PBG GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2011

WYSOGOTOWO, APRIL 27TH 2012

Group name:	PBG GROUP		
Period covered by the financial statements:	01.01-31.12.2011	Reporting currency:	złoty polski (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

FINANCIAL HIGHLIGHTS

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
	PLN			EUR		
Income statement						
Revenue	3,670,739	2,739,166	2,572,509	886,631	684,039	728,323
Operating profit (loss)	269,312	285,380	288,390	65,050	71,267	81,648
Profit (loss) before tax	204,244	228,448	260,448	49,333	57,047	73,737
Net profit (loss) from continuing operations	170,658	179,976	219,860	41,221	44,945	62,246
Net profit (loss) attributable to:	170,658	179,976	219,860	41,221	44,945	62,246
- owners of the Parent	160,883	186,074	209,094	38,860	46,467	59,198
- non-controlling interests	9,775	(6,098)	10,766	2,361	(1,523)	3,048
Basic earnings per share (PLN/EUR)	11,25	13,02	15,00	2,72	3,25	4,25
Diluted earnings per share (PLN/EUR)	11,25	13,02	15,00	2,72	3,25	4,25
Average exchange rate for the period PLN/EUR	X	X	X	4.1401	4.0044	3.5321
Statement of cash flows						
Net cash from operating activities	(498,017)	433,582	305,060	(120,291)	108,276	86,368
Net cash used in investing activities	(156,038)	(529,951)	(350,566)	(37,689)	(132,342)	(99,251)
Net cash from financing activities	500,891	144,866	416,920	120,985	36,177	118,037
Net change in cash and cash equivalents	(153,164)	48,497	371,414	(36,995)	12,111	105,154
Average exchange rate for the period PLN/EUR	X	X	X	4.1401	4.0044	3.5321

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
	PLN			EUR (thousand)		
Statement of financial position						
Assets	6,506,965	4,745,329	4,015,446	1,473,231	1,198,225	977,422
Long-term liabilities:	701,307	987,479	569,192	158,782	249,344	138,550
Short-term liabilities:	3,535,112	1,943,912	1,827,432	800,379	490,850	444,825
Equity attributable to owners of the Parent	1,679,360	1,587,985	1,393,687	380,221	400,976	339,245
Share capital	14,295	14,295	14,295	3,237	3,610	3,480
Number of shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Weighted average number of ordinary shares	14,295,000	14,295,000	13,935,000	14,295,000	14,295,000	13,935,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	13,935,000	14,295,000	14,295,000	13,935,000
Book value per share (PLN/EUR)	117.48	111.09	97.49	26.60	28.05	23.73
Dividend per share declared or paid (PLN/EUR) (PLN / EUR)	-	1.40	1.40	-	0.35	0.34
PLN/EUR exchange rate at the end of the period	X	X	X	4.4168	3.9603	4.1082

The above data was translated into the euro in accordance with the following rules:

a) Items of the statement of financial position were translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland at the balance-sheet date. As at December 31st 2011, the exchange rate was EUR 1 = PLN 4.4168, as at December 31st 2010 it was EUR 1 = PLN 3.9603 and as at December 31st 2009 – EUR 1 = PLN 4.1082.

b) Items of the income statement and the statement of cash flows for 2011, 2010 and 2009 were translated at the EUR/PLN exchange rate which is the arithmetic mean of the mid-exchange rates quoted by the National Bank of Poland for the last day of each month in the reviewed periods, i.e. EUR 1 = PLN 4.1401, EUR 1 = PLN 4.0044 and EUR 1 = PLN 4.3406, respectively.

TABLE OF CONTENTS

1. GENERAL INFORMATION 16
1.1 PARENT 16
1.2 PARENT'S MANAGEMENT BOARD AND SUPERVISORY BOARD 17
1.3 DESCRIPTION OF THE GROUP'S BUSINESS 18
1.4 PBG GROUP 18
2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS, REPORTING CURRENCY AND THE LEVEL OF ROUNDING 52
2.1 BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS 52
2.2 REPORTING CURRENCY AND THE LEVEL OF ROUNDING 52
2.3 GOING CONCERN ASSUMPTION 52
2.4 AMENDMENTS TO STANDARDS AND INTERPRETATIONS 54
2.5 AMENDMENTS TO INTERPRETATIONS 54
2.4.1. EFFECTIVE AMENDMENTS TO STANDARDS AND INTERPRETATIONS APPLIED BY THE GROUP AS OF 2011 54
2.4.2. STANDARDS AND INTERPRETATIONS ENDORSED FOR USE BY THE EUROPEAN UNION BUT NOT YET ADOPTED 55
2.4.3 PUBLISHED STANDARDS AND INTERPRETATIONS WHICH AS AT DECEMBER 31ST 2011 WERE NOT YET EFFECTIVE, AND THEIR IMPACT ON THE GROUP'S FINANCIAL STATEMENTS 55
3. ACCOUNTING POLICIES 57
3.1 SUBSTANCE-OVER-FORM RULE 57
3.2 PRESENTATION OF FINANCIAL STATEMENTS 57
3.3 OPERATING SEGMENTS 58
3.4 CONSOLIDATION 58
3.5 BUSINESS COMBINATIONS 59
3.6 INVESTMENTS IN ASSOCIATES 61
3.7 INVESTMENTS IN JOINT VENTURES 61
3.8 FOREIGN CURRENCY TRANSACTIONS 61
3.9 BORROWING COSTS 62
3.10 GOODWILL 62
3.11 GROUP'S DETAILED POLICIES RELATING TO MEASUREMENT OF ASSETS AND LIABILITIES 62
3.11.1 INTANGIBLE ASSETS 62
3.11.2 PROPERTY, PLANT AND EQUIPMENT 63
3.11.3 LEASED ASSETS 65
3.11.4 IMPAIRMENT OF NON-FINANCIAL NON-CURRENT ASSETS 65
3.11.5 INVESTMENT PROPERTY 66
3.11.6 NON-REGENERATIVE NATURAL RESOURCES 67
3.11.7 FINANCIAL INSTRUMENTS 67
3.11.7.1 Financial assets 67
3.11.7.2 FINANCIAL LIABILITIES 69
3.11.7.3 HEDGE ACCOUNTING 70
3.11.8 INVENTORIES 71
3.11.9 CASH AND CASH EQUIVALENTS 72
3.11.10 NON-CURRENT ASSETS AND GROUPS OF NET ASSETS HELD FOR SALE 72
3.11.11 EQUITY 72
3.11.12 SHARE-BASED PAYMENTS 73
3.11.13 EMPLOYEE BENEFITS 73
3.11.13.1 SHORT-TERM EMPLOYEE BENEFITS 73
3.11.13.2 PROVISIONS FOR UNUSED HOLIDAY ENTITLEMENT 73
3.11.13.3 RETIREMENT GRATUITY AND JUBILEE 74
3.11.14 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS 74
3.11.15 PREPAYMENTS AND ACCRUED INCOME 75
3.11.16 REVENUE 76
3.11.16.1 SALE OF GOODS (MERCHANDISE AND PRODUCTS) 76
3.11.16.2 SALE OF SERVICES 76
3.11.16.3 DIVIDENDS AND OTHER AND FINANCE INCOME 80
3.11.17 EXPENSES 80
3.11.18 INCOME TAX (CURRENT AND DEFERRED) 81
3.1.1 MANAGEMENT'S SUBJECTIVE JUDGEMENTS AND ESTIMATION UNCERTAINTY 82
3.1.1.1 USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT 82
3.1.1.2 CONSTRUCTION CONTRACTS REVENUE 82

3.11.19.3. PROVISIONS 83
3.11.19.4 DEFERRED TAX ASSETS 83
3.11.19.5 IMPAIRMENT OF NON-FINANCIAL ASSETS (INCLUDING GOODWILL) 83
3.11.19.6 IMPAIRMENT OF FINANCIAL ASSETS 84
3.11.19.7 IMPAIRMENT LOSSES ON RECEIVABLES 84
3.11.19.8 CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ERRORS 84
3.11.19.9 OFFSETTING 102
3.11.19.10 EARNINGS PER SHARE 103
3.11.19.11 MANAGING CAPITAL 103
4. OPERATING SEGMENTS 103
5. BUSINESS COMBINATIONS AND DISPOSALS 108
5.2 DISPOSALS OF SUBSIDIARIES 122
5.3 INVESTMENTS IN SUBSIDIARIES 127
5.4 INVESTMENTS IN ASSOCIATES 127
6. GOODWILL 129
7. INTANGIBLE ASSETS 131
8. PROPERTY, PLANT AND EQUIPMENT 136
9. PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASE 143
10. NON-REGENERATIVE NATURAL RESOURCES 146
11. INVESTMENT PROPERTY 147
12. FINANCIAL ASSETS AND LIABILITIES 149
12.1 CATEGORIES OF ASSETS AND LIABILITIES 149
12.2 LOANS AND RECEIVABLES 155
12.3 FINANCIAL DERIVATIVES 155
12.4 OTHER FINANCIAL ASSETS 161
12.5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS 164
12.6 BORROWINGS, OTHER DEBT INSTRUMENTS 164
12.7 ASSETS PLEDGED AS SECURITY FOR LIABILITIES 170
12.8 FURTHER INFORMATION ON FINANCIAL INSTRUMENTS 171
12.9 FURTHER INFORMATION ON THE METHOD OF MEASUREMENT OF FINANCIAL INSTRUMENTS DISCLOSED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT FAIR VALUE 173
12.10 RECLASSIFICATIONS 175
12.11 EXCLUSIONS FROM THE STATEMENT OF FINANCIAL POSITION 175
13. DEFERRED CORPORATE INCOME TAX 175
14. INVENTORIES 181
15. TRADE AND OTHER RECEIVABLES 182
16. CASH AND CASH EQUIVALENTS 185
17. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS 186
18. EQUITY 186
18.1 SHARE CAPITAL 186
19. SHARE PREMIUM 190
20. CASH-FLOW HEDGES AND TRANSLATION RESERVE 190
21. OTHER COMPONENTS OF EQUITY 190
22. INCENTIVE SCHEME 193
23. NON-CONTROLLING INTERESTS 195
24. EMPLOYEE BENEFITS 196
25. OTHER PROVISIONS 198
26. PREPAID EXPENSES AND DEFERRED INCOME 202
27. CONTRACT REVENUE 202
28. INCOME AND EXPENSES 206
28.1 REVENUE BY SEGMENT 206
28.2 NATURE OF EXPENSES 206
28.3 OTHER INCOME 207
28.4 OTHER EXPENSES 208
29. FINANCING ACTIVITIES 209
30. INCOME TAX EXPENSE 210
31. EARNINGS PER SHARE, DIVIDEND PAID AND PROPOSED 211
31.1 EARNINGS PER SHARE 211
31.2 DIVIDEND PAID AND PROPOSED 212
32. CASH FLOWS 212
33. RELATED-PARTY TRANSACTIONS 213
34. CONTINGENT LIABILITIES. LITIGATIONS AND OTHER CLAIMS 215

35. LAWSUITS AND DISPUTES 216
36. RISK RELATED TO FINANCIAL INSTRUMENTS 220
36.1 MARKET RISK 221
36.2 LIQUIDITY RISK 235
37. MANAGING CAPITAL 237
38. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD 237
39. OTHER INFORMATION 243
41. APPROVAL FOR PUBLICATION 250

All amounts in PLN thousand (unless otherwise indicated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Item	Note	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Assets				
Non-current assets		**2,306,192**	**1,590,484**	**1,017,651**
Goodwill	6	915,761	347,307	321,423
Intangible assets	7	53,862	41,640	32,966
Property, plant and equipment	8	668,102	665,388	368,264
Non-regenerative natural resources	10	36,782	36,772	12,290
Investment property	11	374,761	293,757	147,838
Investments in subsidiaries	5.3	21,000	10,000	10,000
Investments in associates	5 .4	31,875	56,690	-
Investments in joint ventures		10	10	-
Receivables	15	21,161	15,831	14,618
Loans advanced		38,033	60,112	56,035
Derivative financial instruments		4,230	171	8,746
Other long-term financial assets	12.4	116,913	38,643	35,575
Deferred tax assets	13	16,692	-	-
Long-term prepaid expenses	26	7,011	24,163	9,896
Current assets		**4,200,772**	**3,154,845**	**2,997,795**
Inventories	14	455,136	293,500	238,386
Amounts due from customers for construction contract work	27	1,152,932	392,594	721,878
Trade and other receivables	15	1,348,793	1,327,224	1,112,173
Current tax assets		52,586	7,748	3,388
Loans advanced		461,236	210,492	216,446
Derivative financial instruments		13,723	4,873	20,215
Other short-term financial assets	12.4	72,780	155,265	862
Cash and cash equivalents	16	557,004	708,509	660,281
Short-term prepaid expenses	26	86,146	54,640	24,166
Non-current assets held for sale		435	-	-
Total assets		**6,506,964**	**4,745,329**	**4,015,446**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Item	Note	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Equity and liabilities				
Equity		**2,270,546**	**1,813,938**	**1,618,822**
Equity attributable to owners of the Parent		**1,679,360**	**1,587,985**	**1,393,687**
Share capital	18.1	14,295	14,295	14,295
Treasury shares (-)		-	-	-
Share premium	19	733,348	733,348	733,348
Cash-flow hedges and translation reserve	20	(1,334)	(2,001)	(30,349)
Other components of equity	21	704,674	531,126	374,142

All amounts in PLN thousand (unless otherwise indicated)

Item (cont.)	Note	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Retained earnings		228,377	311,217	302,251
- accumulated profit (loss) from prior years		67,494	125,143	93,157
- net profit (loss) for current year attributable to owners of the Parent		160,883	186,074	209,094
Non-controlling interests		**591,186**	**225,953**	**225,135**
Payables		**4,236,418**	**2,931,391**	**2,396,624**
Long-term liabilities:		**701,307**	**987,479**	**569,192**
Borrowings, other debt instruments	12.6	493,556	904,894	476,878
Finance lease liabilities		94,936	9,122	16,177
Derivative financial instruments		2,329	412	553
Other liabilities	25	54,475	37,914	40,110
Deferred tax liabilities	13	-	7,189	7,558
Employee benefits liabilities and provisions	24	32,400	5,520	6,405
Other long-term provisions	25	17,147	15,623	14,191
Government grants		-	-	-
Long-term prepaid expenses	26	6,464	6,805	7,320
Short-term liabilities:		**3,535,110**	**1,943,912**	**1,827,432**
Borrowings, other debt instruments	26	1,401,179	523,985	625,308
Finance lease liabilities	11	29,407	10,723	16,507
Derivative financial instruments		27,345	11,265	59,256
Trade and other payables	25	1,613,404	1,193,845	973,042
Trade and other payables	27	200,390	89,246	60,450
Current tax liabilities		23,197	28,398	25,871
Employee benefits liabilities and provisions	24	76,014	29,728	24,504
Other short-term provisions	25	140,722	37,900	39,027
Government grants		34	-	-
Short-term prepaid expenses	26	23,320	18,822	3,467
Liabilities under non-current assets held for sale		100	-	-
Total equity and liabilities		**6,506,964**	**4,745,329**	**4,015,446**

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

CONSOLIDATED INCOME STATEMENT

Item	Note	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 to Dec 31 2009
Continuing operations				
Revenue	27	**3,670,739**	**2,739,166**	**2,572,509**
Sale of finished goods		266,156	28,404	20,767
Rendering of services		3,376,432	2,697,648	2,541,514
Sale of merchandise and materials		28,151	13,114	10,228
Cost of sales	27	**(3,321,545)**	**(2,398,682)**	**(2,182,566)**
Finished goods sold		(206,549)	(24,883)	(23,379)
Services rendered		(3,090,856)	(2,361,361)	(2,149,549)
Merchandise and materials sold		(24,140)	(12,438)	(9,638)
Gross profit (loss)		**349,194**	**340,484**	**389,943**
Distribution costs	27	(9,206)	(73)	-
Administrative expenses	27	(128,277)	(109,096)	(109,764)
Other income	28	121,246	115,506	55,284
Other expenses	28	(63,645)	(61,441)	(47,073)
Costs of restructuring		-	-	-
Operating profit (loss)		**269,312**	**285,380**	**288,390**
Finance costs	29	(57,887)	(49,246)	(27,942)
Share of profit (loss) of entities accounted for using the equity method (+/−)		(7,181)	(7,686)	-
Profit (loss) before tax		**204,244**	**228,448**	**260,448**
Actual tax expense	30	(33,586)	(48,472)	(40,588)
Profit (loss) for the year from continuing operations		**170,658**	**179,976**	**219,860**
Discontinued operations				
Loss from discontinued operations		-	-	-
Profit (loss), net of tax		**170,658**	**179,976**	**219,860**
Net profit (loss) for the year attributable to:		**170,658**	**179,976**	**219,860**
- owners of the Parent		160,883	186,074	209,094
- non-controlling interests		9,775	(6,098)	10,766

EARNINGS PER SHARE

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Net profit (loss) for the year from continuing operations	160,882	186,074	209,094
Net profit (loss) for the year from continuing and discontinued operations	160,882	186,074	209,094
Weighted average number of ordinary shares	14,295,000	14,295,000	13,935,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	13,935,000
from continuing operations			
- basic	11.25	13.02	15.00
- diluted	11.25	13.02	15.00
from continuing and discontinued operations			
- basic	11.25	13.02	15.00
- diluted	11.25	13.02	15.00

All amounts in PLN thousand (unless otherwise indicated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Profit (loss), net of tax	**170,658**	**179,976**	**219,860**
Other comprehensive income			
Revaluation reserve	(519)	354	7,484
Available-for-sale financial assets:			
- current year gains (losses)	(23,866)	-	-
- reclassification to profit or loss		-	-
Cash flow hedges:			
- current year gains (losses)	(2,772)	42,824	5,664
- reclassification to profit or loss	(8,823)	7,566	114,765
- amounts transferred to initial carrying amount of hedged items	-	-	-
Exchange differences on translating foreign operations	13,108	3,252	(10,131)
Exchange gain (loss) on disposal of foreign operations recognised in profit or loss	(529)	-	-
Share of other comprehensive income of associates accounted for using the equity method	-	-	-
Income tax relating to components of other comprehensive income	4,761	(7,824)	(22,083)
Other comprehensive income for the year, net of tax	**(18,640)**	**46,172**	**95,699**
Total comprehensive income for the year	**152,018**	**226,148**	**315,559**
Total comprehensive income attributable to:			
- owners of the Parent	141,977	214,739	288,133
- non-controlling interests	10,041	11,409	27,426

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST–DECEMBER 31ST 2011

Item	Equity attributable to owners of the Parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium	Cash-flow hedges	Translation reserve	Other components of equity	Retained earnings	Total		
Balance as at Jan 1 2011	**14,295**	**-**	**733,348**	**(13,786)**	**(1,503)**	**523,339**	**349,458**	**1,605,151**	**226,295**	**1,831,446**
Changes in accounting policies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**	-
Corrections of errors	-	-	-	13,288	-	7,787	(38,241)	(17,166)	(342)	(17,508)
Restated balance	**14,295**	**-**	**733,348**	**(498)**	**(1,503)**	**531,126**	**311,217**	**1,587,985**	**225,953**	**1,813,938**
Changes in equity in the period Jan 1 – Dec 31 2011										
Share issue	-	-	-	-	-	-	-	-	-	-
Employee share options	-	-	-	-	-	1,285	-	1,285	753	2,038
Changes in ownership interests in subsidiaries (transactions with non-controlling interest)	-	-	-	-	-	(21,700)	17	(21,683)	351,434	329,751
Other adjustments	-	-	-	-	-	(300)	(32)	(332)	3,112	2,780
Dividends	-	-	-	-	-	-	(20,013)	(20,013)	-	(20,013)
Transfer to reserves	-	-	-	-	-	214,015	(223,695)	(9,680)	-	(9,680)
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**193,300**	**(243,723)**	**(50,423)**	**355,299**	**304,876**
Net profit (loss) for the period Jan 1 – Dec 31 2011	**-**	**-**	**-**	**-**	**-**	**-**	**160,883**	**160,883**	**9,775**	**170,658**
Other comprehensive income net of tax for the period Jan 1 – Dec 31 2011	-	-	-	(5,719)	6,386	(19,572)	-	(18,905)	265	(18,640)
Total comprehensive income for the year	**-**	**-**	**-**	**(5,719)**	**6,386**	**(19,572)**	**160,883**	**141,978**	**10,040**	**152,018**
Transfer to retained earnings (disposal of revaluated property, plant and equipment)	-	-	-	-	-	(180)	-	(180)	(106)	(286)
Balance as at Dec 31 2011	**14,295**	**-**	**733,348**	**(6,217)**	**4,883**	**704,674**	**228,377**	**1,679,360**	**591,186**	**2,270,546**

Group name:	PBG GROUP		
Period covered by the financial statements:	01.01-31.12.2011	Reporting currency:	złoty polski (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST–DECEMBER 31ST 2010

Item	Equity attributable to owners of the Parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium	Cash-flow hedges	Translation reserve	Other components of equity	Retained earnings	Total		
at Jan 1 2010	**14,295**	**-**	**733,348**	**(27,806)**	**(2,543)**	**374,229**	**303,782**	**1,395,305**	**228,181**	**1,623,486**
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	(87)	(1,531)	(1,618)	(3,046)	(4,664)
Restated balance	**14,295**	**-**	**733,348**	**(27,806)**	**(2,543)**	**374,142**	**302,251**	**1,393,687**	**225,135**	**1,618,822**
Changes in equity in the period Jan 1 – Dec 31 2010										
Share issue	-	-	-	-	-	-	-	-	-	-
Employee share options	-	-	-	-	-	1,285	-	1,285	753	2,038
Changes in ownership interests in subsidiaries (transactions with non-controlling interest)	-	-	-	(136)	-	(4,048)	690	(3,494)	2,558	(936)
Other adjustments	-	-	-	-	-	19,521	(5,331)	14,190	(13,496)	694
Dividends	-	-	-	-	-	-	(20,013)	(20,013)	-	(20,013)
Transfer to reserves	-	-	-	-	-	146,260	(152,454)	(6,194)	(406)	(6,600)
Transactions with owners	**-**	**-**	**-**	**(136)**	**-**	**163,018**	**(177,108)**	**(14,226)**	**(10,591)**	**(24,817)**
Net profit (loss) for the period Jan 1 – Dec 31 2010	**-**	**-**	**-**	**-**	**-**	**-**	**186,074**	**186,074**	**(6,098)**	**179,976**
Other comprehensive income net of tax for the period Jan 1 – Dec 31 2010	-	-	-	27,444	1,040	181	-	28,665	17,507	46,172
Total comprehensive income for the year	**-**	**-**	**-**	**27,444**	**1,040**	**181**	**186,074**	**214,739**	**11,409**	**226,148**
Transfer to retained earnings (disposal of revaluated property, plant and equipment)	-	-	-	-	-	(6,215)	-	(6,215)	-	(6,215)
at Dec 31 2010	**14,295**	**-**	**733,348**	**(498)**	**(1,503)**	**531,126**	**311,217**	**1,587,985**	**225,953**	**1,813,938**

Group name:	*PBG GROUP*		
Period covered by the financial statements:	*Jan 1 - Dec 31 2011*	**Reporting currency:**	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST–DECEMBER 31ST 2009

Item	Equity attributable to owners of the Parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium	Cash-flow hedges	Translation reserve	Other components of equity	Retained earnings	Total		
Balance as at Jan 1 2009	**13,430**	**-**	**551,178**	**(102,264)**	**820**	**274,778**	**190,193**	**928,135**	**185,483**	**1,113,618**
Changes in accounting policies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**	-
Corrections of errors	-	-	-	-	-	1,279	(1,910)	(631)	(16,913)	(17,544)
Restated balance	**13,430**	**-**	**551,178**	**(102,264)**	**820**	**276,057**	**188,283**	**927,504**	**168,570**	**1,096,074**
Changes in equity in the period Jan 1 – Dec 31 2009										
Share issue	865	-	182,170	-	-	-	-	183,035	-	183,035
Issued under share-based payments	-	-	-	-	-	-	-	-	-	-
Employee share options	-	-	-	-	-	1,279	-	1,279	759	2,038
Changes in ownership interests in subsidiaries (transactions with non-controlling interest)	-	-	-	(1,139)	-	(6,891)	2,035	(5,995)	38,752	32,757
Other adjustments				-	-	6,264	4	6,268	(10,343)	(4,075)
Dividends	-	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	90,676	(97,165)	(6,489)	-	(6,489)
Transactions with owners	**865**	**-**	**182,170**	**(1,139)**	**-**	**91,328**	**(95,126)**	**178,098**	**29,168**	**207,266**
Net profit (loss) for the period Jan 1 – Dec 31 2009	-	-	-	-	-	-	209,094	209,094	10,766	219,860
Other comprehensive income net of tax for the period Jan 1 – Dec 31 2009	-	-	-	75,597	(3,363)	6,805	-	79,039	16,660	95,699
Total comprehensive income for the year	**-**	**-**	**-**	**75,597**	**(3,363)**	**6,805**	**209,094**	**288,133**	**27,426**	**315,559**
Transfer to retained earnings (disposal of revaluated property, plant and equipment)	-	-	-	-	-	(48)	-	(48)	(29)	(77)
Balance as at Dec 31 2009	**14,295**	**-**	**733,348**	**(27,806)**	**(2,543)**	**374,142**	**302,251**	**1,393,687**	**225,135**	**1,618,822**

All amounts in PLN thousand (unless otherwise indicated)

CONSOLIDATED STATEMENT OF CASH FLOWS

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Cash flows from operating activities			
Profit (loss) before tax	**204,244**	**228,448**	**260,448**
Adjustments:			
Depreciation and impairment of property, plant and equipment	51,658	40,733	42,035
Amortisation and impairment of intangible assets	8,296	5,980	5,221
Change in fair value of investment property	2,614	(25,685)	(9,671)
Change in fair value of financial assets (liabilities) measured through profit or loss	(25,347)	(5,882)	(14,878)
Cash flow hedges reclassified from equity	(8,823)	29,476	122,955
Impairment losses on financial assets	(16,226)	13	133
(Gain) loss on disposal of non-financial non-current assets	(1,570)	(4,778)	(137)
(Gain) loss on disposal of non-derivative financial assets	(4,102)	(2,192)	-
Foreign exchange gains(losses)	(4,292)	(434)	(1,922)
Interest costs	88,843	70,057	54,366
Interest income	(40,650)	(36,458)	(26,274)
Interest received on bank deposits (received prepayments)	-	-	
Dividend received	(14)	(5)	(2)
Share in profit (loss) of associates	7,181	7,686	-
Other adjustments	7,735	(5,285)	11,771
Total adjustments:	**65,303**	**73,226**	**183,597**
Change in inventories	(94,450)	(45,014)	(24,233)
Change in receivables	213,882	(110,932)	(428,842)
Change in liabilities	(24,907)	106,319	472,429
Change in provisions and accruals and deferrals	45,421	(28,053)	(38,304)
Effect of construction contracts	(832,918)	266,627	103,800
Other adjustments	-	-	-
Changes in working capital	**(692,972)**	**188,947**	**84,850**
Gains(losses) on settlement of derivative instruments	6,889	(2,790)	(168,578)
Interest paid on operating activities	133	(160)	(187)
Income tax expense	(81,614)	(54,089)	(55,070)
Net cash from operating activities	**(498,017)**	**433,582**	**305,060**
Cash flows from investing activities			
Purchase of intangible assets	(6,815)	(6,007)	(8,896)
Proceeds from disposals of intangible assets	-	75	10
Purchase of property, plant and equipment	(171,892)	(138,101)	(60,936)
Proceeds from disposals of property, plant and equipment	44,796	686	28,741
Purchase of investment property	(3,844)	(125,856)	(58,164)
Proceeds from disposals of investment property	3,758	900	-
Acquisition of subsidiaries, net of cash	(91,292)	(122,902)	(46,800)
Net cash received from disposal of subsidiaries	13,607	1,071	1,762
Repayment of loans advanced	49,059	191,190	14,466
Loans advanced	(65,710)	(225,432)	(235,999)
Purchase of other financial assets	(126,816)	(291,000)	(11,659)
Proceeds from disposals and redemptions of other financial assets	215,624	186,400	26,129
Proceeds from government grants	179	-	-
Interest received	4,668	6,319	8,402

All amounts in PLN thousand (unless otherwise indicated)

Item (cont.)	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Other inflows	1,502	1,166	50
Other investment outflows	(22,876)	(8,465)	(7,674)
Dividend received	14	5	2
Net cash used in investing activities	**(156,038)**	**(529,951)**	**(350,566)**
Cash flows from financing activities			
Proceeds from issue of share capital	10	-	181,790
Purchase of treasury shares	2,781	(300)	-
Proceeds from issue of bonds	-	450,000	375,000
Repayment of bonds	-	(125,000)	(75,000)
Interest paid on debt securities	(65,619)	(39,677)	(15,601)
Proceeds from borrowings	1,198,661	117,848	231,144
Repayment of borrowings	(542,342)	(205,899)	(239,749)
Payment of finance lease liabilities	(41,866)	(10,024)	(12,901)
Interest paid	(40,648)	(35,054)	(39,002)
Interest received on bank deposits (free cash)	9,902	13,024	12,430
Other inflows/outflows	25	(39)	(1,191)
Dividend paid	(20,013)	(20,013)	-
Net cash from financing activities	**500,891**	**144,866**	**416,920**
Net change in cash and cash equivalents	**(153,164)**	**48,497**	**371,414**
Cash and cash equivalents, beginning of the period	708,509	**660,281**	**288,750**
Exchange differences on cash and cash equivalents	1,659	**(269)**	**117**
Cash and cash equivalents, end of the period	**557,004**	**708,509**	**660,281**

1. GENERAL INFORMATION

1.1 PARENT

The parent of the PBG Group (“the Group”) is PBG S.A. (“the Parent”). The Parent was incorporated on January 2nd 2004, by virtue of a Notary’s Deed of December 1st 2003. The Company may conduct operations in all parts of Poland pursuant to the provisions of the Commercial Companies Code. The Parent is entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court for Poznań – Nowe Miasto and Wilda, VII Commercial Division of the National Court Register, under KRS No. 0000184508. The Parent’s Industry Identification Number (REGON) is 631048917. PBG shares are listed on the Warsaw Stock Exchange.

The Parent’s registered office is located at ul. Skórzewska 35 in Wysogotowo, 62-081 Przeźmierowo. The Parent’s registered office is at the same time the Group's principal place of business. On October 1st 2009, a representative office of PBG S.A. was registered in Ukraine. Its purpose is to conduct market research in Ukraine and establish contacts with companies operating in the construction and related services sector.

All amounts in PLN thousand (unless otherwise indicated)

1.2 PARENT'S MANAGEMENT BOARD AND SUPERVISORY BOARD

Composition of the **Parent's** Management Board and **Supervisory Board** as at December 31st 2011, December 31st 2010 and December 31st 2009 is presented below:

At Dec 31 2011	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Jerzy Wiśniewski – President of the Management Board Przemysław Szkudlarczyk – Vice-President of the Management Board Tomasz Tomczak – Vice-President of the Management Board Mariusz Łożyński – Vice-President of the Management Board	Maciej Bednarkiewicz – Chairman of the Supervisory Board Małgorzata Wiśniewska – Deputy Chairman of the Supervisory Board Dariusz Sarnowski – Member of the Supervisory Board Adam Strzelecki – Member of the Supervisory Board Marcin Wierzbicki – Member of the Supervisory Board;
At Dec 31 2010	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Jerzy Wiśniewski – President of the Management Board Tomasz Woroch – Vice-President of the Management Board Przemysław Szkudlarczyk – Vice-President of the Management Board Tomasz Tomczak – Vice-President of the Management Board Mariusz Łożyński – Vice-President of the Management Board	Maciej Bednarkiewicz – Chairman of the Supervisory Board Małgorzata Wiśniewska – Deputy Chairman of the Supervisory Board Dariusz Sarnowski – Member of the Supervisory Board Adam Strzelecki – Member of the Supervisory Board Marcin Wierzbicki – Member of the Supervisory Board
At Dec 31 2009	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Jerzy Wiśniewski – President of the Management Board Tomasz Woroch – Vice-President of the Management Board Przemysław Szkudlarczyk – Vice-President of the Management Board Tomasz Tomczak – Vice-President of the Management Board Mariusz Łożyński – Vice-President of the Management Board	Maciej Bednarkiewicz – Chairman of the Supervisory Board Jacek Kseń – Deputy Chairman of the Supervisory Board Wiesław Lindner – Secretary of the Supervisory Board Dariusz Sarnowski – Member of the Supervisory Board Adam Strzelecki – Member of the Supervisory Board

On December 12th 2011, Mr Tomasz Woroch tendered his resignation from the position of Vice-President of the Parent's Management Board to the Chairman of the Supervisory Board.

On April 2nd 2012, Mr Marcin Wierzbicki tendered his resignation from the position of a Member of the Supervisory Board. On April 3rd 2012, Mr Adam Strzelecki tendered his resignation from the position of a Member of the Supervisory Board.
On April 3rd 2012, Messers. Andreas Madej and Piotr Bień were appointed to replace Messers. Marcin Wierzbicki and Adam Strzelecki in their respective positions.

1.3 DESCRIPTION OF THE GROUP'S BUSINESS

The core business of the Parent consists in engineering activities and related technical consultancy in the area of natural gas, crude oil and fuels (according to the Polish Classification of Activities – PKD 71.12 Z).
The Group engages in execution of hydroengineering, engineering and industrial construction projects, construction of wastewater treatment plants, waste incineration plants, water-pipe networks, sewage systems, heat and gas distribution networks, trade in materials and equipment for the gas, oil, water and sewage industries, as well as construction of infrastructure and residential projects.
For description of business of the Group entities, see the table in section 1.4 below.

1.4 PBG GROUP

These condensed consolidated financial statements include the Parent and the following subsidiaries:

Group name:	*PBG GROUP*		
Period covered by the financial statements:	***01.01-31.12.2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

Name	Registered office	Conducted activities (according to PKD of 2007)	Competent court or other registration authority	Method of accounting	Group's ownership interest		
					Dec 31 2011	Dec 31 2010	Dec 31 2009
Aprivia S.A. (1)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated	100.00%	100.00%	100.00%
Betpol S.A. (2)	ul. Fordońska 168a, 85-766 Bydgoszcz POLAND	Construction of roads and motorways PKD 42.11.Z	District Court of Bydgoszcz, XIII Commercial Division of the National Court Register	consolidated consolidated subsidiary of Aprivia S.A., consolidated in the consolidated financial statements of Aprivia S.A.	70.00%	70.00%	70.00%
Dromost Sp. z o.o. (3)	Żabno 4A, 63-112 Brodnica POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated consolidated subsidiary of Aprivia S.A., consolidated in the consolidated financial statements of Aprivia S.A.	99.99%	99.99%	87.40%
Przedsiębiorstwo Robót Inżynieryjno – Drogowych S.A. (PRID S.A.) (4)	ul. Poznańska 42, 64-300 Nowy Tomyśl POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated consolidated subsidiary of Aprivia S.A., consolidated in the consolidated financial statements of Aprivia S.A.	100.00%	100.00%	100.00%
PBG Avatia Sp. z o.o. (formerly Avatia Sp. z o.o.) (5)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Reproduction of recorded media PKD 18.20.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated	99.90%	99.80%	99.80%
Brokam Sp. z o.o. (6)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated	100.00%	100.00%	100.00%

All amounts in PLN thousand (unless otherwise indicated)

Name	Registered office	Conducted activities (according to PKD of 2007)	Competent court or other registration authority	Method of accounting	Group's ownership interest		
					Dec 31 2011	Dec 31 2010	Dec 31 2009
Excan Oil and Gas Engineering Ltd (7)	#201,9637-45 Avenue Edmonton AB T6E 5Z8 CANADA	Intermediation in contract execution, coordination of design and engineering work, general trading activities	CERTIFICATE OF INCORPORATION Edmonton Alberta	consolidated	100.00%	100.00%	100.00%
Hydrobudowa Polska S.A. (8)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated	63.05%	63.05%	62.74%
P.R.G. Metro Sp. z o. o. (9)	ul. Wólczyńska 156 01-919 Warsaw POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court for the Capital City of Warsaw of Warsaw, XIII Commercial Division of the National Court Register	consolidated consolidated subsidiary of Hydrobudowa Polska S.A., consolidated in the consolidated financial statements of Hydrobudowa Polska S.A.	62.10%	62.10%	61.79%
Hydrobudowa 9 S.A. (10)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Construction of residential and non-residential property PKD 41.20.Z Construction of water projects PKD 42.91.Z Site preparation 43.12.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated consolidated subsidiary of Hydrobudowa Polska S.A., consolidated in the consolidated financial statements of Hydrobudowa Polska S.A.	63.05%	63.05%	62.74%
KWG S.A. (11)	Aleja Wojska Polskiego129, 70-490 Szczecin POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court of Szczecin, – XI Commercial Division of the National Court Register	consolidated	100.00%	100.00%	100.00%
Metorex Sp. z o.o. (12)	ul. Żwirki i Wigury 17A, 87-100 Toruń POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court of Toruń – VII Commercial Division of the National Court Register	consolidated	99.56%	99.56%	99.56%

All amounts in PLN thousand (unless otherwise indicated)

Name	Registered office	Conducted activities (according to PKD of 2007)	Competent court or other registration authority	Method of accounting	Group's ownership interest		
					Dec 31 2011	Dec 31 2010	Dec 31 2009
PBG Energia Sp. z o.o. (former PBG Export Sp. z o.o.) (13)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Construction of telecommunications and power lines PKD 42.22.Z	District Court for Kraków – Sródmiescie of Kraków, XI Commercial Division of the National Court Register	consolidated	99.95%	99.95%	99.95%
PBG Technologia Sp. z o.o. (14)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Manufacture of metal structures and parts of structures PKD 25.11.Z	District Court for Katowice-Wschód, VIII Commercial Division of the National Court Register	consolidated	100.00%	100.00%	100.00%
PBG Dom Sp. z o.o. (15)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Construction of residential and non-residential property PKD 41.20 Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated	100.00%	100.00%	100.00%
PBG Dom Invest III Sp. z o.o. (16)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	100.00%	100.00%	-
PBG Dom Invest III Sp. k. Sp. z o.o. (17)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	proportionate consolidation subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	100.00%	100.00%	-
PBG Erigo Sp. z o.o. formerly PBG Dom Invest VI Sp. z o.o.) (18)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	100.00%	100.00%	-

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Name	Registered office	Conducted activities (according to PKD of 2007)	Competent court or other registration authority	Method of accounting	Group's ownership interest		
					Dec 31 2011	Dec 31 2010	Dec 31 2009
Górecka Projekt Sp. z o.o. (19)	ul. Sienkiewicza 22, 60-900 Poznań POLAND	Development of building projects PKD 41.10. Z Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	100.00%	100.00%	100.00%
Villa Poznań Sp. z o.o. (20)	ul. Mazowiecka 42, 60-623 Poznań POLAND	Development of building projects PKD 41.10. Z Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	100.00%	100.00%	100.00%
Kino Development Sp. z o.o. (21)	ul. Marszałkowska 80, 00-517 Warszawa POLAND	Development of building projects PKD 41.10. Z Z	District Court for the Capital City of Warsaw of Warsaw, XIII Commercial Division of the National Court Register	consolidated subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	100.00%	100.00%	100.00%
PBG Dom Invest Limited (22)	4 Afentrikas, Afentrika Court Office 2 P.C. 6018 Larnaka Cyprus	Holding of securities	No data available	consolidated subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	100.00%	100.00%	-
PBG Dom Capital Limited (23)	4 Afentrikas, Afentrika Court Office 2 P.C. 6018 Larnaka Cyprus	Holding of investment assets	No data available	consolidated indirect subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	100.00%	100.00%	-

All amounts in PLN thousand (unless otherwise indicated)

Name	Registered office	Conducted activities (according to PKD of 2007)	Competent court or other registration authority	Method of accounting	Group's ownership interest		
					Dec 31 2011	Dec 31 2010	Dec 31 2009
SAMERU Sp. z o.o. (24)	ul. Mazowiecka 42, 60-623 Poznań POLAND	Other financial intermediation PKD 64.19.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated indirect subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	100.00%	-	-
Erigo I Sp. z o.o. (25)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Other financial intermediation PKD 64.19.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	99.00%	-	-
Erigo II Sp. z o.o. (26)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Other financial intermediation PKD 64.19.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	99.00%	-	-
Erigo III Sp. z o.o. (27)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Other financial intermediation PKD 64.19.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated subsidiary of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	99.00%	-	-
Strateg Mining Services Sp. z o.o. (28)	ul. Ratajczaka 19, 61-814 Poznań POLAND	No data available	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated	50.05%	-	-
Wschodni Invest Sp. z o.o. (29)	ul. Mazowiecka 42, 60-623 Poznań POLAND	Other financial intermediation PKD 64.19.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated	100.00%	100.00%	100.00%

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Name	Registered office	Conducted activities (according to PKD of 2007)	Competent court or other registration authority	Method of accounting	Group's ownership interest		
					Dec 31 2011	Dec 31 2010	Dec 31 2009
Energopol Ukraina (30)	ul. Kondratiuka 1, 04201 Kiev UKRAINE	Construction and assembly activities	Obolon District State Administration in Kiev	consolidated subsidiary of Wschodni Invest Sp. z o.o., consolidated in the consolidated financial statements of the Parent	51.00%	51.00%	51.00%
PBG Ukraina Publiczna Spółka Akcyjna (31)	ul. Kondratiuka 1, 04201 Kiev UKRAINE	Construction of buildings, construction of other structures, assembly and installation of prefabricated structures, assembly of metal structures, organisation of property construction projects, intended for sale or rental; engineering activities.	Obolon District State Administration in Kiev	consolidated	100.00%	100.00%	100.00%
PBG Operator Sp. z o.o. (formerly Revana Sp. z o.o.) (32)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Other credit granting PKD 64.92.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated	100.00%	100.00%	-
PBG Bułgaria Sp. z o.o. (33)	ul. Nikołaj Chajtov 2, Sofia 1113 BULGARIA	Industrial activities n.e.c., repair and installation of machinery and equipment	No data available	consolidated	100.00%	100.00%	-
HBP Drogi Sp. z o.o. (34)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated	100.00%	100.00%	-
Bathinex Sp. z o.o. (35)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated	100.00%	100.00%	-

All amounts in PLN thousand (unless otherwise indicated)

Name	Registered office	Conducted activities (according to PKD of 2007)	Competent court or other registration authority	Method of accounting	Group's ownership interest		
					Dec 31 2011	Dec 31 2010	Dec 31 2009
AQUA S.A. (36)	ul. Kanclerska 28, 60 – 327 Poznań POLAND	Engineering activities and related technical consultancy PKD 71.12.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	consolidated	81.70%	81.70%	-
PBG Invest 1 Sarl (37)	Boulevard du Prince Henri L-1724 Luxemburg 41,	No data available	No data available	consolidated	100.00%	-	-
PBG Invest 2 Sarl (38)	Boulevard du Prince Henri L-1724 Luxemburg 41,	No data available	No data available	consolidated	100.00%	-	-
PBG Invest 3 Sarl (39)	Boulevard du Prince Henri L-1724 Luxemburg 41,	No data available	No data available	consolidated	100.00%	-	-
Multaros Trading Company Limited (40)	Kostaki Pandelidi 1, Kolokasides Building, 3rd floor, 1010 Nicosia CYPRUS	No data available	No data available	consolidated	100.00%	-	-
Rafako S.A. (41)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Manufacture of steam generators except for central heating hot water boilers (25.30.Z)	District Court of Gliwice, X Commercial Division of the National Court Register	consolidated	62.42%	-	-
FPM SA Mikołów (42)	ul. Towarowa 11, 43-190 Mikołów, POLAND	Manufacture of ovens, furnaces and furnace burners (28.21.Z)	District Court of Gliwice, X Commercial Division of the National Court Register	consolidated	51.30%	-	-
PALSERWIS Sp. z o.o. (43)	ul. Towarowa 11, 43-190 Mikołów, POLAND	Manufacture of ovens, furnaces and furnace burners (28.21.Z)	District Court of Gliwice, X Commercial Division of the National Court Register	consolidated	51.30%	-	-
PGL-DOM Sp. z o.o. (44)	ul. Bukowa 1, 47-400 Racibórz, POLAND	Real estate activities with own property (68.32 Z)	District Court of Gliwice, X Commercial Division of the National Court Register	consolidated	62.42%	-	-

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Name	Registered office	Conducted activities (according to PKD of 2007)	Competent court or other registration authority	Method of accounting	Group's ownership interest		
					Dec 31 2011	Dec 31 2010	Dec 31 2009
Rafako Engineering Sp. z o.o. Racibórz (45)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Construction and process design, urban planning (71.12.Z)	District Court of Gliwice, X Commercial Division of the National Court Register	consolidated	62.42%	-	-
RAFAKO ENGINEERING SOLUTION doo (46)	Belgrade SERBIA	Process design, construction, industry, and environmental protection consultancy and supervision (74203)	Business Registers Agency of the Republic of Serbia	consolidated	48.06%	-	-
Rafako Hungary Kft. (47)	Budapest HUNGARY	Equipment assembly in the power and chemical industry	Registry Court of the Capital City of Budapest	consolidated	62.42%	-	-
Energomontaż - Południe S.A. (48)	ul. Mickiewicza 15, 40-951 Katowice POLAND	Other building installation NACE 45.34	District Court for Katowice-Wschód, Commercial Division of the National Court Register	consolidated	40.91%	25.00%	-
Modus II Sp. z o.o. (49)	ul. Mickiewicza 15/119, 40-951 Katowice POLAND	Development of building projects PKD 41.10. Z Z	District Court for Katowice-Wschód, Commercial Division of the National Court Register	consolidated	40.91%	25.00%	-
Joint Venture Alpine Bau GMBH, PBG SA, Aprivia SA, Hydrobudowa Polska SA Spółka cywilna. (50)	ul. 29 Listopada 10 00-465 Warsaw POLAND	Joint venture established to execute the project "Construction of the Kaczkowo section of the S5 Poznań (A-2 – Głuchowo interchange) – Wrocław (A-8 – Widawa interchange) expressway, the ring road of Bojanowo and Rawicz".		proportionate consolidation	40,00%	40.00%	-
GasOil Engineering a.s. (51)	Tatranska, 742 Spisska 05934 Teplice SLOVAKIA	Design services, project supervision services	Obchodný register Okresného súdu Prešov (Commercial Register of the District Court of Prešov)	equity	49.90%	62.45%	62.45%
Strateg Capital Sp. z o.o. (52)	ul. Ratajczaka 19, 61-814 Poznań POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	equity	48.80%	80.00%	-

The figures in the table above present the Group's ownership interests in the share capital of the entity.
The percentage shares in the share capital of the Group companies are presented as aggregate interest (percentage share held by the Parent in a subsidiary times percentage share of the subsidiary's interest in its subsidiary).
This applies to the entities of the Hydrobudowa Polska, PBG Dom, Aprivia, Wschodni Invest and RAFAKO S.A. groups.

1. Aprivia S.A. has been a subsidiary of PBG S.A. since March 18th 2008 – PBG S.A. holds 100% of the share capital of Aprivia S.A. Aprivia S.A. has been the parent of the Aprivia Group since October 8th 2008.

2. Betpol S.A. has been a subsidiary of Aprivia S.A. since October 8th 2008 – Aprivia S.A. holds 70% of the share capital of Betpol S.A. PBG S.A. indirectly holds 70% of the share capital of Betpol S.A.

3. Dromost Sp. z o.o. has been a subsidiary of Aprivia S.A. since October 8th 2008. Aprivia S.A. holds 99.99% of the share capital of Dromost Sp. z o.o. PBG S.A. indirectly holds 99.99% of the share capital of Dromost Sp. z o.o.

4. PRID S.A. has been a subsidiary of Aprivia S.A. since October 8th 2008 – Aprivia S.A. holds 100% of the share capital of PRID S.A. PBG S.A. holds indirectly 100% of the share capital of PRID S.A.

5. PBG Avatia Sp. z o.o. (formerly Avatia Sp. z o.o.) has been a subsidiary of PBG S.A. since February 15th 2008 – as at December 31st 2010, PBG S.A. held 99.80% of the share capital of PBG Avatia Sp. z o.o., as at December 31st 2011, the interest was 99.90% of the company's share capital.

6. Brokam Sp. z o.o. has been a subsidiary of PBG S.A. since August 16th 2007 – PBG S.A. holds 100% of the share capital of Brokam Sp. z o.o.

7. Excan Oil and Gas Engineering Ltd has been a subsidiary of PBG S.A. since April 5th 2007 – PBG S.A. holds 100% of the share capital of Excan Oil and Gas Engineering Ltd.

8. Hydrobudowa Polska S.A. is a subsidiary of PBG S.A. and the parent of the Hydrobudowa Polska Group. PBG S.A. holds 63.05% of the share capital of Hydrobudowa Polska S.A.

9. P.R.G. Metro Sp. z o.o. has been a subsidiary of Hydrobudowa Polska S.A. since September 12th 2008. Hydrobudowa Polska S.A. holds 98.49% of the share capital of P.R.G. Metro Sp. z o.o. Thus, PBG S.A. holds indirectly 62.10% of the share capital of P.R.G. Metro Sp. z o.o.

10. Hydrobudowa 9 S.A. has been a subsidiary of Hydrobudowa Polska S.A. since September 30th 2009. Hydrobudowa Polska S.A. holds 100% of the share capital of Hydrobudowa 9 S.A, thus, PBG S.A. indirectly holds 63.05% of the share capital of Hydrobudowa 9 S.A.

11. KWG S.A. has been a subsidiary of PBG S.A. since May 30th 2006 – PBG S.A. holds 100% of the share capital of KWG S.A.

12. Metorex Sp. z o.o. has been a subsidiary of PBG S.A. since January 13th 2005 – PBG S.A. holds 99.56% of the share capital of Metorex Sp. z o.o.

13. PBG Energia Sp. z o.o. (formerly PBG Export Sp. z o.o.) has been a subsidiary of PBG S.A. since April 2nd 2009 – PBG S.A. holds 99.95% of the share capital of PBG Energia Sp. z o.o.

14. PBG Technologia Sp. z o.o. (formerly Hydrobudowa Polska Konstrukcje Sp. z o.o.) has been a subsidiary of PBG S.A. since April 2nd 2009 – PBG S.A. holds 100% of the share capital of PBG Technologia Sp. z o.o.

15. PBG Dom Sp. z o.o. has been a subsidiary of PBG S.A. since April 12th 2007; it is also the parent of the PBG Dom Group. PBG S.A. holds 100.00% of the share capital of PBG Dom Sp. z o.o.

16. PBG Dom Invest III Sp. z o.o. has been a subsidiary of PBG Dom Sp. z o.o. since January 5th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Dom Invest III Sp. z o.o. PBG S.A. indirectly holds 100% of the share capital of PBG Dom Invest III Sp. z o.o.

17. PBG Dom Invest III Sp. z o.o. Sp. k. has been a subsidiary of PBG Dom Sp. z o.o. since January 5th 2010 – PBG Dom Sp. z o.o. is a limited partner (komandytariusz) in PBG Dom Invest III Sp. z o.o. Sp.k. and holds 50% of its share capital. PBG Dom Invest III Sp. z o.o. is the general partner (komplementariusz) and holds the other 50% of PBG Dom Invest III Sp. z o.o. Sp.k.'s share capital. PBG S.A. indirectly holds 100% of the share capital of PBG Dom Invest III Sp. z o.o. Sp. k.

18. PBG Erigo Sp. z o.o. (formerly PBG Dom Invest VI Sp. z o.o.) has been a subsidiary of PBG Dom Sp. z o.o. since September 28th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Erigo Sp. z o.o. PBG S.A. indirectly holds 100% of the share capital of PBG Erigo Sp. z o.o.

19. Górecka Projekt Sp. z o.o. has been a subsidiary of PBG Dom Sp. z o.o. since June 25th 2009 – PBG Dom Sp. z o.o. holds 100% of the share capital of Górecka Projekt Sp. z o.o. PBG S.A. indirectly holds 100% of the share capital of Górecka Projekt Sp. z o.o.

20. Villa Poznań Sp. z o.o. has been a subsidiary of PBG Dom Sp. z o.o. since November 3rd 2009 – PBG Dom Sp. z o.o. holds 100% of the share capital of Villa Poznań Sp. z o.o. PBG S.A. indirectly holds 100% of the share capital of Villa Poznań Sp. z o.o.

21. Kino Development Sp. z o.o. has been a subsidiary of PBG Dom Sp. z o.o. since November 27th 2009 – PBG Dom Sp. z o.o. holds 100% of the share capital of Kino Development Sp. z o.o. PBG S.A. indirectly holds 100% of the share capital of Kino Development Sp. z o.o.

22. PBG Dom Invest Limited Sp. z o.o. has been a subsidiary of PBG Dom Sp. z o.o. since November 29th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBGDom Limited Sp. z o.o. PBG S.A. indirectly holds 100% of the share capital of PBGDom Invest Limited Sp. z o.o.

23. PBG Dom Capital Limited Sp. z o.o. has been a subsidiary of PBG Dom Invest VI Sp. z o.o. since November 25th 2010 – PBG Dom Invest VI Sp. z o.o. holds 100% of the share capital of PBGDom Capital Limited Sp. z o.o. PBG S.A. indirectly holds 100% of the share capital of PBGDom Capital Limited Sp. z o.o.

24. SAMERU Sp. z o.o. has been a subsidiary of PBG Dom Sp. z o.o. since April 6th 2011 – PBG Dom Sp. z o.o. holds 100% of the share capital of SAMERU Sp. z o.o. As at December 31st 2011, PBG S.A. indirectly held 100% of the share capital of SAMERU Sp. z o.o.

25. ERIGO I Sp. z o.o. has been a subsidiary of PBG Dom Invest VI Sp. z o.o. since May 11th 2011 – PBG Dom Invest VI Sp. z o.o. holds 99% of the share capital of ERIGO I Sp. z o.o. As at December 31st 2011, PBG S.A. indirectly held 99% of the share capital of ERIGO I Sp. z o.o.

26. ERIGO II Sp. z o.o. has been a subsidiary of PBG Dom Invest VI Sp. z o.o. since May 11th 2011 – PBG Dom Invest VI Sp. z o.o. holds 99% of the share capital of ERIGO II Sp. z o.o. As at December 31st 2011, PBG S.A. indirectly held 99% of the share capital of ERIGO II Sp. z o.o.

27. ERIGO III Sp. z o.o. has been a subsidiary of PBG Dom Invest VI Sp. z o.o. since May 11th 2011 – PBG Dom Invest VI Sp. z o.o. holds 99% of the share capital of ERIGO III Sp. z o.o. As at December 31st 2011, PBG S.A. indirectly held 99% of the share capital of ERIGO III Sp. z o.o.

28. Strateg Mining Services Sp. z o.o. has been a subsidiary of PBG S.A. since November 4th 2011 – as at December 31st 2011, PBG S.A. held 50.05% of the share capital of Strateg Mining Services Sp. z o.o.

29. Wschodni Invest Sp. z o.o. has been a subsidiary of PBG S.A. since June 19th 2009; it is also the parent of the Wschodni Invest Group. PBG S.A. holds 100% of the share capital of Wschodni Invest Sp. z o.o.

30. Energopol Ukraina has been a subsidiary of Wschodni Invest Sp. z o.o. since June 19th 2009 – Wschodni Invest Sp. z o.o. holds 51% of the share capital of Energopol Ukraina. PBG S.A. indirectly holds 51% of the share capital of Energopol Ukraina.

31. PBG Ukraina, a public company limited by shares, has been a subsidiary of PBG S.A. since October 28th 2009. PBG S.A. holds 100% of the share capital of PBG Ukraina.

32. PBG Operator Sp. z o.o. (formerly Revana Sp. z o.o.) has been a subsidiary of PBG S.A. since August 30th 2010. PBG S.A. holds 100% of the share capital of PBG Operator Sp. z o.o.

33. PBG Bułgaria Sp. z o.o. has been a subsidiary of PBG S.A. since September 27th 2010. PBG S.A. holds 100% of the share capital of PBG Bułgaria Sp. z o.o.

34. HBP Drogi Sp. z o.o. (formerly Villalobos Sp. z o.o.) has been a subsidiary of PBG S.A. since October 5th 2010. PBG S.A. holds 100% of the share capital of HBP Drogi Sp. z o.o.

35. Bathinex Sp. z o.o. has been a subsidiary of PBG S.A. since October 14th 2010. PBG S.A. holds 100% of the share capital of Bathinex Sp. z o.o.

36. AQUA S.A. has been a subsidiary of PBG S.A. since December 21st 2010. PBG S.A. holds 81.70% of the share capital of AQUA S.A.

37. PBG Invest 1 Sarl has been a subsidiary of PBG S.A. since January 31st 2011. PBG S.A. holds 100% of the share capital of PBG Invest 1 Sarl.

38. PBG Invest 2 Sarl has been a subsidiary of PBG Invest 1 Sarl since January 31st 2011 – PBG Invest 1 Sarl holds 100% of the share capital of PBG Invest 2 Sarl. PBG S.A. holds indirectly 100% of the share capital of PBG Invest 2 Sarl.

39. PBG Invest 3 Sarl has been a subsidiary of PBG Invest 2 Sarl since January 31st 2011 – PBG Invest 2 Sarl holds 100% of the share capital of PBG Invest 3 Sarl. PBG S.A. holds indirectly 100% of the share capital of PBG Invest 3 Sarl.

40. Multaros Trading Company Limited has been a subsidiary of PBG S.A. since November 14th 2011 – PBG S.A. holds 100% of the share capital of Multaros Trading Company Limited.

41. RAFAKO S.A. has been a subsidiary of PBG S.A. since November 14th 2011 and the parent of the RAFAKO Group – PBG S.A. holds 62.42% of the share capital of RAFAKO S.A.

42. FPM S.A. has been a subsidiary of RAFAKO S.A. since February 26th 2008 – RAFAKO S.A. holds 82.19% of the share capital of FPM S.A. PBG S.A. indirectly holds 51.30% of the share capital of FPM S.A.

43. PALSERWIS Sp. z o.o. has been a subsidiary of FPM S.A. since December 14th 2007 – FPM S.A. holds 100% of the share capital of PALSERWIS S.A. RAFAKO indirectly holds 82.19% of the share capital of PALSERWIS S.A., thus PBG S.A. indirectly holds 51.30% of the share capital of PALSERWIS Sp. z o.o.

44. PGL-DOM Sp. z o.o. has been a subsidiary of RAFAKO S.A. since December 5th 1995 – RAFAKO S.A. holds 100% of the share capital of PGL-DOM Sp. z o.o. PBG S.A. indirectly holds 62.42% of the share capital of PGL-DOM Sp. z o.o.

45. RAFAKO Engineering Sp. z o.o. has been a subsidiary of RAFAKO S.A. since August 27h 2008 – RAFAKO S.A. holds 100% of the share capital of RAFAKO Engineering Sp. z o.o. PBG S.A. indirectly holds 62.42% of the share capital of RAFAKO Engineering Sp. z o.o.

46. RAFAKO Engineering Solution doo has been a subsidiary of RAFAKO S.A. since August 21st 2007 – RAFAKO S.A. holds 77.00% of the share capital of RAFAKO Engineering Solution doo. PBG S.A. indirectly holds 48.06% of the share capital of RAFAKO Engineering Solution doo.

47. RAFAKO Hungary Kft. has been a subsidiary of RAFAKO S.A. since March 2nd 2011 – RAFAKO S.A. holds 100% of the share capital of RAFAKO Hungary Kft. PBG S.A. indirectly holds 62.42% of the share capital of RAFAKO Hungary Kft.

48. Energomontaż-Południe S.A. has been a subsidiary of RAFAKO S.A. since December 20th 2011. As at December 31st 2011, RAFAKO S.A. held 64.84% of the share capital of Energomontaż-Południe S.A., thus PBG S.A. indirectly held 40.47% and directly held 0.44% of the share capital of Energomontaż-Południe S.A., and in total – 40.91% of the share capital of Energomontaż-Południe S.A. In the period from February 17th 2010 to June 20th 2011, Energomontaż-Południe S.A. was

an associate of PBG S.A., in which PBG S.A. held a 25% interest. On June 20th 2011, PBG S.A. sold shares in representing 1.155% of the company's share capital. On June 21st 2011, the Parent acquired further shares, as a result of which PBG's ownership interest in the company's share capital increased to 64.84%. As at June 30th 2011, PBG's ownership interest in Energomontaż-Południe SA was 65.80%. Energomontaż-Południe S.A. was a subsidiary of PBG S.A. until December 19th 2011 – PBG S.A. directly held 65.28% of the share capital of Energomontaż-Południe S.A.

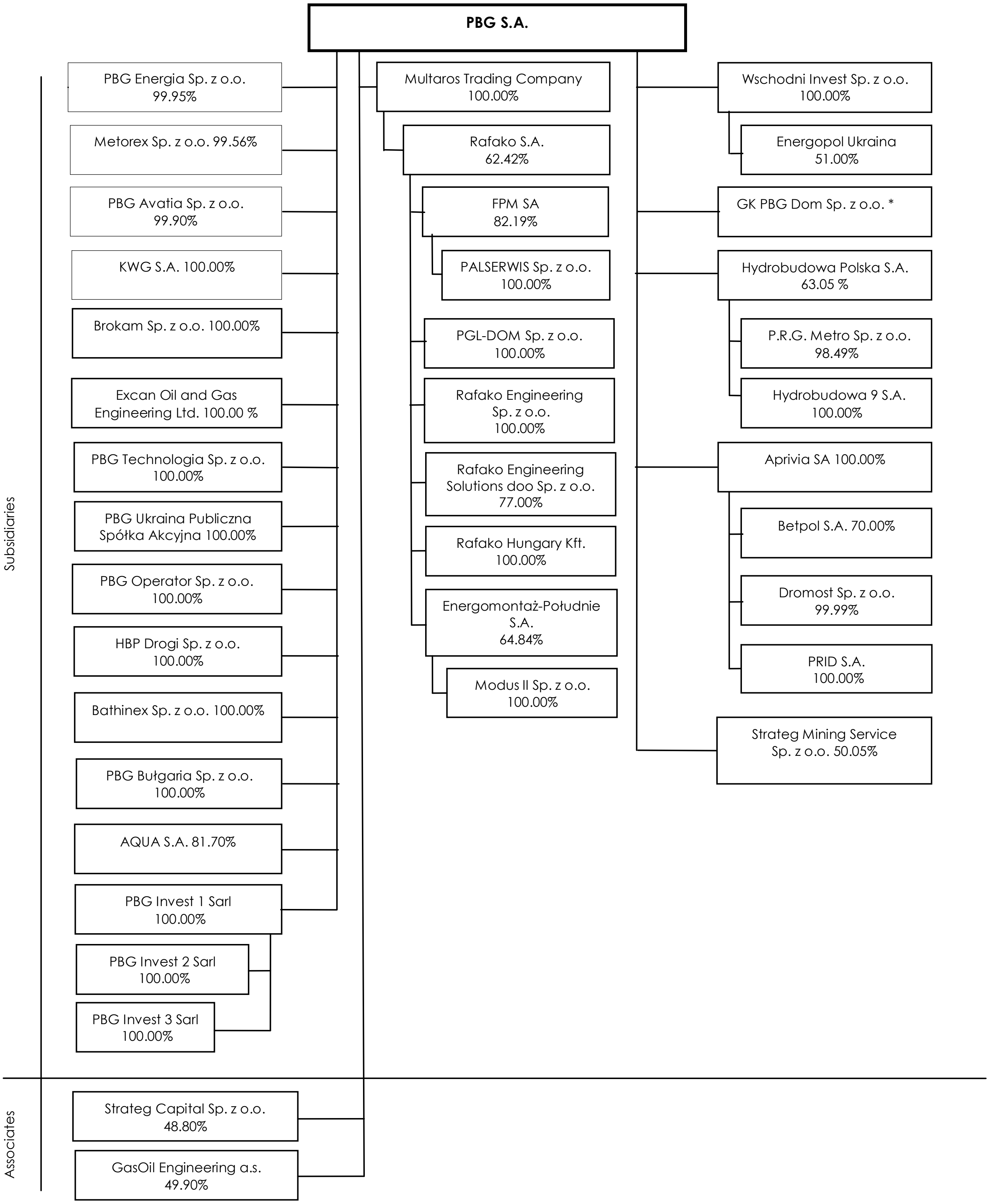
49. Modus II Sp. z o.o. has been a subsidiary of Energomontaż Południe S.A. since September 27th 2007. Energomontaż Południe S.A. holds 100% of the share capital of Modus II Sp. z o.o. Thus, PBG S.A. holds indirectly 40.91% of the share capital of Modus II Sp. z o.o.

