

IV. Marketing strategy

• Visualization of network's commercial outlets

During the year, 15 subsequent sale outlets were granted an Authorized Outlet Certificate of the PSB Group, confirming compliance of a marking of a given warehouse with the company's requirements. At the end of the year, authorization was granted to 252 outlets belonging to the PSB network.

• Advertising and promotional campaigns

Traditionally, the marketing activity in the national mass media was divided into two uneven parts – the spring campaign (70% of annual advertising budget) and the autumn one (30% of the budget). The aim of advertising was to strengthen the importance of the PSB Group brand in among Poles and to informing about the network and of availability its offer on the commercial market. The most important carriers of our advertising were TV and radio. In total, we released 900 sponsorship mentions in TVP1, TVP2, Polsat, TVN, TV4, TVN7 and 500 advertising spots in thematic channels TVP Info, TVN24, AT Media, Domo, TVN Turbo, TVN Meteo, Polsat 2, Polsat Sport, Polsat News, Polsat Fim, Discovery, TVP Polonia. More than 400 sponsorship mentions and advertisements were broadcasted on the radio stations – RMF FM and Radio ZET.

An important advertising carrier were campaigns on the Internet. These were mainly e-mailing, links sponsored in Google. Via this medium we reached individual investors as well as very important groups which are building companies.

The "Build with PSB" program was promoted among the readers of national journals (Gazeta Wyborcza, Fakt), regional journals (22 titles), branch magazines (Murator, Ładny Dom, Mój Dom, Budujemy Dom) sports press (Skarb Kibica, Przegląd Sportowy, Sport), agricultural press (Dom i Zagroda) and in folders of design offices (Archipelag, Polska Grupa Projektowa, Extradom).

The general information on the PSB Group was placed in magazines such as Builder, Inżynier Budownictwa and Magazyn Instalatora.

• Our publication

For many years PSB Group warehouses assist, under a special advisory program, individual investors building and renovating their houses or apartments. Through these services we helped to cheaper and better build as much as 30 thousand houses located in more than 2 thousands cities and villages in our country. Since many years PSB Group publication, a comprehensive guide, titled "Z kim budować" is very valued by the readers. In the last season this publication was being attached to monthly magazines "Ładny Dom" (90 000. copies) and "Budujemy Dom" (50 000 copies). The study contains a summary of construction advice, designs of houses and valid regulations of the construction law.

In the next year, PSB Group together with suppliers ran an informational campaign "Grupa PSB i Partner radzą". 1.6 million leaflets with advice for investors building or renovating houses or apartments were submitted to construction warehouses. The Group published 32 titles together with 21 PSB suppliers. They are available on the PSB Group web site.



Picture 2.
„PSB Group and H+H advise”



Picture 3.
„With whom to build”
- September 2010

• PSB Group's pylons and billboards

In the last season the network of pylons increased to fifty. Pylon, due to its shape and unique appearance, is exceptionally visible and easily remembered image element of our network in the local community. Their presence extremely strongly intensifies the effect of PSB Group's regular advertising.

Together with our partners, since eight years, we have conducted advertising campaigns on 354 standard billboards located in the whole country. In the last season, on boards located in more than 166 towns of Poland, one could observe 12 monthly campaigns informing about products or technologies of 20 of the Group's Suppliers.



Picture 4.
Pylon in Myszków



Map 1.
Billboards and pylons of PSB Group in 2010

Participation in construction trade fairs

For a number of years trade companies of our network participate in regional construction trade fairs. Over the last year on 13 such events joint stalls of PSB warehouses and selected manufacturers were visited by thousands of people interested in construction or renovating. For the 12th time PSB Group opened its stall on national BUDMA trade fair in Poznań. Traditionally, the employees of the central unit held meetings and conversations with the suppliers, determining operating terms for the new season. PSB Board of Directors gave interviews on TVP Info and TV Biznes television about the current financial situation and market forecasts for the coming season.



Picture 5.
Stall of Buster at the trade fair in Gliwice



Picture 6.
Stall of Eltor at the trade fair in Kielce

PSB Group Internet websites

2010 was another season in which PSB S.A. Group website was intensively browsed. The total number of views on PSB websites reached a level of 5 million; the main website attracted 73% views, PSB-Mrówka store website – 18%, "Przepis na Dom" blog – 7% while a separate site about the Build with PSB program – 2%.

