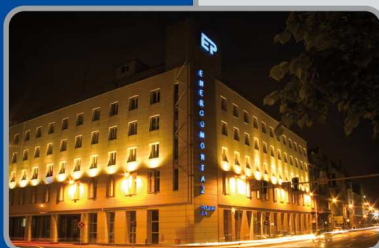


**ANNUAL REPORT ON THE
OPERATIONS OF THE
ENERGMONTAŻ POŁUDNIE S.A.
CAPITAL GROUP FOR THE 12-
MONTH PERIOD ENDING 31
DECEMBER 2009**



2009

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I. SHAREHOLDERS AND CORPORATE GOVERNANCE

I.1 Letter from the President of the Management Board

Ladies and Gentlemen,

On behalf of the Management Board of the parent company and on my own behalf, I am pleased to be able to make available to you the consolidated annual report for 2009, which provides a broad cross-section of events influencing the operations and results achieved by the Energomontaż-Południe S.A. Capital Group.

2009 must be regarded as a good period for the entire Energomontaż-Południe Group. The Group achieved almost PLN 276 million net revenue from sales. This result is 15 per cent better than that achieved in 2008. In 2009 the consolidated net profit was PLN 14.3 million and was slightly lower than that of the previous financial year. The consolidated financial results for 2009 show the systematic organic growth of the Energomontaż-Południe Capital Group, achieved, among other things, as a result of the further growth of exports to the German market. Delays with projects in domestic energy and a favourable trend for exporters on the currency market influenced the decisions to significantly increase the Group's involvement in exports. I consider the 2009 financial results to be satisfactory. The most important event we encountered in the financial year was the parent company's strategic alliance formed with PBG S.A. As a result of an understanding between the shareholders, the new investor took up a more than 25-per cent ownership interest in the increased share capital of Energomontaż-Południe, at the same time declaring that it would act according to the concept of basing the consolidation of executive potential in the segment of assembly and installation services for the power industry on the parent company. PBG will carry out investments in fixed or other assets, particularly purchasing or acquiring shares in companies which conduct activities related to the power industry, with the participation of Energomontaż-Południe as the leading company. The issue of shares strengthened the capital of the parent company, at the same time improving the company's competitive position and its ability to gain new contracts. As a result of the capital operation, the image of the parent company improved – the Company gained an industry investor.

In the course of 2010, the Group will concentrate above all on specialised modernisation and investment services in Poland and on the German power market. The current orders for 2010 guarantee a further increase in revenue, which translates into value added for the shareholders of Energomontaż-Południe S.A.

On behalf of the parent company, I would like to thank all firms and institutions which have placed their trust in us by cooperating with the Energomontaż-Południe Capital Group. I would also like to take this opportunity to thank all partners who have, with their professional approach and involvement, contributed towards the development of all the entities of which our Group is composed. This development would not have been possible without their effort.

I would like to assure you that the Management Board of the parent company will continue to consistently implement the strategic and development objectives assumed, which will in future become a source of satisfaction to our customers and shareholders.

Andrzej Hołda
President of the Management Board of
the parent company

I.2 Declaration on applying corporate governance

I.2.1 Indication of set of corporate governance principles

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

I.2.2 Indication of extent to which the Issuer rescinded the provisions of the Good Practices and the reasons for the rescission

In 2009 Energomontaż-Południe S.A. observed the principles indicated in the aforementioned document. The Issuer was also interested in applying the recommendations contained in the Good Practices. The set of recommendations is available on the parent company's website at the above-mentioned address internetowym. Energomontaż-Południe S.A. has applied most of the recommendations referred to above, is constantly developing its communications with investors both by applying a transparent information policy and by developing the corporate side and making use of other available sources for conveying information (the press, internet, television, meetings with investors). Of the recommendations mentioned in Part I of the Good Practices, the Issuer has not as yet fulfilled the recommendation concerning the transmission of deliberations of the general meeting of shareholders. The application of this recommendation in the future has not been ruled out. On the other hand, publication on the stock exchange and on the Company's website of all resolutions adopted by the General Meeting of Shareholders ensures broad access to information and appropriate communication with shareholders.

I.2.3 Description of the main features of the internal control and risk management systems applied in the Group with respect to the process of preparing financial statements

The internal control system in operation in the Group refers to a series of processes occurring in the parent company and subsidiaries, including the process of preparing the 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 collecting data, its processing and its presentation in the form of the financial statements in accordance with the applicable legal regulations. The internal control system in operation in the Group is constructed of functional control mechanisms (designed to prevent, detect and correct) described in specific internal regulations of the organisation and subordinate entities (directives, authorisations, internal instructions). Furthermore, the control mechanism is supplemented by the systematised operations of a specialised independent external control entity, i.e. a certified auditor. These operations essentially protect the Energomontaż-Południe Capital Group against errors in financial reporting and provide the management with information enabling an assessment to be made of the correct, efficient and secure operation of the process of preparing financial statements. The review of the internal control system is subject to the assessment of the Audit Committee of the parent company's Supervisory Board.