50. Joint venture Alpine Bau GMBH, PBG S.A., Aprivia S.A., Hydrobudowa Polska S.A. Spółka Cywilna, was established to execute project "Construction of the Kaczkowo section of the S5 Poznań (A-2 – Głuchowo interchange) – Wrocław (A-8 – Widawa interchange) expressway, the ring road of Bojanowo and Rawicz". The investment is proportionally accounted for.

51. GasOil Engineering a.s. was a subsidiary of PBG S.A. from April 12th 2007 to September 29th 2011 – PBG S.A. held 62.45% of the share capital of GasOil Engineering a.s. Since September 30th 2011, GasOil Engineering a.s. has been an associate of PBG S.A. As at December 31st 2011, PBG S.A. held 49.90% of the share capital of GasOil Engineering a.s.

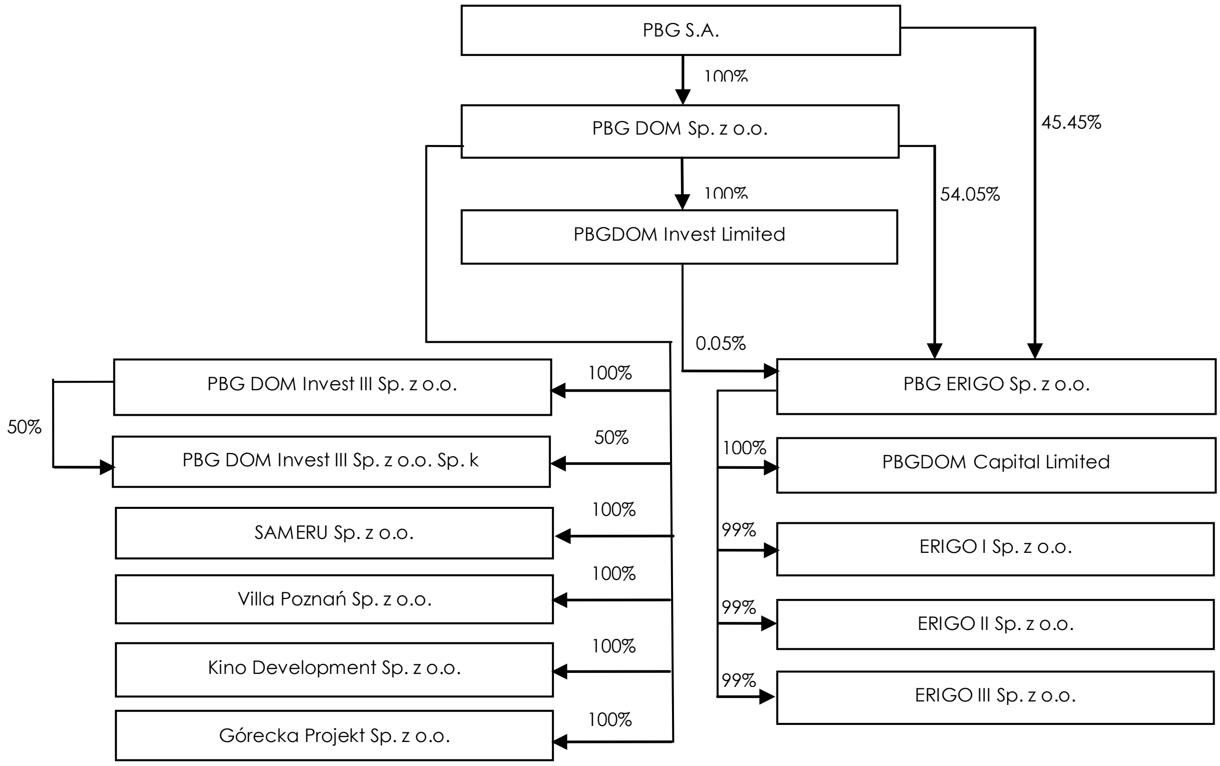
52. Strateg Capital Sp. z o.o. was a subsidiary of PBG S.A. from October 13th 2010 to September 25th 2011 – PBG S.A. held 80% of the share capital of Strateg Capital Sp. z o.o. Since September 26th 2011, Strateg Capital Sp. z o.o. has been an associate of PBG S.A. As at December 31st 2011, PBG S.A. held 48.80% of the share capital of Strateg Capital Sp. z o.o.

STRUCTURE OF THE PBG GROUP AS AT DECEMBER 31ST 2011



* The structure of the PBG Dom Group is presented below.

Structure of the PBG Dom Group as at December 31st 2011



Accounting for indirect subsidiaries

Hydrobudowa Polska S.A. has the following subsidiaries:

- P.R.G. Metro Sp. z o.o., and
- Hydrobudowa 9 S.A.

All the companies comprising the Hydrobudowa Polska Group are consolidated in the consolidated financial statements of the Hydrobudowa Polska Group.

Aprivia S.A. has the following subsidiaries:

- Betpol S.A.,
- Dromost S.A.,
- Przedsiębiorstwo Robót Inżynieryjno–Drogowych S.A.

As at December 31st 2010, these companies were consolidated in the consolidated financial statements of the Aprivia Group.

PBG Dom Sp. z o.o. has the following subsidiaries:

- PBG Dom Invest III Sp. z o.o.,

- PBG Dom Invest III Sp. z o.o. Sp. k.,
- PBG ERIGO Sp. z o.o. (formerly PBG Dom Invest VI Sp. z o.o.),
- Górecka Projekt Sp. z o.o.,
- Villa Poznań Sp. z o.o.,
- Kino Development Sp. z o.o.
- ERIGO I Sp. z o.o.,
- ERIGO II Sp. z o.o.,
- ERIGO III Sp. z o.o.,
- PBG Dom Invest Limited Sp. z o.o.,
- PBG Dom Capital Limited Sp. z o.o.,
- Sameru Sp. z o.o.

As at December 31st 2011, PBG Dom Sp. z o.o. did not prepare consolidated financial statements. The companies are consolidated at the level of the Parent, i.e. PBG S.A.

Wschodni Invest Sp. z o.o. has one subsidiary – Energopol Ukraina. At December 31st 2011, the company did not prepare consolidated financial statements. The company is consolidated at the level of the Parent, i.e. PBG S.A.

RAFAKO S.A. has the following subsidiaries:

- FPM S.A. (FPM S.A. has one subsidiary – PALSERWIS Sp. z o.o.),
- PGL-DOM Sp. z o.o.
- Rafako ENGINEERING Sp. z o.o.
- Rafako ENGINEERING SOLUTION doo
- Rafako Hungary Kft.
- Energomontaż-Południe S.A. (Energomontaż-Południe S.A. has one subsidiary – MODUS II Sp. z o.o.).

As at December 31st 2011, the companies were consolidated in the consolidated financial statements of the RAFAKO Group.

Accounting for associates

As at December 31st 2011, the interests in associates were accounted for with the equity method. For detailed information on associates, see section 3.6. Equity-accounted entities are:

- Strateg Capital Sp. z o.o.
- GasOil Engineering a.s.

Accounting for jointly-controlled entities

For detailed information on investments in joint ventures, see section 3.7. of the consolidated financial statements.

In the period covered by these consolidated financial statements, certain transactions resulted in reorganisation of the PBG Group. For a description of the effect these transactions had on the Group's financial standing and assets, see section 5 on business acquisitions and disposals of subsidiaries.

CHANGE IN PBG S.A.'S INTEREST IN THE GROUP'S SUBSIDIARIES IN THE REPORTING PERIOD

2010

Incorporation of PBG Invest 1 Sarl

On January 31st 2011, PBG Invest 1 Sarl was incorporated in Luxembourg. PBG SA holds 100% of shares in the company.

Reduction of PBG's ownership interest in Strateg Capital Sp. z o.o.

The share capital of Strateg Capital Sp. z o.o. amounts to PLN 250 thousand, and is divided into 250 (two hundred fifty) equal shares with a par value of PLN 1,000 per share.

At January 1 2011, PBG S.A. held 200 shares with a total par value of PLN 200 thousand, representing 80.00% of the share capital and total vote at the general meeting of Strateg Capital Sp. z o.o. On September 26th 2011, the PBG Management Board and a natural person entered into a share sale agreement whereby PBG S.A. sold 78 (seventy eight) shares in Strateg Capital Sp. z o.o.

Following the transaction, the Parent holds 122 shares in the company, representing 48.80% of the share capital and total vote at the general meeting of Strateg Capital Sp. z o.o. On September 26th 2011, the PBG Management Board decided to reject the offer to repurchase shares (Share Purchase Option) in Strateg Capital. A written statement of refusal was issued on October 26th 2011.

Strateg Capital Sp. z o.o. was recognised as an associate in the financial statements as at December 31st 2011.

The financial result of the transaction recognised in the consolidated financial statements as at December 31st 2011 was PLN 1 thousand. The Parent's residual interest in the company held as at the balance-sheet date was an investment in associates and accounted for with the equity method. Pursuant to IAS 27, as at the date of loss of control, the Parent was required to recognise the residual interest at fair value. The fair value of the interest in Strateg Capital Sp. z o.o. (associate) was determined based on an appraiser's valuation and stood at PLN 22,243 thousand as at the balance-sheet date.

Reduction of Parent's interest in GasOil Engineering a.s. of Poprad, Slovakia

As at January 1st 2011, PBG held 1,249,167 shares in GasOil Engineering a.s. of Poprad, Slovakia, representing 62.45% of its share capital and the same proportion of the total vote. On September 30th 2011, the PBG Management Board sold the equity interest in GasOil Engineering a.s. The transaction involved sale of 251,067 shares in GasOil Engineering a.s. (GOE) by PBG S.A. The shares, with a par value of EUR 0.332 per share, were sold to Mr Marian Siska, CEO of GOE, for PLN 1,201,000.26.

The PBG Management Board decided to waive its right to demand that the shares in GasOil Engineering a.s. be transferred back to PBG S.A. by September 30th 2016 (right to repurchase).

Following the transaction, PBG S.A. holds shares representing 49.90% of the company's share capital and the same proportion of the total vote.

GasOil Engineering a.s. was recognised as an associate in the financial statements as at December 31st 2011.

The financial result of the transaction recognised in the consolidated financial statements as at December 31st 2011 was PLN 2 thousand. The Parent's residual interest in the company held as at the balance-sheet date was an investment in associates and accounted for with the equity method. Pursuant to IAS 27, as at the date of loss of control, the Parent was required to recognise the residual interest at fair value. The fair value of the interest in GasOil Engineering a.s (associate) was determined based on an appraiser's valuation and stood at PLN 10,029 thousand as at the balance-sheet date.

Purchase of shares in Strateg Mining Services Sp. z o.o.

On November 4th 2011, the Parent’s Management Board executed an agreement whereby the Parent acquired 1,001 (one thousand and one) shares in Strateg Mining Services Sp. z o.o., which represent 50.05% of its share capital, and confer the right to 50.05% of vote at the general meeting.

The share capital of Strateg Mining Services Sp. z o.o. is PLN 100 thousand, and is divided into 2,000 (two thousand) equal shares with a par value of PLN 50.00 per share.

Acquisition of RAFAKO shares

In the period June 28th - September 30th 2011, PBG S.A. acquired 4,642,000 ordinary bearer shares in RAFAKO S.A. of Racibórz on the Warsaw Stock Exchange, representing 6.67% of the share capital of RAFAKO.

In October 2011, the Parent acquired another 4,003,608 ordinary bearer shares in RAFAKO S.A. Following the transaction, as at October 30th 2011 the Parent held 8,645,608 RAFAKO shares, representing 12.42% of the RAFAKO share capital and conferring the right to 12.42% of total vote at the general meeting.

On November 14th 2011, PBG S.A. acquired from ARGUMENOL of Nicosia (a company organised under the laws of Cyprus) 526,000 shares, with a par value of EUR 1.00 per share and an aggregate value of EUR 526,000, representing 100% of the share capital of MULTAROS Trading Company Limited of Nicosia (a company organised under the laws of Cyprus). The acquisition of the MULTAROS shares constituted an investment vehicle whereby PBG S.A. intends to indirectly acquire 34,800,001 shares in RAFAKO S.A. of Racibórz held by MULTAROS, which represent 50.000001% of the share capital of RAFAKO S.A. and the same proportion of the total vote at the shareholders meeting of RAFAKO S.A.

The parties agreed that the purchase price for 100% of the shares in MULTAROS would amount to PLN 460,000 thousand and would be payable in the following manner:

- the 1st instalment of PLN 100,000 thousand – within 14 days from the date of the agreement;
- the 2nd instalment of PLN 200,000 thousand – by December 15th 2011;

- the 3rd instalment of PLN 160,000 thousand – by January 5th 2012.

As at the acquisition of control (November 14th 2011), the 12.42% interest in RAFAKO held at that date was measured at its current market value. The difference of PLN 17,755 thousand (including 19% deferred tax) between the purchase price of shares and their fair value, attributable to the remeasurement, was recognised in PBG's consolidated financial result.
On this basis, it was assumed that the price of the controlling interest in RAFAKO (62.42% of RAFAKO shares) is PLN 536,081 thousand. Shares attributable to non-controlling interest were measured to calculate the total value of RAFAKO shares.
In accordance with the revised IFRS 3 and accounting policies in place at the PBG Group, goodwill resulting from acquisition of a subsidiary is calculated based on total company value and fair value of its net assets. The value of RAFAKO shares attributable to non-controlling interests was therefore determined based on their market price as at the date PBG acquired control over RAFAKO, and amounted to PLN 230,159 thousand.
The value of RAFAKO's net assets, which is one of the parameters used to calculate the acquisition goodwill, was provisionally set at the carrying amount of net assets as at the acquisition of control. This method was used as there is no other way to measure fair value of those assets.

Goodwill arising from acquisition of control over RAFAKO S.A. was determined in the following manner:

	PLN '000
Fair value of the payment for controlling interest 50%+1	460,000
Fair value of RAFAKO shares purchased before acquisition of control	76,081
Fair value of non-controlling interests	230,159
Fair value of payment	**766,240**
Fair value of acquired net assets of RAFAKO S.A. as at acquisition of control, i.e. October 31st 2011	385,214
Goodwill determined in accordance with IFRS 3	381,026

The goodwill recognised upon acquisition of control over Rafako was allocated to the power engineering segment.
By the date of these consolidated financial statements, the measurement of fair value of the acquired assets and liabilities of RAFAKO S.A. had not been completed. Final estimates will be available within 12 months following the date of acquisition.

Changes of ownership interest in ENERGOMONTAŻ-POŁUDNIE SA

As at December 31st 2010, PBG S.A. held 17,743,002 shares in Energomontaż-Południe S.A., conferring the right to 17,743,002 votes, or 25.00% of the total vote, at the company's general meeting.
On June 20th 2011, PBG S.A. sold, outside of the regulated market, 820,000 shares in Energomontaż-Południe S.A., representing 1.155% of the company's share capital.
On June 21st 2011, PBG S.A. acquired 29,098,518 ordinary bearer shares in Energomontaż-Południe S.A., for PLN 119,303,923.80.

As a consequence, following the acquisition, PBG S.A. held 46,021,520 shares, representing 64.84% of the share capital and total vote at Energomontaż-Południe S.A.

At June 30th 2011, Energomontaż-Południe S.A. held 678,250 of its own shares, which effectively increased PBG S.A.'s ownership interest in the company to 65.8% as at the same date.

In July 2011, the company sold the shares on the regulated market.

On September 7th 2011, PBG S.A. acquired 312,000 ordinary bearer shares in Energomontaż-Południe S.A., for PLN 999 thousand.

As a consequence, following the transaction, PBG S.A. held 46,333,520 shares, representing 65.28% of the share capital and total vote at Energomontaż-Południe S.A.

On December 20th 2011, the PBG Management Board executed an agreement with RAFAKO S.A. for sale of shares in Energomontaż-Południe S.A. Pursuant to the agreement, PBG sold 46,021,520 ordinary bearer shares in Energomontaż-Południe S.A., which represent 64.84% of the company's share capital and 64.84% of the total vote at the general meeting, conferring the right to 46,021,520 votes.

Under the agreement, PBG agreed to sell the shares to RAFAKO, and RAFAKO agreed to buy the shares for a price of PLN 160,154 thousand, i.e. PLN 3.48 (three złoty, forty eight grosz) per share. The amount was paid on the day the shares were transferred to RAFAKO's account following a transaction executed outside the regulated market through a brokerage house.

Further under the agreement, RAFAKO will be obliged to make an additional payment to PBG of PLN 30,000,000 over and above the price if the company: (i) earns net profit of no less than PLN 20,000,000 for the financial year 2012, and (ii) earns net profit of no less than PLN 35,000,000 for the financial year 2013, to be determined based on EPD’s financial statements, approved by the company’s general meeting, for the financial years 2012 and 2013, respectively.

CHANGES AT INDIRECT SUBSIDIARIES DURING THE PERIOD

Incorporation of PBG Invest 1 Sarl's subsidiaries

On January 31st 2011, PBG Invest 2 Sarl was incorporated in Luxembourg as a subsidiary of PBG Invest 1 Sarl. PBG Invest 1 Sarl holds 100% of shares in the company.

On January 31st 2011, PBG Invest 3 Sarl was incorporated in Luxembourg as a subsidiary of PBG Invest 2 Sarl. PBG Invest 2 Sarl holds 100% of shares in the company.

Changes in the PBG Dom Group

In the period from January 1st to December 31st 2011, PBG Dom Sp. z o.o. executed certain equity transactions discussed below which resulted in the loss of control over the following companies:

- PBG ERIGO Fundusz Inwestycyjny Zamknięty
- PBG ERIGO Projekt Sp. z o.o.
- PBG ERIGO Finanse Sp. z o.o.
- PBG Dom Invest X Sp. z o.o.
- PBG Dom Invest X Sp. z o.o. Invest I S.K.A.
- PBG Dom Invest X Sp. z o.o. Złotowska 51 S.K.A.
- City Development Sp. z o.o
- Quadro House Sp. z o.o.

- ECORIA Sp. z o.o. (formerly PBG Dom Invest VI Sp. z o.o.),
- ECORIA II Sp. z o.o. (formerly PBG Dom Invest V Sp. z o.o.)
- Strzeszyn Sp. z o.o. (formerly PBG Dom Invest VII Sp. z o.o.)
- Malta Hotel Sp. z o.o. (formerly PBG Dom Invest IX Sp. z o.o.)
- Platan Hotel Sp. z o.o. (formerly PBG Dom Invest VIII Sp. z o.o.).

The equity interests in these companies were transferred to PBG Erigo FIZ. The financial assets held in PBG Erigo FIZ are recognised in the consolidated financial statements as financial assets at fair value through profit or loss (see section 12.5).

During the period under review, PBG Dom Sp. z o.o. established PBG Dom Invest Limited Sp. z o.o. of Larnaca (a company organised under the laws of Cyprus) with a share capital of EUR 1,000.00. PBG Dom Invest VI Sp. z o.o. established PBG Dom Capital Limited Sp. z o.o. of Larnaca with a share capital of EUR 1,000.00.

On March 7th 2011, a transaction was registered, whereby PBG Dom Sp. z o.o. transferred to PBG Dom Invest VI Sp. z o.o. 200 shares in Złotowska 51 Sp. z o.o. with a par value of PLN 500.00 per share and an aggregate value of PLN 100,000.00, representing 100% of shares in Złotowska 51 Sp. z o.o., as well as 500 shares in PBG Dom Invest I Sp. z o.o. with a par value of PLN 100.00 per share and an aggregate value of PLN 50,000.00, representing 100% of shares in PBG Dom Invest I Sp. z o.o. PBG Dom transferred the ownership title to the shares by way of a non-cash contribution to pay for the new shares with a total value of PLN 150,000.00, issued by PBG Dom Invest VI Sp. z o.o.
In March 2011, PBG Dom Invest VI Sp. z o.o. transferred to PBG Dom Capital Limited Sp. z o.o. 200 shares in Złotowska 51 Sp. z o.o. with a par value of PLN 500.00 per share and an aggregate value of PLN 100,000.00, representing 100% of shares in Złotowska 51 Sp. z o.o., as well as 500 shares in PBG Dom Invest I Sp. z o.o. with a par value of PLN 100.00 per share and an aggregate value of PLN 50,000.00, representing 100% of shares in PBG Dom Invest I Sp. z o.o. PBG Dom Invest VI Sp. z o.o. transferred the ownership title to the shares by way of a non-cash contribution to pay for new shares with a total value of EUR 9,000.00, issued by PBG Dom Capital Limited Sp. z o.o.

Also, PBG Dom Sp. z o.o. transferred to PBG Dom Invest Limited Sp. z o.o. 100 shares in PBG Dom Invest VI Sp. z o.o. with a par value of PLN 50 per share, representing 3% of shares in PBG Dom Invest VI Sp. z o.o. PBG Dom Sp. z o.o. transferred the ownership title to the shares by way of a non-cash contribution, to pay for the new shares with a total value of EUR 1,000, issued by PBG Dom Invest Limited Sp. z o.o.

In March 2011, PBG Dom Capital Limited sold to PBG Dom Invest X Sp. z o.o. four shares in Złotowska 51 Sp. z o.o., with a par value of PLN 500 per share, and four shares in PBG Dom Invest X Sp. z o.o., with a par value of PLN 100 per share, for a total of PLN 123,816.

In March 2011, a contribution by PBG DOM Capital Limited of Larnaca (Cyprus) of 98% of shares in Złotowska 51 Sp. z o.o. and 99.2% of shares in PBG Dom Invest I Sp. z o.o. to a private equity fund Spatium

Aktywów Niepublicznych III Fundusz Inwestycyjny Zamknięty represented by TRIGON TFI S.A. of Kraków was registered as payment for the fund's investment certificates with a value of PLN 14,122,000.00.
On March 23rd 2011, PBG Dom Invest I Sp. z o.o. was transformed into Spółka Komandytowo-Akcyjna PBG Dom Invest X Sp. z o.o. InvestI S.K.A.

On April 6th 2011, PBG Dom Sp. z o.o. acquired 100% shares in SAMERU Sp. z o.o. The company's share capital amounts to PLN 5,000.00 and is divided into 50 shares with a par value of PLN 100.00 per share. One share carries one vote.

On May 11th 2011, PBG Dom Invest VI Sp. z o.o., acquired shares in the following companies:

- - 98% shares in ERIGO I Sp. z o.o. of Wysogotowo, Poland
- - 98% shares in ERIGO II Sp. z o.o. of Wysogotowo, Poland
- - 98% shares in ERIGO III Sp. z o.o. of Wysogotowo, Poland
- - 98% shares in PBG ERIGO Finanse Sp. z o.o. of Wysogotowo, Poland
- - 98% shares in PBG ERIGO Projekt Sp. z o.o. of Wysogotowo, Poland

The share capital of each of these companies amounts to PLN 5,000.00 and is divided into 100 shares with a par value of PLN50 per share. One share carries one vote.
The companies are SPVs established to execute property development projects in the future. The business of these entities is other financial intermediation.

Change of name and form of incorporation of Złotowska 51 Sp. z o.o.
On April 1st 2011, Złotowska 51 Sp. z o.o. was transformed into Spółka Komandytowo-Akcyjna PBG Dom Invest X Sp. z o.o. Złotowska 51 S.K.A.

Changes of subsidiaries' names
In the period from July 19th to August 25th 2011, the following changes of names of the PBG Dom Group subsidiaries were registered:

- July 19th 2011: change of name from PBG Dom Invest IV Sp. z o.o. to Ecoria Sp. z o.o.;
- July 19th 2011: change of name from PBG Dom Invest V Sp. z o.o. to Ecoria II Sp. z o.o.;
- August 2nd 2011: change of name from PBG Dom Invest VII Sp. z o.o. to Strzeszyn Sp. z o.o.;
- August 2nd 2011: change of name from PBG Dom Invest IX Sp. z o.o. to Hilton Poznań Sp. z o.o.;
- August 9th 2011: change of name from PBG Dom Invest VIII Sp. z o.o. to Hilton Świnoujście Sp. z o.o.;
- August 25th 2011: change of name from PBG Dom Invest VI Sp. z o.o. to PBG Erigo Sp. z o.o.

The changes were related to the launch of development projects.

Loss of control over the PBG Dom Group
On October 10th 2011, a part of development operations previously conducted by the PBG Dom Group was transferred to PBG Erigo FIZ, established specifically for this purpose. Such structure of the transaction resulted in conversion of the existing company shares into investment certificates. In the opinion of the PBG Management Board, upon transfer of the shares to PBG Erigo FIZ the Group lost control over the SPVs contributed to PBG Erigo FIZ because:

- The powers of the general meeting of certificate holders have been limited to such powers as are prescribed in the Act on Investment Funds (according to the Act, a fund is not a subsidiary of any certificate holder, even if a given certificate holder holds the majority or even all investment certificates).
- Under the Act on Investment Funds and the Cooperation Agreement between PBG, PBG Dom Capital Ltd. (Cyprus), (PBG Dom Capital Ltd holds the certificates issued by PBG Erigo FIZ) and Trigon TFI (the Management Company) (Cooperation Agreement), the rules of cooperation between certificate holders and the Management Company were established. Pursuant to the Cooperation Agreement, the Management Company is responsible for the financial and operating activities of the development companies. Certificate holders cannot directly influence the Management Company's management decisions and strategy with respect to the portfolio companies.
- The Advisory Committee set up under the Cooperation Agreement, comprising mostly employees of the Group or persons related to the Group, is only an advisory body to PBG Erigo FIZ. The Advisory Committee does not have the capacity to influence the Management Company's and the fund's management decisions and strategy with respect to the portfolio companies.
- Certificate holders may exclude the Management Company from the Cooperation Agreement at any time. However, this is not a manifestation of certificate holders' control over the fund.
- A certificate holder does not have the authority to select the fund's partners in a manner which would be binding for the Management Company or the fund. The Advisory Committee may only recommend partners for cooperation with the fund or its subsidiaries. Such recommendations are not binding on the fund, the Management Company or the fund's subsidiaries. The restrictions specified in Par. 19 of the Cooperation Agreement do not apply to recommendations of the Advisory Committee.
- The Group does not intend to gain undue benefit from cooperation with the fund's subsidiaries. All material contracts executed by the fund's special purpose vehicles, in particular contracts for which entities of the Group have submitted their bids, are performed on an arm's length basis and each time are awarded following a tender procedure. Carrying out of tender procedures does not fall within the scope of duties of the Advisory Committee.
- The portfolio companies and the Management Company do not have, and do not intend to have, an interlocking directorate with the governing bodies of any certificate holder, which might indicate that a given certificate holder has control over such entities.
- Corporate general partners are subsidiaries of the fund and not the subsidiaries of any certificate holder.

In view of the above factual and formal findings, the PBG Group has excluded the development operations - contributed as SPVs to the closed-end investment fund in exchange for the fund's certificates - from consolidation and recognise the acquired investment certificates as an equity investment.

The Group recognises such investments as financial assets at fair value through profit or loss. Therefore, the Group will be required to measure the investment certificates at fair value as at each balance-sheet date, i.e. each quarter. As at December 31st 2011, the certificates were measured at PLN 17,141 thousand (see section 12.4).

Disposal of subsidiary by Hydrobudowa 9 S.A.

On March 31st 2011, Hydrobudowa 9 S.A., a Group subsidiary, concluded a share sale agreement with COLIMA Sp. z o.o., whereby it sold all 60,000 (sixty thousand) shares in Gdyńska Sp. z o.o. with a par value of PLN 50,00 per share.

Change of name of PBG subsidiary

On February 3rd 2011, the District Court for Kraków-Śródmieście of Kraków, XI Commercial Division of the National Court Register, registered the change of company name from PBG Export Sp. z o.o. to PBG Energia Sp. z o.o. The change of the name reflected the change in the company's business profile.

Sale of shares in Amontex Przedsiębiorstwo Montażowe Sp. z o.o. by Energomontaż-PołudnieS.A.

On August 18th 2011, the Management Board of Energomontaż-Południe S.A. executed an agreement on sale of the entire interest in Amontex Przedsiębiorstwo Montażowe Sp. z o.o. (Amontex) to a natural person.
The shareholding in Amontex was acquired in 2008 in performance of one of the objectives of the Series C shares issue, i.e. purchase of assets with a view to expanding and diversifying Energomontaż-Południe's operations through acquisitions.
Under the sale agreement, Energomontaż-Południe sold 6,000 Amontex shares, representing 100% of the company's share capital.

Registration of merger between Energomontaż-Południe S.A. and subsidiary EP Hotele i Nieruchomości Sp. z o.o.

On August 25th 2011, the District Court of Katowice-Wschód of Katowice, VIII Commercial Division of the National Court Register, registered a merger of Energomontaż-Południe S.A. with its subsidiary EP Hotele i Nieruchomości Sp. z o.o. ("EP Hotele i Nieruchomości").
The combination was effected under Art. 492.1.1 of the Commercial Companies Code through a transfer of all assets of EP Hotele i Nieruchomości, as the acquiree, to Energomontaż-Południe, as the acquirer (merger through acquisition). The merger was executed without increasing Energomontaż-Południe's share capital, under Art. 515.1 of the Commercial Companies Code.
The acquiree, EP Hotele i Nieruchomości, conducted hospitality and catering activities at a holiday centre in Mrzeżyno (until April 2011) and at a hotel in Będzin Łagisza.
The acquiree was incorporated by virtue of a notarial deed of June 21st 2002 and operated under the name of EP Centrum Rekreacji Sp. z o.o. In February 2009, the company's name was changed to EP Hotele i Nieruchomości Sp. z o.o. The company's share capital amounted to PLN 70,500 and was divided into 141 shares with a par value of PLN 500 per share. Energomontaż-Południe S.A. held 100% of shares in EP Hotele i Nieruchomości.

The management board of Energomontaż-Południe S.A. decided to merge the companies in order to streamline the structure of the Energomontaż-Południe Group and reduce its operating expenses.

2010

ACQUISITION OF EQUITY INTERESTS IN SUBSIDIARIES

Share capital increase in PBG Dom Sp. z o.o.

On February 17th 2010, by way of Resolution No. 1, the Extraordinary General Meeting of PBG Dom Sp. z o.o. increased the company's share capital from PLN 12,357,000 to PLN 55,000,000, i.e. by PLN 42,643,000, by issuing 426,428 new shares with a par value of PLN 100.00 (one hundred złoty) per share. The share capital increase was registered on March 29th 2010.

All new shares were paid for with cash and acquired by PBG, the existing shareholder. Following the transaction, the Parent continues to hold 100% of the share capital of PBG Dom Sp. z o.o.

Increase of equity interest in Hydrobudowa Polska S.A.

Following a block transaction in which PBG S.A. acquired 650,507 shares of Hydrobudowa Polska S.A. at a price of PLN 3.60 per share, effected on April 12th 2010, PBG's interest in the share capital increased to 132,748,692 shares, which represent 63.05% of the share capital and total vote. Prior to the transaction, PBG S.A. held 132,098,185 shares of Hydrobudowa Polska S.A., which represented 62.74% of the share capital and the total vote.

Incorporation of PBG Bułgaria Sp. z o.o.

On July 27th 2010, PBG Bułgaria Sp. z o.o. of Sofia, a subsidiary, was incorporated.

The company's share capital is BGN 35 thousand. All shares in the company's share capital were paid for in cash. PBG S.A. holds 100% of PBG Bułgaria Sp. z o.o.'s share capital and total vote.

The company's business encompasses a broad range of industrial activities.

Purchase of shares in PBG Operator Sp. z o.o. (former Revana Sp. z o.o.)

On August 30th 2010, PBG S.A., the Parent, purchased 50 shares in Revana Sp. z o.o. of Poznań with a par value of PLN 100.00 per share.

The company's share capital amounts to PLN 5 thousand and is divided into 50 shares with a par value of PLN 100.00 per share.

The shares, purchased for PLN 5 thousand, represent 100% of the company's share capital.

Revana Sp. z o.o. provides financial intermediation services. PBG does not intend to change the company's business.

On October 29th 2010, the District Court for Poznań – Nowe Miasto and Wilda of Poznań registered the change of the company name to HBP Operator Sp. z o.o.

Purchase of shares in HBP Drogi Sp. z o.o. (former Villalobos Sp. z o.o.) by PBG S.A.

On October 5th 2010, PBG S.A. purchased 50 shares in Villalobos Sp. z o.o. of Poznań with a par value of PLN 100.00 per share.

The company's share capital amounts to PLN 5 thousand and is divided into 50 shares with a par value of PLN 100.00 per share.

The shares, purchased for PLN 5 thousand, represent 100% of the company's share capital.

On October 26th 2010, the District Court for Poznań – Nowe Miasto and Wilda of Poznań, registered the change of the company to HBP Drogi Sp. z o.o.

Purchase of shares in Strateg Capital Sp. z o.o. by PBG S.A.

On October 13th 2010, PBG S.A. executed the following agreements whereby it acquired a total of 153 shares in Strateg Capital Sp. z o.o. for PLN 153thousand:

- an agreement with INVEST ECOPAP Sp. z o.o. under which PBG S.A. acquired 152 shares for PLN 152 thousand;
- an agreement with ESMER HOLDING LIMITED under which PBG S.A. acquired 1 share for PLN 1,000.

Prior to the transaction, PBG S.A. held 47 shares representing 18.80% of the share capital and total vote at the general meeting of Strateg Capital Sp. z o.o.

Following the transaction, PBG S.A. held 200 shares with a total par value of PLN 200 thousand, representing 80.00% of the share capital and total vote at the general meeting of Strategy Capital Sp. z o.o.

Strateg Capital Sp. z o.o. is a special purpose company established by PBG S.A. to manage the quarry project in Tłumaczów. The quarry's target annual capacity is approximately 3m tonnes of aggregate. PBG S.A. does not intend to change the company's business profile.

Purchase of shares in Bathinex Sp. z o.o. by PBG S.A.

On October 14th 2010, PBG S.A. executed an agreement whereby it increased its equity interest in Bathinex Sp. z o.o.

The share capital of Bathinex Sp. z o.o. amounts to PLN 50 thousand and is divided into 50 shares with a par value of PLN 1 thousand per share.

Prior to the transaction, PBG S.A. held 9 shares in Bathinex Sp. z o.o., representing 18% of its share capital. Following the acquisition of 41 shares from ECOPAP Sp. z o.o., PBG S.A.'s interest in the share capital of Bathinex increased to 100%.

Bathinex Sp. z o.o.'s business comprises quarrying and processing of stone used in the construction and road work sectors. The company owns the Brodziszów-Kłośnik Mine where it exploits reserves of granodiorite, an acidic fine-crystalline intrusive igneous rock.

PBG S.A. does not intend to change the Bathinex Sp. z o.o. business profile.

Acquisition by of a controlling interest in AQUA S.A. by PBG S.A.

On December 21st 2010, PBG S.A. executed off-session block transactions on the NewConnect market whereby the Parent acquired from natural persons (shareholders of AQUA S.A.) 710,770 ordinary bearer shares in AQUA S.A. of Poznań, for a total of PLN 22,744,640.00.

The acquired shares represent 81.70% of AQUA's share capital and confer the right to 710,770 votes, representing 81.70% of the total vote at the general meeting of AQUA S.A. Thus, AQUA S.A. became a direct subsidiary of PBG S.A.

AQUA S.A. is listed on the NewConnect market (multilateral trading facility) operated by the WSE.

AQUA S.A. is a leading engineering design company in the Greater Poland region, with long-standing experience in the provision of engineering design services. It specialises in large municipal projects such as water intakes, water and sewage treatment plants, sewer systems, sewage pumping stations, water supply systems and pumping stations as well as other facilities and road-related infrastructure. The company renders specialist engineering design services in Poland and its business covers all stages of the design process. The acquisition will strengthen the Group's engineering capabilities.

DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES

Disposal of Infra S.A.

On May 31st 2010, the PBG Management Board entered into an agreement with a natural person to sell all 4,997,500 Infra shares owned by PBG S.A. The par value of one Infra share is PLN 1. PBG S.A. sold Infra shares for PLN 8,450,000.00.

Prior to the transaction, PBG S.A. held a 99.95% interest in Infra S.A.'s share capital and total vote.

CHANGES AT INDIRECT SUBSIDIARIES

PBG DOM GROUP

Purchase of shares in subsidiaries

On January 5th 2010, PBG Dom Sp. z o.o., a subsidiary of PBG S.A., purchased shares in the following companies:

- 100% shares in PBG Dom Invest III Sp. z o.o. of Wysogotowo, Poland
- 100% shares in PBG Dom Invest IV Sp. z o.o. of Wysogotowo, Poland
- 100% shares in PBG Dom Invest V Sp. z o.o. of Wysogotowo, Poland

The share capital of each of these companies amounts to PLN 5,000.00 and is divided into 100 shares with a par value of PLN 50 per share. One share carries one vote.

On January 5th 2010, PBG Dom Sp. z o.o. and PBG Dom Invest III Sp. z o.o. established a limited partnership (spółka komandytowa) PBG Dom Invest III Sp. z o.o. Sp. k.

PBG Dom Sp. z o.o. became a limited partner (komandytariusz) in PBG Dom Invest III Sp. z o.o. Sp. k. and contributed PLN 1,000.00 to the partnership, representing 50% of the partnership's total capital.

The companies are SPVs established to execute property development projects in the future. The companies' business comprises trade in real estate for own account, real estate lease agency services and property management.

Disposal of Apartamenty Poznanskie Sp. z o.o.

On June 28th 2010, the Management Board of PBG Dom Sp. z o.o. entered into a share sale agreement with AVELAR Sp. z o.o. concerning all 255 PBG Dom Sp. z o.o.'s shares in Apartamenty Poznanskie Sp. z o.o., with par value of PLN 100.00 per share. PBG Dom Sp. z o.o. sold the shares in Apartamenty Polskie Sp. z o.o.

for PLN 5,932,937.00. Prior to the transaction, PBG Dom Sp. z o.o. held a 51.00% interest in Apartamenty Poznanskie Sp. z o.o.'s share capital and total vote.

Disposal of PBG Dom Invest II Sp. z o.o.

On June 28th 2010, the Management Board of PBG Dom Sp. z o.o. entered into a share sale agreement with AVELAR Sp. z o.o. concerning all 255 PBG Dom Sp. z o.o.'s shares in PBG Dom Invest II Sp. z o.o., with par value of PLN 100.00 per share. PBG Dom Sp. z o.o. sold the shares for PLN 1,526,055.00 PLN.

Prior to the transaction, PBG Dom Sp. z o.o. held a 51.00% interest in PBG Dom Invest II Sp. z o.o.'s share capital and total vote.

Purchase of shares in subsidiaries

On September 6th 2010, PBG Dom Sp. z o.o., a subsidiary, purchased shares in the following companies:

- 100% shares in PBG Dom Invest VIII Sp. z o.o. of Wysogotowo, Poland
- 100% shares in PBG Dom Invest IX Sp. z o.o. of Wysogotowo, Poland
- 100% shares in PBG Dom Invest X Sp. z o.o. of Wysogotowo, Poland

On September 28th 2010, PBG Dom Sp. z o.o., a subsidiary, purchased shares in the following companies:

- 100% shares in PBG Dom Invest VI Sp. z o.o. of Wysogotowo, Poland
- 100% shares in PBG Dom Invest VII Sp. z o.o. of Wysogotowo, Poland

The share capital of each of these companies amounts to PLN 5,000.00 and is divided into 100 shares with a par value of PLN 50 per share.

The companies are SPVs established to execute property development projects in the future. The companies' business comprises trade in real estate for own account, real estate lease agency services and property management.

On September 30th 2010, PBG Dom Invest VIII Sp. z o.o. purchased land property with a running development project. The project involves construction of a hotel in Świnoujście. Upon its completion, PBG Dom Invest VIII Sp. z o.o. intends to engage in hotel operations.

Increase of equity interest in subsidiary Złotowska 51 Sp. z o.o.

On December 10th 2010, PBG Dom Sp. z o.o. acquired 50 shares in Złotowska 51 Sp. z o.o.

Prior to the transaction, PBG Dom Sp. z o.o. held 150 shares, with a par value of PLN 500.00 per share, representing 60% of Złotowska 51 Sp. z o.o. share capital and total vote.

Following the transaction, PBG Dom Sp. z o.o. holds 80% share in Złotowska Sp. z o.o.

On December 10th 2010, Złotowska 51 Sp. z o.o. acquired 50 shares from a natural person, with a par value of PLN 500.00 per share, representing 20% of Złotowska 51 Sp. z o.o.'s share capital and total vote, with a view to retiring them.

Disposal of PBG Dom Invest X Sp. z o.o.

On December 17th 2010, PBG Dom Sp. z o.o. disposed of all of its shares (100%) in PBG Dom Invest X Sp. z o.o., a subsidiary of PBG Dom Invest VI Sp. z o.o.

Prior to the transaction, PBG Dom Sp. z o.o. held 500 shares, with a par value of PLN 100.00 per share, representing 100% of PBG Dom Invest X Sp. z o.o. share capital and total vote.

Following the transaction, PBG Dom Invest VI Sp. z o.o. holds 100% share in PBG Dom Invest X Sp. z o.o., and PBG Dom Sp. z o.o. holds no direct share in PBG Dom Invest X Sp. z o.o.

APRIVIA GROUP

Increase of equity interest in Dromost Sp. z o.o.

On December 29th 2010, Aprivia S.A. acquired from natural persons 864 shares of Dromost Sp. z o.o with a par value of PLN 500.00 per share.
Prior to the transaction, APRIVIA S.A. held 6,000 shares representing 87.40% of the share capital and total vote at the General Meeting of Dromost Sp. z o.o.
Following the transaction, Aprivia S.A. held 6,864 shares with a total par value of PLN 500.00, representing 99.99% of the share capital and total vote at the General Meeting of Dromost Sp. z o.o.
The share capital of Dromost Sp. z o.o. amounts to PLN 3,432,500.00 and is divided into 6,865 shares with a par value of PLN 500.00 per share.

CHANGE IN PBG S.A.'S INTEREST IN THE GROUP'S ASSOCIATES IN THE REPORTING PERIOD

Purchase of shares in Energomontaż-Południe S.A. – transaction close

Further to the registration of series E shares of Energomontaż-Południe S.A. on February 17th 2010 with the National Depository for Securities (KDPW) of Warsaw under ISIN code: PLENMPD00018, PBG S.A. effectively acquired the rights in 17,743,002 series E shares of Energomontaż-Południe S.A. that represent 25% in the share capital and confer the rights to exercise 17,743,002 votes which constitute 25% + 1 vote of the total vote.

INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Formation of JOINT VENTURE ALPINE BAU GmbH/PBG S.A./APRIVIA S.A./HYDROBUDOWA POLSKA S.A.

On August 11th 2010, JOINT VENTURE ALPINE BAU GmbH/PBG S.A./Aprivia S.A./Hydrobudowa Polska S.A. of Rawicz was established.
Total contribution to the company's equity made by the partners is PLN 15 thousand. Amounts contributed by each party to the joint venture:

- Alpine Bau GmbH – PLN 9 thousand
- PBG S.A. – PLN 2 thousand
- Aprivia S.A. – PLN 2 thousand
- Hydrobudowa Polska S.A. – PLN 2 thousand

The parties will participate in distribution of profits or coverage of loss pro rata to their interests contributed to the company.
The company has been formed to conduct business activity consisting in construction and related activities.
The business objective of JOINT VENTURE ALPINE BAU GmbH/PBG S.A./Aprivia S.A./Hydrobudowa Polska S.A. is execution of a project under the Consortium Agreement on construction of the Kaczkowo-Korzeńsko

section (the Bojanowo and Rawicz beltway) of the S5 Poznań (A2 – the Głuchowo interchange) – Wrocław (A8 – the Widawa interchange) expressway.

The company has been established for a definite period equal to the term of the Master Agreement.

2009

ACQUISITION OF EQUITY INTERESTS IN SUBSIDIARIES

Incorporation of PBG Export Sp. z o.o.

On April 2nd 2009, PBG Export Sp. z o.o. of Kraków, a subsidiary, was incorporated. The company's share capital amounts to PLN 1,000 thousand and is divided into 20,000 shares with a par value of PLN 50.00 per share.

PBG S.A. acquired 19,990 shares of PLN 50.00 per share, for a total value of PLN 999,500.00. All shares in the company's share capital were paid for in cash. PBG S.A. holds 99.95% of the share capital and 99.95% of votes in PBG Export Sp. z o.o.

On July 6th 2009, the company was registered by the District Court for Kraków–Śródmieście in Kraków, 11th Commercial Division of the National Court Register.

PBG Export Sp. z o.o. was incorporated to seek new contracts in Poland and abroad and to supervise their performance.

Purchase of shares in PBG Technologia Sp. z o.o. (former Hydrobudowa Polska Konstrukcje Sp. z o.o.)

On April 2nd 2009, an agreement on purchase of shares in PBG Technologia Sp. z o.o. (former Hydrobudowa Polska Konstrukcje Sp. z o.o.) was executed with Hydrobudowa Polska SA.

Under the agreement, PBG S.A. acquired all 16,100 shares with a par value of PLN 500.00 per share and a total value of PLN 8,050,000.00, for a price of PLN 9,000,000.00. The shares represent 100% of votes at the general meeting and 100% of shares in PBG Technologia Sp. z o.o.'s share capital.

The change of the company name from Hydrobudowa Polska Konstrukcje Sp. z o.o. to PBG Technologia Sp. z o.o. was registered on April 30th 2009 by the District Court in Katowice, 8th Commercial Division of the National Court Register.

Acquisition of Wschodni Invest (declassification of information)

On June 19th 2009, PBG S.A. purchased shares in Wschodni Invest Sp. z o.o. of Poznań.

PBG S.A. acquired 37,740 shares with a par value of PLN 100.00 per share, for a total price of PLN 40,000,000.00. The shares represent 100% of Wschodni Invest Sp. z o.o.'s share capital of a total value of PLN3,774,000.00, and 100% of the total vote.

The shares in Wschodni Invest Sp. z o.o. were paid up in the following manner:

1) 500 shares of PLN 100.00 per share, with a total value of PLN 50,000.00, were paid in cash;

2) 37,240 shares of PLN 100.00 per share and a total value of 3,724,000.00 were paid for with 51 series A ordinary bearer shares of Energopol-Ukraine of Kiev, a Ukrainian company, with a total value of PLN3,724,000.00, representing 51% of the company's share capital.

Energopol–Ukraine of Kiev is a public limited company established under the laws of Ukraine, with 100% of the shares held by foreign (Polish) investors. It holds an ownership title to a land property of 63,000 sq m situated in Kiev, on which a development project is planned (total development area: ca. 250,000 sq m). The company provides a wide range of project-related services, including general construction services, manufacturing and design. It also has a track record in trading and upgrading/ modernising industrial facilities.

Share capital increase in PBG Technologia Sp. z o.o.

On August 13th 2009, the share capital of PBG Technologia Sp. z o.o., PBG's subsidiary, was increased.
Prior to the increase, the share capital of PBG Technologia Sp. z o.o. amounted to PLN 8,050,000.00 and was divided into 16,100 shares, with a par value of PLN 500.00 per share. Upon the increase by 30,000 new shares, the company's share capital amounts to PLN 23,050,000.00 and is divided into 46,100 shares, with a par value of PLN 500.00 per share.
PBG S.A. continues to hold 100% shares of PBG Technologia Sp. z o.o.

Incorporation of PBG Ukraina

On October 28th 2009, PBG Ukraina Publiczna Spółka Akcyjna (public company limited by shares) was registered. PBG S.A. acquired 222,227 ordinary bearer shares with a par value of UAH 4 per share (representing 100% of PBG Ukraina's share capital), for a price of UAH 888,908 (equivalent of PLN 313,517.85). Each share confers one vote at the general meeting. The cash contribution was made from PBG S.A.'s own funds. PBG Ukraina will operate as a project-execution vehicle for PBG S.A.
PBG S.A. considers PBG Ukraina as a long-term investment.

Purchase of shares in Energomontaż-Południe S.A.

On September 21st 2009, PBG S.A. entered into a conditional investment agreement with Energomontaż-Południe S.A.
The agreement set forth the terms of acquisition by PBG S.A. of 17,734,002 series A share warrants with pre-emptive rights waived and, in exchange for the subscription warrants, acquisition of the same number of shares in the conditionally increased share capital of Energomontaż-Południe S.A. The share capital of Energomontaż-Południe S.A. was increased through an issue of 22,582,001 new series E shares with a par value of PLN 1.00 per share.
On November 20th 2009, the PBG Management Board announced to have acquired series E ordinary bearer shares in Energomontaż-Południe S.A., with a par value PLN 1.00 per share.
In exercise of 17,743,002 warrants, PBG S.A. acquired 17,743,002 series E shares. The issue price was PLN 3.45 per share and PBG S.A. paid a price of PLN 61,213,356.90 for the shares.
Further to the registration of series E shares of Energomontaż-Południe S.A. on February 17th 2010 with the National Depository for Securities (KDPW), PBG S.A. effectively acquired the rights in 17,743,002 series E shares of Energomontaż-Południe S.A. that represent 25% in the share capital and confer the rights to exercise 17,743,002 votes which constitute 25% + 1 vote of the total vote.

Increase of equity interest in Hydrobudowa Polska S.A.

On December 28th 2009, the PBG Management Board announced that following acquisition of a total of 2,371,377 ordinary bearer shares of Hydrobudowa Polska S.A., PBG S.A.'s interest in the share capital and total number of votes of Hydrobudowa Polska S.A. increased to 62.74%.

Prior to the transactions, PBG S.A. held 129,726,808 ordinary shares of Hydrobudowa Polska S.A. which represented 61.61% of the company's share capital and conferred rights to 129,726,808 votes (61.61% of the total vote).

Upon execution of the transactions, PBG S.A. holds 132,098,185 ordinary shares of Hydrobudowa Polska S.A., which represent 62.74% of the company's share capital and confer rights to 132,098,185 votes (62.74% of the total vote). As a result, PBG S.A.'s share in the share capital and total vote of Hydrobudowa Polska S.A. increased by 1.13%.

CHANGES AT SUBSIDIARIES

HYDROBUDOWA POLSKA SA

- Increase of equity interest in P.R.G. METRO Sp. z o.o.

On January 19th 2009, an increase in the share capital of P.R.G. Metro Sp. z o.o. of Warsaw, a subsidiary, was registered.

The share capital was increased by 78 shares with a par value of PLN 1,000.00 per share. All shares were acquired by Hydrobudowa Polska S.A.

Thus, the share capital of P.R.G. Metro Sp. z o.o. was increased from PLN 550,000.00 to PLN 628,000.00 PLN, and was divided into 628 shares, with a par value of PLN 1,000.00 per share.

The shares were paid up in cash by Hydrobudowa Polska S.A., for a total amount of PLN 4,963 thousand.

Upon registration of the share capital increase, Hydrobudowa Polska S.A. held 543 shares in P.R.G. Metro Sp. z o.o., which represented 86.46% of the total vote and share capital of P.R.G. Metro Sp. z o.o.

On October 15th 2009, another increase in the share capital of P.R.G. Metro Sp. z o.o. was registered. The share capital was increased by 5,000 shares, with a par value of PLN 1,000.00 per share. All shares were acquired by Hydrobudowa Polska S.A. As a result, P.R.G. Metro Sp. z o.o.'s share capital was increased from PLN 628,000.00 to PLN 5,628,000.00, and is now divided into 5,628 shares, with a par value of PLN 1,000.00 per share. Upon registration of the share capital increase, Hydrobudowa Polska S.A. holds 5,543 shares in P.R.G. Metro Sp. z o.o. which represent 98.49% of the total vote and share capital. The shares were paid up in cash by Hydrobudowa Polska S.A., for a total amount of PLN 5,000,000.00.

PBG DOM Sp. z o.o.

- Purchase of shares in Złotowska 51 Sp. z o.o. (former KM Investment Sp. z o.o.)

On April 9th 2009, PBG Dom Sp. z o.o. acquired significant assets created as a result of a share capital increase in Złotowska 51 Sp. z o.o. (former KM Investment Sp. z o.o.). The share capital increase, to PLN 125,000, was effected on April 9th 2009 by way of a resolution adopted by the general meeting of Złotowska 51 Sp. z o.o., and comprised 150 shares with a par value of PLN500.00 per share. PBG Dom Sp. z o.o. acquired all new shares for PLN 75,000 (carrying amount of the shares, recognized by PBG Dom Sp. z o.o., was PLN 76,664). The shares represent 60% of Złotowska 51 Sp. z o.o.'s share capital and total vote.

The share capital increase, as well as the change of the company's name from KM Investment Sp. z o.o. to Złotowska 51 Sp. z o.o., were registered on May15th 2009.

Złotowska 51 Sp. z o.o.'s business consists in construction of residential property for sale or lease. The investment in Złotowska 51 Sp. z o.o. is a vehicle for joint execution of a development project. Upon completion of the project, PBG Dom and the other shareholders will consider further cooperation in the area of real state development.

- Purchase of shares in City Development Sp. z o.o.

On June 9th 2009, the general meeting of City Development Sp. z o.o. increased the company's share capital. PBG Dom Sp. z o.o., a subsidiary of PBG S.A. which until then held 1 share in the company, expressed its intention to acquire up 53,250 shares in City Development Sp. z o.o. upon registration of the share capital increase. The par value of new issue shares was PLN 50.00 per share. The shares were purchased at par.

The shares acquired by PBG Dom Sp. z o.o. represented 75% of City Development Sp. z o.o.'s share capital and total vote at the general meeting. In total, PBG Dom Sp. z o.o.'s investment in the company's share capital amounted to PLN 2,662 thousand.

City Development Sp. z o.o.'s business consists in construction of residential property for sale or lease. The company holds the ownership title to two plots of land on which over 300 flats are to be built.

- Acquisition and disposal of shares in Concept Development BSD 2 Sp. z o.o

On June 9th 2009 PBG Dom Sp. z o.o. executed an investment agreement whereby it became a shareholder in Concept Development BSD 2 Sp. z o.o. Concept Development BSD 2 Sp. z o.o. was incorporated to execute a construction project (the Concept Tower office building at the junction of Karolkowa and Grzybowska streets in Warsaw). PBG Dom Sp. z o.o. agreed to grant a loan to Concept Development BSD 2 Sp. z o.o. on several conditions; one of them was that a credit committee or another competent body of a bank would conditionally agree to extend a bank loan to the company to finance the project. PBG Dom Sp. z o.o. also granted an irrevocable power of attorney to the proxy of other shareholders, whereby PBG Dom Sp. z o.o. agreed not to exercise any rights in the shares of Concept Development BSD 2 Sp. z o.o. on its own or grant any powers of attorney until the date of execution of the facility agreement. The loan agreement was not concluded.

On November 26th 2009, Abonferd Limited of Nicosia (Cyprus) accepted an offer from PBG Dom to acquire the shares in Concept Development BSD 2 Sp. o.o. As a result of the transaction, PBG Dom Sp. z o.o. disposed of all 1,235 shares held in Concept Development BSD 2 Sp. z o.o. for a total price of PLN 61,750. The shares held by PBG Dom Sp. z o.o. represented 37% of the share capital and 51% of the total vote at the general meeting of BSD 2.

- Purchase of shares in Górecka Projekt Sp. z o.o.

On June 25th 2009, two PBG Group's subsidiaries, i.e. Hydrobudowa 9 SA (subsidiary of Hydrobudowa Polska S.A.) and PBG Dom Sp. z o.o. (subsidiary of PBG S.A.), executed an agreement to sell all shares held in Górecka Projekt Sp. z o.o. of Poznań.

Under the agreement, Hydrobudowa 9 SA sold to PBG Dom 1,000 shares with a par value of PLN 50.00 per share and a total value of PLN 50,000.00, for a price of PLN 50,000.00. The shares represented 100% of the total vote and share capital of Górecka Projekt Sp. z o.o.
The change is related to the reorganization of the PBG Group, where PBG Dom Sp. z o.o. is responsible for the real estate business.

- Purchase of shares in Villa Poznań Sp. z o.o.

On November 3rd 2009, PBG Dom Sp. z o.o. acquired Villa Poznań Sp. z o.o. of Poznań.
As a result of share purchase agreements executed with two natural persons, PBG Dom Sp. z o.o. acquired 21,100 shares in Villa Poznań Sp. z o.o., with a par value of PLN 100,00 per share. Villa Poznań Sp. z o.o.'s share capital is PLN 2,110 thousand. The shares represent 100% of the total vote and share capital of Villa Poznań Sp. z o.o. PBG Dom Sp. z o.o. paid PLN 2,230,100 for the shares.
The shares in Villa Poznań Sp. z o.o. are a long-term investment. Villa Poznań Sp. z o.o. is a special-purpose vehicle and holds the ownership title to an undeveloped and unencumbered land property of 11,103 sq m in Poznań; the land will be used for property development purposes.

- Purchase of shares in PBG Dom Management I Sp. z o.o.

On November 17th 2009, PBG Dom Sp. z o.o. acquired from a natural person shares in PBG Dom Management I Sp. z o.o. of Wysogotowo.
As a result of the transaction, PBG Dom Sp. z o.o. acquired 100 shares with a par value of PLN 50.00 per share. PBG Dom Management I Sp. z o.o.'s share capital is PLN 5,000.00 PLN. The shares represent 100% of the total vote and share capital of PBG Dom Management I Sp. z o.o. PBG Dom Sp. z o.o. paid PLN 5 thousand for the shares.
PBG Dom Management I Sp. z o.o. I is to execute a development project in Poznań.

- Purchase of shares in Kino Development Sp. z o.o.

On November 27th 2009, PBG Dom Sp. z o.o. executed an agreement whereby it acquired from Ornament Trading (Overseas) Limited of Nicosia (Cyprus) 500 shares with a par value of PLN 100.00 per share in Kino Development Sp. z o.o. of Warsaw (the shares represented 100% of the company's total vote and share capital), and the company's receivables under loan agreements of PLN 3,043 thousand.
PBG Dom Sp. z o.o. agreed to pay PLN 5,500,000 for the shares and PLN 1,500,000 for the receivables.
Kino Development Sp. z o.o. holds the title to a land property and the development there on, situated in Warsaw, encumbered with security mortgage for a total value of PLN 6,500,000. The property is to be used for a housing project.

INFRA SA

- Sale of subsidiaries

On September 30th 2009 Infra S.A., a subsidiary, sold some of its assets. Under agreements with Invest Ecopap Sp. z o.o. Spółka komandytowa, Infra S.A.:
- sold all 897 shares held in PRIS Sp. z o.o. for a total price of PLN 1,650,000.00. The total share capital of PRIS Sp. z o.o. amounts to PLN 175,800 and is divided into 1,758 shares with a par value of PLN 100 per share;

- sold all 25,969 shares held in Wiertmar Sp. z o.o., for a total price of PLN 4,300,000.00. The total share capital of Wiertmar Sp. z o.o. amounts to PLN 2,546,000 and is divided into 50,920 shares with a par value of PLN 50 per share.

The transactions are related to the reorganisation of the PBG Group.

For a description of changes in the Group's structure subsequent to the balance-sheet date, see section 37.

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS, REPORTING CURRENCY AND THE LEVEL OF ROUNDING

2.1 BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements of the PBG Group, comprising the Parent and its subsidiaries, were prepared in accordance with the EU-endorsed International Financial Reporting Standards (IFRS), which were in effect as at December 31st 2010.

2.2 REPORTING CURRENCY AND THE LEVEL OF ROUNDING

The reporting currency in these consolidated financial statements is the Polish złoty, which is the functional and presentation currency, and all amounts are expressed in thousands of Polish złoty (PLN '000), unless indicated otherwise.

The financial statements of foreign operations are translated, for consolidation purposes, into the Polish currency as follows, in accordance with International Accounting Standard 21:

- assets and liabilities of each presented statement of financial position are translated at the closing rate as at the balance-sheet date,
- the items of the income statement are translated at the exchange rate being an arithmetic mean of the mid-rates as quoted by the National Bank of Poland (NBP) on the last day of each month of the year. Foreign exchange gains/losses on the translation are charged/credited to other comprehensive income and recognised in the translation reserve in equity.

2.3 GOING CONCERN ASSUMPTION

The annual consolidated financial statements have been prepared on the assumption that the PBG Group would continue as a going concern in the foreseeable future.

The current level of the Group's debt is significantly higher than it was in the previous years. The underlying cause of the material increase in the debt financing was primarily the execution of large road-construction projects, including in particular the A-1 and A-4 motorway projects, and the National Stadium project.

Road construction contracts require significant expenditure at the execution stage. Further, since the contracts were awarded, the prices of raw materials used in the construction process (concrete, bitumen, aggregate, diesel oil) have risen sharply.

The execution of the contract for construction of the National Stadium also forced the PBG Group to commit, on a long-term basis, significant resources to its operating activities. The general contractor has so far incurred significant expenditure to complete the construction work. However, the final settlement is still being negotiated with the contracting authority.

As part of the implementation of its power engineering strategy, PBG S.A. strengthened its capabilities in the field through acquisition in 2011 of controlling interests in Energomontaż Południe SA and RAFAKO SA. The total acquisition expenditure was PLN 712m. When making the decision to acquire RAFAKO S.A. in June 2011, the Management Board of PBG S.A. intended to finance the transaction with the proceeds from a special purpose bank facility. Once preliminary arrangements had been made with financial institutions, a preliminary share purchase agreement was executed. The final share purchase agreement was concluded in November 2011. However, following the financing bank's decision to withdraw from the transaction, the Group was forced to finance the acquisition of RAFAKO S.A. with then-available credit limits and own funds. The purchase price for the 66% interest in RAFAKO S.A. totalled PLN 592.7m.

