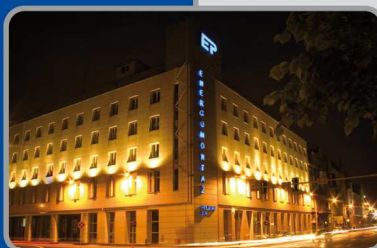


**ANNUAL REPORT ON THE OPERATIONS OF
ENERGMONTAŻ-POŁUDNIE S.A.
FOR THE 12-MONTH PERIOD ENDING ON
31 DECEMBER 2009**



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I. SHAREHOLDERS AND CORPORATE GOVERNANCE

I.1 Letter from the President of the Management Board

Dear Sir/Madam,

On behalf of the Company's Management Board and myself, I am pleased to make available to you the annual report for 2009, which gives an extensive picture of the events affecting the operations and results achieved by Energomontaż-Południe S.A.

2009 must be assessed as being a very good period for Energomontaż-Południe. The Company's net revenue from sales was almost PLN 285 million. This result is over 34 per cent better than that of 2008. The Company's non-consolidated net profit in 2009 was PLN 22.3 million and was the best result in the last dozen or so years. At that level, the net result denotes a more than 80 per cent increase year-on-year. The financial results of 2009 reflect the Company's systematic organic growth, achieved among other things as a result of the further development of exports to the German market. Delays in domestic power projects and the favourable trend for exporters on the foreign exchange market had an influence on decisions to considerably increase the involvement in exports. I regard the financial results for 2009 as satisfactory. The most important event we had to face in the financial year was the establishment of a strategic alliance with PBG S.A. As a result of an understanding between the shareholders, the new investor took up a more than 25 per cent share in the increased share capital of the Company, at the same time declaring that it would act in line with the concept of consolidating Energomontaż-Południe's contracting potential in the power industry assembly and installations sector. Investments in fixed and other assets, in particular in acquiring or taking up shares or ownership interests in companies operating in the power industry, will be made by PBG, with Energomontaż-Południe participating as the lead company. The issue of shares strengthened Energomontaż-Południe's capital, at the same time improving the Company's competitive position and its ability to win new contracts. The Company's image improved as a consequence of the capital operation – it gained a sector investor.

In 2010, Energomontaż-Południe S.A. will concentrate primarily on specialised modernisation and investment services in Poland and on the German power market. The orders portfolio we already have for 2010 guarantees a further increase in revenues, which translates into value added for the Shareholders of Energomontaż-Południe S.A.

On behalf of the Company's Management Board, I would like to thank all those firms and institutions that placed their trust in us by engaging in cooperation with Energomontaż-Południe S.A. I would also like to take this opportunity to thank all co-workers who have contributed to the Company's development through their professional approach and commitment. Without their efforts, such development would not be possible.

I would like to assure you that the Management Board will continue to consistently implement the Company's strategic and development goals, which will in future be a source of satisfaction for our clients and Shareholders.

Andrzej Hołda
President of the Management Board

I.2 Declaration on the application of corporate governance

I.2.1 The set of corporate governance principles

In 2009, in the regulatory field, the principles of corporate governance were indicated in norms accepted by the Council of the Warsaw Stock Exchange which were contained in an appendix to Resolution No. 12/1170/2007 of the Stock Exchange Council of 4 July 2007, in a document called "Good Practices of Companies Listed on the WSE", hereinafter referred to as "Good Practices". The set of corporate governance principles to which the Issuer is subject is publicly available and can be found on the Issuer's website at www.energomontaz.pl.

I.2.2 Indication of the extent to which the Issuer has departed from the Good Practices and explanation of the reasons for this

In 2009, Energomontaż-Południe S.A. observed the principles of the aforementioned document. The application of the recommendations contained in the Good Practices also continued to be in the Issuer's sphere of interest. The set of recommendations is available on the Company's website at the aforementioned website. Energomontaż-Południe S.A. has applied most of these recommendations and is constantly developing its communication with investors by applying a transparent information policy, developing the corporate side and using other available sources of conveying information (the press, internet, television, investor meetings). Of the recommendations indicated in Part I of Good Practices, the Issuer has so far not fulfilled the recommendation concerning the transmission of the deliberations of the General Meeting of Shareholders. The application of this recommendation cannot be ruled out in the future. On the other hand, the publication on the stock exchange and on the Company's website of all resolutions adopted by the General Meeting of Shareholders ensures extensive access to information and appropriate communication with shareholders.

I.2.3 Description of the main features of internal control and risk management systems applied with regard to the process of drawing up financial statements

The internal control system operating in the Company relates to a series of processes occurring in the undertaking and in subsidiaries, including the process of preparing financial statements. It was designed in such a way as to constitute an effective instrument of risk control and supervision of the correctness of the process of accumulating data, processing them and presenting them in the form of financial statements in accordance with applicable legal regulations in that respect. The internal control system operating in the Company is built from functional control mechanisms (preventative, detecting and corrective) described in precise internal regulations of the Company and subsidiaries (bylaws, authorisations, internal instructions). Furthermore, the mechanism of control is supplemented by the systematised operations of a special independent external control unit, i.e. an auditor. These operations considerably secure Energomontaż-Południe S.A. against errors in financial reporting and provide management with information making it possible to assess the correct, efficient and secure operation of the process for preparing the financial statements. Reviewing the internal control system is subject to the assessment of the Audit Committee of the Company's Supervisory Board.

I.2.4 Ownership structure

The share capital of Energomontaż-Południe S.A. is PLN 70,972,001 and is divided into 70,972,001 ordinary bearer shares with a nominal value of PLN 1 per share, of which 7,430,000 constitute Series A shares, 3,570,000 Series B shares, 33,000,000 Series C shares,

4,390,000 Series D shares and 22,582,001 Series E shares. All the shares are ordinary bearer shares. As at 31 December 2009, the Company's share capital was PLN 48,390,000.

Ownership of shares (as at 31 December 2009)

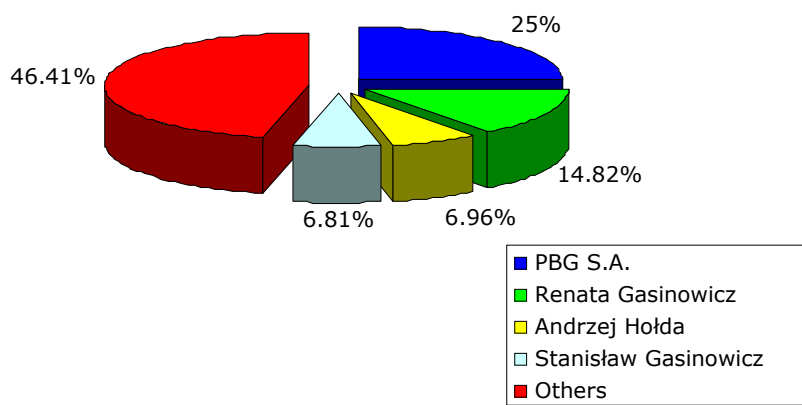
SHAREHOLDER	Number of shares / votes	Percentage share in share capital / total number of votes
Renata Gasinowicz	7,578,494	15.66
Stanisław Gasinowicz	4,854,023	10.03
Andrzej Mikucki and Piotr Mikucki	4,390,000	9.07
Other shareholders	31,567,483	65.24
Total issued shares:	48,390,000	100.00

Ownership of shares as at day of preparing report

SHAREHOLDER	Number of shares / votes	Percentage share in share capital / total number of votes
PBG S.A.	17,743,002	25.00
Renata Gasinowicz	10,516,806	14.82
Andrzej Hołda	4,939,137	6.96
Stanisław Gasinowicz	4,831,966	6.81*
Other shareholders	32,941,090	46.41
Total issued shares:	70,972,001	100.00

* Up to the day of publishing this Report, the Issuer has not received information from the shareholder indicated regarding the change of the percentage share in the share capital and in the total number of votes, which occurred in connection with the registration of the increase of the Company's share capital, made in connection with the private subscription of Series E shares. The percentage share in the share capital and the total number of votes has been determined on the basis of the number of shares held, specified in the notification on holding shares of the Company which was last received from the shareholder, assuming that this share has not changed since the time of receiving the notification.

Shareholder structure Energomontaż-Południe S.A.



I.2.5 Indication of holders of securities carrying special inspection rights

No holders of securities issued by Energomontaż-Południe S.A. have special inspection rights with respect to the Company.

I.2.6 Limitations of rights attached to shares

The transferability of 1,488,210 Series D shares held by Mr Piotr Mikucki is contractually limited until 22 August 2010 (lock-up agreement). The shareholder took up the aforementioned Series D shares under a private placement, in exchange for some of the shares of the company Amontex which he held. With regard to other shares traded on the Warsaw Stock Exchange, their transferability is not limited.