I.2.4 Ownership structure of the parent company

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 par value of PLN 1 per share, of which 7,430,000 are

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 shares are ordinary bearer shares. As at 31 December 2009, the share capital of the parent company was PLN 48,390,000.

Share ownership (as at 31 December 2009)

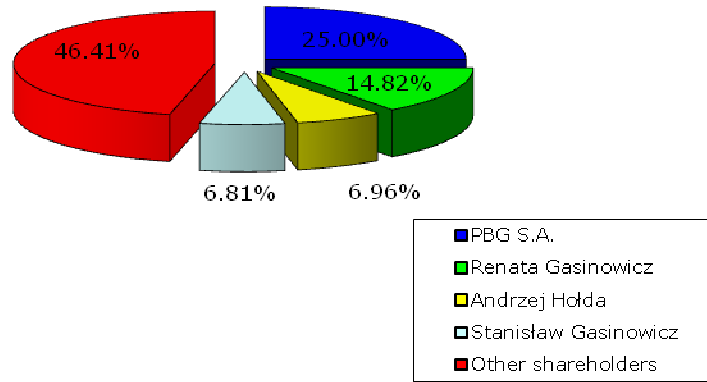
SHAREHOLDER	Number of shares / votes	Percentage share in share capital / total number of votes
Renata Gasinowicz	7,578,494	15.66
Stanisław Gasinowicz	4,854,023	10.03
Andrzej Mikucki and Piotr Mikucki	4,390,000	9.07
Other shareholders	31,567,483	65.24
Total issued shares:	48,390,000	100.00

Share ownership 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 publication of this Report, the Issuer has not received information from the shareholder indicated on the percentage shareholding change in the share capital and in the total number of votes, which occurred in connection with the registration of the Company share capital increase effected in connection with the private subscription of Series E shares. The percentage share in the share capital and in the total number of votes was determined on the basis of the number of shares held, specified in the most recent notification received from the shareholder concerning the state of shares held in the Company, with the assumption that that shareholding has not changed since the time of receiving the notification.

Energomontaż-Południe S.A. shareholder structure



I.2.5 Indication of holders of securities giving special controlling rights

None of the holders of securities issued by Energomontaż-Południe S.A. has any special controlling rights towards the Company.

I.2.6 Restrictions of rights from shares issued by the parent company

The transferability of 1,488,210 Series D shares held by Mr Piotr Mikucki is locked up until 22 August 2010. The shareholder took up Series D shares in a private issue, in exchange for some ownership interests held in Amontex. There is no transferability restriction with regard to other shares traded on the Warsaw Stock Exchange.

There are no restrictions in rights from shares of Energomontaż-Południe S.A. other than those mentioned above, including voting right restrictions.

I.2.7 Description of the manner of operation of the general meeting of shareholders of the parent company and its basic rights, as well as the rights of shareholders and the manner of exercising them

The General Meeting of Shareholders is the supreme 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 provisions, in particular of 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 powers of the General Meeting of Shareholders include: consideration and approval of the annual financial statements, adoption of resolutions on the distribution of profit, coverage of loss and discharging the members of the Company's authorities from liability in the performance of their duties, amendment of the Statute, including increasing and decreasing the share capital, issuing bonds, creating capital and funds and adopting resolutions on the principles of making use of them, appointing and recalling members of the Supervisory Board and determining their remuneration, changing the subject of business operations of the Company, mergers of the Company, its demerger, transformation, dissolution and liquidation, its sale or leasing the Company's business undertaking or an organised part thereof, all provisions concerning claims for the repair of damage caused in incorporating the Company or exercising management or supervision, as well as the redemption of shares and determining the conditions and manner of redemption.

Shareholders of the Company exercise their corporate rights in the manner and within the limits specified by generally applicable provisions, the Statute of the Company and the Regulations of the General Meeting of Shareholders. Each share of the Company gives entitlement to one vote. The Company has not issued registered shares.

I.2.8 Description of the principles of amending the Statute of the parent company

The Statute of the Company can only be amended by a decision of the General Meeting of Shareholders of the Company.

Draft amendments to the Statute are prepared by the Management Board and an opinion on them is given by the Supervisory Board of the Company. After being approved by the General Meeting, 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 appropriate domestic regulations.

By its decision of 22 March 2010, the District Court of Katowice-Wschód in Katowice, Division VIII Commercial of the National Court Register, on 19 March 2010 registered amendments to the Statute of the Issuer, including clauses concerning the increase of the share capital to PLN 70,972,001.

