The changes taking place on the above markets result from the Group's strategy to secure contracts involving the use of highly specialist technologies, develop its presence in the natural gas and crude oil market, and expand the order book to include road construction and infrastructural projects.

The PBG Group's operations focus primarily on the domestic market, which the Company regards as its key market because of the projects co-financed by the EU, planned projects connected with LNG production facilities and auxiliary infrastructure (compressor stations, gas pipelines, etc.), projects related to the 2012 European Football Championships to be held in Poland, and projects planned in the power sector. However, the Group is taking steps with a view to entering foreign markets, mainly in the natural gas, crude oil and infrastructure sectors. Historically, PBG S.A. performed contracts for customers in Latvia, Pakistan and Norway. Activities related to PBG Group's expansion into foreign markets, such as Ukraine, Russia, Romania, Bulgaria, Qatar and South America are currently under way. In some of these countries, PBG has already established, or is currently establishing, its branch in the form of a representative office or a special purpose vehicle. Furthermore, first steps are being taken to attract local sub-contractors or partner companies.

In the future, foreign markets may become a significant source of revenue for the PBG Group.

TABLE 7: CHANGES IN THE INCOME STATEMENT

PBG S.A. Income statement (PLN '000)	2010	2009	2010/2009
Sales revenue	2,740,311	2,572,509	107%
Cost of sales	2,393,075	2,182,566	110%
Gross profit/(loss)	347,236	389,943	89%
Selling costs	73	0	0%
Administrative expenses	109,096	109,764	99%
Profit on sales	238,067	280,179	85%
Other operating income	66,863	31,143	215%
Other operating expenses	33,603	27,006	124%
Share in profit of undertakings consolidated with equity method	1,383	0	0%
Operating profit/(loss)	272,710	284,316	96%
Finance income	64,015	30,717	208%
Finance expenses	71,324	58,850	121%
Profit/loss on investments	2,209	4,265	52%
Pre-tax profit/(loss)	267,610	260,448	103%
Income tax	49,051	40,588	121%
Net profit	218,559	219,860	99%
- attributable to owners of the Parent	224,315	209,094	107%
- attributable to minority interests	-5,756	10,766	0%

As at the end of 2010, the PBG Group's net profit was over PLN 224m, up by 7% or PLN 15m relative to the end of 2009. Other items of the income statement, however, declined: pre-tax profit dropped by 11% year on year, to slightly over PLN 347m, profit on sales went down by 15%, to PLN 238m, and operating profit saw a 4% decrease, to nearly PLN 273m.

In 2010, the cost of sales was PLN 2,393,075 thousand, up by 10% on the end of 2009. There was a change in the share of variable costs in total sales revenue. Cost of sales accounted for 87.3% of sales as at the end of 2010 versus 84.8% as at the end of 2009, which represents an increase of 2.6 percentage points.

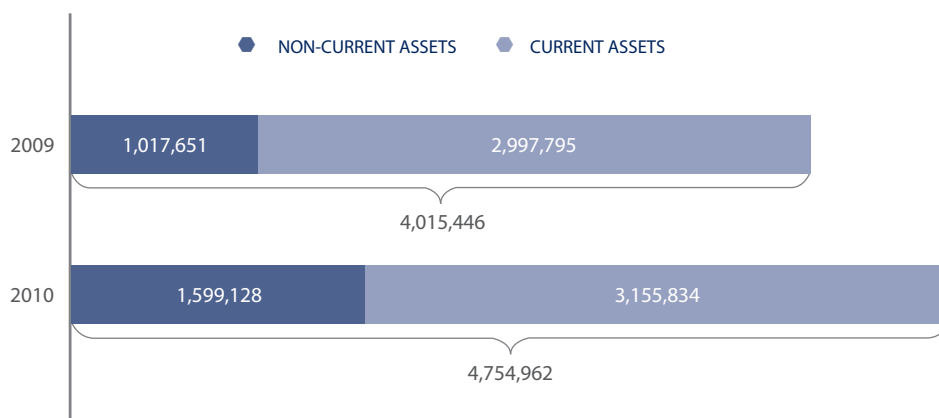
In 2009, general and administrative expenses reached PLN 109m and remained almost unchanged year on year. The share of general and administrative expenses in sales revenue fell from 4.3% in 2009 to 4.0% in 2010, which represents a decrease of 0.3 percentage point. The decrease in general and administrative 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).