No other limitations of rights under shares, including limitations in voting rights, exist apart from those mentioned above.

I.2.7 Description of the manner of operation of the General Meeting of Shareholders and its basic powers, as well as the rights of shareholders, and the manner of performing them.

The General Meeting of Shareholders is the highest authority of the Company. The Management Board convenes an Ordinary General Meeting of Shareholders, which should be held within six months after the lapse of each financial year. General Meetings of Shareholders shall be held in Katowice. The General Meeting of Shareholders operates on the basis of generally applicable regulations, in particular the Commercial Companies Code, the Statute of the Company and the Regulations approved by it. The Statute and the Regulations are available on the Company's website. The competencies of the General Meeting of Shareholders include: considering and approving the annual financial statements, adopting resolutions on distributing profits or covering losses and on discharging the members of the Company's authorities from liability in the performance of their duties, amending the Statute, including increasing and decreasing the share capital, issuing bonds, creating capital and funds and adopting resolutions concerning the principles of making use of them, appointing and recalling members of the Supervisory Board and determining their remuneration, changing the subject of the Company's operations, merging the Company, dividing and transforming it, dissolving and liquidating the Company, disposing of it or leasing the Company's business undertaking or an organised part of it, all decisions concerning claims for the remedy of damage caused in incorporating the Company or in carrying out management or supervision, as well as redeeming shares and determining the conditions and manner of redemption.

The Company's shareholders perform their corporate rights in the manner and within the limits set by generally applicable regulations, the Company's Statute and the Regulations of the General Meeting of Shareholders. Each share of the Company gives the right to one vote. The Company has not issued registered shares.

I.2.8 Description of principles of amending the Company's Statute

The Company's Statute may only be amended by a decision of the General Meeting of Shareholders of the Company.

A draft amendment of the Statute shall be prepared by the Management Board and the Supervisory Board shall provide an opinion on it. After being approved by the General Meeting of Shareholders, amendments to the Statute are registered in the National Court Register. Matters not specified in the Statute are regulated in the Commercial Companies Code and in appropriate domestic regulations.

By a decision of 22 March 2010, the District Court for Katowice-East in Katowice, Division VIII Commercial of the National Court Register, as of 19 March 2010 registered amendments to the Issuer's Statute, including clauses concerning the increase of the share capital to PLN 70,972,001.

I.2.9 Personal composition and basis of operation of managing and supervisory authorities of the Company and their committees**The Supervisory Board**

The Supervisory Board supervises all areas of the Company's operations. It exercises its powers collectively.

It is composed of from five to seven members appointed for a joint term of office. The Supervisory Board's term of office is five years. Members of the Supervisory Board are appointed and recalled by the General Meeting of Shareholders. The same person cannot be reappointed a member of the Supervisory Board earlier than one year before the end of the current term of office. The Regulations of the Supervisory Board regulate the basis of its work. The Company makes the Regulations of the Supervisory Board available on its website.

Personal composition of the Supervisory Board

NAME AND SURNAME	Position
Sławomir Masiuk	Chairman
Andrzej Wilczyński	Vice-Chairman /from 22 September 2009/
Marek Wesołowski	Member
Andrzej Kowalski	Member
Tomasz Woroch	Member /from 22 September 2009/

Changes to the personal composition of the Supervisory Board

As at 1 January 2009, the Supervisory Board of the Company was composed of five persons. They were: Mr Sławomir Masiuk, exercising the function of Chairman of the Supervisory Board; Mr Marek Wesołowski, exercising the function of Vice-Chairman of the Supervisory Board; and the members Mr Andrzej Kowalski, Mr Krzysztof Radojewski and Mr Waldemar Tevnell. In connection with the resignation submitted by Mr Krzysztof Radojewski as a member of the Supervisory Board of Energomontaż-Południe S.A. on 15 May 2009, the General Meeting of Shareholders of the Company appointed Mr Maciej Mikucki to the Issuer's Supervisory Board. On 22 September 2009, the Extraordinary General Meeting of Shareholders of the Issuer recalled Mr Maciej Mikucki and Mr Waldemar Tevnell from the Supervisory Board in Resolutions 4 and 5. The resolutions of the EGM of the Issuer do not contain the reasons for recalling those persons. To replace them, the EGM of the Issuer appointed Mr Andrzej Wilczyński and Mr Tomasz Woroch to the Supervisory Board of Energomontaż-Południe S.A. in Resolutions 6 and 7 respectively.

The Supervisory Board operated with the composition stated in the table above until the end of 2009.

Audit Committee

The Audit Committee is an advisory body operating as part of the Supervisory Board of the Company. It is composed of three members. The Committee's task includes advising the Supervisory Board on matters concerning the proper implementation of budget and financial reporting principles, the internal control of Energomontaż-Południe S.A., and cooperation with the Company's auditors. In particular, this Committee provides guidelines and recommends the choice of the entity to act as auditor to the Supervisory Board. It also reviews periodic and annual financial statements of the Company and the Energomontaż-Południe S.A. Capital Group. The Company makes the Regulations of the Audit Committee available on its website.

Personal composition of the Audit Committee

NAME AND SURNAME	Position
Sławomir Masiuk	Chairman
Tomasz Woroch	Vice-Chairman /from 8 October 2009/
Andrzej Kowalski	Secretary /from 15 May 2009/

Changes to the personal composition of the Audit Committee

On 1 January 2009 Mr Sławomir Masiuk, Mr Marek Wesołowski and Mr Krzysztof Radojewski (exercising the function of Secretary to the Committee) were appointed to the Audit Committee. On account of the resignation of Mr Krzysztof Radojewski from the Audit Committee on 15 May 2009, the Committee was completed by Mr Andrzej Kowalski, who took on the position of Secretary. On 8 October 2009 Mr Tomasz Woroch replaced Mr Marek Wesołowski, who resigned from the Audit Committee.

The Management Board

The Management Board is the Company's executive authority and manages its entire operations.

The following persons are entitled to make declarations of intent pertaining to the property rights and obligations of the Company and to sign documents on behalf of the Company:

- 1) the President of the Management Board acting jointly with another Management Board member,
- 2) two members of the Management Board acting jointly,
- 3) the President or a member of the Management Board acting jointly with a Registered Holder of a Commercial Power of Attorney.

The Management Board of the Company consists of one or more members, including the President and Vice-President of the Management Board, appointed for a joint term of office. The term of office of the Management Board is for five years. The President of the Management Board, a member of the Management Board or the entire Management Board may be recalled at any time before the end of a term of office by the Supervisory Board or the General Meeting of Shareholders. The same person cannot be reappointed a member of the Management Board earlier than one year before the end of the current term of office.

The Regulations of the Management Board regulate the basis of its work. The Company makes the Regulations of the Management Board available on its website.

Personal composition of the Management Board

NAME AND SURNAME	Position
Andrzej Hołda	President of the Management Board /from 29 April 2009/
Alina Sowa	Vice-President of the Management Board /from 15 July 2009/
Jacek Fydrych	Member of the Management Board /from 4 September 2009/

Changes to the personal composition of the Management Board

On 1 January 2009 the Company's Management Board consisted of three persons. They were: Mr Wojciech Nazarek, exercising the function of President of the Management Board and Managing Director; Mr Andrzej Hołda, exercising the function of Vice-President of the Management Board and Director of Trade; and Mr Tadeusz Torbus, exercising the function of Member of the Management Board and Technical Director. On 5 March 2009, the Supervisory Board of the Company recalled Mr Tadeusz Torbus from his function as Member of the Management Board.

On 29 April 2009, Mr Wojciech Nazarek resigned as President of the Management Board of Energomontaż-Południe S.A. The reason for his resignation was his intention to engage in his own business activity. On 29 April 2009, the Supervisory Board of the Company appointed Mr Andrzej Hołda, the Vice-President of the Management Board, as President of the Management Board and Managing Director of Energomontaż-Południe S.A.

On 13 July 2009, the Supervisory Board of Energomontaż-Południe S.A. adopted a resolution appointing Ms Alina Sowa as Vice-President of the Management Board of the Company as of 15 July 2009. On 4 September 2009, the Supervisory Board adopted a resolution appointing Mr Jacek Fydrych as Member of the Management Board of the Company as of that same day. Apart from being a Member of the Management Board, Mr Jacek Fydrych also exercises the function of Director of Trade of Energomontaż-Południe S.A.

The Management Board of the Company functioned in the three-person composition shown in the table above, up to the balance-sheet date. On 2 February 2010, the Supervisory Board of the Issuer adopted a resolution appointing Mr Dariusz Kowzan as Member of the Management Board of the Company as of that same day. Mr Kowzan also holds the position of Director of Contract Implementation and Development in the Company.

As at the date of publication of this Report, the Company's Management Board is composed of four persons.

