Company name:	*PBG S.A.*		
Period covered by the financial statements:	*Jan 1 - Dec 31 2011*	**Reporting currency:**	*złoty polski (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2011

WYSOGOTOWO, APRIL 27TH 2012

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All amounts in PLN thousand (unless otherwise indicated)

1. ANNUAL SEPARATE FINANCIAL STATEMENTS

1.1. STATEMENT OF FINANCIAL POSITION

Item	IFRS at Dec 31 2011	IFRS at Dec 31 2010	IFRS at Dec 31 2009
Assets			
Non-current assets	**1,607,673**	**999,019**	**685,605**
Goodwill	1,606	1,606	1,606
Intangible assets	30,657	30,665	28,069
Property, plant and equipment	187,115	176,825	138,779
Non-regenerative natural resources	-	-	-
Investment property	59,736	58,504	8,175
Investments in subsidiaries	1,040,380	455,589	389,950
Investments in associates	6,470	64,375	-
Investments in joint ventures	12	12	-
Receivables	7,692	10,350	7,711
Loans made	168,883	86,058	64,005
Derivative financial instruments	4,230	171	6,415
Other long-term financial assets	96,493	110,502	35,546
Deferred tax assets	-	487	-
Long-term deferred income	4,399	3,875	5,349
Current assets	**1,322,290**	**1,861,191**	**1,559,113**
Inventories	1,735	4,844	17,297
Amounts due from customers for construction contract work	190,421	86,810	149,609
Trade and other receivables	266,409	573,039	366,374
Current tax assets	26,867	-	-
Loans made	592,037	507,715	453,317
Derivative financial instruments	13,206	187	13,166
Other short-term financial assets	-	122,516	20,294
Cash and cash equivalents	171,007	533,959	529,324
Short-term deferred income	60,608	32,121	9,732
Non-current assets held for sale	-	-	-
Total assets	**2,929,963**	**2,860,210**	**2,244,718**

Company name:	***PBG S.A.***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

Item	IFRS at Dec 31 2011	IFRS at Dec 31 2010	IFRS at Dec 31 2009
Equity and liabilities			
Equity	**1,238,138**	**1,189,607**	**1,049,309**
Share capital	14,295	14,295	14,295
Treasury shares (-)	-	-	-
Share premium	733,348	733,348	733,348
Cash-flow hedges	-	65	141
Other components of equity	397,604	276,512	203,246
Retained earnings	92,891	165,387	98,279
- accumulated profit (loss) from prior years	-	-	-
- net profit (loss) for current year	92,891	165,387	98,279
Liabilities	**1,691,825**	**1,670,603**	**1,195,409**
Non-current liabilities	**502,393**	**911,206**	**491,980**
Borrowings, other debt instruments	450,000	873,688	455,885
Finance lease liabilities	7,142	525	1,597
Derivative financial instruments	-	412	553
Other liabilities	14,056	22,607	19,201
Deferred tax liabilities	17,048	-	1,035
Employee benefits liabilities and provisions	324	322	271
Other long-term provisions	8,108	7,185	6,118
Government grants	-	-	-
Long-term deferred income	5,715	6,467	7,320
Current liabilities	**1,189,432**	**759,397**	**703,429**
Borrowings, other debt instruments	652,825	62,814	236,299
Finance lease liabilities	1,073	1,303	1,193
Derivative financial instruments	8,768	41	236
Trade and other payables	516,290	629,280	400,127
Amounts due to customers for construction contract work	4,640	38,897	41,801
Current tax liabilities	-	19,401	17,789
Employee benefits liabilities and provisions	4,184	5,552	1,388
Other short-term provisions	746	1,117	3,598
Government grants	-	-	-
Short-term deferred income	906	992	998
Liabilities under non-current assets held for sale	-	-	-
Total equity and liabilities	**2,929,963**	**2,860,210**	**2,244,718**

1.2. INCOME STATEMENT

Item	IFRS for the period Jan 1 – Dec 31 2011	IFRS for the period Jan 1 – Dec 31 2010	IFRS for the period Jan 1 – Dec 31 2009
Continuing operations			
Revenue	**964,135**	**918,230**	**827,463**
- from related parties	57,149	66,055	202,758
Sale of finished goods	-	11,126	11,317
Rendering of services	964,020	902,153	807,545
Sale of merchandise and materials	115	4,951	8,601
Cost of sales	**(817,801)**	**(743,223)**	**(679,400)**
- from related parties	(155,560)	(111,658)	(337,467)
Finished goods sold	-	(10,133)	(13,759)
Services rendered	(817,686)	(728,139)	(657,198)
Merchandise and materials sold	(115)	(4,951)	(8,443)
Gross profit (loss)	**146,334**	**175,007**	**148,063**
Distribution costs	-	-	-
Administrative expenses	(31,015)	(29,486)	(29,113)
Other income	93,024	52,470	27,781
Other expenses	(28,018)	(4,679)	(6,523)
Restructuring costs	-	-	-
Operating profit (loss)	**180,325**	**193,312**	**140,208**
Finance income - dividend	-	43,233	-
Finance costs	(63,355)	(42,010)	(18,521)
Share of profit (loss) of entities accounted for using the equity method (+/−)	-	-	-
Profit (loss) before tax	**116,970**	**194,535**	**121,687**
Income tax expense	(24,079)	(29,148)	(23,408)
Net profit (loss) from continuing operations	**92,891**	**165,387**	**98,279**
Discontinued operations			
Loss from discontinued operations			
Net profit (loss)	**92,891**	**165,387**	**98,279**

1.3. EARNINGS PER SHARE

Item	IFRS for the period Jan 1 – Dec 31 2011 PLN / share	IFRS for the period Jan 1 – Dec 31 2010 PLN / share	IFRS for the period Jan 1 – Dec 31 2009 PLN / share
Net profit (loss) from continuing operations	92,891	165,387	98,279
Net profit (loss) from continuing and discontinued operations	92,891	165,387	98,279
Weighted average number of ordinary shares ('000)	14,295,000	14,295,000	13,935,000
Diluted weighted average number of ordinary shares ('000)	14,295,000	14,295,000	13,935,000
from continuing operations			
- basic	6.50	11.57	6.88
- diluted	6.50	11.57	6.88
from continuing and discontinued operations			
- basic	6.50	11.57	6.88
- diluted	6.50	11.57	6.88

All amounts in PLN thousand (unless otherwise indicated)

1.4. STATEMENT OF COMPREHENSIVE INCOME

Item	IFRS for the period Jan 1 – Dec 31 2011	IFRS for the period Jan 1 – Dec 31 2010	IFRS for the period Jan 1 – Dec 31 2009
Net profit (loss)	**92,891**	**165,387**	**98,279**
Other comprehensive income			
Revaluation of property, plant and equipment	-	-	-
Available-for-sale financial assets:			
- current year gains (losses)	(23,806)	-	-
- reclassification to profit or loss	-	-	-
Cash flow hedges:			
- current year gains (losses)	7,255	4,805	(3,820)
- reclassification to profit or loss	(7,335)	(4,899)	18,580
- amounts transferred to initial carrying amount of hedged items	-	-	-
Income tax relating to components of other comprehensive income	4,538	18	(2,968)
Other comprehensive income, net of tax	(19,348)	(76)	11,792
Total comprehensive income	**73,543**	**165,311**	**110,071**

All amounts in PLN thousand (unless otherwise indicated)

1.5. STATEMENT OF CASH FLOWS

Item	IFRS for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Cash flows from operating activities			
Profit (loss) before tax	**116,970**	**194,535**	**121,687**
Adjustments:			
Depreciation and impairment of property, plant and equipment	12,352	11,461	11,022
Amortisation and impairment of intangible assets	3,945	4,458	3,805
Change in fair value of investment property	(306)	58	-
Gains (losses) on financial assets and liabilities at fair value through profit or loss	(12,601)	(4,098)	(6,576)
Cash flow hedges recycled from equity	(7,335)	(4,899)	18,580
Impairment of financial assets	-	-	-
(Gain) loss on disposal of non-financial non-current assets	286	(526)	(1,111)
(Gain) loss on disposal of non-derivative financial assets	21,355	-	-
Foreign exchange gains (losses)	(17,332)	-	(2,419)
Interest expense	77,928	56,330	30,939
Interest income	(60,001)	(48,201)	(30,051)
Interest received on bank deposits (received prepayments)	-	-	-
Dividend received	-	(43,228)	-
Share of profit (loss) of associates accounted for using the equity method	-	-	-
Other adjustments	635	(5,271)	(4,512)
Total adjustments:	**18,926**	**(33,916)**	**19,677**
Change in inventories	3,109	12,453	15,326
Change in trade and other receivables	307,617	(201,377)	(90,088)
Change in trade and other payables	(282,177)	229,762	244,479
Change in provisions, accruals and prepaid expenses	(30,660)	(18,975)	3,136
Change in construction contracts and related liabilities	(137,541)	59,896	67,026
Other adjustments	-	-	-
Net changes in working capital	**(139,652)**	**81,759**	**239,879**
Settling of derivative financial instruments	11,172	24,084	(16,134)
Interest paid (operating activities only)	-	-	-
Income taxes paid	(48,274)	(29,040)	(15,199)
Cash flow from operating activities	**(40,858)**	**237,422**	**349,910**
Cash flows from investing activities			
Purchase of intangible assets	(4,035)	(959)	(7,056)
Proceeds from disposals of intangible assets	3,038	-	-
Purchase of property, plant and equipment	(26,575)	(68,325)	(6,921)
Proceeds from disposals of property, plant and equipment	8,510	1,139	7,455
Purchase of investment property	(925)	(39,911)	-
Proceeds from disposals of investment property	-	-	-
Acquisition of subsidiaries, net of cash	(524,513)	(137,783)	(63,923)
Sale of subsidiaries, net of cash	163,030	1,071	1,650
Repayment of loans made	193,363	313,114	36,587
Loans made	(315,034)	(388,771)	(509,563)
Purchase of other financial assets	(111,152)	(339,742)	(11,659)

All amounts in PLN thousand (unless otherwise indicated)

Proceeds from disposals and redemptions of other financial assets	218,433	190,900	82,629
Proceeds from government grants	-	-	-
Interest received	6,206	14,097	14,772
Other inflows	-	-	-
Other investment outflows	(12,512)	-	(7,667)
Dividend received	-	43,228	-
Net cash from (used in) investing activities	**(402,166)**	**(411,942)**	**(463,696)**
Cash flows from financing activities			
Proceeds from issue of share capital	-	-	182,170
Purchase of treasury shares	-	-	-
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	256,286	9,220	147,981
Repayment of borrowings	(90,125)	(95,745)	(146,004)
Payment of finance lease liabilities	(1,848)	(1,156)	(929)
Interest paid	(7,135)	(10,421)	(182)
Interest received on bank deposits (free cash)	9,430	11,947	11,439
Other inflows/outflows	-	-	(707)
Dividend paid	(20,013)	(20,013)	-
Cash flow from financing activities	**80,976**	**179,155**	**478,167**
Net change in cash and cash equivalents	**(362,048)**	**4,635**	**364,381**
Cash and cash equivalent, beginning of period	533,959	**529,324**	**164,943**
Exchange differences on cash and cash equivalents	(904)	-	-
Cash and cash equivalent, end of period	**171,007**	**533,959**	**529,324**

All amounts in PLN thousand (unless otherwise indicated)

1.6. STATEMENT OF CHANGES IN EQUITY

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

Item	Share capital	Treasury shares (-)	Share premium	Cash-flow hedges	Other components of equity	Retained earnings	Total
Balance as at Jan 1 2011	**14,295**	**-**	**733,348**	**65**	**276,512**	**165,387**	**1,189,607**
Changes in accounting policies	-	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-	-
Restated balance	**14,295**	**-**	**733,348**	**65**	**276,512**	**165,387**	**1,189,607**
Changes in equity in the period Jan 1 – Dec 31 2011							
Issue of share capital	-	-	-	-	-	-	-
Employee share options	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(20,013)	(20,013)
Transfer to reserves	-	-	-	-	140,375	(145,374)	(4,999)
Transactions with owners	**-**	**-**	**-**	**-**	**140,375**	**(165,387)**	**(25,012)**
Net profit (loss) for the period Jan 1 – Dec 31 2011	-	-	-	-	-	92,891	92,891
Other comprehensive income net of tax for the period Jan 1 – Dec 31 2011	-	-	-	(65)	(19,283)	-	(19,348)
Total comprehensive income	**-**	**-**	**-**	**(65)**	**(19,283)**	**92,891**	**73,543**
Transfer to retained earnings (disposal of revaluated property, plant and equipment)							-
Balance as at Dec 31 2011	**14,295**	**-**	**733,348**	**-**	**397,604**	**92,891**	**1,238,138**

All amounts in PLN thousand (unless otherwise indicated)

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

Item	Share capital	Treasury shares (-)	Share premium	Cash-flow hedges	Other components of equity	Retained earnings	Total
Balance as at Jan 1 2010	**14,295**	**-**	**733,348**	**141**	**203,246**	**98,279**	**1,049,309**
Changes in accounting policies	-	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-	-
Restated balance	**14,295**	**-**	**733,348**	**141**	**203,246**	**98,279**	**1,049,309**
Changes in equity in the period Jan 1 – Dec 31 2010							
Issue of share capital	-	-	-	-	-	-	-
Employee share options	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(20,013)	(20,013)
Transfer to reserves	-	-	-	-	73,266	(78,266)	(5,000)
Transactions with owners	**-**	**-**	**-**	**-**	**73,266**	**(98,279)**	**(25,013)**
Net profit (loss) for the period Jan 1 – Dec 31 2010	-	-	-	-	-	165,387	165,387
Other comprehensive income net of tax for the period Jan 1 – Dec 31 2010	-	-	-	(76)	-	-	(76)
Total comprehensive income	**-**	**-**	**-**	**(76)**	**-**	**165,387**	**165,311**
Transfer to retained earnings (disposal of revaluated property, plant and equipment)							-
Balance as at Dec 31 2010	**14,295**	**-**	**733,348**	**65**	**276,512**	**165,387**	**1,189,607**

Company name:	***PBG S.A.***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

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

Item	Share capital	Treasury shares (-)	Share premium	Cash-flow hedges	Other components of equity	Retained earnings	Total
Balance as at Jan 1 2009	**13,430**	**-**	**551,178**	**(11,651)**	**149,776**	**58,469**	**761,202**
Changes in accounting policies	-	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-	-
Restated balance	**13,430**	**-**	**551,178**	**(11,651)**	**149,776**	**58,469**	**761,202**
Changes in equity in the period Jan 1 – Dec 31 2009							
Issue of share capital	865	-	182,170	-	-	-	183,035
Employee share options	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	53,469	(58,469)	(5,000)
Transactions with owners	**865**	**-**	**182,170**	**-**	**53,469**	**(58,469)**	**178,035**
Net profit (loss) for the period Jan 1 – Dec 31 2009	-	-	-	-	-	98,279	98,279
Other comprehensive income net of tax for the period Jan 1 – Dec 31 2009	-	-	-	11,792	-	-	11,792
Total comprehensive income	**-**	**-**	**-**	**11,792**	**-**	**98,279**	**110,071**
Transfer to retained earnings (disposal of revaluated property, plant and equipment)							-
Balance as at Dec 31 2009	**14,295**	**-**	**733,348**	**141**	**203,246**	**98,279**	**1,049,309**

All amounts in PLN thousand (unless otherwise indicated)

2. GENERAL INFORMATION

2.1. COMPANY

PBG S.A. is the parent of the PBG Group, and was incorporated on January 2nd 2004, by virtue of a Notary 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 Company 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 Company's Industry Identification Number (REGON) is 631048917. PBG shares are listed on the Warsaw Stock Exchange.

The Company's registered office is located at ul. Skórzewska 35 in Wysogotowo, 62-081 Przeźmierowo, Poland The Company's registered office is also its 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.