ASSETS

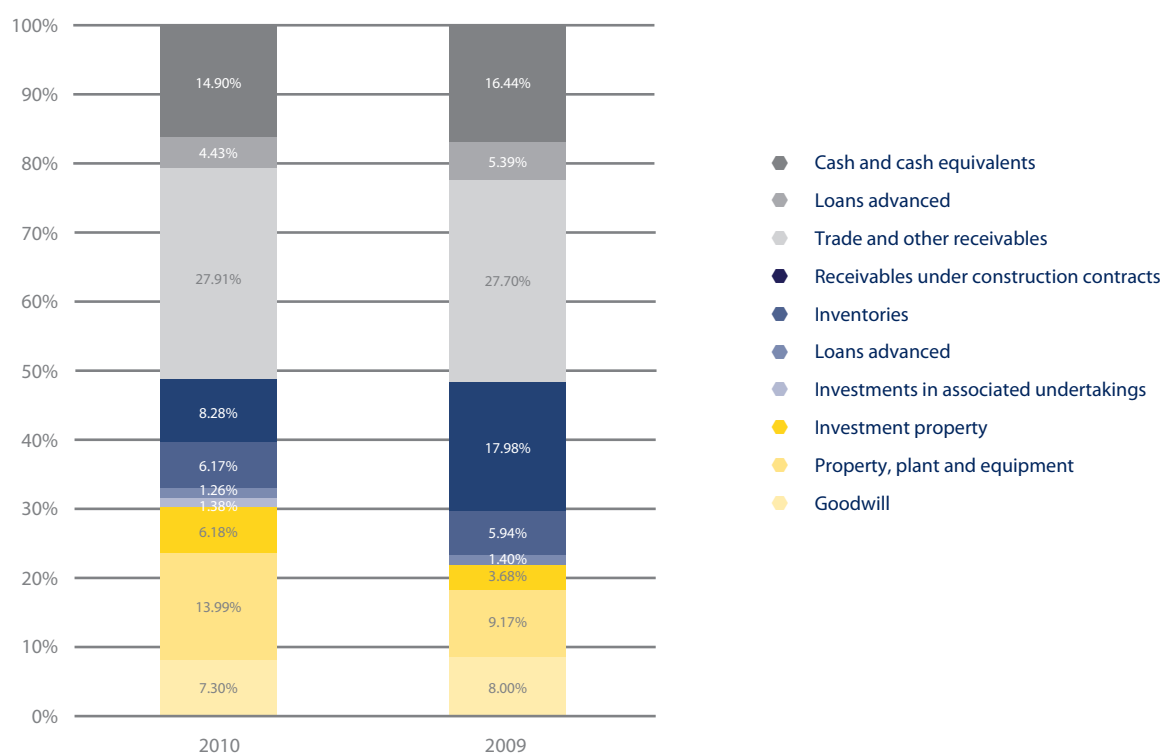
The assets' structure changed over the period under review. As at the end of 2010, the share of non-current assets in total assets stood at nearly 34% and was up by 9% year on year. On the other hand, over 2009 the share of current assets in total assets fell year on year to 66%. The largest item of non-current assets, accounting for 42% of total non-current assets, was property, plant and equipment, followed by goodwill acquired under business combination, representing 22% of total non-current assets. Goodwill on business combination comprises such items as goodwill attributable to Hydrobudowa Polska of PLN 43.6m and goodwill attributable to Hydrobudowa 9 of PLN 176.4m. Another major item of non-current assets is investment property, which accounts for 18% of total non-current assets (including the value of the real property situated in the Skalar Office at ul. Góreczka in Poznań, estimated at over PLN 110m).

Over the period under review, the structure of current assets also changed. In 2010, trade receivables were the largest item of current assets, with a 42% share in the total, up by 5% year on year. They were followed by cash and cash equivalents, with a 22% share in total current assets. The third largest item of current assets were receivables under construction contracts, representing 12% of total current assets.

