

## **REPORT FROM THE ACTIVITIES OF REMAK S.A. for 2009**

We hereby present the report from the activities of Remak SA with its registered seat in Opole. The main area of the Company's activities are modernizations and repairs of power equipment in power engineering industry. In 2009 in this area of activity the Company was executing large contracts gained in the previous years, which enabled to achieve supremely high income. Starting the implementation stage of the contract with the highest value implemented on our own in Grain, England had the greatest influence on achieving such a high level of income.

The data presented in the annual financial statement, showing a current position of the Company, prove that the strategy of participating in large modernization investments in power engineering adopted by the Management Board began to bring the expected results. Presented results and margins are the result of the growing effectiveness of the Company's operations.

Besides, the Company realizes its tasks through its Branch in Germany and the Branch in Great Britain established in November 2008. These branches prepare independent financial statements covered by a joint statement of the issuer.

In a perspective of another year the effect of prolonging of the implementation of certain investments is still being observed due to the delays in deliveries on the clients' side. Moreover, some investments forecasted for implementation in 2010 were postponed to the following years, both in Poland and abroad. The above factors influenced the cost improvement process started in 2009, preparing the Company for the delayed pace of investments implementation in power industry. The Company's portfolio of orders for 2010 is filled in 40 %. In order to gain further orders, the Company actively participates in tenders and carries out talks with ordering parties.

The perspectives of the development of the Company's activity are related to the presence on the EU markets as well as to an increased share on the Polish market. We hope that the intensive offering activities related to commencing the execution of large projects in power engineering, especially in Germany, but also in Poland, will have influence on receiving increased number of orders in the coming years.

### **1. Description of the segments of activity and basic economic and financial values, as well as the perspective for the development of activities in the coming financial year.**

The Company constitutes one operational and reporting segment within the meaning of IFRS 8, which can be defined as "Modernisations and assemblies in power engineering".

In 2009 the Company gained income from sales in the amount of PLN 258,312 thousand; the share of the German Branch in the total income was 33.5% and of the Branch in England - 29.9 %.

The structure of income from sales according to types of services and markets in 2009 and in 2008 looks as follows:

	2009		2008	
	PLN thousand	structure	PLN thousand	structure
I. Total income from sales, including:	258,312	100.00%	171,006	100.00%
- industrial services	252,618	97.80%	140,336	82.07%
- construction services	-	-	26,698	15.61%
- non-industrial services	3,054	1.18%	2,332	1.36%
- other sales	2,640	1.02%	1,640	0.96%
-				
II. Total income from sales (territorial structure) including:	258,312	100.00%	171,006	100.00%
- home	54,837	21.20%	64,965	37.99%
- exports	203,475	78.80%	106,041	62.01%

In 2009 the Company's income from sales increased by over 50% in relation to 2008 which was mainly influenced by an increased scale of realizations in the primary segment of the Company's activity i.e. modernization services of power engineering equipment. Terminating the contracts for performing sewerage networks in 2008 and lack of new contracts in this segment in the Company's portfolio influenced the lack of income from construction services in 2009. This fact had also impact on the decrease of the income from home sales in relation to the income from export sales. Additionally, the growth of export significance in the income structure of the Company was also influenced by a relatively lower number of modernisation investments in Poland in comparison to investments carried out in the European Union.