2.2. MANAGEMENT BOARD AND SUPERVISORY BOARD

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

Dec 31 2011	
Management Board	**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 — Secretary of the Supervisory Board Adam Strzelecki —Member of the Supervisory Board; Marcin Wierzbicki—Member of the Supervisory Board;
Dec 31 2010	
Management Board	**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 — Secretary of the Supervisory Board Adam Strzelecki —Member of the Supervisory Board; Marcin Wierzbicki – Member of the Supervisory Board

Dec 31 2009	
Management Board	**Supervisory Board**
Jerzy Wiśniewski—President of the Management Board	Maciej Bednarkiewicz—Chairman of the Supervisory Board;
Tomasz Woroch – Vice-President of the Management Board	Jacek Kseń – Deputy Chairman of the Supervisory Board
Przemysław Szkudlarczyk – Vice-President of the Management Board	Wiesław Lindner – Secretary of the Supervisory Board
Tomasz Tomczak – Vice-President of the Management Board	Dariusz Sarnowski – Member of the Supervisory Board;
Mariusz Łożyński – Vice-President of the Management Board	Adam Strzelecki – Member of the Supervisory Board

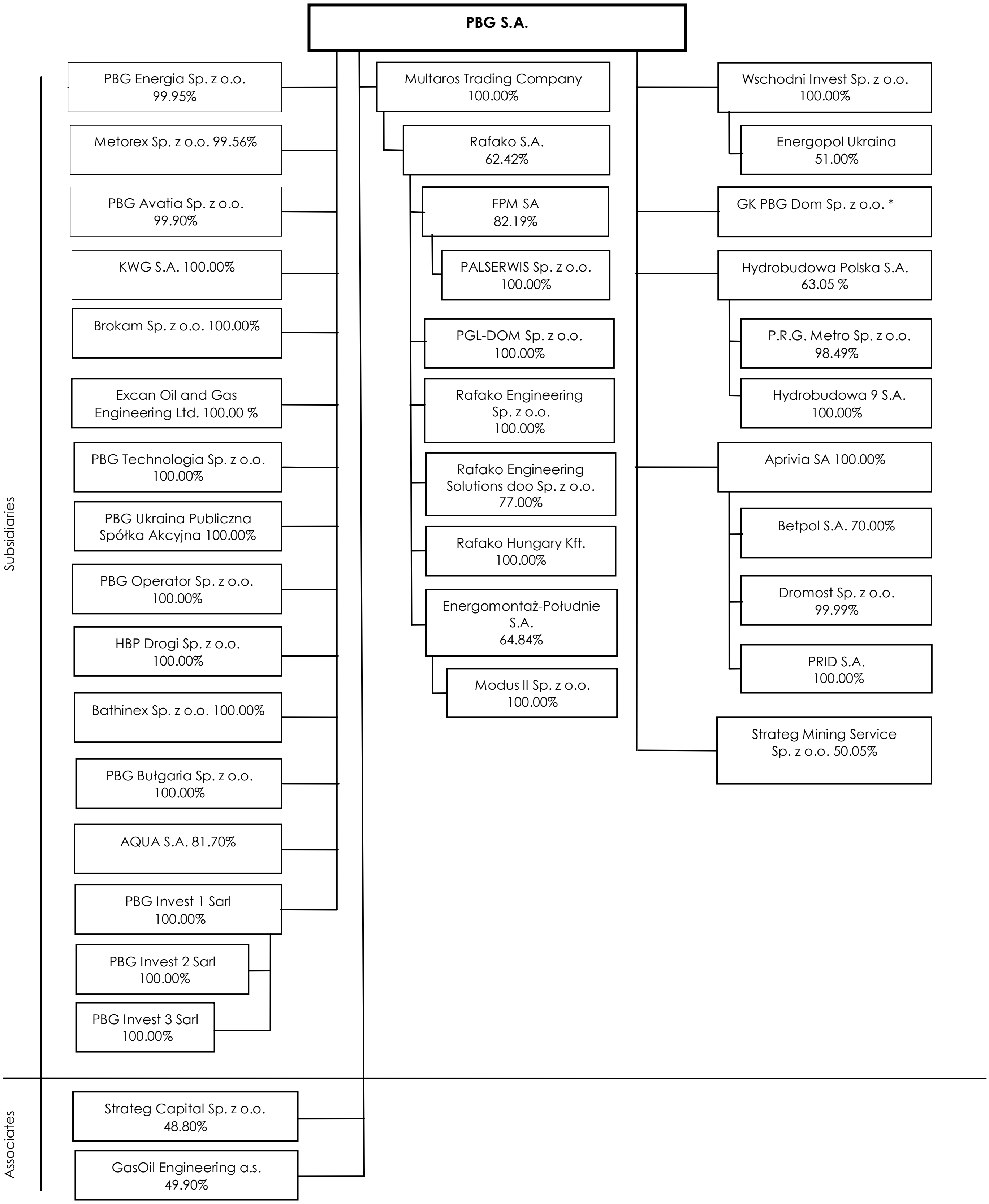
On December 12th 2011, Mr Tomasz Woroch tendered his resignation from the position of Vice-President of the PBG Management Board to the Chairman of the Supervisory Board.

Mr Marcin Wierzbicki and Mr Adam Strzelecki tendered their resignations from the position of Members of the Supervisory Board on April 2nd and April 3rd 2012, respectively.
The Extraordinary General Meeting of PBG S.A. held on April 3rd 2012 appointed Messers. Andreas Madej and Piotr Bień to the PBG Supervisory Board.

2.3. DESCRIPTION OF THE COMPANY'S BUSINESS

The core business of the Company 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).

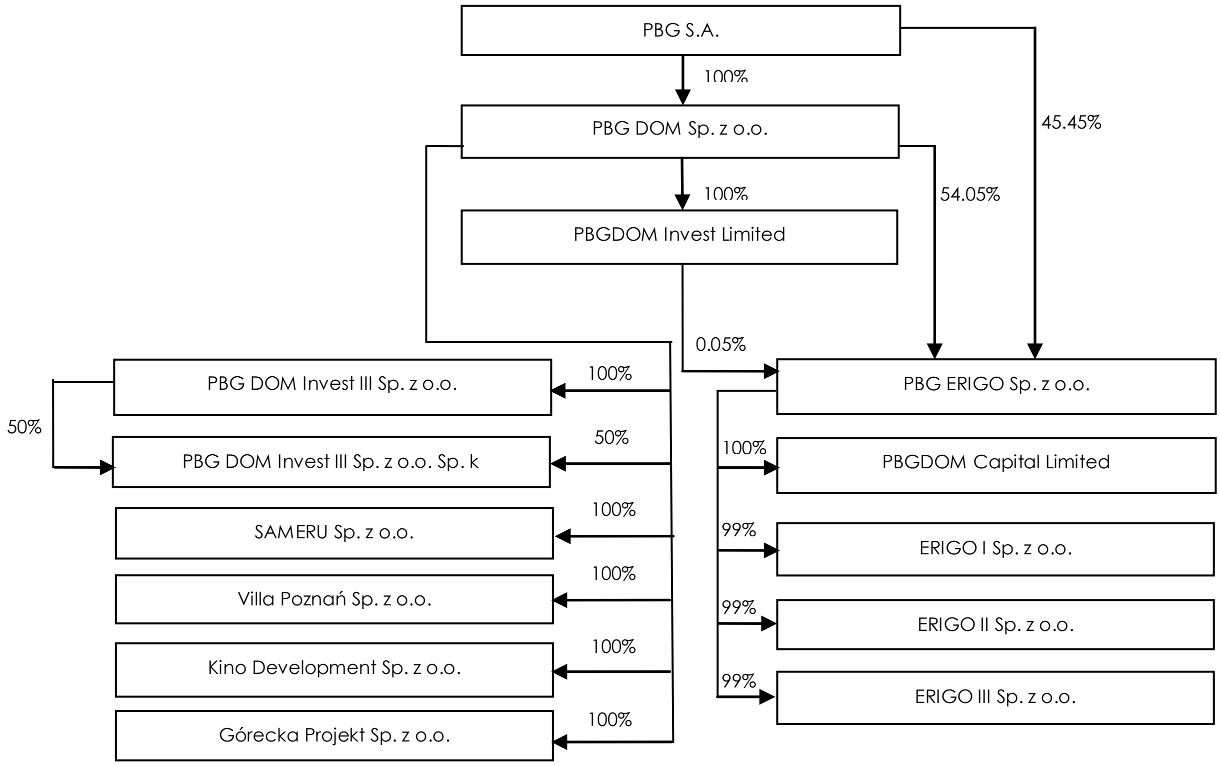
STRUCTURE OF THE PBG GROUP AS AT DECEMBER 31ST 2011



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

Company name:	***PBG S.A.***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

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



2.4. APPROVAL FOR PUBLICATION

These separate financial statements for the year ended December 31st 2011 were approved for publication by the Company's Management Board on April 27th 2012 (see Section 9).

2.5. INFORMATION ON THE BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.5.1. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements of PBG S.A. were prepared in accordance with the EU-endorsed International Financial Reporting Standards (IFRS), which were in effect as at December 31st 2011.

2.5.2. REPORTING CURRENCY AND THE LEVEL OF ROUNDING

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

2.5.3. GOING CONCERN ASSUMPTION

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

The current level of the Company's and the PBG 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.
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 strategy for the power engineering segment, PBG S.A. strengthened its capabilities in the field through acquisition in 2011 of controlling interests in Energomontaż Południe S.A. and RAFAKO S.A. The total acquisition expenditure was PLN 712m. When making the decision to acquire RAFAKO S.A. in June 2011, the PBG Management Board intended to finance the transaction with 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. Until December 31st 2012, the purchase price for the 66% interest in RAFAKO S.A.

totalled PLN 560.3m. After the balance-sheet date, further shares were purchased for PLN 33m. Therefore, as at the date of these statements, the value of RAFAKO shares held b PBG S.A. was PLN 592.7m.

An additional factor which has significantly affected the PBG Group's capacity to finance its working capital was the payment of PLN 135m under a guarantee to Alstom Power Sp. z o.o., which was made by one of the banks serving the PBG Group. In the opinion of PBG S.A., the payment was made in violation of the law and the PBG Group 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 PBG Management Board has 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 bonds, or rolling over the existing bonds, and
- issuing bonds convertible into shares. Under a resolution adopted in April 2012 by the Extraordinary General Meeting, 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 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.
As at the balance-sheet date and in the period until the date of these statements, the Company satisfied all covenants under the credit facility agreements, except for the covenant concerning the level of net margin. The PBG Management Board monitors and complies with all other covenants provided for in the credit facility agreements and specified for the entire PBG Group, also at the level of the separate financial statements. The Board also monitors on an ongoing basis the Company's payment ability, in the context of any credit liabilities falling due, conditional upon the meeting of the covenants by the PBG Group. Creditors are provided with the financial data to calculate the covenants on a regular basis and of any risks of failure by PBG S.A. to comply with the covenants.

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 adapting of the current corporate structure to the Group's scale of operations and strategy.

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

The statements will be made available at PBG S.A.'s website at http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-okresowe.html on the day set forth in the current report concerning the release dates of separate and consolidated annual reports for 2011.

2.5.4. MANAGEMENT BOARD'S REPRESENTATION

Pursuant to the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities of October 19th 2005, the PBG Management Board hereby represents that to the best of their knowledge, these financial statements and the comparative information have been prepared in accordance with the accounting policies applied by PBG S.A., give a true, clear and fair view of the Company's assets, its profit or loss, and that the Directors' Report gives a true picture of the development, achievements and position of the Company, including its key risks and threats.

These financial statements have been prepared in accordance with the accounting policies compliant with the International Financial Reporting Standards as endorsed by the European Union, and their scope complies with the requirements of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities of October 19th 2005 (Dz. U. No 209, item 1744); these financial statements cover the period from January 1st to December 31st 2010 and the comparative period from January 1st to December 31st 2009.

The PBG Management Board hereby represents that the auditor, being an entity qualified to audit financial statements, was appointed in compliance with the applicable laws and that the entity and auditors who conducted the audit satisfy the auditor independence criteria to deliver an unbiased and independent auditor's opinion in compliance with the applicable laws.

Pursuant to the corporate governance rules applied by the PBG Management Board, the auditor was appointed by the Supervisory Board on March 29th 2011.

The Supervisory Board made the decision with a view to ensuring a fully independent and unbiased selection as well as independent and unbiased work of the auditor.

2.6. AMENDMENTS TO STANDARDS AND INTERPRETATIONS

2.6.1. EFFECTIVE AMENDMENTS TO STANDARDS AND INTERPRETATIONS APPLIED 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 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 Company's accounting policies or in the presentation of its financial statements.

2.6.2. 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.

2.6.3. PUBLISHED STANDARDS AND INTERPRETATIONS NOT YET ENDORSED FOR USE BY THE EUROPEAN UNION

- 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 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.
- MSSF 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. In the Company’s opinion, the standard concerns the consolidated financial statements and may affect presented disclosures.

- 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 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 oliabilities 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.

The Company intends to implement the above standards and interpretations as of their effective dates.

The Company's Management Board monitors the new standards and interpretations on an ongoing basis and analyses their impact on the financial statements.

3. ACCOUNTING POLICIES

The annual separate 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.

3.1.1. 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 financial statements are presented in accordance with IAS 1 (see also Section 2.7.1 above). The Company presents a separate income statement directly above the statement of comprehensive income. The items of the income statement are presented using the function of expense method, whereas the statement of cash flows is prepared using the indirect method.

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

In compliance with IFRS 8, results of the operating segments are based on the internal reports regularly reviewed by the Company's Management Board. The 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 financial statements.

The Company 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. BUSINESS COMBINATIONS

Business combinations which are within the scope of IFRS 3 are accounted for by applying the purchase 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.

Any excess of the acquisition cost (cost of business combination) 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 acquisition cost (cost of business combination) 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.

PBG S.A. 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.

3.5. FOREIGN CURRENCY TRANSACTIONS

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

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.

3.6. 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.

3.7. GOODWILL

Goodwill is recognised as excess of the cost (cost of business combination) over the fair values of the identifiable net assets of the acquiree (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).

4. DETAILED POLICIES RELATING TO MEASUREMENT OF ASSETS AND LIABILITIES

4.1. 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:

PBG S.A.	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. The Company does not carry any intangible assets with infinite lives.

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 Company intends to complete the asset and either use it or sell it,
- the Company is able to either use or sell the intangible asset,
- the intangible asset will bring economic benefits and the Company is able to demonstrate that (existence of a market or usefulness of the item for the Company),
- the Company 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 4.4.

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.

4.2. 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:

PBG S.A.	Period
Land (perpetual usufruct rights)	not depreciated
Buildings and structures	40-50 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 Company under “property, plant and equipment” in the statement of financial position.

In accordance with the policies applied by the Company, 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.

4.3. 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.

4.4. 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 Company operates.

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 Company 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.

4.5. 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 recognised in the Company's financial statements under "investment property" in the statement of financial position.

4.6. 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.

4.7. 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 Company 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 Company 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, PBG S.A. 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.

4.7.1. FINANCIAL ASSETS

For the purpose of measurement subsequent to initial recognition, financial assets other than hedging derivatives are classified by the Company 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 advanced”,
- non-current assets, under “loans advanced”, “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 Company upon initial recognition to be measured at fair value through profit or loss. Asset or liability may be designated by the Company 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 the Company intends and is able to hold to maturity, other than the assets which are classified as loans and receivables.

In this category the Company 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 Company 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 current financial assets".

Shares of non-listed companies are measured at cost less impairment, because reliable estimation of their fair value is not possible. 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

Investments in subsidiaries and associates

The Company classifies as *subsidiaries* those entities in the case of which it has the power to govern their financial and operating policies so as to obtain benefits from their activities. Such power to govern is held through holding of a majority of the total vote in such entities' governing bodies, i.e. their management and supervisory boards. Any assessment as to whether the Company has control of a given entity is made taking into account the existence and effect of potential voting rights that are currently exercisable or convertible.

Investments in associates are those investments over which the Company has significant influence, but not control.

Investments in subsidiaries and associates are recognised at cost in line with IFRS 5.

Investments in jointly-controlled entities

The Company holds shares in entities which under IAS 31 are classified as shares in joint ventures. The standard provides detailed rules for accounting for interests in joint ventures and reporting of joint venture assets, liabilities, income and expenses in the financial statements.

- 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.

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.

A jointly-controlled entity maintains its own accounting records and prepares and presents financial statements in the same way as other entities in conformity with International Financial Reporting Standards.

Par. 3 of IAS 31 defines a joint venture as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Investments in jointly-controlled entities are recognised at cost.

4.7.2. 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.

4.7.3. HEDGE ACCOUNTING

In accordance with the corporate risk management strategy adopted by PBG S.A., the Company is obliged to use hedge accounting in the case of all construction contracts which are settled in foreign currencies in order limit the impact of financial risk on operating profit as far as possible. The Company'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.

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

With respect to derivatives designated as cash flow hedging instruments the Company applies accounting policies determined in IAS 39. To apply hedge accounting, the Company 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.