GRAPH 10: ASSETS (PLN '000)



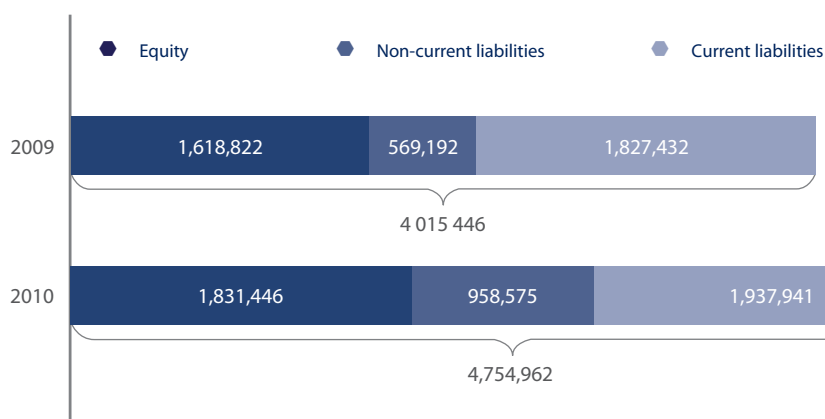
GRAPH 11: PERCENTAGE SHARES OF INDIVIDUAL ASSET ITEMS IN TOTAL ASSETS (ASSETS >1%)



EQUITY AND LIABILITIES

In the reporting period, the PBG Group's asset financing structure changed. Equity attributable to owners of the Parent represented 34% of total equity and liabilities. The share of non-current liabilities in the balance-sheet total increased by 7%, to 21%, while the share of current liabilities fell to 41% as at the end of 2010 (45% as at the end of 2009). The largest item of non-current liabilities was other non-current financial liabilities, which comprised bonds with a total value of PLN 450m issued by PBG S.A. in 2010.

GRAPH 12: EQUITY AND LIABILITIES (PLN '000)



GRAPH 13: PERCENTAGE SHARES OF INDIVIDUAL EQUITY AND LIABILITIES ITEMS IN TOTAL EQUITY AND LIABILITIES (ASSETS > 1%)