An additional factor which has significantly affected the PBG Group's ability capacity to finance its working capital was the payment of PLN 135m under a guarantee, which was made by one of the banks serving RAFAKO S.A. In the opinion of RAFAKO S.A., the payment was made in violation of the law and the company will seek to prove that in arbitration proceedings.

All these factors adversely affected the PBG Group's ability to provide further financing for the running construction projects.
In order to alleviate the situation, the Parent's Management Board have initiated:

1. the process of raising additional capital and financing;
2. the process of deleveraging the Group;
3. the process of restructuring the Group.

The process of raising additional capital and financing involves:

- securing a PLN 200m bridge facility,
- securing a PLN 360m facility to refinance the RAFAKO acquisition,
- securing a PLN 825m facility to refinance the Series C and D bonds, or rolling over the bonds, and
- issuing bonds convertible into shares. Under a resolution of the Extraordinary General Meeting held on April 3rd 2012, PBG S.A. is authorised to issue up to 12 thousand bonds with a par value of PLN 100 thousand per bond. The total par value of the securities can reach up to PLN 1.2bn.

The deleveraging process involves disposal of selected non-core assets, as well as scaling back the Group's exposure to business areas requiring significant capital expenditure which will not be of key interest for the Group in the coming years. In order to do so, the Group will be required to dispose of real property and projects for a total value in excess of PLN 100m.
The restructuring process involves restructuring of the key areas of the Group's operations. New solutions will help the Group pursue its strategy in a more efficient manner; the goal is to focus on high-margin segments,

that is power engineering and oil, gas and fuels. But the restructuring is also to bring about improvements in the Group's economic efficiency through savings and other similar measures, and help adapt the current corporate structure to the Group's scale of operations and strategy.

In the opinion of the Parent's Management Board, the above measures will secure the financing currently needed to implement the Group's strategy.

In light of the circumstances discussed above, in the opinion of the Parent's Management Board as at the date of approval of these annual consolidated financial statements, no facts or circumstances are known that would indicate any threat to the Group's companies continuing as going concerns.

2.4 AMENDMENTS TO STANDARDS AND INTERPRETATIONS

2.5 AMENDMENTS TO INTERPRETATIONS

2.4.1. EFFECTIVE AMENDMENTS TO STANDARDS AND INTERPRETATIONS APPLIED BY THE GROUP AS OF 2011

The following new or revised standards and interpretations effective at January 1st 2011 have an impact on the accounting policies applied in the preparation of these consolidated financial statements:

- Amendments to IAS 24 Related Party Disclosures The amended standard provides for exemptions from disclosures related to state-controlled entities and introduces a new definition of related parties.
- Amendments to IAS 32 Financial Instruments: Presentation The new standard pertains to the classification of rights issues. The amendments give precise guidance on how to account for a rights issue when the financial instruments are denominated in a currency other than the issuer's functional currency.
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amended interpretation modifies the principles of recognition of prepaid contributions.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The new interpretation addresses the issue of settling financial liabilities with entity's own equity instruments. Pursuant to the interpretation, the entity's equity instruments issued to extinguish a liability should be measured at fair value. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is disclosed in the entity's profit or loss.
- IFRS 1 First-Time Adoption of International Financial Reporting Standards. Pursuant to the amendment, companies which in 2010 adopt IFRSs for the first time are exempt from the obligation to disclose comparative data on fair value of financial instruments as required under IFRS 7.

- Improvements to IFRSs - a collection of amendments drawn up as part of introducing annual improvements to the Standards, published on May 6th 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, and IFRIC 13), aimed chiefly at eliminating any inconsistencies and clarification of wording, endorsed by the EU on February 18th 2011.

The application of the above standards and interpretations has not caused any changes in the Group's accounting policies or in the presentation of its financial statements.

2.4.2. STANDARDS AND INTERPRETATIONS ENDORSED FOR USE BY THE EUROPEAN UNION BUT NOT YET ADOPTED

No standard or interpretation has been adopted early in these financial statements.

- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets. The new regulations, published by the International Accounting Standards Board on October 7th 2010 enhance the existing disclosure requirements. The objective of the amendments is to increase transparency of information on risk exposures relating to transfers of assets. The amendments to IFRS 7 introduce additional disclosure requirements for transferred financial assets that have not been derecognised in their entirety from the financial statements. Additional disclosures include information on the nature and carrying amount of the transferred asset, as well as the description of risks and rewards relating to the asset. The amendments are effective for annual periods beginning on or after July 1st 2011.

2.4.3 PUBLISHED STANDARDS AND INTERPRETATIONS WHICH AS AT DECEMBER 31ST 2011 WERE NOT YET EFFECTIVE, AND THEIR IMPACT ON THE GROUP'S FINANCIAL STATEMENTS

The following new or revised standards and interpretations, effective for annual periods beginning after 2011, were issued by the date of these consolidated financial statements:

- IFRS 9 Financial Instruments. The International Accounting Standards Board has launched a project plan for the replacement of IAS 39 with a new standard on financial instruments. The objective is to simplify the procedures concerning financial instruments. The project plan will be implemented in three phases. The new standard will be effective for financial statements prepared for periods beginning on January 1st 2013.
- Amendment to IFRS 1 First-Time Adoption of IFRS. The amended standard provides for severe hyperinflation and removal of fixed dates for first-time adopters. The new standard is effective for financial statements prepared for periods beginning on or after July 1st 2011.
- Amendments to IAS 12 Deferred Tax. The amended standard provides guidance on how to measure deferred tax when the tax laws provide for a different treatment depending on whether the value of investment property is recovered through its use (rents) or sale, and the entity is not planning to sell the property. The amendment to IAS 12 supersedes SIC 12, because the provisions of SIC 12 have been incorporated in IAS 12. The amendment is effective for financial statements prepared for periods beginning on or after January 1st 2012. The amendment will have no material impact on the consolidated financial statements.
- IFRS 10 Consolidated Financial Statements. The new standard replaces SIC-12 Consolidation – Special Purpose Entities and those parts of IAS 27 Consolidated and Separate Financial Statements

that relate to consolidated financial statements. The main objective of IFRS 10 was to standardise the definition of control which – due to discrepancies between IAS 27 and SIC-12 – has been interpreted differently by various entities. The new standard is effective for annual periods beginning on or after January 1st 2013.

- IFRS 11 Joint Arrangements. The new standard supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 defines two types of joint arrangements: joint operations and joint ventures. The classification of joint arrangements is based on the assessment of the parties' rights and obligations arising from the arrangement. The standard addresses inconsistencies in reporting on joint arrangements by eliminating proportionate consolidation as a method of accounting for joint ventures and allowing only equity method to be used to account for interests in jointly controlled entities.
  The new standard is effective for annual periods beginning on or after January 1st 2013.
- IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The new standard contains disclosure requirements previously included in IAS 27, IAS 28 and IAS 31. The objective of IFRS 12 is to give users of financial statements better information for evaluating the nature of, and risks associated with, their interests in other entities and for understanding the effects of those interests on their financial position, financial performance and cash flows. The new standard is effective for annual periods beginning on or after January 1st 2013.
- IFRS 13 Fair Value Measurement. IFRS 13 provides a new definition of fair value. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the "exit price"). Consequently, the standard provides guidance on fair value measurements at initial recognition and subsequent measurements at the end of each reporting period. At present, a significant number of disclosure requirements for fair value measurements contained in the existing standards relate primarily to financial instruments. Adoption of IFRS 13 will require such disclosures to be made also with respect to other assets and liabilities measured at fair value. The new standard is effective for annual periods beginning on or after January 1st 2013. In the Company's opinion, IFRS 13 will have an impact on the disclosure of fair value measurements in its financial statements, however the impact will be dependent on the fair value measured assets and liabilities held by the Company as at the standard's effective date.
- IAS 27 Separate Financial Statements On May 12th 2011, the IASB issued amended IAS 27 Separate Financial Statements, superseding IAS 27 Consolidated and Separate Financial Statements. The amendments follow from the consolidation project implemented by the IASB, as a result of which IAS 27 has been split into IFRS 10 Consolidated Financial Statements and the new IAS 27 regarding only separate financial statements. The new standard is effective for annual periods beginning on or after January 1st 2013 and will not have an impact on the Group's consolidated financial statements.
- IAS 28 Investments in Associates and Joint Ventures On May 12th 2011, the IASB issued amended IAS 28 Investments in Associates and Joint Ventures, superseding IAS 28 Investments in Associates. As a result of the amendments, accounting for joint-ventures has been included in the scope of

the new IAS 28. The new standard is effective for annual periods beginning on or after January 1st 2013 and will not have an impact on the Group's consolidated financial statements.

- Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income. The amendments include a change in the title of one of the basic statements, i.e. the statement of comprehensive income which has been renamed as the "statement of profit or loss and other comprehensive income". Concurrently, the amended standard retains the option to present profit or loss in a separate statement. Amendments to IAS 1 are effective for annual periods beginning on or after July 1st 2012.
- IAS 19 Employee Benefits. The amended standard introduces significant changes in accounting for defined benefit plans. In particular, the amendments eliminate the corridor approach which enabled deferred recognition of actuarial gains and losses. The amendments relate also to the manner of presenting changes in the value of assets and liabilities under defined benefit plans. The new standard requires that any changes resulting from remeasurement of defined benefit assets and liabilities be disclosed in other comprehensive income. The amended IAS 19 is effective for annual periods beginning on or after January 1st 2013.
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities. The amendments are effective for annual periods beginning on or after January 1st 2014.
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities. The amendments are effective for annual periods beginning on or after January 1st 2013.

The Parent's Management Board is monitoring the new standards and interpretations on an ongoing basis and analyses their impact on the consolidated financial statements.

3. ACCOUNTING POLICIES

The consolidated financial statements were prepared based on the historical cost approach, except with respect to investment property, derivatives and financial assets available for sale, all of which are measured at fair value. The carrying amount of recognised hedged assets and liabilities is adjusted for fair value changes which may be attributed to the risk against which such assets and liabilities are hedged.

3.1 SUBSTANCE-OVER-FORM RULE

In accordance with the substance-over-form rule, the financial statements should present information which reflect the economic substance of events and transactions, not only their legal form.

3.2 PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with IAS 1 (see also Section 2.5.1 above). The Group presents a separate consolidated income statement directly above the consolidated statement of comprehensive income.

The items of the consolidated income statement are presented using the function of expense method, whereas the consolidated statement of cash flows s prepared using the indirect method.
Where the Group implements changes in accounting policies or corrects errors retrospectively, it presents an additional statement of financial position as at the beginning of the comparative period.

3.3 OPERATING SEGMENTS

In distinguishing operating segments, the Management Board of the Parent is guided by the product lines and services within particular industries, representing the main services and goods provided by the Group. Each of the segments is managed separately within each product line, given the nature of the Group's services and products, requiring different technologies, resources and execution approaches.
The first-time application of IFRS 8 did not require the Group to distinguish any other segments than those presented in its last annual consolidated financial statements (see Section 2.5.1 on changes to standards and interpretations).
In compliance with IFRS 8, results of the operating segments are based on the internal reports regularly reviewed by the Parent's Management Board (the Group's chief operating decision maker). The Parent's Management Board analyses the operating segments' results at the operating profit (loss) level. Measurement of the operating segments' results used in the management calculations is consistent with the accounting policies applied in the preparation of the consolidated financial statements.
The PBG Group presents revenue, cost of sales and gain/loss on sales (gross margin) by individual segments. Balance-sheet assets and equity and liabilities are not presented by business segments given the fact that some of the non-current assets are used in production that is classified in various segments, inventory of materials cannot be allocated to the particular segments, and it is impossible to make a segmental allocation of trade payables, other income, other expense and finance costs.

3.4 CONSOLIDATION

The consolidated financial statements include financial statements of PBG S.A. (the Parent) and financial statements of the subsidiaries in each case prepared as at December 31st 2010. Control is the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

The financial statements of the Parent and of the subsidiaries included in these consolidated financial statements are prepared as of the same date, i.e. December 31st. When necessary, the financial statements of subsidiaries are adjusted to ensure consistency with the accounting policies adopted by the Group.
Subsidiaries whose financial statements are immaterial to the consolidated financial statements of the Group, may be excluded from consolidation. A subsidiary is excluded from consolidation if it was acquired and is held exclusively with a view to resale in the near future. Investments in subsidiaries classified as held for sale are recognised under IFRS 5.
Subsidiaries are accounted for according to IAS 27.
In preparing consolidated financial statements, PBG combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are taken:

- goodwill acquired in the business combination or a gain from a bargain purchase are recognised (according to IFRS 3).
- non-controlling interests are identified and presented separately,
- intra-group balances and transactions (income, expenses, dividends) are eliminated in full,
- gains and losses resulting from intra-group transactions, which are included in the carrying amount of assets such as inventory or property, plant and equipment, are eliminated. Where unrealised losses on intra-group asset sales are reversed, the underlying asset is also tested for impairment from a group perspective
- deferred tax on temporary differences that arise from the elimination of gains and losses resulting from intra-group transactions is recognised (according to IAS 12).

Non-controlling interests are presented as a separate item under equity and represent the portion of a subsidiary's comprehensive income and net assets that is not held by the Group The Group attributes total comprehensive income of subsidiaries between the owners of the Parent and non-controlling interests based on their respective ownership interests.

Prior to January 1st 2010, the excess of losses attributable to non-controlling interests over the value of non-controlling interests was allocated to the Parent. In accordance with the revised IAS 27 the Group did not restate any profit or loss attribution, thus the subsequently reported profits of subsidiaries will be first attributed to the Parent, until the non-controlling's share of losses previously absorbed by the Parent has been recovered.

Transactions with non-controlling interests not resulting in a loss of control by the Parent are accounted for as equity transactions:

- in case of partial disposal of parent's interest in subsidiary to non-controlling interests, any difference between the consideration received and the carrying amount of the subsidiary's net assets attributable to the interests disposed of is recognised directly in equity under retained earnings.
- in case of purchase of additional interest in subsidiary from non-controlling interests, any difference between the consideration paid and the carrying amount of the subsidiary's net assets purchased from the non-controlling interests is recognised directly in equity under retained earnings.

3.5 BUSINESS COMBINATIONS

Business combinations which are within the scope of IFRS 3 are accounted for by applying the acquisition method. As of the acquisition date, the identifiable assets and liabilities of the acquiree are measured at their fair value and are recognised regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition.

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and equity instruments issued by the Group. The consideration transferred includes contingent consideration measured at fair value as of the acquisition date. Acquisition-related costs (advisory, valuation etc.) are not part of consideration transferred but are expensed as incurred.

Goodwill (gain on bargain purchase) is calculated as a difference between the following:

- the sum of the consideration transferred, the recognised amount of any non-controlling interest and acquisition-date fair value of any the acquirer's equity interest in the acquiree held prior to the acquisition date and
- fair value of identifiable net assets of the acquiree

Any excess of the sum calculated above over the fair values of the identifiable net assets of the acquiree is recognised as goodwill in assets of the consolidated statement of financial position. Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. After initial recognition goodwill is carried at cost less any accumulated impairment losses.

If the sum calculated above is lower than the fair values of the identifiable net assets of the acquiree, the difference is recognised in profit or loss immediately. Gains from bargain purchases are presented as other income.

Until the end of 2009, the Group accounted for business combinations by applying purchase method, according to the previous version of IFRS 3 (see also item 2.5 on amendments to standards and interpretations).

The Group accounts for business combinations involving entities under common control using the pooling of interests method, as follows:

- the acquiree's assets and liabilities are recognised at carrying amount. The acquiree's carrying amounts to be used in the consolidation are those from the perspective of the controlling party rather than the amounts in the acquiree's separate financial statements.
- intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree in accordance with applicable IFRS prior to the business combination,
- no goodwill is recorded – the difference between the acquirer's cost of investment and the acquired interest in the net assets of the controlled entity is recognised directly in equity under other reserves in equity other reserves,
- non-controlling interests are measured as a proportionate share of the carrying amounts of the net assets of the controlled entity,
- comparative amounts are restated as if the combination had taken place at the beginning of the comparative period. If the date on which the combining entities first came under common control is later than the beginning of the comparative period, the comparative amounts are restated from the date on which the combining entities first came under common control.

3.6 INVESTMENTS IN ASSOCIATES

Associates are those entities over which the Parent has significant influence, but not control, on the financial and operating policy decisions.

Investments in associates are initially recognised at cost, and subsequently accounted for using the equity method. On acquisition of the investment any difference between fair value of the price paid and the investor's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill. The goodwill is included in the carrying amount of the investments in associates.

The carrying amount of investments in associates is increased or decreased by:

- the Parent's share of the associate's profits or losses,
- the Parent's share of the associate's other comprehensive income, arising e.g. from revaluation of property, plant and equipment and foreign exchange translation differences. Such amounts are presented in the relevant line item of consolidated statement of comprehensive income,
- any gains and losses on transactions between the Group and the associates, eliminated to the extent of the Group's interest in those entities,
- any distributions received from the associates, which reduce the carrying amount of the investment.

The financial statements of the Parent and the financial statements of the associates which are accounted for in the consolidated financial statements using the equity method are prepared as of the same date, i.e. December 31st.

3.7 INVESTMENTS IN JOINT VENTURES

Entities whose economic activities are controlled jointly by the Group and other venturers independent of the Group (joint ventures) are accounted for using the proportionate consolidation method, whereby the Group's share of the assets, liabilities, income and expenses is presented in the consolidated financial statements pro rata to the Group's interest in the joint venture.

3.8 FOREIGN CURRENCY TRANSACTIONS

The consolidated financial statements are presented in the Polish złoty (PLN), which is also the functional currency of the Parent.

Transactions expressed in currencies other than the Polish złoty are translated into PLN using the exchange rate effective for the transaction date (spot rate).

As at the balance-sheet date, monetary items expressed in currencies other than the Polish złoty are translated into PLN using the appropriate closing exchange rate effective for the end of the reviewed period (spot rate) i.e. the exchange rate quoted by the Company's primary bank during the first listing on the balance-sheet date.

Non-monetary balance-sheet items expressed in foreign currencies are translated using the historical exchange rate effective for the transaction date.

Foreign currency differences on settlement of transactions or translation of monetary items other than derivative instruments, are disclosed at net amounts under finance income or expenses, as appropriate, except for those differences which in line with the applied accounting policies are capitalised in the value of assets (see section related to borrowing costs).

Foreign currency differences on measurement of foreign-currency denominated derivatives are recognised in the income statement, unless the derivatives serve as cash-flow hedges. Derivatives which serve as cash-flow hedges are disclosed in line with the principles of hedge accounting.

Goodwill on acquisition of control over a foreign operation is treated like the assets and liabilities of the foreign operation and is translated at the closing rate effective for the balance-sheet date, i.e. the mid-market exchange rate quoted for the given currency by the National Bank of Poland.

Income statement of a foreign operation is translated using the mean exchange rate for the given financial year, unless the exchange rate was subject to significant volatility. In such a case, the transactions included in the income statement are translated at the transaction-date exchange rate.

Foreign currency differences on translation of financial statements of a foreign operation are recognised in other comprehensive income and accumulated in a separate item of equity until the disposal of the foreign operation. Upon the disposal of the foreign operation, the translation differences accumulated in equity are transferred to the income statement and adjust the gain or loss on disposal of the foreign operation.

3.9 BORROWING COSTS

Borrowing costs which may be directly attributed to an acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of such an asset. Borrowing costs include interest and foreign exchange gains or losses to the extent that they are regarded as an adjustment to interest costs.

3.10GOODWILL

Goodwill is initially recognised in accordance with IFRS 3 (see the section on business combinations).

Goodwill is not amortised, but instead it is annually tested for impairment as prescribed by IAS 36 (see section on impairment of non-financial non-current assets).

3.11GROUP'S DETAILED POLICIES RELATING TO MEASUREMENT OF ASSETS AND LIABILITIES

3.11.1 INTANGIBLE ASSETS

Intangible assets include trademarks, patents and licences, computer software, costs of development work and other intangible assets which meet the recognition criteria specified in IAS 38. This item also includes such intangible items which have not yet been placed in service (intangible assets under construction) and prepayments for intangible assets.

As at the balance-sheet date, intangible assets are carried at cost less amortisation and impairment losses. Intangible assets with finite useful lives are amortised using the straight-line method over their useful lives. Useful lives of individual intangible items are reviewed annually, and when necessary – adjusted from the beginning of the next financial year.

Expected useful lives for particular groups of intangible assets are as follows:

Group	Period
Brand names	2-5 years
Patents and licences	2-5 years
Computer software	2-5 years
Other	2-5 years

Intangible assets with indefinite lives are not amortised, but instead they are annually tested for impairment. Software maintenance costs incurred in subsequent periods are charged to expense of the period as incurred.

Research costs are charged to profit and loss as incurred.

The expenditure directly related to development work is recognised as intangible assets only when the following criteria are met:

- technical feasibility of the asset for sale or use has been established,
- the Group intends to complete the asset and either use it or sell it,
- the Group is able to either use or sell the intangible asset,
- the intangible asset will bring economic benefits and the Group is able to demonstrate that (existence of a market or usefulness of the item for the Group),
- the Group has all the technical, financial and other means necessary to complete the development work and either sell or use the asset,
- the expenditure incurred in the course of development work can be measured reliably and attributed to the given intangible item.

Expenditure incurred on development work performed as part of a given project is carried forward to the next period when it can be assumed that it will be recovered in the future. Future benefits are estimated in accordance with the principles set forth in IAS 36.

Following initial recognition of expenditure on development work, the historical cost model is used, according to which individual assets are carried at cost less accumulated amortisation and accumulated impairment losses. Completed development work is amortised using the straight-line method over the period during which they are expected to generate benefits.

Gains or losses on disposal of intangible assets are calculated as the difference between the sales proceeds and the carrying amount of the given intangible assets and are recognised in profit or loss as other income or other expenses.

The policies relating to the recognition of impairment losses are discussed in detail in Section 3.10.4

Any prepayments made in connection with a planned purchase of intangible assets are recognised in the Company's financial statements under “intangible assets” in the statement of financial position.

3.11.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes tangible assets:

- which are held by the company with a view to being used in the production process, in supply of goods or provision of services, or for administrative purposes,

- which will be used for a period longer than one year,
- in respect of which it is probable that the future economic benefits associated with the asset will flow to the company,
- whose cost an be measured reliably.

Property, plant and equipment is initially recognised at cost. Such cost is increased by any expenses directly attributable to the purchase and preparation or adaptation of the item for use.

Following initial recognition, items of property, plant and equipment are carried at cost less depreciation and impairment losses. Property, plant and equipment under construction is not depreciated until the construction or erection work is completed and the item is placed in use. If construction is abandoned, the total of the incurred expenses connected with work performed up to that point is charged to expense of the period. A project may be suspended if there is reasonable intention to continue the project in subsequent periods. Projects are suspended by virtue of a decision by the PBG Management Board.
Depreciation is charged based on the straight-line method over the estimated useful life of an assets. For the particular groups of items of property, plant and equipment, the depreciation rates are presented below:

Group	Period
Land (perpetual usufruct rights)	not depreciated
Buildings and structures	40-67 years
Machinery and equipment	2-20 years
Motor vehicles	2-10 years
Other	2.5-10 years

Depreciation begins in the month in which a property, plant and equipment becomes available for use. Useful lives and depreciation methods are reviewed once a year, leading to an adjustment of the depreciation charges in the subsequent years whenever necessary.

An item of property, plant and equipment may consist of parts with a cost that is significant in relation to the total cost of the item to which separate useful lives can be attributed. Costs of major inspections for faults and major spare parts and fittings can also be considered such parts, provided that they will be used for a period longer than one year. Day-to-day maintenance expenses incurred when the item is available for use, including costs of maintenance and repairs, are expensed in profit or loss, as incurred.
An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its further use. Any gains or losses arising from the sale, liquidation or withdrawal from use are calculated as the difference between the sale proceeds and carrying amount of the property, plant and equipment item, and are included in profit or loss as other income or other expenses.
Any prepayments made in connection with a planned purchase of property, plant and equipment are presented in the financial statements of the PBG Group companies in the balance-sheet item "property, plant and equipment".

In accordance with the policies adopted by the Group, any *land perpetual usufruct rights* acquired on the basis of administrative decisions are recognised in the statement of financial position at fair value. Fair value is deemed to be equal to the market value of the perpetual usufruct right, if information on such market value is available to the Company, or to the value estimated by an expert appraiser.

Any excess of so determined fair value over the cost incurred to acquire the land perpetual usufruct right based on an administrative decision is also disclosed in the equity and liabilities side of the statement of financial position, under retained earnings.

Land perpetual usufruct rights purchased on the secondary market are measured at cost and are not subject to revaluation.

Land perpetual usufruct rights are not amortised.

Any prepayments made in connection with a planned purchase of property, plant and equipment are presented in the financial statements of the Company under "property, plant and equipment" in the statement of financial position.

3.11.3 LEASED ASSETS

Finance leases, which transfer to the Company substantially all the risks and rewards incident to ownership of the leased asset, are recognised in the statement of financial position at commencement of the lease term at the lower of the fair value of the asset and the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability, in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rent is recognised as an expense in the period in which it is incurred.

The depreciation policy for leased asset held under finance leases is consistent with that for assets owned by the Company. However, if there is no reasonable certainty that the Company will obtain ownership before the end of the lease, the asset is depreciated over the shorter of the useful life of the asset and the lease term.

Leases whereby the lessor retains substantially all the risks and rewards incident to ownership of the leased asset, are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss over the lease term on a straight-line basis.

3.11.4 IMPAIRMENT OF NON-FINANCIAL NON-CURRENT ASSETS

The following assets are tested for impairment on an annual basis:

- goodwill (the first impairment test is performed before the end of the period in which the acquisition occurred),
- intangible assets with infinite lives,
- intangible assets not yet available for use.

For other intangible assets and items of property, plant and equipment the entity assesses on an annual basis whether there is any indication that an asset may be impaired.

Key external indicators of impairment include the following situations: during the period an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use; or the carrying amount of the net assets of the reporting entity is more than its market capitalisation.

Furthermore, some of the most important indicators of impairment include a situation where significant adverse changes have taken place in the technological, market or economic environment in which the Group companies operate.

Internal indicators of impairment which should be considered include first of all a situation where the actual net cash inflows are significantly lower than those budgeted or where an asset has become obsolete or has been physically damaged.

If certain developments or circumstances indicate that the carrying amount of an asset may not be recoverable, the asset is tested for impairment.

For impairment testing, assets are grouped into smallest groups at which they generate cash flows independently of other assets or asset groups (cash-generating units). Assets which generate cash-flows independently from other assets are tested for impairment individually.

Goodwill is allocated to those cash-generating units that are expected to benefit from the synergies of a business combination, provided that a cash generating unit is not larger than an operating segment.

If the carrying amount of an asset or assets attributed to a cash-generating unit exceeds the recoverable amount of the asset or cash-generating unit, the carrying amount is reduced to the recoverable amount. Recoverable amount is the higher of fair value less costs to sell or value in use. To calculate the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment loss is first allocated to carrying amount of goodwill. Then carrying amounts of the other assets of the cash-generating unit are reduced pro rata.

Impairment losses are recognised in profit or loss under other expenses.

Impairment losses for goodwill cannot be reversed in subsequent periods. As far as other assets are concerned, the Group assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods may be reversed. Reversed impairment losses are recognised in the profit or loss as other income.

3.11.5 INVESTMENT PROPERTY

Investment property is held to earn rentals and/or for capital appreciation and is measured based on fair value.

Investment property is initially measured at cost, including transaction costs. As at subsequent reporting dates, investment property is measured at fair value (determined by an independent property valuer, taking into account the location and type of the property and the current market environment) or tested for impairment.

Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss for the period in which they arise, under other income or expenses.

Investment property is derecognised on disposal or permanent withdrawal from use, when no future economic benefits are expected from the property.

Any prepayments made in connection with a planned purchase of investment property or land are presented in the financial statements of the Company under “investment property” in the statement of financial position.

3.11.6 NON-REGENERATIVE NATURAL RESOURCES

Non-regenerative natural resources are initially recognised at cost. The cost is increased by any costs directly associated with the purchase and preparation or adaptation of the item for use.

Any costs incurred after non-regenerative natural resources were made available for use are recognised in the profit or loss as incurred.

After initial recognition, non-regenerative natural resources are carried at cost less depreciation and impairment losses.

Depreciation is calculated using the units of production method.

If in the course of preparation of financial statements indication exist that that the carrying amount of non-regenerative natural resources may not be recoverable, the asset is reviewed for impairment. Impairment losses are recognised in the profit or loss under other expenses.

An item of non-regenerative natural resources may be derecognised on disposal or when no future economic benefits are expected from its further use. Any gains or losses on the sale/liquidation or withdrawal of non-regenerative natural resources from use are calculated as the difference between the sale proceeds and the carrying amount of the resources, and are recognised in profit or loss.

3.11.7 FINANCIAL INSTRUMENTS

Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity is a financial instrument.

A financial asset or a financial liability is recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and liabilities is recognised using trade date accounting.

A financial asset is derecognised when the rights to economic benefits specified in the contract and the risks associated with the contract are either discharged or cancelled or expire.
The Group removes a financial liability from the statement of financial position when it is extinguished, that is when the obligation specified in the contract is either discharged or cancelled or expires.

On acquisition, the Group recognises financial assets and liabilities at their fair value, that is most frequently the fair value of the payment made in the case of an asset or of the amount received in the case of a liability. Transaction costs are included in the initial value of all financial assets and liabilities, except in the case of financial assets and liabilities at fair value through profit or loss.

As at each balance-sheet date, financial assets and liabilities are measured in accordance with the principles discussed below.

3.11.7.1 FINANCIAL ASSETS

For the purpose of measurement subsequent to initial recognition, financial assets other than hedging derivatives are classified by the Group as follows:

- loans and receivables,
- financial assets at fair value through profit or loss,
- held-to-maturity investments, and
- available-for-sale financial assets.

These categories apply to measurement and profit or loss and other comprehensive income recognition.

Except for the financial assets at fair value through profit or loss, all the financial assets are assessed at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Evidence of impairment are analysed separately for each category of financial assets, as discussed below. Evidence of impairment are analysed separately for each category of financial assets, as discussed below.

Receivables and loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables and loans are measured at amortised cost, using the effective interest method. Current receivables are measured at amounts expected to be received, as the effect of discounting future receipts would be negligible.
Financial assets classified as loans and receivables are presented in the statement of financial position as:

- non-current assets, under "non-current receivables" or "loans",
- non-current assets, under "loans," „trade and other receivables," and "cash". Impairment losses on doubtful receivables are estimated when the collection of the full amount of the receivable is no longer probable. All receivable balances of significant value are subject to individual assessment in the case of debtors whose balances are past due or when objective evidence has been obtained that the debtor may not pay the receivable (e.g. the debtor is in a difficult financial position, judicial proceedings are conducted against the debtor, there have been changes in the economic environment adverse to the debtor). In the case of those receivables which are not subject to individual assessment, evidence of impairment are analysed for particular credit risk classes of assets e.g. credit risk specific to the sector, region or structure of customer base). The ratio of impairment losses recognised in respect of any class is based on the recently observable trends as to debtors' payment difficulties.

Financial assets measured at fair value through profit or loss include *assets* which are classified as *held for trading* or which were designated on initial recognition as ones to be measured at fair value with fair value changes in profit or loss because they met the criteria defined in IAS 39.
A financial asset belongs to this category if it was acquired primarily to be sold within a short period of time or if it was designated by the Group upon initial recognition to be measured at fair value through profit or loss. Asset or liability may be designated by the Group on initial recognition as at fair value through profit or loss only if such designation:

- eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, or
- applies to a group of financial instruments which, in accordance with a documented risk management policy or investment strategy, is managed and evaluated on a fair value basis.

This category includes all derivatives disclosed in the statement of financial position in a separate item "derivative financial instruments", except hedging derivatives, which are measured in accordance with the requirements of hedge accounting, mainly investment certificates in investment funds.

Assets classified in this category are measured at fair value, and any effects of measurement are recognised in profit or loss. Gains and losses on measurement of financial assets are the change in their fair value established on the basis of quoted prices in an active market or – if there is no active market – using valuation techniques.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity intends and is able to hold to maturity, other than the assets which are classified as loans and receivables.

In this category the Group classifies *bonds/notes and other debt securities held to maturity* and presents them in the statements of financial position under "other financial assets".

Held-to-maturity investments are measured at amortised cost, using the effective interest method. If there is evidence that a held-to-maturity investment may be impaired (e.g. credit rating of an issuer of bonds or notes), the assets are measured at the present value of the estimated future cash flows. Any changes in the carrying amount of an investment, including impairment losses, are recognised in profit or loss.

Available-for-sale financial assets are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified into any of the categories discussed above.

The Group classifies in this category quoted bonds or notes that are not held to maturity and shares in companies other than its subsidiaries or associates. In the statement of financial position, these assets are presented under "other financial assets".

Shares of non-listed companies are measured at cost less impairment, due to the fact that it is not possible to reasonably determine their fair value. Impairment losses are recognised in profit or loss.

All other available-for-sale financial assets are measured at fair value. Any gains and losses on such measurement are recognised in other comprehensive income and accumulated in equity, except for impairment losses and foreign exchange gains or losses on monetary items, which are recognised in profit or loss. Any interest calculated using the effective interest method, is also included in profit or loss.

Reversals of impairment losses on available-for-sale financial assets are recognised in other comprehensive income, except in the case of impairment losses on debt instruments, the reversals of which are recognised in the income statement if the increase of fair value of the asset may be objectively associated with an event that occurred after impairment was recognised.

On derecognition, all accumulated gains and losses previously recognised in other comprehensive income are reclassified from equity to profit or loss, and are presented in comprehensive income as reclassification to profit or loss

3.11.7.2 FINANCIAL LIABILITIES

Financial liabilities other than derivative hedging instruments are presented in the statement of financial position under the following items:

- borrowings and other debt instruments,
- finance leases,
- trade and other payables,
- derivative financial instruments.

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities held for trading or designated as ones to be measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss include derivatives other than designated as hedging instruments. Current trade payables are measured at amounts expected to be paid, as the effect of discounting future outflows would be negligible.

Any gains or losses on measurement of financial liabilities are recognised in profit or loss on financing activities.

3.11.7.3 HEDGE ACCOUNTING

In accordance with the corporate risk management strategy adopted by the PBG Group, all the Group companies executing construction contracts which are settled in foreign currencies are obliged to use hedge accounting in order limit the impact of financial risk on operating profit as far as possible. The Group's hedging strategy assumes hedging of individual construction contracts that will generate future foreign currency inflows. The strategy is based on the principle of matching hedging instruments with planned transactions under the contract, always taking into account the actual net exposure, given budgeted exchange rates determined in accordance with the relevant definition, possible foreign-currency expenses, the time horizon and the quantitative distribution of the currency flows in the particular quarters.

In accordance with the adopted strategy, the key financial risk management tools used by the Company include forward contracts and interest rate swaps. The Group's strategy also permits purchase of currency options and interest rate options.

With respect to derivatives designated as cash flow hedging instruments the Group applies accounting policies determined in IAS 39. To apply hedge accounting, the Group must meet certain conditions specified in IAS 39, concerning documentation of the hedging relationship, high probability of a forecast transaction and effectiveness of the hedge. In the period covered by these consolidated financial statements, the Group designated certain of its forward contracts as cash-flow hedges. The forward contracts were concluded by the Group as part of its foreign exchange risk management, in connection with legally binding sale and purchase agreements that will be settled in foreign currencies.

All the hedging derivatives are measured at fair value. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity. The ineffective portion of the hedge is immediately recognised in profit or loss.

At the moment when the hedged item affects profit or loss, the accumulated gains and losses previously recognised in other comprehensive income, are reclassified from equity to profit or loss. The reclassification is presented in the consolidated statement of comprehensive income under "cash-flow hedges – reclassification to profit or loss".

If the hedged transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, any gains or losses previously recognised in other comprehensive income, are reclassified from equity and included in the initial cost of the asset or liability. The reclassification is presented in the consolidated statement of comprehensive income under "cash-flow hedges – - amounts transferred to initial carrying amount of hedged items".

If the hedged forecast transaction is no longer expected to occur. all gains and losses are immediately reclassified to profit or loss.

3.11.8 INVENTORIES

Inventories include:

- materials,
- semi-finished products and work in progress,
- finished products,
- merchandise,
- prepayments for materials or merchandise classified as inventories.

Inventories are measured at the lower of cost and net realisable value. Cost includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost of finished products and work in progress includes all expenses directly attributable to the manufacturing process (mainly materials and labour) as well as suitable portions of related production overheads, based on normal operating capacity.

Costs of finished products are assigned using the weighted average cost formula. Costs of materials and merchandise are assigned using the first in, first out cost formula.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

All construction costs incurred in relation to property development activity are recognised in inventories as work in progress.

Writing inventories down below cost to net realisable value is recognised in profit or loss as other expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed and recognised in profit or loss as other income.

Circumstances that cause inventories to be written down below cost include:

- obsolete and damaged items,
- overstocked items which are difficult to sell,
- slow moving items,
- items with declining selling prices due to lower prices of competitors.

As at each reporting date, the Group entities analyse the aging of inventories by category, and determine an amount of write-downs to recognise.

Any prepayments for inventories purchase are presented in the statement of financial position line item "Inventories".

3.11.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and cash at banks, demand deposits and highly liquid short-term investments (with maturities up to three months), that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.11.10 NON-CURRENT ASSETS AND GROUPS OF NET ASSETS HELD FOR SALE

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use of the asset. That condition is met only if an asset (or a disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets, and its sale is highly probable within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Some of the Group's non-current assets classified as held for sale (e.g. financial assets and deferred tax assets) continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

3.11.11 EQUITY

Share capital represents the nominal value of shares that have been issued, as specified in the Parent's articles of association and the relevant entry in the National Court Register.

Treasury shares acquired and held by the Parent or by other entities of the consolidated group are deducted from equity. Treasury shares are measured at cost.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Other components of equity include the following:

- share-based payment reserve, and
- other comprehensive income accumulated in equity, including:
  - ✓ revaluation reserve - comprises gains and losses from the revaluation of property, plant and equipment (see section on property, plant and equipment),
  - ✓ available-for-sale financial assets reserve (see section on financial instruments),
  - ✓ cash-flow hedges reserve (see section on hedge accounting),
  - ✓ translation reserve – comprises exchange differences on translating foreign operations (see section on foreign currency transactions),
  - ✓ share of other comprehensive income of associates accounted for using the equity method (see section on investments in associates).

Retained earnings includes all current and prior period retained profits (including the amounts transferred to reserves on the base of shareholders' approval)

Transactions with owners of the Parent are presented separately in "The consolidated statement of changes in equity".

3.11.12 SHARE-BASED PAYMENTS

The Group operates incentive schemes under which key members of its management staff are granted shares in Group companies.

The fair value of management's services is determined indirectly, by reference to the fair value of equity instruments granted. The fair value of shares is measured at the grant date, with the reservation that vesting conditions other than market conditions(i.e. meeting a pre-defined level of financial performance) are not taken into account when estimating the fair value.

The consideration expense and the corresponding increase in equity are recognised based on the best available estimates of the number of equity instruments expected to vest. The Group will revise such estimates if subsequent information indicates that the number of shares expected to vest differs from previous estimates. Adjustment resulting from revision to estimates of the number of shares expected to vest are recognised in profit or loss – no adjustments are made to any expense recognised in prior periods.
When an incentive scheme is completed, amounts accumulated in the share-based payments reserve, less the costs to issue, are transferred to the share premium share premium.

3.11.13 EMPLOYEE BENEFITS

Employee benefits liabilities and provisions reported in the statement of financial position include:

- provisions for unused holiday entitlement,
- provisions for short-term employee benefits
- other long-term employee benefits, under which the Group presents provisions for jubilee and retirement gratuity.

3.11.13.1 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured at the undiscounted amounts and reported in the statement of financial position at amounts that the Group expects to pay.

3.11.13.2 PROVISIONS FOR UNUSED HOLIDAY ENTITLEMENT

The Group recognises provision for the expected cost of accumulating compensated absences, as a result of the unused holiday entitlement as at the reporting date.
The provision for unused holiday entitlement is calculated on the basis of the number of vacation days unused in the current period, plus the number of vacation days unused in prior periods. The provision for the cost of accumulating compensated absences is recognised under provisions for employee benefits, after

deducting any amount already paid. The provision for accumulating compensated absences is classified as a short-term provision and is not discounted.

3.11.13.3 RETIREMENT GRATUITY AND JUBILEE

In accordance with the remuneration systems in the Group, employees of the Group entities are entitled to jubilee and retirement gratuity benefits. Jubilee benefits are paid out after a specific period of service, whereas retirement gratuity benefits are one-off benefits, paid out when the employee retires. The amounts of retirement gratuity and jubilee benefits depend on the length of employment and average remuneration of a given employee.

The Group recognises a provision for future retirement gratuity and jubilee obligations in order to allocate costs to the periods in which the benefits become vested.

According to IAS 19, jubilee benefits are classified as other long-term employee benefits, whereas retirement gratuity benefits – as defined post-employment benefit plans.

The present value of the provisions as at reporting date is assessed by an independent actuary using the projected unit credit method. The provision recognised in the statement of financial position is the present value of the benefit obligations at the reporting date. Information on demographics and employment turnover is sourced from historical data.

Actuarial gains and losses and past service costs are recognised immediately in the profit or loss.

3.11.14 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group recognises a provision if has a present obligation (legal or constructive) resulting from past events whose settlement is likely to result in an outflow of economic benefits and whose amount can be reliably estimated. The timing and amount of the liability may be uncertain.

The circumstances with respect to which provisions are created include:

- warranties to provide after-sale support of products and services,
- pending lawsuits and disputes,
- losses on construction contracts, accounted for in accordance with IAS 11,
- restructuring, only if the Group is required to undertake the restructuring under separate regulations or a binding agreement.

Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, based on the most reliable evidence available on the date on which the consolidated financial statements are prepared, including evidence as to risks and uncertainties. If the effect of the time value of money is material, the provision is measured by discounting expected future cash flows to their present value, using a discount rate that reflects current market assessments of the time value of money and the risks, if any, specific to the liability. If discounting is used, any increase in the amount of the provision reflecting the passage of time is recognised as finance costs.

Provisions for warranties reflect future obligations to make a payment or provide a service (in connection with current operations) to unknown persons, if the amount of the liability can be estimated, even though its timing is unknown. Provisions are measured at a probability-weighted value, as assessed by the

Management Board, by analysing the costs of warranty repairs under ongoing construction contracts. Provisions for warranties are charged to contract costs, based on the proportion of direct expenditures already incurred to total estimated direct costs. The costs related to accrued provisions for warranties do not influence the stage of a contract's completion. At the Group, provisions for warranties are broken down into individual construction contracts. They are reported as long as it is probable that a warranty claim or a claim for repair work will arise, until the right to make the claim expires. If any provisions remain unused (after their effective period), they are reversed to other income. Depending on expected exercise date, warranty provision is classified in the statement of financial position as a non-current provision or a current provision.

Provisions for losses on construction contracts are recognised if it is probable that the total cost to complete a construction contract exceeds the total revenue under the contract. The anticipated loss is immediately expensed in profit or loss. Its amount is determined irrespective of the commencement of contract work, the stage of the contract's completion or expected profits on contracts which are not single construction contracts. Any change in provisions for expected losses increases or reduces operating expenses.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.
Any unused provisions are reversed on the day when they are unnecessary.

A provision are used only for expenditures for which the provision was originally recognised.

If the probability of an outflow of resources to settle a present obligation is remote, no contingent liability is recognised in the statement of financial position, except for contingent liabilities identifiable in a business combination, as part of the allocation of acquisition costs under IFRS 3 (see section concerning business combinations).
For information on contingent liabilities, see the descriptive part of the consolidated financial statements in section 34. The Group also presents information on contingent lease payment liabilities arising under operating leases. (section 9).

Any possible inflows of economic benefits to the Group which do not yet meet the criteria to qualify as assets are classified as contingent assets, and as such are not recognised in the statement of financial position.

3.11.15 PREPAYMENTS AND ACCRUED INCOME

Under the asset line item "Prepaid expenses" the Group reports prepaid costs relating to future reporting periods, mainly lease payments and costs incurred in securing construction contracts (if the probability of obtaining the contract is high).
The liabilities line item "Deferred income" includes deferred income, including resources transferred to the Group by the government to finance property, plant and equipment, accounted for under IAS 20

(Accounting for Government Grants and Disclosure of Government Assistance). Accrued expenses are presented as non-current and current.

Grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grant will be received.

A grant related to an item of expense is recognised as income over the period necessary to match it with the related expense.

A grant related to an asset is recognised as income in profit or loss on a systematic basis, over the useful life of the asset. Instead of deducting the grant from the asset's carrying amount, the Group presents it in its consolidated statement of financial position as deferred income, under "Deferred income".

3.11.16 REVENUE

Revenue is measured by reference to the fair value of the consideration received or receivable, less discounts, VAT and other sales-related taxes (i.e. excise duty), and arises from the sale of goods and the rendering of services in the course of ordinary activities. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Group and its amount can be measured reliably.

3.11.16.1 SALE OF GOODS (MERCHANDISE AND PRODUCTS)

Revenue from sale of goods is recognised when the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods. That condition is deemed satisfied when the goods are undisputedly delivered to the buyer.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.11.16.2 SALE OF SERVICES

Rental income from operating lease

Rental income from operating leases of investment property is recognised on the straight-line basis over the term of the lease.

Construction work contracts

Construction work contracts specify a fixed price and fall within the scope of IAS 11.

When the outcome of a construction contract can be estimated reliably, contract revenue are recognised by reference to the stage of completion of the contract activity. The stage of completion, expressed as a percentage, is determined as the proportion that contract costs incurred for work performed by the reporting date bear to the estimated total contract costs. Revenue and costs of construction contracts in progress are determined at the end of each month, at least once a quarter. Both revenue and costs are determined for the period from the start of work under a given contract until the balance-sheet date.

If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent that contract costs incurred are expected by the Company to be recoverable.

The outcome of a construction contract is estimated based on contract revenue and contract costs associated with the construction contract recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion of a contract is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost. Contract costs incurred to date include only those contract costs that reflect the work performed.

The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. Therefore, the effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate (see IAS 8). The changed estimates are used in the determination of the amount of revenue and expenses recognised in the income statement in the period in which the change is made and in subsequent periods.

The total revenue determined at the end of each reporting period (balance-sheet date) includes only revenue that can be reliably measured and is assessed as likely to be paid by the customer.

No retentions are taken into account when determining the amount of revenue.

The initial amount of revenue may increase during the contract completion period. This may result, for instance, from changes in the scope of work, the prices of construction materials, the remuneration rates etc. (e.g. indexation of contract value provided for in the contract). The effects of such changes should be provided for in the global contract revenue budget upon their acceptance by the customer, which most often requires an amendment or an annex to the contract. The amount of revenue may also be decreased, for instance as a result of contractual penalties payable to the customer, delays in the completion of the contract or failure to achieve the guaranteed capacity.

When contract revenue receivable under a construction contract in foreign currency exceeds progress billings, the contract revenue is measured as at the balance-sheet date using the currency buy rate quoted by the Company's main bank for that date. When the Company receives advances in foreign currencies, the revenue receivable under a construction contract, measured as at the balance-sheet date, includes the amount of the prepayment.

The excess of contract revenue over progress billings, identified when estimating the amount of revenue disclosed in the financial statements, is presented as a separate asset item under "amounts due from customers for construction contract work in progress".

When progress billings for a construction contract in foreign currency exceed contract revenue (presented under liabilities), the construction contract revenue is measured as at the balance-sheet date at the exchange rate effective as at the invoice date, applying the first in, first out formula.

The excess of progress billings over contract revenue, identified when estimating the amount of revenue disclosed in the financial statements, is presented as a separate balance-sheet item under "amounts payable to customers for construction contract work in progress".

When executing construction contracts in foreign currencies, PBG S.A. is obliged to comply with its hedging policy in order to ensure adequate level of future cash flows and mitigate the adverse impact of exchange rate fluctuations on its operating activities, which is aimed at securing the operating margin calculated in the contract budget. The policy is based on matching hedging instruments with the planned transactions under the hedged contract, with the actual net exposure, bid price, time horizon and the quantitative distribution of foreign-currency revenues in the individual quarters being taken into account Using the approach of limiting the impact of currency risk on the operating performance of the Group companies to the largest extent possible, the Group selected forward transactions for hedging purposes. If it is probable that the total contract costs will exceed the total contract revenue, an expected loss on a construction contract is immediately recognised as an expense.

Construction contracts which fall within the scope of IAS 31 are classified as a "joint ventures" and in accordance with paragraph 7 of IAS 31, depending on their form and structure, they are recognised as one of the following:

- Jointly-controlled operations

This is the most frequent type of consortium. Its duration is precisely defined and not too long. A consortium of entities offers to jointly perform a project with a clear division of duties among the consortium members. Each entity performs their duties on their own account. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own liabilities and raises its own finance, which represent its own obligations. The leader chosen from among the consortium members has the powers to sign the contract on behalf of the consortium, and is also in charge of the economic settlements with the client, including billing. A joint venture agreement provides a means by which the revenue from the sale of the joint service and any expense incurred in common are shared among the consortium members. The consortium members issue invoices to the consortium leader and this way ultimately participate in the joint venture revenue. In respect of its interests in jointly controlled operations, the venturer recognises in its financial statements the assets, liabilities, income and expenses. Because assets, liabilities, revenue and costs are recognised in the financial statements of the venturer, no adjustments and other consolidation procedures are required in respect of these items when the Group presents consolidated financial statements.

- Jointly-controlled assets

This is another form of a joint venture, which involves the joint control by the venturers of the assets contributed to, or acquired for the purpose of, the joint venture, and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer participates in the project performance by taking a share of the output from the assets and bearing an agreed share of the expenses incurred.

In respect of its interests in jointly-controlled assets, the Group recognises in its financial statements the following:

- ✓ Its share of the jointly-controlled assets classified according to the nature of the assets;
- ✓ the liabilities incurred by the Group, for example those incurred in financing its share of the assets;
- ✓ its share in liabilities incurred jointly with the other venturers in relation to the joint venture;

- ✓ revenue from the sales or use of its share of the joint venture output, together with its share of any expenses incurred by the joint venture;

- ✓ expenses incurred in respect of its interest in the joint venture, for example those related to financing the Group's interest in the assets and selling its share of the output.

- ✓ the Group interest in construction contract revenue and costs are recognised in accordance with IAS 11.

- Jointly-controlled entity

A jointly-controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

In the case of a number of consortium agreements, the consortium members decide not to establish a new entity but only to appoint one of them (a leader) to represent them in relations with third parties. In such a case, even though no separate new entity is established, the economic substance of the role performed by the leader is tantamount to it serving as such separate entity.

A jointly-controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns income. It may enter into contracts in its own name and raise finance for the purpose of the joint venture activity. Each venturer is entitled to a share of the profits of the jointly-controlled entity, although some jointly-controlled entities also involve a sharing of the output of the joint venture.

Investments in jointly-controlled entities are accounted for using proportionate consolidation. Revenues and costs are recognised proportionately to the interest held in an entity, subject to the measurement and recognition rules defined in the Group's accounting policies.

If a venturer is under no obligation and does not prepare consolidated financial statements, then information on any non-consolidated joint ventures must be disclosed in the notes to its separate financial statements, including information on the joint venture name, scope of activity, the venturer's interest in the joint venture and the jointly controlled property, plant and equipment, the liabilities incurred (directly and jointly) to finance the joint venture, the revenue generated from the joint venture and the associated expenses.

Gross amounts due from customers for construction contract work are presented as an asset in the statement of financial position (under "Amounts due from customers for construction contract work").
Gross amounts due to customers for contract work are presented as a liability in the statement of financial position (within "Trade and other payables").
When the Group receives advances in foreign currencies, the non-invoiced estimated construction contract revenue is initially measured as at the balance-sheet date at the exchange rate effective as at the date of the inflow of prepayment. When progress billings for contracts in foreign currencies exceed contracts revenue (presented under liabilities), the construction contract revenue is measured as at the

balance-sheet date at the exchange rate effective as at the invoice date, applying the first in, first out formula.

Gains or losses on cash flow hedges are charged to revenue from sale of services.

3.11.16.3 DIVIDENDS AND OTHER AND FINANCE INCOME

Dividends are recognised when the shareholder's right to receive payment is established,

Income for the reporting period includes:

- **other income, related indirectly to operating activities**, including:
  - gains on financial investments,
  - gains on derivative instruments relating to operating activities,
  - foreign exchange gains, excluding exchange differences on liabilities used to finance the Group's operations,
  - reversals of impairment losses on held-to-maturity financial assets, available-for-sale financial assets and loans,
  - reversal of unused provisions previously recognised in other expenses,
  - gain on disposal of property, plant and equipment and intangible assets;

- **finance income**, related to the financing of the Group's operations, including:
  - net foreign exchange gains on liabilities which constitute the Group's financing,
  - interest rate hedges, interest on current bank account.

Finance income and costs **related to the financing activities** are presented as the **balance of finance expenses.**

3.11.17 EXPENSES

Expenses are recognised by the Group in accordance with the matching and prudence principles.

Cost of sales as at the reporting date is adjusted to account for changes in the fair value of financial instruments designated as cash-flow hedges, if the hedge relationship is no longer effective or if the hedged item affects profit or loss.

Expenses are analysed by function and by nature. Expenses in the income statement are classified using the first method.

The total cost of sales includes:

- cost of products sold,
- cost of services sold,
- cost of merchandise and materials sold
- Administrative expenses include administrative expenses indispensable to maintain operations of the Group. This category includes employee benefits supporting finance, human resources, information technology and expenses of executive management.

In addition, profit and loss include **other expenses**, related directly to operating activities, including in particular:

- loss on disposal of property, plant and equipment and intangible assets,
- donations granted,
- provisions for litigation, penalties, damages, and other costs related indirectly to operating activities,
- interest on cash in a bank account (interest on cash deposits received in advance for construction contracts),
- loss on financial investments,
- loss on derivative instruments related to operating activities,
- net foreign exchange loss on operating activities, excluding exchange differences on liabilities used to finance the Group's operations,
- impairment losses on held-to-maturity financial assets, available-for-sale financial assets, loans and other investments,

as well as **finance costs**, related to financing of the Group's operations, including in particular:

- interest on overdrafts,
- interest on current and non-current loans, borrowings and other sources of financing, including discounting of liabilities,
- interest on cash in current bank account
- net foreign exchange losses arising on liabilities used to finance the Group's operations,
- interest rate hedges.

3.11.18 INCOME TAX (CURRENT AND DEFERRED)

Income tax expense (tax income) recognised in profit or loss includes current and deferred income tax not recognised in other comprehensive income or directly in equity.

Current tax is calculated based on the taxable profit (tax loss) for a financial year, which differs from profit or loss in the financial statements due to temporary differences and items which will never be subject to taxation. Current tax is based on the tax rates that have been enacted by the end of the reporting period.

Deferred income tax is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.
Deferred tax liabilities are always provided for in full, while deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax liability is not provided on the initial recognition of goodwill and when goodwill has a tax base of nil.
Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

All amounts in PLN thousand (unless otherwise indicated)

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively

3.1.1 MANAGEMENT'S SUBJECTIVE JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements requires the Parent's Management Board's judgement in making numerous estimates and assumptions, which have an effect on the accounting policies applied and the amounts of assets, liabilities, income and expenses reported. Actual results may differ from the Management Board's estimates. Information on estimates and assumptions which have a significant effect on the consolidated financial statements is disclosed below.

3.1.1.1 USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

Every year, the Parent's Management Board reviews the useful lives of depreciable assets. In Management Board's opinion, the useful lives of assets applied by the Group reflect the expected period of assets' utility to the Group. However, actual useful lives may differ from the assumptions, due to such factors as technical obsolescence. For carrying amount of depreciable assets, see Sections 7 and 8.

3.1.1.2 CONSTRUCTION CONTRACTS REVENUE

Construction contracts revenue and amounts due recognised in the consolidated financial statements depend on the Management Board's estimates regarding the stage of completion of the contract activity and the profit margins expected to be achieved on individual contracts. The budgeted costs related to specific projects which are not yet incurred are monitored on an ongoing basis by the management staff supervising the progress of construction work, as a result of which the budgets of individual contracts are revised at least monthly. However, the costs not yet incurred and the profit margins on contract work involve a degree of uncertainty, especially in the case of highly complex projects, which take several years to complete, or in the case of special projects, such as stadiums or roads. Estimated profits on contracts in progress at the end of the reporting periods has been calculated as follows:

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Initial amount of revenue agreed in contract	13,242,465	7,708,014	7,775,586
Variations in contract work	1,177,051	344,729	319,080
Aggregate amount of revenue	**14,419,516**	**8,052,743**	**8,094,666**
Amount of costs incurred to balance-sheet date	8,472,383	3,432,146	3,858,735
Costs expected to incur to finish contract work	4,671,789	3,760,726	3,109,868
Aggregate amount of contract costs	**13,144,172**	**7,192,872**	**6,968,603**
Aggregate estimated profit (losses) on construction contracts:	**1,275,344**	**859,871**	**1,126,063**

Amounts due from customers of PLN 1,152,932 thousand (2010: PLN 392,594 thousand; 2009: PLN 721,878 thousand), and construction contract revenue reflect Management Board's best estimates of the results and stage of completion of particular contracts. The Group revised the estimates of revenue and costs on the Construction of the Malczyce barrage contract and on road contracts. In the case of Malczyce, the revenue estimate was revised downward due to the fact that the contract was not extended for further scope of work. In the case of some road contracts, the cost estimates were revised as a result of which provisions had to be created and net profit (loss) for current period deteriorated.

3.11.19.3. PROVISIONS

The carrying amount of provisions for employee benefits, including retirement severance payments and jubilee benefits, is assessed using the projected unit credit method. Retirement severance payments and jubilee benefits reported in the consolidated financial statements amount to PLN 29,226 thousand (2010: PLN 6,589 thousand; 2009: PLN 7,481 thousand). The amount of provisions is affected by the assumptions concerning the discount rate and the expected salary increase index. A one percentage point decrease in discount rate and a one percentage point increase in the salary increase index would increase the amount of provisions, as at December 31st 2011, by PLN 311 thousand (2010: PLN 769 thousand; 2009: PLN 481 thousand).

Provisions for warranty repairs are measured at a probability-weighted value, as assessed by the Parent's Management Board, by analysing the costs of warranty repairs under running construction contracts. They are reported as long as it is probable that a warranty claim or a claim for repair work will arise, until the right to make the claim expires.

Provisions for losses on construction contracts are recognised if it is probable that the total cost to complete a construction contract exceeds the total revenue under the contract. The anticipated loss is immediately expensed in profit or loss. Its amount is determined irrespective of the commencement of contract work, the stage of the contract's completion or expected profits on other contracts which are not single construction contracts. Any change in provisions for expected losses increases or reduces operating expenses. Provisions for losses on construction contracts recognised in 2011 were PLN 30,133 thousand. As December 31st 2011, provisions for warranty repairs were PLN 27,245 thousand (2010: PLN 20,433 thousand; 2009: PLN 18,860 thousand).

3.11.19.4 DEFERRED TAX ASSETS

The probability that a deferred tax asset will be utilised against future taxable profit is based on the Group companies' budgets, approved by the Parent's Management Board. If the financial performance forecast suggests that the Group companies will achieve taxable income, the deferred tax assets are recognised in the full amount.

3.11.19.5 IMPAIRMENT OF NON-FINANCIAL ASSETS (INCLUDING GOODWILL)

In assessing value in use, the Management Board estimates future cash flows and the discount rate (see section on impairment of non-financial assets). When determining the present value of future cash flows, assumptions need to be made regarding future financial performance. Such assumptions relate to future

events and circumstances. Actual values may differ from the estimates, which may necessitate significant adjustments to the Group's assets in subsequent reporting periods.
In 2011, the Group did not recognise any goodwill impairment losses.

3.11.19.6 IMPAIRMENT OF FINANCIAL ASSETS

Pursuant to the guidelines of IAS 39 regarding the classification of non-derivative financial instruments with fixed payment dates or determinable maturity dates, such assets are classified as held-to-maturity financial assets. In making such a judgement, the intentions and ability to hold such investments to their maturity should be considered. If the Group Companies fail to meet the requirement of holding assets to their maturity, apart from the circumstances provided for in IAS 39, they will be required to re-classify all held-to-maturity financial assets to the category of available-for-sale assets. In such event, re-classified investments will be measured at fair value and not at adjusted acquisition cost.

3.11.19.7 IMPAIRMENT LOSSES ON RECEIVABLES

The Management Board reviews receivables at each balance-sheet date. All receivable balances of significant value are subject to individual assessment in the case of debtors whose balances are past due or when objective evidence has been obtained that the debtor may not pay the receivable (e.g. the debtor is in a difficult financial position, judicial proceedings are conducted against the debtor, there have been changes in the economic environment adverse to the debtor).
Impairment losses on doubtful receivables are estimated when the collection of the full amount of the receivable is no longer probable. The ratio of impairment losses recognised in respect of any class is based on the recently observable trends as to debtors' payment difficulties. In principle, impairment losses are recognised for a full amount of receivables past due by more than 180 days, with due account take of established security. As at December 31st 2011, past due receivables amounted to PLN 416,595 thousand. The Company recognised impairment losses of PLN 127,942 thousand.

3.11.19.8 CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ERRORS

An accounting policy may be changed only if the change:

- is required by new or revised accounting laws,
- where the change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Group's financial position, financial performance, or cash flows.

If an accounting policy is changed, it is applied as if the new accounting policy had always been applied. The corresponding adjustments are recognised in retained earnings. To ensure comparability, the relevant financial statements (comparative information) for prior periods must be adjusted accordingly, so that the new accounting policy affects financial statements for prior periods.
The items of financial statements measurements that are accounting estimates are reviewed to take account of any subsequent change in the circumstances on which the estimate was based or new information or more experience.

Corrections of material prior period errors are recognised in retained earnings. When preparing financial statements, the comparative amounts for the prior period(s) in which the error occurred must be restated. Accordingly, the amount of the adjustment relating to a prior reporting period should be included in the income statement for that period.

The following error corrections affecting the 2009 financial data were made in the consolidated financial statements:

- correction of an error arising from recognition in retained earnings of an official tax interpretation with respect to claims awarded in 2009 in connection with a completed construction contract; this ruling resulted in an adjustment of 2009 revenue from sales of services (correction 2 presented in the table below);
- correction of an error arising from failing to recognise the costs related to sale of apartments in 2009 under the cost of products sold (correction 3 presented in the table below)
- the initial accounting for the acquisition of Energopol Ukraina was completed. In 2009 provisional amounts were reported in the consolidated financial statements of the PBG Group (correction 1 presented in the table below).