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 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 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.

4.8. 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 Company analyses the aging of inventories by category, and determines the amount of write-downs to recognise.

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

4.9. 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.

4.10. 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 Company'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 Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

4.11. EQUITY

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

Treasury shares acquired and held by the Company 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,
- 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).

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 Company are presented separately in "The statement of changes in equity".

4.12. SHARE-BASED PAYMENTS

The Company operates incentive schemes under which key members of its management staff are granted shares in PBG or subsidiaries.

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 Company 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.

4.13. EMPLOYEE BENEFITS

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

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

4.13.1. 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 Company expects to pay.

4.13.2. PROVISIONS FOR ACCRUED HOLIDAY ENTITLEMENT

The Company recognises provision for the expected cost of accumulating compensated absences, as a result of the accrued holiday entitlement as at the reporting date.
The provision for accrued 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.

4.13.3. RETIREMENT GRATUITY AND JUBILEE

In accordance with the remuneration systems in place at PBG S.A., employees are entitled to retirement gratuity benefits. whereas retirement gratuity benefits are one-off benefits, paid out when the employee retires. The amounts of retirement gratuity benefits depend on the length of employment and average remuneration of a given employee.

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

According to IAS 19, retirement gratuity benefits are post-employment benefits.

The present value of the provisions as at each reporting date is assessed

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.

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

4.14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company recognises a provision if it 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 Company 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 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 Company, 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, e.g. under an insurance agreement, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. 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 financial statements in section 4.28.

Any possible inflows of economic benefits to the Company 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.

4.15. PREPAID EXPENSES AND DEFERRED INCOME

Under the asset line item "Prepaid expenses" the Company 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 Company 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 Company 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, PBG presents it in its statement of financial position as deferred income, under "Deferred income".

4.16. 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 Company and its amount can be measured reliably.

4.16.1. SALE OF GOODS (MERCHANDISE AND PRODUCTS)

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

- The Company 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 Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

4.16.2. 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 Company 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 a form of consortium in which 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 invoicing. Appointment of the consortium leader does not mean that the leader takes control over the consortium. 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 separate financial statements the assets, liabilities, income and expenses.

- 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 Company interest in construction contract revenue and costs are recognised in accordance with IAS 11.

3.16.3 DIVIDENDS AND OTHER FINANCE INCOME

INTEREST AND DIVIDEND

Interest income is recognised as it accrues, using the effective interest rate method. 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 Company'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 Company's operations, including:
  - net foreign exchange gains on liabilities which constitute the Company'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.**

4.18. EXPENSES

Expenses are recognised by the Company 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,

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

- interest on bank borrowings,
- interest on current and non-current loans, borrowings and other sources of financing, including discounting of liabilities,
- net foreign-exchange losses.

4.19. INCOME TAX (CURRENT AND DEFERRED)

Mandatory increases of loss/decreases of profit include 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.

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

All amounts in PLN thousand (unless otherwise indicated)

4.20. MANAGEMENT'S SUBJECTIVE JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of financial statements requires the 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 financial statements is disclosed below.

4.20.1. USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

Every year, the Company's Management Board reviews the useful lives of depreciable assets. In Management Board's opinion, as at December 31st 2011, the useful lives of assets applied by the Company reflect the expected period of assets' utility to the Company. However, actual useful lives may differ from the assumptions, due to such factors as technical obsolescence. For carrying amount of depreciable assets, see Notes 4.1 and 4.3.

4.20.2. CONSTRUCTION CONTRACTS REVENUE

Construction contracts revenue and amounts due recognised in the 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. Estimated profits on contracts in progress at the end of the reporting periods has been calculated as follows:

Item	Q1-Q4 Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	Q1-Q4 Jan 1 – Dec 31 2009
Initial amount of revenue agreed in contract	2,902,774	3,220,075	2,680,515
Variations in contract work	252,327	223,855	298,601
Aggregate amount of revenue	3,155,101	3,443,930	2,979,116
Amount of costs incurred to balance-sheet date	1,749,228	1,165,859	1,054,216
Costs expected to incur to finish contract work	903,162	1,739,278	1,438,729
Aggregate amount of contract costs	2,652,390	2,905,137	2,492,945
Aggregate estimated profit (loss) on construction contracts, including:	**502,711**	**538,793**	**486,171**
profit	**502,711**	**538,793**	**492,733**
loss (-)	-	-	(6,562)

Amounts due from customers for construction contract work of PLN 190,421 thousand (2010: PLN 86,810 thousand; 2009: PLN 149,609 thousand), and construction contract revenue reflect Management Board's best estimates of the results and stage of completion of particular contracts.

4.20.3. PROVISIONS

The carrying amount of provisions for employee benefits, including retirement gratuity and accrued holiday entitlement, is assessed using the projected unit credit method. Provisions for employee benefits reported in the financial statements amount to PLN 667 thousand (2010: PLN 564 thousand; 2009: PLN 457 thousand). The amount of provisions depends on the assumptions concerning the discount rate and the expected salary increase index. A one percentage point decrease in the 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 63 thousand (2010: PLN 67 thousand; 2009: PLN 61 thousand).

Provisions for warranty repairs are measured at a probability-weighted value, as assessed by the Company'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. No provisions for losses on construction contracts were recognised in 2011. As December 31st 2011, provisions for warranty repairs were PLN 8,854 thousand (2010: PLN 8,302 thousand; 2009: PLN 9,716 thousand).

4.20.4. DEFERRED TAX ASSETS

The probability that a deferred tax asset will be utilised against future taxable profit is based on the Company's budget, approved by the Management Board. If financial forecasts suggest that the Company will achieve taxable income, the deferred tax assets are recognised in the full amount.

4.20.5. IMPAIRMENT OF NON-FINANCIAL ASSETS

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 Company's assets in subsequent reporting periods.

4.20.6. 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 were PLN 23,925 thousand. The Company recognised impairment losses of PLN 3,534 thousand.
As at December 31st 2011, receivables with the carrying amount of PLN 43,733 thousand (2010: PLN 129,718 thousand; 2009: PLN 102,649 thousand) served as collateral for the Company's liabilities. For information on security for liabilities, see Note 4.10.5.

4.21. 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 Group has corrected errors and accounting policies restating the comparative amounts for the prior periods presented in the interim condensed consolidated financial statements.

The Parent's Management Board decided that as of 2011 the Company 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:

- Presentation of transactions and their effects is to focus on recognising only those transactions and activities as financing activities presented in financial statements, which are related to raising financing, while the results of investing activities involving investment and allocation of funds to the benefit of the Company should be recognised as operating activities in the income statement;
- 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 – in the opinion of the Parent's Management Board, the change will

allow to present transactions in consolidated financial statements in a more comprehensible manner.

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 Company's credit agreements and rules set forth in the terms of notes issued by PBG S.A.

Under the new rules:

- **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.

Company name:	***PBG S.A.***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES

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 Company as at December 31st 2010						
1.	Correction resulting from the recognition in the separate financial statements of transactions related to the contract executed under IAS 31 as "jointly-controlled assets" - LNG (previously recognised in the consolidated financial statements)	+		-	91,983	91,983
	Total corrections	**x**	**x**	**-**	**91,983**	**91,983**

No.	Correction	Item of financial statements (+)	Item of financial statements (-)	Value	Value
Corrections related to the changes in accounting policies in the income statement as at Dec 31 2010					
1.	Corrections related to the transfer of interest on cash in bank account reserved for operating activities	Other income	-	4,385	-
		-	Finance income		(4,385)
2.	Corrections related to the transfer of interest on loans for operating activities	Other income	-	36,719	-
			Finance income		(36,719)

All amounts in PLN thousand (unless otherwise indicated)

3.	Corrections related to the transfer of interest on debt securities to operating activities	Other income	-	1,422	-
		-	Finance income		(1,422)
4.	Corrections related to the transfer of profit (loss) on derivative instruments related to operating activities	Other income	-	910	
		-	Finance income		(910)
5.	Corrections related to the transfer of other operating income	Other income	-	1,040	
		-	Finance income		(1,040)
6.	Corrections related to the transfer of interest on liabilities to operating activities	Other expenses	-	197	
		-	Finance costs		(197)
7.	Corrections related to the transfer of net exchange gains (losses) on operating activities	Other expenses	-	2,083	-
		-	Finance costs		(2,083)
8.	Corrections related to the transfer of other gains/(losses) on investments to operating activities	Other income	-	17	
		-	Other gains/(losses) on investments		(17)
	Total corrections	**x**	**x**	**46,773**	**(46,773)**

The effects of error corrections and presentation adjustments on the comparative data in financial statements are presented below:

Company name:	***PBG S.A.***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

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

Correction	Dec 31 2010			
	Before	Correction No.	Correction amount	After
Assets				
Non-current assets	**999,753**		**(736)**	**999,017**
Goodwill	1,606			1,606
Intangible assets	30,665			30,665
Property, plant and equipment	176,825			176,825
Non-regenerative natural resources	-			-
Investment property	58,504			58,504
Investments in subsidiaries	455,589			455,589
Investments in associates	64,375			64,375
Investments in joint ventures	748	1	(736)	12
Receivables*	10,350			10,350
Loans made	86,058			86,058
Derivative financial instruments	171			171
Other long-term financial assets	110,502			110,502
Deferred tax assets	485			485
Long-term deferred income	3,875			3,875
Current assets	**1,768,472**		**92,719**	**1,861,191**
Inventories	4,844			4,844
Amounts due from customers for construction contract work	86,810			86,810
Trade and other receivables	572,949	1	90	573,039
Current tax assets	-			-
Loans made	507,715			507,715
Derivative financial instruments	187			187
Other short-term financial assets	122,516			122,516
Cash and cash equivalents	441,600	1	92,359	533,959
Short-term deferred income	31,851	1	270	32,121
Non-current assets held for sale	-		-	-
Total assets	**2,768,225**		**91,983**	**2,860,208**

Item	Dec 31 2010			
	Before	Correction No.	Correction amount	After
Equity and liabilities				
Equity	**1,189,607**		**-**	**1,189,607**
Share capital	14,295			14,295
Treasury shares (-)	-			-
Share premium	733,348			733,348
Cash-flow hedges	65			65
Other components of equity	276,512			276,512
Retained earnings	165,387		-	165,387
- accumulated profit (loss) from prior years	-			-
- net profit (loss) for current year	165,387			165,387
Liabilities	**1,578,618**		**91,983**	**1,670,601**
Non-current liabilities	**911,206**		**-**	**911,206**
Borrowings, other debt instruments	873,688			873,688
Finance lease liabilities	525			525
Derivative financial instruments	412			412
Other liabilities	22,607			22,607
Deferred tax liabilities	-			-

All amounts in PLN thousand (unless otherwise indicated)

Employee benefits liabilities and provisions	322			322
Other long-term provisions	7,185			7,185
Government grants	-			-
Long-term deferred income	6,467			6,467
Current liabilities	**667,412**		**91,983**	**759,397**
Borrowings, other debt instruments	62,814			62,814
Finance lease liabilities	1,303			1,303
Derivative financial instruments	41			41
Trade and other payables	544,961	1	84,319	629,281
Amounts due to customers for construction contract work	31,233	1	7,664	38,898
Current tax liabilities	19,401			19,401
Employee benefits liabilities and provisions	5,552			5,552
Other short-term provisions	1,117			1,117
Government grants	-			-
Short-term deferred income	990			990
Liabilities under non-current assets held for sale	-			-
Total equity and liabilities	**2,768,225**		**91,983**	**2,860,208**

Income statement	**Jan 1 – Dec 31 2010**			
	Before	Correction No.	Correction amount	After
Continuing operations				
Revenue	**909,954**		**8,276**	**918,230**
Sale of finished goods	11,126			11,126
Rendering of services	893,877	1	8,276	902,153
Sale of merchandise and materials	4,951			4,951
Cost of sales	**(735,076)**		**(8,147)**	**(743,223)**
Finished goods sold	(10,133)			(10,133)
Services rendered	(719,992)	1	(8,147)	(728,139)
Merchandise and materials sold	(4,951)			(4,951)
Gross profit (loss)	**174,878**	**-**	**129**	**175,007**
Distribution costs	-			-
Administrative expenses	(29,486)			(29,486)
Other income	7,978	presentation	44,493	52,471
Other expenses	(2,379)	presentation	(2,301)	(4,680)
Share in profit of entities accounted for with equity method	-			-
Restructuring costs	-			-
Operating profit (loss)	**150,991**		**42,321**	**193,312**
Finance income	99,252	1; presentation	(41,874)	57,378
Finance costs	(56,372)	presentation	217	(56,153)
Share in profit of entities accounted for with equity method	647	1	(647)	1
Other gains/(losses) on investments	17	presentation	(17)	2
Profit (loss) before tax	**194,535**		**-**	**194,540**
Income tax expense	(29,148)			(29,148)
Net profit (loss) from continuing operations	**165,387**		**-**	**165,392**
Discontinued operations				
Profit (loss) from discontinued operations	-			-
Net profit (loss)	**165,387**		**-**	**165,392**

All amounts in PLN thousand (unless otherwise indicated)

Income statement	Jan 1 – Dec 31 2009			
	Before	Correction No.	Correction amount	After
Continuing operations				
Revenue	**827,463**		**-**	**827,463**
Sale of finished goods	11,317			11,317
Rendering of services	807,545			807,545
Sale of merchandise and materials	8,601			8,601
Cost of sales	**(679,400)**		**-**	**(679,400)**
Finished goods sold	(13,759)			(13,759)
Services rendered	(657,198)			(657,198)
Merchandise and materials sold	(8,443)			(8,443)
Gross profit (loss)	**148,063**		**-**	**148,063**
Distribution costs	-			-
Administrative expenses	(29,113)			(29,113)
Other income	8,887	presentation	18,894	27,781
Other expenses	(2,241)	presentation	(4,282)	(6,523)
Share in profit of entities accounted for with equity method	-			-
Restructuring costs	-			-
Operating profit (loss)	**125,596**		**14,612**	**140,208**
Finance income	31,578	presentation	(18,894)	12,684
Finance costs	(35,487)	presentation	4,282	(31,205)
Share in profit of entities accounted for with equity method	-			-
Other gains/(losses) on investments	-			-
Profit (loss) before tax	**121,687**		**-**	**121,687**
Income tax expense	(23,408)			(23,408)
Net profit (loss) from continuing operations	**98,279**	**-**	**-**	**98,279**
Discontinued operations				-
Profit (loss) from discontinued operations	-			-
Net profit (loss)	**98,279**		**-**	**98,279**

4.22. 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.

PBG S.A. 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,

All amounts in PLN thousand (unless otherwise indicated)

- 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.

4.23. EARNINGS PER SHARE

EPS is calculated by dividing profit or loss for the period attributable to ordinary equity holders 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 a 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.

5. NOTES TO THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT

5.1. INTANGIBLE ASSETS

Intangible assets used by the Company 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.