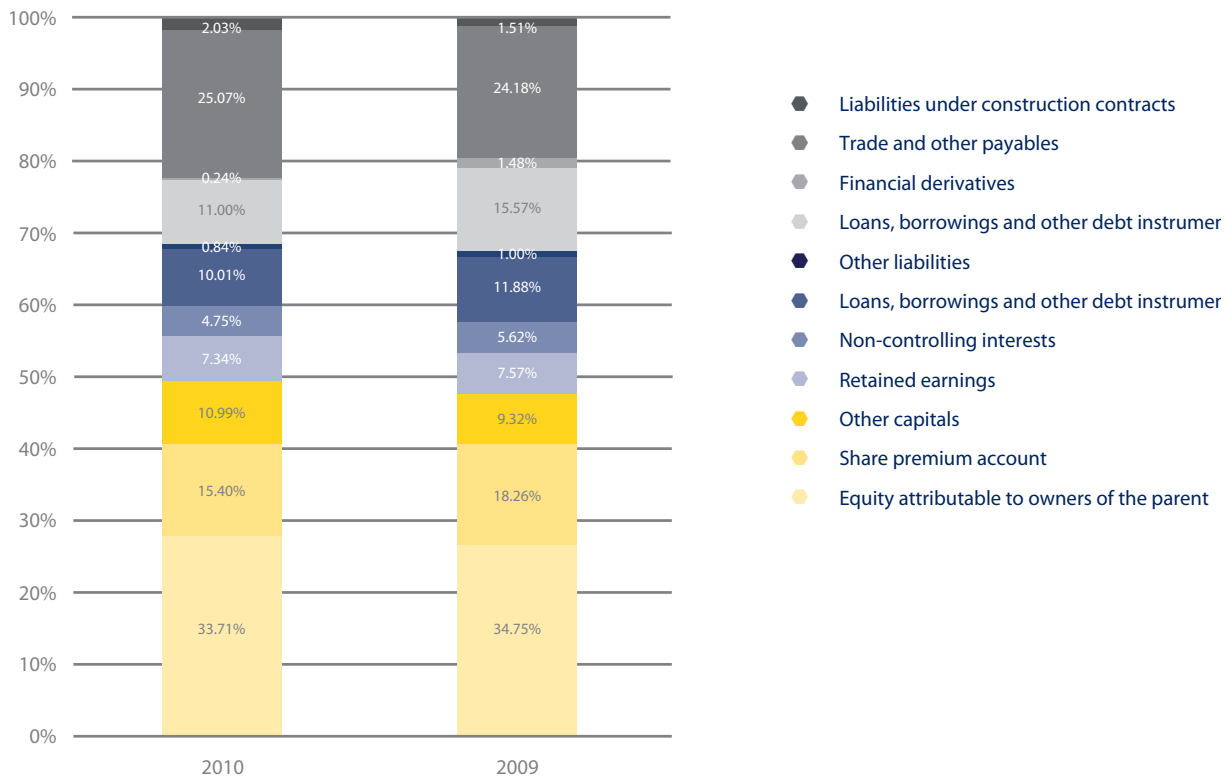


TABLE 8: STATEMENT OF CASH FLOWS

	2010	2009
Net cash provided by/(used in) operating activities	+433,582	+305,060
Net cash provided by/(used in) investing activities	-529,951	-350,566
Net cash provided by/(used in) financing activities	+144,866	+416,920
Net cash at end of period	+708,509	+660,281

In 2010, the statement of cash flows featured trends similar to those seen in 2009. In the analysed period, the Company generated positive cash flows from operating activities (PLN 434m). The balance of cash flows generated in investing activities was negative at PLN -530m. The result was significantly affected by over PLN 138m expenditure on the purchase of property, plant and equipment and PLN 122m expenditure on the acquisition of subsidiary undertakings, including the acquisition of shares in Energomontaż Południe and AQUA. In the period under review, the Group companies advanced loans in a total amount of PLN 225m and received PLN 191m as repayment. The loans were primarily extended to finance investment projects. With respect to other entities, large loans included PLN 34m extended to Infra. The balance of cash flows generated in financing activities was positive and amounted to PLN 145m, which largely resulted from another issue of bonds (PLN 450m) by the Parent Undertaking in October 2010. In the reporting period, loans contracted by the Group totalled PLN 118m while repaid loans amounted to PLN 206m.

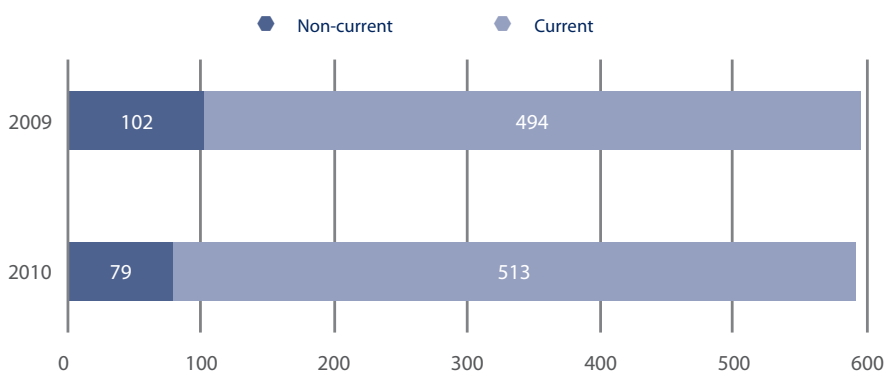
The PBG Group's economic standing indicates that the Group continues its dynamic growth. It is also capable of raising substantial external financing (issue of bonds or increased credit limits). Both the external financing and the cash generated from operations are necessary to fund the planned investments, as well as to acquire and finance strategic contracts.