Other information concerning members of the Company's authorities, including the remuneration of management and supervisory personnel, is described in detail in [pkt. VI.](#) of this Report.

Particular powers of the Company's authorities

The Management Board of the Company is entitled to make decisions about issuing or purchasing shares or other capital and debt securities. As the executive authority, the Management Board determines the parameters of these processes of issuance or purchase and takes pains to ensure the correct performance of operations concerning the aforementioned capital market instruments. Decisions are agreed with the Company's supervisory authority. The Supervisory Board provides its opinion on all decisions of the Management Board concerning the aforementioned matters. The General Meeting of Shareholders of the Company makes a final decision on issuing or purchasing securities.

II. THE CAPITAL GROUP AND ITS RESOURCES

II.1 Information about the structure of the Group

As at 31 December 2009, Energomontaż-Południe S.A. holds 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 Hotele i Nieruchomości Sp. z o.o.

The companies referred to above are subject to consolidation by the full method.

CK-Modus Sp. z o.o.

CK-Modus Sp. z o.o. is entered in the National Court Register under KRS 0000112995. Its share capital amounts to PLN 15,900,000, divided into 31,800 shares with a par value of PLN 500 per share.

Its core business is general construction work associated with constructing buildings. The company is currently finalising the construction of the first stage of a housing estate in Ligota, Katowice, which consists of six high-standard four-storey buildings. The architectural features of the estate include a multi-bay underground garage, winter gardens, roof terraces and terraces and gardens adjoining houses. 220 apartments with a total usable area of approximately 13,800 square metres are planned to be made available. The planned revenue from the sale of these residential properties is approximately PLN 80 million.



Amontex PM Sp. z o.o.

Amontex PM Sp. z o.o. is entered in the National Court Register under KRS 0000154195. Its share capital amounts to PLN 148,000, divided into 296 shares with a par value of PLN 500 per share. It is an assembly/production company which manufactures and assembles steel structures. It has the advantage of having its own modern steel structure manufacturing plant located in Piotrków Trybunalski. Because it has a shot peening machine and a separate painting plant, it is able to manufacture steel structures with advanced designs from start to finish.

The main customer for Amontex's services is the domestic power production industry. Its specialisations include constructing and assembling absorbers and assembling large LPG tanks.

EP Hotele i Nieruchomości Sp. z o.o.

EP Hotele i Nieruchomości is entered in the National Court Register under KRS 0000134975. Its share capital amounts to PLN 70,500, divided into 141 shares with a par value of PLN 500 per share.

The company conducts tourism, hotel, recreation and catering activities, mostly based on a holiday centre in Mrzeżyno and a hotel in Łagisza. It also manages the residential part of a real property in Wrocław (Legnicka Park, Popowice).

Modus II Sp. z o.o.

Modus II Sp. z o.o. is entered in the National Court Register under KRS 0000289248. Its share capital amounts to PLN 50,000, divided into 100 shares with a par value of PLN 500 per share. The company's core business is developing and selling real property for its own account.

II.2 Information on capital investments outside the group of affiliated companies

Energomontaż-Południe S.A. also holds shares in other entities which are not subject to consolidation, but these investments do not have a significant influence on the financial results.

The Issuer is earmarking approximately PLN 50 million from funds obtained from the issuance of Series E shares for the acquisition of companies operating in the same industry with high

contracting and technological potential. The acquisitions should contribute to the further development of the Company's operations.

II.3 Changes in basic management principles

The Company holds a valid DIN EN ISO 9001:2008 norm quality management system certificate and a PN-N 18001:2004 work safety and hygiene management system certificate. Energomontaż-Południe S.A. holds the necessary authorisation and certificates for metal welding, inspecting welded joints, and training welders. The Company can also act as an agent in selling property.

In 2009, work was carried out to deploy an integrated IT management system which will make the decision-making process more efficient and facilitate management. The basic modules of the system were deployed in January 2010.

Environmental management system certification in accordance with the PN-EN ISO 14001:2005 norm is planned for 2010, as a further element of the integrated management system and the Safety Checklist for Contractors system concerning export construction projects. The SCC** system is based on Dutch norm guidelines and concerns work safety and hygiene and environmental protection on construction projects.

II.4 Investments

In 2009, Energomontaż-Południe made investment outlays totalling PLN 22,797,000. The investments mainly concerned property, plant and equipment. Energomontaż-Południe S.A. modernised a plant floor and social buildings in the Industrial Production Plant in Będzin Łagisza. In 2009, outlays for the buildings and structures came to approximately PLN 6 million. The Company's investments in the reporting period also involved the purchase of machines and equipment for production operations as well as tools and instruments used in assembly production (approximately PLN 7 million in total). The Company also purchased required means of transport, including wheeled cranes (approximately PLN 6 million). These investments were financed primarily with the Company's own funds, bank credits and leasing.

Structure of investment outlays

	2009 [PLN '000]	2008 [PLN '000]
Intangible assets	313	152
Property, plant and equipment	20,784	5,803
Capital investments	1,700	33,170
Total	22,797	39,125

The Company's investment plan for 2010 amounts to approximately PLN 28 million. It places particular emphasis on purchases of machines and equipment as well as specialist equipment necessary for construction assembly, with a total value of approximately PLN 20 million. The remaining part of the investment purchases will above all involve the transportation base – including for cranes and other special vehicles, buildings and constructions, as well as implementing the integrated IT management system.

The Issuer does not anticipate any dangers connected with the possibility of carrying out investment plans.

III. THE COMPANY'S BUSINESS OPERATIONS

III.1 Basic products, goods and services

The area of Energomontaż-Południe's operations is the Polish and international construction market for the power sector and industry. The Company's position in the industry is well established. Energomontaż-Południe S.A. carries out operations based in plants located in Poland in Łaziski Górne (assembly production) and Będzin-Łagisza (industrial production), with technical offices in Lüdenscheid, Germany.

The Company's principal activity is services in the field of manufacturing, assembly and the modernisation and repair of equipment as well as of power and industrial installations. This activity is supplemented by special centre services (a training centre and a laboratory and research centre) and the implementation of developer projects. The main customers of the Company's services and products are utility and industrial power, steelworks, coking plants, chemical works and consumer and cement industry plants.

III.2 Features of the main sales and supply markets

III.2.1 Sources of supply

The Company's supply system is, to a large extent, diversified. Suppliers are selected by the various production units on the basis of offer competitiveness. The demand for production materials is partially satisfied by Steel Materials Wholesale, a trade unit of Energomontaż-Południe.

The Company is not dependent on one or more suppliers. In 2009, no supplier's share reached 10 per cent of the total revenues from sales. Deliveries of materials mainly involve steel products necessary for the production process.

III.2.2 Sales markets

In 2009, Energomontaż-Południe S.A. posted almost PLN 285 million in revenues, which is a 34 per cent increase compared with revenues for the same period in the previous financial year. At the back of the Company's revenue growth is its organic development.

In 2009, almost 66 per cent of its sales went to the domestic market, while the other 34 per cent constituted foreign sales mainly for the German market. The German power market was the dominant one for foreign sales, constituting almost 95 per cent of the Company's export value. In 2009 there was a more than threefold increase in foreign sales as compared with the previous year. Leading areas of activity in terms of sales value in 2009 were construction and assembly services for the power industry, being the Company's basic activity.

The upward spike in sales was achieved on industrial production (an increase in value of PLN 35,995,000). The production unit in Będzin Łagisza produces for export, particularly to the German market. The Company has significantly retrofitted this branch, using funds obtained from issuing Series C shares. The Company provided information about the completion and manner of using funds obtained from the issuance of Series C shares in periodic reports and in Current Report No. 18/2009 of 8 April 2009.

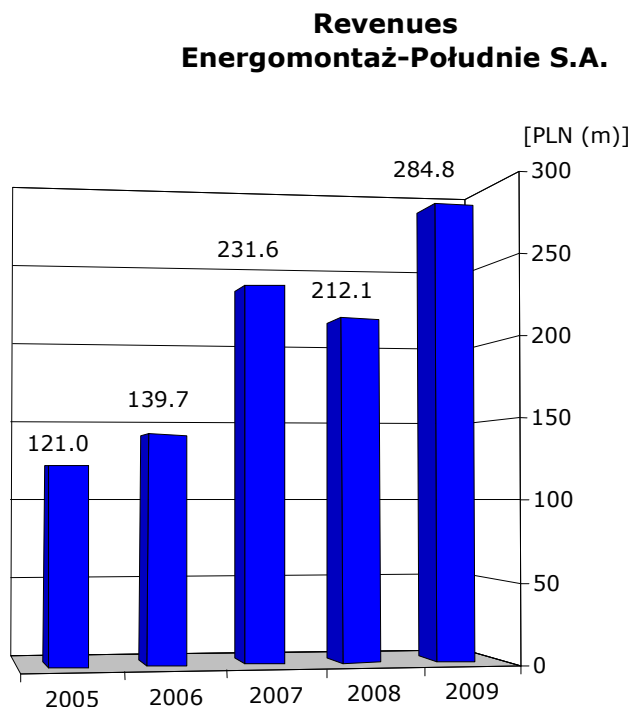
A good result was also recorded from the sale of general contractor services (an increase of PLN 13,495,000) and developer operations (an increase of PLN 8,346,000).