In website resources of the main PSB site users were looking for, first of all, information on products, their manufacturers and methods of application. In total 51% searches were devoted to these issues, while 38% of the searches was information on products and partners (manufacturers, suppliers) and 13% were building advice. Every six visits on the main site aimed to find the nearest warehouse, 5% of visitors were looking for the contact with a suitable person in the central unit of PSB (fig. 11).

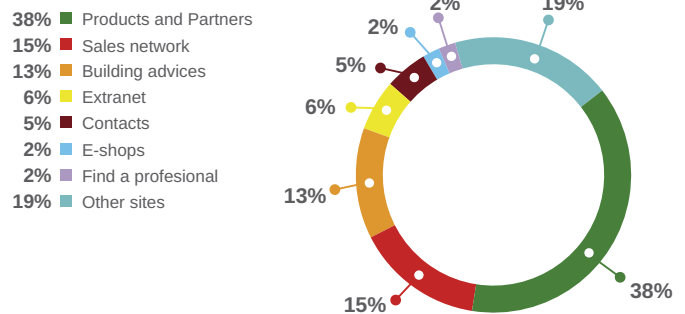


Fig. 11.
Information searched for on the main website of PSB in 2010

In the PSB Group only few entities run their own online stores but interest in them was shown by as much as 2% of visitors. Similar percentage of Internet users was browsing the address database of several thousand construction companies from all over Poland. The database enables finding local companies with division into specialties of construction services.

The guide blog "House recipe", containing more than 350 advice related to construction of the house, was visited by more than 143 000 users.

Another important action was continuation of websites standardization for PSB warehouses – at the end of the year 74 companies now owned new, unified websites.



Blog "House recipe"

• PSB marketing store

For many years Shareholders purchase in the marketing store, among others, company clothing (working clothes, jackets, polo shirts, t-shirts) computer paper for invoices, shopping bags, small advertising gifts and other elements labeled with the logotypes of both warehouses and stores: PSB Group, PSB-Mrówka and PSB-Profi. In 2010, total purchases of 215 Shareholders in the marketing store of the central unit amounted to 1.54 million zloty.



Website of PSB marketing store

• "Build with PSB" (Buduj z PBS) Program

PSB Group, for nine years, has been pursuing "Buduj z PSB" Program, supporting individual construction in our country. During that time, more than 30 thousand houses in approximately 2000 towns across whole Poland were built.

In autumn of 2010 the new website of the program was launched. The "Buduj z PSB" website (www.budujzpsb.com.pl) is dedicated to investors planning as well as building or



Website of "Build with PSB" program

renovating a house or an apartment. It contains the following sections:

- „Budowa krok po kroku” (Building step by step) – in which subsequent steps of building a house are described
- „Moja budowa” (My building) – a platform for exchanging experiences with other program participants,
- „Forum dyskusyjne” (Discussion forum) – the user may ask questions concerning construction or renovation, to which experts will answer.
- „Z kim budować” (Which building partner to choose) – section containing presentations of program's partners.
- „Szukaj fachowca” (Find a professional) – in this section one can find, among others, the database of over a dozen thousand construction companies from all over Poland and a "Real estate exchange" – more than hundred thousand announcements concerning purchase/sale of grounds, buildings, apartments and houses.

• Two-monthly "Głos PSB" magazine

For 10 years now we have published our magazine in Poland that is primarily addressed to regular customers of warehouses – small and medium companies and partly to individual investors and students construction schools.