INTANGIBLE ASSETS

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Brand names	-	-	-
Patents and licences	18,644	19,999	21,918
Computer software	1,753	3,292	3,518
Development expenditures	-	-	-
Other	6,466	6,918	285
Net carrying amount	**26,863**	**30,209**	**25,721**
Intangible assets under development	3,794	456	2,348
Prepayments for intangible assets	-	-	-
Total intangible assets	**30,657**	**30,665**	**28,069**
Intangible assets classified as held for sale	-	-	-
Intangible assets	**30,657**	**30,665**	**28,069**

Company name:	***PBG S.A.***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

CHANGES IN CARRYING AMOUNTS OF INTANGIBLE ASSETS

Item	Brand names	Patents and licences	Computer software	Development expenditures	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	**-**	**19,548**	**3,292**	**-**	**7,369**	**456**	**-**	**30,665**
Additions	-	445	113	-	78	3,402	-	**4,038**
Disposals (-)	-	(35)	(2)	-	-	-	-	**(37)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	-	-	**-**
Impairment loss (-)	-	-	-	-	-	-	-	**-**
Impairment loss reversed	-	-	-	-	-	-	-	**-**
Depreciation (-)	-	(1,981)	(1,650)	-	(314)	-	-	**(3,945)**
Other changes	-	667	-	-	(667)	(64)	-	**(64)**
Carrying amount at Dec 31 2011	**-**	**18,644**	**1,753**	**-**	**6,466**	**3,794**	**-**	**30,657**

Item	Brand names	Patents and licences	Computer software	Development expenditures	Other	Intangible assets under development	Prepayments for intangible assets	Total
for the period from Jan 1 to Dec 31 2010								
Carrying amount at Jan 1 2010	**-**	**21,918**	**3,518**	**-**	**285**	**2,348**	**-**	**28,069**
Additions	-	187	1,671	-	7,369	1,024	-	**10,251**
Disposals (-)	-	(281)	-	-	-	(2,644)	-	**(2,925)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	-	-	**-**
Impairment loss (-)	-	-	-	-	-	-	-	**-**
Impairment loss reversed	-	-	-	-	-	-	-	**-**
Depreciation (-)	-	(1,825)	(1,897)	-	(736)	-	-	**(4,458)**
Other changes	-	-	-	-	-	(272)	-	**(272)**
Carrying amount at Dec 31 2010	**-**	**19,999**	**3,292**	**-**	**6,918**	**456**	**-**	**30,665**

All amounts in PLN thousand (unless otherwise indicated)

for the period from Jan 1 to Dec 31 2009								
Carrying amount at Jan 1 2009	**-**	**6,030**	**3,712**	**-**	**854**	**-**	**-**	**10,596**
Additions	-	18,711	244	-	-	166	-	**19,121**
Disposals (-)	-	(25)	-	-	-	-	-	**(25)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	-	-	**-**
Impairment loss (-)	-	-	-		-	-	-	**-**
Impairment loss reversed	-	-	-	-	-	-	-	**-**
Depreciation (-)	-	(2,649)	(587)	-	(569)	-	-	**(3,805)**
Other changes	-	(149)	149	-	-	2,182	-	**2,182**
Carrying amount at Dec 31 2009	**-**	**21,918**	**3,518**	**-**	**285**	**2,348**	**-**	**28,069**

Item	Brand names	Patents and licences	Computer software	Development expenditures	Other	Intangible assets under development	Prepayments for intangible assets	**Total**
As at Dec 31 2011								
Gross carrying amount	-	26,369	8,742	-	10,293	3,794	-	49,198
Accumulated depreciation and impairment	-	(7,725)	(6,989)	-	(3,827)	-	-	(18,541)
Carrying amount at Dec 31 2011	**-**	**18,644**	**1,753**	**-**	**6,466**	**3,794**	**-**	**30,657**
As at Dec 31 2010								
Gross carrying amount	-	25,981	8,651	-	10,215	456	-	45,303
Accumulated depreciation and impairment	-	(5,982)	(5,359)	-	(3,297)	-		(14,638)
Carrying amount at Dec 31 2010	**-**	**19,999**	**3,292**	**-**	**6,918**	**456**	**-**	**30,665**
As at Dec 31 2009								
Gross carrying amount	-	26,427	7,437	-	2,846	2,348	-	39,058
Accumulated depreciation and impairment	-	(4,509)	(3,919)	-	(2,561)	-	-	(10,989)
Carrying amount at Dec 31 2009	**-**	**21,918**	**3,518**	**-**	**285**	**2,348**	**-**	**28,069**

All amounts in PLN thousand (unless otherwise indicated)

The most significant intangible asset owned by PBG S.A. 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 license was purchased for PLN 16,169 thousand, and its useful economic life was assumed as 10 years. As December 31st 2011, the carrying amount of the asset was PLN 12,663 thousand (2010: PLN 12,801 thousand; 2009: 14,552 thousand) and its remaining amortisation period was seven years.

The Company does not use intangible assets with indefinite useful lives (see section on accounting policies).

Amortisation of intangible assets

AMORTISATION OF INTANGIBLE ASSETS

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Cost of sales	2,103	2,626	2,125
Administrative expenses	1,842	1,832	1,680
Distribution costs	-	-	-
Total amortisation of intangible assets	**3,945**	**4,458**	**3,805**

In 2011, 2010 and 2009, the Company did not recognise any impairment losses that would require disclosure in the income statement.
As at December 31st 2011, 2010 and 2009, the Company did not use intangible assets as collateral for its liabilities.

FULLY AMORTISED INTANGIBLE ASSETS STILL IN USE

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Gross carrying amount of fully amortised intangible assets still in use	6,530	6,800	4,438
Total fully amortised intangible assets	**6,530**	**6,800**	**4,438**

As at December 31st 2011, the Company reviewed the useful lives of intangible assets adopted earlier, in line with IAS 36 and the applied accounting policies. As at the end of 2011, gross carrying amount of fully amortised intangible assets still in use by the Company was PLN 6,530 thousand (2010: PLN 6,800 thousand; 2009: PLN 4,438 thousand). Intangible assets with zero value include mainly intangible assets which, in line with the Company's accounting policies, are subject to one-off amortisation due to low unit value, and intangible assets which are still used by the Company despite being fully amortised.

All amounts in PLN thousand (unless otherwise indicated)

5.2. GOODWILL

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Goodwill on acquisition of ATG	1,606	1,606	1,606
Total goodwill	**1,606**	**1,606**	**1,606**

As required under IAS 36 and the applied accounting policies, the goodwill 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 value of goodwill was estimated based on the income-based DCF approach. The calculation of recoverable amount took into account the future five-year savings, conservatively estimated at PLN 3,297 thousand per year, less the operating cost of the Procurement Platform, determined at the 2011 cost level and amounting to PLN 209 thousand. The discount rate was set at 9.78%. This followed from the assumed risk-free rate equal to the average yield of five-year treasury bonds of 5.02% and Damodaran's risk premium for Poland at 7.5%. The β coefficient used in the calculations is 1.0. The use of the fixed price model for the calculations required the discount factor to be adjusted for inflation, assumed at 2.5% (NBP's long-term inflation target). When the savings, less departmental costs, were discounted, the recoverable amount was determined at PLN 8,980 thousand. Therefore, there are no grounds to recognise an impairment loss.

5.3. PROPERTY, PLANT AND EQUIPMENT

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Land	6,455	6,455	6,391
Buildings	110,828	68,832	74,930
Machinery and equipment	25,642	22,618	25,835
Motor vehicles	25,978	29,358	10,455
Other	13,760	13,185	12,333
Net carrying amount	**182,663**	**140,448**	**129,944**
Property, plant and equipment in the course of its construction	4,452	36,377	1,252
Prepayments for tangible assets	-	-	7,583
Total	**187,115**	**176,825**	**138,779**
Property, plant and equipment classified as held for sale	-	-	-
Property, plant and equipment	**187,115**	**176,825**	**138,779**

Company name:	PBG S.A.		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	złoty polski (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

CHANGES IN CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD

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	**6,455**	**68,832**	**22,618**	**29,358**	**13,185**	**36,377**	**-**	**176,825**
Additions	-	44,724	9,074	1,294	1,390	12,739	2,057	**71,278**
Construction	-	-	-	-	-	-	-	**-**
Increase attributable to executed lease agreements	-	-	-	-	-	-	-	**-**
Reclassifications	-	-	-	-	-	-	-	**-**
Disposals (-)	-	(18)	(815)	(943)	(136)	-	-	**(1,912)**
Liquidation (-)	-	-	-	-	-	-	-	**-**
Reclassifications (-)	-	-	(3)	-	-	(44,664)	(2,057)	**(46,724)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	-	-	**-**
Impairment loss (-)	-	-	-	-	-	-	-	**-**
Impairment loss reversed	-	-	-	-	-	-	-	**-**
Depreciation (-)	-	(2,710)	(5,232)	(3,731)	(679)	-	-	**(12,352)**
Other changes	-	-	-	-	-	-	-	**-**
Carrying amount at Dec 31 2011	**6,455**	**110,828**	**25,642**	**25,978**	**13,760**	**4,452**	**-**	**187,115**

for the period from Jan 1 to Dec 31 2010								
Carrying amount at Jan 1 2010	**6,391**	**74,930**	**25,835**	**10,455**	**12,333**	**1,252**	**7,583**	**138,779**
Additions	33	34	2,396	22,199	1,687	55,460	-	**81,809**
Construction	-	-	-	-	-	-	-	**-**
Increase attributable to executed lease agreements	-	-	-	358	-	-	-	**358**
Reclassifications	31	-	-	-	-	-	-	**31**
Disposals (-)	-	(412)	(143)	(595)	(41)	-	-	**(1,191)**
Liquidation (-)	-	-	(11)	(10)	(17)	-	-	**(38)**

All amounts in PLN thousand (unless otherwise indicated)

Reclassifications (-)	-	(3,544)	-	-	-	(20,335)	(7,583)	**(31,462)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	-	-	**-**
Impairment loss (-)	-	-	-	-	-	-	-	**-**
Impairment loss reversed	-	-	-	-	-	-	-	**-**
Depreciation (-)	-	(2,176)	(5,459)	(3,049)	(777)	-	-	**(11,461)**
Other changes	-	-	-	-	-	-	-	**-**
Carrying amount at Dec 31 2010	**6,455**	**68,832**	**22,618**	**29,358**	**13,185**	**36,377**	**-**	**176,825**

for the period from Jan 1 to Dec 31 2009								
Carrying amount at Jan 1 2009	**6,729**	**76,713**	**28,982**	**15,938**	**12,294**	**7,407**	**53**	**148,116**
Additions	-	164	4,623	896	1,092	441	7,530	**14,746**
Construction	-	-	-	-	-	-	-	**-**
Increase attributable to executed lease agreements	-	-	-	-	-	-	-	**-**
Reclassifications	-	123	0	53	-	-	-	**176**
Disposals (-)	-	-	(2,063)	(3,871)	(243)	-	-	**(6,177)**
Liquidation (-)	-	(115)	(3)	(3)	(5)	-	-	**(126)**
Reclassifications (-)	(338)	-	-	-	-	(6,596)	-	**(6,934)**
Revaluation increase / decrease (+/-)	-	-	-	-	-	-	-	**-**
Impairment loss (-)	-	-	-	-	-	-	-	**-**
Impairment loss reversed	-	-	-	-	-	-	-	**-**
Depreciation (-)	-	(1,955)	(5,704)	(2,558)	(805)	-	-	**(11,022)**
Other changes	-	-	-	-	-	-	-	**-**
Carrying amount at Dec 31 2009	**6,391**	**74,930**	**25,835**	**10,455**	**12,333**	**1,252**	**7,583**	**138,779**

All amounts in PLN thousand (unless otherwise indicated)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Item	Land	Buildings	Plant and machinery	Motor vehicles	Other	Property, plant and equipment in the course of its construction	Prepayments for tangible assets	Total
As at Dec 31 2011								
Gross carrying amount	6,455	121,587	53,837	37,796	21,319	4,452	-	**245,446**
Total accumulated depreciation and impairment losses (-)	-	(10,759)	(28,195)	(11,818)	(7,559)	-	-	**(58,331)**
Carrying amount at Dec 31 2011	**6,455**	**110,828**	**25,642**	**25,978**	**13,760**	**4,452**	**-**	**187,115**
As at Dec 31 2010								
Gross carrying amount	6,455	76,893	47,896	39,660	20,416	36,377	-	**227,697**
Total accumulated depreciation and impairment losses (-)	-	(8,061)	(25,278)	(10,302)	(7,231)	-	-	**(50,872)**
Carrying amount at Dec 31 2010	**6,455**	**68,832**	**22,618**	**29,358**	**13,185**	**36,377**	**-**	**176,825**
As at Dec 31 2009								
Gross carrying amount	6,391	82,352	45,993	18,241	18,898	1,252	7,583	**180,710**
Total accumulated depreciation and impairment losses (-)	-	(7,422)	(20,158)	(7,786)	(6,565)	-	-	**(41,931)**
Carrying amount at Dec 31 2009	**6,391**	**74,930**	**25,835**	**10,455**	**12,333**	**1,252**	**7,583**	**138,779**

All amounts in PLN thousand (unless otherwise indicated)

As at December 31st 2011, property, plant and equipment with a carrying amount of PLN 69,322 thousand (2010: PLN 58,125 thousand; 2009: PLN 61,617 thousand) was pledged as security for the Company's liabilities. For information on security for liabilities, see Note 4.10.5.

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
Credit facility provided by PEKAO S.A.	registered pledge	motor vehicles	5,380	2,831	2,992
Credit facility provided by PEKAO S.A.	registered pledge	plant and machinery	277	4,205	6,156
Credit facility provided by ING Bank Slaski S.A.	mortgage	buildings	63,675	51,089	52,469
Total carrying amount of property, plant and equipment			**69,332**	**58,125**	**61,617**

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

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Cost of sales	7,156	6,332	6,100
Administrative expenses	5,196	5,129	4,922
Distribution costs	-	-	-
Total depreciation of property, plant and equipment	**12,352**	**11,461**	**11,022**

As at December 31st 2011, the Company reviewed the useful lives of property, plant and equipment adopted earlier, in line with IAS 16 and the adopted accounting policies. Gross carrying amount of fully depreciated property, plant and equipment that is still in use by PBG S.A. was PLN 2,664 thousand as at December 31st 2011 (2010: PLN 2,751 thousand; 2009: PLN 2,681 thousand). 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.

FULLY DEPRECIATED TANGIBLE ASSETS STILL IN USE

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Gross carrying amount of fully depreciated property, plant and equipment still in use	2,664	2,751	2,681
Total carrying amount of fully depreciated property, plant and equipment	**2,664**	**2,751**	**2,681**

As at the balance-sheet date, no indication of impairment was identified with respect to property, plant and equipment. Therefore, the Company did not recognise any impairment losses, as was the case in 2010 and 2009.

All amounts in PLN thousand (unless otherwise indicated)

OFF-BALANCE SHEET TANGIBLE ASSETS

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Tangible assets used under rental or similar agreements, including lease agreements, including:	516	1,434	2,093
- value of land used under perpetual usufruct			
- finance lease agreements	516	1,434	2,093
Off-balance-sheet tangible assets, total	**516**	**1,434**	**2,093**

The Company 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.

5.4. PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASE

The Company 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:

	Land	Buildings	Plant and machinery	Motor vehicles	Other	Total
As at Dec 31 2011						
Gross carrying amount	-	-	10,635	1,327	-	11,962
Accumulated depreciation and impairment	-	-	(2,198)	(239)	-	(2,437)
Net carrying amount	-	-	8,437	1,088	-	9,525
As at Dec 31 2010						
Gross carrying amount	-	-	3,577	517	-	4,094
Accumulated depreciation and impairment	-	-	(1,367)	(101)	-	(1,468)
Net carrying amount	-	-	2,210	416	-	2,626
As at Dec 31 2009						
Gross carrying amount	-	-	3,577	159	-	3,736
Accumulated depreciation and impairment	-	-	(659)	(17)	-	(676)
Net carrying amount	-	-	2,918	142	-	3,060

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	1,556	5,377	3,687	10,620
Finance charges (-)	(483)	(1,340)	(582)	(2,405)
Present value of future minimum lease payments	1,073	4,037	3,105	8,215
As at Dec 31 2010				
Future minimum lease payments	1,410	581	-	1,991
Finance charges (-)	(107)	(56)	-	(163)
Present value of future minimum lease payments	1,303	525	-	1,828
As at Dec 31 2009				
Future minimum lease payments	1,375	1,702	-	3,077
Finance charges (-)	(183)	(104)	-	(287)
Present value of future minimum lease payments	1,192	1,598	-	2,790

The most important finance lease agreements include the lease of a drilling rig with an initial value of the leased asset of PLN 7,058 thousand. The agreement was executed in September 2011 for 10 years, after which time the Company will have the right to purchase the leased asset. Interest on lease instalments is based on a 1M WIBOR-linked floating interest rate, and their repayment is secured with a blank promissory note. For detailed information on security for the Company's liabilities, see Note 5.10.5.

In the period covered by these financial statements no expenses under contingent lease payments were recognised and no sublease payments were recognised as the assets are used only within the Company.

5.5. NON-REGENERATIVE NATURAL RESOURCES

PBG S.A. does not own any non-regenerative natural resources.

5.6. INVESTMENT PROPERTY

Changes in carrying amounts during the period were as follows:

All amounts in PLN thousand (unless otherwise indicated)

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Carrying amount at the beginning of the period	**58,504**	**8,175**	**710**
Additions from acquisition of property	-	10,455	-
Additions from subsequent expenditures	926	-	167
Additions from repayments for property acquisitions	-	39,900	-
Reclassifications:	**-**	**-**	**6,723**
- from property, plant and equipment (land)	-	-	338
- from property, plant and equipment (buildings)	-	-	132
- from property, plant and equipment in the course of its construction	-	-	6,253
- from current assets (merchandise)	-	-	-
Disposal of property	-	-	-
Reclassifications:	**-**	**-**	**-**
Net gain (loss) from fair value adjustments (+/-)	306	(58)	-
Investment property measurement recognised under capital reserve	-	-	-
Other changes	-	32	575
Carrying amount at the end of the period	**59,736**	**58,504**	**8,175**

INVESTMENT PROPERTY

Property	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
“Fabryka Smaków” restaurant	7,714	7,407	7,465
Modzerowo property	545	731	710
High-pressure gas pipeline	10,855	10,455	-
Pre-payment for property in Łeba	-	39,900	-
Łeba property	40,622	11	-
Total investment property	**59,736**	**58,504**	**8,175**

The item “Investment property” recognised in the Company's statement of financial position comprises buildings as well as undeveloped property acquired to derive economic benefits from capital appreciation or from other sources, such as rental payments.