The effect of corrections on the comparative information in respect of the previous period is as follows:

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

CORRECTIONS AND CHANGE OF ACCOUNTING POLICIES WITH EFFECT ON THE 2009 FINANCIAL STATEMENTS

No.	Correction	Item of financial statements		Effect on retained earnings as at Dec 31 2009	Assets as at Dec 31 2009	Equity and liabilities as at Dec 31 2009
		(+)	(-)			
Corrections affecting total assets of the Group						
1.	Corrections related to initial accounting of Energopol Ukraina's goodwill	Goodwill	-	-	2,408	-
1.1	Corrections related to initial accounting of Energopol Ukraina's goodwill	-	Non-controlling interests	-	-	(2,397)
1.2.1	Correction of the calculated deferred tax amount resulting from erroneously recognised rate (related to land revaluation to fair value)	Deferred tax liabilities	-	-	-	7,953
1.2.2.	Correction of real property revaluation to fair value	Inventories (merchandise)	-	-	4,692	-
1.2.3.	Recognition in current year's profit or loss of penalty for failure to properly perform an agreement	Other liabilities	-	-	-	2,176
1.2.4	Deferred tax assets under contractual penalties	Deferred tax assets	-	-	-	(545)
1.3	Correction of the reserve funds resulting from erroneous recognition of land valuation as at the date of acquisition of Energopol Ukraina	-	Other components of equity	-	-	(87)
2.	Correction of fundamental error arising from recognition in the current year's retained earnings of an official tax interpretation with respect to claims awarded in 2009 in connection with a completed construction contract; the ruling resulted in an adjustment of 2009 revenue from sales of services (correction 2 presented in the table below);	Other liabilities	-	-	-	1,758
		-	Retained earnings	(1,109)	-	(1,109)
		-	Non-controlling interests	-	-	(649)
3.	Correction of an error arising from failing to recognise the costs related to sale of apartments in 2009 under the cost of products sold	Other liabilities	-	(422)	-	422
		-	Retained earnings	-	-	(422)
Total corrections		**x**	**x**	**(1,531)**	**7,100**	**7,100**

The following changes of presentation-related accounting policies were effected in 2009:

- “Trade receivables” and “Other current receivables” were combined into a single item “Trade and other receivables”,
- “Loans advanced” (non-current and current) was separated from “Other non-current financial assets” and “Other current financial assets",
- “Other non-current financial liabilities” was split into “Borrowings and other debt instruments”(non-current),“Finance lease” (non-current), and “Other liabilities”(non-current),
- “Other current financial liabilities” was split into “Borrowings and other debt instruments” (current), “Finance lease” (current), and “Trade and other payables” (current),
- “Trade payables” and “Other short-term liabilities” were combined into a single item “Trade and other payables”,
- employee benefits liabilities were separated from “Other short-term liabilities” and moved to “Employee benefits liabilities and provisions”
- “Employee benefits provisions” was changed to “Employee benefits liabilities and provisions” (non-current and current).

Group name:	*PBG GROUP*		
Period covered by the financial statements:	*Jan 1 - Dec 31 2011*	**Reporting currency:**	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

ERROR CORRECTIONS AND CHANGE IN ACCOUNTING POLICIES – ADJUSTMENT OF FINANCIAL STATEMENT ITEMS

Item	Dec 31 2009			
	Before	Correction No.	Correction amount	After
Assets				
Non-current assets	**1,011,530**		**6,121**	**1,017,651**
Goodwill	319,015	1	2,408	321,423
Intangible assets	32,966		-	32,966
Property, plant and equipment	368,264		-	368,264
Non-regenerative natural resources	12,290		-	12,290
Investment property	144,125	presentation	3,713	147,838
Investments in subsidiaries	10,000		-	10,000
Investments in associates	-		-	-
Investments in joint ventures	-		-	-
Receivables	14,618		-	14,618
Loans advanced	-	presentation	56,035	56,035
Derivative financial instruments	8,746		-	8,746
Other long-term financial assets	91,610	presentation	(56,035)	35,575
Deferred tax assets	-		-	-
Long-term prepaid expenses	9,896		-	9,896
Current assets	**2,996,816**		**979**	**2,997,795**
Inventories	233,694	1.2.2	4,692	238,386
Amounts due from customers for construction contract work	725,591	presentation	(3,713)	721,878
Trade and other receivables	1,112,173		-	1,112,173
Current tax assets	3,388		-	3,388
Loans advanced	-	presentation	216,446	216,446
Derivative financial instruments	20,215		-	20,215
Other short-term financial assets	217,308	presentation	(216,446)	862
Cash and cash equivalents	660,281		-	660,281
Short-term prepaid expenses	24,166		-	24,166
Non-current assets held for sale	-		-	-
Total assets	**4,008,346**		**7,100**	**4,015,446**

Group name:	PBG GROUP		
Period covered by the financial statements:	01.01-31.12.2011	Reporting currency:	złoty polski (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Item	Dec 31 2009			
	Before	Correction No.	Correction amount	After
Equity and liabilities				
Equity	**1,623,486**		**(4,664)**	**1,618,822**
Equity attributable to owners of the parent	**1,395,305**		**(1,618)**	**1,393,687**
Share capital	14,295		-	14,295
Treasury shares (-)	-		-	-
Share premium	733,348		-	733,348
Cash-flow hedges and translation reserve	(30,349)		-	(30,349)
Other components of equity	374,229	1.3	(87)	374,142
Retained earnings	303,782	2 ; 3	(1,531)	302,251
- accumulated profit (loss) from prior years	93,157		-	93,157
- net profit (loss) for current year attributable to owners of the Parent	210,625	2 ; 3	(1,531)	209,094
Non-controlling interests	**228,181**	**1.1 ; 2 ; 3**	**(3,046)**	**225,135**
Payables	**2,384,860**		**11,764**	**2,396,624**
Long-term liabilities:	**561,784**		**7,408**	**569,192**
Borrowings, other debt instruments	493,055	presentation	(16,177)	476,878
Finance lease liabilities	-	presentation	16,177	16,177
Derivative financial instruments	553		-	553
Other liabilities	40,110		-	40,110
Deferred tax liabilities	150	1.2.1 ; 1.2.4	7,408	7,558
Employee benefits liabilities and provisions	6,405		-	6,405
Other long-term provisions	14,191		-	14,191
Government grants	-		-	-
Long-term prepaid expenses	7,320		-	7,320
Short-term liabilities:	**1,823,076**		**4,356**	**1,827,432**
Borrowings, other debt instruments	641,815	presentation	(16,507)	625,308
Finance lease liabilities	-	presentation	16,507	16,507
Derivative financial instruments	59,256		-	59,256
Trade and other payables	986,932	1.2.3; 2 ; 3; presentation	(13,890)	973,042
Trade and other payables	60,450		-	60,450

Group name:	PBG GROUP		
Period covered by the financial statements:	*Jan 1 - Dec 31 2011*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

Item	Dec 31 2009			
	Before	Correction No.	Correction amount	After
Current tax liabilities	25,871		-	25,871
Employee benefits liabilities and provisions	6,258	presentation	18,246	24,504
Other short-term provisions	39,027		-	39,027
Government grants	-		-	-
Short-term prepaid expenses	3,467		-	3,467
Liabilities under non-current assets held for sale	-		-	-
Total equity and liabilities	**4,008,346**		**7,100**	**4,015,446**

The following error corrections affecting the 2010 financial data were made in the consolidated financial statements:

- Correction of an error arising from failing to recognise in 2010 a reduction in the scope of works of the project "Rainwater discharge from the water intake protection zone areas of Las Gdański and Czyżkówko and extension of the rainwater system in Bydgoszcz, phase 3", executed for Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. under Contract No. ZP-RZ/63/2008 of April 3rd 2008.
  The scope of works was reduced under an annex to the contract executed by the company in 2010. Until the preparation of the financial statements for the period January 1st–June 30th 2011, the new management board of the subsidiary believed that the financial statements for 2010 gave a true and fair view of assets and financial standing of the company. The reduced scope of works resulted in a reduction of the volume of forward contracts determined as hedging items and recognition of a provision for losses on the construction contract. The amount of the hedged forecast revenue in the 2010 financial statements was reduced from EUR 37m to EUR 6m. Therefore, the accumulated loss on hedging instruments of PLN 20,085 thousand (after tax) should be reclassified from equity to profit or loss. The correction affects the items of the financial statements specified below.
- The Parent's Management Board was notified by Energomontaż-Południe of material errors in the associate's 2010 financial statements. The material errors affected profit or loss of the Energomontaż-Południe Group for 2010 and for previous years. Due to the fact that the restatements made in the consolidated financial statements of the Energomontaż-Południe Group have a material effect on the accounting for the investment in the associate in the PBG Group's consolidated financial statements for 2010, the Parent's Management Board decided to correct the consolidated financial statements for 2010. The effect of the restatements on the accounting for the investment in the associate as at the acquisition date is presented in Section ? The effect of correction of the errors in applying equity method in the period March 1st–September 30th 2010 is specified below.

The Parent's Management Board decided that as of 2011 the PBG Group will change the rules of qualifying transactions as (a) operating or (b) financing activities. The change of approach to qualifying transactions was attributable to the following:

- only those transactions and activities of the Group's entities which are related to raising financing should be presented as financial activities in the income statement; the results of investing activities involving investment and allocation of funds to the benefit of the Group's entities is presented as operating activities in the income statement;
- the Parent's Management Board wants the reader of the consolidated financial statements to better understand the transactions presented in the financial statements;
- an entity may change an accounting policy only if the change: (a) is required by the IFRS, or (b) results in the financial statements providing reliable and more relevant information about the

effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

The change of rules of qualifying transactions should also establish uniform and simpler rules used to calculate the value of covenants provided for in the Group companies' credit agreements and rules set forth in the terms of notes issued by PBG S.A.

Presentation change in details:

- **Finance income and costs** present only the financial gains (losses) related to **financing activities** of the Group, including in particular:
  - ✓ interest on bank overdrafts and borrowings;
  - ✓ interest on short and long-term borrowings and other sources of financing;
  - ✓ interest on loans advanced, not related to the Group's operating activity;
  - ✓ losses on net exchange differences on liabilities which constitute the sources of financing;
  - ✓ valuation of instruments used to hedge cash flows – interest portion;
  - ✓ valuation of instruments used to hedge financing costs, e.g. IRS transactions used to hedge interest costs.

- **Other operating activities** will include anything that is related to running operating activities, in particular:
  - ✓ interest on cash in a bank account (interest on cash deposits received in advance and other payments for construction contracts);
  - ✓ interest on loans advanced, related to the Group's operating activity (e.g. loans advanced to related entities, subcontractors);
  - ✓ profit (loss) on derivative instruments related to operating activities (trading instruments are those which the Company does not include in its hedging policy and whose effectiveness it does not measure);
  - ✓ valuation of cash flow hedging derivatives – from the moment when the hedged item has been realised while the hedging transaction remains open;
  - ✓ net exchange differences on operating activities, except for exchange differences arising on liabilities which constitute the source of financing;
  - ✓ net interest related to operating activities, i.e. interest on receivables and liabilities;
  - ✓ net result on financial investments;
  - ✓ discount (long-term settlements);
  - ✓ reversals of impairment losses on held-to-maturity financial assets, available-for-sale financial assets and loans;
  - ✓ release of unused provisions previously recognised and charged to other expenses;
    - ✓ provisions for litigation, penalties, damages, and other costs related indirectly to operating activities;
    - ✓ impairment losses on held-to-maturity financial assets, available-for-sale financial assets, loans and other investments;
    - ✓ donations granted;
    - ✓ gain/loss on disposal of property, plant and equipment and intangible assets.

The effects of error corrections and presentation adjustments in the 2010 financial statements are as follows:

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

CORRECTIONS AFFECTING TOTAL ASSETS IN THE CONSOLIDATED FINANCIAL STATEMENTS

No.	Correction	Item of financial statements (+)	Item of financial statements (-)	Effect on retained earnings as at Dec 31 2010	Assets as at Dec 31 2010	Equity and liabilities as at Dec 31 2010
Corrections affecting total assets of the Group						
Correction of an error arising from failing to recognise in 2010 a reduction in the scope of works of the project "Rainwater discharge from the water intake protection zone areas of Las Gdański and Czyżkówko and extension of the rainwater system in Bydgoszcz, phase 3", executed for Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. under Contract No. ZP-RZ/63/2008 of April 3rd 2008. The scope of works was reduced under an annex to the contract executed by the company in 2010. Until the preparation of the financial statements for the period January 1st–June 30th 2011, the new management board of the subsidiary believed that the financial statements for 2010 gave a true and fair view of assets and financial standing of the company. The reduced scope of works resulted in a reduction of the volume of forward contracts determined as hedging items and recognition of a provision for losses on the construction contract. The amount of the hedged forecast revenue in the 2010 financial statements was reduced from EUR 37m to EUR 6m. Therefore, the accumulated loss on hedging instruments of PLN 20,085 thousand (after tax) should be reclassified from equity to profit or loss. The correction affects the items of the financial statements specified below.						
1.1	Recognition of a provision for expected losses resulting from the execution of an annex to the contract	Other short-term provisions	-	-	-	5,607
		-	Retained earnings - net profit (loss) for current year attributable to owners of the Parent	(5,607)	-	(5,607)
	Creation of deferred tax asset	Deferred tax asset	-	-	1,066	-
		-	Retained earnings - net profit (loss) for current year attributable to owners of the Parent	1,066	-	1,066
1.2	Reclassification in the 2010 financial statements of losses on cash-flow hedge from equity to profit or loss in connection with the reduced scope of	-	Retained earnings - net profit (loss) for current year attributable to owners of the Parent	(23,341)	-	(23,341)

All amounts in PLN thousand (unless otherwise indicated)

	work on construction contract under annex to the contract		Cash-flow hedges and translation reserve			22,119
1.3	Derecognition of a deferred tax asset on hedging instruments	Deferred tax assets	Cash-flow hedges and translation reserve	-	(2,266)	(1,044)
1.4	Derecognition of a deferred tax asset on hedging instruments		Retained earnings - net profit (loss) for current year attributable to owners of the Parent	(705)	-	(705)
		Deferred tax assets		-	(705)	-
1.5	Presentation adjustment consisting in offsetting deferred tax assets and liabilities, arising from the recognition of the above corrections related to deferred tax			-	1,905	1,905
1.6	Attribution of cash-flow hedge loss to non-controlling interests		Cash-flow hedges and translation reserve	-	-	(7,787)
			Non-controlling interests	-	-	7,787
1.7	Transfer of negative non-controlling interests to reserve funds		Other components of equity	-	-	7,787
			Non-controlling interests	-	-	(7,787)

The Parent's Management Board was notified by Energomontaż-Południe of material errors in the associate's 2010 financial statements. The material errors affected profit or loss of the Energomontaż-Południe Group for 2010 and for previous years. Due to the fact that the restatements made in the consolidated financial statements of the Energomontaż-Południe Group have a material effect on the accounting for the investment in the associate in the PBG Group's consolidated financial statements for 2010, the Parent's Management Board decided to correct the consolidated financial statements for 2010. The effect of the restatements on accounting for the investment in the associate as at the acquisition date is presented in Section ? The effect of correction of the errors in applying equity method in the period March 1st–September 30th 2010 is specified below.

Group name:	***PBG GROUP***
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***
Reporting currency:	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***

2.	Correction of equity method accounting for the investment in the associate in the period March 1st – December 31st 2010 - 25% of the financial result contributed by Energomontaż-Południe Group, an associate at the balance-sheet date.	-	Investments in associates	-	(9,069)	-
		-	Retained earnings - net profit (loss) for current year attributable to owners of the Parent	(9,069)	-	(9,069)
3.	Reclassification of equity interest in PBG Dinatstroj	Investments in associates	-	-	10	-
		Investments in joint ventures	-	-	(10)	-
4.	**Corrections related to initial accounting of AQUA's goodwill**	**Goodwill**	**-**	**-**	**425**	**-**
4.1.	Elimination of estimate based presentation adjustment disclosed in the Company's financial statements as at Dec 31 2010	Short-term prepaid expenses	-	-	2,477	-
		-	Amounts due from customers for construction contract work	-	(2,477)	-
		Short-term deferred income	-	-	-	1,620
			Trade and other payables			(1,620)
4.2.	Derecognition of work in progress	-	Short-term prepaid expenses	-	(2,344)	-

All amounts in PLN thousand (unless otherwise indicated)

4.3.	Derecognition of costs recorded as prepaid expenses	-	Short-term prepaid expenses	-	(133)	-
4.4.	Derecognition of costs recorded as accrued expenses	-	Short-term deferred income	-	-	(692)
4.5.	Determination of excess of contract revenue over progress billings under construction contracts in progress	Amounts due from customers for construction contract work	-	-	2,633	-
4.6.	Determination of excess of progress billings over contract revenue under construction contracts in progress	Trade and other payables	-	-	-	1,273
5.	Correction of the settlement of the margin on contracts performed within the HBP Group	-	Amounts due from customers for construction contract work	(1,145)	(1,145)	-
6.	Recognition of provision for deferred tax liability	Current tax liabilities	-	218	-	(218)
7.	Profit or loss attributable to non-controlling interests	-	Non-controlling interests	342	-	(342)
		-	Retained earnings - net profit (loss) for current year attributable to owners of the Parent	-	-	(585)
	Total corrections	**X**	**x**	**(38,241)**	**(9,633)**	**(9,633)**

All amounts in PLN thousand (unless otherwise indicated)

Item	Dec 31 2010			
	Before	Correction No.	Correction amount	After
Assets				
Non-current assets	**1,599,128**		**(8,644)**	**1,590,484**
Goodwill	346,882	4	425	347,307
Intangible assets	41,640			41,640
Property, plant and equipment	665,388			665,388
Non-regenerative natural resources	36,772			36,772
Investment property	293,757			293,757
Investments in subsidiaries	10,000			10,000
Investments in associates	65,769	2	(9,079)	56,690
Investments in joint ventures	-		10	10
Receivables	15,831			15,831
Loans advanced	60,112			60,112
Derivative financial instruments	171			171
Other long-term financial assets	38,643			38,643
Deferred tax assets	-			-
Long-term prepaid expenses	24,163			24,163
Current assets	**3,155,834**		**(989)**	**3,154,845**
Inventories	293,500			293,500
Amounts due from customers for construction contract work	393,583	4 ; 5	(989)	392,594
Trade and other receivables	1,327,224			1,327,224
Current tax assets	7,748			7,748
Loans advanced	210,492			210,492
Derivative financial instruments	4,873			4,873
Other short-term financial assets	155,265			155,265
Cash and cash equivalents	708,509			708,509
Short-term prepaid expenses	54,640	4	-	54,640
Non-current assets held for sale	-			-
Total assets	**4,754,962**		**(9,633)**	**4,745,329**

Item	Dec 31 2010			
	Before	Correction No.	Correction amount	After
Equity and liabilities				
Equity	**1,831,446**		**(17,508)**	**1,813,938**
Equity attributable to owners of the parent	**1,605,151**		**(17,166)**	**1,587,985**
Share capital	14,295			14,295
Treasury shares (-)	-			-
Share premium	733,348			733,348
Cash-flow hedges and translation reserve	(15,289)	1	13,288	(2,001)
Other components of equity	523,339	1	7,787	531,126
Retained earnings	349,458		(38,241)	311,217
- accumulated profit (loss) from prior years	125,143			125,143
- net profit (loss) for current year attributable to owners of the Parent	224,315	1 ; 2 ; 5	(38,241)	186,074
Non-controlling interests	**226,295**	**5**	**(342)**	**225,953**

All amounts in PLN thousand (unless otherwise indicated)

Item (cont.)	Dec 31 2010			
	Before	Correction No.	Correction amount	After
Payables	**2,923,516**		**7,875**	**2,931,391**
Long-term liabilities:	**985,574**		**1,905**	987,479
Borrowings, other debt instruments	904,894			904,894
Finance lease liabilities	9,122			9,122
Derivative financial instruments	412			412
Other liabilities	37,914			37,914
Deferred tax liabilities	5,284	1	1,905	7,189
Employee benefits liabilities and provisions	5,520			5,520
Other long-term provisions	15,623			15,623
Government grants	-			-
Long-term prepaid expenses	6,805			6,805
Short-term liabilities:	**1,937,942**		**5,970**	**1,943,912**
Borrowings, other debt instruments	523,985			523,985
Finance lease liabilities	10,723			10,723
Derivative financial instruments	11,265			11,265
Trade and other payables	1,193,845			1,193,845
Trade and other payables	89,593	4	(347)	89,246
Current tax liabilities	28,616	5	(218)	28,398
Employee benefits liabilities and provisions	29,728			29,728
Other short-term provisions	32,293	1.1	5,607	37,900
Government grants	-			-
Short-term prepaid expenses	17,894	4	928	18,822
Liabilities under non-current assets held for sale	-			-
Total equity and liabilities	**4,754,962**		**(9,633)**	**4,745,329**

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Item	Jan 1 – Dec 31 2010	Presentation adjustments	Jan 1 – Dec 31 2010 presentation following policy change	Jan 1 – Dec 31 2009	Presentation adjustments	Jan 1 – Dec 31 2009 presentation following policy change
Continuing operations						
Revenue	**2,740,311**	**(1,145)**	**2,739,166**	**2,577,980**	**(5,471)**	**2,572,509**
Sale of finished goods	28,404		28,404	20,767		20,767
Rendering of services	2,698,793	(1,145)	2,697,648	2,546,985	(5,471)	2,541,514
Sale of merchandise and materials	13,114		13,114	10,228		10,228
Cost of sales	**(2,393,075)**	**(5,607)**	**(2,398,682)**	**(2,185,857)**	**3,291**	**(2,182,566)**
Finished goods sold	(24,883)		(24,883)	(22,957)	(422)	(23,379)
Services rendered	(2,355,754)	(5,607)	(2,361,361)	(2,153,262)	3,713	(2,149,549)
Merchandise and materials sold	(12,438)		(12,438)	(9,638)		(9,638)
Gross profit (loss)	**347,236**	**(6,752)**	**340,484**	**392,123**	**(2,180)**	**389,943**
Distribution costs	(73)		(73)	-		-
Administrative expenses	(109,096)		(109,096)	(109,764)		(109,764)
Other income	66,863	48,643	115,506	31,143	24,141	55,284
Other expenses	(33,603)	(27,838)	(61,441)	(27,006)	(20,067)	(47,073)
Share of profit (loss) of entities accounted for using the equity method (+/−)	1,383	(1,383)	-	-	-	-
Costs of restructuring	-		-	-		-
Operating profit (loss)	**272,710**	**12,670**	**285,380**	**286,496**	**1,894**	**288,390**
Finance income	64,015	(64,015)	-	30,717	(30,717)	-
Finance costs	(71,324)	22,078	(49,246)	(58,850)	30,908	(27,942)
Share of profit (loss) of entities accounted for using the equity method (+/−)	-	(7,686)	(7,686)	-	-	-
Other gains/(losses) on investments	2,209	(2,209)	-	4,265	(4,265)	-
Profit (loss) before tax	**267,610**	**(39,162)**	**228,448**	**262,628**	**(2,180)**	**260,448**
Actual tax expense	(49,051)	(579)	(48,472)	(40,588)		(40,588)
Net profit (loss) from continuing operations	**218,559**	**(38,583)**	**179,976**	**222,040**	**(2,180)**	**219,860**
Discontinued operations						
Loss from discontinued operations	-	**-**	-	-	**-**	-
Profit (loss), net of tax	**218,559**	**(38,583)**	**179,976**	**222,040**	**(2,180)**	**219,860**
Net profit (loss) for the year attributable to:	**218,559**		**179,976**	**222,040**		**219,860**
- owners of the Parent	224,315	(38,241)	186,074	210,625	(1,531)	209,094
- non-controlling interests	(5,756)	(342)	(6,098)	11,415	(649)	10,766

All amounts in PLN thousand (unless otherwise indicated)

The Group also made presentation adjustments to the consolidated statement of other comprehensive income for the period January 1st – December 31st 2010:

1. transfer of the revaluation surplus on disposed property, plant and equipment previously recognised in other income to retained earnings is now presented in the consolidated statement of changes in equity under "Transfer to retained earnings", instead of the consolidated statement of comprehensive income – PLN 5,758 thousand
2. related to the disposal of a subsidiary and the reclassification of gains/losses on cash-flow hedge from equity to profit or loss (amount previously not disclosed in the statement of comprehensive income) – PLN -280 thousand.

STATEMENT OF COMPREHENSIVE INCOME

Correction	Jan 1 – Dec 31 2010			
	Before	Correction No.	Correction amount	After
Profit (loss), net of tax	218,559	-	(38,583)	179,976
Other comprehensive income				
Revaluation reserve	(5,404)	1	5,758	354
Available-for-sale financial assets:				
- current year gains (losses)	-			-
- reclassification to profit or loss	-			-
Cash flow hedges:				
- current year gains (losses)	19,762	presentation	23,062	42,824
- reclassification to profit or loss	29,685	2; presentation	(22,119)	7,566
- amounts transferred to initial carrying amount of hedged items	-			-
Exchange differences on translating foreign operations	3,252			3,252
Exchange gain (loss) on disposal of foreign operations recognised in profit or loss	-			-
Share of other comprehensive income of associates accounted for using the equity method	-			-
Income tax relating to components of other comprehensive income	(7,592)		(232)	(7,824)
Other comprehensive income for the year, net of tax	**39,703**		**6,469**	**46,172**
Total comprehensive income for the year	**258,262**		**(32,114)**	**226,148**
Total comprehensive income attributable to:				
- owners of the Parent	246,877		(32,138)	214,739
- non-controlling interests	11,385		24	11,409

All amounts in PLN thousand (unless otherwise indicated)

EARNINGS PER SHARE

Item	Before changes	After changes
	Jan 1 to Dec 31 2010	Jan 1 to Dec 31 2010
Net profit (loss) from continuing operations	224,315	186,074
Net profit (loss) for the year from continuing and discontinued	224,315	186,074
Weighted average number of ordinary shares	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000
from continuing operations		
- basic	15.69	13.02
- diluted	15.69	13.02
from continuing and discontinued operations		
- basic	15.69	13.02
- diluted	15.69	13.02

3.11.19.9 OFFSETTING

Assets and liabilities cannot be offset unless required or permitted by IAS.

Items of revenue and expenses can be netted if, and only if:

- It is required or permitted by IAS, or
- gains, loss and the associated costs arising under the same or similar transactions or events are immaterial.

The Group presents the results of the following transactions on a net basis:

- gains and losses on the disposal of non-current assets, including investments and operating assets, are recognised as the difference between the proceeds from the disposal and the carrying amount of the asset and related costs to sell,
- expense related to a provision, reimbursed under a contractual arrangement with a third party (e.g. a supplier's warranty agreement) is presented net of the related reimbursement,
- deferred tax assets and liabilities are presented as a net asset or liability,
- prepayments received from customers are presented net of amounts due from customers for construction contract work, provided the contract allows net settlement,
- gains and losses arising from a group of similar transactions are reported on a net basis, i.e. foreign-exchange gains and losses or gains and losses on financial instruments held for trading and hedging instruments recognised in profit or loss, gains or losses on discounting long-term payables/receivables, etc.,
- receivables and liabilities under output/input VAT relating to future periods,
- net finance income/(costs)

3.11.19.10 EARNINGS PER SHARE

EPS is calculated by dividing profit or loss for the period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS for each period is calculated by dividing profit or loss for period, adjusted for the effects of all dilutive potential ordinary shares, attributable to equity holders of the Parent, by the adjusted weighted average number of ordinary shares.

3.11.19.11 MANAGING CAPITAL

The objective of the Group's capital management is to maintain the Group's ability to continue as a going concern, taking into account any investment plans, in order to provide return for shareholders and increase benefits for other investors.

In line with the prevalent market practice, the effective use of capital is monitored against the following key measures:

- the equity ratio (capitalisation), calculated as the ratio of equity to equity and liabilities, not lower than 0.25,
- the debt/EBITDA ratio, calculated as the ratio of interest-bearing debt less cash to EBITDA (EBITDA for the last 12 months, calculated as profit before deduction of tax, interest (included in finance costs) and amortisation/depreciation, not exceeding 4.0.

4. OPERATING SEGMENTS

In distinguishing operating segments, the Parent's Management Board is guided by the product lines and services within particular industries, representing the main services and goods provided by the Group. Each of the segments is managed separately within each product line, given the specific nature of the Group's services and products, requiring different technologies, resources and execution approaches.

The Group has selected the operating segment as its basic reporting pattern.

The Group distinguishes the following five main segments:

- **Gas, oil and fuels,**
- **Water,**
- **Industrial and residential construction,**
- **Road construction,**
- **Power engineering.**

The following areas are identified within particular segments:

- **In the Gas, oil and fuels segment:**
  - surface installations for crude oil and natural gas production
  - installations for liquefying natural gas and for LNG storage and regasification
  - LPG, C5+ separation and storage facilities
  - LNG storage and evaporation facilities
  - underground gas storage facilities
  - desulphurisation units
  - surface infrastructure of underground gas storage facilities
  - crude oil tanks

- transmission systems for natural gas and crude oil, including pressure reduction and metering stations and metering and billing stations, mixing plants, distribution nodes, compressor stations, etc.
- fuel terminals

- **In the Water segment:**
  - technological and sanitary installations for water supply and sewage systems, including:
    - water pipes
    - sewage systems
    - water mains and trunk sewers
    - water intakes
    - wastewater treatment plants
  - water engineering structures, including:
    - water dams
    - storage reservoirs
    - levees
    - modernisation of water and sewage systems
- **In the Industrial and residential construction segment:**
  - general construction
  - industrial infrastructure
  - construction of stadiums
  - construction of waste incineration plants
- **In the Road construction segment:**
  - road construction
- **In the Power segment:**
  - assembly, modernisation and repair of power equipment and industrial units

The Group also distinguishes an additional segment called "Other", where it recognises revenue on sale of merchandise and materials, as well as other services which are not allocated to any of the four main segments.
The PBG Group presents revenue, cost of sales and gain/loss on sales (gross margin) by individual segments. Balance-sheet assets and equity and liabilities are not presented by business segments given the fact that some of the non-current assets are used in production that is classified in various segments, inventory of materials cannot be allocated to the particular segments, and it is impossible to make a segmental allocation of trade payables, other income, other expense and finance costs.

The table below presents data for the individual operating segments.

All amounts in PLN thousand (unless otherwise indicated)

OPERATING SEGMENTS—JANUARY 1ST – DECEMBER 31ST 2011

Item	Segments					Other	Total
	Gas, oil and fuels	Water	Industrial and residential construction	Road construction	Power engineering		
Financial highlights for the operating segments for the period January 1st – December 31st 2011							
Total segment revenues	**815,727**	**503,592**	**755,905**	**1,081,860**	**454,757**	**58,898**	**3,670,739**
Revenues from external customers	815,727	503,592	755,905	1,081,860	454,757	58,898	3,670,739
Total cost	**(690,581)**	**(426,065)**	**(738,483)**	**(1,091,337)**	**(340,892)**	**(34,187)**	**(3,321,545)**
Segment profit or loss	**125,146**	**77,527**	**17,422**	**(9,477)**	**113,865**	**24,711**	**349,194**
Costs and expenses not allocated	x	x	x	x	x	x	(137,483)
Other income/expenses	x	x	x	x	x	x	57,601
Operating profit	x	x	x	x	x	x	**269,312**
Finance costs	x	x	x	x	x	x	(57,887)
Share of profit (loss) of entities accounted for using the equity method (+/−)	x	x	x	x	x	x	(7,181)
Profit (loss) before tax	x	x	x	x	x	x	**204,244**
Actual tax expense	x	x	x	x	x	x	(33,586)
Net profit (loss)	x	x	x	x	x	x	**170,658**

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

OPERATING SEGMENTS—JANUARY 1ST – DECEMBER 31ST 2010

Item	Segments				Other	Total
	Gas, oil and fuels	Water	Industrial and residential construction	Road construction		
Financial highlights for the operating segments for the period January 1st – December 31st 2010						
Total segment revenues	**791,883**	**642,874**	**995,284**	**298,868**	**10,257**	**2,739,166**
Revenues from external customers	791,883	642,874	995,284	298,868	10,257	2,739,166
Total cost	**(611,512)**	**(574,760)**	**(936,540)**	**(270,168)**	**(5,702)**	**(2,398,682)**
Segment profit or loss	**180,371**	**69,259**	**58,744**	**28,700**	**4,555**	**340,484**
Costs and expenses not allocated	x	x	x	x	x	(109,169)
Other income/expenses	x	x	x	x	x	54,065
Operating profit	x	x	x	x	x	**285,380**
Finance costs	x	x	x	x	x	(49,246)
Share of profit (loss) of entities accounted for using the equity method (+/−)	x	x	x	x	x	(7,686)
Profit (loss) before tax	x	x	x	x	x	**228,448**
Actual tax expense	x	x	x	x	x	(48,472)
Net profit (loss)	x	x	x	x	x	**179,976**

All amounts in PLN thousand (unless otherwise indicated)

OPERATING SEGMENTS—JANUARY 1ST – DECEMBER 31ST 2009

Item	Segments				Other	Total
	Gas, oil and fuels	Water	Industrial and residential construction	Road construction		
Operating segments' financial highlights for the operating segments for the period January 1st – December 31st 2009						
Total segment revenues	**483,128**	**996,045**	**877,489**	**187,022**	**28,825**	**2,572,509**
Revenues from external customers	483,128	996,045	877,489	187,022	28,825	2,572,509
Intersegment sales	-	-	-	-	-	-
Total cost	**(391,114)**	**(874,986)**	**(740,663)**	**(157,297)**	**(18,506)**	**(2,182,566)**
Segment profit or loss	**92,014**	**121,059**	**136,826**	**29,725**	**10,319**	**389,943**
Costs and expenses not allocated	x	x	x	x	x	(109,764)
Other income/expenses	x	x	x	x	x	8,211
Operating profit	x	x	x	x	x	**288,390**
Finance costs	x	x	x	x	x	(27,942)
Share of profit (loss) of entities accounted for using the equity method (+/−)	x	x	x	x	x	-
Profit (loss) before tax	x	x	x	x	x	**260,448**
Actual tax expense	x	x	x	x	x	(40,588)
Net profit (loss)	x	x	x	x	x	**219,860**

5. BUSINESS COMBINATIONS AND DISPOSALS

5.1 BUSINESS COMBINATIONS

Business combinations effected by the Group in the periods covered by these financial statements and resulting in the Group taking control over business entities are presented in Section 1.4 of these consolidated financial statements.

Goodwill amounts recognised in 2010 are presented with respect to acquisitions settled with the purchase method. The Group recognises gains on opportunistic acquisitions under "Other income" in the consolidated profit and loss account. Column "Statutory reserve funds" presents effects of settlements of business combinations concerning jointly-controlled entities. In line with the accounting policies presented in these consolidated financial statements, such combinations are settled with the pooling of interests method (see Section 3.5 in Accounting Policies).

All amounts in PLN thousand (unless otherwise indicated)

BUSINESS COMBINATIONS EFFECTED DURING THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST 2011

Name of acquiree and address of registered office	Acquisition date	Percentage of voting equity instruments acquired	Consideration:		Fair value of net assets acquired	Goodwill	Excess recognised in P&L (-)
			Acquirer	Non-controlling interests			
Energomontaż Południe Group	2011-06-21	64.84%	184,457	93,448	86,425	191,480	-
Rafako Group	2011-11-14	62.42%	536,082	230,159	385,214	381,027	-
Total	x	x	**720,539**	x	x	**572,507**	**-**

BUSINESS COMBINATIONS EFFECTED DURING THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST 2010

Name of acquiree and address of registered office	Acquisition date	Percentage of voting equity instruments acquired	Consideration:		Fair value of net assets acquired	Goodwill (+) / Excess recognised in P&L (-)	Retained earnings (combination under common control)
			Acquirer	Non-controlling interests			
PBG Dom Invest III Sp. z o.o.	2010-01-05	100.00%	5	-	3	2	-
PBG Dom Invest III Sp. z o.o. Sp. Komandytowa	2010-01-05	100.00%	3	-	2	1	-
PBG Dom Invest IV Sp. z o.o.	2010-01-05	100.00%	5	-	3	2	-
PBG Dom Invest V Sp. z o.o.	2010-01-05	100.00%	3	-	3	-	-
PBG Bułgaria	2010-07-21	100.00%	74	-	74	-	-
PBG Operator Sp. z o.o.	2010-08-30	100.00%	5	-	5	-	-
HBP Drogi Sp. z o.o.	2010-10-05	100.00%	5	-	5	-	-
PBG Dom Invest VIII Sp. z o.o.	2010-09-06	100.00%	5	-	3	2	-
PBG Dom Invest IX Sp. z o.o.	2010-09-06	100.00%	5	-	3	2	-
PBG Dom Invest X Sp. z o.o.	2010-09-06	100.00%	5	-	3	2	-
PBG Dom Invest VI Sp. z o.o.	2010-09-28	100.00%	5	-	3	2	-
PBG Dom Invest VII Sp. z o.o.	2010-09-28	100.00%	5	-	3	2	-
Business combinations presented provisionally							
Strateg Capital Sp. z o.o.	2010-10-13	80.00%	200	33	189	68	-
Bathinex Sp. z o.o.	2010-10-14	100.00%	5,950	-	(4,797)	10,747	-
AQUA S.A.	2010-12-21	81.70%	22,745	4,831	9,187	18,388	-

All amounts in PLN thousand (unless otherwise indicated)

BUSINESS COMBINATIONS EFFECTED DURING THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST 2009

Name of acquiree and address of registered office	Acquisition date	Percentage of voting equity instruments acquired	Consideration:		Fair value of net assets acquired	Goodwill (+) / Excess recognised in P&L (-)	Retained earnings (combination under common control)
			Acquirer	Non-controlling interests			
Złotowska 51 Sp. z o.o.	2009-04-09	60.00%	104	-	(32)	136	-
Villa Poznań Sp. z o.o.	2009-10-31	100.00%	2,255	-	2,082	173	-
City Development Sp. z o.o.	2009-11-30	75.00%	2,850	-	2,020	830	-
Kino Development Sp. z o.o.	2009-11-30	100.00%	7,318	-	2,579	4,739	-
Energopol Ukraina	2009-06-19	51.00%	41,566	-	39,158	2,408	-
PBG Ukraina	2009-10-28	100.00%	758	-	758	378	-

Acquisitions in 2011

Until June 20th 2011, PBG held 17,743,002 shares in Energomontaż-Południe S.A., conferring the right to 17,743,002 votes, or 25.00% of the total vote, at the company's general meeting. In the consolidated financial statements, the investment was accounted for with the equity method.

On June 21st 2011, PBG S.A. further acquired 29,098,518 ordinary bearer shares in Energomontaż-Południe S.A., for PLN 119,303,923.80.

As a consequence, following the acquisition, PBG S.A. held 46,021,520 shares, representing 64.84% of the share capital and total vote at Energomontaż-Południe S.A. As of June 21st 2011, the Parent acquired control over Energomontaż Południe and thus the interest became „investment in subsidiary".

At June 30th 2011, Energomontaż-Południe S.A. held 678,250 of its own shares; the shares were excluded from freefloat and had no effect on the Parent's ownership interest in the company's net assets.

On July 11th 2011, the company sold the shares on the regulated market at PLN 4.10 per share.

On September 7th 2011, PBG S.A. acquired 312,000 ordinary bearer shares in Energomontaż-Południe S.A., for PLN 999 thousand.

Following the disposal, PBG held 46,333,520 shares representing 65.28% of Energomontaż-Południe SA's share capital and total vote.

On December 20th 2011, PBG S.A. executed an agreement with RAFAKO SA to sell 46,021,520 ordinary bearer shares of Energomontaż-Południe SA, representing 64.84% of the company's share capital and total vote at the general meeting. Under the agreement, PBG agreed to sell the shares to RAFAKO, and RAFAKO agreed to buy the shares for a price of PLN 160,154 thousand, i.e. PLN 3.48 (three złoty, forty eight grosz) per share.

PBG S.A. continued to hold 312,000 ordinary shares in Energomontaż – Południe S.A., representing a 0.44% interest in the company's share capital (direct interest).

As at December 31st 2011, the PBG Group's interest in the share capital of Energomontaż – Południe S.A. was 65.28% (PBG S.A.'s 0.44% interest plus an interest of 64.84% held through Rafako S.A.).

In the period June 28th - September 30th 2011, PBG S.A. acquired 4,642,000 ordinary bearer shares in RAFAKO S.A. of Racibórz on the Warsaw Stock Exchange, representing 6.67% of the share capital of RAFAKO.

In October 2011, PBG SA purchased further 4,003,608 ordinary bearer shares in Rafako SA. As a result, PBG came to hold 8,645,608 shares representing 12.42% of Rafako's share capital and total vote. In PBG's separate financial statements as at October 31st 2011, Rafako's financial assets were accounted for as "financial assets available for sale" and recognised at fair value. Gains and losses on valuation of such assets were accounted for as other comprehensive income and accumulated in the revaluation capital reserve for assets available for sale.

On November 14th 2011, PBG S.A. acquired from ARGUMENOL of Nicosia (a company organised under the laws of Cyprus) 526,000 shares, with a par value of EUR 1.00 per share and an aggregate value of EUR 526,000, representing 100% of the share capital of MULTAROS Trading Company Limited of Nicosia (a company organised under the laws of Cyprus). The acquisition of the MULTAROS shares constituted an investment vehicle whereby PBG S.A. intended to indirectly acquire 34,800,001 shares in RAFAKO S.A. of

Racibórz held by MULTAROS, which represent 50.000001% of the share capital of RAFAKO S.A. and the same proportion of the total vote at the shareholders meeting of RAFAKO S.A.

Acquisitions in 2010

On January 5th 2010, PBG Dom Sp. z o.o., a subsidiary, acquired 100% of shares in PBG Dom Invest III Sp. z o.o., with registered office at ul. Skórzewska 35, Wysogotowo, which is classified in the residential and industrial construction segment. The subsidiary effected the acquisition to consolidate the Group's presence on the relevant market. The consideration paid by the Parent to the former owners totalled PLN 5 thousand, which included the price for the shares, paid in cash

On January 5th 2010, PBG Dom Sp. z o.o., a subsidiary, acquired 100% of shares in PBG Dom Invest IV Sp. z o.o., with registered office at ul. Skórzewska 35, Wysogotowo, which is classified in the residential and industrial construction segment. The subsidiary effected the acquisition to consolidate the Group's presence on the relevant market. The consideration paid by the Parent to the former owners totalled PLN 5 thousand, which included the price for the shares, paid in cash.

On January 5th 2010, PBG Dom Sp. z o.o., a subsidiary, acquired 100% of shares in PBG Dom Invest V Sp. z o.o., with registered office at ul. Skórzewska 35, Wysogotowo, which is classified in the residential and industrial construction segment. The subsidiary effected the acquisition to consolidate the Group's presence on the relevant market. The consideration paid by the Parent to the former owners totalled PLN 5 thousand, which included the price for the shares, paid in cash

On January 5th 2010, PBG Dom Sp. z o.o. and PBG Dom Invest III Sp. z o.o. acquired 100% of shares in PBG Dom Invest III Sp. z o.o. Sp. k., with registered office at ul. Skórzewska 35, Wysogotowo, which is classified in the residential and industrial construction segment. The subsidiary effected the acquisition to consolidate the Group's presence on the relevant market.

On July 21st 2010, the Parent acquired 100% of equity instruments in PBG Bułgaria, with registered office in Sofia, Bulgaria, which is classified in the "Other" segment. The acquisition was effected to consolidate the Group's presence on the Bulgarian market.

On August 30th 2010, the Parent acquired 100% of equity instruments in Revana (currently PBG Operator), with registered office in Poznań, which is classified in the "Other" segment. The acquisition was effected to consolidate the Group's presence on the relevant market. The consideration paid by the Parent to the former owners totalled PLN 5 thousand, which included the price for the shares, paid in cash

On October 5th 2010, the Parent acquired 100% of equity instruments in Villalobos (currently HBP Drogi), with registered office in Poznań, which is classified in the road construction segment. The acquisition was effected to consolidate the Group's presence on the relevant market. The consideration paid by the Parent to the former owners totalled PLN 5 thousand, which included the price for the shares, paid in cash

On October 13th 2010, the Parent acquired 153 shares in Strateg Capital, with registered office in Poznań, which is classified in the road construction segment. The acquisition was effected to consolidate the

Group's presence on the relevant market. The consideration paid by the Parent to the former owners totalled PLN 200 thousand, which included the price for the shares, paid in cash

On October 14th, the Parent increased its interest to 100.00% of equity instruments in Bathinex, which is classified in the road construction segment. The acquisition was effected to consolidate the Group's presence on the relevant market. The consideration paid by the Parent to the former owners totalled PLN 5,950 thousand, which included the price for the shares, paid in cash

On December 21st 2010, the Parent acquired 81.7% of equity instruments in AQUA S.A., with registered office in Poznań, which is classified in the water segment. The acquisition was effected to consolidate the Group's presence on the relevant market.
The consideration paid by the Parent to the former owners totalled PLN 22,745 thousand, which included the price for the shares, paid in cash

As at the date of these consolidated financial statements, fair value of acquired assets and liabilities was not determined for the following companies: AQUA S.A., Strateg Capital Sp. z o.o., Bathinex Sp. z o.o. Final estimates will be available within 12 months following the acquisition date.

Acquisitions in 2009

On April 9th 2009, a subsidiary acquired 60% of equity instruments in Złotowska 51 Sp. z o.o., with registered office in Wysogotowo, at ul. Skórzewska 35. The total cost of the business combination amounted to PLN 104 thousand, including the price and other acquisition-related costs, which are presented in the table below.

On October 28th 2009, the Parent acquired 100% of equity instruments in PBG Ukraina of Kiev. The total cost of the business combination amounted to PLN 758 thousand, including the price and other acquisition-related costs, which are presented in the table below.

On October 31st 2009, a subsidiary acquired 75% of equity instruments in Villa Poznań Sp. z o.o., with registered office in Poznań, at ul. Mazowiecka 42. The total cost of the business combination amounted to PLN 2,255 thousand, including the price and other acquisition-related costs, which are presented in the table below.

On November 30th 2009, a subsidiary acquired 75% of equity instruments in City Development, with registered office in Wysogotowo, at ul. Skórzewska 35. The total cost of the business combination amounted to PLN 2,850 thousand, including the price and other acquisition-related costs, which are presented in the table below.
On November 30th 2009, a subsidiary acquired 100% of equity instruments in Kino Development Sp. z o.o., registered office in Warsaw, at ul. Marszałkowska 80. The total cost of the business combination amounted to PLN 7,013 thousand, including the price and other acquisition-related costs, which are presented in the table below. The acquisition cost was increased by PLN 3,000 thousand as the share purchase agreement

All amounts in PLN thousand (unless otherwise indicated)

executed between the subsidiary and the Seller stipulated that the purchase price would be increased by PLN 3,000 thousand if the company received the final planning permission by December 31st 2013.

On June 19th 2009, the Parent acquired 100% of equity instruments of Wschodni Invest of Poznań. The total cost of the business combination amounted to PLN 41,566 thousand, including the price and other acquisition-related costs, which are presented in the table below. The shares were acquired in exchange for 51 common shares in Energopol-Ukraina, an Ukrainian company, representing 51% of the company's share capital, and for a cash consideration of PLN 50 thousand.

5.1.1 ACQUISITIONS ACCOUNTED FOR PROVISIONALLY

Provisional values of identified assets and liabilities of the entities acquired in 2011 recognised in the consolidated financial statements are presented below:

Item	Goodwill at acquisition date	
	Energomontaż Południe Group	Rafako Group
Assets		
Intangible assets	1,657	8,312
Property, plant and equipment	72,663	165,090
Deferred tax assets	6,761	66,560
Inventories	104,818	34,256
Receivables and loans	59,303	400,987
Other assets	137,057	35,372
Cash	5,164	425,280
Total assets	**387,423**	**1,135,857**
Payables		
Deferred tax liability	14,024	2,780
PROVISIONS	28,351	460,152
Borrowings, other debt instruments	54,433	-
Trade payables	40,012	168,086
Other liabilities	164,178	109,445
Total liabilities	**300,998**	**740,463**
Non-controlling interests	-	10,180
Fair value of net assets	**86,425**	**385,214**
Goodwill (+) / Excess recognised in P&L (-)	191,480	381,027
Consideration for the acquired entity:	**277,905**	**776,421**
Non-controlling interests:		
Non-controlling interests	93,448	240,339
Acquirer		
Cash	12,900	425,280
Acquirer's equity instruments	-	-
Liabilities to previous owners	-	-
Conditional consideration	-	-
Fair value of investments held prior to acquisition (phased business combination)	65,154	76,081
Other	-	-
Additional costs of business combination charged to acquirer's profit (loss)	1,057	2,293

All amounts in PLN thousand (unless otherwise indicated)

Provisional values of identified assets and liabilities of the entities acquired in 2010 recognised in the consolidated financial statements are presented below:

Item	AQUA S.A.	Strateg Capital Sp. z o.o.	Bathinex Sp. z o.o.
	Goodwill for provisional accounting	Goodwill at acquisition date	Goodwill at acquisition date
Assets			
Intangible assets	41	-	-
Property, plant and equipment	962	173,152	19,022
Investment property	-	-	-
Deferred tax assets	50	-	1,153
Inventories	-	41	75
Receivables and loans	7,308	5,876	1,326
Amounts due from customers for construction contract works	2,478	-	-
Other assets	58	296	30
Cash	2,256	4,450	44
Total assets	**13,153**	**183,815**	**21,650**
Payables			
Deferred tax liability	169	-	-
PROVISIONS	243	50	-
Borrowings, other debt instruments	-	84,093	22,368
Trade payables	1,289	99,327	4,042
Trade and other payables	1,620	-	-
Finance lease liabilities	-	-	-
Other liabilities	645	180	38
Total liabilities	**3,966**	**183,650**	**26,448**
Fair value of net assets	**9,187**	**165**	**(4,798)**
Percentage of voting equity instruments acquired	81.70%	80%	100%
Fair value of net assets acquired	7,506	132	(4,798)
Goodwill (+) / Excess recognised in P&L (-)	18,388	68	10,747
Combination costs, including:	**25,894**	**200**	**5,949**
purchase price	22,745	200	5,950
direct costs of combination	34	2	62
contingent acquisition cost	-	-	-

Other acquisition-related costs are not treated as consideration for control and were recognised by the Group as expense under administrative expenses in the consolidated income statements.

Phased business combinations (determined provisionally)

Investments in Energomontaż Południe SA, held by the Parent prior to the acquisition, were measured at fair value as at the acquisition date, in the amount of PLN 65,154 thousand. Gain on remeasurement of these investments to fair value was PLN 17,537 thousand.

All amounts in PLN thousand (unless otherwise indicated)

Investments in Rafako SA, held by the Parent prior to the acquisition, were measured at fair value as at the acquisition date, in the amount of PLN 76,081 thousand. Gain on remeasurement of these investments to fair value was PLN 17,756 thousand (including deferred income tax at 19%).

Non-controlling interests (determined provisionally)

The value of non-controlling interests in Energomontaż Południe SA, recognised as at the acquisition date in the amount of PLN 93,448 thousand, was determined as the non-controlling share in fair value of the acquired entity's equity instruments. The fair value was determined as the product of the number of equity instruments held by non-controlling interests and their unit price on the WSE as at the transaction date, i.e. June 21st 2011.

For detailed information on changes in non-controlling interests, see Section 21.

The value of non-controlling interests in Rafako SA, recognised as at the acquisition date in the amount of PLN 230,159 thousand, was determined as the non-controlling share in fair value of the acquired entity's equity instruments. The fair value was determined as the product of the number of equity instruments held by non-controlling interests and their unit price on the WSE as at the transaction date, i.e. November 14th 2011.

For detailed information on changes in non-controlling interests, see Section 21.

Goodwill (determined provisionally)

Goodwill on the acquisition of Energomontaż Południe SA and Rafako SA results from the synergies expected to arise following the combination of the companies' operations with the operations of the Parent. It also represents the value of assets which cannot be recognised separately under IAS 38 (staff and their expertise). Goodwill is allocated to cash-generating units and is assigned to the power engineering segment. Goodwill on the settlement of the business combination has no effect on assessment of taxable income.

Revenues and financial performance of the acquired entities

The aggregate financial result of the acquired entities disclosed in the Group's consolidated income statement for 2011 following the date of their acquisition was PLN 27,301 thousand.

Cash outflows on acquisitions

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2009
Consideration transferred by the acquirer, settled in cash (-)	(720,539)	(27,902)	(54,851)
Cash and cash equivalents acquired	430,444	5,248	1,118
Net cash outflow on acquisition	**(290,095)**	**(22,654)**	**(53,733)**

5.1.2 ACCOUNTING FOR PROVISIONAL VALUES OF BUSINESS COMBINATIONS EFFECTED DURING PRECEDING PERIOD

All amounts in PLN thousand (unless otherwise indicated)

ADJUSTMENTS TO PROVISIONAL VALUES OF INITIAL ACCOUNTING FOR ACQUISITION OF AQUA SA

No.	Correction	Item of financial statements		Effect on net profit/(loss) in Jan 1- Dec 31 2010	Effect on equity as at Dec 31 2010	Assets as at Dec 31 2010	Equity and liabilities as at Dec 31 2010
		(+)	(-)				
1.	Elimination of estimate-based presentation adjustment disclosed in the Company's financial statements as at Dec 31 2010	Short-term prepaid expenses	-	-	-	2,477	-
		-	Amounts due from customers for construction contract work	-	-	(2,477)	-
		Short-term deferred income	-	-	-	-	1,620
			Trade and other payables				(1,620)
2.	Derecognition of work in progress	-	Short-term prepaid expenses	-	-	(2,344)	-
3.	Derecognition of costs recorded as prepaid expenses	-	Short-term prepaid expenses	-	-	(133)	-
4.	Derecognition of costs recorded as accrued expenses	-	Short-term deferred income	-	-	-	(692)
5.	Release of costs recorded as prepaid expenses	-	Retained earnings	(133)	(133)	-	(133)

Group name:	PBG GROUP		
Period covered by the financial statements:	01.01-31.12.2011	Reporting currency:	złoty polski (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

No.	Correction (cont.)	Item of financial statements		Effect on net profit/(loss) in Jan 1- Dec 31 2010	Effect on equity as at Dec 31 2010	Assets as at Dec 31 2010	Equity and liabilities as at Dec 31 2010
		(+)	(-)				
6.	Determination of revenue recognised in accordance with the rules adopted by the PBG Group	-	Retained earnings	(292)	(292)	-	(292)
7.	Determination of excess of contract revenue over progress billings under construction contracts in progress	Amounts due from customers for construction contract work	-	-	-	2,633	-
8.	Determination of excess of progress billings over contract revenue under construction contracts in progress	Amounts due to customers for construction contract work	-	-	-	-	1 273
Total				**(425)**	**(425)**	**156**	**156**

All amounts in PLN thousand (unless otherwise indicated)

ADJUSTMENTS TO PROVISIONAL VALUES OF INITIAL ACCOUNTING - RECONCILIATION OF FINANCIAL STATEMENTS' ITEMS (AQUA SA)

STATEMENT OF FINANCIAL POSITION - ASSETS	At Dec 31 2010			
	Previously reported	Adjustment No.	Adjustment amount	Restated balances
Non-current assets				
Goodwill	-			-
Intangible assets	42			42
Property, plant and equipment	962			962
Investment property	-			-
Investments in subsidiaries	-			-
Investments in associates	-			-
Receivables and loans	106			106
Derivative financial instruments	-			-
Other long-term financial assets	-			-
Long-term prepaid expenses	-			-
Deferred tax assets	50			50
Non-current assets	**1,160**		**-**	**1,160**
Current assets				
Inventories	-			-
Amounts due from customers for construction contract work	2,477	1 ; 7	156	2,633
Trade and other receivables	7,202		-	7,202
Current tax assets	-			-
Loans	-			-
Derivative financial instruments	-			-
Other short-term financial assets	1,502			1,502
Short-term prepaid expenses	59	1 ; 2 ; 3	-	59
Cash and cash equivalents	754			754
Non-current assets held for sale	-			-
Current assets	**11,994**		**156**	**12,150**
Total assets	**13,154**		**156**	**13,310**

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES	At Dec 31 2010			
	Previously reported	Adjustment No.	Adjustment amount	Restated balances
Equity				
Equity attributable to owners of the Parent				-
Share capital	870			870
Treasury shares (-)	-			-
Share premium	-			-
Other components of equity	6,639			6,639
Retained earnings	1,678		(425)	1,253
- accumulated profit (loss) from previous years	-			-
- net profit (loss) for the year attributable to owners of the Parent	1,678	5 ; 6	(425)	1,253
Equity attributable to owners of the parent	9,187	-	(425)	8,762
Non-controlling interests				-
Equity	9,187	-	(425)	8,762

Group name:	PBG GROUP		
Period covered by the financial statements:	01.01-31.12.2011	Reporting currency:	złoty polski (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES	At Dec 31 2010			
	Previously reported	Previously reported	Previously reported	Previously reported
Payables				
Non-current liabilities				
Borrowings, other debt instruments	-			-
Finance lease liabilities	-			-
Derivative financial instruments	-			-
Other liabilities	-			-
Deferred tax liabilities	169			169
Employee benefits liabilities and provisions	20			20
Other long-term provisions	-			-
Long-term prepaid expenses	1			1
Long-term liabilities:	190	-	-	190
Short-term liabilities:				
Trade and other payables	1,925			1,925
Trade and other payables	1,620	1 ; 8	(347)	1,273
Current tax liabilities	-			-
Borrowings, other debt instruments	-			-
Finance lease liabilities	-			-
Derivative financial instruments	-			-
Employee benefits liabilities and provisions	123			123
Other short-term provisions	99			99
Short-term prepaid expenses	10	1 ; 4	928	938
Liabilities under non-current assets held for sale	-			-
Short-term liabilities:	3,777		581	4,358
Total liabilities	3,967		581	4,548
Total equity and liabilities	**13,154**		**156**	**13,310**

On December 21st 2010, the Parent acquired 81.7% of equity instruments in AQUA S.A., with registered office in Poznań. The total cost of the business combination amounted to PLN 22,779 thousand, including the price and other acquisition-related costs, which are presented in the table below. AQUA S.A. is listed on the NewConnect market (multilateral trading facility) operated by the WSE. In 2010, the cost of combination was allocated to identifiable assets and liabilities of the acquired company on a preliminary basis, therefore the combination was accounted for provisionally.

Goodwill on acquisition of AQUA SA determined on a provisional basis was PLN 18,388 thousand in 2010. On the basis of corrections of provisionally determined values of the acquired company's assets, the Parent determined the final estimate of the goodwill as at the date of acquisition of AQUA SA at PLN 18,813 thousand. For detailed information on the company,
see section 6.

On October 14th 2010, the Parent increased its ownership interest in Bathinex by acquiring further 41 company shares with a par value of PLN 1 per share. Prior to the transaction, PBG S.A. held 9 shares in Bathinex Sp. z o.o., representing 18% of its share capital. Following the acquisition of 41 shares, PBG S.A.'s interest in the share capital of Bathinex increased to 100%. The total cost of the business combination was PLN 6,012 thousand, including the price and other acquisition-related costs. In 2010, the cost of combination was allocated to identifiable assets and liabilities of the acquired company on a preliminary basis, therefore the combination was accounted for provisionally.

Goodwill on acquisition of Bathinex Sp. z o.o. determined on a provisional basis was PLN 10,747 thousand in 2010. Based on the provisional estimates, it has been determined that the fair value of the net assets acquired is equal to the value of the company's net assets.

5.2 DISPOSALS OF SUBSIDIARIES

2011

On March 31st 2011, Hydrobudowa 9 S.A. (subsidiary)sold 60,000 shares (entire holding) in Gdyńska Projekt Sp. z o.o. Proceeds from the disposal were PLN 7,000 thousand.

On August 18th 2011, Energomontaż-Południe SA (subsidiary) sold 6,000 shares (entire holding) of Amontex Przedsiębiorstwo Montażowe Sp. z o.o. of Piotrków Trybunalski. Proceeds from the transaction amounted to PLN 5 thousand (the result for the Group was PLN -2,323 thousand).

On September 26th 2011, PBG S.A. (the Parent) sold 78 shares (31.20%) in Strateg Capital Sp. z o.o. of Poznań. Following the transaction, the Parent holds 122 shares in the company, representing 48.80% of its share capital. Proceeds from the transaction amounted to PLN 78 thousand (the result for the Group was PLN 22,060 thousand).

On September 30th 2011, PBG S.A. (the Parent) sold 251,067 shares (12.55%) in GasOil Engineering a.s. of Poprad (Slovakia). Following the transaction, the Parent holds 998,100 shares in the company, representing 49.90% of its share capital. Proceeds from the transaction amounted to PLN 1,201 thousand (the result for the Group was PLN -2 thousand).

On October 10th 2011, following the transfer of part of development operations previously conducted by the PBG Dom Group to PBG Erigo FIZ (special purpose vehicle in the form of a closed-end investment fund), the PBG Dom Group lost control over the PBG Erigo FIZ Group. The following entities comprise PBG Erigo FIZ:

- PBG ERIGO Fundusz Inwestycyjny Zamknięty
- PBG ERIGO Projekt Sp. z o.o.
- PBG ERIGO Finanse Sp. z o.o.
- PBG Dom Invest X Sp. z o.o.
- PBG Dom Invest X Sp. z o.o. Invest I S.K.A.
- PBG Dom Invest X Sp. z o.o. Złotowska 51 S.K.A.
- City Development Sp. z o.o
- Quadro House Sp. z o.o.
- ECORIA Sp. z o.o.
- ECORIA II Sp. z o.o.
- Strzeszyn Sp. z o.o.
- Malta Hotel Sp. z o.o.

- Platan Hotel Sp. z o.o.

The result on acquisition of investment certificates of PBG Erigo FIZ in exchange for shares has not been disclosed in the consolidated financial statements as the resulting changes within the Group structure did not affect the Group's result.

All amounts in PLN thousand (unless otherwise indicated)

DISPOSAL OF SUBSIDIARIES DURING THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST 2011

Item	**Net assets at disposal date**	Gdyńska Projekt Sp. z o.o.	Amontex Sp. z o.o.	Strateg Capital Sp. z o.o.	GOE as.	Companies of the PBG DOM Group
Assets						
Intangible assets	**1,024**	-	13	-	970	41
Property, plant and equipment	**386,838**	-	2,208	288,985	38,682	56,963
Investment property	**43,388**	2,900	-	-	-	40,488
Deferred tax assets	**991**	39	457	16	185	294
Inventories	**95,851**	-	5,012	1,152	338	89,349
Receivables and loans	**79,741**	99	9,298	29,083	25,258	16,003
Other assets	**36,900**	112	-	25,101	10,642	1,045
Cash	**10,182**	8	50	2,046	56	8,022
Total assets	**654,915**	**3,158**	**17,038**	**346,383**	**76,131**	**212,205**
Payables						
Deferred tax liability	**1,521**	-	1,472	-	-	49
PROVISIONS	**6,157**	-	2,189	514	3,454	-
Borrowings, other debt instruments	**406,409**	-	5,144	297,007	40,433	63,825
Trade payables	**63,363**	81	9,533	23,526	24,642	5,581
Other liabilities	**48,057**	34	8,652	25,093	1,159	13,119
Total liabilities	**525,507**	**115**	**26,990**	**346,140**	**69,688**	**82,574**
Net assets	**129,408**	3,043	(9,952)	243	6,443	129,631
Total consideration received in cash	**78**			78		
Cash and cash equivalents sold	**10,182**	8	50	2,046	56	8,022
Net cash received from disposal of subsidiaries	**(10,104)**	(8)	(50)	(1,968)	(56)	(8,022)

All amounts in PLN thousand (unless otherwise indicated)

2010

On May 30th 2010, the Parent sold 99.95% of shares in Infra S.A. of Wysogotowo. Proceeds from the disposal were PLN 8,450 thousand. Payment of the consideration was divided into seven semi-annual instalments.