CONTRACTED LOANS, LOAN AGREEMENTS

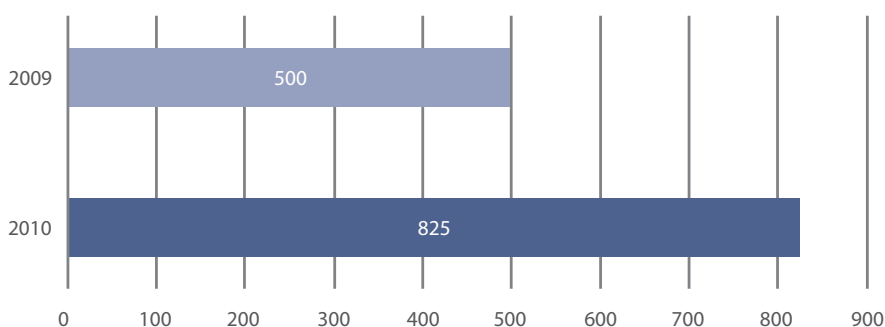
In 2010, the PBG Group contracted bank loans totalling PLN 118m and repaid loans of PLN 206m. At the end of 2010, the value of outstanding bank debt of the PBG Group totalled PLN 592m, including PLN 79m as non-current debt and PLN 513m as current debt.

Moreover, in 2010 PBG S.A. issued another tranche of series D bonds worth PLN 450m and repaid PLN 69m of series B bonds. As at the end of 2010, the value of debt under bonds totalled PLN 825m, including bonds worth PLN 375m maturing in 2012, and bonds worth PLN 450m maturing in 2013.

GRAPH 14: LOANS AND BORROWINGS OF THE PBG GROUP IN 2009-2010 (PLNm)



GRAPH 15: VALUE OF THE PBG GROUP'S BONDS (PLNm)



LOANS ADVANCED

In 2010, the PBG Group advanced loans totalling PLN 225m and repaid loans worth PLN 191m.

As at the end of 2010, the value of loans advanced by the PBG Group (mainly by PBG S.A.) totalled PLN 270m, including PLN 60m as non-current loans and PLN 210m as current loans.

GRAPH 16: LOANS ADVANCED BY THE PBG GROUP BY MATURITY (PLNm)

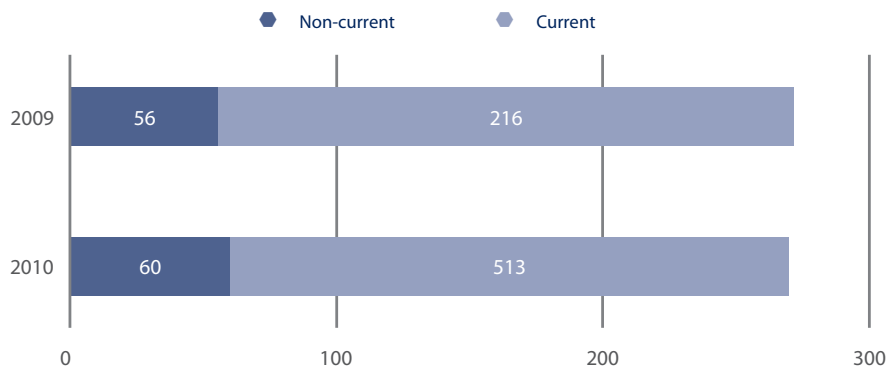


TABLE 9: NET DEBT

	2010	2009	Change (%)
Long-term loans and borrowings	78,894	101,876	-22
Short-term loans and borrowings	513,073	493,868	+4
Bonds	825,000	500,000	+65
Net cash	708,509	660,281	+7
Net debt	708,458	435,464	+63

As at December 31st 2010, net debt was PLN 708.5m, having increased 63% relative to the end of 2009. This figure comprises interest-bearing debt, including PLN 79m in long-term loans and borrowings, PLN 513m in short-term loans and borrowings and PLN 825m in bonds (issued by PBG S.A. in two tranches: PLN 375m in 2009 and PLN 450m in 2010). Net cash of nearly PLN 709m as at the end of 2010 was deducted from the above figures. The increasing net debt of the PBG Group is an effect of raising substantial funds through another bond issue and only partial use of these funds to finance the Group's operations. It also stems from the positive operating cash flows of nearly PLN 434m.