In six numbers we presented the latest offer and advice from 43 manufacturers-our major Partners. These materials were very often used also during training of the Szkoła Dobrego Budowania PSB. On the pages of our magazine we shared reports concerning the building market situation, to which trade magazines analysts frequently reached when preparing their economic analysis. We continued the presentation of selected PSB buyers – the history of their development and success. Traditionally, in the last number of a given year a special list of construction novelty is displayed – in 2010 we presented 47 products and systems offered by 28 PSB suppliers. An average issue of Głos consisted of approx. 44 pages and was issued in 20 000 copies. The magazine is available also in the online version at: www.glospsb.com.pl

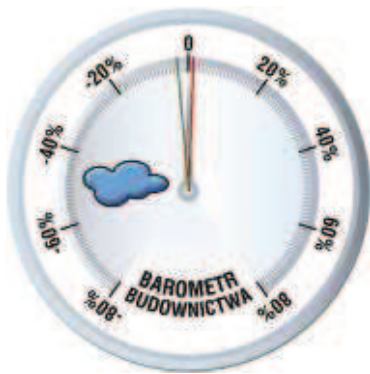


"Głos PSB" ("Voice of PSB") no. 5/2010

„Build with PSB"

- **"Barometr Budownictwa" (Construction barometer)**

For seven years the Group has published a monthly report concerning the condition of construction in our country. This is the fastest and the most complete information site containing results of the PSB network and statistical data of Polish Central Statistical Office (GUS) and materials based on studies of departments, scientific and research centres on the condition of this branch of economy in Poland. For the first time we also published data about housing construction in the counties. It is available only for the PSB program's partners: Shareholders and Suppliers.



- **Public Relations**

In 2010, more than 700 articles and references in press and on the Internet about the Group appeared, which was as much as a 32% increase in references (fig. 12). Traditionally, the daily newspaper Rzeczpospolita once a month also included our comments and data concerning the economic situation in the industry based on "Barometer Budownictwa" and performed an estimation of construction costs of a sample house on the basis of up-to-date prices of materials. Media also published statements of PSB warehouses representatives about the changes in prices and the building market situation. We immediately and regularly deliver comprehensive information on the domestic market of residential construction and

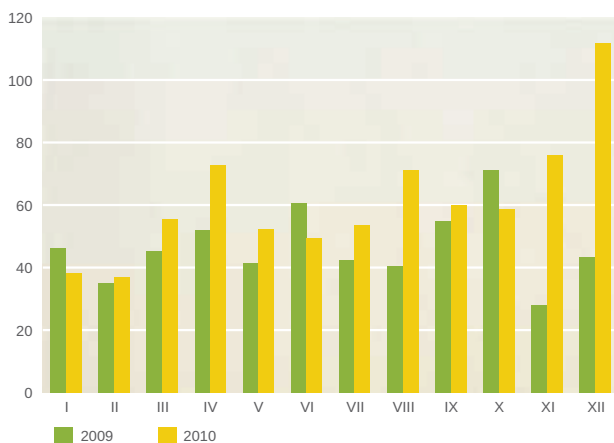


Fig. 12. Number of press and Internet publications on PSB Group in the years 2009-2010

construction materials which is used by analysts and people interested in this economic sector.

One should emphasize that PSB Group is more and more often noticed by the television, especially channels informing about the economic situation. Most often an opportunity for giving interviews by PSB representatives are Budma trade fairs and PSB trade fairs. The beginning of each year is both a period of summing up the past season and presenting forecasts for the next months. In 2010, 80 interviews with PSB representatives were broadcasted in such channels: TVP Info, TVN CNBC Biznes, TV Biznes and Polsat News.

- **VIII PSB Group Trade Fairs**

Traditionally, in April of 2010 in Kielce, we organized another Trade Fair of the Group. In this event closed for the public, more than 2200 representatives of construction business, representing 179 exhibitors, and more than 230 trade companies took part. Within 2 days 3700 contracts with the total value of 108 million PLN were completed, which was more than 8% of the previous year revenue of the Group. Value of an average order amounted to PLN 30 000.



Picture 7. Seventh trade fair of PSB Kielce



Picture 8. Eight trade fair of PSB Kielce

• PSB Regional Trade Fair

We organized one-day long PSB Regional Trade Fair in 8 regions of the country for the second time. In one day, in one room buyers from a given region have met with representatives of the Group's suppliers and negotiated purchases of particular products. The fairs were attended by only the largest suppliers of PSB Group in a given region. The process of negotiations of a buyer and the manufacturer lasted maximum 20 minutes, after hearing a ring, signalling the end of a given round the representative of a buyer was moving on to table of the next supplier. In 8 fairs that took place at the end of August, total number of 209 PSB buyers and 35 manufacturers attended. The total value of concluded transactions amounted to 45 million zloty.