On June 28th 2010, PBG Dom Sp. z o.o. sold 51.00% of shares in Apartamenty Poznańskie Sp. z o.o. of Wysogotowo. Proceeds from the disposal were PLN 5,933 thousand.

On June 28th 2010, PBG Dom Sp. z o.o. sold 51.00% of shares in PBG Dom Invest II Sp. z o.o., of Wysogotowo. Proceeds from the disposal were PLN 1,526 thousand.

The table below presents net assets of the subsidiaries at the time of disposal:

DISPOSAL OF SUBSIDIARIES DURING THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST 2010

Item	Net assets at disposal date	Infra SA	Apartamenty Poznańskie Sp. z o.o.	PBG DOM Invest II Sp. z o.o.
Assets				
Intangible assets	295	295	-	-
Property, plant and equipment	18,472	18,472	-	-
Deferred tax assets	217	-	208	9
Inventories	3,256	571	-	2,685
Receivables and loans	126,868	126,855	4	9
Other assets	7,202	2,328	4,872	2
Cash and cash equivalents	5,213	5,027	74	112
Total assets	**161,523**	**153,548**	**5,158**	**2,817**
Payables				
Deferred tax liability	4,329	4,329	-	-
Provisions	2,225	2,542	-	-
Borrowings, other debt instruments	102,095	95,353	3,480	3,262
Trade payables	42,765	41,043	5	12
Other liabilities	1,194	2,581	-	-
Total liabilities	**152,608**	**145,848**	**3,485**	**3,274**
Net assets	**8,915**	**7,700**	**1,673**	**(457)**
Total consideration received in cash	-	-	-	-
Cash and cash equivalents sold	5,213	5,027	74	112
Net cash received from disposal of subsidiaries	**(5,213)**	**(5,027)**	**(74)**	**(112)**

On September 30th 2009, a subsidiary sold 51.03% of shares in Pris Sp. z o.o. of Wrocław. Proceeds from the disposal were PLN 1,650 thousand. Payment of the consideration was divided into five equal quarterly instalments, with the first instalment due on December 31st 2009.

All amounts in PLN thousand (unless otherwise indicated)

On September 30th 2009, a subsidiary sold 51.00% of share capital of Wiertmar Sp. z o.o. of Kopanka. Proceeds from the disposal were PLN 4,300 thousand. Payment of the consideration was divided into five equal quarterly instalments, with the first instalment due on December 31st 2009.

The table below presents net assets of the subsidiaries at the time of disposal:

DISPOSAL OF SUBSIDIARIES DURING THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST 20

Item	Net assets at disposal date	**PRIS**	**WIERTMAR**
Assets			
Intangible assets	186	152	34
Property, plant and equipment	8,630	3,082	5,548
Deferred tax assets	-	-	-
Inventories	215	215	-
Receivables and loans	44,856	9,718	35,138
Other assets	2,147	378	1,769
Cash and cash equivalents	552	239	313
Total assets	**56,586**	**13,784**	**42,802**
Payables			
Deferred tax liability	-	-	-
Provisions	348	182	166
Borrowings, other debt instruments	1,186	1,186	-
Trade payables	52,129	14,530	37,599
Other liabilities	1,984	676	1,308
Total liabilities	**55,647**	**16,574**	**39,073**
Net assets	**939**	**(2,790)**	**3,729**
Total consideration received in cash	-	-	-
Cash and cash equivalents sold	552	239	313
Net cash received from disposal of subsidiaries	**(552)**	**(239)**	**(313)**

On December 23rd 2008, the Parent sold to Ecopap Sp. z o.o. 50 shares in Bathinex Sp. z o.o., a subsidiary, with a par value of PLN 1,000.00 per share, representing 100% of the subsidiary's total vote and share capital, with a total par value of PLN 50,000.00. PBG S.A. sold the shares for PLN 5,950 thousand.

All amounts in PLN thousand (unless otherwise indicated)

5.3 INVESTMENTS IN SUBSIDIARIES

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
As at beginning of the period	**10,000**	**10,000**	**10,000**
Increase during the period, including:	**11,000**	**-**	**-**
- business combinations	-	-	-
- reclassification	-	-	-
- other increase	11,000	-	-
Decrease during the period, including:	**-**	**-**	**-**
- disposal of subsidiary	-	-	-
- reclassification	-	-	-
- other decrease	-	-	-
Foreign exchange gains (losses)	-	-	-
As at end of the period	**21,000**	**10,000**	**10,000**

The balance as at December 31st 2011 includes prepayment for shares.

5.4 INVESTMENTS IN ASSOCIATES

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
As at beginning of the period	56,690	-	-
Acquisitions	-	64,376	-
Share in profit (loss) of associates	(7,180)	(7,686)	-
Changes in equity on dividend payments	-	-	-
Reclassification from investments in subsidiaries	32,289	-	-
Reclassification to investments in subsidiaries	(49,924)	-	-
Balance at end of the period	31,875	56,690	-

Group's associates as at December 31st 2011:

- Strateg Capital Sp. z o.o.
- GasOil Engineering a.s. of Poprad

Investments in associates are measured at acquisition cost, adjusted for the Group's share in associates' profit or loss.

On February 17th 2010, the Parent acquired 25% of shares of Energomontaż-Południe S.A., with registered office at ul. Mickiewicza 15, Katowice, which is classified in the industrial and residential construction segment. The transaction was effected to consolidate the Group's presence on the relevant market and to enhance its capabilities as a contractor. The total cost of the combination was PLN 64,375 thousand.

The table below presents the accounting for the acquisition:

All amounts in PLN thousand (unless otherwise indicated)

Item	Energomontaż-Południe S.A.
	Fair value at acquisition date
Assets	
Intangible assets	1,474
Property, plant and equipment	72,244
Investment property	85,898
Deferred tax assets	-
Inventories	97,341
Receivables and loans	88,618
Other assets	84,129
Cash and cash equivalents	68,218
Total assets	**497,922**
Payables	
Deferred tax liability	5,443
Provisions	8,195
Borrowings, other debt instruments	93,242
Trade payables	54,992
Finance lease liabilities	61,112
Other liabilities	134,706
Total liabilities	**357,690**
Fair value of net assets	**140,232**
Fair value of 25% of net assets (attributable to PBG)	**35,058**
Goodwill (+) / Excess recognised in P&L (-)	29,317
Consideration:	**64,375**

Goodwill on the acquisition of Energomontaż-Południe S.A. results from the synergies expected to arise following the combination of the company's operations with the operations of the Parent. It also represents the value of assets which cannot be recognised separately under IAS 38 (staff and their expertise). Goodwill is allocated to cash-generating units and is assigned to the industrial and residential construction segment.
Goodwill on the settlement of the business combination has no effect on assessment of taxable income.

The associate's financial statements as at December 31st 2010 were adjusted to reflect the correction of errors concerning previous years, as described in Section 3.11.20 of these financial statements. Therefore, the net assets fair value at the acquisition date was changed, as was the value of net assets accounted for with the equity method, which was changed based on the new values recognised in the consolidated financial statements of the associate at the acquisition date.
As at the balance-sheet date, investments in associates amounted to PLN 60,325 thousand. The amount includes PLN 64,375 thousand of consideration for the acquired entity and PLN -4,061 thousand of net assets accounted for with the equity method.

All amounts in PLN thousand (unless otherwise indicated)

6. GOODWILL

In these consolidated financial statements, goodwill reflects mainly transactions resulting in acquisition of control over Energomontaż-Południe SA and Rafako SA in 2011, goodwill on acquisition of Aqua SA and Bathinex Sp. z o.o. in 2010, goodwill decrease on deconsolidation of the PBG Dom Group companies.

Section 5.1 above contains a detailed description of the method used to determine goodwill on acquisitions during the period. The table below presents changes in the carrying amounts of goodwill during the periods covered by these consolidated financial statements.

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Gross carrying amount			
Balance at beginning of the period	356,137	330,253	324,439
Acquisition through business combination	576,715	29,628	8,359
Disposal of subsidiary (-)	(8,261)	(4,049)	(2,564)
Net exchange difference	-	-	-
Other changes	-	305	19
Carrying amount at the end of the period	**924,591**	**356,137**	**330,253**
Accumulated impairment			
Balance at beginning of the period	8,830	8,830	8,830
Impairment loss recognised	-	-	-
Net exchange difference	-	-	-
Other changes	-	-	-
Accumulated impairment at the end of the period	**8,830**	**8,830**	**8,830**
Goodwill - net carrying amount at the end of the period	**915,761**	**347,307**	**321,423**

Goodwill disclosed under assets in the consolidated statement of financial position refers to the acquisition of the following subsidiaries:

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
ATG Sp. z o.o.	1,606	1,606	1,606
Infra SA	-	-	2,354
Hydrobudowa Polska S.A.	43,628	43,628	43,628
Hydrobudowa 9 S.A.	176,443	176,443	176,443
PBG DOM Sp. z o.o.	19	19	19
Dromost Sp. z o.o.	625	625	625
Apartamenty Poznańskie Sp. z o.o.	-	-	1,692
Przedsiębiorstwo Robót Inżynieryjno Drogowych SA	10,050	10,050	10,050
Gas Oil Engineering A.S.	-	7,226	7,226
Excan Oil and Gas Engineering Ltd.	160	160	160
Brokam Sp. z o.o.	566	566	566
Betpol S.A.	31,924	31,924	31,924

All amounts in PLN thousand (unless otherwise indicated)

Item (cont.)	As at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
PBG DOM Invest I Sp. z o.o.	-	1	1
PBG DOM Invest II Sp. z o.o. (formerly Budwil Sp. z o.o.)	-	-	3
PRG Metro Sp. z o.o.	36,767	36,767	36,767
Złotowska 51 Sp. z o.o.	-	136	136
Villa Poznań Sp. z o.o.	173	173	173
City Development Sp. z o.o.	-	830	830
Kino Development Sp. z o.o.	4,739	4,739	4,434
Energopol Ukraina	2,408	2,408	2,408
PBG Ukraina	378	378	378
Bathinex Sp. z o.o.	10,747	10,747	-
Strateg Capital Sp. z o.o.	-	68	-
AQUA S.A.	18,813	18,813	-
Energomontaż-Południe S.A.	191,480	-	-
RAFAKO	381,027	-	-
RAFAKO Group companies:			
Wyrskie Zakłady Urządzeń Przemysłowych „NOMA INDUSTRY” Sp. z o.o. w upadłości	376	-	-
Palserwis Sp. z o.o.	1,457	-	-
FPM SA	2,375	-	-
Total goodwill	**915,761**	**347,307**	**321,423**

The table below presents goodwill by operating segments:

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Gas, oil and fuels	1,766	8,992	8,992
Water	238,884	238,884	222,425
Industrial and residential construction	44,484	45,073	46,463
Roads	53,912	53,980	43,165
Power	576,715	-	-
Other	-	378	378
Total goodwill	**915,761**	**347,307**	**321,423**

As required under IAS 36 and the applied accounting policies, goodwill attributable to each of the business segments listed above was tested for impairment as at December 31st 2011.

In order to perform the annual impairment tests, goodwill is allocated to relevant cash-generating units which are separate operating segments.

The recoverable amount of cash-generating units containing goodwill was determined on the basis of their value in use, using the discounted cash flow method. In the process, the following assumptions were used:

- The discounted cash flow model was prepared using a 5-year projection horizon.
- Detailed projections cover 2012, and with respect to economic useful lives extending beyond that period, cash flows were estimated by extrapolating the projections until the 5th year following 2010, accounting for business events the Company already knew about. In justified cases, it was possible to extrapolate the projections using a steady growth rate of not more than 1.5% year on year.

All amounts in PLN thousand (unless otherwise indicated)

- The applied discount rates were estimated separately for each impairment test using the weighted average cost of capital (WACC), i.e. the average of cost of debt (established based on relevant terms of bank borrowings, other debt instruments and lease contracts) and cost of equity (estimated using the CAPM model). When estimating the cost of equity, the following model components were used: yield on 5-year government bonds, risk premium specific to the country of domicile of the entity performing the test, and risk premium specific to the sector in which the entity operates (based on the Aswath Damodaran risk premium tables for 2011). Fixed prices were applied in the model. Where fixed prices were applied in the discounted cash flow model, the Consumer Price Index (defined as the National Bank of Poland's long-term inflation target) was removed from the WACC.

The impairment tests confirmed that the carrying amount of the tested goodwill exceeded its estimated recoverable amount as at the balance-sheet date, hence no impairment losses were recognised by the Group.

7. INTANGIBLE ASSETS

Intangible assets used by the Group include brand names, patents and licences, computer software, development expenditures, and other intangible assets. Intangible assets which at the balance-sheet date were not placed in service are disclosed under "Intangible assets under development". The item also includes prepayments for intangible assets.

Item	at Dec 31 2011 Net amount	at Dec 31 2010 Net amount	at Dec 31 2009 Net amount
Brand names	-	-	-
Patents and licences	28,927	28,846	22,066
Computer software	9,714	6,798	7,668
Development expenditures	-	-	-
Other	7,290	17	638
Net carrying amount	**45,930**	**35,661**	**30,372**
Intangible assets under development	7,886	5,954	2,594
Prepayments for intangible assets	46	25	-
Total intangible assets	**53,862**	**41,640**	**32,966**
Intangible assets classified as held for sale	-	-	-
Intangible assets	**53,862**	**41,640**	**32,966**

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

CHANGES IN CARRYING AMOUNTS OF INTANGIBLE ASSETS

Item	Patents and licences	Computer software	Other	Intangible assets under development	Prepayments for intangible assets	TOTAL
for the period from Jan 1 to Dec 31 2011						
Carrying amount at Jan 1 2011	**28,846**	**6,798**	**17**	**5,954**	**25**	**41,640**
Increase through addition of new subsidiaries	4,069	3,918	47	1,558	-	**9,592**
Acquisition through business combination	-	-	-	-	-	**-**
Additions	6,329	5,212	871	1,754	21	**14,186**
Reclassifications:	995	47	7,369	-		**8,411**
Disposal of subsidiary (-)	-	(940)	-	(84)	-	**(1,024)**
Disposals (-)	(36)	(953)	-	(1,243)	-	**(2,232)**
Reclassifications (-): assets (-)	(7,399)	(328)	(684)	(64)	-	**(8,475)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	**-**
Impairment loss (-)	-	(494)	-	-	-	**(494)**
Impairment loss reversed	-	-	-	-	-	**-**
Depreciation (-)	(3,881)	(3,593)	(328)	-	-	**(7,802)**
Net exchange differences (+/-)	4	9	(2)	-	-	**11**
Other changes	-	37	-	11	-	**48**
Carrying amount at Dec 31 2011	**28,927**	**9,713**	**7,290**	**7,886**	**46**	**53,861**
for the period from Jan 1 to Dec 31 2010						
Carrying amount at Jan 1 2010	**22,066**	**7,668**	**638**	**2,594**	**-**	**32,966**
Increase through addition of new subsidiaries	-	-	17	-	25	**42**
Acquisition through business combination	-	-	-	-	-	**-**
Additions	9,460	2,485	-	6,309	-	**18,254**
Reclassifications:	5	348		-		**353**
Disposal of subsidiary (-)	-	(296)	-	-	-	**(296)**
Disposals (-)	(281)	(62)	-	(2,644)	-	**(2,987)**

Group name:	*PBG GROUP*		
Period covered by the financial statements:	*01.01-31.12.2011*	Reporting currency:	*złoty polski (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

Item (cont.)	Patents and licences	Computer software	Other	Intangible assets under development	Prepayments for intangible assets	TOTAL
Reclassifications (-): assets (-)	-	-	(353)	(33)	-	**(386)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	**-**
Impairment loss (-)	-	-	-	-	-	**-**
Impairment loss reversed	-	-	-	-	-	**-**
Depreciation (-)	(2,405)	(3,290)	(285)	-	-	**(5,980)**
Net exchange differences (+/-)	-	(55)	-	-	-	**(55)**
Other changes	1	-	-	(272)	-	**(271)**
Carrying amount	**28,846**	**6,798**	**17**	**5,954**	**25**	**41,640**
for the period from Jan 1 to Dec 31 2009						
Carrying amount at Jan 1 2009	**6,120**	**7,634**	**859**	**207**	**-**	**14,820**
Increase through addition of new subsidiaries	-	134	-	-	-	**134**
Acquisition through business combination	-	-	-	-	-	**-**
Additions	18,868	1,647	410	409	-	**21,334**
Reclassifications:	-	151	-	2,182		**2,333**
Disposal of subsidiary (-)	(22)	(21)	-	-	-	**(43)**
Disposals (-)	(25)	(12)	-	-	-	**(37)**
Reclassifications (-): assets (-)	(149)	-	-	-	-	**(149)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	**-**
Impairment loss (-)	-	-	-	-	-	**-**
Impairment loss reversed	-	-	-	-	-	**-**
Depreciation (-)	(2,741)	(1,859)	(621)	-	-	**(5,221)**
Net exchange differences (+/-)	-	3	-	-	-	**3**
Other changes – decrease attributable to first-time recognition of intangible assets	-	-	-	-	-	**-**
Other changes	15	(9)	(10)	(204)	-	**(208)**
Carrying amount	**22,066**	**7,668**	**638**	**2,594**	**-**	**32,966**

All amounts in PLN thousand (unless otherwise indicated)

INTANGIBLE ASSETS AT DECEMBER 31ST 2011

Item	Patents and licences	Computer software	Other	Intangible assets under development	Prepayments for intangible assets	**Total**
at Dec 31 2011						
Gross carrying amount	45,506	27,779	11,185	7,886	46	92,402
Accumulated depreciation and impairment	(16,579)	(18,066)	(3,895)	-	-	(38,540)
Carrying amount at Dec 31 2011	**28,927**	**9,713**	**7,290**	**7,886**	**46**	**53,862**
at Dec 31 2010						
Gross carrying amount	35,673	16,607	2,877	5,954	25	61,136
Accumulated depreciation and impairment	(6,827)	(9,809)	(2,860)	-	-	(19,496)
Carrying amount	**28,846**	**6,798**	**17**	**5,954**	**25**	**41,640**
at Dec 31 2009						
Gross carrying amount	26,913	15,931	3,270	2,594	-	48,708
Accumulated depreciation and impairment	(4,847)	(8,263)	(2,632)	-	-	(15,742)
Carrying amount	**22,066**	**7,668**	**638**	**2,594**	**-**	**32,966**

All amounts in PLN thousand (unless otherwise indicated)

The most significant intangible asset owned by the Group is a licence covering design as well as technical and engineering concepts for fitments/fittings systems, and particularly for underground liquid fuel storage tanks, along with relevant patents, know-how, and documentation confirming practical applications. The carrying amount of the asset as at December 31st 2011 was PLN 12,663 thousand (2010: PLN 12,801 thousand; 2008: 14,552 thousand). The license was purchased for PLN 16,169 thousand, and its useful economic life was assumed as 10 years.

Gross carrying of fully amortised intangible assets that the PBG Group continued to use was:

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Gross carrying amount of fully amortised intangible assets still in use	16,381	8,681	4,438
Total fully amortised intangible assets	**16,381**	**8,681**	**4,438**

Amortisation of intangible assets

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31.2009
Cost of sales	4,630	3,224	2,429
Administrative expenses	3,161	2,756	2,792
Distribution costs	11	-	-
Other	**7,802**	**5,980**	**5,221**

As at the balance-sheet date, no indication of impairment was identified with respect to intangible assets, hence the Group did not recognise any impairment losses.

The intangible assets owned by the Group are not pledged as collateral to secure the Group's liabilities nor are they the subject of any covenants restricting their use or disposal.

As at the balance-sheet date, no material investment-related agreements were executed by the Group which would place it under an obligation to purchase certain intangible assets in the future.

All amounts in PLN thousand (unless otherwise indicated)

8. PROPERTY, PLANT AND EQUIPMENT

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Land	37,259	23,738	26,203
Buildings	311,894	104,011	112,148
Machinery and equipment	211,621	101,503	129,247
Motor vehicles	71,545	59,889	59,144
Other	21,388	17,634	17,349
Carrying amount	**653,707**	**306,775**	**344,091**
Property, plant and equipment in the course of its construction	13,871	324,912	14,618
Prepayments for tangible assets	524	33,701	9,555
Total	**668,102**	**665,388**	**368,264**
Property, plant and equipment classified as held for sale	-	-	-
Property, plant and equipment	**668,102**	**665,388**	**368,264**

All amounts in PLN thousand (unless otherwise indicated)

CHANGES IN CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT

Item	Land	Buildings	Plant and machinery	Motor vehicles	Other	Property, plant and equipment in the course of its construction	Prepayments for tangible assets	**Total**
for the period from Jan 1 to Dec 31 2011								
Carrying amount at Jan 1 2011	**23,738**	**104,011**	**101,503**	**59,889**	**17,634**	**324,912**	**33,701**	**665,388**
Increase through addition of new subsidiaries	22,092	128,900	62,105	14,003	2,960	11,630	-	**241,690**
Acquisition through business combination	-	-	-	-	-	-	-	**-**
Additions	10,783	91,767	44,234	4,858	4,303	(15,016)	3,302	**144,229**
Construction	-	-	4,773	253	38	113,375	2,723	**121,162**
Increase attributable to executed lease agreements	-	-	59,794	7,408	-	-	-	**67,202**
Reclassifications	247	35,299	-	-	-	2,120	1,801	**39,467**
Disposal of subsidiary (-)	(13,152)	(36,831)	(4,196)	(978)	(221)	(310,438)	(20,920)	**(386,736)**
Disposals (-)	(310)	(870)	(26,438)	(1,945)	(388)	(39)	-	**(29,990)**
Liquidation (-)	-	(123)	(529)	(164)	(60)	-	-	**(876)**
Reclassifications (-)	(6,145)	(2,823)	(5)	(9)	(121)	(112,311)	(20,083)	**(141,497)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	-	-	**-**
Impairment loss (-)	-	-	-	(108)	-	-	-	**(108)**
Impairment loss reversed	-	36	-	-	-	-	-	**36**
Impairment loss used	-	-	-	-	-	-	-	**-**
Depreciation (-)	6	(7,478)	(29,664)	(11,618)	(2,790)	-	-	**(51,550)**
Net exchange differences (+/-)	-	7	-	-	-	-	-	**13**
Other changes – decrease attributable to first-time recognition of tangible assets	-	-	19	(46)	34	-	-	**7**
Other changes	-	-	26	2	(1)	(362)	-	**(335)**
Carrying amount at Dec 31 2011	**37,259**	**311,894**	**211,621**	**71,545**	**21,388**	**13,871**	**524**	**668,102**

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

Item (cont.)	Land	Buildings	Plant and machinery	Motor vehicles	Other	Property, plant and equipment in the course of its construction	Prepayments for tangible assets	**Total**
for the period from Jan 1 to Dec 31 2010								
Carrying amount at Jan 1 2010	**26,203**	**112,148**	**129,247**	**59,144**	**17,349**	**14,618**	**9,555**	**368,264**
Increase through addition of new subsidiaries	174	3,145	217	133	57	201,239	6,660	**211,625**
Acquisition through business combination	-	-	-	-	-	-	-	**-**
Additions	1,658	434	10,078	24,658	2,703	132,441	10,064	**182,036**
Construction	-	27	-	-	-	351	-	**378**
Increase attributable to executed lease agreements	-	-	310	4,016	-	-	-	**4,326**
Reclassifications	31	1,947	211	-	160	3,004	16,953	**22,306**
Disposal of a subsidiary (-)	-	(53)	(2,362)	(15,132)	(710)	(3)	(16)	**(18,276)**
Disposals (-)	(3,262)	(5,124)	(5,839)	(1,608)	(77)	(3,356)	-	**(19,266)**
Liquidation (-)	-	(31)	(5,174)	(478)	(42)	(25)	-	**(5,750)**
Reclassifications (-)	(1,033)	(4,805)	-	(1,021)	-	(22,953)	(9,458)	**(39,270)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	-	-	**-**
Impairment loss (-)	-	-	-	-	-	-	-	**-**
Impairment loss reversed	-	-	-	-	-	-	-	**-**
Impairment loss used	-	-	-	-	-	-	-	**-**
Depreciation (-)	-	(3,681)	(25,272)	(9,922)	(1,858)	-	-	**(40,733)**
Net exchange differences (+/-)	(32)	4	3	(16)	11	(439)	-	**(469)**
Other changes – decrease attributable to first-time recognition of tangible assets	-	-	-	-	-	-	-	**-**
Other changes	(1)	-	84	115	41	35	(57)	**217**
Carrying amount at Dec 31 2010	**23,738**	**104,011**	**101,503**	**59,889**	**17,634**	**324,912**	**33,701**	**665,388**
for the period from Jan 1 to Dec 31 2009								
Carrying amount at Jan 1 2009	**31,112**	**130,602**	**124,420**	**68,765**	**16,820**	**26,768**	**3,252**	**401,739**
Increase through addition of new subsidiaries	-	-	-	1,346	-	-	-	**1,346**

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***01.01-31.12.2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

Item (cont.)	Land	Buildings	Plant and machinery	Motor vehicles	Other	Property, plant and equipment in the course of its construction	Prepayments for tangible assets	**Total**
Acquisition through business combination	-	-	-	-	-	-	-	**-**
Additions	2,057	6,290	36,898	5,280	2,728	36,908	9,236	**99,397**
Construction	-	-	-	-	-	289	-	**289**
Increase attributable to executed lease agreements	-	-	23,607	2,866	-	-	2	**26,475**
Reclassifications	-	123	-	53	-	-	114	**290**
Disposal of a subsidiary (-)	-	(186)	(2,975)	(3,358)	(88)	(126)	-	**(6,733)**
Disposals (-)	(869)	(1,680)	(26,713)	(5,286)	(300)	-	-	**(34,848)**
Liquidation (-)	-	(153)	(257)	(173)	(18)	-	-	**(601)**
Reclassifications (-)	(6,209)	(18,760)	(19)	-	-	(49,962)	-	**(74,950)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	-	-	**-**
Impairment loss (-)	-	-	-	-	-	(134)	-	**(134)**
Impairment loss reversed	-	-	3	-	-	34	-	**37**
Impairment loss used	-	-	-	-	-	859	-	**859**
Depreciation (-)	-	(3,936)	(25,594)	(10,424)	(1,947)	-	-	**(41,901)**
Net exchange differences (+/-)	(13)	-	30	29	-	(19)	-	**27**
Other changes – decrease attributable to first-time recognition of tangible assets	-	-	-	-	-	-	-	**-**
Other changes	125	(152)	(153)	46	154	1	(3,049)	**(3,028)**
Carrying amount at Dec 31 2009	**26,203**	**112,148**	**129,247**	**59,144**	**17,349**	**14,618**	**9,555**	**368,264**

All amounts in PLN thousand (unless otherwise indicated)

PROPERTY, PLANT AND EQUIPMENT

Item	Land	Buildings	Plant and machinery	Motor vehicles	Other	Property, plant and equipment in the course of its construction	Prepayments for tangible assets	Total
at Dec 31 2011								
Gross carrying amount	37,275	357,589	374,931	119,219	49,066	13,871	524	952,476
Accumulated depreciation and impairment	(16)	(45,695)	(163,310)	(47,674)	(27,678)	-	-	(284,374)
Carrying amount at Dec 31 2011	**37,259**	**311,894**	**211,621**	**71,545**	**21,388**	**13,871**	**524**	**668,102**
at Dec 31 2010								
Gross carrying amount	23,738	115,928	184,095	85,539	29,152	324,912	33,701	797,065
Accumulated depreciation and impairment		(11,917)	(82,592)	(25,650)	(11,518)	-	-	(131,677)
Carrying amount	**23,738**	**104,011**	**101,503**	**59,889**	**17,634**	**324,912**	**33,701**	**665,388**
at Dec 31 2009								
Gross carrying amount	26,203	124,410	204,612	88,692	28,150	14,618	9,555	496,240
Accumulated depreciation and impairment	-	(12,262)	(75,365)	(29,548)	(10,801)	-	-	(127,976)
Carrying amount	**26,203**	**112,148**	**129,247**	**59,144**	**17,349**	**14,618**	**9,555**	**368,264**

All amounts in PLN thousand (unless otherwise indicated)

CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY FOR LIABILITIES

Liability / restricted title	Type of security	Collateral	Carrying amount		
			at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Guarantee facility provided by BZ WBK SA	mortgage	land	5,943	-	-
Guarantee facility provided by BZ WBK SA	mortgage	buildings	2,687	2,780	12,746
Inter Risk - contract insurance guarantees	mortgage	land	-	3,109	6,135
Inter Risk - contract insurance guarantees	mortgage	buildings	-	582	2,355
Inter Risk - contract insurance guarantees	transfer of title	plant and machinery	673	5,195	5,195
Long-term facility provided by RCI Bank SA	transfer of title	motor vehicles	129	-	-
Credit facility provided by BGŻ S.A.	registered pledge	plant and machinery	3,332	4,218	5,049
Credit facility provided by BGŻ S.A.	registered pledge	motor vehicles	1,395	1,879	8,090
Credit facility provided by BZ WBK SA	mortgage	buildings	-	-	8,445
Credit facility provided by BZ WBK SA	registered pledge	plant and machinery	5,382	6,194	8,998
Credit facility provided by BZ WBK SA	registered pledge	motor vehicles	1,034	1,311	396
Credit facility provided by BZ WBK SA	registered pledge	other	5	44	66
Credit facility provided by DZ Bank SA	mortgage	buildings	158,245	-	-
Credit facility provided by ING Bank Śląski S.A.	mortgage	buildings	63,675	51,089	52,469
Credit facility provided by Kredyt Bank S.A.	mortgage	buildings	13,695	14,558	16,340
Credit facility provided by Kredyt Bank S.A.	registered pledge	plant and machinery	2,497	-	-
Credit facility provided by Pekao S.A.	registered pledge	motor vehicles	9,243	7,200	7,866
Credit facility provided by Pekao S.A.	registered pledge	plant and machinery	10,465	15,808	20,106
Credit facility provided by Pekao S.A.	registered pledge	other	66	132	127
Guarantee facility provided by BRE Bank SA	mortgage	land	722	722	722
Guarantee facility provided by BRE Bank SA	mortgage	buildings	2,051	2,117	583
Guarantee facility provided by BRE Bank SA	registered pledge	plant and machinery	1,117	1,507	2,024
Total carrying amount of property, plant and equipment			**282,356**	**118,445**	**157,712**

All amounts in PLN thousand (unless otherwise indicated)

At each balance-sheet date, the Group entities reviewed the useful lives of property, plant and equipment adopted by the Group in line with the Group's accounting policies. Gross carrying amount of fully depreciated property, plant and equipment that is still in use by the PBG Group amounted to:

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Gross carrying amount of fully depreciated property, plant and equipment still in use	45,999	8,744	8,863
Total carrying amount of fully depreciated property, plant and equipment	**45,999**	**8,744**	**8,863**

Fully depreciated tangible assets include mainly the property, plant and equipment which, in line with the Company's accounting policies, are subject to one-off depreciation due to their low unit values.

Depreciation of property, plant and equipment was recognised in the following items of the consolidated income statement:

Item	Jan 1 to Dec 31 2011	Jan 1 to Dec 31 2010	from Jan 1 to Dec 31 2009
Cost of sales	41,100	31,283	32,319
Administrative expenses	10,341	9,450	9,582
Distribution costs	109	-	-
Total depreciation of property, plant and equipment	**51,550**	**40,733**	**41,901**

In the periods covered by these consolidated financial statements, the Group did not recognise any impairment loss on property, plant and equipment (2010: 0; 2009: PLN 134 thousand).

As at December 31st 2011, property, plant and equipment with a carrying amount of PLN 118,445 thousand (2010: PLN 118,445 thousand; 2009: PLN 157,712 thousand) was pledged as security for the Group's liabilities. For information on security for liabilities, see Section 12.7.

In 2011, the Group entities executed investment agreements whereby they made contractual commitments to purchase in the future:

- Parking spaces in Świnoujście
- purchase of FWA 1000 turning bore
- implementation of EPM - Project SERWER
- software maintenance
- purchase of eccentric press machine

As at December 31st 2010, the contractual amount of the commitments was approximately PLN 3,65m.

In 2010, the Group entities executed investment agreements whereby they made contractual commitments to purchase in the future:

- Tunnelling equipment to bore a tunnel under the Wisła river bed

All amounts in PLN thousand (unless otherwise indicated)

- Spool piping for tunnels
- Developed land in Wysogotowo
- Parking spaces in Świnoujście
- Aggregate production equipment.

As at December 31st 2010, the contractual amount of the commitments was approximately PLN 32m.

In 2009, the Group executed an investment agreement whereby it made a contractual commitment to purchase in the future an organised part of business within the meaning of Art. 55 of the Polish Civil Code. As at December 31st 2009, the contractual amount of the commitment was PLN 0 as the Company made a prepayment against the commitment of PLN 7,500thousand.

OFF-BALANCE SHEET TANGIBLE ASSETS

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Tangible assets used under rental or similar agreements, including lease agreements, including:	897	2,773	13,494
- value of land used under perpetual usufruct	-	-	-
- finance lease agreements	516	2,082	2,728
Off-balance-sheet tangible assets, total	**897**	**2,773**	**13,494**

The Group also leases (or rents) other tangible assets, which mostly comprise real estate used in the operating activities, including construction camps, office premises, accommodation for project employees, land properties for storage of equipment and materials, etc.
Costs related to using these assets are recognised in the income statement.

9. PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASE

The Group as a lessee uses property, plant and equipment under finance lease agreements. The table below presents carrying amounts of property, plant and equipment held under finance lease:

All amounts in PLN thousand (unless otherwise indicated)

PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASE

Item	Land	Buildings	Plant and machinery	Motor vehicles	Other	Property, plant and equipment in the course of its construction	Total
As at Dec 31 2011							
Gross carrying amount	24,488	3,010	95,558	19,351	43	574	143,024
Accumulated depreciation and impairment	-	(619)	(16,886)	(3,894)	(15)	-	(21,414)
Carrying amount	**24,488**	**2,391**	**78,672**	**15,457**	**28**	**574**	**121,610**
As at Dec 31 2010							
Gross carrying amount	-	-	30,134	9,495	-	-	39,629
Accumulated depreciation and impairment	-	-	(10,495)	(1,731)	-	-	(12,226)
Carrying amount	**-**	**-**	**19,639**	**7,764**	**-**	**-**	**27,403**
As at Dec 31 2009							
Gross carrying amount	-	-	39,872	5,976	-	-	45,848
Accumulated depreciation and impairment	-	-	(8,364)	(572)	-	-	(8,936)
Carrying amount	**-**	**-**	**31,508**	**5,404**	**-**	**-**	**36,912**

All amounts in PLN thousand (unless otherwise indicated)

The following table presents future minimum lease payments due as at the balance-sheet date:

Item	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
As at Dec 31 2011				
Future minimum lease payments	33,775	70,644	35,193	139,612
Finance charges (-)	(4,368)	(8,689)	(2,212)	(15,269)
Present value of future minimum lease payments	**29,407**	**61,955**	**32,981**	**124,343**
As at Dec 31 2010				
Future minimum lease payments	10,971	9,340	-	20,311
Finance charges (-)	(248)	(218)	-	(466)
Present value of future minimum lease payments	**10,723**	**9,122**	**-**	**19,845**
As at Dec 31 2009				
Future minimum lease payments	17,505	17,155	-	34,660
Finance charges (-)	(998)	(978)	-	(1,976)
Present value of future minimum lease payments	**16,507**	**16,177**	**-**	**32,684**

The most material finance lease arrangements include the lease of *AVN micro tunnelling equipment with accessories (Agreement No. D2400 AB –M 8006K)* concluded with Raiffeisen Leasing Polska S.A., with an initial value of the leased asset of PLN 23,607 thousand. The agreement was executed on July 20th 2009 for 35 years, after which time the Group will have the right to purchase the leased asset. Interest on lease instalments is based on a WIBOR-linked floating interest rate,
and their repayment is secured with an aval.

In the period covered by these consolidated financial statements no expenses under contingent lease payments were recognised and no sublease payments were recognised as the assets are used only within the Group.

The Group as a lessee uses property, plant and equipment under operating lease agreements. These are company cars used for the purpose of the Group entities' operations. Operating lease agreements involve assets of similar unit values, therefore it is not possible to single out the most material arrangements.

All amounts in PLN thousand (unless otherwise indicated)

10. NON-REGENERATIVE NATURAL RESOURCES

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Carrying amount at the beginning of the period	**36,772**	**12,290**	**11,999**
Increase through addition of new subsidiaries	-	17,069	-
Acquisition through business combination	-	-	-
Additions	10	7,409	-
Additions from subsequent expenditures	-	4	291
Disposals	-	-	-
Net gain (loss) from fair value adjustments (+/-)	-	-	-
Net exchange differences (+/-)	-	-	-
Other	-	-	-
Carrying amount at the end of the period	**36,782**	**36,772**	**12,290**

Non-regenerative natural resources comprise assets disclosed in the statement of financial position of the Group entities. These include the following:

- Ownership title to undeveloped property with an aggregate area of 3.7128 ha located in the Ząbkowice Śląskie commune, Brodziszów cadastral district, for which the District Court in Ząbkowice Śląskie, V Land and Mortgage Registry Division, maintains Land and Mortgage Register entries No. KW 54175, KW 54742, and KW57132;
- Ownership title to undeveloped property with an aggregate area of 24.4944 ha located in the Ząbkowice Śląskie commune, Brodziszów cadastral district, for which the District Court in Ząbkowice Śląskie, V Land and Mortgage Registry Division, maintains Land and Mortgage Register entries No. KW 51040, KW 40975, and KW 48153;
- Simplified geological documentation (of C1 category Brodziszów-Kłośnik A Field granodiorite reserve; the documentation was approved by virtue of Wałbrzych Governor's decision No.252/98 of October 12th 1998) together with geological documentation of C1category granodiorite reserve (Brodziszów-Kłośnik A Field; the documentation was approved by virtue of Wrocław Province Governor's decision No. 1/2000 of January 14th 2000);
- Geological documentation of granodiorite reserve (Brodziszów-Kłośnik B Field; the documentation was approved by virtue of Wrocław Province Governor's decision No. 2/2001 of April 9th 2001) together with geological information included in simplified geological documentation (of C1 category Brodziszów-Kłośnik B Field granodiorite reserve; the documentation was approved by virtue of Wrocław Province Governor's decision No. 2/2001 of April 9th 2001);
- Rights under the ownership title to geological documentation related to the granodiorite reserve and rights under licences for granodiorite production from the reserve.

In 2010, the Parent acquired a company which classifies some of its assets disclosed in the statement of financial position as non-regenerative natural resources. The assets include:

All amounts in PLN thousand (unless otherwise indicated)

- Ownership title to undeveloped property with an aggregate area of 24.4944 ha located in the Ząbkowice Śląskie commune, Brodziszów cadastral district, for which the District Court in Ząbkowice Śląskie, V Land and Mortgage Registry Division, maintains Land and Mortgage Register entries No. KW 51040, KW 40975, and KW 48153;
- Simplified geological documentation (of C1 category Brodziszów-Kłośnik A Field granodiorite reserve; the documentation was approved by virtue of Wałbrzych Governor's decision No.252/98 of October 12th 1998) together with geological documentation of C1category granodiorite reserve (Brodziszów-Kłośnik A Field; the documentation was approved by virtue of Wrocław Province Governor's decision No. 1/2000 of January 14th 2000);
- Rights under the ownership title to the documentation.

11. INVESTMENT PROPERTY

Changes in carrying amounts during the period were as follows:

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Carrying amount at the beginning of the period	**293,757**	**147,838**	**23,672**
Acquisition through business combination	84,124	-	-
Additions from acquisition of property	5,077	56,710	59,675
Additions from subsequent expenditures	30,204	50,532	2,543
Additions from repayments for property acquisitions	-	39,909	16,677
Reclassifications:	**8,832**	**3,431**	**38,669**
- from property, plant and equipment (land)	2,687	857	5,311
- from property, plant and equipment (buildings)	6,145	1,863	12,218
- from property, plant and equipment in the course of its construction	-	711	13,550
- from current assets (merchandise)	-	-	7,590
Disposal of subsidiary (-)	(43,679)	(5,805)	-
Disposal of property (-)	(1,316)	(845)	-
Reclassifications (-):	**(1,614)**	**(17,908)**	**(10,600)**
- to property, plant and equipment (land)	(250)	-	-
- to property, plant and equipment (buildings)	(1,364)	-	-
- to property, plant and equipment in the course of its construction	-	(955)	-
- to current assets (merchandise)	-	(16,953)	(10,600)
- to prepayments for tangible assets	-	-	-
Net gain (loss) from fair value adjustments (+/-)	162	25,685	9,671
Investment property measurement recognised under capital reserve	(872)	(5,861)	7,503
Net exchange differences (+/-)	86	71	-
Other	-	-	28
Carrying amount at the end of the period	**374,761**	**293,757**	**147,838**

The PBG Group's balance-sheet item "Investment property" comprises buildings as well as undeveloped property acquired to derive economic benefits from capital appreciation or from other sources, such as rental payments. The key items of Group's investment property include:

- right of perpetual usufruct to property at ul. Sienkiewicza, Poznań,
- Class A SKALAR office building with underground parking facilities at ul. Górecka 1 in Poznań,
- "Fabryka Współczesnych Smaków" restaurant in Wysogotowo,
- property located in Mikołów, at ul. Żwirki i Wigury, with a production hall and an office building,
- right of perpetual usufruct to developed property at ul. Obrońców Westerplatte 51, Katowice,
- right of perpetual usufruct to developed property at ul. J. Wolnego 4, Katowice,
- right of perpetual usufruct to developed property at ul. J. Poniatowskiego 6, Bielsko Biała,
- freehold to 16 flats at ul. Chełmońskiego, Świnoujście, with a total carrying amount of PLN 4,248,000.
- developed land property at ul. Sosnowa, Szczyrk,
- developed property at ul. Wołczyńska, Warsaw
- property in Łeba,
- high-pressure gas pipeline,
- freehold to a residential building, with underground garage facilities, located at the junction of ul. Wojska Polskiego and ul. 11 Listopada in Świnoujście,
- buildings and industrial halls in Wrocław.

Undeveloped properties are held to generate income from capital appreciation.

The measurements were done using the discounted cash flow or comparative methods. To measure the fair value, current market data was used.
In 2011, the Group reported a marked increase in Investment property, which resulted mainly from he acquisition of Energomontaż-Południe SA. The company owns significant investment property, mainly buildings and industrial halls in Wrocław, with a total value of PLN 82,657 thousand.

In 2009 and 2010, the Group reported a marked increase in Investment property, which resulted from the following:

- A subsidiary owns undeveloped property at ul. Górecka 1 in Poznań, where it conducts a Class A office building project. The construction process is in progress. Cumulative expenditure incurred on the project by the balance-sheet date was PLN 110m. The company's management board intends to earn rentals on the office space, hence the presentation of the expenditure under "Investment property", in accordance with IAS 40.
- In 2010, subsidiaries acquired assets classified by the subsidiaries' management boards as investment property.

During the reviewed period, the Group earned rentals and recognised the following direct operating expenses:

All amounts in PLN thousand (unless otherwise indicated)

INVESTMENT PROPERTY (ADDITIONAL DISCLOSURES REQUIRED UNDER IAS 40)

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Amounts recognised in the statement of comprehensive income:			
- rental income from investment property	15,141	4,204	3,335
- direct operating expenses (including the cost of repair and servicing) attributable to the investment property that earned rentals in the period	(9,235)	(2,632)	(1,108)
- direct operating cost (including cost of repair and servicing) attributable to investment property that did not generate rental income during the period	(464)	(350)	(13)
Total	**5,442**	**1,222**	**2,214**

The investment property is let under irrevocable agreements executed for indefinite terms. In 2010,
In 2011, the Group did not execute any investments agreements whereby it would make a commitment to purchase investment property in the future.

the Group executed an investment agreement whereby it made a contractual commitment to purchase in the future:

- property, with buildings, in Łeba,
- shares in joint-ownership of property in Łeba.

As at December 31st 2010, the contractual amount of the commitment was PLN 39,900 thousand. The Company discharged the obligation by making a PLN 39,900 thousand prepayment.

In 2009, the Group entered into an investment agreement whereby it made a contractual commitment to purchase in the future:

- freehold to a residential building, along with underground garage, located at the junction of ul. Wojska Polskiego and ul. 11 Listopada in Świnoujście, with a carrying amount of PLN 16,953,000.

12. FINANCIAL ASSETS AND LIABILITIES

12.1 CATEGORIES OF ASSETS AND LIABILITIES

Financial assets are presented by the Group in the following IAS 39 measurement categories:

1 - loans and receivables

2 - financial assets at fair value through profit or loss - held for trading

3 - financial assets at fair value through profit or loss - designated as such upon initial recognition

4 - held-to-maturity investments

5 - available-for-sale financial assets

6 - derivatives designated as cash flow hedging instruments

7 - assets not included in IAS 39.

Financial liabilities are presented by the Group in the following IAS 39 measurement categories:

1 - financial liabilities at fair value through profit or loss - held for trading

2 - financial liabilities at fair value through profit or loss - designated as such upon initial recognition

3 - financial liabilities measured at amortised cost

4 - derivatives designated as cash flow hedging instruments

5 - liabilities not included in IAS 39.

All amounts in PLN thousand (unless otherwise indicated)

CARRYING AMOUNTS OF EACH CATEGORIES OF FINANCIAL ASSETS DEFINED IN IAS 39

Item	Section	*Categories of financial instruments defined in IAS 39							Total
		Receivables and loans	Financial assets at fair value through profit or loss - held for trading	Financial assets at fair value through profit or loss - designated as such upon initial recognition	Held-to-maturity investments	Available-for-sale financial assets	Derivatives designated as cash flow hedging instruments	Non-IAS 39	
at Dec 31 2011									
Non-current:									
Receivables	15	20,023	-	-	-	-	-	1,138	21,161
Loans	12.2	38,033	-	-	-	-	-	-	38,033
Derivative financial instruments	12.3	-	-	-	-	-	4,230	-	4,230
Other long-term financial assets	12.4	-	-	17,141	86,073	13,699	-	-	116,913
Current assets:									
Trade and other receivables	15	1,067,736	-	-	-	-	-	249	1,067,985
Current loans	12.2	461,236	-	-	-	-	-	-	461,236
Derivative financial instruments	12.3	-	-	-	-	-	13,723	-	13,723
Other short-term financial assets	12.4	-	-	15,821	11,129	45,830	-	-	72,780
Cash and cash equivalents	16	557,004	-	-	-	-	-	-	557,004
Total carrying amounts of each categories		**2,144,032**	**-**	**32,962**	**97,202**	**59,529**	**17,953**	**1,387**	**2,353,783**
at Dec 31 2010									
Non-current:									
Receivables	15	14,320	-	-	-	-	-	1,387	15,707
Non-current loans	12.2	60,112	-	-	-	-	-	-	60,112
Derivative financial instruments	12.3	-	-	-	-	-	171	-	171
Other long-term financial assets	12.4	-	-	-	-	38,643	-	-	38,643

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Item (cont.)	Section	*Categories of financial instruments defined in IAS 39							Total
		Receivables and loans	Financial assets at fair value through profit or loss - held for trading	Financial assets at fair value through profit or loss - designated as such upon initial recognition	Held-to-maturity investments	Available-for-sale financial assets	Derivatives designated as cash flow hedging instruments	Non-IAS 39	
Current assets:									
Trade and other receivables	15	1,194,874	-	-	-	-	-	236	1,195,110
Current loans	12.2	210,492	-	-	-	-	-	-	210,492
Derivative financial instruments	12.3	-	-	-	-	-	4,873	-	4,873
Other short-term financial assets	12.4	-	-	106,902	2,466	45,897	-	-	155,265
Cash and cash equivalents	16	708,509	-	-	-	-	-	-	708,509
Total carrying amounts of each categories		**2,188,307**	**-**	**106,902**	**2,466**	**84,540**	**5,044**	**1,623**	**2,388,882**
at Dec 31 2009									
Non-current:									
Receivables	15	12,994	-	-	-	-	-	1,624	14,618
Loans advanced	12.2	56,035	-	-	-	-	-	-	56,035
Derivative financial instruments	12.3	-	-	-	-	-	8,746	-	8,746
Other long-term financial assets	12.4	-	-	-	963	34,612	-	-	35,575
Current assets:									
Trade and other receivables	15	1,030,955	-	-	-	-	-	225	1,031,180
Current loans	12.2	216,446	-	-	-	-	-	-	216,446
Derivative financial instruments	12.3	-	-	-	-	-	20,215	-	20,215
Other short-term financial assets	12.4	-	-		706	156	-	-	862
Cash and cash equivalents	16	660,281	-	-	-	-	-	-	660,281
Total carrying amounts of each categories		**1,976,711**	**-**	**-**	**1,669**	**34,768**	**28,961**	**1,849**	**2,043,958**

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***01.01-31.12.2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

CARRYING AMOUNTS OF EACH CATEGORIES OF FINANCIAL LIABILITIES DEFINED IN IAS 39

Item	Section	*Categories of financial instruments defined in IAS 39					**Total**
		Financial liabilities at fair value through profit or loss - held for trading	Financial liabilities at fair value through profit or loss - designated as such upon initial recognition	Financial liabilities measured at amortised cost	Derivatives designated as cash flow hedging instruments	Non-IAS 39	
at Dec 31 2011							
Non-current:							
Borrowings, other debt instruments	12.5	-	-	493,556	-	-	493,556
Finance lease liabilities	9	-	-	-	-	94,936	94,936
Derivative financial instruments	12.3	-	-	-	2,329	-	2,329
Other liabilities	25	-	-	54,475	-	-	54,475
Short-term liabilities:							
Trade and other payables	25	-	-	1,341,020	-	-	1,341,020
Borrowings, other debt instruments	12.5	-	-	1,401,179	-	-	1,401,179
Finance lease liabilities	9	-	-	-	-	29,407	29,407
Derivative financial instruments	12.3	-	-	-	27,345	-	27,345
Total carrying amounts of each categories		**-**	**-**	**3,290,230**	**29,674**	**124,343**	**3,444,247**
at Dec 31 2010							
Non-current:							
Borrowings, other debt instruments	12.5	-	-	904,894	-	-	904,894
Finance lease liabilities	9	-	-	-	-	9,122	9,122
Derivative financial instruments	12.3	-	-	-	412	-	412
Other liabilities	25	-	-	37,914	-	-	37,914
Short-term liabilities:							
Trade and other payables	25	-	-	852,635	-	-	852,635
Borrowings, other debt instruments	12.5	-	-	523,985	-	-	523,985
Finance lease liabilities	9	-	-	-	-	10,723	10,723
Derivative financial instruments	12.3	-	-	-	11,265	-	11,265
Total carrying amounts of each categories		**-**	**-**	**2,319,428**	**11,677**	**19,845**	**2,350,950**
at Dec 31 2009							
Non-current:							

Group name:	PBG GROUP		
Period covered by the financial statements:	*Jan 1 - Dec 31 2011*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

Item (cont.)	Section	*Categories of financial instruments defined in IAS 39					Total
		Financial liabilities at fair value through profit or loss - held for trading	Financial liabilities at fair value through profit or loss - designated as such upon initial recognition	Financial liabilities measured at amortised cost	Derivatives designated as cash flow hedging instruments	Non-IAS 39	
Borrowings, other debt instruments	12.5	-	-	476,878	-	-	476,878
Finance lease liabilities	9	-	-	-	-	16,177	16,177
Derivative financial instruments	12.3	-	-	-	553	-	553
Other liabilities	25	-	-	40,110	-	-	40,110
Short-term liabilities:							
Trade and other payables	25	-	-	758,673	-	-	758,673
Borrowings, other debt instruments	12.5	-	-	625,308	-	-	625,308
Finance lease liabilities	9	-	-	-	-	16,507	16,507
Derivative financial instruments	12.3	-	-	-	59,256	-	59,256
Total carrying amounts of each categories		**-**	**-**	**1,900,969**	**59,809**	**32,684**	**1,993,462**

All amounts in PLN thousand (unless otherwise indicated)

12.2 LOANS AND RECEIVABLES

For the purposes of presentation, loans and receivables are presented under separate items in the consolidated statement of financial position (IFRS 7.6). In the non-current part of the statement of financial position, receivables are disclosed under "non-current receivables", and loans under "non-current loans". In accordance with IAS 1, the current portion contains information on "trade and other receivables", as well as "loans". Balance sheet items related to loans and receivables are presented below. For description of receivables disclosures, see section 15.

Receivables and loans

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Non-current:			
Financial receivables	21,161	15,707	14,618
Loans	38,033	60,112	56,035
Non-current loans and receivables	**59,194**	**75,819**	**70,653**
Current assets:			
Trade and other financial receivables	1,067,985	1,195,110	1,031,180
Loans	461,236	210,492	216,446
Current loans and receivables	**1,529,221**	**1,405,602**	**1,247,626**
Receivables and loans:	**1,588,415**	**1,481,421**	**1,318,279**
- receivables	1,089,146	1,210,817	1,045,798
- loans	499,269	270,604	272,481

Loans are recognised at amortised cost, using the effective interest rate method. The carrying amount of loans bearing interest at a variable interest rate is considered to be a reasonable approximation of fair value.

As at December 31st 2011, loans denominated in PLN, with a carrying amount of PLN 499,269 thousand (2010: PLN 270,604 thousand, 2009: PLN 272,481 thousand), bore interest at variable interest rates based on WIBOR plus margins (ranging from 1pp to 2.5pps), and at fixed interest rates. The loans mature in 2011–2014.

The Group also advanced loans denominated in EUR and UAH As at December 31st 2011, the carrying amount of foreign currency loans was PLN 2,993 thousand (including PLN 2,481 thousand in EUR, and PLN 512 thousand in UAH) (2010: PLN 30 thousand (EUR only), 2009: PLN 0). The foreign currency loans bear interest at 1M WIBOR floating interest rate + 1pp margin. The EUR-denominated loans mature in 2012–2014.

12.3 FINANCIAL DERIVATIVES

The Group uses derivatives to manage the currency risk related to some of its purchase and sale transactions.

In accordance with the corporate risk management strategy adopted by the PBG Group, all Group entities executing construction work contracts which are settled in foreign currencies are required to use hedge accounting in order to limit the impact of financial risk on operating results to the largest extent possible. The Group's hedging strategy assumes hedging of individual contracts the future inflows from which will be received or denominated in a foreign currency. The strategy is based on the principle of matching hedging instruments with planned transactions under the contract, always taking into account the actual net exposure, given budgeted exchange rates determined in accordance with the relevant definition, possible foreign-currency expenses, the time horizon and the quantitative distribution of the currency flows in the particular quarters.

All amounts in PLN thousand (unless otherwise indicated)

In accordance with the adopted strategy, the key financial risk management tools used by the Company include forward contracts and interest rate swaps. The Group's strategy also permits purchase of currency options and interest rate options.

All derivatives are measured at fair value, determined based on market data (exchange rates and interest rates).

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Non-current:			
a) Held-for-trading derivatives, including	**4,230**	**-**	**-**
- forward transactions	4,230	-	-
b) hedging derivatives, including	**-**	**171**	**8,746**
- cash flow hedge derivatives	-	-	8,746
- fair value hedge derivatives	-	171	-
- derivatives hedging interests in net assets of foreign operations	-	-	-
Non-current derivatives	**4,230**	**171**	**8,746**
Current assets:			
a) Held-for-trading derivatives, including	**13,723**	**-**	**-**
- forward transactions	13,723	-	-
b) hedging derivatives, including	**-**	**4,873**	**20,215**
- cash flow hedge derivatives	-	4,686	19,227
- fair value hedge derivatives	-	187	988
- derivatives hedging interests in net assets of foreign operations	-	-	-
Current derivatives	**13,723**	**4,873**	**20,215**
Derivative financial assets	**17,953**	**5,044**	**28,961**
Non-current:			
a) Held-for-trading derivatives, including	**-**	**-**	**-**
- forward transactions	-	-	-
b) hedging derivatives, including	**2,329**	**412**	**553**
- cash flow hedge derivatives	2,329	412	553
- fair value hedge derivatives	-	-	-
- derivatives hedging interests in net assets of foreign operations	-	-	-
Non-current derivatives	**2,329**	**412**	**553**
Short-term liabilities:			
a) Held-for-trading derivatives, including	**12,515**	**-**	**-**
- forward transactions	12,515	-	-
b) hedging derivatives, including	**14,830**	**11,265**	**59,256**
- cash flow hedge derivatives	12,590	11,265	59,120
- fair value hedge derivatives	2,240	-	136
- derivatives hedging interests in net assets of foreign operations	-	-	-
Current derivatives	**27,345**	**11,265**	**59,256**
Derivative financial liabilities	**29,674**	**11,677**	**59,809**

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***01.01-31.12.2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

HEDGING DERIVATIVES

CHARACTERISTICS OF CASH FLOW HEDGE DERIVATIVES (RISKS)

Item	Nominal value in foreign currency (thousands)	Carrying amounts*		Periods of cash flow occurrence		Periods of affecting profit (loss)	
		Financial assets	Financial liabilities	from	to	from	to
at Dec 31 2011							
EUR forward contracts – hedge for sale transactions	23,081	-	12,590	2011-01-10	2013-03-29	2011-01-10	2013-03-29
Interest rate swaps	9,964	-	2,329	2011-11-25	2021-11-24	2011-11-25	2021-11-24
Total cash flow hedge derivatives		**-**	**14,919**				
at Dec 31 2010							
EUR forward contracts – hedge for sale transactions	36,585	4,686	11,233	2008-01-22	2011-12-31	2008-01-22	2011-12-31
EUR forward contracts – hedge of purchase transaction	952	-	32	2011-01-31	2011-05-31	2011-01-31	2011-05-31
Interest rate swaps	15,405	-	412	2013-12-31	2013-12-31	2008-07-23	2013-12-31
Total cash flow hedge derivatives		**4,686**	**11,677**				
at Dec 31 2009							
CAD forward contracts – hedge for purchase transactions	30,720	18,444	-	2010-03-29	2012-09-28	2010-03-29	2012-09-28
EUR forward contracts – hedge for sale transactions	125,759	9,529	59,020	2006-11-27	2011-05-12	2009-01-01	2011-05-12
USD forward contracts – hedge for purchase transactions	3,250	-	100	2010-02-26	2010-03-30	2010-02-26	2010-03-30
Interest rate swaps	-	-	553	2010-01-01	2013-12-31	2010-01-01	2013-12-31
Total cash flow hedge derivatives		**27,973**	**59,673**				

* fair value

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

CHARACTERISTICS OF FAIR VALUE HEDGE DERIVATIVES (RISKS)

Item	Nominal value in foreign currency (thousands)	Carrying amounts*		Periods of cash flow occurrence		Periods of affecting profit (loss)	
		Financial assets	Financial liabilities	from	to	from	to
at Dec 31 2011							
USD forward contracts – USD fair value hedges	6,300	-	2,240	2010-12-30	2012-01-03	2010-12-30	2012-01-03
Total fair value hedge derivatives		**-**	**2,240**				
at Dec 31 2010							
USD forward contracts – USD fair value hedges	19,300	358	-	2011-01-31	2012-04-30	2011-01-31	2012-04-30
Total fair value hedge derivatives		**358**	**-**				
at Dec 31 2009							
EUR forward contracts – EUR fair value hedges	4,900	927	-	2010-01-15	2010-06-28	2010-01-15	2010-06-28
USD forward contracts – USD fair value hedges	5,000	61	136	2010-12-31	2010-12-31	2010-12-31	2010-12-31
Total fair value hedge derivatives		**988**	**136**				

* fair value

CHARACTERISTICS OF HELD-FOR-TRADING DERIVATIVES (RISKS)

Item	Nominal value in foreign currency (thousands)	Carrying amounts*		Periods of cash flow occurrence		Periods of affecting profit (loss)	
		Financial assets	Financial liabilities	from	to	from	to
at Dec 31 2011							
EUR forward contracts – sale	18,215	186	5,987	2012-01-31	2013-01-28	2012-01-31	2013-01-28
EUR forward contracts – purchase	52,294	15,247	-	-	-	-	-
EUR forward contracts – purchase	523	152	-	2010-10-27	2012-10-26	2010-10-27	2012-10-26
GBP forward contracts – purchase	977	648	-	2010-10-27	2012-10-26	2010-10-27	2012-10-26
SEK forward contracts – purchase	3,640	157	-	2010-12-22	2012-05-21	2010-12-22	2012-05-21
USD forward contracts – sale	28,000	-	6,346	2011-11-03	2012-12-31	2011-11-03	2012-12-31
USD forward contracts – purchase	3,333	1,563	-	2010-10-27	2013-01-25	2010-10-27	2013-01-25
Interest rate swaps	10,114	-	182	-	-	-	-
Total Held-for-trading derivatives		**17,953**	**12,515**				

* fair value

CURRENCY HEDGES' INFLUENCE ON THE GROUP'S INCOME STATEMENT

In the period covered by these condensed consolidated financial statements, PBG S.A. and its subsidiaries hedged financial assets and future currency exposures with hedging transactions involving forward contracts. The hedging transactions were concluded as part of the implemented hedging policy, in order to hedge future cash flows on revenue (under the existing long-term contracts), cost of sales and future fair value of financial assets. The transactions covered contracts with investors (project sponsors) and suppliers (mainly denominated in EUR and USD). PBG S.A. and its subsidiaries are also parties to forward contracts, excluded from hedge accounting, which are presented as instruments held for trading.

In 2011, the consolidated result on derivative instruments (used for hedging and trading purposes) was as follows:

Effect of derivative instruments related to currency risk	
Item	**Dec 31 2011**
	PLN '000
Revenue	1,488
Other income	22,620
Finance income	111
Total income	**24,219**
Operating expenses	(7,335)
Other expenses	14,776
Finance costs	2,826
Total expenses	**10,267**
Influence on profit (loss)	**13,952**

As at December 31st 2011, the nominal value of derivative instruments at the PBG Group was as follows:

Nominal value of derivative instruments hedging cash flows and fair value against currency risk	
Item	**Dec 31 2011**
	'000
Hedge for EUR sale transactions	23,080
Hedge for USD sale transactions	6,300

Nominal value of held-for-trading hedges	
Item	**Dec 31 2011**
	'000
Hedge for EUR sale transactions	18,214
Hedge for USD sale transactions	28,000
Hedge for EUR purchase transactions	52,822
Hedge for USD purchase transactions	3,333
Hedge for GBP purchase transactions	977
Hedge for SEK purchase transactions	3,640

As at December 31st 2011, the fair value of open derivative positions was negative at PLN −9,206 thousand, of which PLN −14,830 thousand related to fair value of cash flow hedges and PLN 5,624 thousand related to fair value of held-for-trading hedges. The fair value of open derivative positions changes depending on the market conditions and final results on those transactions may significantly differ from the values presented above.

EFFECT OF INTEREST RATE HEDGES ON THE RESULTS OF THE PBG GROUP

PBG and its subsidiary use interest rate swaps to hedge against variable interest rate risk.

