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1. SHAREHOLDERS AND CORPORATE GOVERNANCE

1.1. Letter of the President of the Management Board to the Shareholders

Dear Shareholders,

On behalf of the Company's Management Board and myself, I have the privilege of providing you with the annual report for the year 2008, summarizing the most significant events influencing the operations and results of Energomontaż-Południe S.A.

Despite the more and more profound economic depression that also exerted a noticeable impact on our country, the year 2008 is to be assessed as a good period for Energomontaż Południe. The net revenues from sales obtained by the Company in the year 2008 amounted to 212.1 million PLN. It is a satisfactory result, especially when considering the current economic conditions under which it was attained. However, the sales could have been considerably better if it had not been for several crucial factors, among which one must mention the breakdown of the economic situation at the property development market in relation to which the Company's Management Board postponed most of the construction works to be performed under general contracting principles to the year 2009. Due to the same reason, the assumed revenues from sales of apartments in the Legnicka Park Popowice complex in Wrocław were obtained only partially. However, the main factor influencing the decrease of the revenues was the financial operation of leasing of the offices situated in the Legnicka Park Popowice complex in Wrocław undertaken at the end of the year 2008. Originally, the Company planned to sell the office buildings being constructed, however, as a result of seeking an optimum solution for the Company, the Management Board decided to conduct a sale and leaseback transaction. The sale was reported under other operating revenues.

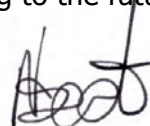
One of the largest successes was the acquisition of a new entity – Amontex Przedsiębiorstwo Montażowe Sp. z o.o. Acquisition of this company exerted a very positive influence on the Energomontaż Południe Group's annual results. The Company's Management Board is convinced that the results attained by Amontex PM Sp. z o.o. are also going to contribute to the Group's profit in the incoming years.

Despite the various turbulences at the financial markets in 2008, the Company attained 12.4 million PLN of net profit being a result comparable to the one from the preceding financial year. We believe that such a good result is a considerable success, specially when achieved within a period of poor economic conditions at a very difficult and competitive market. The Company manages well at the German power market and succeeds in winning new contracts.

In the course of the operations to be undertaken in the year 2009, Energomontaż-Południe S.A. will focus on specialized modernization and investment services at the Polish and German power markets. Our current stock of orders for the year 2009 will correspond to the value added for the Energomontaż Południe S.A. Shareholders.

On behalf of the Company's Management Board, I would like to thank all the companies and institutions which decided to undertake collaboration with Energomontaż Południe, thus showing us their trust. I would also like to use this occasion to thank all my collaborators who, owing to their professionalism and commitment, contributed to the development of all the entities incorporated under our Group.

I wish to assure you that the Company's Management Board will constantly keep performing the strategic and developmental tasks assumed leading to the future satisfaction of our clients and Shareholders.



Wojciech Nazarek
President of the Management Board

1.2. Statement on application of corporate governance standards

1.2.1. Principles of corporate governance applied in 2008

In the year 2008, in the regulatory sphere, the corporate governance principles were conditioned by the standards adopted by the Council of the Warsaw Stock Exchange as provided in a document entitled "Dobre Praktyki Spółek Notowanych na GPW" (Good Practices of Companies Listed on Warsaw Stock Exchange), hereinafter referred to as the "Good Practices". The collection of corporate governance principles binding for the Issuer is available at the Issuer's website www.energomontaz.pl. In the year 2008, Energomontaż Południe S.A. complied with the principles provided in the aforementioned document. The Issuer was also willing to apply all the recommendations provided in the Good Practices. A collection of the said recommendations is available at the Company's website under the aforementioned address. Energomontaż-Południe S.A. applies most of the aforementioned recommendations, constantly expanding the communication with the investors, both through applying a transparent information policy and by developing the corporate sphere as well as using other available means of information transfer (press, internet, television, meetings with investors). Among the recommendations specified in section I of the Good Practices, the Issuer has not yet complied with the recommendation of the General Shareholders' Meeting broadcasting. However, application of the recommendation is possible in the future. At the same time, publication of all the resolutions adopted by the General Shareholders' Meeting at the stock exchange and the Company's website ensured open access to the relevant information and appropriate communication with the Shareholders. Furthermore, the information published at the website, next to the English version, was also available in the German language being a consequence of the fact that the Company is more and more active at the German power market.

1.2.2. Description of the main characteristics of the internal control and risk management systems with regard to the process of the financial statements preparation

The internal control system implemented in the Company covers various processes executed within the enterprise and its subsidiaries including the process of the financial statements preparation. It was designed in a manner ensuring an efficient risk control and supervision over correctness of the data gathering process, data processing and reporting in the financial statements in accordance with the applicable legal regulations. The internal control system implemented in the Company was built of several functional control mechanisms (prevention, detection and correction measures) described in the detailed internal regulations of the organization and its subsidiaries (orders, authorizations, internal instructions) as well as systematic activities of a specialized independent control unit, i.e. the expert auditor. Owing to these actions, Energomontaż-Południe S.A. is protected to a considerable extent against errors occurring in the financial statements and provides the management with the relevant information enabling assessment of accuracy, efficiency and safety of the financial statements preparation process. A review of the internal control system is subject to evaluation of the Auditing Committee of the Company's Supervisory Board.

1.2.3. Ownership structure

The share capital of Energomontaż-Południe S.A. equals 48,390,000.00 PLN and it is divided into 48,390,000 ordinary bearer shares of the nominal value of 1.00 PLN per share, out of which 7,430,000 are series A shares, 3,570,000 are series B shares, 33,000,000 are series C shares and 4,390,000 are ordinary series D bearer shares.

Structure of shares as of 31st December 2008

SHAREHOLDER	No. of shares / votes	% share in the share capital / total number of votes
Renata Gasinowicz	8,700,835	17.98
Andrzej Mikucki together with Piotr Mikucki	4,390,000	9.07
Stanisław Gasinowicz*	no data	no data
Radosław Kamiński (arrangement)*	no data	no data
Own shares	845,654	1.75
Total	48,390,000	100.00

* The Issuer was not provided with any information from the aforementioned shareholders regarding a change of the number of votes vested to the said shareholders as a result of registering the Company's share capital increase. Consequently, it is to be assumed that despite the watering of the Issuer's shares by registering the Company's share capital increase, the number of votes vested to the shareholders in question did not drop under the level of 5%.

1.2.4. Identification of the holders of securities resulting in special control entitlements

None of the holders of the securities issued by Energomontaż-Południe S.A. is vested any special control entitlements towards the Company.

1.2.5. Limitation of the rights in virtue of shares

Transferability of 4,390,000 of series D shares held by Andrzej Mikucki and Piotr Mikucki was limited until 22nd August 2010 by mutual agreement. With regard to the rest of shares in turnover at the Warsaw Stock Exchange, there are no limits of transferability.

Except for the aforementioned ones, there are no other limitations as to the rights in virtue of possession of shares including the rights to vote.