I.2.9 Composition and principles of operation of management and supervisory authorities of the parent company and their committees

The Supervisory Board of the parent company

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

It is composed of from five to seven members appointed for a period of a joint term of office. The term of office of the Supervisory Board is five years. Members of the Supervisory Board are appointed and recalled by the General Meeting of Shareholders. The same person can be re-appointed a member of the Supervisory Board not earlier than one year before the lapse of his or her current term of office. The Regulations of the Supervisory Board regulate the principles of work of the Supervisory Board of the Company. The Company has made the Regulations of the Supervisory Board available on its website.

Composition of the Supervisory Board of the parent company

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 Supervisory Board of the parent company

As at 1 January 2009, the Supervisory Board of the Company consisted of five persons. It was composed of: Mr Sławomir Masiuk as Chairman of the Supervisory Board, Mr Marek Wesołowski as Deputy Chairman of the Supervisory Board, and members Mr Andrzej Kowalski, Mr Krzysztof Radojewski and Mr Waldemar Tevnell. In connection with the resignation of membership from the Supervisory Board of Energomontaż-Południe S.A. tendered by Mr Krzysztof Radojewski on 15 May 2009, the General Meeting of Shareholders of the Company appointed Mr Maciej Mikucki to it. On 22 September 2009, the Extraordinary General Meeting of Shareholders of the Issuer decided to recall Mr Maciej Mikucki and Mr Waldemar Tevnell from the Supervisory Board of the Company in Resolutions No. 4 and 5. The resolutions of the Extraordinary Meeting of Shareholders of the Issuer do not state the reasons for recalling those persons. In their place, it appointed Mr Andrzej Wilczyński and Mr Tomasz Woroch in Resolutions No. 6 and 7.

To the end of 2009 the Supervisory Board was composed of the persons listed in the table above.

The Audit Committee

The Audit Committee is an advisory body operating as part of the Supervisory Board of the Company. It consists of three members. The work of the Committee includes advising the Supervisory Board on matters concerning the proper implementation of principles of budget and financial reporting, internal control of Energomontaż-Południe S.A. and cooperation with the Company's certified auditors. In particular, the Committee provides guidelines and recommends the choice of 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 has made the Regulations of the Audit Committee available on its website.

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 Audit Committee

On 1 January 2009 the Audit Committee was composed of Mr Sławomir Masiuk, Mr Marek Wesołowski and Mr Krzysztof Radojewski who held the function of Secretary to the Committee. Because of Mr Krzysztof Radojewski's resignation as a member of the Audit Committee on 15 May 2009, its composition was supplemented by Mr Andrzej Kowalski, who took over the function of Secretary. On 8 October 2009 Mr Marek Wesołowski, who resigned as a member of the Audit Committee, was replaced by Mr Tomasz Woroch.

The Management Board of the parent company

The Management Board is the Company's executive authority and directs all of its business activities.

The following are authorised to submit declarations of intent with respect to 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 Management Board's term of office is 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 can be re-appointed a member of the Management Board not earlier than one year before the lapse of his or her current term of office.

The Regulations of the Company's Management Board regulate the Management Board's principles of work. The Company has made the Regulations of the Management Board available on its website.

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 Management Board of the parent company

On 1 January 2009 the Management Board of the parent company was composed of three persons. They were: Mr Wojciech Nazarek, holding the function of President of the Management Board and Managing Director; Mr Andrzej Hołda, holding the function of Vice-President of the Management Board and Director of Trade; and Mr Tadeusz Torbus, holding the function of Management Board Member and Technical Director. On 5 March 2009 the Supervisory Board of the Company recalled Mr Tadeusz Torbus from the function of Management Board Member.

On 29 April 2009 Mr Wojciech Nazarek resigned as President of the Management Board of Energomontaż-Południe S.A. The reason for the resignation was his intention to conduct his own business activity. At the same time, the Supervisory Board of the Company on 29 April 2009 appointed the existing Vice-President of the Management Board, Mr Andrzej Hołda, 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 to appoint 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 to appoint Mr Jacek Fydrych as Member of the Management Board of the Company on the same day. Apart from his function as Management Board Member, Mr Jacek Fydrych also holds the function of Director of Trade of Energomontaż-Południe S.A.

Until the balance-sheet date, the Management Board of the Company consisted of the three persons mentioned in the table above. On 2 February 2010 the Supervisory Board of the Issuer adopted a resolution to appoint Mr Dariusz Kowzan as Member of the Management Board of the Company on the same day. Mr Kowzan also holds the function of Director of Contracts and Development in the Company.