The Issuer's largest customers were companies from the ALSTOM concern, a world leader in the power and transport sector. The share of ALSTOM Power alone (the ALSTOM concern's power wing) was 27 per cent of Energomontaż-Południe's revenue in 2009. The second biggest customer of the Company's services in the reporting period was the ALSTOM Power and RAFAKO S.A. consortium. The consortium's share of the year's revenue was just under 12 per cent.

III.2.3 Sales by value

	2009 [PLN '000]	2008 [PLN '000]	Change %
Construction and assembly services	134,022	117,193	+14
General contracting	57,923	44,428	+30
Industrial production	57,245	21,250	+169
Goods and materials services and sales	20,961	22,893	-8
Developer operations	14,682	6,336	+132
Total operations, of which:	284,833	212,100	+34
Exports	98,267	30,787	+219

The diagram below shows the revenues from the Company's sales over the past five years.



The Management Board of the Company estimates that in 2010 revenue growth could surpass 20 per cent year-on-year.

III.2.4 Sales by quantity

Because of the specific nature of the Company's operations, the main aspect of which is services, it is only possible to present sales in a quantitative manner with regard to industrial production.

Industrial production sales

	2009 Tonnes	2008 Tonnes	Change %
Country	452	1,017	-56
Exports	3,456	1,690	+104
Total	3,908	2,707	+44

The growth in the sales volume of industrial production is mainly due to increasing exports to Germany.

III.3 Information concerning operations carried out on securities of the Company and a description of the manner of using funds from the issuance of new shares

III.3.1 Issuance of Series E shares of the Company and planned use of funds from issuing Series E shares

2009 saw the commencement of the process of privately issuing Series E shares to PBG S.A. and Mr Andrzej Hołda, the President of the Management Board of Energomontaż-Południe S.A. The process of issuing 22,582,001 Series E shares was completed on 5 February 2010. The issue price of the Series E shares was PLN 3.45 per share.

The Series E shares were registered and admitted to exchange trading on 17 February 2010. The increase of the share capital was registered in the National Court Register kept by the District Court of Katowice-East in Katowice on 19 March 2010.

The funds obtained from issuing the Series E shares, amounting to PLN 77.9 million, will be used for the following purposes:

- acquisition of companies operating in the same industry – the Issuer is planning to set aside approximately PLN 50 million to acquire two companies operating in the same industry
- investments in fixed assets – it is planned to set aside approximately PLN 16.9 million for investments necessary to carry out the Company's core operations
- working capital – it is planned to set aside approximately PLN 11 million for this purpose.

III.3.2 Transactions relating to own shares

In a process of repurchasing its own shares for the purpose of cancelling them as part of block transactions concluded with Dom Maklerski, from 9 May 2008 to 14 March 2009 the Company acquired 845,654 own shares. The average unit price of the shares purchased was PLN 2.67. The own shares acquired constituted 1.75 per cent of the existing share capital and gave 845,654 votes at the General Meeting of Shareholders of the Company (which constituted 1.75 per cent of the total number of votes in the Company).

On 22 September 2009, the Company's EGM voted on a draft resolution on repurchase of the Company's own shares under Resolution No. 1 of the Extraordinary General Meeting of Shareholders of Energomontaż-Południe S.A. of 14 March 2008 [...]. The above resolution was not adopted, as a result of which the Extraordinary General Meeting of Shareholders of Energomontaż-Południe S.A. adopted a formal resolution on withdrawing the intention to repurchase the shares and consenting to the Management Board selling the own shares.

LIST OF BLOCK TRANSACTIONS INVOLVING THE SALE OF OWN SHARES

Settlement	Type of transaction (purchase/sale)	Number of shares	Average price (PLN)	Value (PLN '000)
28.9.2009	sale	645,654	4.51	2,915
2.10.2009	sale	200,000	4.50	900
Total:		845,654	4.51	3,815

As at the date of the publication of this Report, the Company does not hold any own shares as a result of the settlement of completed block transactions involving the sale of all the own shares held by it, carried out on 28 September 2009 and 2 October 2009.

The funds obtained from the transactions improved the Company's financial liquidity and did not affect profits for the reporting period because the settlement of the surplus increases the Company's supplementary capital.

III.3.3 Dividend

In 2009 the Company set aside PLN 5.2 million from the net profit from 2008 for the payment of a dividend. The dividend was PLN 0.11 gross per share. The rights to the dividend were established on 27 July 2009 and it was paid out on 14 August 2009.

The General Meeting of Shareholders of the Company determines the amount of the dividend, the date of establishing rights and the date of payment.

III.3.4 Operations with regard to Investor Relations and share listings in 2009

In 2009 the Company carried out a series of operations intended to attract the attention of a wider group of investors and to increase the share trading liquidity of Energomontaż-Południe. At the beginning of the reporting period, the website was transformed into one which was more legible and technologically advanced. The Investor Relations section was also developed in accordance with the recommendations of the Warsaw Stock Exchange. The Company changed its translation firm and began publishing reports in a bilingual version from the beginning of 2010. The number of the Issuer's market makers was also increased, and a system for controlling the effectiveness of their work was introduced. As a result of these efforts, we hope to gain a wider group of investors.

The aforementioned actions, combined with clear communication with the Company's environment (meetings with investors, analysts, banks, the press, press publications, stock-market presentations and public relations activities), have in effect led to increased share trading liquidity. The Company is listed on the sWIG80 and the Dow Jones STOXX indexes. During 2009, the Company's website qualified for the third stage of the Listed Company Golden Website contest organised each year by [Stowarzyszenie Emitentów Giełdowych](#). Energomontaż-Południe S.A. has also won many distinguished awards, such as the "Pearl of the Polish Economy", "Business Cheetah" or "Golden Diamond" awards.

In 2009 the Company's investors had good cause for satisfaction. The annual return on investments in the Company's shares exceeded 60 per cent, while bank deposits guaranteed a much lower return on invested capital of only several per cent.

Below is a graph showing listings of the shares of Energomontaż-Południe as compared with listings of the main index of the Warsaw Stock Exchange (the WIG) in the course of 2009.



III.4 Information about agreements of importance for the Company's operations

In 2009, the Company concluded a number of important trade agreements / received orders concerning which it provided information on in current reports. The agreements / orders of the greatest importance included the following:

- agreements with the subsidiary CK-Modus Sp. z o.o.; the most significant agreement, valued at approximately PLN 36.9 million, concerned the construction of the Książęce

- Estate in Katowice Ligota – the total value of the agreements was approximately PLN 46.8 million [Current Report No. 2/2009],
- an order from E.ON Anlagenservice GmbH for repair work at the RWE Niederaußem Power Plant in Germany – the order was worth approximately EUR 3.9 million [Current Report No. 8/2009],
 - an agreement with Steinmüller Instandsetzung Kraftwerke GmbH concerning reconstruction work carried out by the Issuer on the pressurised part of boiler no. 4 at Elektrownia Bełchatów S.A. – the value of this agreement was approximately PLN 10.5 million [Current Report No. 11/2009],
 - agreements with Alstom Power Systems GmbH to carry out work on 800 MW power units of the Westfalen Power Plant in Germany – the total value of the agreements was approximately EUR 27.6 million [Current Report No. 12/2009],
 - an agreement between the Issuer and its subsidiary Amontex concerning Amontex's flue assembly work on the two new D and E power units [each 800 MW] at Westfalen, Germany – the value of the agreement was EUR 13 million [Current Report No. 16/2009],
 - an agreement with E.ON Anlagenservice GmbH to assemble the pressurised part of the boiler at the Maasvlakte Power Plant in Holland – the agreement was worth approximately EUR 2.9 million [Current Report No. 17/2009],
 - an agreement between the Issuer together with BCE System Sp. z o.o. [a consortium in which the Issuer has an 80 per cent interest] and PGE Zespół Elektrowni Dolna Odra S.A., concerning the development of an installation for co-combustion of biomass in the Dolna Odra Power Plant – the agreement's value was approximately PLN 16.2 million [Current Report No. 35/2009],
 - an agreement with Alstom Power Sp. z o.o. concerning high-pressure pipelines for the 858 MW power unit at Elektrownia Bełchatów S.A. – the value of the agreement was approximately PLN 12.5 million [Current Report No. 37/2009],
 - a conditional investment agreement with PBG S.A. constituting the beginning of an alliance between the companies [Current Report No. 51/2009],
 - an agreement with the consortium of Hydrobudowa Polska S.A. and Alpine Construction Polska Sp. z o.o. relating to the construction of a steel frame for the roof of the Baltic Arena – the Issuer will perform work worth PLN 91.5 million [Current Report No. 58/2009],
 - a subcontractor agreement with the consortium of Martifer Polska Sp. z o.o. and Ocekon Engineering s.r.o. relating to part of the work for the above-mentioned project involving the construction a football stadium roof frame – the value of the work ordered by the Company amounts to approximately PLN 44 million [Current Report No. 60/2009],
 - Energomontaż-Południe was selected to assemble the pressurised part of a 910 MW supercritical boiler in the Rheinhafen-Dampfkraftwerk Karlsruhe power plant and to manufacture and deliver exhaust and air ducts as part of a project to construct two supercritical units in Eemshaven in Holland – the order placed by Alstom Power Systems GmbH for the project in Holland was worth approximately EUR 7 million [Current Report No. 66/2009],
 - a financial lease agreement for a real property in Piotrków Trybunalski with ING Lease (Polska) Sp. z o.o.; the Issuer is acting as the lessee [Current Report No. 68/2009].