1.2.6. Description of the mode of operation of the General Shareholders' Meeting and its basic entitlements as well as the rights vested to the shareholders and the manner of their execution

The General Shareholders' Meeting is the Company's superior authority. An Ordinary Shareholders' Meeting appoints the Management Board which is to be conducted within six months from the end of the given financial year. The General Shareholders' Meetings take place in Katowice. The General Shareholders' Meeting acts pursuant to the commonly applicable regulations including in

particular the Code of Commercial Companies, the Company's Articles of Association as well as the Rules and Regulations implemented. The contents of the Articles of Association and the Rules and Regulations are available at the Company's website. The competences of the General Shareholders' meeting include: consideration and approval of the annual financial statements, adopting resolutions concerning division of profits or coverage of losses and acknowledgement of fulfillment of duties by the members of the Company's bodies, amendments of the Articles of Association including increase and decrease of the share capital, emission of bonds, generation of capitals and funds as well as adopting resolutions regarding the principles of their use, appointment and dismissal of members of the Supervisory Board as well as establishment of their remuneration, change of the Company's subject of activity, merger, division or conversion of the Company, termination and liquidation of the Company, its disposal or lease of the Company's enterprises or its organized part, all decisions concerning claims for indemnification for damages done on the Company incorporation and its management or supervision as well as redemption of shares and determination of the conditions and the mode of redemption.

The Company's shareholders execute their corporate entitlements in a manner and within the limits specified in the applicable legal regulations, the Company's Articles of Association and the Rules and Regulations of the General Shareholders' Meeting. Each share of the Company corresponds to one vote. The Company has not issued nominal shares.

1.2.7. Composition and operating principles of the managerial and supervisory bodies of the Company and its committees

1.2.7.1. Supervisory Board

The Supervisory Board performs permanent supervision of the Company's businesses in all spheres of its activity.

It is composed of 5 to 7 members appointed for a specific term of office. The Supervisory Board's term of office is 5 years. Members of the Supervisory Board are appointed and dismissed by the General Shareholders' Meeting. Reappointment of the same person as a member of the Supervisory Board can take place no sooner than within one year before the end of the given term of office. The principles of the Supervisory Board's operation are specified in the Supervisory Board's Rules and Regulations. The Supervisory Board's Rules and Regulations are available at the Company's website.

Supervisory Board's composition in the year 2008

FIRST AND LAST NAME	Function
Sławomir Masiuk	Chairman
Marek Wesołowski	Vice-Chairman
Andrzej Kowalski	Member
Krzysztof Radojewski	Member /from 6 th June 2008/
Waldemar Tevnell	Member /from 6 th June 2008/

1.2.7.2. Changes in the Supervisory Board's composition

On 1st January 2008, the Supervisory Board acted in a 7-person composition. The body was composed of the following persons: Mr. Sławomir Masiuk performing the functions of the Chairman of the Supervisory Board, Bogusław Oleksy performing the functions of the Vice-Chairman of the Supervisory Board, Marek Czarnota performing the functions of a Secretary of the Supervisory Board and Members of the Supervisory Board: Piotr Góralewski, Sławomir Kamiński, Andrzej Kowalski and Marek Wesołowski.

On 8th March 2008, Mr. Bogusław Oleksy resigned of the membership in the Supervisory Board of Energomontaż-Południe S.A. The reasons for the resignation were purely formal and resulted from the applicable legal regulations prohibiting members of management boards of companies wholly owned by the State Treasury from performing functions in supervisory boards of commercial companies. Pursuant to resolutions no. 21 – 26, on 6th June 2008, the Ordinary Shareholders' Meeting of Energomontaż-Południe S.A. dismissed the following members of the Supervisory Board: Mr. Piotr Góralewski, Mr. Sławomir Kamiński and Mr. Marek Czarnota. The persons dismissed were replaced by the General Shareholders' Meeting by Krzysztof Radojewski and Waldemar Tevnell. As a result of the aforementioned changes, the composition of the issuer's Supervisory Body was reduced to five persons. By the end of the year 2008, the Supervisory Board had functioned in the composition provided in the table above.

1.2.7.3. The Auditing Committee

The Auditing Committee is a consulting body acting under the Company's Supervisory Board. It is composed of three members. The Committee's tasks include counseling to the Supervisory Board in the scope of appropriate implementation of the budget and financial reporting standards, internal control at Energomontaż-Południe S.A. as well as collaboration with the Company's expert auditors. In particular, the Committee is responsible for developing guidelines and recommendations for the Supervisory Board with regard to the choice of the entity to be appointed as the expert auditor. It also performs periodical and annual reviews of the financial statements of the Company and the Energomontaż-Południe S.A. Capital Group. The Auditing Committee's Rules and Regulations are available at the Company's website.

Auditing Committee's composition in the year 2008

FIRST AND LAST NAME	Function
Sławomir Masiuk	Chairman
Marek Wesołowski	Vice-Chairman
Krzysztof Radojewski	Secretary /from 25 th July 2008/

1.2.7.4. Changes in the Auditing Committee's composition

On 1st January 2008, the Auditing Committee was composed of the following persons: Sławomir Masiuk, Bogusław Oleksy and Marek Wesołowski. Due to Bogusław Oleksy's resignation of the membership in the Issuer's Supervisory Board and the change in the said body's composition introduced by the Ordinary Shareholders' Meeting of Energomontaż-Południe S.A. on 6th June

2008, on 25th July 2008, the Auditing Committee was established in the composition provided in the table above. By the end of the year 2008, the Auditing Committee had functioned in an unchanged composition.

1.2.7.5. Management Board

The Management Board is an executive body of the Company managing all its operations. It is composed by one or several persons including the President and Vice-President of the Management Board appointed for a specific term of office. The Management Board's term of office is 5 years. The President of the Management Board, a member of the Management Board or the whole Management Board may be dismissed at any moment by the Supervisory Board or the General Shareholders' Meeting before the end of the term of office. Reappointment of the same person as a member of the Management Board can take place no sooner than within one year before the end of the given term of office. The principles of the Management Board's operation are specified in the Management Board's Rules and Regulations. The Management Board's Rules and Regulations are available at the Company's website. There are not committees functioning within the structures of the Management Board.

Management Board's composition in the year 2008

FIRST AND LAST NAME	Function
Wojciech Nazarek	President of the Management Board
Andrzej Hołda	Vice-President of the Management Board /from 1 st March 2008/
Tadeusz Torbus	Member of the Management Board

1.2.7.6. Changes in the Management Board's composition

On 1st January 2008, the Company's Management Board was composed of two persons. The Board was composed of the following persons: Mr. Wojciech Nazarek performing the functions of the President of the Management Board and a Managing Director and Mr. Tadeusz Torbus performing the functions of a Member of the Management Board and a Technical Director.

On 1st March 2008, Mr. Andrzej Hołda was appointed Vice-President of the Management Board and a Commercial Director of Energomontaż-Południe S.A. In the year 2008, the functions of the parententity's Proxy was performed by Ms. Alina Sowa. By the balance sheet date, the Company's Management Board had functioned in a three-person composition as provided in the table above.

Other detailed information regarding the members of the Company's bodies, including the remuneration of the members of managerial and supervising bodies, has been provided in section 6 of this report.

2. CAPITAL GROUP AND ITS RESOURCES

2.1. Information on the Group's structure

As of 31st December 2008, the predominant entity of the Capital Group, being Energomontaż-Południe S.A., held 100% of the share capital of the following entities:

- Centrum Kapitałowe-Modus Sp. z o.o. (CK-Modus Sp. z o.o.)
- Amontex Przedsiębiorstwo Montażowe Sp. z o.o. (Amontex PM Sp. z o.o.)
- Modus II Sp. z o.o.
- EP Centrum Rekreacji Sp. z o.o.

The aforementioned companies are subject to full consolidation.

In the year 2008, Energomontaż Południe S.A. conducted acquisition of a specialized branch entity, Amontex Przedsiębiorstwo Montażowe Sp. z o.o.

CK-Modus Sp. z o.o.