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

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

Particular powers of the authorities of the parent company

The Management Board of the Company has the right to make decisions to issue or buy up shares or other capital and debt securities. As the executive authority, the Management Board specifies detailed parameters for the aforementioned issue or buy-up processes and takes care 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 gives its opinion on all decisions of the Management Board in the above matters. The General Meeting of Shareholders of the Company makes the final decision on issuing or buying up 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. has a 100 per cent interest in the share capital of the following companies:

- 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 aforementioned companies 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. It is planned to make 220 apartments with a total usable area of approximately 13,800 square metres available for sale. The revenue from selling the aforementioned apartments will be 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

The parent company 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.

Energomontaż-Południe S.A. 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 Group's operations.

II.3 Changes in basic Group management principles

The parent company in the Group 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 companies of the Energomontaż-Południe Capital Group made investment outlays totalling PLN 25,147,000. Investments of companies comprising the Energomontaż-Południe Capital Group mainly concerned property, plant and equipment. The parent company modernised the plant floor and social buildings in the Industrial Production Plant in Będzin Łagisza, and Amontex made outlays for the construction of a plant floor and administrative premises. In 2009, outlays for the buildings and structures came to approximately PLN 7.5 million. The Group'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 (totalling approximately PLN 8 million). The parent 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 made in the Capital Group

	2009 PLN '000	2008 PLN '000
Intangible assets	320	161
Property, plant and equipment	23,127	13,257
Capital investments	1,700	33,170
Total	25,147	46,588

In 2010 the investment plan for companies forming part of the Group amounts to approximately PLN 29.5 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 23 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 parent company does not anticipate any dangers connected with the possibility of carrying out the Group's investment plans.

III. BUSINESS ACTIVITIES OF THE CAPITAL GROUP

III.1 Basic products, goods and services

The area of the Energomontaż-Południe Capital Group's operations is the Polish and international construction market for the power sector and industry. The Group's position in the industry is well established. The parent company 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 Group'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 Capital Group'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 Group'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 a trade unit of the parent company - [Hurtownia Materiałów Stalowych](#).

The Capital Group 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, the Group posted almost PLN 276 million in revenues, which is a 15 per cent increase compared with revenues for the same period in the previous financial year. At the back of the Group's revenue growth is its organic development.

In 2009, almost 64 per cent of its sales went to the domestic market, while the other 36 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 Group's export value. In 2009 there was a more than threefold increase in foreign sales as compared with the

previous year. Leading areas of the Group's activity in terms of sales value in 2009 were construction and assembly services for the power industry.

The upward spike in sales was achieved on industrial production (an increase in value of PLN 35,997,000). The parent company's production unit located in Będzin Łagisza produces for export, particularly to the German market. Energomontaż-Południe S.A. 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 developer activities (an increase of PLN 8,346,000) and the sale of general contractor services (an increase of PLN 5,280,000).

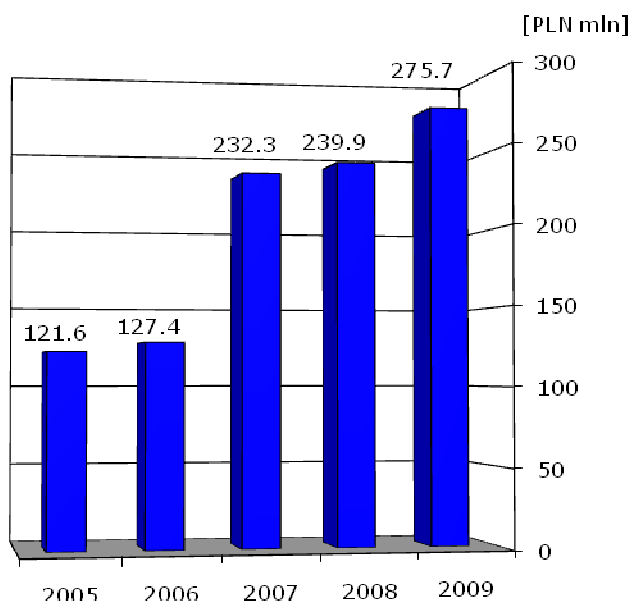
The biggest customers of the Energomontaż-Południe Capital Group were companies from the ALSTOM concern, a world leader in the power and transport sector. The share of ALSTOM Power alone (the ALSTOM concern's power wing) was 28 per cent of the consolidated revenue in 2009. The second biggest customer of the Group's services in the reporting period was the ALSTOM Power and RAFAKO S.A. consortium. The consortium's share of the year's consolidated revenue was approximately 12 per cent.

III.2.3 The Capital Group's sales by value

	2009 PLN '000	2008 PLN '000	Change %
Construction and assembly services	154,465	166,579	-7
General contracting	27,038	21,758	+24
Industrial production	57,246	21,249	+169
Goods and materials services and sales	22,219	22,983	-3
Developer operations	14,682	6,336	+132
Total operations, of which:	275,650	239,905	+15
Exports	99,767	30,787	+224

The diagram below shows the revenues from consolidated sales over the past five years.