The fair value of the “Fabrica Smaków” restaurant, the land under the restaurant, and hardened yard at the restaurant site was determined based on the estimated future cash flows attributable to lease of the property in 2011–2048. Assuming that as at the measurement date the risk-free rate (equal to the current yield of 20-year treasury bonds) was 6.246% per annum , the discount rate was adjusted for inflation assumed at 2.5% and the risk premium throughout the period covered by the forecast was estimated at 7.50% (based on the results of a survey published by Aswath Damodaran in January 2012, assumed as a total risk premium for Poland), the value of the discounted cash flows possible to achieve by leasing investment property in the period from 2011 to 2048 was calculated at PLN 7,714 thousand. The amount relates to the fair value of investment as at December 31st 2010; the property can be expected to generate the same amount of economic benefits under the above assumptions. As at the balance-sheet date, PBG S.A. recognised a PLN 306 thousand impairment loss as a result of marking to market the value of the "Fabrica Smaków" restaurant.

All amounts in PLN thousand (unless otherwise indicated)

The value of the property in Łeba was determined based on the estimated future cash flows which the Company expects the property will generate in 2012–2051. The assumptions used in determining the cost of equity were the same as those used with respect to the above property. The value of the property arrived at as a result of property measurement did not differ significantly from the carrying amount determined at production cost. As no impairment was identified in the course of examining the fair value of the asset, no impairment losses were recognised.

The value of the high-pressure gas pipeline was measured using the DCF method. The discount rate used equalled the yield on five-year treasury bonds. Given the inflation, sovereign risk, industry risk and systematic risks, the discount rate was assumed at 6.02%. The cash flows were determined based on the five-year forecast of revenue and cost of business activities consisting in natural gas sales. The value of the property arrived at as a result of property measurement did not differ significantly from the carrying amount determined at production cost. As no impairment was identified in the course of examining the fair value of the asset, no impairment losses were recognised.

During the reviewed period, the Company earned rentals and recognised the following direct operating expenses:

ADDITIONAL DISCLOSURES REQUIRED UNDER IAS 40

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Amounts recognised in the statement of comprehensive income:			
- rental income from investment property	695	685	571
- direct operating expenses (including the cost of repair and servicing) attributable to the investment property that earned rentals in the period	(79)	(76)	(82)
- direct operating cost (including cost of repair and servicing) attributable to investment property that did not generate rental income during the period	-	-	-
Total	**616**	**609**	**489**

The investment property is let under irrevocable agreements executed for indefinite terms.

As at December 31st 2011, the Company had no contractual obligations under investment agreements. In 2010 however, the Company executed an investment agreement whereby it made a contractual commitment to purchase in the future a built-on property in Łeba and interests in joint-ownership of the property in Łeba for PLN 39,900 thousand.

5.7. INVESTMENTS IN SUBSIDIARIES

For investment valuation at the subsidiaries, the Company uses the cost of acquisition model based on IAS 27.

The table below presents PBG S.A.'s interest in subsidiaries:

Company name:	PBG S.A.		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	złoty polski (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

INVESTMENTS IN SUBSIDIARIES

	Registered office of the subsidiary	Ownership interest as at Dec 31 2011	Dec 31 2011		Dec 31 2010		Dec 31 2009	
			Acquisition cost	Accumulated impairment losses	Acquisition cost	Accumulated impairment losses	Acquisition cost	Accumulated impairment losses
Aprivia S.A.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	100.00%	71,999	-	71,999	-	71,999	-
Avatia Sp. z o.o.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	99.90%	54	-	50	-	50	-
Brokam Sp. z o.o.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	100.00%	12,566	-	12,566	-	12,565	-
Excan Oil and Gas Engineering Ltd.	201, 9637-45 Avenue Edmonton AB T6E5Z8 Canada	100.00%	782	-	782	-	782	-
Gas Oil Engineering a.s.	Karaptska 3256/15 Poprad, 05801 Slovakia	-	-	-	7,490	-	7,490	-
Hydrobudowa Polska S.A.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	63.05%	196,584	-	196,584	-	194,237	-
KWG S.A.	Al. Wojska Polskiego 129, 70-490 Szczecin, Poland	100.00%	1,734	-	1,734	-	1,734	-
Metorex Sp. z o.o.	ul. Żwirki i Wigury 117A, 87-100 Toruń, Poland	99.56%	2,717	-	2,717	-	2,717	-
PBG Dom Sp. z o.o.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	100.00%	55,023	-	55,023	-	12,380	-
PBG Energia Sp. z o.o. (former PBG Export Sp. z o.o)	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	100.00%	999	-	999	-	999	-
Wschodni Invest Sp. z o.o.	ul. Mazowiecka 41, 60-623 Poznań, Poland	100.00%	41,616	-	41,616	-	41,616	-

All amounts in PLN thousand (unless otherwise indicated)

PBG Technologia Sp. z o.o.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	100.00%	24,190	-	24,190	-	24,190	-
PBG Ukraina	ul. Kondratiuka 1, 04-201 Kiev, Ukraine	100.00%	759	-	759	-	759	-
Aqua S.A.	ul. Kanclerska 28, 60-327 Poznań, Poland	81.70%	22,779	-	22,779	-	8,433	-
Bathinex	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	100.00%	6,012	-	6,012	-	-	-
HBP Drogi	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	100.00%	6	-	6	-	-	-
Strateg Capital	ul. Ratajczaka 19, 61-814 Poznań, Poland	0.00%	-	-	202	-	-	-
PBG Operator	ul. Mazowiecka 42, 60-623 Poznań, Poland	100.00%	5	-	5	-	-	-
PBG Bułgaria	ul. Nikołaja Chajtov 2, 1113 Sofia, Bulgaria	100.00%	76	-	76	-	-	-
PBG Invest I 1 SARL	L-1724 Luxembourg 41, Boulevard du Prince Henri	100.00%	231	-	-	-	-	-
PBG Erigo	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	45.45%	5,001	-	-	-	-	-
Rafako S.A.	ul. Łąkowa 33, 47-400 Racibórz, Poland	64.42%	560,295	-	-	-	-	-
Energomontaż Południe	ul. Mickiewicza 15, 40-951 Katowice, Poland	0.44%	1,000	-	-	-	-	-
Strateg Mining Services	ul. Ratajczaka 19, 61-814 Poznań, Poland	50.05%	301	-	-	-	-	-
PBG Dom	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland		14,651		14,651			
Prepayments			21,000	-	10,000	-	10,000	-

All amounts in PLN thousand (unless otherwise indicated)

Total	**1,040,380**	**-**	**470,240**	**-**	**389,950**	**-**
Carrying amount of investments		**1,040,380**		**470,240**		**389,950**

The cost of shares recognised in the separate financial statements is understood as the purchase price paid to the seller, plus any transaction costs. At the consolidated level, the Parent removes the incurred costs from the acquisition cost and recognises positive or negative goodwill.

Under this item the Company discloses also additional contributions to equity of subsidiaries:

- additional contribution to PBG Dom Sp. z o.o. under Resolution No. 4 of the Extraordinary General Meeting of PBG Dom, dated June 11th 2007. PBG S.A., as the company's sole owner, was obliged to pay an additional contribution of PLN 400 for each share held, which amounted to an aggregate of PLN 8,000,000;
- additional contribution to PBG Dom Sp. z o.o. under Resolution No. 1 of the Extraordinary General Meeting of PBG Dom, dated December 17th 2008. PBG S.A., as the company's sole owner, was obliged to pay an additional contribution of PLN 30.35 for each share held, which amounted to an aggregate of PLN 3,750 thousand;
- additional contribution to PBG Dom Sp. z o.o. under Resolution No. 1 of the Extraordinary General Meeting of PBG Dom, dated December 22nd 2008. PBG S.A., as the company's sole owner, was obliged to pay an additional contribution of PLN 23.47 for each share held, which amounted to an aggregate of PLN 2,900 thousand;

Changes in financial assets in the period January 1st – December 31st 2011

Incorporation of PBG Invest 1 Sarl

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

Increase of equity interest in subsidiary and change of name of subsidiary

On June 13th 2011, PBG S.A. increased its equity interest in PBG Avatia Sp. z o.o. following execution of an agreement whereby PBG S.A. acquired one share with a par value of PLN 50.00. The company's share capital amounts to PLN 50.000.00 thousand and is divided into 1,000 shares with a par value of PLN 50.00 per share. Prior to the share capital increase, PBG S.A. held a 99.80% interest in PBG Avatia Sp. z o.o.; the interest was increased to 99.90% following the transaction.

On July 21st 2011, the District Court for Poznań – Nowe Miasto and Wilda of Poznań, 8th Commercial Division of the National Court Register, registered a change of the company name from Avatia Sp. z o.o. to PBG Avatia Sp. z o.o. The change of name does not involve any change in the company's business.

Changes in equity 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.

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

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 further 312,000 ordinary bearer shares in Energomontaż-Południe S.A., for PLN 999,897.60.

Following the transaction, PBG S.A. holds 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 S.A. agreed to sell the shares to RAFAKO, and RAFAKO agreed to buy the shares for a price of PLN 160,154 thousand, that is PLN 3.48 (three złoty, forty eight grosz) per share. The amount will be paid on the day the shares are transferred to RAFAKO's account following a transaction executed outside the regulated market through a brokerage house.

RAFAKO will be obliged to make an additional payment to PBG of PLN 30,000 thousand (thirty million zloty) over and above the price if the company: (i) earns net profit of no less than PLN 20,000 thousand (twenty million złoty) for the financial year 2012, and (ii) earns net profit of no less than PLN 35,000 thousand (thirty-five million złoty) for the financial year 2013, to be determined based on the company's financial statements, approved by the company's general meeting, for the financial years 2012 and 2013, respectively.

Acquisition of RAFAKO shares

Between June 28th and September 30th 2011, in purchase transactions on the Warsaw Stock Exchange, PBG S.A. acquired 4,642,000 ordinary bearer shares in RAFAKO S.A. of Racibórz, 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 31st 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. 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 are 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. 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.

Since November 1st 2011, RAFAKO S.A. has been recognised as a subsidiary.

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 1st 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, PBG S.A. 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.

All amounts in PLN thousand (unless otherwise indicated)

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

Reduction of PBG S.A.'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.

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.

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

On November 4th 2011, PBG S.A. executed an agreement whereby it acquired 1,001 (one thousand and one) shares in Strateg Mining Services Sp. z o.o., which represent 50.05% of the company's 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.

5.8. INVESTMENTS IN ASSOCIATES

The table below presents investments in the associates, which pursuant to the Company's accounting policies are recognised at acquisition cost.

INVESTMENTS IN ASSOCIATES

Item	Registered office of the associate	Ownership interest	Dec 31 2011		Dec 31 2010	
			Carrying amount	Market value	Carrying amount	Market value
Strateg Capital Sp. z o.o.	ul. Ratajczaka 19, 61-814 Poznań, Poland	48.8%	124	124	-	-
Gas Oil Engineering a.s.	Karaptska 3256/15 Poprad, 05801 Slovakia	49.9%	6,346	6,346	-	-
Energomontaż Południe	ul. Mickiewicza 15, 40-951 Katowice, Poland	25.0%	-	-	64,375	66,359
		Carrying amount of investments		**6,470**		**64,375**

5.9. 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.

Formation of a civil law partnership Słowackiego IV – Obrascon Huarte Lain SA/PBG SA/ APRIVIA SA/HYDROBUDOWA POLSKA SA/PRG Metro

On March 29th 2011, Słowackiego IV – Obrascon Huarte Lain SA/PBG SA/ Aprivia SA/Hydrobudowa Polska SA/PRG Metro of Warsaw was established.

The total contribution to the company's equity made by the partners is PLN 100 thousand. Amounts contributed by each party to the joint venture:

- Obrascon Huarte Lain SA – PLN 55 thousand
- Hydrobudowa Polska S.A. – PLN 30 thousand
- PBG S.A. – PLN 2 thousand
- Aprivia S.A. – PLN 3 thousand
- PRG Metro sp. z o.o. – PLN 10 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 Słowackiego IV – Obrascon Huarte Lain SA/PBG SA/ Aprivia SA/Hydrobudowa Polska SA/PRG Metro is to execute the Trasa Słowackiego project in Gdańsk.

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

5.10. FINANCIAL ASSETS AND LIABILITIES

5.10.1. 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.

Company name:	***PBG S.A.***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

CARRYING AMOUNTS OF EACH CATEGORIES OF FINANCIAL ASSETS DEFINED IN IAS 39

	*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	
As at Dec 31 2011								
Non-current:								
Receivables	6,554	-	-	-	-	-	1,138	**7,692**
Loans advanced	168,883	-	-	-	-	-	-	**168,883**
Derivative financial instruments	-	-	-	-	-	4,230	-	**4,230**
Other long-term financial assets	-	-	461	83,090	12,942	-	-	**96,493**
Current assets:	-	-	-	-	-	-	-	**-**
Trade and other receivables	252,650	-	-	-	-	-	249	**252,899**
Loans advanced	592,037	-	-	-	-	-	-	**592,037**
Derivative financial instruments	-	-	-	-	-	13,206	-	**13,206**
Other short-term financial assets	-	-	-	-	-	-	-	**-**
Cash and cash equivalents	171,007	-	-	-	-	-	-	**171,007**
Total carrying amounts of each categories	**1,191,131**	**-**	**461**	**83,090**	**12,942**	**17,436**	**1,387**	**1,306,447**
As at Dec 31 2010								
Non-current:								
Receivables	8,963	-	-	-	-	-	1,387	**10,350**
Loans advanced	86,058	-	-	-	-	-	-	**86,058**
Derivative financial instruments	-	-	-	-	-	171	-	**171**
Other long-term financial assets	-	-	-	77,059	33,443	-	-	**110,502**
Current assets:	-	-	-	-	-	-	-	**-**
Trade and other receivables	501,863	-	-	-	-	-	236	**502,099**
Loans advanced	507,715	-	-	-	-	-	-	**507,715**
Derivative financial instruments	-	-	-	-	-	187	-	**187**
Other short-term financial assets	-	-	106,902	963	14,651	-	-	**122,516**
Cash and cash equivalents	533,959	-	-	-	-	-	-	**533,959**
Total carrying amounts of each categories	**1,638,558**	**-**	**106,902**	**92,673**	**33,443**	**358**	**1,623**	**1,873,557**

All amounts in PLN thousand (unless otherwise indicated)

As at Dec 31 2010								
Non-current:								
Receivables	6,087	-	-	-	-	-	1,624	**7,711**
Loans advanced	64,005	-	-	-	-	-	-	**64,005**
Derivative financial instruments	-	-	-	-	-	6,415	-	**6,415**
Other long-term financial assets	-	-	-	963	34,583	-	-	**35,546**
Current assets:	-	-	-	-	-	-	-	**-**
Trade and other receivables	299,288	-	-	-	-	-	225	**299,513**
Loans advanced	453,317	-	-	-	-	-	-	**453,317**
Derivative financial instruments	-	-	-	-	-	13,166	-	**13,166**
Other short-term financial assets	-	-	-	15,357	4,937	-	-	**20,294**
Cash and cash equivalents	529,324	-	-	-	-	-	-	**529,324**
Total carrying amounts of each categories	**1,352,021**	**-**	**-**	**16,320**	**39,520**	**19,581**	**1,849**	**1,429,291**

Company name:	*PBG S.A.*		
Period covered by the financial statements:	*Jan 1 - Dec 31 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	*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**	
As at Dec 31 2011						
Non-current:						
Borrowings, other debt instruments	-	-	450,000	-	-	**450,000**
Finance lease liabilities	-	-	-	-	7,142	**7,142**
Derivative financial instruments	-	-	-	-	-	**-**
Other liabilities	-	-	14,056	-	-	**14,056**
Short-term liabilities:	-	-	-	-	-	**-**
Trade and other payables	-	-	432,012	-	-	**432,012**
Borrowings, other debt instruments	-	-	652,825	-	-	**652,825**
Finance lease liabilities	-	-	-	-	1,073	**1,073**
Derivative financial instruments	-	-	-	8,768	-	**8,768**
Total carrying amounts of each categories	**-**	**-**	**1,548,893**	**8,768**	**8,215**	**1,565,876**

All amounts in PLN thousand (unless otherwise indicated)

As at Dec 31 2010						
Non-current:						
Borrowings, other debt instruments	-	-	873,688	-	-	**873,688**
Finance lease liabilities	-	-	-	-	525	**525**
Derivative financial instruments	-	-	-	412	-	**412**
Other liabilities	-	-	22,607	-	-	**22,607**
Short-term liabilities:	-	-	-	-	-	**-**
Trade and other payables	-	-	411,922	-	-	**411,922**
Borrowings, other debt instruments	-	-	62,814	-	-	**62,814**
Finance lease liabilities	-	-	-	-	1,303	**1,303**
Derivative financial instruments	-	-	-	41	-	**41**
Total carrying amounts of each categories	**-**	**-**	**1,371,031**	**453**	**1,828**	**1,373,312**
As at Dec 31 2010						
Non-current:						
Borrowings, other debt instruments	-	-	455,885	-	-	**455,885**
Finance lease liabilities	-	-	-	-	1,597	**1,597**
Derivative financial instruments	-	-	-	553	-	**553**
Other liabilities	-	-	19,201	-	-	**19,201**
Short-term liabilities:	-	-	-	-	-	
Trade and other payables	-	-	303,589	-	-	**303,589**
Borrowings, other debt instruments	-	-	236,299	-	-	**236,299**
Finance lease liabilities	-	-	-	-	1,193	**1,193**
Derivative financial instruments	-	-	-	236	-	**236**
Total carrying amounts of each categories	**-**	**-**	**1,014,974**	**789**	**2,790**	**1,018,553**

All amounts in PLN thousand (unless otherwise indicated)

5.10.2. LOANS AND RECEIVABLES

For the presentation, loans and receivables are presented under separate items in the 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. Items of the statement of financial position related to loans and receivables are presented below.