The company was entered into the National Court Register under number 0000112995. The Company's share capital equals 15,900 thousand PLN and is divided into 31,800 shares of the nominal value of 500 PLN each.

The basic subject of the company's activity is performance of general construction works related to erection of buildings. The company is currently conducting the first stage of construction works at the "Osiedle Książęce" housing estate in Katowice.

Amontex PM Sp. z o.o.

The company was entered into the National Court Register under number 0000154195. The Company's share capital equals 148 thousand PLN and is divided into 296 shares of the nominal value of 500 PLN each. Amontex PM Sp. z o.o. is a company operating in the assembly and production industry, acting in the field of manufacture and assembly of steel structures. The company's main advantage is its own, modern steel structures production plant based in Piotrków Trybunalski. The facility conforms with all the latest standards. The production plant's output capacity is 400 to 600 Mg per month depending on the type of structure. The plant is equipped with a shot-blasting machine and a separate paint shop which enables comprehensive manufacture of structures of modern design.

The most significant recipient of the company's services is the domestic power market. Amontex PM Sp. z o.o. is specialized in construction and assembly of absorbers and assembly of large LPG tanks.

EP Centrum Rekreacji Sp. z o.o.

The company was entered into the National Court Register under number 0000134975. The Company's share capital equals 70.5 thousand PLN and is divided into 141 shares of the nominal value of 500 PLN each.

The main scope of the company's activity is tourism, accommodation, recreation and catering, primarily based on the holiday centre located in Mrzeżyno and the hotel in Łagisza.

Modus II Sp. z o.o.

The company was entered into the National Court Register under number 0000289248. The share capital of Modus II sp. z o.o. equals 50 thousand PLN and is divided into 100 shares of the nominal value of 500 PLN each.

The basic scope of the company's activity is development and sales of real estate on their own account. The company was established for the sake of performance of the development investment entitled "Willa nad Potokiem" in Katowice Piotrowice.

2.2. Information on capital investments outside the group of subsidiaries

Energomontaż-Południe S.A. also holds shares of other entities not subject to consolidation, such as:

- Energomontaż-Zachód Sp. z o.o. in liquidation (90.30% of the share capital, total nominal value of the shares held equals 470 thousand PLN); all shares covered by a revaluation write-off;
- Open Wrocław Sp. z o.o. (70.00% of the share capital, total nominal value of the shares held equals 105 thousand PLN); all shares covered by a revaluation write-off;
- EP Centrum Finansowe Sp. z o.o. (15.8% of the share capital, total nominal value of the shares held equals 95 thousand PLN);
- KAE Namysłów Sp. z o.o. (15.2% of the share capital, total nominal value of the shares held equals 350 thousand PLN); all shares covered by a revaluation write-off;
- WLC Invest Sp. z o.o. (6.65% of the share capital, total nominal value of the shares held equals 199.5 thousand PLN); all shares covered by a revaluation write-off.

Energomontaż-Południe S.A. is not financially or organizationally dependent on other entities.

In the year 2008, Energomontaż-Południe S.A. disposed of 1,020,804 shares of stock of Centrozap S.A. of the nominal value of 1.00 PLN each at the Warsaw Stock Exchange. The mean sale price was higher than the nominal value of shares and amounted to 1.0654 PLN per piece. Shares of Centrozap S.A. are currently listed below the nominal value. The company will realize the securities held and liquidate the capital investments not related to its basic scope of activity if the capital investments are characterized by a satisfactory rate of return. At the same time, the Issuer will strive to conduct conversion of the minority shares in other entities into shares/stocks of higher liquidity.

2.3. Changes in the basic managing principles

In the year 2008, necessary personal changes at the key positions were conducted for the sake of facilitating the management and supervision of the Company's organizational units and subsidiaries. No changes in the composition of the managing bodies of Amontex PM Sp. z o.o. were conducted.

The Company holds a quality management certificate granted in accordance with the DIN EN ISO 9001:2000 standard. Energomontaż-Południe S.A. is also in possession of all the applicable permits

and certificates related to welding of metallic materials, examination of welded joints and training of welders. The Company is also capable of rendering services in the scope of real estate brokerage.

In the year 2008, a set of implementation works was conducted with the purpose of triggering an integrated information system of management to facilitate the decision making process and the management itself. In 2009, certification of the integrated quality management and health and safety at work system is planned in accordance with the PN-EN ISO 9001:2008 and PN-N 18001:2004 standards.

2.4. Investments

In the year 2008, Energomontaż-Południe incurred investment expenditures in the total amount of 39,125 thousand PLN. The main part of the investment was the parent entity's acquisition of Amontex PM Sp. z o.o. Other investments were related to construction and modernization of production halls as well as purchase of machines, appliances and tooling for assembly related production. Also the necessary means of transport were purchased. The investments were covered by funds from the issue of shares, internal funds as well as the funds obtained through bank loans and leasing.

Structure of the investment expenditures

INVESTMENT EXPENDITURES	2008 thousand PLN	2007 thousand PLN
Intangible assets	152	1,243
Tangible fixed assets	5,803	6,169
Capital investments	33,170	-
Total	39,125	7,412

In the year 2009, the investment plan assumed is particularly focused on purchase of machines and general application facilities as well as adaptation of the Training Center building for a welding shop and implementation of an integrated management system. The Company's investment plan for the year 2009 assumes the overall amount of ca. 9 million PLN. The Issuer does not assume any threats for accomplishment of the investment plans.

3. COMPANY'S BUSINESS ACTIVITY

3.1. Basic products, goods and services

Energomontaż Południe operates at the Polish and international market of structures for the power sector and other industrial branches. The Company is a well known market player. Energomontaż-Południe S.A. operates through the plants located in the country, in Łaziska Górne (assembly related production) and Będzin-Łągisza (industrial production), and a technical office based in Lüdenscheid in Germany. In the year 2008, a specialized branch entity operating at the steel structures market, Amontex Przedsiębiorstwo Montażowe Sp. z o.o., was purchased.

The main field of activity of the Company is rendering services in the scope of production, assembly, modernization and repair of power generating and industrial machines and installations. The complementary activity of the Company is rendering services through specialized centers

(training center and a research laboratory) as well as performance of development projects. The main recipients of the Company's services and products are entities operating at the professional and industrial power industry, steelworks, coking plants, chemical facilities as well as food processing plants and cement mills.

3.2. Characteristics of the main outlet and supply markets

3.2.1. Supply sources

The Company's supply system is diversified to a considerable extent. Selection of the suppliers is performed through the individual production units based on the competitiveness of offers. The demand for manufacturing materials is partially satisfied by a commercial entity – the wholesale store of metallurgical materials.

The Company does not depend on a single or numerous suppliers. The share of none of the suppliers in the year 2008 overall sales revenues reached the level of 10%. Supplies of the materials mainly cover steel products required for the manufacturing process.

3.2.2. Outlet markets

In the year 2008, the Company allocated more than 85% of the sales value in the domestic market, whereas the remaining nearly 15% was constituted by sales to the foreign markets, particularly to Germany and Austria. The German power market dominated the sales to the foreign markets and accounted for more than 81% of the Company's export value. In 2008, a significant decrease of the share of foreign sales was noticed as compared with the preceding year. With regard to the sales value in 2008, the leading spheres of activity were the construction and assembly services being the Company's basic sphere of activity (increase of value by 49,655 thousand PLN). In 2008, a considerable decrease of sales in the development industry (decrease of value by 41,191 thousand PLN) and sales of general contracting services (decrease of value by 35,752 thousand PLN) took place in relation to the construction works performed at the "Osiedle Książęce" housing estate in Katowice Ligota, as a result of the Issuer's deliberate decision being a reaction to the breakdown of the economic conditions at the development market. In the scope of the sales of industrial products as well as sales of services, goods and materials, a more or less comparable increase exceeding 20% on a year-over-year basis could be noticed.