TABLE 10: PROFITABILITY RATIOS

Item	FORMULA	2010	2009
ROA	$(\text{net profit} / \text{total assets}) * 100\%$	4.7%	5.2%
ROE	$(\text{net profit} / \text{equity}) * 100\%$	14.0%	15.0%

As at the end of 2010, ROA decreased by 0.5 percentage point, from 5.2% to 4.7%, relative to the end of 2009, which follows from the growth of net profit (6%) being slower than the growth of total assets (18%).

As at the end of 2010, ROE was 14%, down by 1 percentage point over the end of 2009. In other words, for every PLN 1 of equity invested in 2010, the Company earned profit of PLN 0.14, which is PLN 0.01 less than in the previous year.

INVESTMENTS

Equity investments

In 2010, PBG S.A. acquired 25% and one share in Energomontaż Południe S.A. for PLN 64.4m, which was the Group's largest investment in 2010 (the acquisition was in line with the objectives of the share issue carried out in 2009 and the Company's strategy). Also, PBG S.A. increased the share capital of its subsidiary PBG Dom by PLN 42.6m. The transaction was designed to provide sufficient funds for the implementation of the company's investment plans involving acquisition of attractive projects and land for residential and commercial property development purposes. PBG's third largest equity investment was the acquisition of an 81.69% interest in AQUA S.A. for PLN 22.8m. The company specialises in design of water intakes, water and sewage treatment plants, sewer systems, sewage pumping stations, water supply systems and pumping stations and other facilities as well as road- and power engineering-related infrastructure. The scope of the company's services helped expand the PBG Group's service offering.

Moreover, PBG S.A. increased its equity interest in Hydrobudowa Polska by acquiring additional shares from the company's existing management staff for PLN 2.4m. Following the transaction, PBG S.A.'s share in the total vote at the General Shareholders Meeting of Hydrobudowa Polska increased from 62.74% to 63.05%.

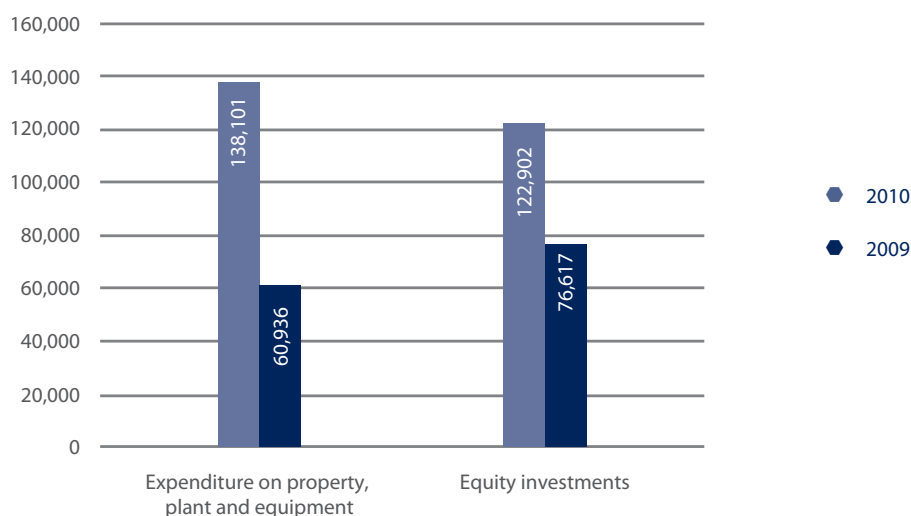
The other companies of the PBG Group made the following equity investments in 2010. APRIVIA increased its equity interest in Dromost through the purchase of additional shares for PLN 3.5m. Following the transaction, APRIVIA's share in total vote at Dromost's General Shareholders Meeting increased from 87.40% to 99.99%.

In the performance of its strategy, PBG Dom established special purpose vehicles for the implementation of property development projects and acquired existing undertakings. PBG Dom's equity investments totalled PLN 45.8m in 2010.

Expenditure on property, plant and equipment

In 2010, the PBG Group mainly invested in the enhancement of its plant, workshops and warehouses. A part of the funds was invested in the modernisation and extension of the existing office buildings and the construction of new ones. The investments totalled PLN 138m.

