

## I.1 Declaration on the application of corporate governance

### I.1.1 Set of corporate governance principles

In 2010, 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. 17/1249/2010 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](http://www.energomontaz.pl).

### I.1.2 Indication of the extent to which the Issuer has departed from the Good Practices and explanation of the reasons for this

In 2010, 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 address. 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 (press, Internet, television, meetings with investors). 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 the shareholders.

### I.1.3 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 (by-laws, 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 the management with information making it possible to assess the correct, efficient and secure operation of the process of 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.1.4 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.

#### Ownership structure (as at 31 December 2010)

SHAREHOLDER	Number of shares/ votes	Percentage share in the share capital and total number of votes
PBG S.A.	17 743 002	25.00
Renata Gasinowicz	14 504 179	20.44
Stanisław Gasinowicz	5 913 186	8.33
Others	32 811 634	46.23
<b>Total issued shares:</b>	<b>70 972 001</b>	<b>100.00</b>

#### Ownership structure (as at 21 March 2011)

SHAREHOLDER	Number of shares/ votes	Percentage share in the share capital and total number of votes
PBG S.A.	17 743 002	25.00
Renata Gasinowicz	7 207 899	10.16

SHAREHOLDER	Number of shares/ votes	Percentage share in the share capital and total number of votes
SPV Support 3 Sp. z o.o. Projekt 2 S.K.A.*	6 230 000	8.78
Stanisław Gasinowicz	N/A	N/A
Others	N/A	N/A
<b>Total issued shares:</b>	<b>70 972 001</b>	<b>100.00</b>

\* The shareholding structure was determined on the basis of notifications presented by the shareholders of the parent company on the basis of Article 69 of the Act on Offerings, and on the assumption that the shareholding did not change since the time of the most recent notification.

### Changes in the shareholding structure of the parent company since the end of financial year 2010 disclosed by significant shareholders under the notification procedure of Article 69 of the Act on Offerings

Ms Renata Gasinowicz reported to Energomontaż-Południe S.A. that in connection with a transfer of 700 000 shares in the Company to IPOPEMA 56 FIZ Aktywa Niepubliczne, settled in the National Depository of Securities on 1 February 2011, she holds a total of 13 867 899 shares in the Company, which constitutes a 19.54 per cent share in its share capital carrying an entitlement to 13 867 899 votes at the General Meeting of Shareholders, i.e. 19.54 per cent of the total number of votes. On the day preceding the transaction, Ms Renata Gasinowicz held 14 567 899 shares in the Company, constituting 20.52 per cent of the Company's share capital and providing entitlement to exercise 14 567 899 votes at the General Meeting of Shareholders, which was 20.52 per cent of the total number of votes [current report No. 16/2011 of 3 February 2011].

Ms Renata Gasinowicz reported to Energomontaż-Południe S.A. that, in connection with a transfer of 6 660 000 shares in the Company to SPV Support 3 Sp. z o.o. Projekt 2 Sp. k.a., settled in the National Depository of Securities on 14 February 2011, she holds a total of 7 207 899 shares in the Company, which constitutes a 10.16 per cent share in its share capital carrying an entitlement to 7 207 899 votes at the General Meeting of Shareholders, i.e. 10.16 per cent of the total number of votes. On the day preceding the purchase transactions, the shareholder held 13 867 899 shares in the Company, constituting 19.54 per cent of the Company's share capital and providing entitlement to exercise 13 867 899 votes at the General Meeting of Shareholders, which was 19.54 per cent of the total number of votes [current report No. 22/2011 of 18 February 2011].

At the same time, SPV Support 3 Spółka z ograniczoną odpowiedzialnością Projekt 2 Spółka komandytowo-akcyjna, with its registered office in Warsaw at ul. Waliców 11, 00-851 Warsaw, represented by the general partner SPV Support 3 Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw at ul. Waliców 11, 00-851 Warsaw (the "Notifier"), reported to Energomontaż-Południe S.A. that, on 14 February 2011, following the acquisition of bearer shares in the company Energomontaż-Południe Spółka Akcyjna with its registered office in Katowice (the "Company") outside the regulated market, the Notifier's share in the total number of votes at the Company's General Meeting of Shareholders has exceeded the 5 percent threshold. Prior to the above acquisition of shares in the Company, the Notifier held no shares in the Company. At the moment of this notification, the Notifier holds 6 230 000 shares in the Company, which is 8.78 percent of the Company's share capital and gives 6 230 000 votes at the General Meeting of Shareholders, 8.78% of the total number of votes. [current report No. 22/2011 of 18 February 2011].