In 2008, the largest recipients of the services rendered by Energomontaż Południe were Polimex-Mostostal S.A. (nearly 16% share in the revenues) and Południowy Koncern Energetyczny S.A. (more than 12% share in the revenues).

3.2.3. Sales in a value breakdown

	2008 thousand PLN	2007 thousand PLN	% change
Construction and assembly works	117,193	67,538	+74
General contracting	44,428	80,180	-45
Industrial production	21,250	17,548	+21
Services and sales of goods and materials	22,893	18,764	+22
Developing activity	6,336	47,527	-87

	2008 thousand PLN	2007 thousand PLN	% change
Total operating activity including:	212,100	231,557	-8
Export	30,787	55,660	-45

3.2.4. Sales in a quantity breakdown

Due to the specificity of the activity conducted by the Company, the main subject of which is rendering services, reporting sales in a quantitative manner is only possible for the industrial production.

Sales of industrial production

	2008 Mg	2007 Mg	% change
Domestic	1,017	1,972	-48
Export	1,690	957	+77
Total	2,707	2,929	-8

3.3. Information on the operations performed on the Company's securities and description of the manner of using the funds obtained from the issue of the Company's new shares

3.3.1. Issue of the Company's series C shares and use of the funds obtained from the issue of the Company's series C shares

Within the years 2007 – 2008, the Company performed the following investment ventures, described in the Prospectus for series C shares (approved by the Polish Financial Supervision Authority on 30th April 2007), covered by the funds obtained from the issue of the series C shares (in the amount of 36.5 million PLN):

- funding of the purchase of land, being the plots for developmental ventures in the amount of ca. 15 million PLN. For the aforementioned purpose, an amount of 20.3 million PLN was spent, i.e. 135% of the expenditures assumed.
- funding of the purchase of fixes assets in order to increase the scale and diversification of the Company's activity through takeover of other entities or enterprises and expansion of the Issuer's Capital Group in the amount of ca. 15 million PLN. For the purpose assumed, an amount of 5.5 million PLN was spent, i.e. 36% of the expenditures assumed (purchase of the shares of Przedsiębiorstwo Montażowe Amontex Sp. z o.o.).
- modernization of the production hall, purchase of a paint shop and additional equipment of the production preparation department at Zakład Produkcji Przemysłowej Łagisza for the sake of improving the quality of the structures and machines manufactured as well as increasing the punctuality of performance. The Company planned to spend up to 4 million PLN or that purpose. The expenditures actually incurred conformed with the assumptions.

- funding of the purchase of an assembly equipment – the Company planned to spend ca. 1.5 million PLN for the purchase. For the purpose assumed, an amount of 1.85 million PLN was spent, i.e. 123% of the expenditures assumed.
- funding of the purchase of an integrated management system of the value of ca. 1 million PLN in relation to the reorganization of the internal structure and the improvement of the managerial procedures assumed. For the purpose assumed, an amount of 1.5 million PLN was spent, i.e. 155% of the expenditures assumed.

The Issuer is planning to spend the remaining funds obtained from the issue of the series C shares in the amount of 3.3 million PLN (9.1% of the total funds from the issue) on financing of the developing activity in the 1st quarter of the year 2009.

The Issuer performed the following investments related to the developing activity (based on the funds obtained from the issue of series C shares):

- purchase of a plot of the area of 0.8 ha located in Katowice Piotrowice (investment related to the project entitled "Willa nad Potokiem");
- purchase of the perpetual usufruct rights (investment related to the land of the area of 0.4 ha located in Wrocław);
- purchase of various plots of the overall area of ca. 8 ha located in Opole;
- funding of the developing activity through granting loans to the subsidiaries as provided in section 4.4 of the report.

Allocation of larger funds for the developing activity resulted from the capital involvement required for funding of the projects implemented being higher than anticipated.

Conclusion of the agreement of acquisition of the shares in Przedsiębiorstwo Montażowe Amontex Sp. z o.o. meant the achievement of the most important goal of the series C shares issue being the funding of the purchase of shares for the sake of increasing the scale and diversification of the Company's activity through takeover of other entities or enterprises and expanding the Issuer's Capital Group. As a consequence of the research conducted at the market of companies for potential takeover, the Issuer's Management Board decided to choose Przedsiębiorstwo Montażowe Amontex Sp. z o.o. being an entity operating in the power industry for many years, hence having good and recognized market position. The company taken over is indeed very significant for the whole Energomontaż Południe Group's net result. In the year 2008, Amontex recorded nearly 5.7 million PLN of net profit, whereas the consolidation covered the value of 51 million PLN, however, the entity managed to increase its productive capacity in 2008.

In the year 2008, the Issuer's production unit, i.e. Zakład Produkcji Przemysłowej in Będzin Łągisza, for the first time in many years, succeeded in attaining a positive result of the manufacturing activity conducted being the direct consequence of the investments performed by means of the funds obtained from the issue of the series C shares.

The investments in the assembly equipment and furnishing of the production plant contributed to the overall increase of the Issuer's revenues.

The most noticeable effects of the investment strategy implementation based on the funds obtained from the issue of the series C shares were the high unitary revenues and the net profit attained.

3.3.2. Issue of the Company's series D shares and use of the funds obtained from the issue of the Company's series D shares

In the year 2008, the share capital of Energomontaż Południe was increase from the amount of 44,000,000.00 PLN to 48,390,000.00 PLN as a result of the contribution issue of series D shares. The unit price of the series D shares on issue was 2.83 PLN. The shares were taken over by the shareholders of Amontex PM Sp. z o.o.:

- Mr. Andrzej Mikucki took possession of 2,901,790 shares of Energomontaż-Południe S.A.,
- Mr. Piotr Mikucki took possession of 1,488,210 shares of Energomontaż-Południe S.A.

The registration of the share capital increase took place on 7th October 2008.

The funds obtained from the issue of series D shares in the amount of 12.4 million PLN were entirely allocated for the purchase of shares of Amontex PM Sp. z o.o.

3.3.3. Shares purchase program

On 14th March 2008, the Extraordinary Shareholders' Meeting adopted resolution no. 1 concerning authorization of the Management Board to purchase the Company's own shares for the sake of their redemption. The share purchase program was concluded on 14th March 2009. Under the share purchase program, Energomontaż-Południe S.A. acquired 845,654 own shares at the average price of 2.67 PLN per share. The Company spent the amount of 2.3 million PLN for the program. The shares purchased constitute 1.75% of all the shares issued. The information on conclusion of the shares purchase program for the sake of their redemption was published by the Issuer in report no. 13/2009 on 16th March 2009.