The Company has no knowledge of agreements which are concluded between its shareholders.

III.5 Information on agreements as a result of which there could be future changes in the proportions of shares held by current shareholders and bondholders

The Company has no knowledge of any agreements which could in future bring about changes in the proportions of shares held by current shareholders. No bonds have as yet been issued.

III.6 Information on the system of inspecting employee share programmes

The Issuer does not have a system of inspecting employee shares issued on preferential terms in connection with the transformation of a state enterprise into a joint stock company.

III.7 Events and factors having a significant influence on the Company's operations

Events and factors having a significant influence on the Company's operations in 2009 include:

- an increase in non-consolidated revenues,
- a strengthening of the Company's position on the domestic and foreign market (mainly in Germany),
- an increase in the gross margin from sales,
- the situation on the foreign exchange market.

In 2009, a more than 34 per cent increase in non-consolidated revenues was recorded year-on-year. The basis for these good sales was the Company's organic growth, mainly in the area of core operations. A considerable part of the Company's sales was directed towards the German market, where the process of modernisation and replacement of power equipment started much earlier than in Poland. Despite the continuing unfavourable macroeconomic situation, Energomontaż-Południe S.A. increased its gross margin from sales to 14.6 per cent as compared with 13.6 per cent in the previous year, which contributed towards achieving a better net financial result. The unfavourable situation in the world economy was accompanied by turbulence on the foreign exchange market in Poland. The euro-zloty market is of particular importance for the Company. The situation on this market stabilised as a result of intervention by the Polish government.

III.8 Information on material transactions concluded by the Issuer or its subsidiaries with affiliates on terms other than market terms

In 2009, all key transactions between the Issuer and its affiliates were concluded on market terms.

III.9 Employment

As at 31 December 2009, 889 employees were employed at Energomontaż-Południe.

Employment structure

	31.12.2009	31.12.2008	Change
	persons	persons	%
Wage earners	584	517	13
Salaried employees	305	256	19
Total	889	773	15

Compared with the previous year, employment in the Company increased by 15%. The growth in employment is due to the increasing scale of activity of the Company. In the next few years the Issuer is planning to increase employment even more, particularly by increasing the engineering personnel's potential.

IV. RESULTS OF THE COMPANY**IV.1 Analysis of the Company's economic and financial results****IV.1.1 Analysis of the comprehensive income statement**

In 2009, the Company's revenue from sales of products, goods and materials was PLN 284,833,000, which means a dynamic increase in non-consolidated revenue (an increase by over 34 per cent year-on-year). In 2009 the Issuer recorded a significant increase in profit on operating activities due to the growth of sales combined with an increase in the gross margin.

The Company's organic development was based mainly on construction and assembly production for the power industry. Production sales increased dramatically in 2009. Production recorded sales of PLN 57.2 million, compared to PLN 21.3 million in 2008. The production unit in Będzin Łagisza carries out production for export, mainly to the German market. The Company has significantly retrofitted and modernised this branch, using funds obtained from issuing Series C shares. As a result of the investment outlays made for modernising the plant, an increase in revenue and a stabilisation of the margin on industrial production was achieved. In 2009, the Company recorded a negative result of approximately PLN 1.1 million on financial operations. The interest paid on bank credit and financial leasing affected this result.

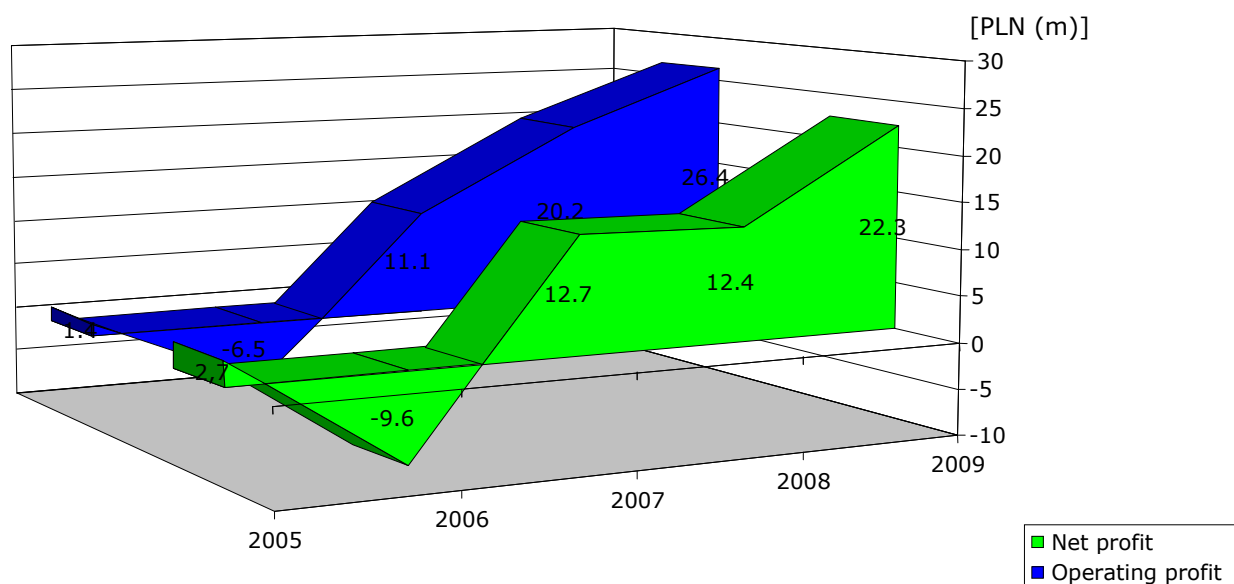
The Company closed 2009 with a net profit of PLN 22,306,000, i.e. about 80 per cent higher than the net profit in the previous year.

Net result structure

	2009 [PLN '000]	2008 [PLN '000]	Change %
Gross profit on sales	41,569	28,801	+44
Operating profit (loss)	26,404	20,218	+31
Financial activities result	-1,067	-4,449	+76
Gross profit (loss)	25,337	15,769	+61
Income tax	3,031	3,392	-11
Net profit (loss)	22,306	12,377	+80

The diagram below shows selected items of the comprehensive income statement over the past five years.

Operating and Net Profit Energomontaż-Południe S.A.



The Management Board's intention next year is for the Company to achieve gross profitability on sales at the level of 15 per cent. However, this will depend on the profitability of orders already in the portfolio, which are due to be processed in 2010. On account of the constantly growing share of exports in the total revenue, the non-consolidated net result for the 2010 financial year will to a certain extent depend on the trend on the EUR/PLN foreign exchange market, despite the fact that the profitability of orders already received in exports is

guaranteed as a result of forward transactions, which ensure that foreign currency is sold at rates higher than those accepted in the budget.

IV.1.2 Analysis of the statement of financial condition

Compared with the state at the end of 2008, in the reporting period the value of fixed assets increased by PLN 122,306,000 mainly in the investment properties item, due to recording the financial leasing agreement for an office block in Wrocław in the books and rezoning land in Opole from reserves to investments. In 2009 the Company also made significant outlays for fixed assets, and there was an increase in the amount of non-current loans granted. In the asset structure the share of fixed assets was 49.5 per cent, increasing by 12.5 percentage points, and at the same time the share of current assets in the asset structure decreased as a result of the aforementioned activities and accounting operations by the same percentage.

At the end of 2009, current assets constituted 50.5 per cent of the total assets, an increase of PLN 51,932,000 compared with the state at the end of 2008.