Receivables and loans

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Non-current:			
Financial receivables	7,692	10,350	7,711
Loans	168,883	86,058	64,005
Non-current loans and receivables	**176,575**	**96,408**	**71,716**
Current assets:			
Trade and other financial receivables	252,899	502,099	299,513
Loans	592,037	507,715	453,317
Current loans and receivables	**844,936**	**1,009,814**	**752,830**
Receivables and loans:	**1,021,511**	**1,106,222**	**824,546**
receivables	**260,591**	**512,449**	**307,224**
loans	**760,920**	**593,773**	**517,322**

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. The Company calculated the fair value of loans bearing interest at a fixed interest rate (see Note 5.10.6).

As at December 31st 2011, loans denominated in PLN, with a carrying amount of PLN 760,920 thousand (2010: PLN 593,773 thousand, 2009: PLN 517,322 thousand), bore interest at variable interest rates based on WIBOR plus margins (ranging from 1pp to 2.5 pps), and at fixed interest rates (ranging from 7% to 10%). The loans mature in 2012–2015. The Company also advanced loans denominated in EUR, UDS and UAH As at December 31st 2011, the carrying amount of foreign currency loans was PLN 134,842 thousand (2010: loans in EUR and USD, with a carrying amount of PLN 70,521 thousand, 2009: loans in EUR and USD, with a carrying amount of PLN 34,834 thousand). The foreign currency loans bear interest at 3M LIBOR + 3% margin and 1M WIBOR + 1% margin. The USD loans mature in 2012, and the EUR loans – in 2014.

In 2011, PBG S.A. acquired registered investment certificates in Dialog Plus – "Direct Investment Fund – High-Potential Property," a closed-end non-diversified venture-type investment fund. The Company acquired a total of 234,250 certificates with a par value of UAH 1,000 each. The value of the securities disclosed in these separate financial statements is PLN 109,853 thousand. The Company acquired the certificates with proceeds from the issue of bonds aimed at raising funds to support, among other things, the preparation of investment projects which would generate income and positive cash flows in the long term.

The certificates are recognised at amortised cost, using the effective interest rate method. Due to their economic substance, the certificates are presented as loans.

All amounts in PLN thousand (unless otherwise indicated)

Proceeds from redemption of the certificates by the non-diversified fund are applied towards financing the operations of Energopol Ukraina.

Below are presented changes in the carrying amount of loans, including impairment losses.

CHANGES IN CARRYING AMOUNT OF LOANS

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Gross carrying amount			
Balance at the beginning of the period	**593,985**	**517,534**	**35,213**
Loans advanced	320,802	461,710	511,982
Interest accrued at the effective interest rate	47,256	35,620	13,426
Repayment of loans with interest (-)	(216,643)	(426,329)	(40,469)
Other (net exchange differences)	15,732	5,450	(2,617)
Carrying amount at the end of the period	**761,132**	**593,985**	**517,534**
Accumulated impairment			
Balance at the beginning of the period	212	212	**-**
Impairment loss recognised	-	-	212
Impairment loss reversed (-)	-	-	-
Amounts written off (uncollectable) (-)	-	-	-
Other (net exchange differences)	-	-	-
Accumulated impairment at the end of the period	212	212	212
Carrying amount at the end of the period	**760,920**	**593,773**	**517,322**

5.10.3. FINANCIAL DERIVATIVES

The Company uses derivatives to manage the currency risk related to some of its purchase and sale transactions.

In accordance with the corporate risk management strategy applied by PBG S.A., the Company is required to use hedge accounting in the case of all construction contracts which are settled in foreign currencies in order to limit the impact of financial risk on operating profit as far as possible. The Company'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.

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).

The Company had no open cash flow hedges as at December 31st 2011.

The table below presents cash flow hedges by category.

CHARACTERISTICS OF CASH FLOW HEDGE DERIVATIVES (RISKS)

Item	Nominal value in foreign currency ('000)	Carrying amounts*		Periods of cash flow occurrence		Periods of affecting profit (loss)	
		Financial assets	Financial liabilities	from	to	from	to
As at Dec 31 2010							
EUR forward contracts – hedge of purchase transactions	952	-	32	Jan 31 2011	May 31 2011	Jan 31 2011	May 31 2011
USD forward contracts – hedge of purchase transactions	272	-	9	Feb 14 2011	Oct 14 2011	Feb 14 2011	Oct 14 2011
Interest rate swaps	15,405	-	412	Dec 31 2013	Dec 31 2013	Jul 23 2008	Dec 31 2013
Total cash flow hedge derivatives		**-**	**453**				
As at Dec 31 2009							
EUR forward contracts – hedge for sale transactions	800	149	-	Mar 29 2010	Mar 29 2010	Mar 29 2010	Mar 29 2010
USD forward contracts – hedge for purchase transactions	3,250	-	100	Feb 26 2010	Mar 30 2010	Feb 26 2010	Mar 30 2010
CAD forward contracts – hedge for purchase transactions	30,720	18,444	-	Mar 29 2010	Sep 28 2012	Mar 29 2010	Sep 28 2012
Interest rate swaps	20,696	-	553	Jul 23 2008	Dec 31 2013	Jul 23 2008	Dec 31 2013
Total cash flow hedge derivatives		**18,593**	**653**				

* fair value

CHARACTERISTICS OF FAIR VALUE HEDGE DERIVATIVES (RISKS)

Item	Nominal value in foreign currency ('000)	Carrying amounts*		Periods of cash flow occurrence		Periods of affecting profit (loss)	
		Financial assets	Financial liabilities	from	to	from	to
As at Dec 31 2011							
USD forward contracts – USD fair value hedges	6,300	-	2,241	Dec 30 2010	Jan 3 2012	Dec 30 2010	Jan 3 2012
Total fair value hedge derivatives		**-**	**2,241**				
As at Dec 31 2010							
USD forward contracts – USD fair value hedges	19,300	358	-	Jan 31 2011	Apr 30 2012	Jan 31 2011	Apr 30 2012
Total fair value hedge derivatives		**358**	**-**				
As at Dec 31 2009							
EUR forward contracts – EUR fair value hedges	4,900	927	-	Jan 15 2010	Jun 28 2010	Jan 15 2010	Jun 28 2010
USD forward contracts – USD fair value hedges	5,000	61	136	Dec 31 2010	Dec 31 2010	Dec 31 2010	Dec 31 2010
Total fair value hedge derivatives		**988**	**136**				

* fair value

The Company expects to execute all planned transactions for which hedge accounting is applied.

CHARACTERISTICS OF HELD-FOR-TRADING DERIVATIVES (RISKS)

Item	Nominal value in foreign currency ('000)	Carrying amounts*		Periods of cash flow occurrence		Periods of affecting profit (loss)	
		Financial assets	Financial liabilities	from	to	from	to
As at Dec 31 2011							
EUR forward contracts – purchase	52,294	15,247	-	-	-	-	-
USD forward contracts – sale	28,000	-	6,345	Nov 3 2011	Dec 31 2012	Nov 3 2011	Dec 31 2012
USD forward contracts – purchase	3,300	1,547	-	Oct 27 2010	Jan 25 2013	Oct 27 2010	Jan 25 2013
GBP forward contracts – purchase	967	642	-	Oct 27 2010	Oct 26 2012	Oct 27 2010	Oct 26 2012
Interest rate swaps	10,114	-	182	-	-	-	-
Total held-for-trading derivatives		**17,436**	**6,527**				

EFFECT OF FOREIGN EXCHANGE HEDGES ON PBG S.A.'S FINANCIAL PERFORMANCE

In the period covered by these separate financial statements, PBG S.A. 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. is also a party to forward contracts, excluded from hedge accounting, which are presented as instruments held for trading.

In 2011, the separate result on derivative instruments (used for hedging and trading purposes) was as follows:

Effect of derivative instruments related to currency risk	
	Dec 31 2011
Item	PLN '000
Revenue	-
Other income	22,376
Finance income	-
Total income	**22,376**
Operating expenses	(7,335)
Other expenses	8,164
Finance costs	1,328
Total expenses	**2,157**
Influence on profit (loss)	**20,218**

As at December 31st 2011, the nominal value of derivative instruments at PBG S.A. was as follows:

Nominal value of derivative instruments hedging cash flows and fair value against currency risk	
Item	Dec 31 2011
	'000
Hedge for USD sale transactions	6,300

Nominal value of held-for-trading hedges	
Item	Dec 31 2011
	'000
Hedge for USD sale transactions	28,000
Hedge for EUR purchase transactions	52,294
Hedge for USD purchase transactions	3,300
Hedge for GBP purchase transactions	967

As at December 31st 2011, the fair value of open derivative positions was PLN 8,851 thousand, of which PLN -2,240 thousand related to fair value of cash flow hedges and PLN 11,091 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 PBG S.A.'S FINANCIAL PERFORMANCE

PBG S.A. uses interest rate swaps to hedge against variable interest rate risk.

In 2011, the effect of derivatives used to hedge interest rates, recognised in the separate income statement as at December 31st 2011, was as follows:

Effect of derivative instruments related to interest rate risk	
Item	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)**

As at December 31st 2011, the fair value of open positions used to hedge interest rates was negative at PLN -182 thousand, of which PLN -182 thousand related to held-for-trading hedges.

All amounts in PLN thousand (unless otherwise indicated)

EFFECT OF CASH FLOW HEDGES ON OTHER COMPREHENSIVE INCOME AND EQUITY

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Equity balance at the beginning of the period	**65**	**141**	**(11,652)**
- current year gains (losses)	7,255	4,805	(3,820)
Reclassification to profit or loss – hedges deemed effective	(7,335)	(4,899)	18,580
Reclassification to profit or loss – ineffective hedges	-	-	-
- Amounts transferred to initial carrying amount of hedged items		-	-
Income tax relating to components of other comprehensive income	15	18	(2,967)
Other (net exchange differences)			
Capital on valuation of cash flow hedges at the end of the period	**-**	**65**	**141**

In the period covered by these financial statements, no amounts accumulated in the hedge reserve were transferred to the initial carrying amount of hedged items.

5.10.4. OTHER FINANCIAL ASSETS

The Company 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	77,059	-	-	-	-
Term deposits	-	-	963	-	963	706
Other	-	-	-	-	-	-
Held-to-maturity investments	**83,090**	**77,059**	**963**	**-**	**963**	**706**
Available-for-sale financial assets:						
Listed equity securities	8,305	-	-	-	-	-
Investments in non-listed equity instruments	4,637	33,443	34,583	-	-	-
Debt instruments	-	-	-	-	-	4,937
Other	-	-	-	-	-	-
Available-for-sale financial assets	**12,942**	**33,443**	**34,583**	**-**	**-**	**4,937**
Financial assets at fair value through profit or loss:						
Listed equity securities	**-**	**-**	-	**-**	**-**	-
Debt instruments	**-**	**-**	-	**-**	**-**	-
Money market funds	461	**-**	-	**-**	106,902	-
Other	**-**	**-**	-	**-**	**-**	-
Financial assets at fair value through profit or loss	**461**	**-**	**-**	**-**	**106,902**	**-**
Total other financial assets	**96,493**	**110,502**	**35,546**	**-**	**122,516**	**20,294**

CHARACTERISTICS OF HELD-TO-MATURITY INVESTMENTS

Financial assets held to maturity was commercial paper with the carrying amount of PLN 83,090 thousand (2010: 76,000 PLN; 2009: 4,937 PLN). The commercial paper bears interest at a fixed rate of 10% and matures in 2017. For fair value of the notes, see Note 5.10.6.

AVAILABLE FOR SALE FINANCIAL ASSETS

Available-for-sale assets held by PBG S.A. include listed and non-listed equity instruments.

The Company 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 Company's holdings of listed equity instruments are as follows:

- non-controlling interest (15.34%) in CP Energia S.A. with the carrying amount of PLN 8,305 thousand (2010: PLN 0)

The Company measures non-listed equity instruments at acquisition price less impairment loss, as reliable estimation of their fair value is not possible. The Company does not intend to sell the non-listed equity instruments in the near future.
The Company'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 18 thousand),

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at December 31st 2011, in this category of assets the Company held units in FIZ PBG Erigo, a closed-end investment fund. Fair value of the units was calculated as the product of the number of units held and their fair value. The Group acquired the investment certificates in two tranches: 50 Series A investment certificates for PLN 50 thousand in November 2010 and 500 Series B investment certificates for PLN 402 thousand in December 2010. In 2010, significant items in this category were units in funds managed by Union Investment Towarzystwo Funduszy Inwestycyjnych S.A., acquired for trading.
For gains on activities in this category of financial assets, see Note 5.24.

All amounts in PLN thousand (unless otherwise indicated)

BORROWINGS, OTHER DEBT INSTRUMENTS

The table below presents the amounts of borrowings and other debt instruments at amortised cost recognised in the financial statements.

Item	Non-current liabilities			Current liabilities		
	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Financial liabilities at amortised cost						
Bank borrowings	-	48,688	80,885	99,880	41,693	42,588
Bank overdrafts	-	-	-	166,588	9,217	45,747
Loans	-	-	-	-	-	16,522
Debt instruments	450,000	825,000	375,000	386,357	11,904	131,442
Financial liabilities at amortised cost	**450,000**	**873,688**	**455,885**	**652,825**	**62,814**	**236,299**
Financial assets designated to be measured at fair value through profit and loss:						
Bank borrowings	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial assets designated to be measured at fair value through profit and loss:	**-**	**-**	**-**	**-**	**-**	**-**
Total borrowings, other debt instruments	**450,000**	**873,688**	**455,885**	**652,825**	**62,814**	**236,299**

The Company 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. For fair values of borrowings and other debt instruments, see Note 4.10.6.

The majority of borrowings taken out by the Company 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. The borrowings bore interest at rates ranging from 4.75% to 5.00%, with interest payable on a monthly basis.

All amounts in PLN thousand (unless otherwise indicated)

As at the balance-sheet date, the base interest rates applicable to the borrowings taken out by PBG S.A. were as follows:

Reference rate	Dec 31 2011	Dec 31 2010	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	1.02	0.78	0.46
Promissory note rediscount	4.75	4.00	3.75

Pursuant to the executed financial agreements, the Company is obliged to maintain the following financial ratios:

- 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 total asset: equity ratio (capitalisation) – equity to total assets: 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 4.0; *(the ratio is also specified in the terms and conditions of the Series D bonds issue)*
- 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.