#### I.1.5 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.1.6 Limitations of rights from shares

The transferability of shares in the Issuer is not restricted. Nor do any restrictions exist on rights to shares, including restrictions on voting rights or subscriptions in accordance with which, in cooperating with the company, capital rights in connection with securities are separated from the possession of securities.

#### I.1.7 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. The General Meeting of Shareholders shall be held at the registered office of the Company in Warsaw. 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 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.

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.1.8 Description of principles of amending the Company's Statute**

The Company's Statute can 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 shall be registered in the National Court Register. Matters not specified in the Statute are regulated in the Commercial Companies Code and in appropriate domestic regulations.

#### **I.1.9 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 activities of the Company. The Supervisory Board performs its duties collectively, although it may delegate its members to carry out particular supervisory actions individually. The Supervisory Board shall hold a meeting at least once per quarter.

It is composed of from five to seven members appointed for a joint term of office. The Supervisory Board's term of office lasts 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 Management Board (as at the date of publication of these Statements)**

<b>NAME AND SURNAME</b>	<b>Position</b>
Stanisław Gasinowicz	Chairman /from 13 January 2011/
Andrzej Wilczyński	Deputy Chairman
Marek Skibiński	Secretary /from 13 January 2011/
Grzegorz Wojtkowiak	Member /from 13 January 2011, Chairman from 14 June 2010 to 12 January 2011/
Radosław Kamiński	Member /from 13 January 2011, Secretary from 14 June 2010 to 12 January 2011/
Andrzej Kowalski	Member
Tomasz Woroch	Member

##### **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: Mr Sławomir Masiuk as Chairman of the Supervisory Board, Mr Andrzej Wilczyński as Deputy Chairman of the Supervisory Board, and members Andrzej Kowalski, Marek Wesółowski and Tomasz Woroch. In connection with the resignation of Mr Sławomir Masiuk from the Supervisory Board of Energomontaż-Południe S.A. at the General Meeting of Shareholders of the Company on 14 June 2010 and the General Meeting of Shareholders' recall of Mr Marek Wesółowski, the General Meeting of Shareholders appointed Messrs Radosław Kamiński and Grzegorz Wojtkowiak to the Supervisory Board. Mr Grzegorz Wojtkowiak acted as Chairman of the Supervisory Board to the end of the reporting period. Mr Radosław Kamiński is a minority shareholder of the Company. He was Secretary of the Supervisory Board until the end of 2010.

On 13 January 2011, the Extraordinary General Meeting of Shareholders of the Company adopted resolutions No. 12 and 13 appointing Mr Stanisław Gasinowicz and Mr Marek Skibiński to the Supervisory Board of the Issuer. Mr Stanisław Gasinowicz is Chairman of the Supervisory Board of the Company. Mr Stanisław Gasinowicz is an investor who has been operating on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) almost since the beginning of its existence and who is a long-time shareholder of Energomontaż-Południe S.A.

As at 21 March 2011, the Supervisory Board was composed as detailed in the table above.

##### **Audit Committee**

The Audit Committee is an advisory body operating as part of the Supervisory Board of the Company. The role of the Audit Committee is to support the Supervisory Board in carrying out its statutory inspection and supervisory duties concerning the proper implementation of the rules of financial reporting, inspections and internal auditing, as well as managing the risk of the Energomontaż-Południe S.A. Capital Group, and working with the independent auditors of the Company.

The duties of the Audit Committee are within the scope defined in the Act on Auditors and their Self-Government, on Entities Authorised to Audit Financial Statements and on Public Supervision of 7 May 2009, and also include Good Practice, including in particular that the Committee makes a recommendation to the Supervisory Board on the entity to act as auditor. It also reviews periodic and annual financial statements of the Company and the Energomontaż-Południe S.A. Capital Group. The Audit Committee operates in accordance with the Regulations of the Audit Committee, which the Company makes available on its website at [www.energomontaz.pl](http://www.energomontaz.pl) under the Corporate Governance tab.