Equity increased by PLN 98,841,000 in absolute values, mainly as a result of recording the issue of subscription warrants in the accounts, giving entitlement to take up Series E shares. The share of equity in the structure of liabilities at the end of 2009 was 45.1 per cent, an increase of 7.1 percentage points in relation to the state at the end of 2008.

With respect to sources of financing, foreign capital increased by PLN 75,397,000 in 2009, mainly as a result of non-current financial leasing agreements concluded.

IV.1.3 Analysis of cash flow statement

As at 31 December 2009, cash reached a level of PLN 18,544,000, an increase of PLN 11,650,000 in comparison with the end of 2008.

Cash flow structure

	[PLN '000]
Cash flows from operating activities	+29,341
Cash flows from investing activities	+48,447
Cash flows from financing activities	-66,138
Change in state of net cash and cash equivalents	+11,650

Negative cash flows from financial activity are caused mainly by the repayment of credit and obligations arising from property financial leasing agreements.

IV.1.4 Selected financial indicators

	2009	2008	Calculation algorithm
EBITDA	32,123	24,237	Operating activity result + amortization/depreciation (PLN '000)
<u>Financial liquidity ratios</u>			
Current liquidity ratio	1.36	1.28	Current assets/current liabilities
Quick liquidity ratio	1.28	1.08	(Current assets – reserves)/current liabilities
<u>Debt ratios</u>			
Liabilities to assets ratio (total)	0.55	0.62	Non-current and current liabilities / assets (total)
Liabilities to equity ratio	1.22	1.63	Non-current and current liabilities/ equity
Ratio of covering debt with fixed assets	2.79	2.93	Fixed assets/non-current liabilities
<u>Profitability indicators</u>			
ROA	4.8%	4.3%	Net profit (loss) / assets * 100%
ROE	10.7%	11.3%	Net profit (loss) / equity * 100%

	2009	2008	Calculation algorithm
Profitability of sales	7.8%	5.8%	Net profit (loss) / revenue from sales * 100%

IV.2 Financial resources management

	2009 [PLN '000]	2008 [PLN '000]
Total liabilities	461,892	287,654
- liabilities	221,795	145,281
- reserves	14,264	10,686
- accruals and deferred income	17,668	22,363
Equity	208,165	109,324
+ non-current liabilities	82,093	36,408
Constant capital	290,258	145,732
- fixed assets	228,846	106,540
Working capital	61,412	39,192

The Company has no problems in discharging its obligations. The Issuer does not anticipate the possibility of dangers occurring in connection with financial resources management.

IV.3 Financial results forecasts

The Company did not publish any forecasts of financial results for 2009.

IV.4 Information about credit, loans, sureties and guarantees

IV.4.1 Credit

Credit agreements contracted in 2009

CREDITOR	Amount [PLN '000]	Interest rate	Maturity date	Type
BRE Bank S.A.	*3,000	WIBOR 1M+ bank's margin	31.7.2011	working credit + limit for guarantees
Pekao S.A.	*3,000	WIBOR 1M+ bank's margin	30.6.2010	working credit + limit for guarantees
BGŻ S.A.	2,000	WIBOR 1M+ bank's margin	31.3.2010	working credit
Total	8,000			

* in 2009, as a result of annexing the agreement concluded in previous years, an increase in credit value occurred by the amount indicated

The margins of credit institutions do not differ from market standards. In 2009 no credit was terminated with the Company.

IV.4.2 Loans**Loans granted by the Issuer in 2009**

BORROWER	Amount [PLN '000]	Interest rate	Maturity date	Type
CK-Modus Sp. z o.o.	8,300	WIBOR 1M + Issuer's margin	on request	special loan
CK-Modus Sp. z o.o.	5,900	WIBOR 1M + Issuer's margin	on request	special loan
CK-Modus Sp. z o.o.	3,000	WIBOR 1M + Issuer's margin	on request	special loan
Total	17,200			

In 2009, Energomontaż-Południe S.A. granted its subsidiary CK-Modus Sp. z o.o. the aforementioned loans to finance the construction of a housing estate in Katowice Ligota. In the reporting period, Energomontaż-Południe S.A. did not grant any loans to other affiliated companies.

In 2009 no loans were granted to the Company.

IV.4.3 Sureties

CK-Modus, a subsidiary of the Issuer, is constructing the first stage of the Książęce Housing Estate.

In connection with the project, CK-Modus (the Borrower) concluded a credit agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A. (the Bank). The Issuer granted its own blank endorsement, issued by the Borrower for the sum of PLN 51 million and, as surety on the endorsement, submitted to the enforcement procedure on the basis of the bank enforcement title. The surety was granted until such time as CK-Modus has repaid its obligations under the credit agreement, which should be by 30 June 2011. As the issuer of the endorsement with respect to the Bank's claims, the Borrower submitted to the same enforcement procedure as the Issuer. The detailed terms and conditions of the credit agreement were published by Energomontaż-Południe in Current Report No. 3/2009 on 23 January 2009.

No sureties were granted to other affiliated companies in 2009.

IV.4.4 Guarantees**Guarantees granted in 2009**

TYPE	Amount [PLN '000]
Bank	10,458
Insurance	22,895
Total	33,353

Guarantees granted in 2009 are connected with the operating activities of the Company.

Guarantees received in 2009

TYPE	Amount [PLN '000]
Bank	2,883
Insurance	1,991
Total	4,874

IV.5 Basic risk factors and dangers**IV.5.1 Operating risk**

The Company insures receivables with an insurance company of good repute. In the event of a refusal to provide insurance cover for a given contracting party's receivable, the decision on the transaction with that contracting party is made after its financial condition has been analysed and the security submitted by it assessed. The Issuer also makes use of a broad range of financial instruments, such as bank and insurance guarantees, security deposits and promissory notes, as security for the correct performance of contracts.

IV.5.2 Seasonal fluctuations in sales

The market for construction/assembly services is subject to seasonal cycles, largely due to the weather. Winter months are associated with reduced activity in the construction industry. The Company generates the great majority of its sales in the second and third quarters, and less revenue in the first quarter. Work in the power sector, the main customer for the Company's services, is also cyclical in nature. Refurbishment and modernisation work on power production facilities are mostly carried out in summer, because they operate in the winter period. To restrict seasonal fluctuations, Energomontaż-Południe S.A. is diversifying its operations by increasing activity in sectors other than power, providing general contracting services and gaining orders for production activities.

IV.5.3 Risk connected with changes in prices of goods

The Company is exposed to the risk of changes in the prices of goods to a limited extent. This risk is understood from the perspective of an increase in steel prices. At the contracting stage, the Issuer has agreements with suppliers of steel at prices guaranteeing the profitability of the contract.

IV.5.4 Risk connected with changes in foreign exchange rates

In connection with the activities it pursues, the Company is exposed to the risk of a change in the EUR/PLN rate of exchange. The Issuer partially hedges its currency position by applying natural hedging (setting aside foreign currency proceeds for foreign exchange expenses). For the remainder, Energomontaż-Południe S.A. hedges its net open currency position by using forward transactions. As an exporter, the Company is exposed to a strengthening of the zloty against the euro and must therefore maintain the net currency position hedged at a specific level. The Issuer pursues a conservative hedging policy and does not use complex financial instruments, which also limits the risk.

Hedging ensures that the Company is not dependent on fluctuations in the EUR/PLN rate and guarantees that the results from export transactions will be consistent with the calculation of the profitability of the contracts concluded. The Company has no problems in settling its foreign exchange liabilities resulting from transactions reducing the exchange rate risk. In the assessment of the Management Board of Energomontaż-Południe S.A., despite the still high degree of variability of quotations for the EUR/PLN pair, the situation on the foreign exchange market has improved and there is therefore a limited risk that the turbulence that occurred at the beginning of 2009 (which had an adverse effect on the value of hedging instruments) will be repeated.

The Issuer settles, on an ongoing basis, liabilities towards banks intermediating in the conclusion of transactions, which restrict the exchange rate risk.

IV.5.5 Interest rate risk

The Company is exposed to the risk of an increase in interest rates on account of the fact that it uses external sources to finance its activities. The nature of certain financial transactions (financial leasing of property in Wrocław) also requires these operations to be hedged on the interest rate market with the aid of instruments providing a hedge against an increase in rates. The aforementioned property financial leasing transaction was hedged against an increase in the EURIBOR interest rate with the purchase of a CAP FLOOR option. Interest rate levels in Poland and the EU are monitored on an ongoing basis, as a result of which it is possible to react rapidly to any changes. The risk of an increase in interest rates is currently regarded as inconsiderable. The world's economies are only just emerging from the economic crisis which has continued until now. However, the importance of this risk could increase, and so a wider use of instruments restricting that risk is contemplated, similar to the aforementioned CAP FLOOR option purchased. However, because of the nature of its activities the Company will not sell the option, as it is not a bank institution. This restriction is written into the hedging policy pursued.