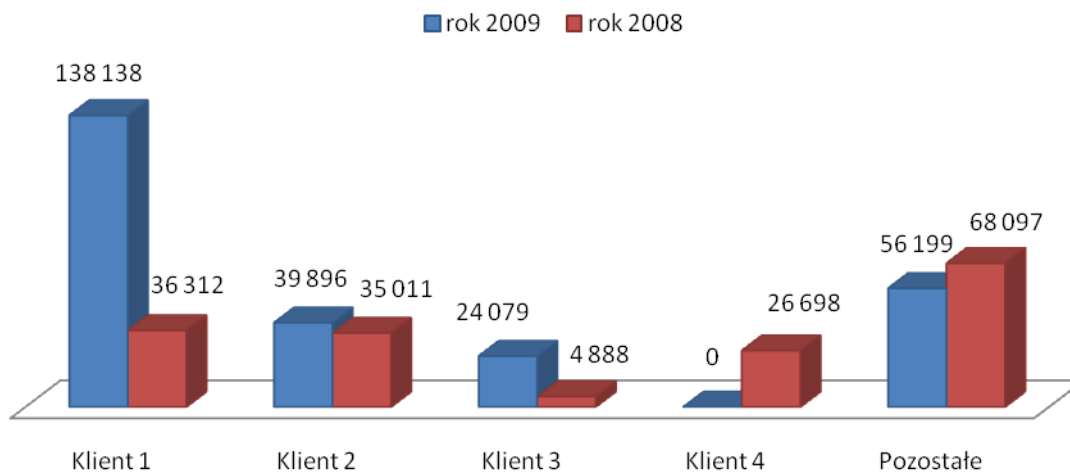
The structure of sales according to geographical areas was the following:

Detailed list	2009		2008	
	PLN thousand	%	PLN thousand	%
<b>Total</b>	<b>258,312</b>	<b>100.0</b>	<b>171,006</b>	<b>100.0</b>
Germany	87,475	33.9	63,006	36.8
England	77,217	29.9	1,111	0.6
Poland	54,837	21.2	64,966	38.0
Holland	23,529	9.1	2,177	1.3
other	15,254	5.9	39,746	23.3

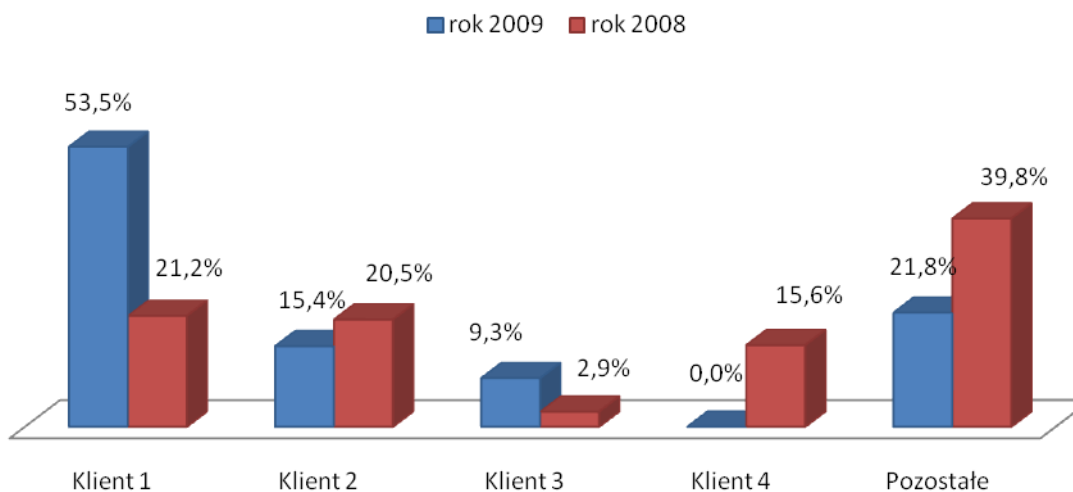
According to this structure the company does not set apart the fixed assets.

Concentration of sales according to the most significant clients in 2009 and the comparable period of 2008 is the following:

### Najważniejsi klienci według wartości sprzedaży



### Najważniejsi klienci według % udziału w sprzedaży ogółem



In 2009 the Company performed over 21% of its works in the country. The greatest national contracts implemented in this period are the following:

- the contract realized in consortium with Polimex-Mostostal SA in the Bełchatów Plant for the assembly of the 833 MW boiler,
- the contract realized at the order of Foster Wheeler EP for the assembly of the boiler within Fortum Heat Częstochowa project.