3.3.4. Dividend

In order to ensure compliance with the strategic assumptions provided in the series C shares Prospectus related to the concept of dividing the net profit attained, the Management Board of Energomontaż-Południe S.A. paid dividend to the shareholders in 2008. The Company allocated 4.4 million PLN from the net profit attained in 2008 for the dividend. The dividend gross value amounted to 0.10 PLN per share. The date of the declaration of dividend was 3rd July 2008 and the dividend payment date – 18th July 2008. In accordance with the dividend policy assumed, the company allocates 1/3 of the annual net profit attained for payment of the dividend for the shareholders, whereas the remaining 2/3 of the annual net profit is used for the Company's development purposes. Depending on the Company's needs, upon agreement with the Issuer's Supervisory Board, the Management Board is entitled to propose a higher amount to be paid to the Company's shareholders as the dividend. The amount of the dividend as well as the date of

the dividend declaration and payment are agreed at the General Shareholders' Meeting. The Issuer will be announcing all the decisions related to the payment of the 2008 dividend on an ongoing basis. The Company's Management Board will apply to the General Shareholders' Meeting for payment of the dividend for shareholders in the amount of 1/3 of the consolidated net profit. Information on the contracts concluded crucial for the Company's operations

In the year 2008, the Company concluded several crucial commercial contracts and was granted commissions announced and reported on an ongoing basis. The most crucial contracts / commissions included:

- Austrian Energy & Environment AG & Co KG – the value of commissions received from the said customer within the period of 12 months amounted to ca. 3.5 million euro (running report no. 12/2008); the commission of the value of ca. 2.9 million euro concerning provision of non-pressurized steel components of a fluidized-bed boiler (running report no. 27/2008); commission of the value of ca. 3.2 million euro concerning provision of non-pressurized steel components of a fluidized-bed boiler (running report no. 101/2008).
- Południowy Koncern Energetyczny S.A. – contract of the value of 8.2 million PLN concerning performance of the first stage of construction of a biomass preparation and feeding system for boilers of the 225 MW power units at the Łaziska Power Plant (running report no. 26/2008); contract for modernization of GAVO preheater no. 1 of the waste gas desulphurization system for the 225 MW power units at the Łaziska Power Plant – contract of the value of ca. 8 million euro (current report no. 63/2008).
- Polimex-Mostostal S.A. – contract of the value of ca. 8.9 million PLN concerning performance of comprehensive works at the department of coal derivatives production of the "Przyjaźń" Coking Plant in Dąbrowa Górnicza (running report no. 81/2008).
- Alstom Power Sp. z o.o. and Rafako S.A. consortium – contract of the value of ca. 19 million PLN concerning performance of welding works at the pressurized section of the 858 MW boiler at the Bełchatów Power Plant (running report no. 30/2008); contracts of the overall value of 23.6 million PLN concerning performance of assembly works at the Bełchatów Power Plant (running report no. 84/2008).
- Grupa Ożarów S.A. – contract of the value of 7.2 million PLN for preparation and installation of sack filters for cement mills (running report no. 51/2008).
- Górnośląski Operator Systemu Dystrybucyjnego – contract of the value of 8.9 million PLN concerning expansion of a building located in Zabrze (running report no. 72/2008).
- Naftoremont Sp. z o.o. – annex to a strategic long-term framework contract increasing the contract value up to the amount of 14.1 million PLN (running report no. 73/2008).
- E. ON Anlagenservice GmbH – the overall value of commissions received from the said customer within the period of 12 months amounted to ca. 2.74 million euro (running report no. 86/2008).
- Alstom Power Sp. z o.o. – contract of the value of ca. 20.1 million PLN for performance of works at a power unit of the Bełchatów Power Plant (running report 90/2008).
- Alstom Power Systems GmbH – commission of the value of ca. 10.8 million euro concerning manufacture of two sets of flue gas and air passes for a coal-fired boiler operating at the 800 MW power unit of the Westfalen Power Plant in Germany (running

report no. 102/2008); commission of the value of ca. 16.8 million euro concerning installation of two sets of flue gas and air passes for a coal-fired boiler operating at the 800 MW power unit of the Westfalen Power Plant in Germany (running report no. 104/2008); contract of the value of ca. 16.9 million euro covering installation of the pressure section of a boiler of 910 MW of power rating at the Rheinhafen-Dampfkraftwerk Karlsruhe power plant in Germany (running report no. 110/2008).

Other contracts crucial for the Company were:

- purchase of 60% of shares of Amontex Przedsiębiorstwo Montażowe Sp. z o.o. for the amount of 19 million PLN (running report no. 33/2008)
- purchase of 40% of shares of Amontex Przedsiębiorstwo Montażowe Sp. z o.o. for the amount of 13.6 million PLN (running report no. 76/2008)
- purchase of immovable land properties of the value of 9.6 million PLN located in Opole (running report no. 37/2008)
- Kredyt Bank S.A. – loan agreement for the amount of 15 million euro (current report no. 56/2008)
- BRE Bank S.A. – the credit limit granted was increased to the level of 15 million PLN (running report no. 74/2008)
- Bank Pekao S.A. – the credit limit granted was increased to the level of 10 million PLN (running report no. 87/2008)
- ING Lease Polska Sp. z o.o. RB – contract of sale of the Legnicka Park Popowice real estate in Wrocław and financial leasing agreements for the same real estate of the overall value of 55.9 million PLN (running report no. 113/2008).

The Issuer is not aware of any agreements concluded between the parent entity's shareholders.

3.4. Information on the agreements which may potentially result in changes in the proportions of the shares held by the current shareholders and bondholders

The Issuer is not aware of any agreements which may potentially result in any future changes in the proportions of the shares held by the current shareholders. The Company has not issued any bonds yet.

3.5. Information on the control system for the employee shares programs

The Issuer has not implemented any system of control of the employee shares issued under preferential terms in relation to transformation of a state-owned enterprise into a joint stock company.

3.6. Events and factors crucial for the Company's activity

The events and factors crucial for the Company's activity in the year 2008 included:

- being awarded new foreign contracts,
- strengthening the Company's position at the German market,
- expansion of the Group by Amontex PM Sp. z o.o.,

- accomplishment of the process of financial leasing of the Legnicka Park Popowice investment in Wrocław,
- nearly doubled gross margin on sales,
- unstable situation at the foreign exchange market.

3.7. Information on the crucial transactions concluded by the Issuer or its subsidiaries with entities otherwise related

In the year 2008, all the Issuer's crucial transactions with any related entities were concluded under market conditions.

3.8. Employment

As of 31st December 2008, there were 773 persons employed in Energomontaż Południe.

Employment structure

SPECIFICATION	31.12.2008 persons	31.12.2007 persons	% change
Blue collar workers	517	538	-4
White collar workers	256	212	+21
Total	773	750	+3

As compared with the preceding year, the Company employment was slightly increased.

4. COMPANY'S RESULTS

4.1. Analysis of the Company's economic and financial results

4.1.1. Analysis of the profit and loss statement

In the year 2008, the Company's revenues from sales of products, goods and materials amounted to 212,100 thousand PLN which implied a slight decrease of individual revenues (8% decrease on a year-over-year basis). In 2008, the Issuer reported a significant increase of profit from operating activity as a result of the increase of sales in the power sector additionally strengthened by nearly double, sudden increase of the gross margin. The negative result of the financial activity corresponding to the amount of ca. 4.4 million PLN resulted mainly from the negative revaluation of the derivative transactions securing the Company's commercial activity (exchange risk). The Company reported a net profit of 12.377 thousand PLN in the year 2008, being a result comparable to the profit attained in the preceding year.