The Company's Management Board monitors the ratios on an ongoing basis. As at the balance-sheet date, the financial covenants, except net margin, were met.

As at December 31st 2011, the total value of overdraft facilities available under the outstanding agreements was PLN 192,500 thousand (as at December 31st 2010: PLN 155,000 thousand; as at December 31sr 2009: PLN 95,000 thousand). Of that amount, PLN 166,588 thousand was used as at December 31st 2011 (December 31st 2010: PLN 9,217 thousand; December 31st 2009: PLN 45,747 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.

Under the programme, on October 22nd 2010, PBG S.A. issued the second tranche of bonds (Series D) with a value of PLN 450m, maturing on October 22nd 2013, and redeemed series B bonds with a value of PLN 69m. The debt under bonds in issue currently amounts to PLN 825m.

The bonds bear interest at a variable rate based on the 6M WIBOR rate.

Liabilities under the outstanding bonds are secured with sureties under civil law, up to the issue total value, granted by Hydrobudowa Polska S.A., Hydrobudowa 9 SA and PBG Technologia Sp. z o.o.

PBG S.A. uses interest rate swaps to hedge against variable interest rate risk.

Under a credit facility agreement relating to project financing, PBG S.A. was required to manage the interest rate risk. In the performance of the bank's requirements, on July 23rd 2008 the Company entered into an IRS transaction covering 50% of the outstanding loan amount, maturing on December 31st 2013.
The IRS transaction consists in a swap of interest payments accruing at a variable 1M WIBOR rate for interest payments accruing at a fixed interest rate.
The Company uses hedge accounting for cash flows with respect to the derivative transaction, thus partially hedging against interest rate risk exposure of the cash flows.

5.10.5. ASSETS PLEDGED AS SECURITY FOR LIABILITIES

The Company's liabilities under bank borrowings, other debt instruments and finance leases are covered by the following collateral (as at the balance-sheet date):

- contractual and security mortgages on real estate, up to PLN 0 thousand (2010: 8,742 thousand, 2009: PLN 49.000 thousand),
- registered pledge on machinery and equipment with assignment of rights under insurance policy, up to PLN 298 thousand (2010: PLN 2,047 thousand, 2009: PLN 9,148 thousand),
- pledge on holdings of equity instruments, up to PLN 582,831 thousand (2010: PLN 68,811 thousand, 2009: PLN 11,106 thousand),
- assignment of receivables under outstanding contracts up to PLN 373,736 thousand (2010: PLN 334,018 thousand; 2009: PLN 2,068,952 thousand),
- financial pledge over cash up to PLN 4,772 thousand (2010: PLN 86,362 thousand),
- promissory note with a promissory note declaration up to PLN 1,435,347 thousand (2010: PLN 807,420 thousand; 2009: 2,418 thousand),
- statement of voluntary submission to property rights enforcements.
- authorization to current and future inflows on current account.

For detailed information on assets pledged as security on liabilities, see Note 5.3 and Note 5.17.
As at the balance-sheet date, as in the comparative periods, PBG S.A. was not in default with any payment of principal or interest. The Company meets the covenants stipulated in the credit facility agreements. For information on the covenants, see the Consolidated Financial Statements of the PBG Group.

All amounts in PLN thousand (unless otherwise indicated)

5.10.6. FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

Fair value
The table below presents the fair value of financial assets and liabilities:

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	760,920	760,920	593,773	593,773	517,322	517,322
Trade and other receivables	274,101	274,101	583,389	583,389	307,224	307,224
Derivative financial instruments	17,436	17,436	358	358	19,581	19,581
Debt instruments	85,568	83,090	77,059	77,059	4,937	4,937
Listed equity securities	8,305	8,305	-	-	-	-
Investments in non-listed equity instruments	4,637	4,637	33,443	33,443	34,583	34,583
Money market funds	461	461	106,902	106,902	-	-
Other classes of other financial assets	-	-	15,614	15,614	17,989	17,989
Cash and cash equivalents	171,007	171,007	533,959	533,959	529,324	529,324
Liabilities:						
Bank borrowings	68,884	68,884	90,381	90,381	123,473	123,473
Bank overdrafts	166,588	166,588	9,217	9,217	45,747	45,757
Loans	-	-	-	-	16,522	16,522
Debt instruments	836,357	836,357	836,904	836,904	506,442	506,442
Finance lease liabilities	8,215	8,215	1,828	1,828	2,791	2,790
Derivative financial instruments	8,768	8,768	453	453	789	789
Trade and other payables	530,346	530,346	651,887	651,887	306,363	306,363

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 Company, are disclosed in the Company's statement of financial position at fair value, see Note 5.11.

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 Company, are disclosed in the Company's statement of financial position at amortised cost, has been determined for the purpose of preparation of this Note as present value of estimated future cash flows, discounted at the market interest rate.

The Company 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.

All amounts in PLN thousand (unless otherwise indicated)

5.11. FURTHER INFORMATION ON THE METHOD OF MEASUREMENT OF FINANCIAL INSTRUMENTS DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION AT FAIR VALUE

PBG S.A. 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 separate 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.

Class of financial instrument	Level 1	Level 2	Level 3	Total
As at Dec 31 2011				
Assets:				
Listed equity securities	8,305	-	-	8,305
Investments in non-listed equity instruments	-	-	-	-
Money market funds	-	-	461	461
Held-for-trading derivatives	-	17,436	-	17,436
Cash flow hedge derivatives	-	-	-	-
Debt instruments measured at fair value	-	-	-	-
Other classes of other financial assets	-	-	-	-
Total assets	8,305	17,436	461	26,202
Liabilities:				
Held-for-trading derivatives (-)	-	(8,768)	-	(8,768)
Cash flow hedge derivatives (-)	-	-	-	-
Debt instruments measured at fair value (-)	-	-	-	-
Debt instruments measured at fair value (-)	-	-	-	-
Total liabilities (-)	-	(8,768)	-	(8,768)
Net fair value	**8,305**	**8,668**	**461**	**17,434**
As at Dec 31 2010				
Assets:				
Listed equity securities	-	-	-	-
Investments in non-listed equity instruments	-	-	-	-
Money market funds	-	-	-	-
Held-for-trading derivatives	-	-	-	-
Cash flow hedge derivatives	-	358	-	358
Debt instruments measured at fair value	-	-	-	-
Other classes of other financial assets	-	-	-	-
Total assets	-	358	-	358
Liabilities:				
Held-for-trading derivatives (-)	-	-	-	-
Cash flow hedge derivatives (-)	-	(453)	-	(453)
Debt instruments measured at fair value (-)	-	-	-	-
Debt instruments measured at fair value (-)	-	-	-	-
Total liabilities (-)	-	(453)	-	(453)
Net fair value	**-**	**(95)**	**-**	**(95)**

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 significant transfers between Level 1 and Level 2 fair value measurements.

a) Derivatives

Most of the derivatives are currency instruments measured using a model based on market parameters, i.e. foreign exchange rates and interest rates (level 2 financial instruments).

b) Listed equity securities

The Company classified listed shares as level 1. These are shares whose fair value was measured based on stock exchange prices.

5.12. RECLASSIFICATIONS

PBG S.A. 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.

5.13. EXCLUSIONS FROM THE STATEMENT OF FINANCIAL POSITION

As at December 31st 2011, the Company had no assets whose transfers would not result in an exclusion from the statement of financial position.

5.14. DEFERRED CORPORATE INCOME TAX

The table below presents deferred tax assets and liabilities disclosed in the financial statements:

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Balance at the beginning of the period:			
Deferred tax assets	32,527	35,654	38,575
Deferred tax liabilities	32,040	36,690	42,674
Net deferred tax at the beginning of the period	**487**	**(1,036)**	**(4,099)**
Changes in the period recognised in:			
Profit and loss (+/-)	(22,074)	1,505	6,032
Other comprehensive income (+/-)	4,539	18	(2,968)
Business combinations	-	-	-
Other items (net exchange differences)	-	-	-
Net deferred tax at the end of the period, including:	**(17,048)**	**487**	**(1,035)**
Deferred tax assets	-	487	-
Deferred tax liabilities	17,048	-	1,035

All amounts in PLN thousand (unless otherwise indicated)

Temporary differences	Balance at the beginning of the period	Changes in the period recognised in:		Balance at the end of the period
		Profit and loss (+/-)	Other comprehensive income	
As at Dec 31 2011				
Deferred tax assets				
Retirement benefits	61	1	-	62
Accrued holiday entitlements	46	19	-	65
Warranty repairs	1,577	105	-	1,682
Unpaid social security contributions	209	(53)	-	156
Interest accrued on loans	27	(2)	-	25
Interest accrued on liabilities	15	(4)	-	11
Interest accrued on bonds and other securities	2,262	(104)	-	2,158
Liabilities on borrowings measured at adjusted acquisition cost (using the effective interest rate method)	-	7	-	7
Fair value measurement of derivative financial instruments	78	1,666	4,445	6,189
Costs related to accrued but uninvoiced revenue	19,229	7,359	-	26,588
Over-invoicing	5,934	(5,053)	-	881
Allowance for credit losses on receivables	88	615	-	703
Unrealised foreign exchange losses	-	328	-	328
Audit provision	20	(4)	-	16
Discount (long-term settlements)	-	787	-	787
Other	2,981	2,137	-	5,118
Total	**32,527**	**7,804**	**4,445**	**44,776**
As at Dec 31 2010				
Deferred tax assets				
Retirement benefits	51	10	-	61
Accrued holiday entitlements	35	11	-	46
Warranty repairs	1,276	301	-	1,577
Provision for losses on contract	570	(570)	-	-
Unpaid social security contributions	-	209	-	209
Interest accrued on loans	34	(7)	-	27
Interest accrued on liabilities	6	11	-	17
Interest accrued on bonds and other securities	1,224	1,038	-	2,262
Fair value measurement of derivative financial instruments	230	(125)	(26)	79
Costs related to accrued but uninvoiced revenue	23,986	(4,757)	-	19,229
Over-invoicing	7,943	(2,008)	-	5,935
Allowance for credit losses on receivables	34	54	-	88
Unrealised foreign exchange losses	209	(209)	-	-
Audit provision	16	4	-	20
Discount (long-term settlements)	36	(36)	-	-
Other	-	2,977	-	2,977
Interest on received loans	4	(4)	-	-
Total	**35,654**	**(3,101)**	**(26)**	**32,527**
As at Dec 31 2009				
Deferred tax assets				
Retirement benefits	57	(6)	-	51

All amounts in PLN thousand (unless otherwise indicated)

Accrued holiday entitlements	44	(8)	-	36
Warranty repairs	857	419	-	1,276
Interest accrued on loans	4	30	-	34
Interest accrued on liabilities	4	2	-	6
Interest accrued on bonds and other securities	216	1,008	-	1,224
Liabilities on borrowings measured at adjusted acquisition cost (using the effective interest rate method)	3,359	(213)	(2,916)	230
Costs related to accrued but uninvoiced revenue	32,765	(8,777)	-	23,988
Over-invoicing	846	7,096	-	7,942
Allowance for credit losses on receivables	30	4	-	34
Unrealised foreign exchange losses	54	155	-	209
Audit provision	16		-	16
Discount (long-term settlements)	-	36	-	36
Tax losses	-	570	-	570
Other	323	(319)	-	4
Total	**38,575**	**(3)**	**(2,916)**	**35,656**

All amounts in PLN thousand (unless otherwise indicated)

DEFERRED TAX LIABILITY

Temporary differences	Balance at the beginning of the period	**Changes in the period recognised in:**		Balance at the end of the period
		Profit and loss (+/-)	Other comprehensive income	
As at Dec 31 2011				
Deferred tax liability				
Unrealised interest accrued on borrowings	4,740	5,231	-	9,971
Unrealised interest accrued on deposits and own cash	53	(41)	-	12
Unrealised interest accrued on bonds and other securities	201	1,148	-	1,349
Liabilities on borrowings measured at adjusted acquisition cost (using the effective interest rate method)	130	(130)	-	-
Revenue recognised during the current period – subsequent period for tax purposes	22,188	14,894	-	37,082
Difference between net carrying amount of own tangible assets and tax base of assets	3,802	631	-	4,433
Difference between net carrying amount of leased tangible assets and tax base of assets	154	95	-	249
Fair value measurement of derivative financial instruments	159	4,467	(94)	4,532
Fair value measurement of investment property	98	58	-	156
Fair value measurement of other financial assets (valuation of forward contracts on the LNG joint venture)	-	3,321	-	3,321
Unrealised foreign exchange gains	254	(64)	-	190
Discount (long-term settlements)	185	(185)	-	-
Other	76	(76)	-	-
Revenue from the sale of shares	-	529	-	529
Total	**32,040**	**29,878**	**(94)**	**61,824**
As at Dec 31 2010				
Deferred tax liability				
Unrealised interest accrued on borrowings	1,639	3,101	-	4,740
Unrealised interest accrued on deposits and own cash	224	(171)	-	53
Unrealised interest accrued on bonds and other securities	83	118	-	201
Liabilities on borrowings measured at adjusted acquisition cost (using the effective interest rate method)	214	(84)	-	130
Revenue recognised during the current period – subsequent period for tax purposes	28,155	(5,967)	-	22,188
Difference between net carrying amount of own tangible assets and tax base of assets	2,300	1,502	-	3,802
Difference between net carrying amount of leased tangible assets and tax base of assets	51	103	-	154
Fair value measurement of derivative financial instruments	3,915	(3,712)	(44)	159

All amounts in PLN thousand (unless otherwise indicated)

Fair value measurement of investment property	109	(11)	-	98
Unrealised foreign exchange gains	-	254	-	254
Discount (long-term settlements)	-	185	-	185
Other	-	76	-	76
Total	**36,690**	**(4,606)**	**(44)**	**32,040**
As at Dec 31 2009				
Deferred tax liability				
Unrealised interest accrued on borrowings	321	1,318	-	1,639
Unrealised interest accrued on deposits and own cash	36	187	-	223
Unrealised interest accrued on bonds and other securities	894	(810)	-	84
Liabilities on borrowings measured at adjusted acquisition cost (using the effective interest rate method)	22	192	-	214
Revenue recognised during the current period – subsequent period for tax purposes	37,033	(8,877)	-	28,156
Difference between net carrying amount of own tangible assets and tax base of assets	1,570	730	-	2,300
Difference between net carrying amount of leased tangible assets and tax base of assets	82	(31)	-	51
Fair value measurement of derivative financial instruments	2,697	1,166	52	3,915
Fair value measurement of investment property	-	109	-	109
Other	19	(19)	-	-
Total	**42,674**	**(6,035)**	**52**	**36,691**

Income tax relating to components of other comprehensive income:

Company name:	***PBG S.A.***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

Item	Jan 1 – Dec 31 2011			Jan 1 – Dec 31 2010			Jan 1 – Dec 31 2010		
	Before tax	Income tax	Net	Before tax	Income tax	Net	Before tax	Income tax	Net
Other comprehensive income:									
Revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets:									
- current year gains (losses)	(23,806)	4,523	(19,283)	-	-	-	-	-	-
- reclassification to profit or loss	-	-	-	-	-	-	-	-	-
Cash flow hedges:									
- current year gains (losses)	7,255	(1,378)	5,877	4,805	(913)	3,892	(3,820)	726	(3,094)
- reclassification to profit or loss	(7,335)	1,393	(5,942)	(4,899)	931	(3,968)	18,580	(3,694)	14,886
- amounts transferred to initial carrying amount of hedged items	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates accounted for using the equity method	-	-	-	-	-	-	-	-	-
Total	**(23,886)**	**4,538**	**(19,348)**	**(94)**	**18**	**(76)**	**14,760**	**(2,968)**	**11,792**

All amounts in PLN thousand (unless otherwise indicated)

5.15. INVENTORIES

STRUCTURE OF INVENTORIES

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Raw materials	425	142	575
Semi-finished products and work in progress	403	3,989	13,433
Finished products	-	-	-
Merchandise	621	385	3,126
Prepaid deliveries	286	328	163
Total carrying amount of inventories	**1,735**	**4,844**	**17,297**

In 2011, the Company recognised the costs of sold inventories and unallocated indirect production costs of PLN 12,874 thousand in operating activities in the separate income statement (2010: PLN 7,583 thousand; 2009: 41,890 thousand).

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

PBG S.A. 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 Company recognises write-downs on inventories which are damaged or if they have become wholly or partially obsolete.