79% of works were performed beyond Poland. We implemented 13 foreign contracts, including 7 contracts in Germany, 1 in Bulgaria, 2 in Belgium, 1 in Austria, 1 in Holland and 1 in Great Britain.

Our greatest national markets are the Bełchatów Plant where the revenue constituted 42% of the national income and Fortum Heat Częstochowa with 28% share in home revenue. The main foreign market was the German market and the most important ordering parties on this market were the following: Alstom Power Systems Stuttgart, Hitachi Power Europe Duisburg, AE&E Inova GmbH Köln and Alstom Power Generation AG Mannheim.

The largest executed contracts were the following:

- the assembly of 2 1100MW boilers in the Neurath Plant, Germany which is executed by the consortium Polimex-Mostostal S.A. and Remak S.A. The share of each company in the consortium is 50 %.
- the assembly of pressure parts of 2 boilers in Westfalen, Germany executed by the consortium of the companies: Remak S.A., Polimex-Mostostal S.A. and ZRE Kraków Sp. z o.o. The share of Remak S.A. in the consortium is 50%. The execution of the contract was temporarily suspended due to constructional defects of the boiler assembled by the ordering party. According to the information coming from the ordering party (Alstom Power Systems Stuttgart) works are not going to be renewed until the second half of 2010.
- the assembly of two waste-heat boilers in KW Emsland in Lingen, Germany. At present, the final stage of the contract is realized.
- on the Austrian market the contract with AE&E Inova GmbH was implemented for the assembly of the boiler pressure part and components in AVN Abfallverwertung Niederösterreich an der Donau.
- in Holland at the order of AE&E Inova GmbH the contract was implemented for the assembly of pressure parts of 2 boilers for the Farmsum Delfzijl project.
- in Great Britain at the order of Alstom Power Ltd the contract is being executed for the assembly of pressure part of 3 boilers in Grain.

The Company assembles the deliveries of ready elements of boilers, boiler appliances and associated plant, supplied by the Ordering Parties. Main suppliers were the following companies: Foster Wheeler Energia Polska, Alstom Power Ltd, Alstom Power Systems GmbH, Hitachi Power Europe GmbH, Rafako SA.

Main materials consumed in the production and service activities of the Company are metallurgical products (boiler pipes, plates), welding electrodes, technical gases and gas mixtures. Due to the character of carried out activity and not aiming to create excessive inventories, the Company does not conclude permanent contracts with material manufacturers

(except technical gases suppliers) and the deliveries take place on the basis of written orders and come from industry suppliers. In 2009 the general consumption of materials constituted 5.2% of net revenue on sales of products. There is not a supplier of materials whose share in the value of supply purchases is greater than 10% of the Company's total income on sales.

#### Economic and financial ratios

No.	Ratio	Algorithm	2009	Change in % points in relation to 2008
1.	Gross earning potential of sales	Gross result on sales/ net revenue on sales of products, goods and materials	10.8%	3.6
2.	Net earning potential of sales	result on sales/ net revenue on sales of products, goods and materials	5.4%	4.2
3.	Operating margin	operating result / net revenue on sales of products, goods and materials	5.6%	4.2
4.	Gross earning potential	gross result / net revenue on sales of products, goods and materials	6.1%	2.8
5.	Net margin	net result/ net revenue on sales of products, goods and materials	4.6%	1.9
6.	Share of costs in sales	cost of sold products, goods and materials/ net revenue on sales of products, goods and materials	89.2%	-3.6
7.	Share of costs of general administration in sales	costs of general administration / net revenue on sales of products, goods and materials	5.4%	-0.6
8.	Financial liquidity ratio *	current assets/ (short-term liabilities + short term prepayments and accruals)	1.31	0
9.	Receivables turnover ratio*	total receivables *360 / net revenue on sales of products, goods and materials	80	0
10.	Liabilities turnover ratio*	total liabilities *360 / net revenue on sales of products, goods and materials	46	-34.3

\* balance sheet data calculated as average from 5 positions (at the end of the year preceding the financial year and at the end of each quarter of the financial year)

In 2009 the revenue on sales constituted 151.1% of the revenue on sales in 2008 and amounted to PLN 258,312 thousand. The factors which influenced such a significant increase in revenue were the contracts won in the previous years, which were executed during this period. Particular attention should be paid to the fact that these contracts are characterized by high margins.