IV.5.6 Risk connected with liquidity

The Company maintains a balance by adapting sources of financing to expenses. Purchases of fixed assets are financed either from equity, leasing, credit or non-current loans. The Issuer has credit limits in various financial institutions, which considerably lowers the risk of a concentration.

IV.6 Proceedings pending before a court, an authority competent to conduct arbitration proceedings or a public administration authority

In 2009, no proceedings were held before a court, appropriate arbitration authority or state administration authority concerning liabilities or receivables of the Issuer or its subsidiaries, the value of which would individually or jointly constitute at least 10 per cent of the Issuer's equity.

V. PROSPECTS FOR THE COMPANY

V.1 The Company's strategy in 2010-2012

Vision

On the basis of the experience and resources of Energomontaż-Południe, to create a significant engineering concern in the region specialising in the general contracting of installations and the assembly of power and industrial equipment.

Strategic goals

The Company's strategic goals for the coming years are:

- growth through strategic alliances
- making use of synergies within the Capital Group
- reinforcing the financial strengths of the Company
- growth through mergers and acquisitions
- reorienting the employment structure towards highly qualified engineering personnel
- maximising the use of Company assets beyond basic operations (inc. developer activities)
- investments in the production and assembly base.

In subsequent years, Energomontaż-Południe S.A. will concentrate on its activities in the power industry, which it specialises in. As a result of issuing Series E shares, the Company

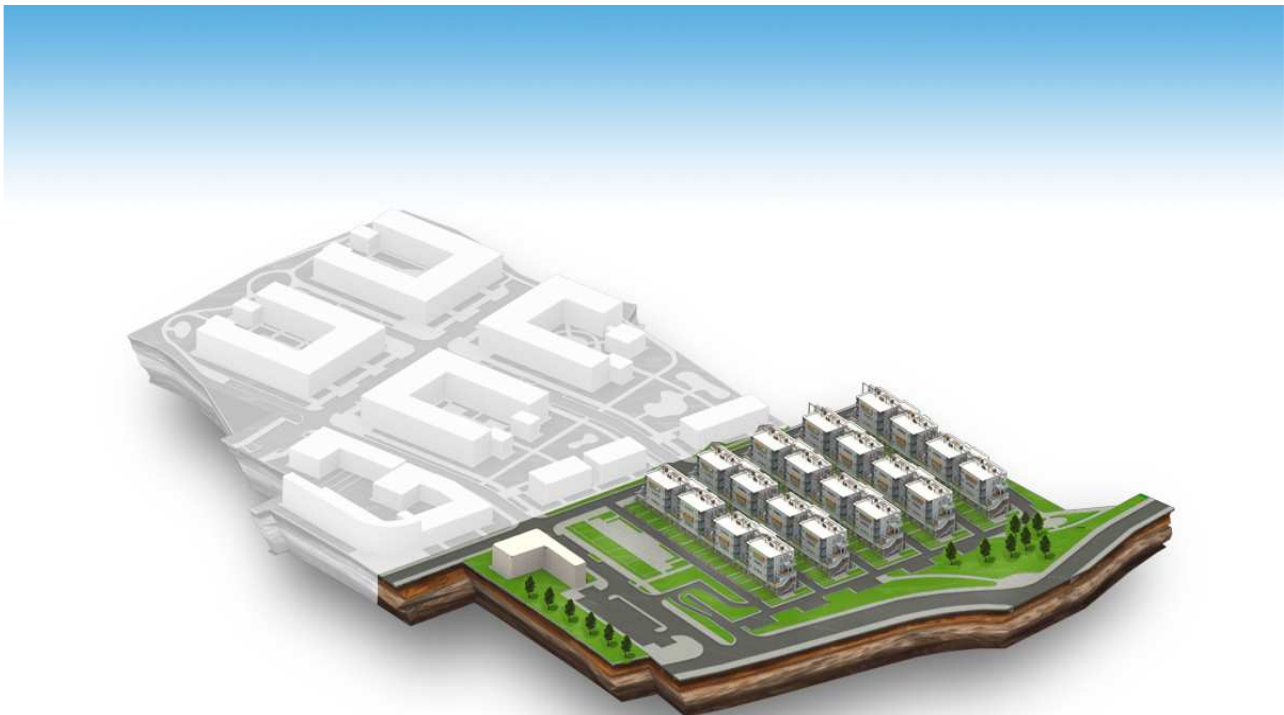
became part of the PBG Capital Group, becoming the leader of the "power group" of companies in the PBG Group which operate in contracting for the power industry. This alliance made the financial potential and know-how of PBG S.A. available to the Company. It will now also be possible to sell Energomontaż-Południe's services in new market segments, in the areas of activity of the PBG Capital Group. The Issuer will benefit from synergies. Energomontaż will cooperate with other PBG Group entities in submitting a joint offer (offer package) in a high-value tender and, as leader of the "power group", will provide comprehensive services in the assembly, prefabrication and delivery of steel elements. Cost synergies will involve a scale effect, i.e. the possibility of achieving higher price reductions on the scale of the entire Group, and by making use of Group contacts with strategic customers it will be possible to lower sales costs.

The strengthening of the Company's financial power is, among other things, the consequence of gaining PLN 77.9 million from the issue of 22,582,001 Series E ordinary bearer shares. The capital obtained from this increased the Company's ability to carry out large projects. Energomontaż-Południe S.A. also has the financial capacity to carry out operations regarding mergers and takeovers of power industry companies. The Company sees the market from the perspective of takeovers of entities whose operations are complementary to its own. The necessary conditions for an acquisition are the attractive price of the entity and its established position in the industry.

Reorienting the employment structure is a medium-term prospect for the Company's Management Board. This assumes almost doubling the engineering staff by 2012 by continuous recruitment in the Company and by acquisitions.

The Company intends to make optimal use of assets held but not used in its core activities, such as land intended for investments. Such land, with a total area of almost 120,000 m², will be used in developer operations. The construction of further stages of the developer project in Katowice Ligota is currently being considered, covering trading and services and a residential part, with an area of approximately 31,400 m².

Below is a sketch of the entire three-stage project in Katowice Ligota.



Other sites for projects of a similar kind are located near Opole (land with an area of approximately 80,000 m²) and in Katowice Piotrowice near the city centre (land with an area of approximately 8,400 m²).

A strategic goal for the Company is the development of a production and assembly base. The planned average annual outlays intended for this goal in future years will be approximately PLN 15–25 million. The Issuer can acquire companies with well-developed technical support.

V.2 The Company's prospects for development

V.3 Important external factors for the Company's development

Energomontaż-Południe S.A. identifies a number of external factors, described below, which have an important influence on the Company's development.

V.3.1 The growing need for services in the power industry

In accordance with the assumptions of Poland's energy policy (*source: appendix to Resolution No. 202/2009 of the Council of Ministers of 10 November 2009*), a gradual increase (of approximately 54 per cent) in the need for electricity from 2010 to 2030 is anticipated. This means that in the future the capacity installed in the Polish power system will be insufficient. The existing capacity should be reproduced and power units with a capacity of approximately 3,000 MW constructed by the end of 2015.

As "*Rzeczpospolita*" states (*source: No. 57 (8568), 9 March 2010*), the power industry will be one of the most dynamically developing sectors of the economy over the next few years. As the newspaper states: "The total value of big projects alone in this industry exceeds PLN 42 billion".

V.3.2 The shaping of prices on the property market

In 2009 the domestic property market was at a stage of revising earlier dramatic price increases. This weakness was caused by a lack of availability of credit and a general slump in the economy due to the global economic crisis. There should not be any dramatic price changes in 2010. As "*Gazeta Wyborcza*" states (*source: No. 72.6290 of 26 March 2010*), "housing prices should increase steadily in the longer term".

V.3.3 Technical condition of installed capacity

Poland should have a generation system with an installed capacity of over 48 GW by 2025. Most power units operating in the Polish system were opened in the 1960s and '70s. The age and state of power plants in Poland necessitates constant renovation, repair and modernisation work, the amount of which will increase together with the increasing age of the power units.

V.3.4 Adaptation to EU ecological norms

In accordance with the climate and energy package approved by the European Commission, the European Union undertook, by 2020, to:

- reduce CO₂ emissions by 20 per cent in comparison with the base year,
- increase the proportion of energy from renewable energy sources (RES) by 20 per cent, and
- improve the effectiveness of electricity by 20 per cent.

The EU's aims presented in the aforementioned package will force an extensive modernisation of electricity and heat generation systems to be undertaken in the various EU member states. Polish combustion plants must also achieve the norms concerning combined electricity and heat generation (cogeneration). There is also expected to be an increase in the proportion of electricity generated in high-efficiency cogeneration in the gross domestic need for electricity from the current 16 per cent to 22 per cent in 2030.