Revenue of Energomontaż-Południe S.A. Capital Group



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

III.2.4 The Capital Group's sales by quantity

Because of the specific nature of the Group'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 of the parent company.

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

III.3.2 Transactions concerning the parent company's 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 Energomontaż-Południe S.A. 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)
09.28.2009	sale	645,654	4.51	2,915
10.02.2009	sale	200,000	4.50	900
Total:		845,654	4.51	3,815

As at the date of the publication of this Report, the parent 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 parent company's financial liquidity and did not affect profits for the reporting period because the settlement of the surplus increases the supplementary capital of Energomontaż-Południe S.A.

III.3.3 Dividend

In 2009 the parent 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 Energomontaż-Południe S.A. 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 of the parent company in 2009

In 2009 the parent 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 access 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. Energomontaż-Południe S.A. 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](#). The parent company has also won many distinguished awards, such as the "Pearl of the Polish Economy", "Business Cheetah" and "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 Group's operations

In 2009, Capital Group companies concluded a number of important trade agreements / received orders concerning which the parent company provided information 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 approx. 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 parent 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 of the parent company

The parent 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 of the parent company

The parent company 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 Group's operations

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

- an increase in consolidated revenues,
- a strengthening of the Group's position on the domestic and foreign market (mainly in Germany),
- a dramatic increase in assembly production sales,
- the situation on the foreign exchange market.

In 2009, consolidated revenue year-on-year increased by approximately 15 per cent. The backdrop for the increase in revenue was the organic growth of the parent company, mainly in its core energy activities. 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 macro-economic situation, the parent company maintained gross margins from sales at a high level, which contributed to the good net financial result. Also worthy of note are the very good assembly production sales, which were mainly sales aimed at the German market. The improvement in sales was achieved as a result of retrofitting the Industrial Production Plant in Będzin Łągisza with funds obtained from the issue of Series C shares.

The situation on the currency market in Poland continued to remain unstable at the start of the year. An improvement on the euro/zloty market was only achieved after the Polish government intervened.

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 parent company and its affiliates were concluded on market terms.

III.9 Employment

As at 31 December 2009, 1,211 employees were employed at the Energomontaż-Południe Capital Group.

Employment structure in the Capital Group

	12.31.2009	12.31.2008	Change
	employees	employees	%
Wage earners	852	788	+8
Salaried employees	359	291	+23

	12.31.2009 employees	12.31.2008 employees	Change %
Total	1,211	1,079	+12

Compared with the previous year, employment in the Group increased by 12%. The growth in employment is due to the increasing scale of activity of the Group. In the next few years the parent company is planning to increase employment even more, particularly by increasing the engineering personnel's potential.

IV. RESULTS OF THE CAPITAL GROUP

IV.1 Analysis of the Capital Group's economic and financial results

IV.1.1 Analysis of the comprehensive income statement

In 2009, the Capital Group's revenue from sales of products, goods and materials was PLN 275,650,000, which means an increase in consolidated revenue (an increase by almost 15 per cent year-on-year). In 2009 the Group recorded a slight decrease in profit on operating activities compared with the previous year, as a result of weaker-than-planned results of subsidiaries, among other things as a result of:

- the downward trend on the steel construction market on which Amontex operates
- costs incurred by CK-Modus in implementing the first stage of the developer project in Katowice Ligota – profits from the project will appear as soon as residential premises are sold outside the Group
- the operating loss of EP Hotele i Nieruchomości resulting from an unsuccessful attempt to launch new activities involving agency in sub-letting office space in Wrocław.

The Group recorded a loss of almost PLN 6,000,000 on financial activities, mainly by incurring debt servicing costs.