Under a bank borrowing agreement the subsidiary was required to reduce interest rate risk. In performance of the bank's requirements, on November 24th 2011 the subsidiary entered into an IRS transaction for the principal amount of EUR 10,000 thousand, subject to amortisation, maturing on November 24th 2021.
For 2011, the effect of derivatives used to hedge interest rates, recognised in the consolidated income statement at December 31st 2011, was as follows:

Effect of derivative instruments related to interest rate risk	
Specification	**Dec 31 2011**
	PLN '000
Revenue	-
Other income	-
Finance income	-
Total income	**-**
Operating expenses	-
Other expenses	719
Finance costs	-
Total expenses	**719**
Influence on profit (loss)	**(719)**

At December 31st 2011, the fair value of open interest-rate hedges was PLN -2,511 thousand, including PLN -2,329 thousand related to fair-value hedges, and PLN -182 thousand related to held-for-trading hedges.

All amounts in PLN thousand (unless otherwise indicated)

Amounts transferred from the cash flow hedge reserve to profit (loss) in connection with closing of a hedged position were presented under the following items of the consolidated income statement:

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Revenue			
Revenue	38	(12,072)	(114,174)
Other income	-	-	-
Finance income	-	1,163	(591)
Total income	**38**	**(10,909)**	**(114,765)**
Cost			
Operating expenses	(7,335)	(4,581)	-
Other expenses	-	-	-
Finance costs	-	23,077	-
Total expenses	**(7,335)**	**18,496**	**-**
Effect on profit (loss) for the year	**7,373**	**(29,405)**	**(114,765)**

In the period covered by these consolidated financial statements, no amounts accumulated in the hedge reserve were transferred to the initial carrying amount of hedged items.

12.4 OTHER FINANCIAL ASSETS

The Group presents the following investments under other financial assets:

Item	Non-current assets			Current assets		
	Dec 31 2011	Dec 31 2010	Dec 31 2009	Dec 31 2011	Dec 31 2010	Dec 31 2009
Held-to-maturity investments:						
Treasury debt instruments (bonds, debentures)	-	-	-	-	-	-
Commercial debt instruments (debentures)	83,090	-	-	-	-	-
Term deposits	2,983	-	963	11,129	2,466	706
Other	-	-	-	-	-	-
Held-to-maturity investments	**86,073**	**-**	**963**	**11,129**	**2,466**	**706**
Available-for-sale financial assets:						
Listed equity instruments	8,902	-	-	52	143	156
Investments in non-listed equity instruments	4,797	38,643	34,612	45,830	45,754	-
Debt instruments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Available-for-sale financial assets	**13,699**	**38,643**	**34,612**	**45,882**	**45,897**	**156**
Financial assets at fair value through profit or loss:						
Listed equity instruments	-	**-**		-	**-**	-

Item (cont.)	Non-current assets			Current assets		
	Dec 31 2011	Dec 31 2010	Dec 31 2009	Dec 31 2011	Dec 31 2010	Dec 31 2009
Debt instruments	-	-		-	-	-
Money market funds	17,141	-		15,769	106,902	-
Other	-	-		-	-	-
Financial assets at fair value through profit or loss	**17,141**	**-**	**-**	**15,769**	**106,902**	**-**
Total other financial assets	**116,913**	**38,643**	**35,575**	**72,780**	**155,265**	**862**

CHARACTERISTICS OF HELD-TO-MATURITY INVESTMENTS

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Bonds	83,090	-	-
Bills	-	-	-
Term deposits	14,112	2,466	1,669
Total held-to-maturity investments	**97,202**	**2,466**	**1,669**
- non-current	86,073	-	963
- current	11,129	2,466	706

CHANGE IN HELD-TO-MATURITY INVESTMENTS

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
As at beginning of the period	**2,466**	**1,669**	**16,695**
Purchase	164	-	12,366
Interest accrued at the effective interest rate	-	-	649
Impairment loss (-)	-	-	-
Reclassification	(2,466)	-	-
Disposal (-)	-	(706)	(28,041)
Other	83,090		
attributable to addition of new subsidiaries	13,948	1503	-
Balance at end of the period	**97,202**	**2,466**	**1,669**

The largest item of financial assets held to maturity was commercial paper with a carrying amount of PLN 83,090 thousand (2010: 0 PLN; 2009: 0 PLN). The commercial paper bears interest at a fixed rate of 10% and matures in 2017. Fair value of the commercial paper is presented in note 12.8. As at December 31st 2011, financial assets held to maturity also included bank deposits of PLN 14,112 thousand.

All amounts in PLN thousand (unless otherwise indicated)

CHARACTERISTICS OF AVAILABLE-FOR-SALE ASSETS

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Shares and other equity instruments	59,581	84,540	34,768
Debt instruments	-	-	-
Total available-for-sale financial assets	**59,581**	**84,540**	**34,768**
- non-current	13,699	38,643	34,612
- current	45,882	45,897	156

CHANGE IN AVAILABLE-FOR-SALE ASSETS

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
As at beginning of the period	**84,540**	**34,768**	**29,632**
Increase – addition of new subsidiaries	595	71	-
Purchase	6,796	50,855	5,269
Measurement charged to equity	(23,806)	-	-
Impairment loss recognised as expense in the period (-)	-	(13)	(133)
Increase in value charged to profit or loss (+)	-	-	-
Reclassification	-	(1,141)	-
Disposal (-)	(8,544)	-	-
Other	-	-	-
Balance at end of the period	**59,581**	**84,540**	**34,768**

Available-for-sale assets held by the Group include listed and non-listed equity instruments

The Group measures listed equity instruments at fair value. Any gains and losses on such measurement are recognised in other comprehensive income and accumulated in equity, except for impairment losses and foreign exchange gains or losses on monetary items, which are recognised in profit or loss.
The Group's holdings of listed equity instruments include:

- non-controlling interest (15.34%) in CP Energia SA with the carrying amount of PLN 8,305 thousand; this includes shares acquired in January 2012 (2010: PLN 0),

The Group measures non-listed equity instruments at acquisition price less impairment loss, because reliable estimation of their fair value is not possible. The Group does not intend to sell the non-listed equity instruments in the near future.
The Group's holdings of non-listed equity instruments were as follows:

- non-controlling interest (19%) in Poner Sp. z o.o. with the carrying amount of PLN 4,159 thousand (2010: PLN 4,159 thousand; 2009: PLN 0),
- non-controlling interest (18.92%) in Remaxbud Sp. z o.o. with the carrying amount of PLN 421 thousand (2010: PLN 421 thousand, 2009: PLN 421 thousand),
- non-controlling interest (15%) in Lubickie Wodociągi Sp. z o.o. with the carrying amount of PLN 30 thousand (2010: PLN 30 thousand, 2009: PLN 30 thousand),

- non-controlling interest (18.7%) in Energia Wiatrowa Sp. z o.o. with the carrying amount of PLN 18 thousand (2010: PLN 18 thousand, 2009: PLN 0),
- 100 % interest in Ortis Sp. z o.o., with the carrying amount of PLN 45,755 thousand (2010: PLN 45,755 thousand; 2009: PLN 0),
- non-controlling interest (0.21%) in Konsorcjum Autostrada Śląsk with the carrying amount of PLN 4 thousand (2010: PLN 4 thousand, 2009: PLN 4 thousand),
- non-controlling interest (0.89%) in Drogowa Trasa Średnicowa with the carrying amount of PLN 22 thousand (2010: PLN 22 thousand, 2009: PLN 22 thousand),
- one share of Mikołowski Bank Spółdzielczy with the carrying amount of PLN 0.5 thousand (2010: PLN 0.5 thousand, 2009: PLN 0.5 thousand)

In the periods covered by these consolidated financial statements, no indication of impairment of the above-specified financial assets was identified. Consequently, the Group did not recognise any impairment loss.
If an indication of impairment is identified, the Group reviews values of the financial assets using measurement techniques based on the DCF model.
The Group classifies its interest in Ortis Nieruchomości Sp. z o.o. as held-for-sale financial assets, as the transaction is expected to be executed within 12 months from the balance-sheet date. A conditional sale agreement has been executed by a subsidiary, and the transaction is expected to the closed in Q4 2012.

12.5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category of assets comprises financial assets and liabilities held for trading, as well as financial assets and liabilities designated on initial recognition as ones to be measured at fair value with fair value changes in profit or loss.
As at December 31st 2011, in this category of assets the Group held units in FIZ PBGG Erigo, a closed-end investment fund. The Group acquired the certificates under a purchase transaction and in exchange for a contribution of PBG Dom Group companies to the fund. Fair value of the units was calculated as the product of the number of units held and their fair value. The fair value was established on the basis of adjusted net assets of the companies held by FIZ PBG Erigo. As at December 31st 2011, the value of one certificate was PLN 1,022.96.
In 2010, significant items in this category were units in funds managed by Union Investment Towarzystwo Funduszy Inwestycyjnych S.A., acquired for trading.
As at December 31st 2009, the Group did not recognise any financial assets at fair value through profit or loss.
Gains on activities in this category of financial assets are presented in section 28.3.

12.6BORROWINGS, OTHER DEBT INSTRUMENTS

The table below presents the amounts of borrowings and other debt instruments recognised in the consolidated financial statements.

All amounts in PLN thousand (unless otherwise indicated)

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Bank borrowings	1,055,742	579,650	585,304
Loans	2,636	12,325	10,440
Debt instruments	836,357	836,904	506,442
Total borrowings, other debt instruments	**1,894,735**	**1,428,879**	**1,102,186**
- non-current	493,556	904,894	476,878
- current	1,401179	523,985	625,308

The Group does not classify any borrowings or other debt instruments as financial liabilities designated to be measured at fair value with fair value changes in profit or loss. All borrowings and other debt instruments are measured at amortised cost, using the effective interest rate method. Section 12.8 includes the presentation of fair values of borrowings and other debt instruments.

Most of the bank borrowings taken out by the Group bear interest at variable interest rates. In most cases, the interest rates are based on 1M WIBOR plus margin which depends on the borrower's creditworthiness. In the period from January 1st to December 31st 2011, the borrowings bore interest at rates ranging from 5.72% to 7.97%, with interest payable on a monthly basis.

In the period from January 1st to December 31st 2010, the borrowings bore interest at rates ranging from 4.91% to 5.66%, with interest payable on a monthly basis, and in the period from January 1st to December 31st 2009 – at rates ranging from 5.01% to 6.26%, with interest payable on a monthly basis.

As at the balance-sheet date, the base interest rates applicable to the borrowings taken out by the Group entities were as follows:

Reference rate	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
1M WIBOR	4.77	3.66	3.76
3M WIBOR	4.99	3.95	4.27
6M WIBOR	5.00	4.16	4.39
1M EURIBOR	1.024	0.782	0.453
Promissory note rediscount	4.75	4.00	3.75

Source: Reuters.

The total value of overdraft facilities used by the Group as at December 31st 2011 was PLN 599,195 thousand (2010: PLN 439,292 thousand; 2009: PLN 38, 629 thousand). The total amount drawn under these facilities was PLN 503,063 thousand as at December 31st 2011 (2010: PLN 174,879 thousand; 2009: PLN 179,723 thousand).

Within these limits, the overdraft facilities are renewed for annual periods.

To further diversify the financing sources, in November 2007 an agency and dealer agreement was executed with ING Bank Śląski S.A. for arrangement and execution of a bond issue programme for PBG S.A. and Hydrobudowa Polska S.A. Under the annex of September 27th 2010, the nominal value of the programme was increased to PLN 1,000,000 thousand and the agreement's term was extended to December 31st 2015. The current debt under bonds in issue is PLN 825m.

The bonds bear interest at a variable rate based on the 6M WIBOR rate.

Liabilities under the outstanding series D bonds are secured with sureties under civil law, up to the issue total value, granted by Hydrobudowa Polska S.A., Hydrobudowa 9 SA, PBG Technologia Sp. z o.o., and Energomontaż-Południe S.A.
In order to secure against the interest rate risk, the Group uses IRS hedging instruments.

A SWAP transaction is used to hedge a EUR 10,000 bank borrowing. As at the balance-sheet date, the value of the transaction PLN -2,329 thousand.

Under a bank borrowing agreement the subsidiary was required to reduce interest rate risk. In performance of the bank's requirements, on November 24th 2011 the subsidiary entered into an IRS transaction for the principal amount of EUR 10,000 thousand, subject to amortisation, maturing on November 24th 202 (see section 12.3).

The IRS transaction consists in a swap of interest payments accruing at a variable interest rate for interest payments accruing at a fixed interest rate.
The Group uses hedge accounting for cash flows with respect to the derivative transaction, thus partially hedging against interest rate risk exposure of the cash flows.

Group name:	*PBG GROUP*		
Period covered by the financial statements:	*01.01-31.12.2011*	Reporting currency:	*złoty polski (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

BORROWINGS, OTHER DEBT INSTRUMENTS AT DECEMBER 31ST 2011

Lender	Amount as per agreement		Maturity date	Interest rate	Outstanding principal			
					non-current		current	
	PLN	foreign currency			PLN	foreign currency	PLN	foreign currency
Borrowing from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej	2,616	PLN (thousand)	2012-12-20	5.25% of rediscount rate	-	-	275	PLN (thousand)
Borrowing from Malta Hotel Sp. z o.o.	200	PLN	31.12.2011	3M WIBOR + margin	-	-	201	PLN (thousand)
Borrowing from Malta Hotel Sp. z o.o.	1,600	PLN	31.12.2011	3M WIBOR + margin	-	-	1,614	PLN (thousand)
Borrowing from Malta Hotel Sp. z o.o.	400	PLN	31.12.2011	3M WIBOR + margin	-	-	405	PLN (thousand)
Borrowing from PBG DOM Invest X Sp. z o.o. Złotowska 51 S.K.A.	100	PLN	31.12.2011	3M WIBOR + margin	-	-	100	PLN (thousand)
Borrowings from natural persons	31	PLN (thousand)	31.03.2012	fixed rate - 10%	-	-	41	PLN (thousand)
Total	**x**	**x**	**x**	**x**	**-**	**x**	**2,636**	**x**

BORROWINGS, OTHER DEBT INSTRUMENTS AT DECEMBER 31ST 2010

Lender	Amount as per agreement		Maturity date	Interest rate	Outstanding principal			
					non-current		current	
	PLN	foreign currency			PLN	foreign currency	PLN	foreign currency
APP Sp. z o.o.	320	PLN	31.03.2011	3M WIBOR + margin	-	-	236	PLN
Parkowa Łazienki Sp. z o.o.	750	PLN (thousand)	31.03.2011	3M WIBOR + margin	-	-	555	PLN
Parkowa Łazienki Sp. z o.o.	5,500	PLN	31.03.2012	3M WIBOR + margin	6,626	PLN	-	-
Borrowings from natural persons	107	PLN	31.03.2012	fixed rate – 10%; 3M WIBOR + margin	76	PLN	31	-
Recourse factoring	-				-	-	4,801	PLN
Total	**x**	**x**	**x**	**x**	**6,702**	**x**	**5,623**	**x**

BORROWINGS, OTHER DEBT INSTRUMENTS AT DECEMBER 31ST 2009

Lender	Amount as per agreement		Maturity date	Interest rate	Outstanding principal			
					non-current		current	
	PLN	foreign currency			PLN	foreign currency	PLN	foreign currency
Borrowing from DM Developer Sp. z o.o.	490	PLN (thousand)	30.06.2011	5,68%	204	PLN	-	PLN
Borrowing from APP Sp. z o.o.	320	PLN	30.06.2010	6,20%	-	-	226	PLN
Borrowings from Parkowa Łazienki Sp. z o.o.	6,250	PLN (thousand)	31.12.2009	6.20%; 3M WIBOR + margin	-	-	6,813	PLN (thousand)
Borrowing from Bathinex Sp. z o.o.	30	PLN	31.12.2010	11,00%	-	-	30	PLN (thousand)
Borrowings from: Ornament Trading (Oversas) Limited:	2,350	PLN	31.12.2010	6,00%; 8,00%	-	-	3,052	PLN
Borrowings from natural persons	113	PLN (thousand)	x	10.00%; 3M WIBOR + margin;	-	-	115	PLN (thousand)
Total	x	x	x	x	**204**	x	**10,236**	x

BANK BORROWINGS AT DECEMBER 31ST 2011

Currency	Reference rate	Liability as at Dec 31 2011			
		non-current		current	
		PLN	foreign currency	PLN	foreign currency
UAH	fixed	-	-	8,626	UAH 20,272
EUR (thousand)	variable*	43,556	EUR 9,553	4,258	EUR 947
PLN (thousand)	variable*	-	-	999,039	-
Credit cards		-	-	8	-
Interest accrued		-	-	182	-
Adjusted at the effective interest rate		-	-	73	-
Total		**43,556**	**x**	**1,012,186**	**x**

BANK BORROWINGS AT DECEMBER 31ST 2010

Currency	Reference rate	Liability as at Dec 31 2010			
		non-current		current	
		PLN	foreign currency	PLN	foreign currency
EUR	variable*	19,145	EUR 4,834	25,157	EUR 6,339
PLN (thousand)	variable*	54,048	-	481,395	-
Credit cards		-	-	34	-
Interest accrued		-	-	578	-
Adjusted at the effective interest rate		-	-	(707)	-
Total		**73,193**	**x**	**506,457**	**x**

BANK BORROWINGS AT DECEMBER 31ST 2009

Currency	Reference rate	Liability as at Dec 31 2009			
		non-current		current	
		PLN	foreign currency	PLN	foreign currency
EUR	variable*	3,241	EUR 789	22,923	EUR 5,564
PLN (thousand)	variable*	98,497	-	461,187	-
Credit cards		-	-	23	-
Interest accrued		-	-	630	-
Adjusted at the effective interest rate		(65)	-	(1,132)	-
Total		**101,673**	**x**	**483,631**	**x**

* Most of the bank borrowings taken out by the Group entities bear interest at variable interest rates. For PLN-denominated borrowings, the interest rates used most often are based on the 1M WIBOR reference rate plus bank margin, depending on the borrower's creditworthiness. Most of the EUR-denominated borrowings bear interest at the EURIBOR reference rate plus bank margin.

12.7ASSETS PLEDGED AS SECURITY FOR LIABILITIES

In accordance with the terms of the credit and guarantee agreements, the following instruments were pledged as security:

Type of security	Amount (PLN thousand)		
	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Assignment of receivables under construction work contracts	89,661	638,503	696,739
Surrender of rights from insurance policy	7,209	-	-
Assignment of receivables	611,208	-	-
Contractual and security mortgages on real estate	164,337	95,226	81,635
Contractual mortgage on inventories	-	43,350	14,100
Sureties	3,769,257	-	-
Blank promissory notes with declaration	4,559,451	792,227	721,890
Blank promissory notes with declaration, secured with assignment of rights	-	-	-
Pledge on cash	-	86,500	-
Pledge on holdings of equity instruments	582,831	68,811	11,106
Registered pledge on machinery and equipment	38,127	12,575	68,799
Registered pledge on inventories with inventory repossession agreements	5,000	-	-
Authorization to current and future inflows on current account,	x	x	x
Statement of voluntary submission to property rights enforcements.	x	x	x

Carrying amounts of assets pledged as security for liabilities:

Item	at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Intangible assets	-	-	-
Property, plant and equipment (including finance leases)	282,356	118,445	147,377
Financial assets (other than receivables)	596,503	68,811	12,775
Inventories	5,000	54,553	14,100
Trade and other receivables	112,973	231,826	213,914
Cash and cash equivalents	88,634	86,500	-
Total carrying amount of assets pledged	**1,085,466**	**560,135**	**388,166**

Apart from the above listed forms of security, the borrowing agreements provide for specific covenants that must be complied with by the Company:

- Maintaining specific financial ratios, i.e.
  - **net profitability** – net profit to revenue: **not lower than 5.3%;**
  - **gearing** – the sum total of short- and long-term bank debt, lease liabilities and off-balance sheet liabilities less the balance of cash and cash equivalents and contingent receivables to equity less the balance of intangible assets (the formula does not include mutual guarantees and sureties given by the Borrowers to the lending institutions)**: not more than 3.5;**

- **equity to the balance sheet total: equity ratio (capitalisation)** – equity to the balance sheet total: **not less than 0.25;**
- **debt/EBITDA** – interest bearing debt less cash and cash equivalents to EBITDA (EBITDA for the last 12 months: net profit plus tax and interest (on finance costs) and depreciation and amortisation): **not more than 3.5;**
- **debt cover** – the sum of net profit, depreciation and amortisation and interest (on finance costs) to the sum total of interest (on finance costs) and principal payments due on long-term financial liabilities: **not less than 2.0.**
- **DSCR** – calculated based on the following formula [A + B-(A+B-C)x19%)]/(C+D), where:
  A- net operating profit understood as annual rental revenue from the SKALAR office building calculated based on the current list of tenants delivered to the Bank under par. 7.14 and 7.1.18 of the credit agreement, less Skalar operating expenses not borne by the tenants,
  B- tax depreciation of the Skalar office building,
  C- interest under the facility payable in the next 12 months,
  D- principal payments under the facility payable in the next 12 months,
- **LTV** – total debt under the facility to the value of the property assumed by the Bank for the purpose of the agreement.

The Parent's Management Board monitors the value of the ratios on an ongoing basis.
The Group makes all of its payments under bank borrowings and other debt instruments in a timely manner.
As at the balance-sheet date and in the period until the statement's execution date, the Group Companies met all the conditions under the credit facility agreements, except for the condition providing for the maintenance of net margin. We monitor and comply with the additional covenants contained in the credit facility agreements and specified for the entire PBG Group, also from the level of the Companies' separate financial statements, as well as analyse on an ongoing basis the Companies' payment ability, in the context of any credit liabilities falling due, conditional upon the meeting of covenants by the PBG Group.

12.8 FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below presents the fair value of financial assets and liabilities:

All amounts in PLN thousand (unless otherwise indicated)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Class of financial instrument	Dec 31 2011		Dec 31 2010		Dec 31 2009	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Assets:						
Loans	499,269	499,269	270,604	270,604	272,481	272,481
Trade and other receivables	1,089,970	1,089,970	1,210,817	1,210,817	1,045,798	1,045,798
Derivative financial instruments	17,953	17,953	5,044	5,044	28,961	28,961
Debt instruments	85,568	83,090	-	-	-	-
Listed equity instruments	12,005	12,005	143	143	156	156
Investments in non-listed equity instruments	-	-	-	-	-	-
Money market funds	32,910	32,910	106,902	106,902	-	-
Other classes of other financial assets	14,112	14,112	2,466	2,466	1,669	1,669
Cash and cash equivalents	557,004	557,004	708,509	708,509	660,281	660,281
Liabilities:						
Bank borrowings	423,381	423,381	404,771	404,771	386,564	386,564
Bank overdrafts	627,361	627,361	174,879	174,879	198,740	198,740
Loans	2,636	2,636	12,325	12,325	10,440	10,440
Debt instruments	836,357	836,357	836,904	836,904	506,442	506,442
Finance lease liabilities	124,343	124,343	19,845	19,845	32,684	32,684
Derivative financial instruments	29,674	29,674	11,677	11,677	59,809	59,809
Trade and other payables	1,395,495	1,395,495	890,549	890,549	798,783	798,783

* Does not include equity instruments carried at cost as their fair value cannot be measured reliably.

The Group decided not to measure the fair value of some of its investments in non-listed equity instruments, as it is difficult to measure estimate their fair value. Certain investments in non-listed equity instruments disclosed under available-for-sale financial assets whose fair value cannot be estimated, are measured at cost net of any impairment (see Section 12.4) and therefore they are not presented in the table above.

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value of financial instruments for which there is an active market is determined on the basis of quoted market prices (bid price and asking price). If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Inputs to the valuation technique make maximum use of active market variables (foreign exchange rates, interest rates, etc.).

For further information on the method of measurement and fair value of financial assets and liabilities, which, in accordance with the accounting policies applied by the Group, are disclosed in the Group's consolidated statement of financial position at fair value, see Section 12.8.

The fair value of financial assets and liabilities for which there is no active market and which, in accordance with the accounting policies applied by the Group, are disclosed in the Group's statement of financial position at amortised cost, has been determined for the purpose of preparation of this Section as present value of estimated future cash flows, discounted at the market interest rate.

The Group did not measure fair value of trade receivables and trade payables; carrying amounts of these items were assumed to be a sufficient approximation of their fair value.

12.9 FURTHER INFORMATION ON THE METHOD OF MEASUREMENT OF FINANCIAL INSTRUMENTS DISCLOSED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT FAIR VALUE

The Group has applied amendments to IFRS 7 *Financial Instruments: Disclosures*, effective as of January 2009. The amendments require enhanced disclosures concerning financial instruments disclosed in the consolidated statement of financial position at fair value.

The table below presents fair value of financial assets and liabilities, classified in accordance with a 3-level fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 – inputs for the asset or liability, other than quoted prices included within Level 1, based on observable market variables,
- Level 3 – inputs for the asset or liability that are not based on observable market variables.

All amounts in PLN thousand (unless otherwise indicated)

Class of financial instrument	Note	Level 1	Level 2	Level 3	Total
At Dec 31 2011					
Assets:					
Listed equity instruments	12.4	8,954	-	-	8,954
Investments in non-listed equity instruments*		-	-	-	-
Money market funds		-	-	-	-
Held-for-trading derivatives		-	-	-	-
Cash flow hedges derivatives	12.3	-	17,953	-	17,953
Debt instruments measured at fair value		-	-	-	-
Other classes of other financial assets		-	-	-	-
Total assets		**8,954**	**17,953**	**-**	**26,907**
Liabilities:					
Held-for-trading derivatives (-)		-	-	-	-
Cash flow hedge derivatives (-)	12.3	-	(29,674)	-	(29,674)
Debt instruments measured at fair value (-)		-	-	-	-
Debt instruments measured at fair value (-)		-	-	-	-
Total liabilities (-)		**-**	**(29,674)**	**-**	**(29,674)**
Net fair value		**8,954**	**(11,721)**	**-**	**(2,767)**
at Dec 31 2010					
Assets:					
Listed equity instruments	12.4	143	-	-	143
Investments in non-listed equity instruments*		-	-	-	-
Money market funds		-	-	-	-
Held-for-trading derivatives		-	-	-	-
Cash flow hedges derivatives	12.3	-	5,044	-	5,044
Debt instruments measured at fair value		-	-	-	-
Other classes of other financial assets		-	-	-	-
Total assets		**143**	**5,044**	**-**	**5,187**
Liabilities:					
Held-for-trading derivatives (-)		-	-	-	-
Cash flow hedge derivatives (-)	12.3	-	(11,677)	-	(11,677)
Debt instruments measured at fair value (-)		-	-	-	-
Debt instruments measured at fair value (-)		-	-	-	-
Total liabilities (-)		**-**	**(11,677)**	**-**	**(11,677)**
Net fair value		**143**	**(6,633)**	**-**	**(6,490)**
at Dec 31 2009					
Assets:					
Listed equity instruments	12.4	156	-	-	156
Investments in non-listed equity instruments*		-	-	-	-
Money market funds		-	-	-	-
Held-for-trading derivatives		-	-	-	-
Cash flow hedges derivatives	12.3	-	28,961	-	28,961
Debt instruments measured at fair value		-	-	-	-
Other classes of other financial assets		-	-	-	-
Total assets		**156**	**28,961**	**-**	**29,117**
Liabilities:					
Held-for-trading derivatives (-)		-	-	-	-
Cash flow hedge derivatives (-)	12.3	-	(59,809)	-	(59,809)
Debt instruments measured at fair value (-)		-	-	-	-
Debt instruments measured at fair value (-)		-	-	-	-
Total liabilities (-)		**-**	**(59,809)**	**-**	**(59,809)**
Net fair value		**156**	**(30,848)**	**-**	**(30,692)**

All amounts in PLN thousand (unless otherwise indicated)

* Does not include equity instruments carried at cost as their fair value cannot be measured reliably.

In the period under review there were no transfers between Level 1 and Level 2 fair value measurements.

12.10 RECLASSIFICATIONS

As at the balance-sheet date, the Group did not make any reclassifications of financial assets which would lead to a change of the measurement method for such assets, requiring such assets to be measured at fair value, at cost, or at amortised cost.

12.11 EXCLUSIONS FROM THE STATEMENT OF FINANCIAL POSITION

As at the balance-sheet date, the Group had no assets whose transfers would not result in an exclusion from the statement of financial position.

13. DEFERRED CORPORATE INCOME TAX

The table below presents deferred tax assets and liabilities disclosed in the consolidated financial statements:

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31.2009	Jan 1 – Dec 31.2009
Deferred tax assets (liabilities) net, at the beginning of the period	**(7,189)**	**(7,558)**	**23,070**
Deferred tax assets as at the beginning of the period	129,977	185,581	197,242
Deferred tax liabilities as at the beginning of the period	137,166	193,139	174,172
Changes during the year recognised in:			
Income statement (+)/(-)	(35,144)	3,238	15,545
Other comprehensive income (+)/(-)	4,761	(8,056)	(21,761)
Business combination	54,264	5,192	(24,412)
Deferred tax assets (liabilities) net, at the end of the period	**16,692**	**(7,189)**	**(7,558)**
Deferred tax assets as at the end of the period	374,762	129,977	185,581
Deferred tax liabilities as at the end of the period	358,070	137,166	193,139

All amounts in PLN thousand (unless otherwise indicated)

DEFERRED TAX ASSETS AS AT DECEMBER 31ST 2011

Item	Balance at Jan 1 2011 (at the rate of 19%)	Profit and loss	Equity	Business combination	Balance at Dec 31 2011 (at the rate of 19%)
Deferred tax assets					
- employee benefits liabilities	1,071	(410)	-	4,694	**5,355**
- employee benefits provisions	782	563	-	530	**1,875**
- provision for warranty costs	3,825	1,043	-	1,842	**6,710**
- unpaid salaries and wages, including overheads, during the period	1,209	746	-	100	**2,055**
- interest on borrowings	1,524	3,868	-	-	**5,392**
- interest on payables	392	310	-	16	**718**
- liabilities on borrowings measured at adjusted acquisition cost (using effective interest rate method)	6	8	-	-	**14**
- revaluation of hedging financial instruments or investment property recognised at fair value (through equity)	612	2,663	6,166	844	**10,285**
- revaluation of financial instruments or investment property recognised at fair value (through profit or loss)	1,586	(1,818)	-	5,359	**5,127**
- expenses related to recognised revenue	83,001	93,208	-	61,390	**237,599**
- impairment losses on receivables	3,739	3,520	-	7,230	**14,489**
- foreign exchange losses	2,832	(531)	-	357	**2,658**
- audit costs	103	(15)	-	7	**95**
- discount of non-current settlements	121	1,557	-	32	**1,710**
- tax losses	5,242	(525)	-	18,720	**23,437**
- other	13,919	10,858	-	4,875	**29,652**
- provision for losses on contract	1,066	22,590	-	1,764	**25,420**
- over-invoicing	8,947	(6,776)	-		**2,171**
Total	**129,977**	**130,859**	**6,166**	**107,760**	**374,762**

All amounts in PLN thousand (unless otherwise indicated)

DEFERRED TAX ASSETS AS AT DECEMBER 31ST 2010

Item	Balance at Jan 1 2010 (at the rate of 19%)	Profit and loss	Equity	Business combination	Balance at Dec 31 2010 (at the rate of 19%)
Deferred tax assets					
- employee benefits liabilities	1,230	(146)	-	(13)	**1,071**
- employee benefits provisions	987	(170)	-	(35)	**782**
- provision for warranty costs	3,530	701	-	(406)	**3,825**
- unpaid salaries and wages, including overheads, during the period	1,167	55	-	(13)	**1,209**
- interest on borrowings	1,450	74	-	-	**1,524**
- interest on payables	144	248	-	-	**392**
- liabilities on borrowings measured at adjusted acquisition cost (using effective interest rate method)	3	3	-	-	**6**
- revaluation of hedging financial instruments or investment property recognised at fair value (through equity)	8,033	(43)	(7,376	-	**614**
- revaluation of financial instruments or investment property recognised at fair value (through profit or loss)	3,784	(2,198)	-	-	**1,586**
- expenses related to recognised revenue	124,487	(27,583)	-	(13,903)	**83,001**
- impairment losses on receivables	6,537	(2,798)	-	-	**3,739**
- foreign exchange losses	4,373	(648)	(716)	(177)	**2,832**
- audit costs	88	20	-	(5)	**103**
- discount of non-current settlements	162	(29)	-	(12)	**121**
- tax losses	11,120	(5,693)	-	(185)	**5,242**
- provision for losses on contract	0	1,066	--		**1,066**
- other	10,464	2,597	-	857	**13,918**
- over-invoicing	8,022	926	-		**8,947**
Total	**185,581**	**(33,618)**	**(8,092)**	**(13,894)**	**129,977**

All amounts in PLN thousand (unless otherwise indicated)

DEFERRED TAX ASSETS AS AT DECEMBER 31ST 2011

Item	Balance at Jan 1 2011 (at the rate of 19%)	Profit and loss	Equity	Business combination and exchange differences	Balance at Dec 31 2011 (at the rate of 19%)
Deferred tax liabilities					
- interest on loans	7,510	10,160	-	-	**17,670**
- interest on deposits and own cash	80	(246)	-	341	**175**
- interest on receivables	61	26	-	9	**96**
- interest on financial assets (e.g. bonds and debt instruments)	202	1,148	-	-	**1,350**
- revenue recognised during the current period – subsequent period for tax purposes	79,189	119,871	-	20,394	**219,454**
- difference between net carrying amount and tax base of own tangible assets	37,954	9,069	-	17,843	**64,866**
- difference between net carrying amount and tax base of tangible assets under operating lease	2,801	349	-	161	**3,311**
- revaluation of financial instruments or investment property recognised at fair value (through equity)	460	4,515	(541)	5,250	**9,684**
- revaluation of financial instruments recognised at fair value through profit or loss	2,142	3,344	-	123	**5,609**
- liabilities on borrowings measured at adjusted acquisition cost (using effective interest rate method)	131	(130)	-	-	**1**
- foreign exchange gains	77	(1,184)	-	2,097	**990**
- discount of non-current settlements	556	272	-	668	**1,496**
- other	6,003	18,812	1,946	6,612	**33,373**
Total	**137,166**	**166,003**	**1,405**	**53,496**	**358,070**

All amounts in PLN thousand (unless otherwise indicated)

DEFERRED TAX ASSETS AS AT DECEMBER 31ST 2010

Item	Balance at Jan 1 2010 (at the rate of 19%)	Profit and loss	Equity	Business combination	Balance at Dec 31 2010 (at the rate of 19%)
Deferred tax liabilities					
- interest on loans	2,204	5,370	-	(64)	**7,510**
- interest on deposits and own cash	281	(201)	-	-	**80**
- interest on receivables	19	42	-	-	**61**
- interest on financial assets (e.g. bonds and debt instruments)	925	(723)	-	-	**202**
- revenue recognised during the current period – subsequent period for tax purposes	139,996	(42,527)	-	(18,280)	**78,971**
- difference between net carrying amount and tax base of own tangible assets	39,162	(644)	-	(564)	**37,954**
- difference between net carrying amount and tax base of tangible assets under operating lease	1,998	915	-	(112)	**2,801**
- revaluation of financial instruments or investment property recognised at fair value (through equity)	549	120	(36)	(173)	**460**
- revaluation of financial instruments recognised at fair value through profit or loss	6,177	(4,035)	-	-	**2,142**
- liabilities on borrowings measured at adjusted acquisition cost (using effective interest rate method)	227	(96)	-	-	**131**
- foreign exchange gains	301	(223)	-	(1)	**77**
- discount of non-current settlements	418	140	-	(2)	**556**
- other	882	5,011	-	110	**6003**
Total	**193,139**	**(36,851)**	**(36)**	**(19,086)**	**137,166**

The Group entities incurring tax loss recognised deferred tax assets whose realisation is dependent on recording tax revenue in the future in the amount exceeding the gains on reversal of taxable temporary differences. As at December 31st 2011, deferred tax assets amounted to PLN 23,437 thousand (2009: PLN 5,242 thousand, 2009: PLN 11,120 thousand). The current budgets of the Group entities approved by the Parent's Management Board and the Group's business strategy form the basis for the recognition of such assets.

All amounts in PLN thousand (unless otherwise indicated)

Income tax relating to components of other comprehensive income:

Item	Jan 1 – Dec 31 2011		
	Before tax	Income tax	Net
Other comprehensive income:			
- revaluation of property, plant and equipment	(519)	99	(420)
- available-for-sale financial assets	(23,866)	4,523	(19,343)
- cash-flow hedges	(11,596)	2,085	(9,511)
- exchange differences on translating foreign operations	13,106	(1,946)	11,160
- exchange gain (loss) on disposal of foreign operations recognised in profit or loss disposal of foreign operations	(530)	-	(530)
- share of other comprehensive income of associates accounted for using the equity method	-	-	-
Total	**(23,401)**	**4,761**	**(18,640)**

Item	Jan 1 – Dec 31.2010		
	Before tax	Income tax	Net
Other comprehensive income:			
- revaluation of property, plant and equipment	354	(67)	287
- available-for-sale financial assets	-	-	-
- cash-flow hedges	50,390	(7,040)	43,350
- exchange differences on translating foreign operations	3,252	(717)	2,535
- exchange gain (loss) on disposal of foreign operations recognised in profit or loss disposal of foreign operations	-	-	-
- share of other comprehensive income of associates accounted for using the equity method	-	-	-
Total	**53,996**	**(7,824)**	**46,172**

Item	Jan 1 – Dec 31.2009		
	Before tax	Income tax	Net
Other comprehensive income:			
- revaluation of property, plant and equipment	7,484	(650)	6,834
- available-for-sale financial assets	-	-	-
- cash-flow hedges	120,429	(23,624)	96,805
- exchange differences on translating foreign operations	(10,131)	2,191	(7,940)
- exchange gain (loss) on disposal of foreign operations recognised in profit or loss disposal of foreign operations	-	-	-
- share of other comprehensive income of associates accounted for using the equity method	-	-	-
Total	**117,782**	**22,083**	**95,699**

All amounts in PLN thousand (unless otherwise indicated)

14. INVENTORIES

STRUCTURE OF INVENTORIES

The Group recognised the following items of inventories in the consolidated financial statements:

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Raw materials	79,274	29,078	17,694
Work in progress	191,063	90,010	26,244
Finished products	58,551	8,992	5,745
Merchandise	97,233	160,912	150,049
Prepaid deliveries	29,015	4,508	38,654
Total carrying amounts of inventories, including:	**455,136**	**293,500**	**238,386**
- carrying amount of inventories recognised at fair value net of distribution costs	-	-	-

In 2011, the Group recorded a material increase in inventories attributable to the property development operations.

The Group tested inventories for impairment as at each balance-sheet date.

WRITE-DOWN OF INVENTORIES

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
As at beginning of the period	**581**	**301**	**796**
Acquisitions of subsidiaries	6,963	-	-
Disposals of subsidiaries	-	-	-
Write-downs recognised as expense in the period	3,190	281	297
Impairment loss reversed (-)	(526)	(7)	(792)
Amounts written off (uncollectable) (-)	-	-	-
Other (net exchange differences)	14	6	-
Balance at end of the period	**10,222**	**581**	**301**

The Group recognises write-downs on inventories if it can be reasonably assumed that the cost of acquisition or production of inventories may not be recovered or if the selling price of inventories significantly declines. In particular, the Group recognises write-downs on inventories which are damaged or if they have become wholly or partially obsolete.

In 2010, the Group recognised PLN 3,190 thousand write-downs (2010: PLN 281 thousand, 2009: PLN 297 thousand) in the consolidated income statement under "Other expenses" (see Section 28.4). The write-downs were recognised for slow moving materials.

The Group entities make an independent assessment of inventories as at each balance-sheet date. In particular, when estimating the net recoverable value of inventories their relevance to production processes and provision of services is taken into account.

All amounts in PLN thousand (unless otherwise indicated)

As At December 31st 2011, inventories were used as security for the Group's liabilities up to the amount of PLN 5,000 thousand (2010: PLN 54,553 thousand; 2009: PLN 14,100 thousand).

15. TRADE AND OTHER RECEIVABLES

The table below presents trade and other receivables disclosed by the Group under receivables:

LONG-TERM RECEIVABLES

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Financial assets			
Financial receivables	**21,161**	**15,707**	**14,618**
Trade receivables	11,660	3,694	8,565
Allowance for credit losses on trade receivables (-)	(1,000)	-	(45)
Long-term receivables, net	**10,660**	**3,694**	**8,520**
Disposals of non-current assets	529	-	-
Amount of retentions on construction contracts	4,261	4,926	4,401
Finance lease receivables	1,138	1,387	1,624
Other receivables	4,700	5,700	73
Allowance for credit losses on other financial receivables (-)	(127)	-	-
Other financial receivables, net	**10,501**	**12,013**	**6,098**
Non-financial assets			
Non-financial receivables	**-**	**124**	**-**
Taxes, social security and other	-	1	-
Advances received for construction contract work	-	123	-
Other non-financial receivables	-	-	-
Total long-term receivables	**21,161**	**15,831**	**14,618**

Long-term receivables mainly include receivables with extended maturities for services performed and amounts retained as performance bond with respect to construction work in progress or completed. These amounts bear no interest. Due to long repayment periods (up to five years in some cases), these receivables have been discounted. Long-term receivables are discounted at the rate based on 1M WIBOR + 1 p.p. As at December 31st 2011, the discount rate was 5.77% (December 31st 2010: 4.66%; December 31st 2009: 4.76%).

Long-term receivables are subject to relatively high credit risk. The management boards of the Group entities monitor debtors' standing on an on-going basis; in the event of any threat to full recoverability of a receivable, an impairment loss is recognised.

In the presented financial statements, long-term receivables are disclosed at net amounts, after the discount and impairment losses.

Long-term receivables include finance lease receivables as, according to the Group's accounting policies (Section 3.11.3), assets leased to other parties under finance lease arrangements are presented in the Group's statement of financial position as receivables at amounts equal to the net investment.

All amounts in PLN thousand (unless otherwise indicated)

Gross carrying amount of finance lease receivables as at December 31st 2011 was PLN 1,566 thousand, including the current portion of PLN 313 thousand, (2010: PLN 1,879 thousand, including the current portion of PLN 313 thousand, 2009: PLN 2,192 thousand, including the current portion of PLN 313 thousand).
The finance lease arrangement concerns perpetual usufruct right to land property located in Szczecin and the ownership right to an office building built thereon.

TRADE AND OTHER RECEIVABLES:

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Financial assets			
Financial receivables	**1,068,702**	**1,195,110**	**1,031,180**
Trade receivables	1,000,410	1,147,357	1,015,867
Allowance for credit losses on trade receivables (-)	(71,013)	(13,400)	(24,585)
Trade receivables, net	**929,397**	**1,133,957**	**991,282**
Disposals of non-current assets	2,986	14,738	725
Amount of retentions on construction contracts	37,614	35,199	23,611
Finance lease receivables	249	236	225
Receivables under court proceedings	12,142	26,693	55,573
Disposals of equity instruments	18,913	10,224	10,250
Other receivables	124,330	1,105	4,340
Allowance for credit losses on other financial receivables (-)	**(56,929)**	**(27,042)**	**(54,826)**
Other financial receivables, net	**139,305**	**61,153**	**39,898**
Non-financial receivables	**280,091**	**132,114**	**80,993**
VAT receivables	123,371	20,875	20,533
Taxes, social security and other	176	5,653	368
Prepayments	117,958	97,374	58,806
Settlements with employees	1,204	1,467	1,286
Other non-financial receivables	43,245	7,644	990
Allowance for credit losses on other non-financial receivables (-)	**(5,864)**	**(899)**	**(990)**
Total trade and other receivables	**1,348,793**	**1,327,224**	**1,112,173**

The Group views the carrying amount of trade receivables as a reasonable approximation of their fair value (see Section 12.8).

Trade receivables are reviewed for impairment at each balance-sheet date. All receivable balances of significant value are subject to individual assessment in the case of debtors whose balances are past due or when objective evidence has been obtained that the debtor may not pay the receivable (e.g. the debtor is in a difficult financial position, judicial proceedings are conducted against the debtor, there have been changes in the economic environment adverse to the debtor).
Long-term receivables are subject to relatively high credit risk. The Parent's Management Board monitors debtors' standing on an on-going basis; in the event of any threat to full recoverability of a receivable, an impairment loss is recognised.

All amounts in PLN thousand (unless otherwise indicated)

In accordance with the Group's policy, receivables past due by more than 180 days are tested for impairment. Impairment losses are recognised based on assessment of individual receivables. In principle, impairment losses are recognised for a full amount of receivables past due by more than 180 days, with due account take of established security.

Impairment losses on receivables recognised as other expenses in the consolidated income statement were as follows:

- with respect to long-term receivables: PLN 1,127 thousand (2010: PLN 0; 2009: PLN 45 thousand),
- with respect to short-term, receivables: PLN 133,806 thousand (2010: PLN 41,341 thousand; 2009: PLN 80,401 thousand).

Changes in impairment losses on receivables which were recognised during the period covered by these consolidated financial statements are shown in the tables below:

IMPAIRMENT LOSSES ON LONG-TERM RECEIVABLES

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
As at beginning of the period	**-**	**45**	**161**
Acquisitions of subsidiaries	1,434	-	-
Disposals of subsidiaries	-	-	-
Impairment loss recognised as expense during the period	87	-	-
Impairment loss reversed (-)	-	-	-
Amounts written off (uncollectable) (-)	-	-	(116)
Other (net exchange differences)	(394)	(45)	-
Balance at end of the period	**1,127**	**-**	**45**

IMPAIRMENT LOSSES ON SHORT-TERM RECEIVABLES

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
As at beginning of the period	**41,341**	**80,401**	**76,363**
Acquisitions of subsidiaries	75,551	-	-
Disposals of subsidiaries	(17)	(172)	(510)
Impairment loss recognised as expense during the period	33,922	17,968	15,132
Impairment loss reversed (-)	(12,138)	(32,468)	(9,457)
Amounts written off (uncollectable) (-)	(14,991)	(25,209)	(1,575)
Other	10,138	821	448
Balance at end of the period	**133,806**	**41,341**	**80,401**

All amounts in PLN thousand (unless otherwise indicated)

PAST DUE AND NON-PAST DUE SHORT-TERM FINANCIAL RECEIVABLES

Item	Dec 31 2011		Dec 31 2010		Dec 31 2009	
	Not past due	Past due	Not past due	Past due	Not past due	Past due
Short-term receivables:						
Trade receivables	643,067	357,343	817,784	329,573	737,319	278,548
Allowance for credit losses on trade receivables (-)	(21,924)	(49,089)	(45)	(13,355)	(6)	(24,579)
Trade receivables, net	**621,143**	**308,254**	**817,739**	**316,218**	**737,313**	**253,969**
Other financial receivables	136,982	59,252	57,935	30,260	39,832	54,892
Allowance for credit losses on other financial receivables (-)	-	(56,929)	(14)	(27,028)	-	(54,826)
Other financial receivables, net	**136,982**	**2,323**	**57,921**	**3,232**	**39,832**	**66**
Financial receivables	**758,125**	**310,577**	**875,660**	**319,450**	**777,145**	**254,035**

ANALYSIS OF AGE OF FINANCIAL RECEIVABLES PAST DUE BUT NOT IMPAIRED

Item	Trade receivables			Other financial receivables		
	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Short-term receivables past due:						
not more than 1 month	43,098	154,363	126,412	532	747	15
more than 1 but not more than 6 months	103,540	112,739	125,666	3,499	234	36
more than 6 but not more than 12 months	121,354	49,451	22,899	26,243	2,220	-
more than one year	89,351	13,020	3,571	28,978	27,059	54,841
Total financial receivables past due	**357,343**	**329,573**	**278,548**	**59,252**	**30,260**	**54,892**

As at December 31st 2011, past due receivables amounted to PLN 416,595 thousand. The Group recognised impairment losses for up to PLN 127,942 thousand (as at December 31st 2010 past due receivables amounted to PLN 359,833 thousand and impairment losses were recognised for PLN 40,442 thousand; as at December 31st 2009 past due receivables amounted to PLN 333,440 thousand and impairment losses were recognised for PLN 79,411 thousand).

In the opinion of the management boards of the Group entities, the risk related to bad debts is reflected in the amount of impairment losses recognised on doubtful receivables.

16. CASH AND CASH EQUIVALENTS

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Cash at bank (accounts in PLN)	183,655	592,229	553,062
Cash at bank (accounts in foreign currency)	45,777	27,726	19,209
Cash in hand	2,321	798	598
Short-term deposits	325,039	87,406	86,162
Other	212	350	1,250
Total	**557,004**	**708,509**	**660,281**

All amounts in PLN thousand (unless otherwise indicated)

Cash in hand and short-term deposits denominated in PLN and in foreign currencies are presented in aggregate, as at the balance-sheet date, after translation at the exchange rate used for valuation.
Cash and cash equivalents comprise cash at banks and cash in hand, as well as current financial assets with maturities up to three months. The carrying amount of such assets reflects their fair value.
Given that the Group uses the services of reputable banks only, the risk related to cash deposits is significantly reduced.

As at December 31st 2011, cash with a carrying amount of PLN 173,400 thousand (2010: PLN 6,972 thousand, 2009: PLN 1,206 thousand) was restricted cash as it was deposited in joint escrow accounts.

CASH AND CASH EQUIVALENTS BY CURRENCY

Item	at Dec 31 2011		As at Dec 31 2010		As at Dec 31 2009	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) Polish złoty (PLN)	x	467,724	x	641,876	x	584,302
b) Euro (EUR)	16,357	72,186	16,375	63,370	17,789	72,033
c) US dollar (USD)	1,410	4,707	368	1,063	12	33
d) Swiss frank (CHF)	1,369	4,839	-	-	-	-
e) Pound sterling (GBP)	185	948	-	-	-	-
f) Canadian dollar (CAD	139	465	753	2,198	605	1,635
h) Ukrainian hryvnia (UAH)	3,550	1,510	4	2	6,404	2,278
h) Bulgarian lev (BGN)	33	74	-	-	-	-
i) Hungarian forint	42,320	601	-	-	-	-
j) Serbian dinar (RSD)	2,317	99	-	-	-	-
k) Turkish lira (TRY)	2,159	3,851	-	-	-	-
Total	x	**557,004**	x	**708,509**	x	**660,281**

17. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at the balance-sheet date, the Group does not have discontinued operations and does not have assets classified as held for sale.

18. EQUITY

18.1 SHARE CAPITAL

Equity (attributable to owners of the Parent).

As at December 31st 2011, the Parent's share capital amounted to PLN 14,295 thousand (2010: PLN 14,295 thousand, 2009: PLN 14,295 thousand) and was divided into 14,295,000 shares (2010: 14,295,000 shares, 2009: 14,295,000 shares) with a par value of PLN 1.00 per share. All shares were paid up in full.
4,240,000 series A shares are voting preference shares, with each share carrying the right to 2 votes at the Company's General Shareholders Meeting. The remaining shares are not preferred and each share carries one vote at the Company's General Shareholders Meeting.
Reconciliation of the number of shares in the period covered by these consolidated financial statements result from the following transactions with owners:

All amounts in PLN thousand (unless otherwise indicated)

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31.2009
Shares issued and fully paid:			
Number of shares at the beginning of period	14,295	14,295	13,430
Issued under share-based payments	-	-	-
Share issue	-	-	865
Cancellation of shares (-)	-	-	-
Number of shares at the end of the period	**14,295**	**14,295**	**14,295**

As at December 31st 2011, the structure of the share capital was as follows:

Series / Issue	Preference	Limitation of rights	Number of shares	Par value of series / issue	Form of payment
series A	voting preference 2:1	none	3,740,000	3,740	contribution in kind
series A	none	none	1,960,000	1,960	cash
series B	none	none	1,500,000	1,500	cash
series C	none	none	3,000,000	3,000	cash
series D	none	none	330,000	330	cash
series E	none	none	1,500,000	1,500	cash
series F	none	none	1,400,000	1,400	cash
series G	none	none	865,000	865	cash
				14,295	

As at December 31st 2010, the structure of the share capital was as follows:

Series / Issue	Preference	Limitation of rights	Number of shares	Par value of series / issue	Form of payment
series A	voting preference 2:1	none	4,240,000	4,240	contribution in kind
series A	none	none	1,460,000	1,460	cash
series B	none	none	1,500,000	1,500	cash
series C	none	none	3,000,000	3,000	cash
series D	none	none	330,000	330	cash
series E	none	none	1,500,000	1,500	cash
series F	none	none	1,400,000	1,400	cash
series G	none	none	865,000	865	cash
				14,295	

All amounts in PLN thousand (unless otherwise indicated)

As at December 31st 2009, the structure of the share capital was as follows:

Series / Issue	Preference	Limitation of rights	Number of shares	Par value of series / issue	Form of payment
series A	voting preference 2:1	none	4,240,000	4,240	contribution in kind
series A	none	none	1,460,000	1,460	cash
series B	none	none	1,500,000	1,500	cash
series C	none	none	3,000,000	3,000	cash
series D	none	none	330,000	330	cash
series E	none	none	1,500,000	1,500	cash
series F	none	none	1,400,000	1,400	cash
series G	none	none	865,000	865	cash
				14,295	

On April 3rd 2012, the Extraordinary General Shareholders Meeting of PBG S.A. adopted a resolution to issue Series A1-Series A12 bonds convertible into Series H shares, and to issue Series H shares as part of a conditional share capital increase, with all pre-emptive rights of the existing shareholders waived. The nominal value per bond was set at PLN 100 thousand, with the total nominal value of issued bonds amounting to PLN 1,200,000 thousand.

SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL MEETING AS AT DECEMBER 31ST 2011

Shareholder	Number of shares	Total par value (PLN)	Ownership interest	Percentage of total vote
Jerzy Wiśniewski	3,782,054 shares, including: 3,735,054 Series A registered preference shares	3,782,054	26.46%	41.68%
ING Otwarty Fundusz Emerytalny	1,847,169 ordinary shares	1,847,169	12.92%	10.24%
Clients of Pioneer Pekao Investment Management S.A.	2,703,485 ordinary shares	2,703,485	18.91%	14.99%

CHANGES IN THE STRUCTURE OF SHAREHOLDINGS SUBSEQUENT TO DECEMBER 31ST 2011

By the date of publication of these consolidated financial statements, the following changes occurred in the shareholder structure of the Company:

In the period from December 31st 2011 to the date of approval of these consolidated financial statements, Mr. Jerzy Wiśniewski, President of the Parent's Management Board, bought PBG shares on the WSE:

- - between December 30th 2011 and January 4th 2012 – 44,000 PBG shares, at an average price of PLN 72.32 per share;
- - between January 4th and January 12th 2012 – 55,170 PBG shares, at an average price of PLN 78.96 per share.

All amounts in PLN thousand (unless otherwise indicated)

Jerzy Wiśniewski					
Transaction date	Number of shares purchased	Post-transaction number of shares held	Post-transaction number of votes held	Ownership interest	% of total votes held
At beginning of the period		**3,782,054**	**7,517,108**	**26.46%**	**41.68%**
Dec 30 2011–Jan 4 2012	44,000	3,826,054	7 561 108	26.76%	41.92%
Jan 5–12 2012	55,170	3,881,224	7 616 278	27.15%	42.23%
At end of period		**3,881,224**	**7,616,278**	**27.15%**	**42.23%**

Notification of decrease in Pioneer Pekao Investment Management S.A.'s holding of PBG shares

In the period from March 8th to March 31st 2011, Pioneer Pekao Investment Management SA sold PBG shares, as a result of which:

- on March 8th 2012, PPIM's total shareholding in PBG S.A., as regards financial instruments held in the portfolios managed by PPIM as part of its portfolio management services, decreased to 12.91% of the total vote at PBG's General Meeting, and to 16.29% of the Company's share capital;
- on March 22nd 2012, PPIM's total shareholding in PBG S.A., as regards financial instruments held in the portfolios managed by PPIM as part of its portfolio management services, decreased to 9.74% of the total vote at PBG's General Meeting, and to 12.29% of the Company's share capital.

Pioneer Pekao Investment Management S.A. (PPIM)					
Transaction date	Number of shares sold	Post-transaction number of shares held	Post-transaction number of votes held	Ownership interest	Percentage of total votes held
As at beginning of the period: Dec 31 2011		**2,703,485**	**2,703,485**	**18.91%**	**14.99%**
x *	-329,755	2,373,730	2,373,730	16.61%	13.16%
March 8th 2012	-45,882	2,327,848	2,327,848	16.28%	12.91%
x *	-498,456	1,829,392	1,829,392	12.80%	10.14%
March 22nd 2012	-72,320	1,757,072	1,757,072	12.29%	9.74%
As at end of the period: Mar 31 2012		**1,757,072**	**1,757,072**	**12.29%**	**9.74%**

* No notification provided

All amounts in PLN thousand (unless otherwise indicated)

SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL MEETING AS AT THE DATE OF APPROVAL OF THESE CONSOLIDATED FINANCIAL STATEMENT

Shareholder	Number of shares	Total par value (PLN)	Ownership interest	Percentage of total vote
Jerzy Wiśniewski	3,881,224 shares, including: 3,735,054 Series A registered preference shares	3,881,224	27.15%	42.23%
ING Otwarty Fundusz Emerytalny	1,847,169 ordinary shares	1,847,169	12.92%	10.24%
Clients of Pioneer Pekao Investment Management S.A.	1,757, 072 ordinary shares	1, 757,072	12.29%	9.74%

19. SHARE PREMIUM

Share premium includes premiums received on issue of series B, C, D, E, F, and G shares; as at December 31st, 2010 it was PLN 733,348 thousand.

	Issue price (PLN)	Number of shares	Value of share issue	Nominal value of shares issued (-)	Costs of new shares (-)	Share premium
Share premium at Dec 31 2008						**551,178**
Series G share issue	220	865,000	190,300	(865)	(7,265)	182,170
Share premium at Dec 31 2009						**733,348**
Share issue	-	-	-	-	-	-
Share premium at Dec 31 2010						**733,348**
Share issue	-	-	-	-	-	-
Share premium at Dec 31 2011						**733,348**

20. CASH-FLOW HEDGES AND TRANSLATION RESERVE

Cash-flow hedges and translation reserve comprised:

- balances on valuation of derivative instruments that meet the requirements of hedge accounting, cash-flow hedges, or effective part of the hedges as at December 31st 2011 – negative at PLN -6,217 thousand (2010: PLN -1,123 thousand; 2009: PLN -27,806 thousand)
- exchange differences on translating foreign operations as at December 31st 2011 – PLN 4,883 thousand (2010: PLN -1,502 thousand; 2009: PLN 2,543 thousand).

21. OTHER COMPONENTS OF EQUITY

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***01.01-31.12.2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

Item	Reserve funds (including share-based payments reserve)	Accumulated other comprehensive income:						**Total other components of equity**
		Revaluation reserve	Available-for-sale financial assets	Cash flow hedges	Translation reserve	Share of other comprehensive income of associates accounted for using the equity method	Total other comprehensive income	
Balance as at Jan 1 2011	**530,808**	**319**	**-**	**(498)**	**(1,503)**	**-**	**(1,682)**	**529,126**
Corrections of errors	-	-	-	-	-	-	-	**-**
Employee share options	1,285	-	-	-	-	-	-	**1,285**
Issue of share capital under share-based payment (transfer to share premium)	-	-	-	-	-	-	-	**-**
Other comprehensive income for the period from Jan 1 to Dec 31 2011	-	(327)	(23,830)	(6,969)	7,378	-	(23,748)	**(23,748)**
Income tax relating to components of other comprehensive income	-	62	4,523	1,250	(992)	-	4,843	**4,843**
Transfer to retained earnings (disposal of revaluated property, plant and equipment)	-	(180)	-	-	-	-	(180)	**(180)**
Change of Group structure	(21,700)	-	-	-	-	-	-	**(21,700)**
Transfer to reserves	214,015	-	-	-	-	-	-	**214,015**
Other adjustments	(300)	-	-	-	-	-	-	**(300)**
Balance as at Dec 31 2011	**724,108**	**(127)**	**(19,307)**	**(6,217)**	**4,883**	**-**	**(20,768)**	**703,340**
at Jan 1 2010	**367,337**	**6,805**	**-**	**(27,806)**	**(2,543)**	**-**	**(23,544)**	**343,793**
Corrections of errors	-	-	-	-	-	-	-	**-**
Employee share options	1,285	-	-	-	-	-	-	**1,285**
Issue of share capital under share-based payment (transfer to share premium)	-	-	-	-	-	-	-	**-**
Other comprehensive income for the period from Jan 1 to Dec 31 2010	-	223	-	31,875	1,405	-	33,503	**33,503**
Income tax relating to components of other comprehensive income	-	(42)	-	(4,431)	(365)	-	(4,838)	**(4,838)**
Transfer to retained earnings (disposal of revaluated property, plant and equipment)	-	(6,215)	-	-	-	-	(6,215)	**(6,215)**
Change of Group structure	(3,595)	(453)	-	(136)	-	-	(589)	**(4,184)**

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Item (cont.)	Reserve funds (including share-based payments reserve)	Accumulated other comprehensive income:						**Total other components of equity**
		Revaluation reserve	Available-for-sale financial assets	Cash flow hedges	Translation reserve	Share of other comprehensive income of associates accounted for using the equity method	Total other comprehensive income	
Transfer to reserves	146,260	-	-	-	-	-	-	**146,260**
Other adjustments	19,521	-	-	-	-	-	-	**19,521**
at Dec 31 2010	**530,808**	**318**	**-**	**(498)**	**(1,503)**	**-**	**(1,683)**	**529,125**
Balance as at Jan 1 2009	**276,009**	**48**	**-**	**(102,264)**	**820**	**-**	**(101,396)**	**174,613**
Employee share options	1,279	-	-	-	-	-	-	**1,279**
Issue of share capital under share-based payment (transfer to share premium)	-	-	-	-	-	-	-	**-**
Other comprehensive income for the period from Jan 1 to Dec 31 2009	-	7,051	-	93,565	(4,480)	-	96,136	**96,136**
Income tax relating to components of other comprehensive income	-	(246)	-	(17,968)	1,117	-	(17,097)	**(17,097)**
Transfer to retained earnings (disposal of revaluated property, plant and equipment)	-	(48)	-	-	-	-	(48)	**(48)**
Change of Group structure	(6,891)	-	-	(1,139)	-	-	(1,139)	**(8,030)**
Transfer to reserves	90,676	-	-	-	-	-	-	**90,676**
Other adjustments	6,264	-	-	-	-	-	-	**6,264**
Balance as at Dec 31 2009	**367,337**	**6,805**	**-**	**(27,806)**	**(2,543)**	**-**	**(23,544)**	**343,793**

22. INCENTIVE SCHEME

Under Resolution No. 37/08/2007 of August 26th 2008, the Supervisory Board of Hydrobudowa 9 S.A., a subsidiary, adopted the rules of the Incentive Scheme that set forth principles of the incentive scheme at Hydrobudowa 9 S.A. introduced pursuant to Resolution No. 24 of the Annual General Shareholders Meeting of Hydrobudowa 9 S.A. dated June 24th 2008 on setting the principles of the company's incentive scheme, and Resolution No. 25 of the Annual General Shareholders Meeting of Hydrobudowa 9 S.A. dated June 24th 2008 on share capital increase by way of a series D share issue, with pre-emptive rights waived, to carry out the incentive scheme and on amendments to the articles of association.