The share of costs in sales in 2009 decreased and amounted to 89.2% which resulted in obtaining gross earning potential on sales at the level of 10.8 for this period when compared to 7.2 % in 2008. The achieved gross profit on sales allowed to cover the general administration costs and reach the profit on sales amounting to PLN 13,853 thousand, which gives earning potential on this result amounting to 5.4% (when compared to 1.2% in 2008).

General administration costs increased by 36.7% in relation to the previous year and their share in sales decreased from 6.0% in 2008 to 5.4% in 2009.

Positive result was gained on the remaining operating activity in the amount of PLN 590 thousand mainly due to releasing the provisions for receivables and forecasted losses in the amount of PLN 1,126 thousand and due to obtaining compensations from insurance companies amounting to PLN 427 thousand.

The result on operating activity amounted to PLN 14,443 thousand and was over six times higher in comparison to the result for 2008.

The Company's financial activity reported the profit in the amount of PLN 1,441 thousand, which was significantly influenced by the surplus of positive exchange rate differences over the negative ones amounting to PLN 1,001 thousand. The reported result on financial activity influenced further increase of gross result to the amount of PLN 15,884 thousand.

The net profit for 2009 amounted to PLN 11,906 thousand, whereas in 2008 the Company generated profit amounting to PLN 4,711 thousand, reporting the growth dynamics at the level of 252.7%.

No atypical occurrences influenced the result in 2009.

Gained positive results at particular levels of the profit and loss account influenced the improvement of the earning potential ratios presented in the above table.

Balance sheet total as for 31.12.2009 amounted to PLN 103,906 thousand which constitutes increase by 12.7% in relation to 31.12.2008. Tangible assets of the Company increased in comparison to the position as at the end of 2008 by PLN 3,013 thousand i.e. by 16.0%. This influenced the growth in the share of tangible assets in the balance sheet total from 20.4% at the end of 2008 to 21% at the end of 2009.

Current assets of the Company increased by PLN 8,675 thousand in comparison to the corresponding period of the previous year and its share in total assets as for 31 December 2009 constituted 79.0% (79.6% at the end of 2008). The structure of current assets was changed. The share of short-term receivables in the balance sheet total decreased from 51.0% at the end of 2008 to 39.6% at the end of 2009. The share of cash in the balance sheet total increased from 12.3% at the end of 2008 to 17.6% at the end of 2009. The share of short term prepayments and accruals in the balance sheet total increased from 16.0% at the end of 2008 to 21.5% at the end of 2009.

External capital is prevailing in the structure of asset financing, which constitutes 58.6 % of the balance sheet total (63.5% at the end of 2008) and increased by PLN 2,329 at the end of 2009 in comparison to the position as of the end of 2008. The share of prepayments and accruals in the balance sheet total decreased from 34.7% to 28.3% at the end of 2009. The share of short term liabilities in the balance sheet total increased from 25.2% at the end of 2008 to 26.8% at the end of 2009.

In comparison to the end of 2008 the share of the provisions in the balance sheet total slightly decreased from 3.6 to 3.4.

The Company's equity capital at the end of 2009 amounted to PLN 43,008 thousand which represents the increase by PLN 9,359 thousand i.e. by 27.8% in relation to the position as at the end of 2008. The increase resulted mainly from reported positive financial result of the Company for 2009. The increase of equity capital in absolute values resulted in the increase of its share in the total sum of equity and liabilities to 41.4% at the end of 2009; whereas in 2008 it amounted to 36.5%.

Fixed assets of the Company were financed in whole from the Company's equity capital. Current assets were financed in 25.8% from equity capital and in the remaining part from the external sources.