V.3.5 Environmental protection

When Poland negotiated its membership of the European Union, certain periods were determined for Poland to attain European clean environment standards. To meet these obligations, approximately PLN 120-150 billion will have to be invested by 2015 in those sectors of the economy in which the Issuer provides its services. In accordance with the Integrated Pollution Prevention and Control directive, currently updated, as of 2016 burning coal for energy purposes will no longer be possible without high-efficiency desulphurisation, denitrogenation and fume anti-dust installations and CO₂ reductions. The directive's requirements could also extend to plants with smaller capacities (from 20 MW to 50 MW), which are also the subject of Energomontaż-Południe's services. It is estimated that, to meet the requirements of the updated IPPC directive in the Polish power industry, it will be necessary to adapt approximately 1100 boilers in 269 power plants, heat and power plants, and heat plants to the new requirements. Poland will have to make huge outlays to fulfil such radically tighter regulations with regard to environmental protection.

V.3.6 Competition

One factor determining the possibility of development of the company is the tough competition in a particular industry, which affects the margin it is possible to obtain, and the large number of small and medium enterprises which, in a time of crisis and a situation where their desired portfolio of orders is not fulfilled, see an opportunity to place their offers in the power industry's construction sector, thereby lowering market offer prices. The low prices of offers are sometimes dictated by the need for such entities to make up for the lack of appropriate references and experience in carrying out power projects.

V.4 Important internal factors for the Company's development

The Issuer sees the following internal factors as having an important influence on the development of its business undertaking:

- experience in the industry going back a long time,
- an efficient project inspection system,
- great personnel potential,
- the constant perfecting of organisational structures with a view to increasing management effectiveness,
- flexible reactions to changes occurring in the market environment,
- an integrated IT system.

A barrier to the Company's development is the fierce competition in the industry, which affects the size of the margins that can be obtained.

VI. THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD**VI.1 The Management Board of the Company****Composition of the Management Board in 2009**

NAME AND SURNAME	Position
Andrzej Hołda	President of the Management Board /from 29 April 2009/
Alina Sowa	Vice-President of the Management Board /from 15 July 2009/
Jacek Fydrych	Member of the Management Board /from 4 September 2009/

VI.2 The Supervisory Board of the Company**Composition of the Supervisory Board in 2009**

NAME AND SURNAME	Position
Sławomir Masiuk	Chairman
Andrzej Wilczyński	Vice-Chairman /from 22 September 2009/
Marek Wesołowski	Member
Andrzej Kowalski	Member
Tomasz Woroch	Member /from 22 September 2009/

VI.3 Information on shares held by supervisory / management personnel

As at 31 December 2009, management and supervisory personnel held shares in the Issuer. The shareholdings of these persons in the Issuer are presented in the table below.

NAME AND SURNAME	Position	Number of shares / votes	Percentage share in share capital / total number of votes	Par value [PLN '000]
Andrzej Hołda	President of the Management Board	100,138	0.21	100
Sławomir Masiuk	Chairman of the Supervisory Board	1,200,000	2.48	1,200
Marek Wesołowski	Member of the Supervisory Board	60,000	0.12	60
Total		1,360,138	2.81	1,360

The other supervisory and management personnel did not hold any shares of Energomontaż-Południe S.A. as at 31 December 2009. The supervisory and management personnel did not hold any interests in affiliates in 2009.

As at the day of preparing this Report, management and supervisory personnel held shares in the Issuer. The shareholdings of these persons in the Company are detailed in the table below.

NAME AND SURNAME	Position	Number of shares / votes	Percentage share in share capital / total number of votes	Par value [PLN '000]
Andrzej Hołda	President of the Management Board	4,939,137	6.96	4,939
Sławomir Masiuk	Chairman of the Supervisory Board	1,200,000	1.69	1,200
Marek Wesołowski	Member of the Supervisory Board	60,000	0.08	60
Total		6,199,137	8.73	6,199

The increase in the shareholdings in Energomontaż-Południe S.A. in the period from the end of 2009 until the day of preparing the Annual Report is due to Mr Andrzej Hołda exercising his

rights under the Series A subscription warrants of the Company which he took up. Each of the above warrants entitled him to take up one Series E share in the Company. Within a private placement, Mr Andrzej Hołda took up 4,838,999 Series E shares, thus increasing his shareholding in the Company. All the shares were duly subscribed and paid for.

VI.4 Remuneration

VI.4.1 Remuneration of management and supervisory personnel

The total value of the remuneration, awards or benefits paid in any form, due or potentially due to management and supervisory personnel for 2009, is PLN 2,368,000. This amount includes remuneration for sitting on the corporate authorities of subsidiaries, totalling PLN 334,000.

Remuneration of management personnel

NAME AND SURNAME	Paid [PLN '000]
Wojciech Nazarek	498
Andrzej Hołda	540
Alina Sowa	141
Jacek Fydrych	76
Tadeusz Torbus	157
Total	1,412

Remuneration of management personnel of the Issuer, received for sitting on the corporate authorities of subsidiaries

SUBSIDIARY	NAME AND SURNAME	Remuneration [PLN '000]
Amontex PM Sp. z o.o.	Wojciech Nazarek	26
Amontex PM Sp. z o.o.	Jacek Fydrych	26
CK-Modus Sp. z o.o.	Alina Sowa	28
CK-Modus Sp. z o.o.	Andrzej Hołda	79
CK-Modus Sp. z o.o.	Tadeusz Torbus	10
Total		169

Remuneration of supervisory personnel

NAME AND SURNAME	Remuneration [PLN '000]
Sławomir Masiuk	138
Marek Wesołowski	130
Andrzej Kowalski	118
Maciej Mikucki	42
Krzysztof Radojewski	54
Waldemar Tevnell	96
Andrzej Wilczyński	22
Tomasz Woroch	22
Total	622

Remuneration of supervisory personnel of the Issuer, received for sitting on the corporate authorities of subsidiaries

SUBSIDIARY	NAME AND SURNAME	Remuneration [PLN '000]
Amontex PM Sp. z o.o.	Sławomir Masiuk	79
Amontex PM Sp. z o.o.	Marek Wesołowski	79
Amontex PM Sp. z o.o.	Maciej Mikucki	3
Amontex PM Sp. z o.o.	Krzysztof Radojewski	4
Total		165

In 2009 the Issuer did not implement any incentive programmes or programmes based on subscription warrants.

VI.4.2 Agreements concerning compensation for management personnel

Agreements concluded with management personnel do not contain clauses concerning compensation in the event of their resignation or dismissal without citing a material reason, or where their recall or dismissal results from a merger by way of a takeover.

VII. DECLARATIONS OF THE MANAGEMENT BOARD AND OTHER INFORMATION

VII.1 Declarations of the Management Board

Declaration concerning the reliability of the asset and financial situation presented in the financial statements

To the best knowledge of the Management Board of the Issuer in the persons of Mr Andrzej Hołda (President of the Management Board), Ms Alina Sowa (Vice-President of the Management Board) and Mr Jacek Fydrych (Member of the Management Board), the annual financial statements of Energomontaż-Południe S.A., prepared as on the balance-sheet day of 31 December 2009, together with comparative data, were prepared in accordance with applicable accounting principles and correctly, reliably and clearly reflect the Company's asset and financial situation and its financial results.

This Report on the operations of Energomontaż-Południe S.A. provides a true picture of the development, achievements and situation of the Company, including a description of basic dangers and risks.

Declaration on the choice of entity authorised to audit the financial statements

The entity authorised to audit the financial statements, auditing the annual financial statements of Energomontaż-Południe prepared as on the balance-sheet day of 31 December 2009, was chosen in accordance with the provisions of law. This entity and the auditors performing the audit met the conditions necessary to issue an impartial and independent report on the audit, in accordance with applicable law and professional norms.

VII.2 Information on agreements with the entity authorised to review and audit the financial statements

On 16 June 2009 an agreement was concluded with the auditor – MW RAFIN Marian Wcisło Biuro Usług Rachunkowości i Finansów Spółka Jawna - concerning an audit and assessment of the non-consolidated and consolidated financial statements for 2009.

The remuneration paid or due to the auditor for particular financial years is shown in the table below.

AUDITOR'S REMUNERATION	2009 [PLN '000]	2008 [PLN '000]
Audit of the annual non-consolidated and consolidated financial statements	35	35
Other services, incl. a review of the non-consolidated	18	18

AUDITOR'S REMUNERATION	2009	2008
	[PLN '000]	[PLN '000]
and consolidated financial statements		
Tax advisory services	-	-
Other services	27	23
Total	80	76

Signatures of persons representing the Issuer:

President of the Management Board ..Andrzej Hołda....

Vice-President of the Management Board ...Alina Sowa...

Member of the Management Board ...Dariusz Kowzan...

Member of the Management Board ..Jacek Fydrych....