Persons selected at the discretion of the Supervisory Board of Hydrobudowa 9 S.A. from among members of the Hydrobudowa 9 management board and persons specified at the sole discretion of the Hydrobudowa 9 supervisory board or upon request of the Hydrobudowa 9 management board from among key employees of Hydrobudowa 9S.A., key employees of the PBG Group entities, persons holding positions on the governing bodies of PBG S.A. and governing bodies of the PBG Group entities are eligible to participate in the scheme.

The scheme will operate until December 31st 2013.

To execute the scheme, Hydrobudowa 9 S.A. issued 692,225 series D shares that were subscribed for by BZ WBK S.A., the custodian, and registered by the competent court. The custodian concluded with Hydrobudowa Polska S.A. a subscription agreement covering 1,755,738 ordinary bearer series L shares of Hydrobudowa Polska S.A. with a par value of PLN 1.00 per share, issued pursuant to Resolution No. 3 of the Extraordinary General Meeting of Hydrobudowa Polska S.A. dated August 18th 2008, divided into five tranches, of which four tranches of 351,147 series L shares and one tranche of 351,150 series L shares will be offered to the eligible persons in 2009, 2010, 2011, 2012, and 2013. The custodian made an in-kind contribution of 692,225 series D shares held in Hydrobudowa 9 S.A.to cover those shares.

All of the series L shares to be allocated to the eligible persons will be divided into five tranches, including four tranches of 351,147 shares and one tranche of 351,150 shares. Shares that will remain not acquired in a give tranche will be offered in the next tranche.

The series L shares will be offered to the eligible persons at a price of PLN 0.14 per share.

The first list of eligible persons was approved by the Hydrobudowa 9 supervisory board on December 23rd 2008.

Amounts relating to the incentive scheme have been recognised in the accounts since 2008. As at December 31st 2011 the carrying amount of the scheme was PLN 2,038 thousand (2010: PLN 2,038 thousand; 2009: PLN 2,038 thousand).

The key data on the share-based payments scheme at Hydrobudowa 9 S.A. is presented in the table below:

All amounts in PLN thousand (unless otherwise indicated)

Item	INCENTIVE SCHEME AT HB9
Grant date	2008 -08-26
End of vesting period	2013 -12-31
Expiry date	2013-12-31
Number of shares	1,755,738
Exercise price (PLN)	0.14
Share price as date of grant (PLN)	5.80

The fair value of shares granted to employees was estimated with the use of the Black-Scholes-Marton model as at the grant date. Absence of other market-driven conditions that would affect the payment profile was the basis for applying the closed analytical model. The applied model is the most frequently used tool to determine the theoretical value of option premium.

Hydrobudowa Polska S.A. intends to continue its growth strategy, and the management board will not propose dividend payments within the next five years. Therefore a zero dividend from shares put in the model.

The expected volatility of the share price (standard deviation) was estimated on the basis of historic prices of Hydrobudowa Polska shares on the Warsaw Stock Exchange since its debut, i.e. in the period from September 17th 2007 to April 16th 2010.

The average yield of 5-year Treasury bonds at the auction held on December 2nd 2009 was assumed as the risk-free interest rate.

Changes in the number of shares under the scheme are presented below:

Item	Jan 1 – Dec 31 2011		Jan 1 – Dec 31 2010		Jan 1 – Dec 31 2009	
	Number of options	Weighted average exercise price (PLN)	Number of options	Weighted average exercise price (PLN)	Number of options	Weighted average exercise price (PLN)
Outstanding at the beginning of the period	1,053,444	0.14	1,404,591	0.14	1,755,738	0.14
Granted (+)	-	-	-	-	-	-
Forfeited (-)	-	-	-	-	-	-
Exercised (-)	(342,147)	0.14	(351,147)	0.14	(351,147)	0.14
Expired (-)	-	-	-	-	-	-
Outstanding at the end of the period	**711,297**	**-**	**1,053,444**	-	**1,404,591**	-

The fair value of shares granted to employees was estimated with the use of the Black-Scholes-Marton model as at the grant date. Absence of other market-driven conditions that would affect the payment profile was the basis for applying the closed analytical model. The applied model is the most frequently used tool to determine the theoretical value of option premium. The fair value of shares and the input data to the applied valuation model (apart from the previously presented parameters of the share-based payments programme) are presented in the table below:

All amounts in PLN thousand (unless otherwise indicated)

Item	INCENTIVE SCHEME AT HB9
Fair value of 1 share measured as at the grant date of the first tranche	**4.42**
Assumptions for the valuation model:	
Expected share-based dividend (%)	0%
Expected share volatility (%)	51.2%
Risk-free interest rate (%)	5.55%
Projected option duration (life) (years)	4.47

Hydrobudowa Polska S.A. intends to continue its growth strategy, and the management board will not propose dividend payments within the next five years. Therefore a zero dividend from shares put in the model.

The expected volatility of the share price (standard deviation) was estimated on the basis of historic prices of Hydrobudowa Polska shares on the Warsaw Stock Exchange since its debut, i.e. in the period from September 17th 2007 to July 13th 2009.

The average yield of 5-year Treasury bonds at the auction held on July 15th 2009 was assumed as the risk-free interest rate.

23. NON-CONTROLLING INTERESTS

Non-controlling interests represent a portion of net assets of subsidiaries which is not directly or indirectly owned by shareholders of the Parent.

Non-controlling interests disclosed in the Group's equity relate to the following subsidiaries:

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
HBP Group	167,907	172,834	177,494
APRIVIA Group	12,218	10,738	11,356
PBG Dom Group	-	614	665
Energopol Ukraina	39,822	34,068	33,045
GasOil Engineering a.s.	-	2,835	2,575
Strateg Capital Sp. z o.o.	-	33	-
Aqua SA	5,565	4,831	-
Energomontaż Południe Group	118,322	-	-
Rafako Group	247,352	-	-
Total non-controlling interest	**591,186**	**225,953**	**225,135**

In the period covered by these consolidated financial statements, non-controlling interests decreased as a result of transactions which affected the Group's structure, and as a result of settlement of a portion of comprehensive income attributable to non-controlling interests, as shown in the table below:

All amounts in PLN thousand (unless otherwise indicated)

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Balance at beginning of the period	**225,953**	**225,135**	**168,570**
Changes in ownership interests in subsidiaries (transactions with non-controlling interest)			
Business combination - first recognition of non-controlling interest (+)	333,750	4,864	40,671
Disposal of subsidiaries - derecognition of non-controlling interest (-) of non-controlling interests (–)	(2,995)	-	(484)
Ownership interests acquired by the Group from non-controlling interest (-)	(380)	(2,306)	(1,435)
Ownership interests disposed of by the Group to non-controlling interest, with no loss of control (+)	21,059	-	-
Comprehensive income:			
Net profit (loss) for the period (+/-)	9,775	(6,098)	10,766
Other comprehensive income for the period (after tax) (+/-)	265	17,507	16,660
Other changes	3,759	(13,149)	(9,613)
Balance at end of the period	**591,186**	**225,953**	**225,135**

24. EMPLOYEE BENEFITS

EMPLOYEE BENEFITS LIABILITIES AND PROVISIONS

Item	Non-current			Current		
	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Wages and salaries liabilities	-	-	-	25,984	12,673	7,897
Social security liabilities	-	-	-	25,073	11,020	9,693
Provision for retirement gratuity	10,211	3,150	3,322	387	834	773
Provision for jubilee	16,474	2,367	3,083	2,154	238	303
Accrued holiday entitlement	-	-	-	10,248	4,277	5,182
Other provisions	5,715	-	-	11,499	-	-
Other long-term employee benefits	-	3	-	669	686	656
Employee benefits liabilities and provisions	**32,400**	**5,520**	**6,405**	**76,014**	**29,728**	**24,504**

All amounts in PLN thousand (unless otherwise indicated)

CHANGES IN PROVISIONS FOR EMPLOYEE BENEFITS

Item	Provision for retirement gratuity	Provision for jubilee	Accrued holiday entitlement	Total
from Jan 1 to Dec 31 2011				
Balance at beginning of the period	**3,984**	**2,605**	**4,277**	**10,866**
Changes in the period recognised in profit or loss (new provisions and estimates update)	1,722	1,796	4,043	11,977
Revision of estimates	-	-	-	-
Acquisition of subsidiaries	7,127	18,128	5,117	48,469
Disposal of subsidiaries	(1,373)	-	(355)	(1,728)
Release of provisions recognised as income in the period (-)	(231)	(1,993)	(2,080)	(4,775)
Use of provisions (-)	(533)	(1,208)	(339)	(6,908)
Revision of estimates (-)	(213)	(700)	(288)	(1,201)
Other changes (net exchange differences)	115	-	(127)	(12)
Balance at end of the period, including:	**10,598**	**18,628**	**10,248**	**56,688**
- non-current provisions	10,211	16,474	-	32,400
- current provisions	387	2,154	10,248	24,288
from Jan 1 to Dec 31 2010				
Balance at beginning of the period	**4,095**	**3,386**	**5,182**	**12,663**
Changes in the period recognised in profit or loss (new provisions and estimates update)	1,611	338	2,202	4,151
Revision of estimates	-	-	-	-
Acquisition of subsidiaries	26	-	96	122
Disposal of subsidiaries	(68)	-	(186)	(254)
Release of provisions recognised as income in the period (-)	(404)	(73)	(1,030)	(1,507)
Use of provisions (-)	(1,061)	(958)	(447)	(2,466)
Revision of estimates (-)	(340)	(88)	(1,410)	(1,838)
Other changes (net exchange differences)	125	-	(130)	(5)
Balance at end of the period, including:	**3,984**	**2,605**	**4,277**	**10,866**
- non-current provisions	3,150	2,367	-	5,517
- current provisions	834	238	4,277	5,349
from Jan 1 to Dec 31 2009				
Balance at beginning of the period	**2,611**	**3,499**	**5,955**	**12,065**
Changes in the period recognised in profit or loss (new provisions and estimates update)	1,503	806	3,981	6,290
Revision of estimates	236	-	-	236
Acquisition of subsidiaries	230	-	-	230
Disposal of subsidiaries	(25)	-	(125)	(150)
Release of provisions recognised as income in the period (-)	(41)	(454)	(1,278)	(1,773)
Use of provisions (-)	(248)	(465)	(3,317)	(4,030)
Revision of estimates (-)	(169)	-	(111)	(280)
Other changes (net exchange differences)	(2)	-	77	75
Balance at end of the period, including:	**4,095**	**3,386**	**5,182**	**12,663**
- non-current provisions	3,322	3,083	-	6,405
- current provisions	773	303	5,182	6,258

For general description of the employee benefits, see Section 22.

All amounts in PLN thousand (unless otherwise indicated)

25. OTHER PROVISIONS

Provisions disclosed in the consolidated financial statements and their changes in the respective periods are presented in the table below:

OTHER PROVISIONS FOR LIABILITIES

Item	Non-current			Current		
	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Provisions for warranties	16,861	15,139	13,817	10,384	5,294	5,043
Provision for losses on construction contracts	-	-	-	55,827	1,668	272
Other provisions	286	484	374	74,511	30,938	33,712
Total other provisions:	**17,147**	**15,623**	**14,191**	**140,722**	**37,900**	**39,027**

CHANGES IN OTHER PROVISIONS

Item	Provisions for warranties	Provision for losses on construction contracts	Other provisions	Total
from Jan 1 to Dec 31 2011				
Balance at beginning of the period	**20,433**	**1,668**	**31,422**	**53,523**
Changes in the period recognised in profit or loss (new provisions and estimates update)	10,208	30,133	35,954	76,295
Revision of estimates	-	-	-	-
Acquisition of subsidiaries	5,306	30,645	118,613	154,564
Disposal of subsidiaries	-	-	(170)	(170)
Release of provisions recognised as income in the period (-)	(4,543)	(3,833)	(102,783)	(111,159)
Use of provisions (-)	(3,456)	(724)	(7,424)	(11,604)
Revision of estimates (-)	-	(1,423)	(536)	(1,959)
Other changes (net exchange differences)	(703)	(639)	(279)	(1,621)
Balance at end of the period, including:	**27,245**	**55,827**	**74,797**	**157,869**
- non-current provisions	16,861	-	286	17,147
- current provisions	10,384	55,827	74,511	140,722
from Jan 1 to Dec 31 2010				
Balance at beginning of the period	**18,860**	**272**	**34,086**	**53,218**
Changes in the period recognised in profit or loss (new provisions and estimates update)	9,831	2,627	10,285	22,743
Revision of estimates	-	-	-	-
Acquisition of subsidiaries	19	-	161	180
Disposal of subsidiaries	(2,138)	-	(119)	(2,257)
Release of provisions recognised as income in the period (-)	(2,246)	-	(9,500)	(11,746)
Use of provisions (-)	(3,893)	(1,242)	(3,446)	(8,581)
Revision of estimates (-)	-	-	(48)	(48)

All amounts in PLN thousand (unless otherwise indicated)

Item (cont.)	Provisions for warranties	Provision for losses on construction contracts	Other provisions	Total
Other changes (net exchange differences)	-	11	3	14
Balance at end of the period, including:	**20,433**	**1,668**	**31,422**	**53,523**
- non-current provisions	15,139	-	484	15,623
- current provisions	5,294	1,668	30,938	37,900
from Jan 1 to Dec 31 2009				
Balance at beginning of the period	**13,603**	**3,926**	**71,003**	**88,532**
Changes in the period recognised in profit or loss (new provisions and estimates update)	8,082	155	5,110	13,347
Revision of estimates	278	369	3,369	4,016
Acquisition of subsidiaries	-	-	-	-
Disposal of subsidiaries	(253)	-	-	(253)
Release of provisions recognised as income in the period (-)	(845)	(4,070)	(31,100)	(36,015)
Use of provisions (-)	(1,792)	(108)	(14,296)	(16,196)
Revision of estimates (-)	(156)	-	-	(156)
Other changes (net exchange differences)	(57)	-	-	(57)
Balance at end of the period, including:	**18,860**	**272**	**34,086**	**53,218**
- non-current provisions	13,817	-	374	14,191
- current provisions	5,043	272	33,712	39,027

The Group recognises provisions for projected losses on construction contracts when a total cost to complete a construction contract exceeds the total revenue under the contract. Such provisions are recognised in the income statement when disclosed. (See also Section 27).

Provisions for projected losses on construction contracts and provisions for other liabilities are significant items in these consolidated financial statements. The most important of these items are:

- Release of provision upon fulfilment of conditions for which the provision was recognised: PLN 65m
- Recognition of provision for loss on project "Road link between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego" – PLN 8.9m
- Recognition of provision for loss on a road construction contract – PLN 6.7
- Cost of new project launches expensed at PLN 6.3m
- Recognition of provision for contractual penalties – PLN 24.7.

Provision for warranty repairs is a significant item in the financial statements of the Group. As part of completing a construction contract the Group entities are responsible for faults and defects reported by the customer following completion of the project. The Group recognises a provision for warranty repairs charged to costs of the contract by reference to the stage of its completion When calculating the provisions for each contract, the Company uses estimates, including historical data on costs of remedial works, value of the contract, its nature and the risk of faults and defects.

The calculation is based on multiplication of the incurred variable costs by the percentage ratio. The ratios range from 0.1% to 1.2%.

All amounts in PLN thousand (unless otherwise indicated)

The items which had the most significant effect on other provisions in 2010 are as follows:

- Recognition of provision under project "Construction of the Łyna Sewage Treatment Plant in Olsztyn", for future losses following from settlement agreement – PLN 2,513 thousand;
- Release of provision under project "Construction of the Południe Sewage Treatment Plant in Warsaw", due to the fulfilment of conditions which gave rise to recognition of a provision for potential contractual penalties – PLN 6,177 thousand;
- Release of provision under project "Construction of the Południe Sewage Treatment Plant in Warsaw", due to the fulfilment of conditions which gave rise to recognition of a provision for future losses – PLN 2,122 thousand.
- Recognition of provision for potential penalties resulting from the execution of an annex reducing the scope of work in project "Rainwater discharge from the water intake protection zone areas of Las Gdański and Czyżkówko and extension of the rainwater system in Bydgoszcz, phase 3", executed for Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. – PLN 5,607 thousand.

TRADE AND OTHER PAYABLES

Trade and other payables of the Group are presented below:

LONG-TERM LIABILITIES

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Financial liabilities	**54,475**	**37,914**	**40,110**
Trade payables	28,329	6,383	10,515
Purchase of non-current assets	12,491	14,395	14,246
Liabilities under investment purchases	3,048	-	-
Retentions on construction contracts	10,607	16,915	13,237
Other financial liabilities	-	221	776
Liabilities under insurance policies	-	-	1,336
Non-financial liabilities	-	-	-
Tax and duties	-	-	-
Advances received for deliveries	-	-	-
Advances received for construction contract work	-	-	-
Other non-financial liabilities	-	-	-
Total trade and other payables	**54,475**	**37,914**	**40,110**

Long-term liabilities primarily represent amounts retained as security for completion of construction work by subcontractors, liabilities under insurance services and liabilities under purchase of license rights. These amounts bear no interest. Due to long payment terms, in some cases exceeding five years, the liabilities have been discounted. Long-term liabilities are discounted using the rate equal to 1M WIBOR + 1 p.p. As at December 31st 2011, the discount rate was 3.5.77% (December 31st 2010: 3.66%; December 31st 2009: 3.76%).

All amounts in PLN thousand (unless otherwise indicated)

TRADE PAYABLES

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Financial liabilities	**1,341,440**	**852,635**	**758,673**
Trade payables	1,137,704	774,420	721,845
Purchase of non-current assets	12,693	17,782	1,142
Liabilities under investment purchases	4,720	4,274	-
Liabilities under purchase of debt	-	30,667	4,571
Liabilities under purchase of equity instruments	160,043	23,292	25,179
Amount of retentions on construction contracts	20,502	-	5,378
Other financial liabilities	5,778	2,200	558
Non-financial liabilities	**271,964**	**341,210**	**214,369**
VAT payable	29,747	119,125	92,912
Tax and duties and subsidies payable	8,186	4,756	5,583
Advances received for deliveries	60,318	208,208	111,919
Advances received for construction contract work	157,631	-	3,955
Other non-financial liabilities	16,082	9,121	-
Total trade and other payables	**1,613,404**	**1,193,845**	**973,042**

OTHER PAYABLES

Item	Dec 31 2011		Dec 31 2010		Dec 31 2009	
	Not past due	Past due	Not past due	Past due	Not past due	Past due
Other payables:						
Trade payables	723,032	414,672	609,612	164,808	561,659	160,186
Other financial liabilities	190,866	12,870	57,590	20,625	21,100	15,728
Financial liabilities	**913,898**	**427,542**	**667,202**	**185,433**	**582,759**	**175,914**

ANALYSIS OF AGE OF PAST DUE SHORT-TERM FINANCIAL LIABILITIES

Item	Dec 31 2011		Dec 31 2010		Dec 31 2009	
	Trade payables	Other financial liabilities	Trade payables	Other financial liabilities	Trade payables	Other financial liabilities
***Short-term financial liabilities past due**:*						
not more than 1 month	212,237	1,932	107,602	6,675	111,727	903
more than 1 but not more than 6 months	141,451	4,776	47,675	9,145	40,118	4,742
more than 6 but not more than 12 months	39,466	811	5,032	1,628	2,374	6,255
more than one year	21,518	5,351	4,499	3,177	5,967	3,828
Total short-term financial liabilities past due:	**414,672**	**12,870**	**164,808**	**20,625**	**160,186**	**15,728**

The Group views the carrying amount of trade liabilities represent a reasonable approximation of their fair value.

All amounts in PLN thousand (unless otherwise indicated)

26. PREPAID EXPENSES AND DEFERRED INCOME

ROZLICZENIA MIĘDZYOKRESOWE – AKTYWA i PASYWA

Item	Non-current			Current		
	at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009	at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Assets - prepaid expenses:						
- Insurance contracts	2,232	4,444	5,187	7,849	7,065	6,065
- Guarantees	1,497	3,035	4,044	2,892	2,125	3,676
- Turn-of-reporting-period expenses	128	-	-	995	192	1,771
- Prepaid reusable materials	-	-	-	-	-	1,769
- Expenses incurred prior to construction contract execution	-	-	-	51,263	14,767	3,076
- Cost of share issue	-	-	-	-	-	-
- Cost of future acquisitions	-	-	-	408	203	3,295
- Subscriptions, training	-	-	-	423	514	669
- New projects expenses - joint ventures	-	9,022	665	10,913	20,123	-
- Other	3,154	7,662	-	11,403	9,651	3,845
Assets - prepaid expenses	**7,011**	**24,163**	**9,896**	**86,146**	**54,640**	**24,166**
Liabilities - deferred income:						
- Government grants	6,464	6,805	7,320	389	2,730	2,566
- Audit provision	-	-	-	834	568	459
- Deferred service income	-	-	-	12,252	3,942	-
- New projects expenses - joint ventures	-	-	-	5,563	7,826	-
- Other	-	-	-	4,282	3,756	-
- Cost of share issue	-	-	-	-	-	442
Liabilities - deferred income:	**6,464**	**6,805**	**7,320**	**23,320**	**18,822**	**3,467**

In 2011, prepaid expenses increased compared with 2010. A particularly strong growth was seen in prepayments recognised under “Expenses incurred prior to construction contract execution”; they included expenses incurred in connection with the Group's activities aimed at winning new contracts and diversifying its business.

Under deferred income, the Group recognises e.g. subsidies obtained in 2004–2006 under the EU programme “Sectoral Operational Programme Improvement of the Competitiveness of Enterprises” from the Ministry of Economy and Labour to fund new fixed assets to enhance the Group's competitiveness. Benefits from the subsidy are recognised throughout the asset’s depreciation period.

27. CONTRACT REVENUE

The amounts recognised in the consolidated statement of financial position arise under construction contracts in progress as at the balance-sheet date. Amounts due from customers for construction contract works are recognised as the aggregate amount of recognised profits (losses) to balance-sheet date, less progress billings (see Section 3.11.16.2 on accounting policies, under “Basis of Accounting and Accounting

All amounts in PLN thousand (unless otherwise indicated)

Policies"). The carrying amounts of receivables and payables arising under construction contracts are presented in the table below:

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Initial amount of revenue agreed in contract	13,242,465	7,708,014	7,775,586
Variations in contract work	1,177,051	344,729	319,080
Aggregate amount of revenue	**14,419,516**	**8,052,743**	**8,094,666**
Amount of costs incurred to balance-sheet date	8,472,383	3,432,146	3,858,735
Costs expected to incur to finish contract work	4,671,789	3,760,726	3,109,868
Aggregate amount of contract costs	**13,144,172**	**7,192,872**	**6,968,603**
Aggregate estimated profit (losses) on construction contracts	**1,275,344**	**859,871**	**1,126,063**
Stage of completion as at the balance-sheet date	64.46%	47.72%	55.37%
Prepayments received as at the balance-sheet date	356,529	146,478	128,245
Prepayments that can be set off with receivables under construction contracts	168,750	31,820	28,159
Retentions total	25,744	44,643	37,356
Aggregate amount of costs incurred to the balance-sheet date	8,530,189	3,434,087	3,840,031
Aggregate amount of recognised profits (losses) to the balance-sheet date	898,480	516,082	554,417
Revenue estimated as at the balance-sheet date	**9,428,669**	**3,950,169**	**4,394,448**
Progress billings	8,307,378	3,588,441	3,709,593
Amounts due from customers for construction contracts work	**1,321,681**	**424,414**	**745,305**
Amounts due from customers for construction contracts work payable to the consortium as a whole as at the balance-sheet date, less prepayments that can be set off	**1,152,931**	**392,594**	**721,878**
Amounts due to customers for construction contracts work	**200,390**	**89,246**	**60,450**

The PBG Management Board, owing to binding confidentiality agreements, disclosed the information required under IAS 11 Construction Contracts as aggregate amounts, without itemising the individual contracts.

Prepayments for construction contract work are recognised as trade payables (see 3.11.16.2) and totalled PLN 356,529 thousand as at December 31st 2011 (2010: PLN 146,478 thousand; 2009: PLN 128,245 thousand).

As at December 31st 2011, retentions under construction contracts totalled PLN 25,744 (2010: PLN 44,643 thousand, 2009: PLN 37,356 thousand) and are recognised as payables. Retentions will be released upon acceptance of the work performed.

Carrying amounts in the consolidated financial statements that relate to construction contracts are best estimates of the Parent's Management Board, although there is a certain degree of uncertainty as to their actual values (see section 3.11.19.2 in Accounting Policies).

Since 2008, the Group has been executing two contracts as a consortium leader. The projects are executed as joint ventures. Pursuant to the applied accounting policies, contracts performed as part of joint ventures are presented in the consolidated financial statements proportionately to the Group's share in such ventures. Long-term contracts of this type are accounted for based on revenue and expense budgets for the portion of the contract allocated to the Group. Under IAS 31, expenses transferred from other consortium members and invoices issued to the customers for work performed by consortium members are not recognised in the Company's income statement (see section 3.11.16.2.).

Contracts which, under IAS 31, are recognised as performed as part of a joint venture with consortium partners include:

• *Jointly-controlled operations*

- ✓ · Consortium Agreement between PBG S.A. (Consortium Leader), Tecnimont SpA, Société Française d'Etudes et de Réalisations d'Equipements Gaziers "SOFREGAZ" and Plynostav Pardubice Holding A.S. - Plynostav Regulace Plynu A.S. (Consortium Partners), and Polskie Górnictwo Naftowe i Gazownictwo S.A., for general construction of project “Construction of the surface installations of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bn Nm3, sub-phase: 1.2bn Nm3"; The contract price is PLN 1,089,000 thousand.

- ✓ Consortium agreement between PBG S.A. (Consortium Leader), Technip KTI SpA and Thermo Desing Engineering Ltd, for the execution of “LMG Project – Central Facility, well areas, pipelines and other infrastructure”; The contract price is PLN 1,397,000 thousand.

- ✓ Consortium agreement executed by PBG S.A. (Consortium Leader), and the following Consortium Partners: Aprivia S.A. (PBG subsidiary), Hydrobudowa Polska S.A. (PBG subsidiary), SRB Civil Engineering, and John Sisk&Son Limited of Dublin, Ireland;
  The contract provides for construction of Torun-Stryków A-1 Motorway (Section III Brzezie-Kowal, from km 168+348 to km 215+850). The net contract price is PLN 765,632 thousand.

- ✓ Consortium agreement executed by SRB Civil Engineering Limited of Dublin, Ireland (Consortium Leader), and the following Consortium Partners: PBG S.A., Aprivia S.A. (PBG subsidiary), Hydrobudowa Polska S.A. (PBG subsidiary), and John Sisk&Son Limited of Dublin, Ireland;
  The contract provides for the construction of Torun-Stryków A-1 Motorway (Section I Czerniewice-Odolion, from km 151+900 to km 163+300; and section II Odolion-Brzezie, from km 163+300 to km 186+366);
  The net contract price is PLN 765,632 thousand.

- ✓ Consortium agreement between Hydrobudowa Polska S.A, Hydrobudowa 9 Przedsiębiorstwo Inżynieryjno-Budowlane S.A., comprising the Leader's group, represented by Hydrobudowa Polska, and Alpine Bau Deutschland AG, Alpine Bau GmbH, Alpine Construction Polska Sp. z o.o., comprising the Co-leader's Group, represented by Alpine Bau Deutschland AG, and the Municipality of Gdańsk, represented by Biuro Inwestycji Euro Gdańsk 2012 Sp. z o.o; to execute the project “The second stage of construction works on the Baltic Arena Football Stadium in Gdańsk Letnica”; The contract price is PLN 431,178 thousand.

- ✓ Consortium agreement between Hydrobudowa Polska S.A., PBG S.A. comprising the Leader's group, represented by Hydrobudowa Polska, and Alpine Bau GmbH, Alpine Bau Deutschland AG, Alpine Construction Polska Sp. z o.o., comprising the Co-leader's group, and Narodowe Centrum Sportu Sp. z o.o.; to execute the project "Construction works related to the construction of the multi-purpose National Stadium in Warsaw with auxiliary infrastructure". The contract price is PLN 1,263,885 thousand.

- ✓ Consortium agreement between Hydrobudowa Polska S.A. (Consortium Leader), PBG S.A., Aprivia S.A., SIAC Construction Ltd. (Consortium Partners) and the State Treasury – General Directorate for National Roads and Motorways, represented by the Rzeszów Branch of the General Directorate for National Roads and Motorways; to execute the project "Construction of the Krzyż-Dębica Pustynia section of the A-4 Tarnów-Rzeszów motorway, from km 502+797.96 to approx. 537+550". The contract price is PLN 1,434,761 thousand.

• *Jointly-controlled entity:*
- ✓ Consortium agreement between Alpine Bau GmbH (Consortium Leader), Aprivia SA, PBG SA and Hydrobudowa Polska SA; to execute the project "Construction of the Kaczkowo section of the S5 Poznań (A-2 – Głuchowo interchange) – Wrocław (A-8 – Widawa interchange) expressway, the ring road of Bojanowo and Rawicz". Expected revenue from the contract is PLN 777,240 thousand.
- ✓ Consortium agreement between Obrascon Huarte Lain SA (Leader), Hydrobudowa Polska S.A., PBG S.A., Aprivia S.A., Przedsiębiorstwo Robót Górniczych METRO Sp. z o.o.; to execute the project "Road link between the Gdańsk Airport and the Port of Gdańsk – Słowacki Route – Task 4, Węzeł Marynarki Polskiej – Węzeł Ku Ujściu Section" Expected revenue from the contract is PLN 720,000 thousand.

• *Jointly-controlled assets:*
- ✓ Consortium of Saipem SpA, Techint Sp, Snamprogetti Canada INC, PBG S.A., PBG Energia Sp. z o.o. (formerly PBG Export Sp. z o.o.) formed to execute the project "Delivery of the working design, construction and commissioning of the Liquefied Natural Gas Regasification Terminal in Świnoujście"; The contract price is PLN 2,209,143 thousand.

For the purposes of the joint ventures, the Group uses, with its partners, joint escrow accounts. An escrow account is a joint account that can be used by consortium partners, acting jointly and unanimously.
The Group assumes various roles in the joint ventures, and may act as a formal leader or a formal partner (co-leader) of a joint venture. In both cases, for the purpose of financial settlements among the partners, the Company is entitled to receive half of the funds deposited in escrow accounts.
Where the Group is the consortium leader, funds in escrow accounts are recognised as the Group's cash. Under the provisions of escrow account agreements, these funds are cash with restricted title. As at December 31st 2011, cash with restricted title was PLN 168,628 thousand (December 31st 2010: PLN 6,972 thousand; December 31st 2009: PLN 1,206 thousand).

All amounts in PLN thousand (unless otherwise indicated)

Where the Group is the consortium leader, it also takes out bank borrowings used to finance joint ventures. As at December 31st 2011, short-term bank borrowings used to finance joint ventures were PLN 94,757 thousand.

Where the Group is a partner in a joint venture, the funds in escrow accounts are not disclosed by the Group in the statement of financial position. The total of funds in escrow accounts that are not disclosed in the statement of financial position is PLN 1,081 thousand as at December 31st 2011 (December 31st 2010: PLN 128,762 thousand, December 31st 2009: PLN 97,589 thousand).

28. INCOME AND EXPENSES

28.1 REVENUE BY SEGMENT

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Gas, oil and fuels	815,727	791,883	483,128
Water	503,592	642,874	996,045
Industrial and residential construction	755,905	995,284	877,489
Roads	1,081,860	298,868	187,022
Power	454,757	-	-
Other	58,898	10,257	28,825
Total revenue	**3,670,739**	**2,739,166**	**2,572,509**

28.2 NATURE OF EXPENSES

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Depreciation and amortisation	59,352	46,713	47,122
Raw material and consumables used	891,494	395,385	480,754
Services	2,027,955	1,777,970	1,504,675
Taxes and duties	18,658	23,151	20,263
Employee benefits	350,805	249,740	257,229
Other expenses	76,718	43,555	46,994
Total expenses	**3,424,982**	**2,536,514**	**2,357,037**
Cost of merchandise and materials sold	24,140	12,438	9,638
Changes in inventories of finished goods and work in progress (-)	11,441	(39,710)	(72,563)
Work performed by entity and capitalised	(1,535)	(1,391)	(1,782)
Cost of products and services sold	**3,459,028**	**2,507,851**	**2,292,330**

All amounts in PLN thousand (unless otherwise indicated)

28.3 OTHER INCOME

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Gain on disposal of non-financial assets	761	4,778	137
Change in fair value of investment property	162	25,685	9,671
Reversals of property, plant and equipment impairment loss and intangible assets impairment loss	36	-	37
Reversals of allowance for credit losses on financial receivables	12,138	32,468	9,395
Reversals of inventories write-downs	526	7	792
Reversals of impairment loss on investment property	-	-	-
Reversals of provisions	3,675	2,268	845
Reversal of provision for liability	4,885	-	-
Compensation and penalties received	11,284	5,013	4,115
Government grants income	1,561	1,045	1,334
Lease revenue	7,855	5,157	1,530
Interest on cash in bank account reserved for operating activities	10,476	7,365	-
Profit (loss) on derivative instruments related to operating activities	-	-	-
Interest on loans advanced as part of operating activities	20,656	33,781	16,760
Other interest related to operating activities	2,811	-	-
Net exchange differences on operating activities	11,896	-	-
Total fair value and disposal gains on financial instruments at fair value through profit or loss	6,868	-	620
Discount (long-term settlements)	-	746	1,442
Gain on investments in related entities	19,697	2,209	4,265
Gain on disposal of equity instruments	427	-	-
Past due liabilities written-off	930	274	-
Court fees refunded	112	-	-
Surety services	-	2,656	449
Other income	4,490	3,054	3,892
Total other income	**121,246**	**126,506**	**55,284**

All amounts in PLN thousand (unless otherwise indicated)

28.4 OTHER EXPENSES

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Loss on disposal of non-financial assets	-	-	-
Change in fair value of investment property	-	-	-
Goodwill impairment loss	-	-	-
Property, plant and equipment impairment loss and intangible assets impairment loss	602	-	134
Allowance for credit losses on financial receivables	34,009	17,968	15,132
Inventories write-downs	3,190	281	297
Provisions for fines and damages	-	1,429	-
Recognition of provisions for costs of arbitration	557	-	-
Decrease in provision for maintenance services	342	-	-
Running costs of investments	5,291	-	-
Compensation and penalties paid	4,969	19,292	5,407
Grants	1,837	1,199	2,957
Interest on liabilities	4,585	2,057	591
Net exchange differences on operating activities	-	2,097	18,902
Profit (loss) on derivative instruments related to operating activities	-	22,725	-
Discount (long-term settlements)	1,829	-	-
Loss on investments in related entities	-	-	-
Loss on disposal of equity instruments	-	-	-
Surety services	45	-	-
Costs of court proceedings	1,366	-	-
Other	5,023	5,393	3,653
Total other expenses	**63,645**	**72,441**	**47,073**

The most significant item of other expenses are recognised impairment losses on receivables at PLN 28,194 thousand.

Contractual penalties on exceeding the contract execution deadline are disclosed in "Compensation and penalties paid". Penalties are paid under settlement negotiated in the course of arbitration proceedings. The proceedings were related to disputes concerning reimbursement of additional costs incurred due to delays in contract execution; on the other hand, customers claimed contractual penalties for delayed contract execution.

In accordance with the settlement agreements, the parties mutually acknowledged their claims. The above resulted in a reversal of impairment losses on receivables due to costs incurred as a result of extended contract execution period and incidental works and in recognition in other income. Penalties were recognised as other expenses.

All amounts in PLN thousand (unless otherwise indicated)

29. FINANCING ACTIVITIES

29.1 FINANCE INCOME

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Interest income on financial assets not at fair value through profit or loss:			
Cash and cash equivalents (deposits)	7,387	4,385	14,380
Loans and receivables	1,395	1,745	127
Total interest income for financial assets not at fair value through profit or loss	**8,782**	**6,130**	**14,507**
Fair value and disposal gains on financial instruments at fair value through profit or loss:			
Cash flow hedges derivatives	-	(545)	543
Listed equity instruments	-	-	-
Debt instruments	-	-	-
Money market funds	-	1,850	-
Total fair value and disposal gains on financial instruments at fair value through profit or loss	**-**	**1,305**	**543**
Gain (loss) (+/-) from exchange differences on:			
Cash and cash equivalents	17,209	11,399	16,410
Loans and receivables	1,827	-	-
Financial liabilities measured at amortised cost (e.g. lease)	(2,962)	-	-
Total gain (loss) (+/-) from exchange differences	**16,074**	**11,399**	**16,410**
Gains on available-for-sale financial assets recycled from equity	-	-	-
Dividend income from available-for-sale securities	14	5	2
Reversals of allowance for credit losses on loans and receivables	-	-	-
Other finance income	469	-	-
Total finance income	**25,339**	**18,839**	**31,462**

29.2 FINANCE COSTS

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Interest expenses for financial liabilities not at fair value through profit or loss:			
Finance lease liabilities	2,619	378	-
Bank borrowings	10,411	23,179	32,165
Bank overdrafts	24,730	10,040	5,266
Borrowings	1,194	75	820
Debt instruments	42,494	34,413	17,338
Trade and other payables	92	-	-
Total interest expenses for financial liabilities not at fair value through profit or loss	**81,540**	**68,085**	**55,589**
Fair value and disposal losses on financial instruments at fair value through profit or loss:			
Cash flow hedges derivatives	2 444	-	-
Listed equity instruments	91	-	-

All amounts in PLN thousand (unless otherwise indicated)

Item (cont.)	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Debt instruments	-	-	-
Money market funds	(1,658)	-	-
Total fair value and disposal losses on financial instruments at fair value through profit or loss	**877**	**-**	**-**
(Gain) loss (-/+) from exchange differences on:			
Cash and cash equivalents	-	-	-
Receivables and loans (allocated to financing activities)	-	-	-
Financial liabilities measured at amortised cost (e.g. lease)	-	-	-
(Gain) loss (-/+) from exchange differences	**-**	**-**	**-**
Losses on available-for-sale financial assets recycled from equity	-	-	-
Allowance for credit losses on loans and receivables	-	-	-
Other finance costs	809	-	-
Total finance costs	**83,226**	**68,085**	**55,589**

Allowances for credit losses on loans and receivables related to operating activities are recognised by the Group under other expenses (see section 28.4).

The valuation and settlement of hedging derivatives mainly affect operating income or operating expenses disclosed by the Group (see a sub-section section 12.3 on hedges).

30. INCOME TAX EXPENSE

Item	Jan 1 – Dec 31 2011	Jan 1 to Dec 31 2010	from Jan 1 – Dec 31 2009
Current tax expense	(10,198)	(51,923)	(56,838)
Deferred income expense	(35,142)	2,385	16,250
Adjustments for current tax of prior periods	(20)	-	-
Other	11,774	-	-
Total income tax expense	**(33,586)**	**(49,538)**	**(40,588)**

Relationship between accounting profit tax expense and reported tax expense in profit or loss:

All amounts in PLN thousand (unless otherwise indicated)

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Profit (loss) before tax	**204,244**	**234,440**	**260,448**
Domestic tax rate for the Parent	19%	19%	19%
Tax at domestic rate of the Parent	**38,807**	**44,544**	**49,485**
Tax effect of:			
- tax-rate differences in foreign jurisdictions (+/-)	164	-	-
- tax-exempt income (-)	(7,581)	(5,004)	(12,514)
- non-deductible expenses (+)	9,344	4,541	3,271
- utilisation of unrecognised tax loses (-)	(360)	(921)	(180)
- unrecognised deferred tax assets for temporary differences (+)	2,217	72	526
- unrecognised deferred tax assets for unused tax losses (+)	2,865	6,963	-
- adjustments for current tax of prior periods, and other temporary differences (+/-)	(11,870)	(438)	-
Actual tax expense	**33,586**	**49,756**	**40,588**
Average effective tax rate	0.16	0.21	0.16

The PBG Group is not a consolidated group for tax purposes. As the Group entities are independent taxpayers, the deferred tax asset and liability must be calculated separately by each entity.

For further information on deferred tax recognised in the statement of comprehensive income, see Section 13.

31. EARNINGS PER SHARE, DIVIDEND PAID AND PROPOSED

31.1 EARNINGS PER SHARE

Earnings per share are computed as the quotient of net profit attributable to owners of the Parent to the weighted average number of ordinary shares outstanding during the period.

While computing both basic and diluted earnings (loss) per share, the Group substitutes the amount of net profit (loss) attributable to owners of the parent in the numerator, thus avoiding the dilutive effect on profit (loss).

The table below presents the computation of the basic and diluted earnings (loss) per share, with the reconciliation of the diluted weighted average number of shares.

All amounts in PLN thousand (unless otherwise indicated)

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Continuing operations			
Net profit (loss) from continuing operations	160,883	186,074	209,094
Weighted average number of ordinary shares	14,295,000	14,295,000	13,935,000
Dilutive effect of options			
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	13,935,000
Basic earnings per share (PLN)	11.25	13.02	15.00
Diluted earnings per share (PLN)	11.25	13.02	15.00
Continuing and discontinued operations			
Profit (loss), net of tax	160,883	186,074	209,094
Weighted average number of ordinary shares	14,295,000	14,295,000	13,935,000
Dilutive effect of options			
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	13,935,000
Basic earnings per share from all operations (PLN)	**11.25**	**13.02**	**15.00**
Diluted earnings per share from all operations (PLN)	**11.25**	**13.02**	**15.00**

31.2 DIVIDEND PAID AND PROPOSED

Pursuant to a resolution of the Annual General Meeting of June 28th 2011, the Company paid dividend for 2010 of PLN 20,013 thousand, i.e. PLN 1.40 per share.
Pursuant to a resolution of the Annual General Meeting of April 21st 2010, the Company paid dividend for 2009 of PLN 20,013 thousand, i.e. PLN 1.40 per share.
The Parent's Management Board will propose allocation of the 2011 profit to reserve funds.

32. CASH FLOWS

The Group discloses cash flows from operating activities using the indirect method, by which profit (loss) before tax is adjusted for non-cash transactions, deferred income, prepayments, and revenues and expenses related to cash flows from investing or financing activities.

The following adjustments to profit (loss) before tax were made to determine cash flows from operating activities:

All amounts in PLN thousand (unless otherwise indicated)

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Cash flows from operating activities			
Profit (loss) before tax	**204,244**	**229,514**	**260,448**
Adjustments:			
Depreciation and impairment of property, plant and equipment	51,658	40,733	42,035
Amortisation and impairment of intangible assets	8,296	5,980	5,221
Change in fair value of investment property	2,614	(25,685)	(9,671)
Change in fair value of financial assets (liabilities) measured through profit or loss	(25,347)	(5,882)	(14,878)
Cash flow hedges reclassified from equity	(8,823)	29,476	122,955
Impairment losses on financial assets	(16,226)	13	133
(Gain) loss on disposal of non-financial non-current assets	(1,570)	(4,778)	(137)
(Gain) loss on disposal of non-derivative financial assets	(4,102)	(2,192)	-
Foreign exchange gains(losses)	(4,292)	(434)	(1,922)
Interest costs	88,843	70,057	54,366
Interest income	(40,650)	(36,458)	(26,274)
Interest received on bank deposits (received prepayments)	-	-	
Dividend received	(14)	(5)	(2)
Share in profit (loss) of associates	7,181	7,686	-
Other adjustments	7,735	(6,351)	11,771
Total adjustments:	**65,303**	**72,160**	**183,597**
Change in inventories	(94,450)	(45,014)	(24,233)
Change in receivables	213,882	(110,932)	(428,842)
Change in liabilities	(24,907)	106,319	472,429
Change in provisions and accruals and deferrals	45,421	(28,053)	(38,304)
Effect of construction contracts	(832,918)	266,627	103,800
Other adjustments	-	-	-
Changes in working capital	**(692,972)**	**188,947**	**84,850**
Gains(losses) on settlement of derivative instruments	6,889	(2,790)	(168,578)
Interest paid on operating activities	133	(160)	(187)
Income tax expense	(81,614)	(54,089)	(55,070)
Net cash from operating activities	**(498,017)**	**433,582**	**305,060**

33. RELATED-PARTY TRANSACTIONS

The effects of transactions between the entities covered by the consolidated financial statements have been eliminated. The transactions between the Parent and its subsidiaries are disclosed in the separate financial statements of the Parent.

Related-party transactions are executed on an arm's-length basis, with the nature and terms of those transactions determined by day-to-day operations.

All amounts in PLN thousand (unless otherwise indicated)

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group's key management personnel includes members of the Parent's Management Board and members of subsidiaries' management boards. During the reviewed periods, members of the key management personnel received the following compensation:

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Key management personnel compensation			
Short-term employee benefits	11,259	5,938	11,874
Termination benefits	76	82	-
Post-employment benefits	480	-	-
Share-based payments	-	-	-
Other benefits	70	6	4
Total	**11,885**	**6,026**	**11,878**

For detailed information on the compensation of members of the Parent's Management Board, see Section 38.2.

During the period covered by the consolidated financial statements, the Group granted loans to its key management personnel. As at December 31st 2011, the balance of the outstanding loans was PLN 60 thousand (December 31st 2010: PLN; December 31st 2009: PLN 0).

As at December 31st 2011, the balance of the Group's receivables from its key management personnel under outstanding prepayments was PLN 3,597 thousand (December 31st 2010: PLN 0 thousand; December 31st 2009: PLN 160 thousand).

As at December 31st 2011, the balance of the Group's liabilities towards its key management was PLN 1 thousand (December 31st 2010: PLN 3,326 thousand; December 31st 2009: PLN 37,440 thousand).

OTHER-RELATED-PARTY TRANSACTIONS

During the reviewed periods, the following amounts of sales and receivables from the other related parties were disclosed:

OTHER-RELATED-PARTY TRANSACTIONS - SALES

Item	Revenue			Receivables		
	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Sales to:						
Other related parties	54,051	156,600	141,094	117,434	203,812	144,675
Total	**54,051**	**156,600**	**141,094**	**117,434**	**203,812**	**144,675**

All amounts in PLN thousand (unless otherwise indicated)

No impairment losses on receivables from other related parties were recognised; consequently, no related cost was disclosed in the consolidated income statement.

During the reviewed periods, the following amounts of purchases from and liabilities towards other related parties were disclosed:

OTHER-RELATED-PARTY TRANSACTIONS - PAYABLES AND PURCHASES

Item	Purchases (costs or assets)			Payables		
	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Purchases from:						
Other related parties	83,654	217,255	156,083	33,561	77,360	37,440
Total	**83,654**	**217,255**	**156,083**	**33,561**	**77,360**	**37,440**

OTHER-RELATED-PARTY TRANSACTIONS - LOANS

Item	**Dec 31 2011**		**Dec 31 2010**		**Dec 31 2009**	
	Amount granted in the period	Outstandin g balances	Amount granted in the period	Outstandin g balances	Amount granted in the period	Outstandin g balances
Loans advanced to:						
Other related parties	9,928	273,586	54,839	98,477	37,040	38,114
Total	**9,928**	**273,586**	**54,839**	**98,477**	**37,040**	**38,114**

In 2011, loans granted by the Group to other related parties totalled PLN 9,928 thousand (2010: PLN 54,839 thousand; 2009: PLN 37,040 thousand). The balance of loans granted to those parties was PLN 356,800 thousand as at December 31st 2011 (December 31st 2010: PLN 98,477 thousand; December 31st 2009: PLN 38,114 thousand). The loans include both non-current and current loans, and are repayable by April 30th 2013.

OTHER-RELATED-PARTY TRANSACTIONS - BORROWINGS

Item	**Dec 31 2011**		**Dec 31 2010**		**Dec 31 2009**	
	Amount taken out in the period	Outstandin g balances	Amount taken out in the period	Outstandin g balances	Amount taken out in the period	Outstandin g balances
Borrowings from:						
Other related parties	-	-	-	320	2,507	3,257
Total	**-**	**-**	**-**	**320**	**2,507**	**3,257**

34. CONTINGENT LIABILITIES. LITIGATIONS AND OTHER CLAIMS

Contingent liabilities as at the end of the comparative periods are presented below:

All amounts in PLN thousand (unless otherwise indicated)

Item	at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
In relation to non-consolidated subsidiaries and other related parties:			
Guarantee of liabilities	-	-	1,600
Guarantee of trade and other payables	3	305	16,228
Construction contract guarantee	-	16,282	-
Total non-consolidated subsidiaries and other related parties	**3**	**16,587**	**17,828**
In relation to associates:			
Guarantee of liabilities	159,372	-	-
Guarantee of trade and other payables	151	-	-
Total associates	**159,523**	**-**	**-**
In relation to other entities:			
Guarantee of liabilities	4,000	28,250	34,675
Guarantee of trade and other payables	431	1,490	-
Construction contract guarantee	18,061	2,207	5,120
Sureties for existing and future lease agreements	637	313	401
Performance bonds	1,196,592	736,655	657,591
Guarantee of removal of defects and faults	192,251	96,716	71,825
Bid-bond guarantees	86,285	34,120	50,097
Trade liability repayment guarantee	36,871	23,780	12,999
Advance payment bonds	329,942	282,236	176,832
Retention bonds	10,056	7,035	2,919
Payment guarantees	56,479	-	-
Other	10,846	373	-
Total other related entities	**1,942,451**	**1,213,175**	**1,012,459**
Total contingent liabilities	**2,101,977**	**1,229,762**	**1,030,287**

The year-on-year change in total contingent liabilities as at December 31st 2011 is primarily attributable to increased amounts of guarantees for contracts executed by the Group (performance bonds, advance payment bonds), and to the deconsolidation of Strateg Capital Sp. z o.o. (currently the company is an associate, and transaction with the company are not excluded from consolidation).

35. LAWSUITS AND DISPUTES

On April 29th 2011, Ekowat Sp. z o.o. filed a litigation suit against Hydrobudowa Polska S.A. for payment of PLN 5.3m. The claimed amount includes: contractual penalties for Hydrobudowa Polska S.A.'s delay in handing the site over to the claimant and enabling the commencement of work, contractual penalties charged by Hydrobudowa Polska S.A. for Ekowat Sp. z o.o.'s withdrawal from the contract, capitalised interest on contractual penalties (at statutory rate), consideration for performance of additional works, and compensation for lost prepayments made by Ekowat Sp. z o.o. to its subcontractor. On June 13th 2011, in its response to the suit, Hydrobudowa Polska S.A. dismissed Ekowat Sp. z o.o.'s claim. On September 14th 2011, a preliminary hearing took place. Further hearings are scheduled for 2012. Due to the low probability of awarding the full amount of the claim and inability to reliably assess provisions for future liabilities, the management board of Hydrobudowa Polska S.A. did not recognise any such provisions.

On May 12th 2011, Mostostal Export S.A. filed a litigation suit for payment of PLN 6.8m by Hydrobudowa Polska S.A. On August 8th 2011, in its response to the suit, Hydrobudowa Polska S.A. dismissed Mostostal Export S.A.'s claim on grounds of limitation of claims. At present, the case is pending and relevant process letters are exchanged. The management board believes that the probability of an unfavourable court decision is very low due to the limitation of Mostostal Export S.A.'s claims, hence, no provision for liabilities under such claims was recognised.

On January 17th 2011, the company received a copy of the statement of claim lodged by Martifer Polska Sp. z o.o. of Gliwice for payment, accompanied with a request for securing the claim. The value of the claims specified by the claimant is PLN 60,753 thousand. In the statement, Martifer claimed the amount is due to it as payment for the construction work performed under the contract dated October 29th 2009, contractual penalty for contract renouncement and damages for other events of default in the performance of the said contract.
The defendants are: Energomontaż-Południe S.A., HYDROBUDOWA POLSKA S.A, HYDROBUDOWA 9 S.A., Alpine Construction Polska Sp. z o.o. and PBG Technologia Sp. z o.o.
In the opinion of the Management Board, the claim is unjustified and there are no formal or substantive grounds for the claim to be allowed. In the Parent's opinion, Martifer lodged the claim for tactical purposes with a view to strengthening its position in negotiations, given Martifer's gross default in the performance of the contract on construction work concluded with Energomontaż-Południe S.A. and renounced by the subsidiary on the grounds of Martifer's fault on September 2nd 2010 (see Current Report No. 41/2010 of September 3rd 2010).

On January 18th 2012, the subsidiary brought to the Regional Court of Katowice, 13th Commercial Division a suit against a consortium composed of Martifer Polska Sp. z o.o. and Ocekon Engineering s.r.o., Slovakia (the Consortium or Martifer, respectively) for their joint and several payment of PLN 24.3m, plus statutory interest, to cover additional cost incurred by the subsidiary by the defendants' fault, as a result of performing contractual actions (including substitute work) which were to have been performed by the defendants, but which were not performed for reasons within the control of the defendants' Consortium. The amount claimed by the subsidiary against the Consortium is in no proportion to the amount claimed by Martifer Polska Sp. z o.o. against a group of companies (jointly and severally liable), including the subsidiary, in December 2010. This follows from the fact that the subsidiary only demands that the Consortium should reimburse the cost reasonably incurred. The subsidiary further emphasises that the value of the subject matter of the dispute under the claim raised by Martifer Polska Sp. z o.o. was reduced by about PLN 30m from the original value, while no event occurred meanwhile which would justify such reduction. This attests to the complete lack of grounds for the amount claimed against the subsidiary.

As at December 31st 2011, the companies of the RAFAKO Group were parties to court proceedings relating to disputed receivables totalling PLN 125,712 thousand. These receivables either had not been recognised as revenue or an impairment loss had been recognised for their full value.

On November 3rd 2009, RAFAKO S.A. brought to the Regional Court of Warsaw, 20th Commercial Division, an action for payment against ING Bank Śląski S.A. In the court action, RAFAKO S.A. demands, inter alia, a refund of PLN 8,996 thousand which was unlawfully enforced from its accounts by ING Bank Śląski S.A. On November 29th 2010, the court of first instance issued a ruling in which it awarded an amount of PLN 8,996 thousand, plus statutory interest and costs of proceedings, to be paid by ING Bank Śląski S.A. to RAFAKO S.A. The attorney of ING Bank Śląski S.A. filed an appeal against the ruling of the court of first instance. On October 12th 2011, the Court of Appeals in Warsaw, following a hearing, did not find the claims raised in the appeal by ING Bank Śląski S.A. justified, but resolved ex officio that the court of first instance failed to consider the substance of the dispute, reversed the ruling and remanded the case for re-examination by the court of first instance. The case is presently pending before the Regional Court of Warsaw, 20th Commercial Division. The attorneys of the parties currently exchange their process positions. The date of the next hearing was set for May 9th 2012.

In July 2010, ING Bank Śląski S.A. brought to the Regional Court of Warsaw, 20th Commercial Division, an action for payment in the payment order proceedings against RAFAKO S.A. and RAFAKO Engineering Sp. z o.o., requesting a refund of the amount paid on February 1st 2010 to the beneficiary of the guarantee purportedly issued by ING Bank Śląski S.A. to the order of Fabryka Elektrofiltrów ELWO S.A. w upadłości (in bankruptcy). ING Bank Śląski S.A. alleges that the claim against RAFAKO S.A. is purportedly based on the provisions of the Credit Agreement of June 25th 2008. On June 9th 2011, the Regional Court of Warsaw, 20th Commercial Division, issued a default judgement at a hearing, awarding PLN 1,462 thousand, plus statutory interest from February 1st 2010 and PLN 80 thousand as reimbursement of the costs of proceedings, to be paid to ING Bank Śląski S.A. by, among others, RAFAKO S.A. On June 14th 2011, the court endorsed the default judgement with an enforcement clause. On June 16th 2011, the attorney of RAFAKO S.A. filed an objection to the default judgement. On June 17th 2011, despite the fact that the attorney of RAFAKO S.A. and RAFAKO Engineering Sp. z o.o. notified the attorney of ING Bank Śląski S.A. of the filing of an objection, the Court Enforcement Officer seized RAFAKO S.A.'s bank accounts at the request of ING Bank Śląski S.A. By virtue of a decision of June 22nd 2011, the Regional Court of Warsaw, 20th Commercial Division, at the request of the attorney of the Defendants, suspended the order of immediate enforceability of the default judgement, claiming that there are serious doubts as to the justifiability of the default judgement. As a result of the actions taken by the Defendants' attorney, from the amounts enforced by the Court Enforcement Officer from RAFAKO S.A. for the benefit of ING Bank Śląski S.A., PLN 128 thousand was transferred, while PLN 1,687 thousand was transferred to the court deposit. As a result of the filing of an objection to the default judgement by the Defendants, the claim continued to be considered by the court of first instance.

On March 21st 2012, a ruling was issued in the case. In its ruling, the court, inter alia, reversed the default judgement in its entirety, awarded PLN 1,333 thousand, plus statutory interest from February 1st 2010 until the payment date and statutory interest on PLN 128 thousand calculated from February 1st 2010 until June 17th 2011, to be paid jointly and severally by RAFAKO S.A. and RAFAKO Engineering Sp. z o.o. to ING Bank

Śląski S.A., otherwise dismissing the action. The attorney of RAFAKO S.A. filed a request for a statement of grounds to be prepared. The ruling may be appealed against.

The balance of disputed receivables refers mainly to court proceedings for compensation from Donieckobłenergo of Ukraine in the amount of USD 11,500 thousand (PLN 39,300 thousand). RAFAKO demands payment of compensation from Joint-Stock Company Donieckobłenergo of Ukraine following the customer's final decision to abandon a boiler construction project. In 2009, courts of the first and second instance ruled in favour of RAFAKO. However, the High Commercial Court, having examined a cassation appeal, reversed the rulings and remanded the case for re-examination. On August 6th 2010, RAFAKO received a decision issued by the Judicial Chamber on economic cases of the Supreme Court of Ukraine granting a cassation appeal lodged by the company on March 2nd 2010 and upholding the ruling of the Donetsk Commercial Court of Appeals of December 23rd 2008, whereby RAFAKO was awarded UAH 56.7m (approximately USD 11,500 thousand as at the date of filing the claim) in compensation, default interest, court expenses and legal representation costs. As the enforceability of the decision remains uncertain, RAFAKO did not recognise the awarded amount in revenue.

In the latter half of December 2011, the management board of RAFAKO became aware that a claim had been brought against RAFAKO for payment of contractual penalties by a member of the consortium performing the contract for delivery of a boiler and flue gas desulphurisation unit for the 858 MW power generation unit for PGE Elektrownia Bełchatow SA. The value of the claim totalled approx. PLN 135m. The management board of RAFAKO is challenging the claim as unfounded. As a result of the actions taken by the Management Board of the Company, on December 30th 2011, the Regional Court of Warsaw, 20th Commercial Division, issued a decision to grant injunctive relief to secure the claim of RAFAKO S.A. against Alstom Power Sp. z o.o. of Warsaw to determine the non-existence of liability for non-performance or improper performance of the consortium agreement of November 19th 2003 along with annexes, by, inter alia, prohibiting Alstom Power Sp. z o.o. from using two bank guarantees issued for its benefit by Bank Gospodarki Żywnościowej S.A. of Warsaw. The decision reads as follows:

"Decision of December 30th 2011 Regional Court of Warsaw, 20th Commercial Division, having considered on December 30th 2011 in Warsaw, at a closed session, a case for injunctive relief brought by RAFAKO SA of Racibórz, with the participation of Alstom Power spółka z ograniczoną odpowiedzialnością of Warsaw, hereby resolves:

1. to grant injunctive relief to secure the claim of RAFAKO SA of Racibórz against Alstom Power Sp. z o.o. of Warsaw for determining as non-existent the liability for non-performance or improper performance of the Consortium Agreement of November 19th 2003 together with annexes thereto by:
    - - ordering Alstom Power Sp. z o.o. of Warsaw to immediately submit to Bank Gospodarki Żywnościowej SA of Warsaw a written notice of withdrawing the demand for payment from bank guarantee No. 7910000000004080 of the amount of EUR 3,731,493 (three million, seven hundred and thirty-one thousand, four hundred and ninety-three euro) and the demand for payment from bank guarantee No. 5910000000019410 of the amount of PLN 118,104,450 (one hundred and eighteen million, one hundred and four thousand, four hundred and fifty złoty), bearing the date December 14th 2011 as the issue date, which were delivered to Bank Gospodarki Żywnościowej SA of Warsaw on December 16th 2011 through Bank Societe Generale Spółki Akcyjnej, Polish Branch;

- - prohibiting Alstom Power Sp. z o.o. of Warsaw from using bank guarantee No. 7910000000004080 and bank guarantee No. 5910000000019410, by demanding (either directly or through another agent) from Bank Gospodarki Żywnościowej SA of Warsaw a cash payment from the Bank Guarantees issued by Bank Gospodarki Żywnościowej SA of Warsaw, in each case as specified in the English language document entitled "Bank Guarantee 7910000000004080" ("Guarantee") of March 27th 2007 together with Amendment No. 1 and No. 2 ("Amendment"), and document entitled "Bank Guarantee 5910000000019410" ("Guarantee") of March 27th 2007 together with Amendment No. 1 and No. 2 ("Amendment");
- - prohibiting Alstom Power Sp. z o.o. of Warsaw from transferring its rights under bank guarantee No. 7910000000004080 and bank guarantee No. 5910000000019410; and
- - to give RAFAKO SA a two-week deadline to bring an action concerning the claim subject to the injunctive relief under pain of cancellation of the relief."

Despite the court's decision, the Bank made payment of PLN 135m from the guarantee at the consortium member's demand.

In connection with the performance of the contract for delivery of a boiler and flue gas desulphurisation unit, RAFAKO S.A. discloses in its financial statements as at December 31st 2011 a receivable of PLN 76m from Alstom Power Sp. z o.o. By the date of these financial statements, the receivables (regarded by the Parent's Management Board as indisputable) had not been paid by Alstom Power Sp. z o.o.

The total amount of the above described receivables disclosed in the statement of financial position as at December 31st 2011 is PLN 153m. Based on legal analyses performed, the Parent's Management Board considers the receivables as collectible.

In the opinion of the Parent's Management Board, the payment from the guarantee and failure by the counterparty to pay the amount due will not have a material bearing on the Group's financial standing in terms of its continuing as a going concern. The parent's management board is reviewing the situation to decide on steps that will need to be taken to resolve it. The matter will be resolved in future, and there is no certainty as to its final outcome.

36. RISK RELATED TO FINANCIAL INSTRUMENTS

The PBG Group is exposed to many types of risk related to financial instruments. The Group's financial assets and liabilities are presented in Section 12. The Group is exposed to the following types of risk:

- market risk, comprising currency risk and interest rate risk,
- credit risk,
- liquidity risk.

Financial risk management at the Group is coordinated by the Parent, which closely cooperates in this respect with the management boards and chief financial officers of its subsidiaries. The following are the key objectives of the risk management process:

- hedging short-term and medium-term cash flows,
- preventing volatility of the Group's financial result,
- ensuring that business plan targets are met,

- ensuring satisfactory rates of return on long-term investments and securing optimal financing sources for investment activities.

In economic terms, the transactions concluded by the Company are entered into for the purpose of hedging against specific risks.