Structure of the net financial result

SPECIFICATION	2008 thousand PLN	2007 thousand PLN	% change
Gross profit from sales	28,801	17,673	+63
Profit (loss) from operating activity	20,218	11,121	+82

SPECIFICATION	2008 thousand PLN	2007 thousand PLN	% change
Result of financial activities	-4,449	5,702	-
Gross profit (loss)	15,769	16,823	-6
Income tax	3,392	4,139	-18
Net profit (loss) from continued and discontinued activity	12,377	12,684	-2

4.1.2. Balance sheet analysis

As compared with the status as of the end of the year 2007, the value of the tangible fixed assets increased by 56,496 thousand PLN within the reporting period. In the structure of assets, their share amounted to 37% which corresponded to an increase of 11.2 pp, yet simultaneously, the current assets decreased by the same amount of percentage points.

At the end of the year 2008, the current assets constituted 63% of the overall assets and increased by 37,479 thousand PLN as compared with the status as of the end of 2007. In the scope of the funding sources in 2008, the foreign capital increased by 76,341 thousand PLN. In the structure of liabilities, the share of equity capital at the end of 2008 equaled 38% and decreased by 9.3 pp as compared with the end of 2007. As regards the absolute values, the equity capital increased by 17,634 thousand PLN.

4.1.3. Analysis of cash flows

As of 31st December 2008, the cash reached the level of 6,372 thousand PLN and decreased by 27,899 thousand PLN as compared with the status as of the end of 2007.

Structure of cash flows

SPECIFICATION	thousand PLN
Cash flows on operating activity	+20,105
Cash flows on investment activity	-91,226
Cash flows on financial activity	+43,222
Movement in net cash	-27,899

The negative cash flows on the investment activity were caused mainly by the investment expenditures incurred in relation to the office real estate in Wrocław, purchase of the shares of Amontex Przedsiębiorstwo Montażowe Sp. z o.o. as well as granting loans to the Issuer's subsidiaries.

4.1.4. Selected financial indices

INDEX	2008	2007	Calculation algorithm
EBITDA	24,237	15,186	Operating activity result + depreciation (thousand PLN)
Financial fluidity indices			
Current fluidity index	1.28	1.69	Current assets / short-term liabilities
Acid test ratio	1.08	1.19	(Current assets – inventories) / short-

INDEX	2008	2007	Calculation algorithm
Debt indices			term liabilities
Liabilities to overall assets ratio	0.62	0.53	Short- and long-term liabilities / overall assets
Liabilities to equity capital ratio	1.63	1.11	Short- and long-term liabilities / equity capital
Fixed assets-to-debt ratio	2.93	2.98	Fixed assets / long-term liabilities
Return ratios			
ROA	4.3%	6.5%	Net profit (loss) / assets * 100%
ROE	11.3%	13.8%	Net profit (loss) / equity capital * 100%
Sales profitability	5.8%	5.5%	Net profit (loss) / sales revenues * 100%

4.2. Financial resources management

	2008 thousand PLN	2007 thousand PLN
Total liabilities	287,654	193,679
- payables	145,281	67,100
- provisions	10,686	11,093
- accruals	22,363	23,796
Equity capital	109,324	91,690
+ long-term liabilities	36,408	16,785
Fixed capital	145,732	108,475
- fixed assets	106,540	50,044
Current capital	39,192	58,431

The Company faces no problems meeting its obligations. The Issuer does not anticipate any possible threats related to the financial resources management.

4.3. Financial result forecast

The Company did not publish any financial result forecasts for the year 2008.

4.4. Information on credits, loans, warranties and guarantees

Credit agreements concluded in 2008

CREDITOR	Amount in thousand PLN/€	Interest rate	Maturity date	Credit type
Kredyt Bank S.A.	5,000	WIBOR ON+bank's margin	30.06.2009	operating credit
BRE Bank S.A.	*8,000	WIBOR 1M+bank's margin	31.07.2009	operating credit + warranty limit
Pekao S.A.	*6,600	WIBOR 1M+bank's margin	30.09.2009	operating credit + warranty limit
DZ Bank Polska S.A.	7,600	WIBOR 1M+bank's margin	30.05.2011	investment credit
Kredyt Bank S.A.	15,000	WIBOR 1M+bank's margin	30.03.2013	investment credit
Total	42,200			

* In 2008, as a result of preparing an annex to the agreement concluded in the preceding years, the credit value increased by the amount provided.

Amounts of the crediting institutions' margins did not diverge from the applicable market standards.

In the year 2008, none of the Company's credits or loans were recalled.

Loans granted by the Issuer in 2008

BORROWER	Amount in thousand PLN	Interest rate	Maturity date	Loan type
CK-Modus Sp. z o.o.	3,000	WIBOR 1M+Issuer's margin	on request	tied loan
CK-Modus Sp. z o.o.	2,500	WIBOR 1M+Issuer's margin	on request	tied loan
CK-Modus Sp. z o.o.	5,900	WIBOR 1M+Issuer's margin	on request	tied loan
CK-Modus Sp. z o.o.	4,447	WIBOR 1M+Issuer's margin	on request	tied loan
Total	15,847			

In the year 2008, Energomontaż-Południe S.A. granted the aforementioned loans to one of its subsidiaries – CK-Modus Sp. z o.o. – for the purpose of funding of the construction works to be conducted at the "Osiedle Książęce" housing estate in Katowice Ligota. The amounts of the Issuer's margins did not diverge from the applicable market standards. In 2008, Energomontaż-Południe S.A. granted no other loans.

Guarantees provided in 2008

TYPE	Amount in thousand PLN
Bank guarantees	531
Insurance guarantees	28,636
Total	29,167

Guarantees received in 2008

TYPE	Amount in thousand PLN
Bank's guarantees	3,979
Insurance guarantees	1,190
Total	5,169

In the year 2008, no guarantees or warranties were provided to the Issuer's subsidiaries. Within the reporting period, no loans, guarantees or warranties were granted to any persons performing managerial or supervisory functions at the Issuer.

4.5. Basic risk and threat factors

4.5.1. Operating risk

The Company insures its receivables at one of the renown insurance agencies. In case of a refusal to cover the given entity's liabilities by insurance, the decision regarding the transaction with the given entity is undertaken having entailed its financial standing and the assessment of the securities being submitted by the said entity. Moreover the Issuer uses wide range of financial instruments such as bank and insurance guarantees, security deposits or bills of exchange as securities of proper contract performance.

4.5.2. Seasonal nature of sales

The construction and assembly services market is characterized by seasonal nature which results mainly from the weather conditions. Winter months mean less activity in the construction sector. The vast majority of sales is generated by the Company in the 2nd and 3rd quarter, and smaller revenues are attained shown in the 1st quarter. The seasonal nature is increased by the work cycle of the power industry - the main recipient of the Company's services. Repairs and modernizations of power devices take place mainly in the summer season, as the winter season is their operation time. In order to reduce the impact of the seasonality phenomenon, Energomontaż-Południe S.A. diversifies its activity by increasing the engagement in branches other than power industry, rendering services in the scope of general contracting and winning orders for production activity.

4.5.3. Risk related to changes of goods prices

The Company is exposed to the risk of changes of goods prices to a limited extent. The risk means changes of steel prices. At the stage of contracting, the Issuer executes contracts with steel suppliers at prices that guarantee contract profitability.

4.5.4. Risk related to changes of exchange rates

The Company is exposed to the risk of change of EUR/PLN exchange rates in connection with the activity conducted. The Issuer partially secures his standing by means of natural hedging (currency proceeds are dedicated to currency expenses). In the remaining part, the net open currency position is secured by Energomontaż-Południe S.A. using forward transactions. The Company, as an exporter, is highly exposed to crucial and long-lasting strengthening of PLN with regard to EUR and thus needs to maintain a specific level of net secured currency position. The Issuer has a reasonable approach to the exchange rate risk and conducts conservative policy of hedging not using complex instruments which additionally limits the risk.