In 2009 the receivables rotation ratio amounted to 80 days and remained at the same level as in 2008. An average cycle of settling the liabilities was shortened by 24 days and amounted to 46 days.

The Company maintained its fluidity at the safe level, which is proven by the current liquidity ratio, which amounted to 1.31. The level of the liquidity ratio and positive working capital allow the Company to settle its current liabilities.

The financial situation of the Company is very good which is proven by the position of cash at the end of the year, the financial fluidity ratio and the structure of receivables. The company monitors the receivables on a regular basis and undertaking cooperation monitors the contracting parties' solvency. The system of settlements with ordering parties ensures fluid financing of expenses and generating positive cash flows.

In the Company's assessment, in the coming time no threats will occur related to the Company's ability to repay incurred liabilities for reasons lying on the Company's side or on the side of the ordering parties.

The Company did not use derivative instruments securing the risk of changes in currency exchange rate, despite a large share of the income in currency, as the expenses in the prevailing part are also incurred or nominated in the contract currency.

Free cash from operating activity amounting to PLN 15,138 thousand allowed to finance investment expenditures amounting to PLN 5,628 thousand and to pay the dividend to the shareholders in the amount of PLN 2,550 thousand. The amount of cash at the end of the period amounted to PLN 18,235 thousand.

In 2009 the Company signed annexes to loan agreements for the total sum of PLN 4,000 thousand.

The Company reported no outstanding loans as of the balance sheet date.

In the reporting period the Company did not raise any loans.

In 2009 average employment in the Company amounted to 908.56 positions,

	including:		home	export
- white-collar workers -	177	133	44	
- blue-collar workers	732	290	442	

As of 31 December 2009 the total number of the employed amounted to 819 people. 176 employees were on unpaid holiday.

Within the last years our Company has achieved the leader's position among Polish companies providing investment and modernization services in power engineering. This opinion is justified by a large number of realized works including the assembly of large power boilers in Neurath, Lingen, Bełchatów and Grain. The above tasks are fulfilled on the basis of own technological and organisational studies.

A strong market position of the Company gives good chances to become more established within the coming years in relation to the forecasted investments in this sector of activity both in Poland and in other countries of the European Union.

In the face of the development of the investment market in power engineering there are potential perspectives for the Company's development over a long horizon of time, which is why we anticipate an increase in income and results in the years to come.

Good perspectives for the sector of construction in power engineering and worse situation in other segments of construction on the European market influenced the growth of competition observed already in 2009. Due to this, within short time we should expect a decrease in prices for the services offered by the Company. In 2010 working out the values close to the ones achieved in 2009 may be difficult, which is significantly influenced by the delays in deliveries on the clients' side and moving the investments projected for execution in 2010 to the following years. The financial result will be also influenced by the level of changes in currency exchange rates.

Within the years to come, the Company's investment plans stipulate buying the equipment, technical appliances and cranes of a newer generation than the possessed ones which are necessary in providing the services. They will be financed with the Company's own means. In 2010 the investment expenditures are projected in the amount of PLN 13,350 thousand.

Within the coming months we intend to complete works over the implementation of the Integrated Quality Management System as well as Health, Safety and Environmental Protection Systems. Holding the certificate in this respect will allow us to meet the requirements of our contracting parties related to adjusting the level of work safety and hygiene to the standards binding in the European Union. Thus, obtaining the certificate is an important element of enhancing competitiveness of the Company and ensuring it the access to a wider market of services.

## **2. Description of risk and threat factors and characteristics of the factors significant for the issuer's development.**

Despite the Company's good market position, there are some risk factors, which might influence the Company's results in the nearest period. These are for example:

- - the risk of significant change in exchange rates related to the significant share of exports income, which may influence the final value of income and the result on financial operations. This risk is neutralized in a large extent by incurring expenses in the contract currencies,
- the risk related to the economic crisis may result in suspending the implementation of investment projects or in delays of starting the concluded contracts, which may influence the volume of income on sales and decrease its profitability,
- the risk related to limiting the availability of bank products securing the execution of contracts, which may result in limiting potential increases in revenue,
- the risk of lack of guarantee possibilities resulting from the amount of the Company's capitals,
- and – in a further perspective – growth of price competition from the EU countries
- obtaining the Integrated Quality Management System as well as Health and Safety and Environmental Protection certificates during the nearest months.