GRAPH 17: CAPITAL EXPENDITURES IN 2009–2010 (PLN '000)



Feasibility of the Company's investment plans

Financial resources available to the PBG Group, the issue of bonds in 2010 and the executed loan agreements fully secure funding for the current projects and equity investments. In 2011, replacement investments in property, plant and equipment are estimated to reach approximately PLN 50m.

TABLE 11: CONSOLIDATED FINANCIAL FORECASTS FOR 2011

Item	Forecast (PLN '000)
Net sales revenue	2,300,000
Operating profit	230,000
Net profit	200,000

For detailed assumptions of the 2011 financial forecast, see Current Report No. 27/2011 available at the Company's website:

<http://www.pbg-sa.pl/en/investor-relations/current-reports/27-2011-forecast-of-the-pbg-group-s-financial-performance-in-2011.html>

5. INTERVIEW WITH PRZEMYSŁAW SZKUDLARCZYK - VICEPRESIDENT OF THE PBG MANAGEMENT BOARD, CHIEF FINANCIAL OFFICER



1. How would you summarise the PBG Group's performance in the previous year? How did you fare in that challenging year for the industry?

First of all, when summarising last year's performance, we need to stress that the first quarter was extremely difficult. The harsh winter eroded our financial performance; it even forced us to suspend work on some construction sites for several months at a stretch or to resort to much more expensive solutions in cases where it was impossible to suspend work. In addition, construction companies were struggling against the unfavourable market environment, including the stiffening competition in the segments of general construction and infrastructure projects. For all that, I still think that the financial performance delivered by the Group in 2010 was satisfying. On the upside, I would mention the strong order book (whose value as at January 1st 2011 amounted to PLN 5.2bn), the strong cash flows from operating activities (nearly PLN 434m) and strong cash position as at the year's end (over PLN 708m), the significant reduction in receivables under construction contracts (down by nearly PLN 329m), the 5% improvement of earnings per share, which went up to PLN 15.69, and the best ever separate results posted by PBG.

On the downside, I would like to note the deterioration of the industrial and road construction segments' profitability, the revenue (of PLN 2,740m) and operating profit (of PLN 272m) falling short of the forecasts by 8.7% and 9.1%, respectively, and the 63% rise in net debt, to PLN 708.5m (although the net debt to EBITDA ratio remained at a safe level of 2.2).

2. You said that the Group's net debt had risen considerably at the end of 2010. Don't you think that – now that the negotiations with Spanish OHL have been suspended – you may have trouble raising financing for the Group's future development? After all, the transaction with OHL was expected to bring in proceeds of over PLN 500m. Quite a large sum, you must admit. Why were the negotiations suspended?

As the negotiations were drawing to a close, we were confronted by the continuing decline in the stock prices of construction companies, including Hydrobudowa Polska. From July 2010, when the offer was made, the share price of Hydrobudowa plummeted by more than 34%. At the agreed purchase price of PLN 4.01 per share, the value of the deal would have exceeded the company's market valuation on the WSE by 82%. So, obviously, it was impossible to follow through with it. The parties were exploring other options, but ultimately decided to put the negotiations on hold until the share price rebounds to the level at which the company stock was trading when the talks commenced. As regards your question if we will be able to raise financing for the Group's operations, it has always been our priority and we have never experienced any difficulties in this respect. For many years, we have cooperated with Poland's major financial institutions, which have come to perceive us as a reliable and proven client. It is true that we recorded a significant rise in net debt at the end of 2010, but we are still able to borrow if this is necessary.

3. What are the biggest challenges facing the PBG Group in 2011? Are the analysts right in worrying that the Group might fail to meet its financial forecasts?

There is always a risk that something will go wrong and that we will not be able to successfully accomplish all our plans. It is possible that some unexpected development will take us by surprise. I think that we can control that risk pretty well. Besides, our financial forecasts for 2011 are very conservative, which means they are also feasible. Let me remind you that this year we forecast around PLN 2.3bn in revenue, on operating profit of some PLN 230m and net profit in the range of PLN 200m. I believe we can be as good as our word and meet these financial targets. As regards the challenges facing us in 2011, they will be related primarily to the expansion of our business in the power engineering segment. Currently, we are bidding for contracts worth about PLN 30bn. If the Group wins any of those large multi-billion projects, we will wake up to an entirely different reality.