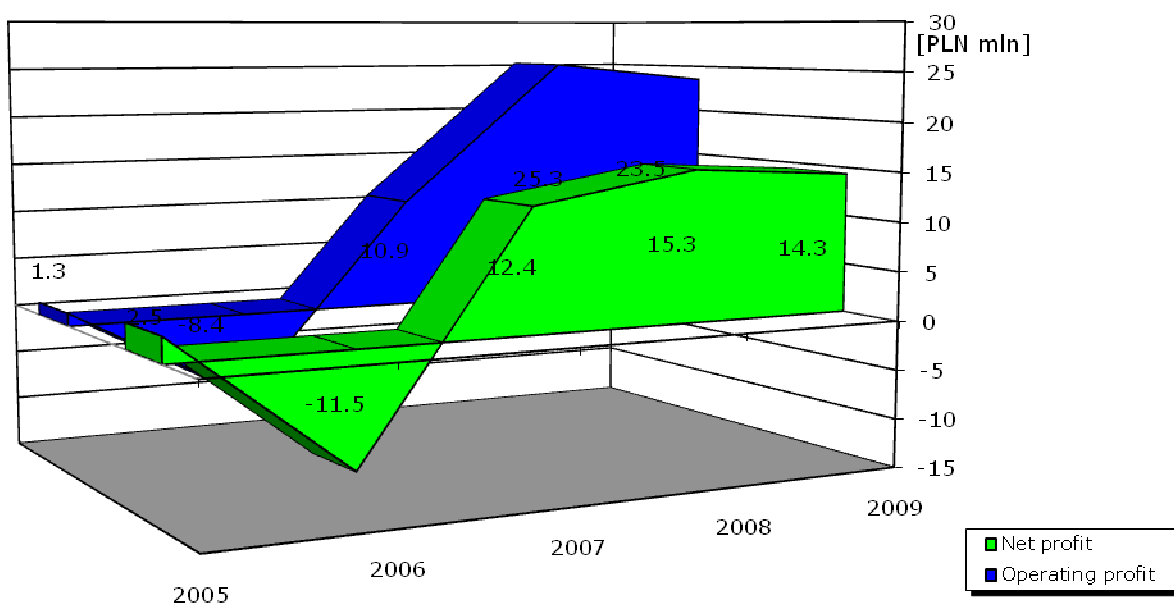
The Energomontaż-Południe S.A. Capital Group closed 2009 with a net profit of PLN 14,331,000. The consolidated net profit of the Capital Group is decreased by consolidation exclusions – particularly profits retained in the Group (unrealised) from general contracting work on the housing estate in Ligota, Katowice, an adjustment for a dividend paid by Amontex and revenues from interest on loans granted to subsidiaries. The Management Board expects that in 2010 the Group will discount the above-mentioned exclusion of the margin from the housing estate construction when the completed apartments are sold. The retained profits will then be added to the Group's consolidated result.

Net result structure

	2009 PLN '000	2008 PLN '000	Change %
Gross profit on sales	39,596	37,109	+7
Operating profit (loss)	23,526	25,332	-7
Financial activities result	-5,958	-5,435	-10
Gross profit (loss)	17,568	19,897	-12
Income tax	3,237	4,212	-23
Net profit (loss)	14,331	15,685	-9

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

Operating profit and net profit of Energomontaż-Południe S.A. Capital Group



In the next year the Management Board's intention is that the Group should achieve a higher consolidated net profit than in 2009. 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 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 position

Compared with the state at the end of 2008, in the reporting period the value of fixed assets increased by PLN 100,386,000 mainly in the investment properties item, due to recording the financial leasing agreement for an office block in Wrocław in the books of the parent company and rezoning land in Opole from reserves to investments. In 2009 the Group also made significant outlays for tangible assets. In the asset structure the share of fixed assets was 39.1 per cent, increasing by 8.4 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 60.9 per cent of the total assets, an increase of PLN 89,847,000 compared with the state at the end of 2008.

Equity increased by PLN 85,807,000 in absolute values, mainly as a result of recording the issue of subscription warrants in the books of the parent company, giving entitlement to take up Series E shares. The share of equity in the structure of liabilities at the end of 2009 was 39.6 per cent, an increase of 3.5 percentage points in relation to the state at the end of 2008. With respect to sources of financing, foreign capital increased by PLN 104,426,000 in 2009, mainly as a result of non-current financial leasing agreements concluded by the parent company.

IV.1.3 Analysis of cash flow statement

As at 31 December 2009, cash reached a level of PLN 21,926,000, an increase of PLN 14,098,000 in comparison with the end of 2008.

Cash flow structure

	PLN '000
Cash flows from operating activities	-23,569
Cash flows from investing activities	+59,861
Cash flows from financing activities	-22,194
Change in state of net cash and cash equivalents	+14,098

Negative cash flows from financial activity are caused mainly by an increase in the balance of receivables and inventories in the Capital Group and by a negative change in the balance of accruals and deferred income.

Negative cash flows from financial activity are mainly due to the repayment of liabilities resulting from property finance lease agreements concluded by the parent company.