Picture 9.
Regional PSB Trade Fair – Mazovia – Masuria



Picture 10.
Regional PSB Trade Fair – Upper Silesia



Picture 11.
Regional PSB Trade Fair – Lower Silesia – Southern Greater Poland

• Fetes and integrative actions of the Group

Over the last year 33 fetes and integration events of sport, recreational and educational nature were organized for the employees of PSB warehouses and their commercial Partners.

Traditionally, PSB Group Championships in Giant Slalom in Szklarska Poręba have been organized – these were eleventh championships. Also, the 7th Building Business Air Picnic and football competitions of Halowa Piłka Nożna in the West Pomerania-Wielkopolska North and Upper Silesia-Małopolska regions took place. Also the 4th Tennis Tournament PSB CUP of 2010, the 3rd PSB Group Championships in Cabin Yachts Sailing in Croatia and Canoeing rally in the Eastern Pomerania took place. Annual events organized by PSB warehouses were organized as well: Santa Claus meetings, integrative open days for regular customers.



Picture 12.
Third futsal tournament, Walcz



Picture 13.
Fourth lawn tennis tournament PSB CUP, Kielce



Picture 14.
Third Championships of PSB Group in Yachting, Croatia

• PSB Group in sport

In 2010, PSB Group continued its presence and association with sport. Millions of lovers of the most popular disciplines saw advertisements of the Group and Mrówka stores. Significant events included games of the National team and Korona Kielce team in football, men's volleyball during World League, women's volleyball during World Grand Prix and games of the Klub Sportowy Siatkarz from Wieluń. Our advertisements were also present during events related to classical and Alpine skiing. PSB Group and PSB-Mrówka stores advertisements were also visible during handball games – of Vive Targi Kielce. All our advertisements during sports events were seen by more than approx. 19 million people.

It is worth adding that some PSB Group Shareholders and their partner companies engage in sports sponsorship, promoting Mrówka stores.



Picture 15.
Poland-Argentina in Wrocław
World League, men's volleyball



Picture 16.
Volleyball game in Wieluń

• Other achievements

We received the third "Diamond to the Golden Statue of the Polish Business Leader" ("Diament do Złotej Statuetki Lidera Polskiego Biznesu") award conferred by Business Centre Club. The first position in Świętokrzyskie province, in the social responsibility of business competition (CSR) – "Well-seen company", awarded by Business Centre Club. The title of "Distributor of the Year 2009" in the "construction wholesale stores network" category - in the opinion of the surveyed respondents - building contractors and individual investors examined by ASM - Market Research and Studies Centre, the 3rd place in the ranking of Forbes Diamonds 2010 in the Świętokrzyskie province – prepared by a monthly economic magazine Forbes and Dun&Bradstreet insight company and 223rd place in the ranking of "Rzeczpospolita" daily – the list of 500 largest companies in Poland in the year 2010. "Rzeczpospolita" evaluated the value of the Company for the amount of 396 million.



Picture 17.
Third Diament, Business Centre Club, 2010

• Summary

All marketing actions of the Group have been consistently implemented for twelve years. According to the studies of "Pentor" Opinion and Market Research Institute in 2010 the so-called assisted recognition of PSB warehouses network was declared by 43% (increase from 36%), and Mrówka stores by 19% (increase from 13%) respondents responsible in households for settling matters related to construction investment and repair projects. (fig. 13)

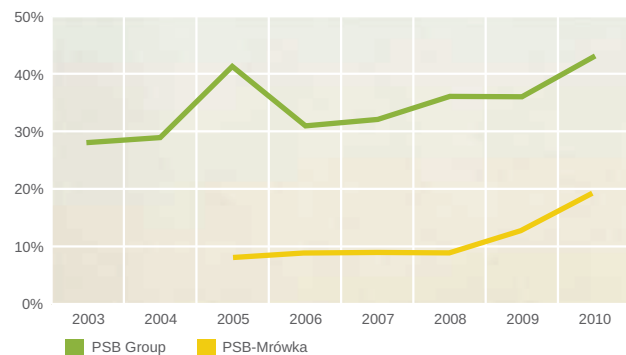


Fig. 13.
PSB Group and PSB-Mrówka brand recognition
in the period 2003-2010