At meetings in 2010, the Audit Committee dealt with periodic analysis of the non-consolidated and consolidated financial results, and a review and analysis of the state of the Company's portfolio of orders. The Audit Committee also familiarised itself with the scope of the audit of the annual financial statements. During the Committee meetings, the financial control mechanisms of the Company were analysed, in particular in terms of exchange rate risk, and the situation of subsidiaries of the Issuer's Capital Group was discussed.

#### Personal composition of the Audit Committee

NAME AND SURNAME	Position
Radosław Kamiński	Chairman /from 22 June 2010/
Grzegorz Wojtkowiak	Member /from 22 June 2010/
Tomasz Woroch	Member

#### Changes to the personal composition of the Audit Committee

On 1 January 2010, the Audit Committee was composed of Messrs Sławomir Masiuk, Tomasz Woroch and Andrzej Kowalski. Because of the resignation from the Supervisory Board of the Issuer submitted by Mr Sławomir Masiuk and the resignation of Mr Andrzej Kowalski from the Audit Committee, on 22 June 2010 the composition of the Audit Committee was completed with newly-appointed supervisors. Until 21 March 2011, the Audit Committee has continued to function with the three people named above.

#### Remuneration Committee

The Remuneration Committee is an advisory body operating as part of the Supervisory Board of the Company. The Committee was created on 22 June 2010. Since that date, the Remuneration Committee has functioned with the same composition of three persons detailed below.

The Remuneration Committee functions in compliance with the Regulations of the Remuneration Committee, which the Company makes available on its website at [www.energomontaz.pl](http://www.energomontaz.pl) under the Corporate Governance tab.

#### Remuneration Committee

NAME AND SURNAME	Position
Andrzej Wilczyński	Chairman
Radosław Kamiński	Member
Andrzej Kowalski	Member

In its meetings, the Remuneration Committee deals with such issues as analysing the remuneration of Management Board members and managerial staff. It also evaluates and verifies the bonus system operating within the Company. In accordance with its entitlements specified in the Regulations, on the basis of which it functions as an advisory body, the Committee commissioned a study by independent experts and an opinion for use by the Committee.

#### The Management Board

The Management Board is the Company's executive authority and manages its entire operations. 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 Board or the entire Management Board may be recalled at any moment before the end of their 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 lapse 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 at [www.energomontaz.pl](http://www.energomontaz.pl) under the Corporate Governance tab.

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.

#### **Personal composition of the Management Board (as at the date of publication of these Statements)**

<b>NAME AND SURNAME</b>	<b>Position</b>
Radosław Kamiński	President of the Management Board /delegated from the Supervisory Board since 27 December 2010/
Jacek Fydrych	Vice-President of the Management Board /from 17 January 2011, previously Member of the Management Board/
Dariusz Kowzan	Member of the Management Board /from 2 February 2010/

#### **Changes to the personal composition of the Management Board**

On 1 January 2010, the Company's Management Board consisted of three persons: Mr Andrzej Hołda - President of the Management Board and Managing Director, Ms Alina Sowa – Vice President of the Management Board and Financial Director, and Mr Jacek Fydrych – Member of the Management Board and Director of Trade. On 2 February 2010, the Supervisory Board of the Company appointed Mr Dariusz Kowzan to the Management Board of Energomontaż-Południe S.A. Dariusz Kowzan holds the positions of Member of the Management Board and Director of Contract Implementation and Development.

At a meeting of the Supervisory Board of the Company held on 27 December 2010, Mr Andrzej Hołda, exercising the functions of President of the Management Board and Chief Executive Officer, and Ms Alina Sowa, exercising the functions of Vice President of the Management Board and Chief Financial Officer, tendered their resignations from the aforementioned functions in the Company. The reasons for the resignations were not stated. The resignations were accepted by the Supervisory Board of the Company and came into effect as of 27 December 2010.

In connection with the above, Mr Radosław Kamiński, until that time Secretary of the Supervisory Board of the Company, was delegated by the Supervisory Board to temporarily act as President of the Management Board of Energomontaż-Południe S.A. for the period from 27 December 2010 to 27 March 2011. On 17 January 2011, Mr Jacek Fydrych, existing Member of the Management Board of the Company, was appointed as Vice President of the Management Board of Energomontaż-Południe S.A.

As at 21 March 2011, the Company's Management Board is composed of the three persons named above.

#### **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, and initiates such processes. As customary in the Company, under the authority contained in relevant resolutions of the General Meeting of Shareholders, the Management Board as executive body 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 gives 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.