Over a long horizon of time the following factors will be significant for the development of the Company:

- a) power engineering investment programs in the European Union as well as legal and regulatory policy of the European Union related to power engineering market,
- b) risk of significant changes in currency exchange rates,
- c) permanence of European directives, especially the ones relating to the freedom of providing services,
- d) price competition of the companies from the European Union,
- e) availability of bank products securing the execution of contracts,

### **3. Presenting court proceedings and proceedings carried out by other bodies.**

In the reporting period the Company was not a party of any court proceeding, or the proceedings carried out by other arbitration or public administration body concerning liabilities or receivables with the value amounting to at least 10% of equity capital.

There are no proceedings with the value amounting to at least 10% of the Company's equity capital.

### **4. Information on concluded contracts significant for the issuer's activity, including the contracts between shareholders known to the issuer, insurance agreements or cooperation agreements.**

In 2009 the Company signed the following significant trade agreements:

- the contract between PROKON NORD Energiesysteme GmbH – the ordering party, and Remak S.A. – the contractor, for performing the assembly of the boiler in Oostrozebeke, Belgium; the value of the contract amounts to PLN 10,295.26 thousand (equivalent of EUR 2,300,00 thousand).
- the contract between the consortium Alstom Power Sp. z o.o. and Fabryka Kotłów Rafako S.A. – the ordering party, and Remak S.A. – the contractor, for the assembly of coal pulverizers, carburizing installations and a system for removing ash for the 858 MW unit in Bełchatów Plant in Poland, the value of the contract amounts to PLN 7,300.00 thousand.
- the annex to the contract for the assembly works of boiler pressure part within the package 1, 2, 4, 5 for 858 MW unit in the Bełchatów Plant between: the Consortium Alstom Power sp. z o.o. and Rafako S.A. as the ordering party and the Consortium Polimex-Mostostal S.A. and Remak S.A. as the contractor; the annex covers additional works and the assembly of slanting walls in difficult conditions with the total value amounting to PLN 4,641.04 thousand. The share of Remak S.A. in the task execution is approx. 50%.
- the annexes with Hitachi Power Europe GmbH for the assembly works in Neurath for the Consortium Polimex-Mostostal S.A. and Remak S.A. with the total value amounting to PLN 11,763.30 thousand (the equivalent of EUR 2,825.00 thousand). The share of Remak S.A. in the execution of the task amounts to approx. 50%.

Among the contracts other than manufacture, concluded by the issuer in the reporting period, the most valuable contracts were the following:

- with Bank Pekao S.A., the annex to the agreement for a guarantee line up to the amount of PLN 40,000 thousand extending the term of agreement validity until 31<sup>st</sup> March 2010 and decreasing the line value to PLN 7,000 thousand.
- with Bank Pekao S.A., the annex to the agreement for an overdraft up to the amount of PLN 7,500 thousand extending the term of agreement validity until 31<sup>st</sup> March 2010 and decreasing the loan value to PLN 3,000 thousand.
- with Bank Pekao S.A. – the agreement for a guarantee line up to the amount of EUR 15,000 thousand for the period to 31 March 2010.
- with Bank Pekao S.A. – the agreement for granting a guarantee up to the amount of GBP 1,800 thousand for the period to 25.05.2010.
- with Bank Pekao S.A. – the agreement for granting a guarantee up to the amount of GBP 3,600 thousand for the period to 25.05.2010.
- with Bank Ochrony Środowiska SA – the agreement for creating the engagement limit in form of a renewable line for granting bank guarantees up to the total amount of PLN 16,000 thousand for the period to 10.07.2010.

The interest rate for the loans is determined at the level of one month WIBOR plus the bank margin.