IV.1.4 Selected financial indicators

	2009	2008	Calculation algorithm
EBITDA	30,237	29,817	Operating activity result + amortization/depreciation (PLN '000)
<u>Financial liquidity ratios</u>			
Current liquidity ratio	1.53	1.39	Current assets/current liabilities
Quick liquidity ratio	1.19	1.02	(Current assets – reserves)/current liabilities
<u>Debt ratios</u>			
Liabilities to assets ratio (total)	0.60	0.64	Non-current and current liabilities / assets (total)
Liabilities to equity ratio	1.53	1.77	Non-current and current liabilities/ equity
Ratio of covering debt with fixed assets	1.89	2.19	Fixed assets/non-current liabilities
<u>Profitability indicators</u>			
ROA	2.9%	5.1%	Net profit (loss) / assets * 100%
ROE	7.3%	14.0%	Net profit (loss) / equity * 100%
Profitability of sales	5.2%	6.5%	Net profit (loss) / revenue from sales * 100%

IV.2 Financial resources management

	2009 PLN '000	2008 PLN '000
Total liabilities	499,677	309,444
- liabilities	268,544	163,994
- reserves	14,713	10,877
- accruals and deferred income	18,756	22,716
Equity	197,664	111,857
+ non-current liabilities	103,438	43,383
Constant capital	301,102	155,240
- fixed assets	195,249	94,863
Working capital	105,853	60,377

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

IV.3 Financial results forecasts

The parent company has not published forecasts of financial results of the Capital Group for 2009.

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

IV.4.1 Credit

Credit agreements contracted by the parent company in 2009

CREDITOR	Amount PLN '000	Interest rate	Maturity date	Type
BRE Bank S.A.	*3,000	WIBOR 1M + bank's margin	07.31.2011	working capital credit +limit for guarantees
Pekao S.A.	*3,000	WIBOR 1M + bank's margin	06.30.2010	working capital credit +limit for guarantees
BGŻ S.A.	2,000	WIBOR 1M + bank's margin	03.31.2010	working credit
Total	8,000			

Credit agreements contracted by Amontex PM Sp. z o.o. in 2009

CREDITOR	Amount PLN '000	Interest rate	Maturity date	Type
Konsorcjum ESBANK Bank Spółdzielczy i Gospodarczy Bank Wielkopolski S.A.	7,000	WIBOR 1M + bank's margin	12.31.2011	commercial contract credit
BRE Bank S.A.	*1,500	WIBOR 1M + bank's margin	03.30.2010	credit in current account
Raiffeisen Bank Polska S.A.	1,000	WIBOR 1M + bank's margin	01.29.2010	commercial contract credit
Total	9,500			

* 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. No credit or loans were terminated with companies forming part of the Energomontaż-Południe Capital Group.

IV.4.2 Loans

Loans granted by the parent company in 2009

BORROWER	Amount PLN '000	Interest rate	Maturity date	Type
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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 the parent company granted CK-Modus the aforementioned loans to finance the construction of the housing estate in Katowice Ligota. No other loans were granted in the reporting period. Companies forming part of the Capital Group did not take out any bank loans in 2009.

IV.4.3 Sureties

CK-Modus, a subsidiary of Energomontaż-Południe, 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 parent company 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	23,072
Total	33,530

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

Guarantees received in 2009

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

In the reporting period no loans, guarantees or suretyships were granted to management and supervisory personnel of the parent company or persons related to them.

IV.5 Basic risk factors and dangers

IV.5.1 Operating risk

The parent 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 parent company 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 Capital Group 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 parent 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, the parent company diversifies its operations by increasing activity in other sectors than power, providing general contracting services and gaining orders for production activities.

IV.5.3 Risk connected with changes in prices of goods

The Group 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. Companies forming part of the Capital Group have, at the stage of contract award procedures, contracts with steel providers at prices guaranteeing the profitability of the contracts.

In connection with its developer activities, the subsidiary CK-Modus is exposed to the risk of a slump on the property market.

IV.5.4 Risk connected with changes in foreign exchange rates

In connection with the activities it pursues, the Capital Group is exposed to the risk of a change in the EUR/PLN rate of exchange. The parent company partially hedges the 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 Group 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 parent 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 the parent company, 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 parent company 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 Capital Group 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 Group 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 parent company 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

Information about proceedings concerning liabilities or receivables of the Issuer and its subsidiaries, which are pending before a court, an appropriate authority for arbitration proceedings or a public administration authority, has been presented in the Management Board's Report on the Operations of the Issuer, which forms part of the non-consolidated annual report.

V. PROSPECTS FOR THE CAPITAL GROUP

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

Vision

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

Strategic goals

The Group'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 the parent company's assets beyond basic operations (inc. developer activities)
- investments in the production and assembly base.