Like many other business entities, Energomontaż-Południe S.A. strongly felt the results of rapid PLN depreciation that occurred in the period from October 2008 to the end of February 2009. A considerable share of proceeds from the export contracts concluded (denominated in EUR) is secured at the foreign currency market on the levels that guarantee profitability of the

operating activity assumed. The forward transactions are concluded only for the sake of securing financial flows resulting from the contracts concluded by the Company expressed in foreign currencies. As of the end of the year 2008, the Issuer had open forward transactions securing foreign currency contract flows in the amount of 15.7 million EUR. The status of the open currency positions owned ensures securing of 73% of the financial flows resulting from the export contracts the nominal currency of which was EUR. The open foreign currency transactions are related to the export contracts concluded for the years 2009 – 2011 with the amount of 8 million EUR being allocated for the year 2009. The booking valuation of the securities showed the amount of -7.4 million PLN at the end of 2008. As a result of the currency proceeds from the export contracts performed, the open forward positions, which were to be settled in 2009, were reduced by 35% during the first two months of 2009. Negative valuation of the forward transactions at the end of 2008 was neutralized by valuation of the Issuer's export receivables to a positive value of ca. 4.1 million PLN.

Establishment of the securities makes the Company independent of the EUR/PLN exchange rate variability and guarantees that the result attained on export transactions will comply with the calculation of profitability of the contracts concluded. The valuation of securities as of the end of 2008 exerted a negative influence on the results of the Company's financial activity and thus the Issuer advances the rotation of currency receivables and closes a part of the derivative transactions through a physical delivery of the currency. The Issuer settles the payables due to banks that mediate in conclusion of the transactions securing the trade activity conducted on an ongoing basis.

4.5.5. Interest rate risk

The Company monitors the interest rate levels at the individual markets on an ongoing basis and reacts flexibly to the changes occurring in the country as well as abroad. The nature of certain financial transactions (financial leasing of real estate in Wrocław) requires that such operations be secured at the interest rate market using instruments that protect them from an increase. The first transaction which provided security against the increase of an interest rate (EURIBOR) was concluded in the 1st quarter of the year 2009.

4.5.6. Liquidity risk

The Company maintains its balance through adjusting the funding sources to the expenses incurred. The purchases of fixed assets are funded either from equity, leasing, credit or long-term loans. The Issuer was granted credit limits by various financial institutions which significantly lowers the risk of concentration.

4.6. Indication of the proceedings held at a court of law, an institution competent for arbitration or a public administration authority

In the year 2008, there were no proceedings held at a court of law, an institution competent for arbitration or a public administration authority regarding liabilities of receivables of the Issuer or any of its subsidiaries the value of which constituted at least 10% of the Issuer's equity capital.

5. COMPANY'S PERSPECTIVES

5.1. Company's strategy for the years 2009 – 2012

Company's strategic objectives:

- focusing on the basic activity in the power, coke, cement and chemical industries,
- increasing average annual revenues from the basic activity by ca. 15%,
- attaining the gross margin on sales on the level of 108 – 20%,
- development of the Group by taking over other entities from the same line of industry,
- further modernization of Zakład Produkcji Przemysłowej in Będzin-Łągisza,
- investments in the technical infrastructure under the assembly field of activity,
- completion of implementation of the integrated information system,
- employment of new engineering personnel,
- increasing the employees' qualifications.

In the incoming year, Energomontaż-Południe S.A. will focus on operations in the power industry being its field of specialization. The developing activity, which has been treated as a supplementary business so far, will gradually be abandoned. While completing the developing investments initiated in the preceding years, at the end of the year 2008, the Issuer conducted a financial leasing operation for the office and service part of the Legnicka Park Popowice complex in Wrocław. The real estate leasing period was established for 10 years. It is estimated that performance of the first stage of construction works in Katowice Ligota (the "Osiedle Książęce" housing estate) will have been completed by the end of 2009. It is assumed that the whole project be sold after the first stage has been completed. The investment project to be performed in Katowice Piotrowice entitled "Willa nad Potokiem" has not been commenced. The international economic depression reduces the profitability of developing investments being the main reason for gradual abandoning of such kind of activities. Unlike in the sphere development, the Company is facing more and more favorable perspectives in the power industry owing to fact that the domestic power industry requires new capacities to be generated and some of the current ones to be disabled due to their technical wear and unprofitability of their adapting to the requirements of the standards for reducing emissions of pollutants. The value of the investments in the domestic power industry within the incoming years is estimated on the level of 50 billion PLN. It is also assumed that the modernization process currently being conducted in the German power sector will last at least 2 – 3 years. The Company manages to win large contract at this market. In relation to the foregoing, the Issuer projects that the share of sales targeting the German power market will be constantly increasing in the next years.

The aforementioned strategic objectives are to be accomplished through:

- increase of revenues and profits through further expansion of the Capital Group's potential,
- obtaining new commissions in the power industry thus increasing the share in this market,
- rendering services in new markets including: brown coal mining, food processing, metallurgy,
- focusing on sales under the most profitable projects,

- extending the activity in the scope of general contracting and turn-key projects,
- participation in large, comprehensive projects based on high diversification of services in the scope of various works performed for the industrial construction sector,
- strengthening the collaboration with the traditional partners from the power industry and directly with the investors representing the professional and industrial power sector,
- participation in modernization of the power systems in the European Union countries,
- involvement in expansion of the domestic technical infrastructure (water and sewage management, utilization of the renewable energy sources).

5.2. Developmental perspectives of the Company

5.3. External factors crucial for the Company development

Energomontaż-Południe S.A. has identified a series of external factors described below as being crucial for the Company development.

5.3.1. Increase of demand in the power sector

In accordance with the assumptions of the new national power policy, a 20% increase of demand for electric power is projected to occur by the year 2030, which means that in the future, the installed power of the Polish power generation and distribution system will be insufficient. By the end of 2015, the existing capacity should be restored and new power units of the overall power rating of ca. 3 thousand MW constructed.

5.3.2. Industrial construction

The industrial construction sector can be affected by the economic slowdown if the principles of investment funding are not changed (reducing credit availability). The investors are currently completing the investments already initiated but they suspend commencement of the subsequent ones more and more frequently. The Company assumes that liberalization of the crediting principles as well as utilization of the current time of uncertainty for restructuring and preparation of the investment processes will lead to a dynamic increase of the economic conditions in this sector within the next few years.

5.3.3. Real property

The domestic market of real property is currently in the phase of correcting the previous abrupt price increases. The current negative economic situation entails, among other factors, lack of credit availability and a general slowdown of the economy resulting from the global economic depression. The Issuer estimates that such conditions will last for no longer than 1.5 year. In a long-time perspective, the economic growth after the period of economic slowdown should be reflected by an improvement also in this sector, similarly to the industrial construction sector.

5.3.4. Technical condition of the installed capacities

The age and the technical condition of the Polish power plants requires constant overhauls and repairs the number of which will rise as the power units will become older and older. By the year 2025, our country should be in disposal of a power generation system of the installed capacity exceeding 48 GW. It is assumed that the overhauls will cover power units generating ca. 14 thousand MW, being one third of the whole system.