The interest rate for the guarantee is settled individually for each guarantee depending on the duration of the guarantee granted within the line.

#### **5. The information on the issuer's organisational or capital relations with other entities and presenting major national and foreign investments, including capital investments and the description of their financing.**

In the ownership structure of significant packages of the Company's shares, no changes occurred in comparison to the ones described in the previous report.

In 2009 the issuer did not make capital investments in Poland or abroad.

#### **6. The information on significant transactions concluded by the issuer with affiliated entities pursuant to the conditions other than market conditions.**

In 2009 the Company did not conclude significant transactions with affiliated entities.

#### **7. Information on drawn or terminated loan or credit agreements, granted loans as well as granted and received sureties and guarantees.**

In 2009 the Company signed annexes to loan agreements with Bank Pekao S.A. for the total value of PLN 4,000 thousand. The annexes decreased the credit amount from PLN 8,500 thousand to PLN 4,000 thousand and extended the term of the agreement till 31 March 2010. The percent rate was established on the basis of WIBOR + 1.6 % point.

In the presented period the Company did not grant any sureties for loans or guarantees.

In 2009, within the existing agreements for providing the guarantees with Bank Pekao S.A., the Bank provided the guarantee on behalf of the issuer with the total value amounting to PLN

43,254 thousand, from which the largest value is related to Alstom Power Ltd. (amounting to PLN 28,324 thousand).

According to the position as of 31 December 2009 the total value of the existing performance bonds exceeding 10% of the Company's capital after the balance sheet valuation occurred in the following cases:

- Alstom Power Ltd – two guarantees with the value of PLN 24,831 thousand valid till 25.05.2010,
- SNC Lavalin Polska Sp. z o.o. – four guarantees with the value of PLN 6,229 thousand, the term till 30.07.2010,
- Foster Wheeler Energia Polska Sp. z o.o. – two guarantees with the total value of PLN 4,676 thousand, the longest term till 27.08.2012,
- Ansaldo Caldaie SPA – three guarantees with the value of PLN 4,210 thousand valid till 30.06.2012

#### **8. Description of the issuer's use of income from issues.**

The company did not issue securities in 2009.

#### **9. The explanation of differences between the results reported in the annual report and published forecasts.**

The Company did not publish its forecasted results for 2009.

#### **10. The changes in basic principles of managing the issuer's enterprise.**

In the presented reporting period no changes in the Company's basic principles of management of the company occurred.

#### **11. Remunerations, contracts and the state of possessing the issuer's shares by persons managing and supervising the issuer.**

The information on the amounts of remuneration was presented in Attachment 4 "Additional explaining notes" in Section 10.

The issuer included in contracts with managing persons the non-competition clauses providing for the compensation for the period of 12 months in the amount of 30% of monthly remuneration in case of their termination.

Managing and supervising personnel does not possess the shares of Remak SA.

#### **12. Information on contracts, in result of which the shareholders structure may change.**

The issuer does not possess any information on the contracts, in result of which changes in the proportion of possessed shares by the so-far existing shareholders and bond holders would occur.

**13.1. Information on the control system of the employee shares programme.**

The Company did not conduct any employee shares programmes in 2009 or in the previous years.

**13.2. Statement on the application of corporate governance.**

The statement on the application of corporate governance in Remak S.A. was presented in Attachment 6 “Corporate governance”.

**14. Information concerning the agreement concluded with the entity authorized to review financial statements**

The information concerning the agreement with the entity authorised to review financial statements was presented in Attachment 4 “Additional explaining notes” in Section 11 a.

The information presented in the above report reflects the actual situation of the company. Currently, the Management Board does not possess any other information which might be important for the activities of the issuer and its shareholders.

Opole, dated 15 February 2010.

Signatures of members of the Management Board:

.....  
Marek Brejwo

President

.....  
Aleksandra Kowalska

Vice-President

.....  
Adam Rogala

Vice-President

.....  
Zbigniew Cudek

Vice-President