In subsequent years, the Energomontaż-Południe Capital Group will concentrate on its activities in the power industry, which it specialises in. As a result of issuing Series E shares, the parent company became part of the PBG Capital Group, becoming the leader of the "power

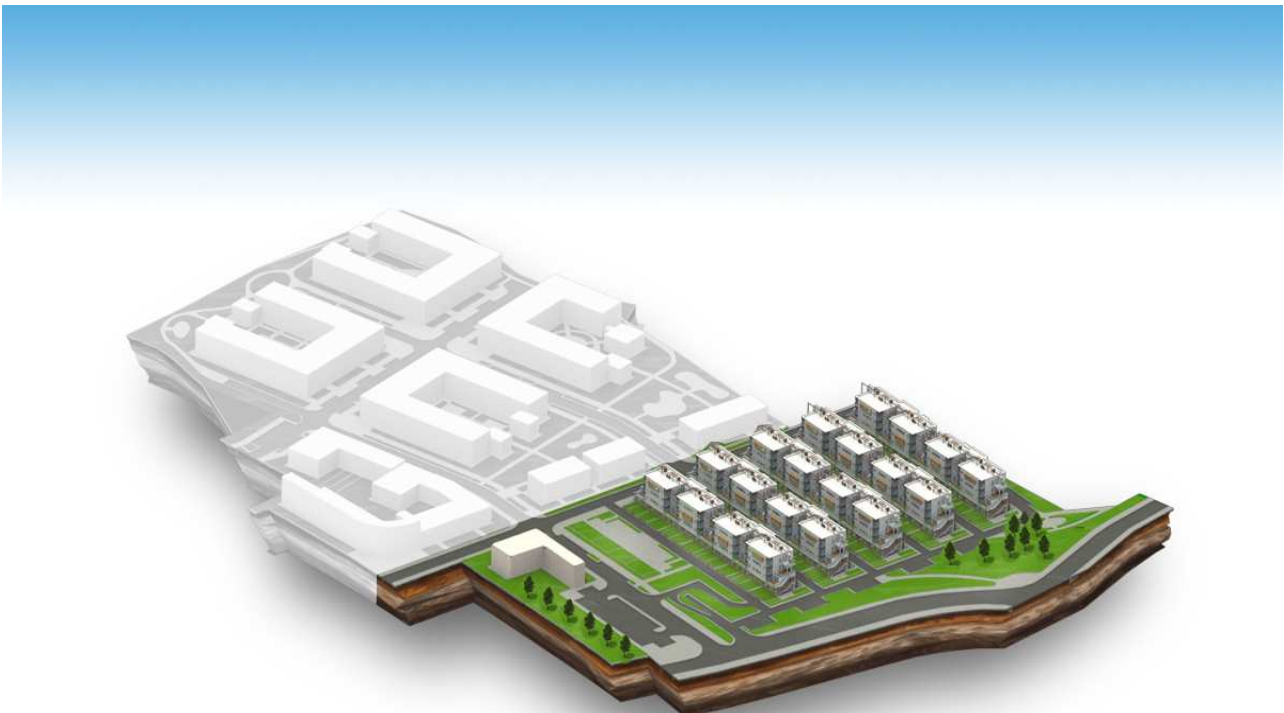
group” of companies in the PBG Group which operate in contracting for the power industry. This alliance made the financial potential and know-how of PBG S.A. available to the Company. It will now also be possible to sell the parent company’s services in new market segments, in the areas of activity of the PBG Capital Group. The Issuer will benefit from synergies. The parent company 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 parent 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 has increased the parent 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 parent 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 parent 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 parent company can acquire companies with well-developed technical support.

V.2 The Group's prospects for development

V.3 Important external factors for the development of the Capital Group

The parent company identifies a number of external factors described below, which have an important influence on the development of the Energomontaż-Południe Capital Group.

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 entities working 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 parent company 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 Energomontaż-Południe Capital Group is the tough competition in a particular industry, which affects the margins 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 their 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 development of the Capital Group

The parent company discerns the following internal factors as having an important influence on the development of its Group:

- experience in the industry going back a long time,
- an efficient inspection system for projects implemented by the Group,
- 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 Group'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 parent 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 parent 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 of the parent company

As at 31 December 2009, management and supervisory personnel of the parent company 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 the parent company 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 shares of Energomontaż-Południe S.A. held in the period from the end of 2009 to the day of preparing the annual report is due to the fact that Mr Andrzej Hołda exercised his rights from subscribed Series A subscription warrants of the parent company. Each of those warrants entitled him to take up one Series E share of Energomontaż-Południe

S.A. In a private subscription, 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 of the parent company 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 of the parent company

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 parent company, received for holding functions 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 of the parent company

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 parent company, received for holding functions 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 parent company 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 of the parent company 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 consolidated financial statements of the Energomontaż-Południe S.A. Capital Group, 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 Capital Group's asset and financial situation and its financial results.

This Report on the operations of the Energomontaż-Południe S.A. Capital Group provides a true picture of the development, achievements and situation of the Capital Group, 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 consolidated financial statements of the Energomontaż-Południe Capital Group 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 and consolidated financial statements	18	18
Tax advisory services	-	-
Other services	27	23
Total	80	76

**Signatures of persons representing
the parent company:**

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

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

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

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