5.3.5. Compliance with the EU environmental standards

It is required that the Polish combustion sources meet the relevant standards regarding combined heat and power generation (cogeneration) as well as the share of the renewable energy sources in the power generation system. The applicable European directive assumes that by the year 2010, 7.5% of the power being produced will have been generated based on renewable sources. This proportion is currently on the level of ca. 4%, therefore, it is assumed that the increase of the investment expenditures in this scope will amount to ca. 13 billion PLN. Poland is obliged to decrease the emission of CO₂ by 20% and increase the renewable energy share to 15% by the year 2020.

5.3.6. Environmental protection

While negotiating our access to the European Union, specific periods were agreed within which Poland is to meet the European environment cleanliness standards. In order to comply with the said standards, it is required that by the year 2015 ca. 120 – 150 billion PLN be invested in the business sectors for which the Company renders its services. In accordance with the IPPC (Integrated Pollution Prevention and Control) directive being currently amended, starting from the year 2016, coal combustion for power generation purposes will not be possible without using high efficiency desulphurization, denitration and dust removal systems. The directive in question may also apply to units of lower capacity (from 20 MW to 50 MW) which are also serviced by Energomontaż Południe. It is estimated that in order to comply with the requirements of the IPPC directive being currently amended, in the Polish power sector, ca. 1,100 boilers in 260 power plants, heat and power generating plants and heating stations will need to be adjusted to the new standards. Poland will be forced to invest gigantic funds to attain compliance with such radically tightened regulations in the scope of environmental protection.

5.4. Internal factors crucial for the Company development

The Issuer has identified the following internal factors exerting significant influence on the enterprise development:

- long experience in the industry,
- efficient control system for the projects implemented,
- large potential of the personnel,
- permanent improvement of the organizational structures aimed at increasing the management efficiency,
- possibility of flexible response to the changes occurring in the market environment,

- implementation of the integrated information system to facilitate the management process.

The factors constraining the Company development include the negotiating position resulting mainly from its size as well as intense competition in the sector influencing the values of the potential margins.

6. MANAGEMENT BOARD AND SUPERVISORY BOARD

6.1. The Company's Management Board

Management Board's composition in the year 2008

FIRST AND LAST NAME	Function
Wojciech Nazarek	President of the Management Board
Andrzej Hołda	Vice-President of the Management Board /from 1 st March 2008/
Tadeusz Torbus	Member of the Management Board

6.2. The Company's Supervisory Board

Supervisory Board's composition in the year 2008

FIRST AND LAST NAME	Function
Sławomir Masiuk	Chairman of the Supervisory Board
Marek Wesołowski	Vice-Chairman of the Supervisory Board
Andrzej Kowalski	Member of the Supervisory Board
Krzysztof Radojewski	Member of the Supervisory Board
Waldemar Tevnell	Member of the Supervisory Board

6.3. Information on the shares held by the members of the supervisory / managing bodies

As of 31st December 2008, the persons being members of the Company's managing and supervisory bodies held the Issuer's shares. The structure of the Issuer's shares held by these person has been provided in the table below.

FIRST AND LAST NAME	Function	No. of shares / votes	Percentage share in the share capital / total number of votes	Nominal value in thousand PLN
Wojciech Nazarek	President of the Management Board	30,190	0.06	30
Andrzej Hołda	Vice President of the Management	43,712	0.09	44

Sławomir Masiuk	Board Chairman of the Supervisory Board	1,200,000	2.48	1,200
Marek Wesółowski	Member of the Supervisory Board	60,000	0.12	60
Total		1,333,902	2.75	1,334

Other persons performing managerial and supervisory functions held no shares of Energomontaż-Południe S.A. as of 31st December 2008. The persons being members of the Company's managing and supervisory bodies held no shares of the subsidiaries in 2008.

6.4. Remuneration

6.4.1. Remuneration of persons performing managerial and supervisory functions

The overall value of wages, awards and benefits paid in any form, due to or potentially due to the persons performing managerial and supervisory functions in the year 2008 is 2,030 thousand PLN.

Remuneration of the managers

FIRST AND LAST NAME	Remuneration in thousand PLN
Wojciech Nazarek	407
Andrzej Hołda	408
Tadeusz Torbus	300
Total	1,115

Remuneration of the Issuer's managers
received in virtue of membership
in the subsidiaries' managing bodies

SUBSIDIARY	FIRST AND LAST NAME	Remuneration in thousand PLN
Amontex PM Sp. z o.o.	Wojciech Nazarek	50
CK-Modus Sp. z o.o.	Andrzej Hołda	29
CK-Modus Sp. z o.o.	Tadeusz Torbus	38
Total		117

Remuneration of the members of supervisory bodies

FIRST AND LAST NAME	Remuneration in thousand PLN
Sławomir Masiuk	132
Marek Wesółowski	117
Andrzej Kowalski	113
Krzysztof Radojewski	56
Waldemar Tevnell	56
Bogusław Oleksy	48
Marek Czarnota	60
Piotr Góralewski	58
Sławomir Kamiński	58

Total	698
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**Remuneration of members of the Issuer's
supervisory bodies received in virtue of membership
in the subsidiaries' managing bodies**

SUBSIDIARY	FIRST AND LAST NAME	Remuneration in thousand PLN
Amontex PM Sp. z o.o.	Sławomir Masiuk	50
Amontex PM Sp. z o.o.	Marek Wesółowski	50
Total		100

In the year 2008, the Issuer did not conduct any incentive programs including the program based on subscription warrants.

6.4.2. Agreements concerning compensation for the managers

The agreements concluded with the persons performing managerial functions contain no provisions regarding any compensation in case of their resignation or dismissal from the position held without a significant reason or if the resignation or dismissal is due to a merger by takeover.

7. DECLARATIONS OF THE MANAGEMENT BOARD AND OTHER RELEVANT INFORMATION

7.1. Management Board's declaration

7.1.1. Declaration on reliability of the presentation of the property status and financial standing of Energomontaż Południe as provided in the statements

To the best of knowledge of the Issuer's Management Board composed of Mr. Wojciech Nazarek performing the function of the President of the Management Board and Mr. Andrzej Hołda performing the function of the Vice-President of the Management Board, the annual financial statements of Energomontaż Południe drawn up as of the balance sheet day of 31st December 2008 as well as the relevant comparable data were prepared in accordance with the applicable reporting standards and reflect in an actual, reliable and transparent manner the Company's property status and financial standing as well as its financial results.

This report on the operations of Energomontaż Południe provides a true picture of the Company's development and achievements as well as its current standing including a description of the key threats and risks.

7.1.2. Selection of the entity authorized to review the financial statements

The entity authorized to review the financial statements, to perform the assessment of the annual financial statements of Energomontaż Południe drawn up as of 31st December 2008, was selected

in accordance with the applicable legal regulations. This entity as well as the expert auditors conducting the assessment complied with all the conditions required to issue an impartial and independent assessment report in accordance with the applicable regulations and professional standards.

7.2. Information on the agreements concluded with the entity selected to review and assess the financial statements

On 4th June 2008, an agreement was concluded with an expert auditor, MW RAFIN Marian Wcisło Biuro Usług Rachunkowości i Finansów Spółka Jawna, concerning performance of a review and assessment of the individual and consolidated financial statements for the year 2008. The remuneration paid or due to the expert auditor(s) for the individual financial years has been specified in the table below.

REMUNERATION OF EXPERT AUDITOR(S)	2008 thousand PLN	2007 thousa nd PLN
Review of the individual and consolidated financial statements	35	40
Other certification services including review of the individual and consolidated financial statements	18	36
Tax consultancy		-
Other services	23	-
Total	76	76

Signatures of the Issuer's representatives

President of the Management Board 

Vice President of the Management Board 