Moreover, the Group has formally designated some of the derivative instruments as cash flow and fair value hedging instruments under the requirements of IAS 39 (Hedging Derivative Instruments). Effects of the applied hedge accounting on the individual items of the consolidated income statement and other comprehensive income items are presented in Section 12.3.

Presented below are major risks relevant to the Group.

36.1 MARKET RISK

All market risk management objectives should be considered as a whole, and their achievement is determined primarily by the Group's internal situation and market conditions.

The Group applies a consistent and progressive approach to market risk management.

The Group has developed a financial risk management strategy to manage the market risks resulting from the above factors. The strategy sets out relevant management policies for each of the exposures by defining the process of measuring the exposure, parameters of risk hedging, instruments used for hedging purposes, as well as the time horizon for each type of risk source. The market risk management policies are applied by the designated organisational units under the supervision of the Risk Committee, the Management Board and the Supervisory Board of the Group.

Market risk management techniques

The key methods used to manage market risk involve hedging strategies based on derivative instruments and natural hedging. All derivative-based strategies take into account the following factors: current and projected market conditions, the Group's internal situation and the applied derivative instruments. The Group uses only the instruments which the Group is able to measure internally using the standard valuation models applicable to each such instrument. In obtaining the market value of financial instruments, the PBG Group relies on information received from leading banks and financial news services.

The following types of financial instruments may be used by the Group:

- forward contracts,
- interest rate swaps (IRS),
- swaps.

Hedge accounting – effective hedge requirement under IAS 39

The Group applies hedge accounting for cash flows to protect against the risks of fluctuations in exchange rates and interest rates.

Before entering into a hedging transaction and during such a transaction's lifetime, the Group confirms and documents that there is a strong negative correlation between changes in the fair value of the hedging instrument and changes in the fair value of the hedged exposure. Hedging effectiveness is assessed and monitored on an ongoing basis.

The rules of cash-flow hedge accounting provide that the effective portion of the result on the valuation of hedge transactions should be posted to equity in the period in which such transactions are designated as a hedge of future cash flows. The amounts posted to equity are subsequently transferred to profit or loss once the hedged transaction is executed.

Market risk exposure

Currency risk

The Group is exposed to risk of fluctuations in exchange rates due to the following reasons:

- the development strategy provides for broader expansion into foreign markets. The Group is already engaged in projects outside of Poland;
- raw materials for large contracts are imported (there is a risk related to fluctuations in other exchange rates, such as USD/PLN or EUR/PLN);
- the Group uses advanced technologies requiring specialist equipment, which it often purchases outside of Poland.

The Group's financial assets and liabilities, denominated in foreign currencies and translated into PLN at the closing price as at the balance-sheet date, are shown below:

FINANCIAL ASSETS AND LIABILITIES EXPOSED TO CURRENCY RISK

Item	Carrying amount in foreign currency (thousands):													Translated into PLN	REMAINING amount in PLN	Total (PLN + foreign currencies after translation)
	EUR (thousand)	USD	GBP	CAD	UAH	NOK	RUB	CHF	HUF	RSD	TRY	BGN	SEK			
At Dec 31 2011																
Financial assets (+):																
Loans	628	-	-	-	1,204									820	498,449	499,269
Trade and other financial receivables	21,378	181	-	611	43,650	-	-	-	-	-	60	-	-	110,836	977,640	1,088,476
Derivative financial instruments	Section 12.3	Section 12.3												17,953		17,953
Other financial assets	776	-	-	-	-	-	-	-	-	230	-	-	-	3,591	186,102	189,693
Cash and cash equivalents	16,357	1,410	185	139	3,550	-	-	1,369	42,320	2,317	2,159	33	-	89,280	467,724	557,004
Financial liabilities (-):																
Borrowings, other debt instruments	(10,000)	-	-		(20,272)									(54,173)	(1,840,562)	(1,894,735)
Finance lease liabilities	(11,238)	-	-	-	-	-	-	-	-	-	-	-	-	(49,757)	(74,586)	(124,343)
Derivative financial instruments	Section 12.3	Section 12.3												(29,674)	-	(29,674)
Trade and other financial payables	(23,401)	(410)	(26)	(366)	(1,582)	-	-	(958)	(3,670)	-	(815)	-	(1,201)	(125,082)	(1,270,833)	(1,395,915)
Total exposure to foreign currency risk	**(5,500)**	**1,181**	**159**	**384**	**26,550**	**-**	**-**	**411**	**38,650**	**2,547**	**1,404**	**33**	**(1,201)**	**(36,206)**	**(1,056,066)**	**(1,092,272)**
at Dec 31 2010																
Financial assets (+):																
Loans	8	-	-	-	-	-	-	-	-	-	-	-	-	30	523,252	523,282
Trade and other financial receivables	27,415	64	-	-	-	-	-	-	-	-	-	64	-	111,021	502,892	613,913
Derivative financial instruments	Section 12.3	Section 12.3	-	-	-	-	-	-	-	-	-	-	-	5,044	-	5,044

All amounts in PLN thousand (unless otherwise indicated)

Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	16,375	368	-	753	4	-	-	-	-	-	-	-	-	66,633	641,876	708,509
Financial liabilities (-):							-					-				
Borrowings, other debt instruments	(11,173)	-	-	-	-	-	-	-	-	-	-	-	-	(44,302)	(1,384,577)	(1,428,879)
Finance lease liabilities	(2,865)	-	-	-	-	-	-	-	-	-	-	-	-	(11,701)	(1,828)	(13,529)
Derivative financial instruments	Section 12.3	Section 12.3	-	-	-	-	-	-	-	-	-	-	-	(11,677)	-	(11,677)
Trade and other financial payables	(16,093)	(2,304)	-	(919)	-	(1)	(23)	-	-	-	-	-	-	(68,904)	(412,024)	(480,928)
Total exposure to foreign currency risk	**13,667**	**(1,872)**	**-**	**(166)**	**4**	**(1)**	**(23)**					**64**	**-**	**46,144**	**(130,409)**	**(84,265)**
at Dec 31 2009																
Financial assets (+):																
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other financial receivables	63,604	8,213	-	1,262	1,473	-	-	-	-	-	-	-	-	248,386	-	248,386
Derivative financial instruments	Section 12.3	Section 12.3	-	-	-	-	-	-	-	-	-	-	-	28,961	-	28,961
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	17,789	12	-	605	6,404	-	-	-	-	-	-	-	-	75,979	584,302	660,281
Financial liabilities (-):																
Borrowings, other debt instruments	(6,353)	-	-	-	-	-	-	-	-	-	-	-	-	(26,164)	(1,076,022)	(1,102,186)
Finance lease liabilities	(4,196)	-	-	-	-	-	-	-	-	-	-	-	-	(18,071)	-	(18,071)
Derivative financial instruments	Section 12.3	Section 12.3	-	-	-	-	-	-	-	-	-	-	-	(59,809)	-	(59,809)
Trade and other financial payables	(27,984)	(1,053)	(58)	(885)	(1,290)	-	-	-	-	-	-	-	-	(123,934)	-	(123,934)
Total exposure to foreign currency risk	**42,860**	**7,172**	**(58)**	**982**	**6,587**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**125,348**	**(491,720)**	**(366,372)**

All amounts in PLN thousand (unless otherwise indicated)

The Group executes most transactions in PLN. The Group's exposure to foreign currency risk is related to foreign sale and purchase transactions, primarily executed in EUR, USD and UAH.
The Group minimises the currency risk by entering into currency forward contracts. The Group does not use forward contracts if the amounts paid (purchase) or received (sale) offset the risk to a large extent. If purchase and sale transactions denominated in foreign currencies are not counterbalanced, the Group uses forward contracts to achieve the risk management objectives specified above.

The analysis of the sensitivity of the Group's profit (loss) and other comprehensive income to foreign currency risk (movements of the EUR/PLN, USD/PLN, GBP/PLN and UAH/PLN exchange rates) is presented below.
The sensitivity analysis assumes a 10% increase or decrease in the EUR/PLN, USD/PLN, GBP/PLN and UAH/PLN exchange rates vs. the mid exchange rates quoted by the National Bank of Poland for the balance-sheet date.

Mid exchange rate of the National Bank of Poland	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
EUR/PLN	4.4168	3.9603	4.1082
USD/PLN	3.4174	2.9641	2.8503
CAD/PLN	3.3440	2.9691	2.7163

Please note that currency derivatives offset exchange rate volatility. Thus, it is assumed that the risk exposure is connected with financial instruments held by the Group as at the balance-sheet date, and that the exposure is adjusted through the Group's derivative instrument position.

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

SENSITIVITY ANALYSIS

Sensitivity analysis at Dec 31 2011	Increase in exchange rate										Decrease in exchange rate									
	10%										-10%									
	Profit (loss) for the year					Other comprehensive income for the year					Effect on profit (loss) for the year (PLN'000)					Other comprehensive income for the year				
	EUR	USD	GBP	UAH	Total	EUR	USD	GBP	UAH	Total	EUR	USD	GBP	UAH	Total	EUR	USD	GBP	UAH	Total
	4.86	3.76	5.8	0.47		4.86	3.76	5.8	0.47		3.98	3.08	4.74	0.38		3.98	3.08	4.74	0.38	
Financial assets	**22,378**	**(10,039)**	**612**	**2,060**	**15,011**	**-**	**-**	**-**	**-**	**-**	**(22,378)**	**10,039**	**(612)**	**(2,060)**	**(15,011)**	**-**	**-**	**-**	**-**	**-**
Loans	277	-	-	51	329	-	-	-	-	-	(277)	-	-	(51)	(329)	-	-	-	-	-
Trade and other financial receivables	9,442	62	-	1,857	11,361	-	-	-	-	-	(9,442)	(62)	-	(1,857)	(11,361)	-	-	-	-	-
Derivative financial instruments	5,092	(10,583)	515	-	(4,976)	-	-	-	-	-	(5,092)	10,583	(515)	-	4,976	-	-	-	-	-
Other financial assets	343	-	-	-	343	-	-	-	-	-	(343)	-	-	-	(343)	-	-	-	-	-
Cash and cash equivalents	7,225	482	97	151	7,955	-	-	-	-	-	(7,225)	(482)	(97)	(151)	(7,955)	-	-	-	-	-
Financial liabilities	**(19,716)**	**(140)**	**(14)**	**(930)**	**(20,800)**	**-**	**-**	**-**	**-**	**-**	**19,716**	**140**	**14**	**930**	**20,800**	**-**	**-**	**-**	**-**	**-**
Borrowings, other debt instruments	(4,417)	-	-	(863)	(5,279)	-	-	-	-	-	4,417	-	-	863	5,279	-	-	-	-	-
Finance lease liabilities	(4,964)	-	-	-	(4,964)	-	-	-	-	-	4,964	-	-	-	4,964	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other financial payables	(10,336)	(140)	(14)	(67)	(10,557)	-	-	-	-	-	10,336	140	14	67	10,557	-	-	-	-	-
Effect on profit (loss) for the year	**2,662**	**(10,179)**	**599**	**1,130**	**(5,788)**					**-**	**(2,662)**	**10,179**	**(599)**	**(1,130)**	**5,788**			**-**	**-**	**-**
Effect on other comprehensive income for the year						**-**	**-**	**-**	**-**	**-**						**-**	**-**	**-**	**-**	**-**

Group name:	PBG GROUP		
Period covered by the financial statements:	*01.01-31.12.2011*	**Reporting currency:**	*złoty polski (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

SENSITIVITY ANALYSIS FOR INTEREST RATE RISK AT DECEMBER 31ST 2010	Increase in exchange rate										Decrease in exchange rate									
	10%										-10%									
	Profit (loss) for the year					Other comprehensive income for the year					Effect on profit (loss) for the year (PLN'000)					Other comprehensive income for the year				
	EUR	USD	GBP	UAH	Total	EUR	USD	GBP	UAH	Total	EUR	USD	GBP	UAH	Total	EUR	USD	GBP	UAH	Total
	4.36	3.26	5.05	0.41		4.36	3.26	5.05	0.41		3.56	2.67	4.13	0.33		3.56	2.67	4.13	0.33	
Financial assets	**15,306**	**(5,570)**	**-**	**-**	**9,736**	**(11,425)**	**53**	**-**	**-**	**(11,372)**	**(15,306)**	**5,570**	**-**	**-**	**(9,736)**	**11,425**	**(53)**	**-**	**-**	**11,372**
Loans	3	-	-	-	3	-	-	-	-	-	(3)	-	-	-	(3)	-	-	-	-	-
Trade and other financial receivables	11,263	18	-	-	11,281	-	-	-	-	-	(11,263)	(18)	-	-	(11,281)	-	-	-	-	-
Derivative financial instruments	(2,687)	(5,693)	-	-	(8,380)	(11,425)	53	-	-	(11,372)	2,687	5,693	-	-	8,380	11,425	(53)	-	-	11,372
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	6,727	105	-	-	6,832	-	-	-	-	-	(6,727)	(105)	-	-	(6,832)	-	-	-	-	-
Financial liabilities	**(12,378)**	**(657)**	**-**	**-**	**(13,035)**	**-**	**-**	**-**	**-**	**-**	**12,378**	**657**	**-**	**-**	**13,035**	**-**	**-**	**-**	**-**	**-**
Borrowings, other debt instruments	(4,590)	-	-	-	(4,590)	-	-	-	-	-	4,590	-	-	-	4,590	-	-	-	-	-
Finance lease liabilities	(1,177)	-	-	-	(1,177)	-	-	-	-	-	1,177	-	-	-	1,177	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other financial payables	(6,611)	(657)	-	-	(7,268)	-	-	-	-	-	6,611	657	-	-	7,268	-	-	-	-	-
Effect on profit (loss) for the year	**2,928**	**(6,227)**	**-**	**-**	**(3,299)**					**-**	**(2,928)**	**6,227**	**-**	**-**	**3,299**					**-**
Effect on other comprehensive income for the year						**(11,425)**	**53**	**-**	**-**	**(11,372)**						**11,425**	**(53)**	**-**	**-**	**11,372**

SENSITIVITY ANALYSIS FOR INTEREST RATE RISK AT DECEMBER 31ST 2009	Increase in exchange rate										Decrease in exchange rate									
	10%										-10%									
	Profit (loss) for the year					Other comprehensive income for the year					Effect on profit (loss) for the year (PLN'000)					Other comprehensive income for the year				
	EUR	USD	GBP	UAH	Total	EUR	USD	GBP	UAH	Total	EUR	USD	GBP	UAH	Total	EUR	USD	GBP	UAH	Total
	4.52	3.14	5.06	0.39		4.52	3.14	5.06	0.39		3.7	2.57	4.14	0.32		3.7	2.57	4.14	0.32	
Financial assets	**17,269**	**1,855**	**-**	**280**	**19,404**	**(37,509)**	**(9)**	**-**	**-**	**(37,518)**	**(17,269)**	**(1,855)**	**-**	**(280)**	**(19,404)**	**37,509**	**9**	**-**	**-**	**37,518**
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other financial receivables	26,130	2,341	-	52	28,523	-	-	-	-	-	(26,130)	(2,341)	-	(52)	(28,523)	-	-	-	-	-
Derivative financial instruments	(16,168)	(490)	-	-	(16,658)	(37,509)	(9)	-	-	(37,518)	16,168	490	-	-	16,658	37,509	9	-	-	37,518
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	7,308	3	-	228	7,539	-	-	-	-	-	(7,308)	(3)	-	(228)	(7,539)	-	-	-	-	-
Financial liabilities	**(15,830)**	**(300)**	**(27)**	**(46)**	**(16,203)**	**-**	**-**	**-**	**-**	**-**	**15,830**	**300**	**27**	**46**	**16,203**	**-**	**-**	**-**	**-**	**-**
Borrowings, other debt instruments	(2,610)	-	-	-	(2,610)	-	-	-	-	-	2,610	-	-	-	2,610	-	-	-	-	-
Finance lease liabilities	(1,724)	-	-	-	(1,724)	-	-	-	-	-	1,724	-	-	-	1,724	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other financial payables	(11,496)	(300)	(27)	(46)	(11,869)	-	-	-	-	-	11,496	300	27	46	11,869	-	-	-	-	-
Effect on profit (loss) for the year	**1,439**	**1,554**	**(27)**	**234**	**3,201**					**-**	**(1,439)**	**(1,554)**	**27**	**(234)**	**(3,201)**					**-**
Effect on other comprehensive income for the year						**(37,509)**	**(9)**	**-**	**-**	**(37,518)**						**37,509**	**9**	**-**	**-**	**37,518**

Exposure to the foreign currency risk varies over the year, depending on the volume of transactions executed in foreign currencies. Nevertheless, the sensitivity analysis can be regarded as a representative measure to quantify the Group's exposure to the foreign currency risk.

Interest rate risk

Management of interest rate risk focuses on the minimisation of the impact of fluctuations in interest cash flows on financial assets and liabilities bearing interest at variable interest rates. The Group is exposed to the interest rate risk in connection with the following categories of financial assets and liabilities:

- loans,
- acquired treasury debt securities, bank debt securities, commercial debt securities, including bonds and bills,
- deposits,
- borrowings,
- debt instruments in issue
- finance leases,
- interest rate swaps (IRS).

In order to secure against the interest rate risk, the Group uses IRS hedging instruments.
Under a bank borrowing agreement the subsidiary was required to reduce interest rate risk. In performance of the bank's requirements, on November 24th 2011 the subsidiary entered into an IRS transaction for the principal amount of EUR 10,000 thousand, subject to amortisation, maturing on November 24th 2021.
The Group uses hedge accounting for cash flows with respect to the derivative transaction and partially hedges against the interest rate risk to which the cash flows are exposed.

Sensitivity analysis for interest rate risk
Below is presented an analysis of sensitivity of profit (loss) and other comprehensive income to potential interest rate fluctuations by 1% (upwards or downwards). The calculation is based on changes in the average interest rate applicable during the period by (+/-) 1 % and relates to financial assets and liabilities sensitive to interest rate changes (i.e. those which bear interest at variable interest rates).

Sensitivity analysis at Dec 31 2011	Value at risk	interest rate increase		interest rate decrease	
		1%		-1%	
	PLN '000	Profit (loss) for the year	Other comprehensive income for the year	Profit (loss) for the year	Other comprehensive income for the year
Financial assets	**1,102,742**	**11,027**	**-**	**(11,027)**	**-**
Loans	498,716	4,987	-	(4,987)	-
Debt instruments	-	-	-	-	-
Money market funds	32,910	329	-	(329)	-
Other classes of other financial assets	14,112	141	-	(141)	-
Cash and cash equivalents	557,004	5,570	-	(5,570)	-
Financial liabilities	**(2,061,750)**	**(20,176)**	**(442)**	**20,176**	**442**
Bank borrowings	(1,055,559)	(10,556)	-	10,556	-
Borrowings	(2,566)	(26)	-	26	-
Debt instruments	(825,000)	(8,250)	-	8,250	-
Finance lease liabilities	(124,343)	(1,243)	-	1,243	-
Financial derivatives (IRS)	(54,282)	(101)	(442)	101	442
Effect on profit (loss) for the year	**-**	**(9,148)**	**-**	**9,148**	**-**
Effect on other comprehensive income for the year	**-**	**-**	**(442)**	**-**	**442**

SENSITIVITY ANALYSIS FOR INTEREST RATE RISK AT DECEMBER 31ST 2010	Value at risk	interest rate increase		interest rate decrease	
		1%		-1%	
	PLN '000	Profit (loss) for the year	Other comprehensive income for the year	Profit (loss) for the year	Other comprehensive income for the year
Financial assets	**1,088,481**	**10,885**	**-**	**(10,885)**	**-**
Loans	270,604	2,706	-	(2,706)	-
Debt instruments		-	-	-	-
Money market funds	106,902	1,069	-	(1,069)	-
Other classes of other financial assets	2,466	25	-	(25)	-
Cash and cash equivalents	708,509	7,085	-	(7,085)	-
Financial liabilities	**(1,452,728)**	**(14,527)**	**(154)**	**14,527**	**154**
Bank borrowings	(580,184)	(5,802)	-	5,802	-
Borrowings	(12,294)	(123)	-	123	-
Debt instruments	(825,000)	(8,250)	-	8,250	-
Finance lease liabilities	(19,845)	(198)	-	198	-
Financial derivatives (IRS)	(15,405)	(154)	(154)	154	154
Effect on profit (loss) for the year	**-**	**(3,642)**	**-**	**3,642**	**-**
Effect on other comprehensive income for the year	**-**	**-**	**(154)**	**-**	**154**

SENSITIVITY ANALYSIS FOR INTEREST RATE RISK AT DECEMBER 31ST 2009	Value at risk	interest rate increase		interest rate decrease	
		1%		-1%	
	PLN '000	Profit (loss) for the year	Other comprehensive income for the year	Profit (loss) for the year	Other comprehensive income for the year
Financial assets	**939,368**	**9,394**	**-**	**(9,394)**	**-**
Loans	272,481	2,725	-	(2,725)	-
Debt instruments	4,937	49	-	(49)	-
Money market funds	-	-	-	-	-
Other classes of other financial assets	1,669	17	-	(17)	-
Cash and cash equivalents	660,281	6,603	-	(6,603)	-
Financial liabilities	**(1,146,427)**	**(11,257)**	**(207)**	**11,257**	**207**
Bank borrowings	(588,046)	(5,880)	-	5,880	-
Borrowings	(4,999)	(50)	-	50	-
Debt instruments	(500,000)	(5,000)	-	5,000	-
Finance lease liabilities	(32,686)	(327)	-	327	-
Financial derivatives (IRS)	(20,696)	-	(207)	-	207
Effect on profit (loss) for the year	**-**	**(1,864)**	**-**	**1,864**	**-**
Effect on other comprehensive income for the year	**-**	**-**	**(207)**	**-**	**207**

The Group holds financial instruments which bear interest at fixed-interest rates, and which are measured in the statement of financial position at cost, adjusted using the effective interest rate method.
Financial instruments' sensitivity to the interest rate risk is computed as a product of the balance of balance-sheet items sensitive to interest rate fluctuations and the applicable interest rate variation.

Credit risk is understood as the inability to meet obligations by the Group's debtors. Credit risk has three primary aspects:

- creditworthiness of customers with whom the Company enters into transactions for physical delivery of products;
- creditworthiness of financial institutions (banks) with whom the Group enters into hedging transactions;
- creditworthiness of entities in which the Group invests or whose securities the Group acquires.

The following are the areas of credit risk exposures with different credit risk profiles:

- cash and bank deposits,
- derivatives,
- trade receivables,
- loans,
- debt securities,

All amounts in PLN thousand (unless otherwise indicated)

- guarantees and sureties granted.

The Group's maximum exposure to the credit risk is measured through carrying amount of the following financial assets:

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Loans	499,269	270,604	272,481
Trade and other financial receivables	1,089,863	1,210,817	1,045,798
Derivative financial instruments	17,953	5,044	28,961
Debt instruments	83,090	-	-
Money market funds	32,910	106,902	-
Other classes of other financial assets	14,112	2,466	1,669
Cash and cash equivalents	557,004	708,509	660,281
Contingent liabilities (financial guarantees)	2,101,977	1,229,762	1,030,287
Total exposure to credit risk	**4,396,178**	**3,534,104**	**3,039,477**

The Group monitors clients' and debtor' outstanding payments by analysing the credit risk on a case by case basis, or for the individual asset classes according to credit risk (e.g. by industry, region or structure of customers). Further, as part of the risk management activities, the Group enters into transactions with partners whose creditworthiness is confirmed.

Cash and bank deposit-related credit risk

All entities with which the Group enters into deposit transactions operate in the financial sector. These are exclusively banks registered in Poland, or with Polish operations as subsidiaries of foreign banks, owned by European financial institutions which have the highest[1], upper medium[2] and average[3] credit ratings, and those with sufficient equity as well as a robust and stable market position. As at December 31 2011, the Group's maximum deposit exposure to a single bank was 41%. Considering the above, as well as the short-term nature of the placements, it is reasonable to assume that the credit risk for cash and bank deposits is low.

Risk related to investments in debt instruments and money market funds

The Company is exposed to this type of credit risk due to changes in the fair value of commercial paper and units in a closed-end investment fund. As at December 31st 2011, the carrying amount of the investments in commercial paper and money market funds was PLN 116,000 thousand. Fair value of money market funds is measured as product of the number of fund units held and the units' value, and fair value of commercial paper is measured at amortised cost using the effective interest rate method.

[1] The highest grade rating is rating from AAA to AA- at Standard&Poor's and Fitch and from Aaa to Aa3 at Moody's.
[2] The upper medium grade rating is rating from A+ to A- at Standard&Poor's and Fitch and from A1 to A3 at Moody's.
[3] The average grade rating is rating from BBB+ to BBB- at Standard&Poor's and Fitch and from Baa1 to Baa3 at Moody's.

Derivative transaction-related credit risk

All entities with which the Group enters into derivative transactions operate in the financial sector. These are financial institutions (banks) mostly with upper medium ratings. They have the sufficient equity and a robust and stable market position. Based on the fair value as at December 31 2011, the maximum credit-risk exposure to a single counterparty under derivative transactions executed by the Group was 31%. Currency and interest rate derivative transactions entered into by the Group as at the balance-sheet dates:

Item	Dec 31 2011 PLN '000	Dec 31 2010 PLN '000	Dec 31 2009 PLN '000
Financial assets	17,953	5,044	28,961
Financial liabilities	(29,674)	(11,677)	(59,809)
Derivative instruments valuation, net	**(11,721)**	**(6,633)**	**(30,848)**

As the group of counterparties and financial institutions with upper medium ratings[1] is highly diversified and given the fair value of liabilities under the derivative transactions, the Group is not exposed to the credit risk inherent in derivative transactions.

Credit risk inherent in trade receivables and other financial receivables

The Group has a long history of relationships with many customers, which are active in diverse sectors. Based on the 2010 revenue, the largest customers included:

No.	Customer	% share in revenue
	Total	**100.00%**
1	PGNIG SA	21.02%
2	GDDKiA	14.85%
3	Narodowe Centrum Sportu Sp. z o.o.	6.15%
4	Municipality of Gdańsk	4.24%
5	Aquanet	3.41%
6	MPWiK w m.st. Warszawie SA	2.95%
7	SAIPEM S.P.A.	2.21%
8	ALSTOM POWER SYSTEMS GMBH	2.04%
9	Alpine Construction Polska Sp. z o.o.	1.97%
10	KGHM POLSKA MIEDŹ SA	1.94%
11	MAXER S.A.	1.79%
12	TAURON WYTWARZANIE	1.70%
13	Zakład Utylizacji Sp. z o.o. w Gdańsku	1.60%
	Other	34.14%

All amounts in PLN thousand (unless otherwise indicated)

At present, the main customer for the Group's services in the Oil and Gas segment is PGNiG. This is related to the execution of two contracts of substantial value for that customer, totalling nearly PLN 2.5bn. These are historically highest contracts executed by the Parent with PGNiG. However, the Group's strategy provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenues. In order to mitigate the risk of dependence on key customers, the Group gradually expands its customer base, winning new contracts from such organisations as Polskie LNG, NATO Defence Investment Division, KGHM or Dalkia

The Group seeks to further mitigate the risk by:

- diversifying sources of revenue and winning new customers,
- operating on international markets.

The analysis of receivables, as the most important category of assets exposed to the credit risk is presented in the tables below:

Item	Dec 31 2011		Dec 31 2010		Dec 31 2009	
	Not past due	Past due	Not past due	Past due	Not past due	Past due
Short-term receivables:						
Trade receivables	643,067	357,343	817,784	329,573	737,319	278,548
Allowance for credit losses on trade receivables (-)	(21,924)	(49,089)	(45)	(13,355)	(6)	(24,579)
Trade receivables, net	**621,143**	**308,254**	**817,739**	**316,218**	**737,313**	**253,969**
Other financial receivables	136,982	59,252	57,935	30,260	39,832	54,892
Allowance for credit losses on other financial receivables (-)	-	(56,929)	(14)	(27,028)	-	(54,826)
Other financial receivables, net	**136,982**	**2,323**	**57,921**	**3,232**	**39,832**	**66**
Financial receivables	**758,125**	**310,577**	**875,660**	**319,450**	**777,145**	**254,035**

Item	Dec 31 2011		Dec 31 2010		Dec 31 2009	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Short-term receivables past due:						
not more than 1 month	43,098	154,363	126,412	532	747	15
more than 1 but not more than 6 months	103,540	112,739	125,666	3,499	234	36
more than 6 but not more than 12 months	121,354	49,451	22,899	26,243	2,220	-
more than one year	89,351	13,020	3,571	28,978	27,059	54,841
Total financial receivables past due	**357,343**	**329,573**	**278,548**	**59,252**	**30,260**	**54,892**

As assessed by the Group's Management Board, the above-specified financial assets which are not past due and for which no impairment losses were recognised as at the balance-sheet dates, can reasonably be considered as good credit quality assets. Thus, the Group did not establish any collateral or used other tools to improve the credit terms.

With respect to trade receivables, the Group is exposed to credit risk related to a single major partner or a group of similar partners. Based on historical data on past due payments, the receivables that are past due and for which no impairment losses have been recognised show a marked deterioration in quality, as most of them fall into the "over 6 months" category.
As the Group operates in the market of specialist construction services for the oil and gas, water, and environmental/infrastructure sectors, there is no credit risk concentration.
In order to reduce its credit risk exposure, the Group uses offsetting (compensating) arrangements where such solution is accepted by both parties.

36.2 LIQUIDITY RISK

he Group is exposed to the liquidity risk, that is the loss of ability to timely meet financial liabilities. The Group manages the liquidity risk by monitoring payment dates and demand for cash with respect to the servicing of payables (current transactions are monitored on a weekly basis) and long-term demand for cash based on cash flow projections that are updated monthly. The demand for cash is assessed against the available sources of funding (in particular by evaluating the ability to source funds under the available credit facilities) and the ability to place free funds.

The maturities of the Group’s financial liabilities are presented in the table below:

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

FINANCIAL LIABILITIES EXPOSED TO LIQUIDITY RISK

Item	Current:		Non-current:			Total undiscounted cash flows	Carrying amount
	within 6 months	6 to 12 months	1 to 3 years	3 to 5 years	more than 5 years		
At Dec 31 2011							
Bank borrowings	384,642	-	43,556	-	-	428,198	428,381
Bank overdrafts	627,361	-	-	-	-	627,361	627,361
Borrowings	2,331	276	-	-	-	2,607	2,636
Debt instruments	-	375,000	450,000	-	-	825,000	836,357
Finance lease liabilities	13,236	16,171	-	61,955	32,981	124,343	124,343
Derivative financial instruments	19,178	7,985	2,329	-	-	29,492	29,674
Trade and other financial payables	1,217,132	124,308	50,645	5,124	580	1,397,789	1,395,915
Total exposure to liquidity risk	**2,263,880**	**523,740**	**546,530**	**67,079**	**33,561**	**3,434,790**	**3,444,667**
at Dec 31 2010							
Bank borrowings	57,167	274,945	73,193	-	-	405,305	404,771
Bank overdrafts	174,879	-	-	-	-	174,879	174,879
Borrowings	-	5,623	6,702	-	-	12,325	12,325
Debt instruments	-	-	825,000	-	-	825,000	836,904
Finance lease liabilities	5,359	5,364	9,062	60	-	19,845	19,845
Derivative financial instruments	3,598	7,626	-	-	-	11,224	11,677
Trade and other financial payables	793,135	59,500	33,950	2,916	1,043	890,544	890,549
Total exposure to liquidity risk	**1,034,138**	**353,058**	**947,907**	**2,976**	**1,043**	**2,339,122**	**2,350,950**
at Dec 31 2009							
Bank borrowings	105,599	380,710	88,357	10,139	3,241	588,046	469,032
Bank overdrafts	-	-	-	-	-	-	-
Borrowings	5,493	2,878	140	-	-	8,511	10,440
Debt instruments	-	125,000	375,000	-	-	500,000	506,440
Finance lease liabilities	6,464	10,044	15,881	297	-	32,686	32,686
Derivative financial instruments	26,991	32,264	553	-	-	59,808	59,809
Trade and other financial payables	745,853	12,822	34,192	7,013	937	800,817	798,785
Total exposure to liquidity risk	**890,400**	**563,718**	**514,123**	**17,449**	**4,178**	**1,989,868**	**1,877,192**

All amounts in PLN thousand (unless otherwise indicated)

The table presents the contractual value of the payables, net of discount related to valuation at amortised cost, hence the amounts may vary from those recognised in the consolidated statement of financial position. In the case of derivative instruments, fair values are shown as at the respective balance-sheet dates.

As at the respective balance-sheet dates, the Group had the following available overdraft facilities:

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Line of credit granted	855,917	439,929	381,629
Bank overdrafts used	627,361	174,879	179,723
Line of credit available for use	**228,556**	**265,050**	**201,906**

37. MANAGING CAPITAL

The Company manages capital to ensure it may continue as a going-concern and to secure the expected rate of return to shareholders and other parties with interest in the Group's financial standing.

The Group monitors the effective use of capital using such measures as:

- Equity ratio, calculated as the ratio of equity to balance-sheet total. The Group's target for the ratio is not less than 0.25;
- Debt/EBITDA, calculated as the ratio of interest-bearing debt less cash to EBITDA (for the last 12 moths, net profit plus taxes and interest expensed plus amortisation and depreciation). The Group's target for the ratio is not more than 4.0.

The above targets are also in line with covenants stipulated in relevant borrowing agreements.

In the reviewed periods, the ratios were as follows:

Ratios	at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Equity ratio – target (min.)	0.25	0.30	0.30
Equity ratio – actual	**0.38**	**0.38**	**0.40**
IBD/EBITDA – target (max.)	4.00	3.50	3.50
IBD/EBITDA – actual	**2.09**	**2.09**	**1.28**

In all periods, the ratios fell within the Group's target values.

38. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

After the balance-sheet date certain events occurred which did not require adjusting the consolidated financial statements for 2011.

The events disclosed after the balance-sheet date occurred before the approval for publication of the financial statements for 2011, that is before April 27th 2011.

All amounts in PLN thousand (unless otherwise indicated)

BUSINESS COMBINATIONS, INCORPORATION OF NEW SUBSIDIARIES

Date	Entities	Transaction type	Description	Objective
04.01.2012	Hydrobudowa Polska SA, Hydrobudowa 9 S.A.	**Combination**	On January4th 2012, the merger of Hydrobudowa Polska SA and Hydrobudowa 9 SA was registered by the registry court. All rights and obligations of Hydrobudowa 9 SA were acquired by Hydrobudowa Polska SA.	Streamlining of the Group's structure
20.01.2012	PBG SA, Rafako SA	**Acquisition of Rafako shares – transaction closing**	Acquisition of Rafako shares by PBG S.A.; following the transaction, PBG SA holds: a. indirectly, through MULTAROS: 34,800,001 RAFAKO shares, representing 50.000001% of RAFAKO's share capital and conferring the right to 34,800,001 votes (or 50.000001% of the total vote) at RAFAKO's general meeting; b. directly: 11,135,999 RAFAKO shares, representing 16.00% of RAFAKO's share capital and conferring the right to 11,135,999 votes (or 16% of the total vote) at RAFAKO's general meeting; c. jointly with MULTAROS: 45,936,000 RAFAKO shares, representing 66% of RAFAKO's share capital and conferring the right to 45,936,000 (or 66% of the total vote) at RAFAKO's general meeting.	Long-term investment related to PBG's expansion into the power engineering market
For more details, see: Current Report No. 06/2012 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/6-2012-podsumowanie-wezwania-na-sprzedaz-akcji-spolki-rafako-spolka-akcyjna.html				
24.01.2012	PBG SA, Rafako SA	**Deletion of registered pledge on Rafako shares by registry court**	On January 24th 2012, the District Court for the Capital City of Warsaw issued a decision to delete the registered pledge over RAFAKO shares from the Register of Pledges, requested by MULTAROS TRADING COMPANY LIMITED.	Long-term investment related to PBG's expansion into the power engineering market
For more details, see: Current Report 09/2012 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/09-2012-postanowienie-sadu-o-wykresleniu-zastawu-rejestrowego-na-akcjach-rafako-s-a-z-rejestru-zastawow.html				

CONTRACTS

Contract execution date	Parties	Subject matter	Key terms
02.01.2012 contract executed in ordinary course of business	**Principal:** EUAS Turcja **Contractor**: Rafako SA jointly with EFOR MAKINA	Upgrading of electrostatic precipitators on Units 3 and 4 at the SOMA CHP in Turkey	Contract price: **EUR 13.3m**
For more details, see: Rafako's Current Report No. 01/2012 http://www.rafako.com.pl/pub/File/raporty_biezace/2012/RB_2012_1.pdf			
24.01.2012 contract executed in ordinary course of business	**Principal:** Alstom Power Systems GmbH **Contractor**: Energomontaż – Południe SA	Agreement with Alstom Power Systems GmbH for assembly of support pipelines in the pressure part of the 910MW boiler at the Rheinhafen-Dampfkraftwerk Karlsruhe power plant	Contract price: **EUR 6.75m** Completion date: 05.05.2012

All amounts in PLN thousand (unless otherwise indicated)

For more details, see EP's Current Report No. 5/2012 http://www.inwestor.energomontaz.pl/artykuly/2375,955/d,raporty_bezace_podstrona,zawarcie-umowy-z-firma-alstom-power-systems-gmbh-dotyczacej-montazu-rurociagow-pomocniczych-czesci-cisnieniowej-kotla-910mw-w-elektrowni-rheinhafen--dampfkraftwerk-karlsruhe.htm			
31.01.2012 contract executed in ordinary course of business	**Principal:** Alstom Power Systems GmbH **Contractor:** Energomontaż – Południe SA	Subcontract agreement with IDS Industrieservice + Anlagenbau GmbH for performance of selected works from the assembly work package at the Rheinhafen-Dampfkraftwerk Karlsruhe power plant	Contract price: **EUR 4.4m** Completion date: 30.04.2012
For more details, see EP's Current Report No. 7/2012 http://www.inwestor.energomontaz.pl/artykuly/2393,955/d,raporty_bezace_podstrona,zawarcie-umowy-podwykonawczej-z-ids-industrieservice-anlagenbau-gmbh-na-wykonanie-czesci-pakietu-prac-montazowych-w-elektrowni-rheinhafen-dampfkraftwerk-karlsruhe.htm			
15.02.2012 contract executed in ordinary course of business	**Principal:** PGE Elektrownia Opole SA **Contractor:** RAFAKO S.A., acting as the leader of a consortium comprising RAFAKO S.A., Polimex-Mostostal S.A. and Mostostal Warszawa S.A.	Contract with PGE Elektrownia Opole S.A. of Bełchatów, providing for the engineering design, construction, assembly and start-up, on a turn-key basis, of power unit No. 5 and power unit No. 6 at PGE Elektrownia Opole S.A., along with auxiliary equipment and facilities, including related buildings and structures.	Contract price: **PLN 9,397,000 thousand net** **PLN 11,558,310 thousand gross** Completion date: Fifty-four months from the date of ordering commencement of work on Unit 5, and 62 months from the date of ordering commencement of work on Unit 6.
For more details, see Rafako's Current Report No. 18/2012 http://www.rafako.com.pl/pub/File/raporty_biezace/2012/RB_2012_18.pdf			
16.02.2012 **material agreement** contract executed in ordinary course of business	**Principal:** Metso Power Oy of Tampere, Finland **Contractor:** Rafako S.A.	Delivery of high-pressure boiler components to Suzano Paper Mill in Maranahao, Brasil The total value of contracts executed in the last 12 months has been ca. PLN 53m.	The agreement of the highest value is a contract of April 14th 2011 **of EUR 4.3m.**
For more details, see: Current Report No. 20/2012 http://www.rafako.com.pl/pub/File/raporty_biezace/2012/RB_2012_20_korekta.pdf			
29.02.2012 contract executed in ordinary course of business	**Principal:** JPE Elektroprivreda Bosne i Hercegovine d.d. Sarajewo **Contractor:** Consortium: Rafako SA, Energoinvest d.d. Sarajevo and Deling d.o.o. Tuzla	Replacement of electrostatic precipitator and upgrading of ash and slag handling system on Unit 6 (215 MW) at the Tuzla CHP, Bosnia and Herzegovina	Contract price: **EUR 10,150,000 net**
For more details, see: Rafako's Current Report No. 23/2012 http://www.rafako.com.pl/pub/File/raporty_biezace/2012/RB_2012_23%20korekta.pdf			

All amounts in PLN thousand (unless otherwise indicated)

06.03.2012 **material agreement** contract executed in ordinary course of business	**Principal:** Constructions Industrielles de la Mediterranee **Contractor**: Rafako S.A.	Delivery of high-pressure components to municipal waste incinerator in Oxfordshire, UK The total value of contracts executed in the last 12 months has been ca. EUR 13m.	The agreement of the highest value is a contract of April 14th 2011 **for EUR 10.28m.**
For more details, see: Rafako's Current Report No. 24/2012 **http://www.rafako.com.pl/pub/File/raporty_biezace/2012/RB_2012_24.pdf**			
16.03.2012 contract executed in ordinary course of business	**Principal:** „Słowackiego IV - Obrascon Huarte Lain SA, Hydrobudowa Polska SA, PBG SA, Aprivia SA, Przedsiębiorstwo Robót Górniczych Metro Sp. z o.o. – Spółka Cywilna (General Contractor) **Subcontractor**: Keller Polska Sp. z o.o.	Road link between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego, Task 4, Węzeł Marynarki Polskiej—Węzeł Ku Ujściu section. The agreement provides for a delivery of slurry walls, anchoring elements, base slabs, and waterproof partitions and screens by the Subcontractor.	Contract price: **PLN 148m net** Completion date: October 214
For more details, see: Current Report No. 15/2012 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/15-2012-zawarcie-znaczacej-umowy-podwykonawczej-ze-spolka-keller-polska.html			
10.04.2012 conditional agreement executed in ordinary course of business	**Principal:** Consortium: Saipem, Techint, PBG **Contractor**: Energomontaż-Południe S.A.	Receipt of conditional order for the execution of work on the LNG terminal in Świnoujście. The subject of the order is the performance by the Issuer of mechanical works on the LNG terminal in Świnoujście. The order's becoming legally binding is conditional upon no protest against it being made by the final customer, which is Polskie LNG S.A.	Contract price: **PLN 61m** Completion date: June 2012 - November 2013
For more details, see: EP's Current Report No. 13/2012 **http://www.inwestor.energomontaz.pl/artykuly/2426,955/d,raporty_bezace_podstrona,otrzymanie-warunkowego-zlecenia-na-wykonanie-prac-na-terminalu-lng-w-swinoujsciu.htm**			

All amounts in PLN thousand (unless otherwise indicated)

AGREEMENTS WITH FINANCIAL INSTITUTIONS

Agreement execution date	Parties	Subject matter	Key terms
18.01.2012	**Institution:** Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA **Party to the transaction:** PBG SA, Hydrobudowa Polska SA, INFRA SA (not a Group company)	Increase of guarantee limit under the Cooperation Agreement with Sopockie Towarzystwo Ubezpieczeń Ergo Hestia.	Increase of guarantee limit from PLN 120m to PLN 200m.
For more details, see: Current Report No. 11/2012 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/11-2012-zwiekszenie-limitu-gwarancyjnego-w-ramach-umowy-o-wspolpracy-z-sopockim-towarzystwem-ubezpieczen-ergo-hestia.html			
02.02.2012	**Institution:** Towarzystwo Ubezpieczeń i Reasekuracji „Warta" SA **Party to the transaction:** PBG SA and Hydrobudowa Polska SA	**Annex to the agreement with TUiR Warta on provision of insurance contract guarantees within a specified guarantee limit**	Extension of the term of the agreement until December 16th 2012.
Fore more details, see: Current Report No. 10/2012 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/10-2012-zawarcie-aneksu-do-umowy-z-tuir-warta-o-udzielanie-ubezpieczeniowych-gwarancji-kontraktowych-w-ramach-okreslonego-limitu-gwarancyjnego.html			

OTHER

Agreement execution date	Subject matter	Key terms
03.01.2012	Payments by Bank BGŻ to Alstom Power Sp. z o.o. under a guarantee	The Bank made these payments despite the fact that on December 20th 2011 RAFAKO submitted to the Regional Court of Warsaw, 20th Commercial Division, a request for securing RAFAKO's claims against Alstom Power Sp. z o.o. and as soon as on the next day, the Bank received a copy of the request together with all attachments, as well as despite the fact that the Bank had on an ongoing basis been informed by RAFAKO on the proceedings to secure claims, concluded on December 30th 2011.
For more details, see: Current Report No. 03/2012 http://www.rafako.com.pl/pub/File/raporty_biezace/2012/RB_2012_3.pdf		

All amounts in PLN thousand (unless otherwise indicated)

03.04.2012	Resolution No. 6 of the Extraordinary General Meeting of PBG S.A. of Wysogotowo	In accordance with Art. 393.5 and Art. 448 of the Polish Commercial Companies Code, Art. 20 and 23 of the Bond Act dated June 29th 1995 (Dz.U. of 2001, No. 120, item 1300, as amended) and Par. 28.6 of the Company's Articles of Association, the General Meeting adopted a resolution to issue Series A1 through A12 bonds convertible into Series H shares; to issue Series H shares as a part of a conditional share capital increase; to waive pre-emptive rights of the existing shareholders with respect to Series A1 through A12 bonds convertible into Series H shares and Series H shares; and to amend the Company's Articles of Association. The resolution reads as follows: "The Company share capital has been conditionally increased by no more than PLN 14,295,000.00 through an issue of no more than 14,295,000 ordinary bearer Series H shares with a par value of PLN 1.00 per share. The conditional share capital increase has been effected to grant rights to acquire Series H shares to holders of convertible Series A1 through A12 bearer bonds, with the pre-emptive rights of the Company's existing shareholders waived."
For more details, see: Current Report No.: 18/2012 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/18-2012-uchwaly-podjete-przez-nadzwyczajne-walne-zgromadzenie-spolki-pbg-s-a-z-dnia-3-kwietnia-2012-roku.html		
06.04.2012	Negotiated settlement with Narodowe Centrum Sportu	A settlement agreement was signed with the state-owned operator Narodowe Centrum Sportu Sp. z o.o. in respect of the contract for construction of the multi-purpose National Stadium in Warsaw and auxiliary infrastructure dated May 4th 2009. The key terms of the settlement are presented below. 1) The settlement regulates payments to subcontractors by providing that the Principal is to promptly disburse the final payment of PLN 58,857,244.92 VAT-exclusive (PLN 72,394,411.26 VAT-inclusive) due to the Consortium in respect of the Underlying Contract, to be transferred to an escrow account from which funds may be released to subcontractors only; 2) The price of additional works ordered by the Principal under the Underlying Contract which have not been covered so far by an annex or addendum to the Contract has been determined by the parties at PLN 24,099,157.36 VAT-exclusive (PLN 29,641,963.51 VAT-inclusive).
For more details, see: Current Report No. 20/2012 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/20-2012-zawarcie-ugody-z-narodowym-centrum-sportu.html		

39. OTHER INFORMATION

38.1 KEY ITEMS TRANSLATED INTO THE EURO

During the periods covered by the consolidated financial statements and the comparative consolidated financial information, average and mid-exchange rates quoted by the National Bank of Poland were used to translate the złoty into the euro, and in particular:

a) revenue from sale of finished goods, rendering of services and sale merchandise and materials, operating profit (loss), profit (loss) before tax, net profit (loss) as well as net cash from (used in) operating activities, net cash from (used in) investing activities, net cash from (used in) financing activities, and net change in cash and cash equivalents for 2011 were translated at the average EUR exchange rate based on the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland for the last day of the individual months, i.e. PLN 4.1401;

b) revenue from sale of finished goods, rendering of services and sale merchandise and materials, operating profit (loss), profit (loss) before tax, net profit (loss) as well as net cash from (used in) operating activities, net cash from (used in) investing activities, net cash from (used in) financing activities, and net change in cash and cash equivalents for 2010 were translated at the average EUR exchange rate based on the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland for the last day of the individual months, i.e. PLN 4.0044;

c) revenue from sale of finished goods, rendering of services and sale merchandise and materials, operating profit (loss), profit (loss) before tax, net profit (loss) as well as net cash from (used in) operating activities, net cash from (used in) investing activities, net cash from (used in) financing activities, and net change in cash and cash equivalents for 2009 were translated at the average EUR exchange rate based on the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland for the last day of the individual months, i.e. PLN 4.3406;

d) total assets, liabilities and provisions for liabilities, long-term liabilities, short-term liabilities, equity and share capital at December 31st 2011 were translated at the EUR mid-exchange rate effective for that date, i.e. PLN 4.4168;

e) total assets, liabilities and provisions for liabilities, long-term liabilities, short-term liabilities, equity and share capital as at December 31st 2010 were translated at the EUR mid-exchange rate effective for that date, i.e. PLN 3.9603;

f) total assets, liabilities and provisions for liabilities, long-term liabilities, short-term liabilities, equity and share capital as at December 31st 2009 were translated at the EUR mid-exchange rate effective for that date, i.e. PLN 4.1082.

Item	at Dec 31 2011	at Dec 31 2010	at Dec 31 2009
Exchange rate effective for the last day of the period	4.4168	3.9603	4.1082
Average exchange rate for the period, calculated based on the arithmetic mean of exchange rates effective for the last day of each individual month during the period	4.1401	4.0044	4.3406
Highest exchange rate during the period	4.5642 – Dec 14 2011	4.1770 – May 7 2010	4.8999 – Feb 18 2009
Lowest exchange rate during the period	38403 – Jan 12 2011	3.8356 – Apr 6 2010	3.9170 – Jan 7 2009

Key items of the consolidated statement of financial position, income statement and statement of cash flows from the consolidated financial statements and the comparative consolidated financial information.

SELECTED FINANCIAL DATA INCLUDING TRANSLATION INTO THE EURO

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
	PLN			EUR (thousand)		
Income statement						
Revenue	3,670,739	2,739,166	2,572,509	886,631	684,039	728,323
Operating profit (loss)	269,312	285,380	288,390	65,050	71,267	81,648
Profit (loss) before tax	204,244	228,448	260,448	49,333	57,049	73,737
Net profit (loss) from continuing operations	170,658	179,976	219,860	41,221	44,945	62,246
Net profit (loss) attributable to:	170,658	179,976	219,860	41,221	44,945	62,246
- owners of the Parent	160,883	186,074	209,094	38,860	46,467	59,198
- non-controlling interests	9,775	(6,098)	10,766	2,361	(1,523)	3,048
Basic earnings per share (PLN/EUR)	11.25	13.02	15.00	2.72	3.25	4.25
Diluted earnings per share (PLN/EUR)	11.25	13.02	15.00	2.72	3.25	4.25
Statement of cash flows						
Net cash from operating activities	(498,017)	433,582	305,060	(120,291)	108,276	86,368
Net cash used in investing activities	(156,038)	(529,951)	(350,566)	(37,689)	(132,342)	(99,251)
Net cash from financing activities	500,891	144,866	416,920	120,985	36,177	118,037
Net change in cash and cash equivalents	(153,164)	48,497	371,414	(36,995)	12,111	105,154
Average exchange rate for the period PLN/EUR	X	X	X	4.1401	4.0044	3.5321

Item	at Dec 31 2011 PLN (thousand)	at Dec 31 2010 PLN (thousand)	at Dec 31 2009 PLN (thousand)	at Dec 31 2011 EUR (thousand)	at Dec 31 2010 EUR (thousand)	at Dec 31 2009 EUR (thousand)
Statement of financial position						
Assets	6,506,965	4,745,329	4,015,446	1,473,231	1,198,225	977,422
Long-term liabilities:	701,307	987,479	569,192	158,782	249,344	138,550
Short-term liabilities:	3,535,112	1,943,912	1,827,432	800,379	490,850	444,825
Equity attributable to owners of the Parent	1,679,360	1,587,985	1,393,687	380,221	400,976	339,245
Share capital	14,295	14,295	14,295	3,237	3,610	3,480
Number of shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Weighted average number of ordinary shares	14,295,000	14,295,000	13,935,000	14,295,000	14,295,000	13,935,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	13,935,000	14,295,000	14,295,000	13,935,000
Book value per share (PLN/EUR)	117.48	111.09	97.49	26.60	28.05	23.73
Dividend per share declared or paid (PLN/EUR) (PLN / EUR)	-	1.40	1.40	-	0.35	0.34
PLN/EUR exchange rate at the end of the period	X	X	X	4.4168	3.9603	4.1082

38.2 REMUNERATION OF MEMBERS OF THE PARENT'S MANAGEMENT AND SUPERVISORY BOARDS

Total amount of the remuneration and other benefits paid to members of the Parent's Management Board:

Item	In Parent:		In subsidiaries and associates:		Total
	Remuneration	Other benefits	Remuneration	Other benefits	
for the period Jan 1 – Dec 31 2010					
Jerzy Wiśniewski	1,800	-	-	-	1,800
Tomasz Woroch*	414	-	167	12	593
Przemysław Szkudlarczyk	420	-	48	-	468
Tomasz Tomczak	420	-	12	-	432
Mariusz Łożyński	360	-	-	-	360
Total	**3,414**	**-**	**227**	**12**	**3,653**
for the period Jan 1 – Dec 31 2010					
Jerzy Wiśniewski	2,550	-	-	-	2,550
Tomasz Woroch	420	-	-	-	420
Przemysław Szkudlarczyk	320	-	36	-	356
Tomasz Tomczak	320	-	12	-	332
Mariusz Łożyński	310	-	-	-	310
Total	**3,920**	**-**	**48**	**-**	**3,968**
for the period Jan 1 – Dec 31 2009					
Jerzy Wiśniewski	1,200	3	-	-	1,203
Tomasz Woroch	420	2	65	-	487
Przemysław Szkudlarczyk	300	2	36	-	338
Tomasz Tomczak	300	2	9	-	311
Mariusz Łożyński	300	2	-	-	302
Tomasz Latawiec**	180	1	-	-	181
Total	**2,700**	**12**	**110**	**-**	**2,822**

All amounts in PLN thousand (unless otherwise indicated)

* Vice-President of the Management Board until December 12th 2011
** Member of the Management Board until September 30th 2009

For other information on key management personnel, including loans, see Section 33.

Total amount of remuneration and other benefits paid to members of the Parent's Supervisory Board:

Item	In Parent:		In subsidiaries and associates:		Total
	Remuneration	Other benefits	Remuneration	Other benefits	
for the period Jan 1 – Dec 31 2010					
Maciej Bednarkiewicz	120	-	-	-	120
Małgorzata Wiśniewska	96	47	143	-	286
Dariusz Sarnowski	60	-	-	-	60
Adam Strzelecki	36	-	-	-	36
Marcin Wierzbicki	36	-	-	-	36
Total	**348**	**47**	**143**	**-**	**538**
for the period Jan 1 – Dec 31 2010					
Maciej Bednarkiewicz	120	-	-	-	120
Małgorzata Wiśniewska	64	14	233	1	312
Dariusz Sarnowski	52	-	-	-	52
Adam Strzelecki	36	-	-	-	36
Marcin Wierzbicki	24	-	-	-	24
Jacek Kseń *	32	-	-	-	32
Wiesław Lindner **	20	-	-	-	20
Total	**348**	**14**	**233**	**1**	**596**
for the period Jan 1 – Dec 31 2009					
Maciej Bednarkiewicz	120	1	-	-	121
Jacek Krzyżaniak***	15	1	38	-	54
Dariusz Sarnowski	36	1	-	-	37
Adam Strzelecki	36	1	-	-	37
Jacek Kseń *	96	1	-	-	97
Wiesław Lindner **	60	1	-	-	61
Total	**363**	**6**	**38**	**-**	**407**

* Deputy Chairman of PBG Supervisory Board until April 21st 2010
** Secretary of the PBG Supervisory Board until April 21st 2010.
*** Member of the PBG Supervisory Board until June 4th 2009.

38.3 EMPLOYMENT IN THE GROUP AND STAFF TURNOVER

The average employment at the Group by employee groups and staff turnover are presented below:

AVERAGE EMPLOYMENT IN THE GROUP

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
White-collar employees	3,091	1,657	1,729
Manual employees	3,395	1,559	1,993
Total	**6,485**	**3,216**	**3,722**

All amounts in PLN thousand (unless otherwise indicated)

STAFF TURNOVER

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Number of persons hired	1,448	407	544
Number of persons made redundant (-)	(1,405)	(585)	(1,093)
Total	**43**	**(178)**	**(549)**

38.4 AUDITOR CONSIDERATION

Grant Thornton Frąckowiak Sp. z o.o. is qualified to audit and review the financial statements of the Group entities. Consideration paid to the auditor for the provision of its services is presented below.

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
Audit of annual financial statements	616	513	518
Review of interim financial statements	235	207	187
Tax consultancy	79	6	14
Other services	275	93	94
Total	**1,205**	**819**	**813**

40. RECONCILIATION OF DIFFERENCES BETWEEN THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2011 AND THE FINANCIAL STATEMENTS FOR Q4 2011

Item	**Dec 31 2011**			
	Q4	Adjustment No.	Adjustment amount	annual Dec 31 2011
Assets				
Non-current assets	**2,241,884**		**64,309**	**2,306,193**
Goodwill	882,654	4	33,107	915,761
Intangible assets	52,111	5	1,751	53,862
Property, plant and equipment	705,976		(1,092)	704,884
Investment property	374,832		(71)	374,761
Receivables and loans	27,377	7	31,817	59,194
Other long-term financial assets	184,561	6;9	(3,522)	181,039
Deferred tax assets	14,373		2,319	16,692
Current assets	**4,384,773**		**(184,002)**	**4,200,771**
Inventories	464,026	10	(8,890)	455,136
Amounts due from customers for construction contract work	1,224,800	1	(71,868)	1,152,932
Trade and other receivables	1,411,637	12	(62,844)	1,348,793
Current tax assets	52,655		(69)	52,586
Loans advanced	492,999	7	(31,763)	461,236
Other short-term financial assets	179,370		(6,286)	173,084
Cash and cash equivalents	559,286	12	(2,282)	557,004
Total assets	**6,626,657**		**(119,693)**	**6,506,964**

All amounts in PLN thousand (unless otherwise indicated)

Item	Dec 31 2011			
	Q4	Adjustment No.	Adjustment amount	annual Dec 31 2011
Equity and liabilities				
Equity	**2,329,040**		**(58,494)**	**2,270,546**
Equity attributable to owners of the parent	1,723,369	1	(44,009)	1,679,360
Non-controlling interests	605,671		(14,485)	591,186
Payables	**4,297,617**		**(61,199)**	**4,236,418**
Long-term liabilities:	**731,236**		**(29,930)**	**701,306**
Borrowings, other debt instruments	525,108	8	(31,552)	493,556
Finance lease liabilities	94,864		72	94,936
Other liabilities and provisions	111,264		1,550	112,814
Short-term liabilities:	**3,566,381**		**(31,269)**	**3,535,112**
Borrowings, other debt instruments	1,371,124	8	30,055	1,401,179
Finance lease liabilities	28,173		1,234	29,407
Trade and other payables	1,614,150		(746)	1,613,404
Trade and other payables	216,188	1	(15,798)	200,390
Current tax liabilities	36,441		(13,244)	23,197
Other short-term liabilities and provisions	300,305	2;10	(32,770)	267,535
Total equity and liabilities	**6,626,657**		**(119,693)**	**6,506,964**

Item	Jan 1 – Dec 31 2011			
	Q4	Adjustment No.	Adjustment amount	annual Dec 31 2011
Continuing operations				
Revenue	**3,733,829**	1;13	**(63,091)**	**3,670,738**
Cost of sales	**(3,317,416)**	2;13	**(4,129**	**(3,321,545)**
Gross profit (loss)	**416,413**		**(67,220)**	**349,193**
Administrative expenses	(138,829)		1,346	(137,483)
Other income	113,391		1,932	115,323
Other expenses	(54,776)		(1,817)	(56,593)
Operating profit (loss)	**336,199**		**(65,759)**	**270,440**
Finance costs	(60,148)		1,133	(59,015)
Share in profit of entities accounted for with equity method	(4,744)	3	(2,437)	(7,181)
Profit (loss) before tax	**271,307**		**(64,626)**	**204,244**
Actual tax expense	(49,113)	14	15,527	(33,586)
Net profit (loss) from continuing operations	**222,194**		**(49,099)**	**170,658**
Discontinued operations				
Profit (loss) from discontinued operations	-			-
Profit (loss), net of tax	**222,194**		**(49,099)**	**170,658**
Net profit (loss) for the year attributable to:				
- owners of the Parent	206,471		(45,588)	160,883
- non-controlling interests	15,723		(5,947)	9,776

1. Adjustment of recognised contract revenue:

- ✓ adjustment of revenue recognised under the "Construction of the Malczyce barrage" contract – PLN 6.1m,
- ✓ adjustment of revenue recognised under the "Delivery of equipment and services – the LNG Project" contract – PLN 1.7m,
- ✓ adjustment of revenue recognised under the "Road link between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego" contract – PLN 19.1m,
- ✓ adjustment of revenue recognised under the contract for construction of the Włocławek and Toruń section of the A1 motorway – PLN 17.0m,
- ✓ consolidation adjustment of revenue recognised in connection with the sale of a licence to a subsidiary – approx. PLN 10m.

2. Increase of provisions for losses on construction contracts:
   - ✓ recognition of a provision for loss on the "Road link between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego" contract – PLN 8.9m,
   - ✓ recognition of a provision for loss on a road construction contract – PLN 6.7m,
   - ✓ application of a zero margin on the contract executed as JV "S5", which resulted in the expense of the costs of new project launches – PLN 6.3m.
3. Correction of accounting for the result of an associate – PLN 2.4m.
4. Correction of accounting for goodwill at Rafako and Energomontaż Południe – PLN 33,1m.
5. Consolidation exclusion of amortisation of licence sold within the Group – PLN 1.7m.
6. Reclassification to prepayments and accrued income – PLN 0.8m.
7. Reclassification from "current loans" to "non-current loans" – PLN 31.8m.
8. Reclassification from "current loans" to "non-current loans" – PLN 31.5m.
9. Adjustment connected with determination of the fair value of available-for-sale financial assets as at the balance-sheet date (CP Energia) – PLN 3m.
10. Impairment loss on inventories – PLN 8.9m.
11. Decrease of current receivables and provisions at a subsidiary (Rafako) – PLN 65m.
12. Reclassification of retentions to receivables – PLN 2.3m.
13. Presentation adjustment of sales result at the level of "revenue from rendering of services" and "cost of services rendered" – PLN 24.9m.
14. Income tax on the above listed items.

All amounts in PLN thousand (unless otherwise indicated)

41. APPROVAL FOR PUBLICATION

The consolidated financial statements for the year ended December 31st 2011 (and comparative data) were originally approved by the Company's Management Board on April 27th 2011

Signatures of all Management Board members

2012-04-27	Jerzy Wiśniewski	President of the Management Board
2012-04-27	Przemysław Szkudlarczyk	Vice-President of the Management Board
2012-04-27	Tomasz Tomczak	Vice-President of the Management Board
2012-04-27	Mariusz Łożyński	Vice-President of the Management Board

Signature of the person responsible for the preparation of the consolidated financial statements

2012-04-27	Eugenia Bachorz	Proxy – Accounting Services Centre Director