In 2011, the Company recognised PLN 327 thousand write-downs, (2010: PLN 0 thousand; 2009: PLN 297 thousand).

5.16. TRADE AND OTHER RECEIVABLES

The table below presents trade and other receivables disclosed by the Company under receivables:

All amounts in PLN thousand (unless otherwise indicated)

LONG-TERM RECEIVABLES

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Financial assets			
Financial receivables	**7,692**	**10,350**	**7,711**
Trade receivables	1,433	2,863	6,050
Allowance for credit losses on trade receivables (-)	-	-	-
Long-term receivables, net	**1,433**	**2,863**	**6,050**
Disposals of non-current assets	-	-	-
Amount of retentions on construction contracts	421	400	37
Finance lease receivables	1,138	1,387	1,624
Other receivables	4,700	5,700	-
Allowance for credit losses on other financial receivables (-)	-	-	-
Other financial receivables, net	**6,259**	**7,487**	**1,661**
Non-financial assets			
Non-financial receivables	**-**	**-**	**-**
Taxes, social security and other	-	-	-
Advances received for construction contract work	-	-	-
Other non-financial receivables	-	-	-
Allowance for credit losses on other financial receivables (-)	-	-	-
Total long-term receivables	**7,692**	**10,350**	**7,711**

Non-current receivables include receivables for performed services and receivables on sale of shares with extended payment terms. These amounts bear no interest. Due to long payment terms, in some cases exceeding five years, the 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 applied 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 Company'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.

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 Company's accounting policies, assets leased to other parties under finance lease arrangements are presented in the Company's statement of financial position as receivables at amounts equal to the net investment.

Gross carrying amount of finance lease receivables as at December 31st 2011 was PLN 1,253 thousand, including the current portion of PLN 313 thousand, (2010: PLN 1,566 thousand, including the current portion of PLN 313 thousand, 2009: PLN 1,879 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.

All amounts in PLN thousand (unless otherwise indicated)

TRADE AND OTHER RECEIVABLES:

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Financial assets			
Financial receivables	**252,899**	**502,099**	**299,513**
Trade receivables	221,824	462,941	289,058
Allowance for credit losses on trade receivables (-)	(2,959)	(193)	(287)
Trade receivables, net	**218,865**	**462,748**	**288,771**
Disposals of non-current assets	1,143	3,795	117
Amount of retentions on construction contracts	27,016	31,519	6,100
Finance lease receivables	249	236	225
Receivables under court proceedings	-	-	-
Disposals of equity instruments	5,316	2,760	4,300
Other receivables	885	1,041	18
Allowance for credit losses on other financial receivables (-)	(575)	-	(18)
Other financial receivables, net	**34,034**	**39,351**	**10,742**
Non-financial receivables	**13,510**	**70,940**	**66,861**
VAT receivables	-	-	-
Taxes, social security and other	-	90	-
Prepayments	11,740	69,961	57,545
Settlements with employees	549	787	343
Other non-financial receivables	1,307	188	8,973
Allowance for credit losses on other financial receivables (-)	(86)	(86)	-
Total trade and other receivables	**266,409**	**573,039**	**366,374**

The Company views the carrying amount of trade receivables as a reasonable approximation of their fair value (see Note 4.10.6).

Changes in impairment losses on receivables which were recognised during the period covered by these financial statements are shown in the tables below:

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
As at the beginning of the period	**279**	**305**	**349**
Acquisitions of subsidiaries	**-**	**-**	**-**
Disposals of subsidiaries	**-**	**-**	**131**
Impairment loss recognised as expense during the period	3,361	-	(122)
Impairment loss reversed (-)	-	(8)	(53)
Amounts written off (uncollectable) (-)	(20)	(18)	-
Other (net exchange differences)	-	-	-
Balance at the end of the period	**3,620**	**279**	**305**

All amounts in PLN thousand (unless otherwise indicated)

NOT PAST DUE AND PAST DUE CURRENT 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	198,688	23,136	350,258	112,683	249,804	39,254
Allowance for credit losses on trade receivables (-)	-	(2,959)	-	(193)	-	(287)
Trade receivables, net	**198,688**	**20,177**	**350,258**	**112,490**	**249,804**	**38,967**
Other financial receivables	33,819	789	35,413	3,938	7,969	2,791
Allowance for credit losses on other financial receivables (-)	-	(574)	-	-	-	(18)
Other financial receivables, net	**33,819**	**215**	**35,413**	**3,938**	**7,969**	**2,773**
Financial receivables	**232,507**	**20,392**	**385,671**	**116,428**	**257,773**	**41,740**

ANALYSIS OF AGE OF FINANCIAL RECEIVABLES PAST DUE BUT NOT IMPAIRED

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	5,907	-	68,350	3,770	9,146	2,683
more than 1 but not more than 6 months	17,046	73	44,140	168	30,108	108
more than 6 but not more than 12 months	183	716	-	-	-	-
more than one year	-	-	193	-	-	-
Total financial receivables past due	**23,136**	**789**	**112,683**	**3,938**	**39,254**	**2,791**

For further credit risk analysis of the receivables, including the aging analysis of past due receivables not covered by impairment losses, see Note 4.32.

5.17. CASH AND CASH EQUIVALENTS

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Cash at bank (accounts in PLN)	7,650	127,819	510,847
Cash at bank (accounts in foreign currency)	491	2,112	16,843
Cash in hand	1,690	98	457
Short-term deposits	161,040	403,651	-
Other	136	279	1,177
Total	**171,007**	**533,959**	**529,324**

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.

As the Company uses the services of reputable banks only, the risk related to cash deposits is significantly limited. As at December 31st 2011, cash with a carrying amount of PLN 87,923 thousand (2010: PLN 86,500 thousand, 2009: PLN 0 thousand) was restricted cash. PLN 4,772 thousand was subject to a restricted legal title by virtue of a financial pledge agreement over bank account receivables under a credit facility granted to Strateg Capital Sp. z o.o and PLN 83,151 thousand deposited in the bank accounts of the LNG consortium. For information on security for liabilities, see Note 4.10.5.

All amounts in PLN thousand (unless otherwise indicated)

5.18. EQUITY

5.18.1. SHARE CAPITAL

As at December 31st 2011, the Company's share capital was 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; 2009: 14,295,000) with a par value of PLN 1 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 Meeting. The remaining shares are not preferred and each share carries one vote at the Company's General Meeting.

Reconciliation of the number of shares in the period covered by these financial statements result from the following transactions with owners:

SHARE CAPITAL

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Number of shares	14,295	14,295	14,295
Par value per share (PLN)	1	1	1
Share capital	**14,295**	**14,295**	**14,295**

On April 3rd 2012, the Extraordinary General Meeting of PBG S.A. adopted a resolution to issue 12,000 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.

As at December 31st 2011, the structure of the share capital was as follows:

Series / Issue	Type of preference	Type of limitation on rights to shares	Number of shares	Value of series / issue at par value	Manner of payment
series A	voting preference 2:1	none	4,240,000	4,240	contribution in kind
series A	none	none	1,460,000	1460	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 the date of release of these separate financial statements, none of the PBG Group companies held PBG shares.

All amounts in PLN thousand (unless otherwise indicated)

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)	% of share capital	% 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:

After December 31st 2011, until the date of these financial statements, Mr. Jerzy Wiśniewski. PBG's CEO, acquired PBG shares in stock exchange transactions:

- between December 30th 2011 and January 4th 2012 – 44,000 PBG S.A. shares, at an average price of PLN 72.32 per share;
- between January 4th and January 12th 2012 – 55,170 PBG S.A. shares, at an average price of PLN 78.96 per share.

Jerzy Wiśniewski					
Transaction date	Number of shares purchased	Post-transaction number of shares held	Post-transaction number of votes held	% of share capital	% of total votes held
As at Dec 31 2011		**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 2012 – Jan 12 2012	55,170	3,881,224	7,616,278	27.15%	42.23%
As at Apr 27 2012		**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 10.14% of the total vote at PBG's General Meeting, and to 12.80% 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.

All amounts in PLN thousand (unless otherwise indicated)

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	% of share capital	% of total votes held
As at Dec 31 2011		**2,703,485**	**2,703,485**	**18.91%**	**14.99%**
Mar 8 2012	-874,093	1,829,392	1,829,392	12.80%	10.14%
Mar 22 2012	-72,320	1,757,072	1,757,072	12.29%	9.74%
As at Apr 27 2012		**1,757,072**	**1,757,072**	**12.29%**	**9.74%**

5.18.2. SHARE PREMIUM

Share premium includes premiums received on issue of series B, C, D, E, F, and G shares; as at December 31st 2011 it was PLN 733,348 thousand (2010: PLN 733,348 thousand; 2009: PLN 733,348 thousand).

5.18.3. CASH-FLOW HEDGES AND TRANSLATION RESERVE

As at December 31st 2011, the valuation reserve from hedging transactions was PLN 0 thousand.

Company name:	*PBG S.A.*		
Period covered by the financial statements:	*Jan 1 - Dec 31 2011*	**Reporting currency:**	*złoty polski (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

OTHER COMPONENTS OF EQUITY, INCLUDING CASH-FLOW HEDGES AND TRANSLATION RESERVE

Item	Share-based payments reserve	Accumulated other comprehensive income:					Total other components of equity
		Revaluation reserve	Available-for-sale financial assets	Cash flow hedges	Equity accounted investment	Total other comprehensive income	
Balance as at Jan 1 2011	**-**	**-**	**-**	**65**	**-**	**65**	**65**
Employee share options	-	-	-	-	-	**-**	-
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	-	-	(23,806)	(80)	-	(23,886)	(23,886)
Income tax relating to components of other comprehensive income	-	-	4,523	15	-	4,538	4,538
Transfer to retained earnings (disposal of revaluated property, plant and equipment)	-	-	-	-	-	**-**	-
Balance as at Dec 31 2011	**-**	**-**	**(19,283)**	**-**	**-**	**(19,283)**	**(19,283)**
Balance as at Jan 1 2010	**-**	**-**	**-**	**141**	**-**	**141**	141
Employee share options	-	-	-	-	-	**-**	-
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	-	-	-	-	-	**-**	-
Income tax relating to components of other comprehensive income	-	-	-	(94)	-	(94)	(94)
Transfer to retained earnings (disposal of revaluated property, plant and equipment)	-	-	-	18	-	18	18
Balance as at Dec 31 2010	**-**	**-**	**-**	**65**	**-**	65	**65**
Balance as at Jan 1 2009	**-**	**-**	**-**	**(11,652)**	**-**	**-**	
Employee share options	-	-	-	-	-	**-**	-

Company name:	*PBG S.A.*		
Period covered by the financial statements:	*Jan 1 - Dec 31 2011*	**Reporting currency:**	*złoty polski (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

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	-	-	-	14,760	-	**14,760**	14,760
Income tax relating to components of other comprehensive income	-	-	-	(2,967)	-	**(2,967)**	(2,967)
Transfer to retained earnings (disposal of revaluated property, plant and equipment)	-	-	-	-	-	**-**	-
Balance as at Dec 31 2009	**-**	**-**	**-**	**141**	**-**	**11,793**	**11,793**

All amounts in PLN thousand (unless otherwise indicated)

5.19. EMPLOYEE BENEFITS

COST OF EMPLOYEE BENEFITS

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Salaries and wages	30,333	35,477	35,142
Cost of social security contributions	5,445	5,194	5,311
Share-based payments reserve	-	-	-
Cost of future benefits, including:	-	-	-
- provision for retirement gratuity	30	55	(17)
- provision for jubilee	-	-	-
- accrued holiday entitlement	-	55	(44)
Other costs related to employee benefits	-	969	1,349
Total cost of employee benefits	**35,808**	**41,750**	**41,741**

Liabilities and provisions under employee benefits recognised in the separate statement of financial position include:

EMPLOYEE BENEFITS LIABILITIES AND PROVISIONS

Item	Non-current			Current		
	at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Wages and salaries liabilities	-	-	-	2,046	2,736	-
Social security liabilities	-	-	-	1,738	2,462	1,163
Provision for retirement gratuity	324	322	271	-	-	-
Provision for jubilee	-	-	-	-	-	-
Accrued holiday entitlement	-	-	-	343	242	186
Other provisions	-	-	-	-	-	-
Other long-term employee benefits	-	-	-	57	112	39
Employee benefits liabilities and provisions	**324**	**322**	**271**	**4,184**	**5,552**	**1,388**

All amounts in PLN thousand (unless otherwise indicated)

CHANGES IN PROVISIONS FOR EMPLOYEE BENEFITS

Item	Provision for retirement gratuity	Accrued holiday entitlement	Total
For the period from Jan 1 to Dec 31 2011			
Balance at the beginning of the period	**322**	**242**	**564**
Changes in the period recognised in profit or loss	-	-	-
Revision of estimates	2	101	103
Release of provisions recognised as income in the period (-)	-	-	-
Use of provisions (-)	-	-	-
Revision of estimates (-)	-	-	-
Other changes (net exchange differences)	-	-	-
Balance at the end of the period, including:	**324**	**343**	**667**
- non-current provisions	324		324
- current provisions	-	343	343

For the period from Jan 1 to Dec 31 2010			
Balance at the beginning of the period	**271**	**186**	**457**
Changes in the period recognised in profit or loss	-	-	-
Revision of estimates	51	56	111
Release of provisions recognised as income in the period (-)	-	-	-
Use of provisions (-)	(4)	-	(4)
Revision of estimates (-)	-	-	-
Other changes (net exchange differences)	-	-	-
Balance at the end of the period, including:	**322**	**242**	**564**
- non-current provisions	322		322
- current provisions	-	242	242

for the period from Jan 1 to Dec 31 2009			
Balance at the beginning of the period	**303**	**230**	**533**
Changes in the period recognised in profit or loss	-	-	-
Revision of estimates	63	595	658
Release of provisions recognised as income in the period (-)	-	-	-
Use of provisions (-)	(15)	-	(15)
Revision of estimates (-)	(80)	(639)	(719)
Other changes (net exchange differences)	-	-	-
Balance at the end of the period, including:	**271**	**186**	**457**
- non-current provisions	271		271
- current provisions	-	186	186

All amounts in PLN thousand (unless otherwise indicated)

OTHER PROVISIONS

PROVISIONS DISCLOSED IN THE FINANCIAL STATEMENTS AND THEIR CHANGES IN THE RESPECTIVE PERIODS ARE PRESENTED IN THE TABLE BELOW:

Item	Non-current			Current		
	at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Provisions for warranties	8,108	7,185	6,118	746	1,117	598
Provision for losses on construction contracts	-	-	-	-	-	3,000
Other provisions	-	-	-	-	-	-
Total other provisions, including:	**8,108**	**7,185**	**6,118**	**746**	**1,117**	**3,598**

Item	Provisions for warranties	Provision for losses on construction contracts	Total
For the period from Jan 1 to Dec 31 2011			
Balance at the beginning of the period	**8,302**	**-**	**8,302**
Changes in the period recognised in profit or loss	2,762	-	2,762
Revision of estimates	-	-	-
Release of provisions recognised as income in the period (-)	(890)	-	(890)
Use of provisions (-)	(1,320)	-	(1,320)
Revision of estimates (-)	-	-	-
Other changes (net exchange differences)	-	-	-
Balance at the end of the period, including:	**8,854**	**-**	**8,854**
- non-current provisions	8,108		8,108
- current provisions	746	-	746

For the period from Jan 1 to Dec 31 2010			
Balance at the beginning of the period	**6,716**	**3,000**	**9,716**
Changes in the period recognised in profit or loss	3,105	-	3,105
Revision of estimates	-	-	-
Release of provisions recognised as income in the period (-)	(1,171)	-	(1,171)
Use of provisions (-)	(348)	(3,000)	(3,348)
Revision of estimates (-)	-	-	-
Other changes (net exchange differences)	-	-	-
Balance at the end of the period, including:	**8,302**	**-**	**8,302**
- non-current provisions	7,185		7,185
- current provisions	1,117	-	1,117

All amounts in PLN thousand (unless otherwise indicated)

For the period from Jan 1 to Dec 31 2009			
Balance at the beginning of the period	**4,509**	**-**	**4,509**
Changes in the period recognised in profit or loss	2,760	3,000	5,760
Revision of estimates	-	-	-
Release of provisions recognised as income in the period (-)	(291)	-	(291)
Use of provisions (-)	(262)	-	(262)
Revision of estimates (-)	-	-	-
Other changes (net exchange differences)	-	-	-
Balance at the end of the period, including:	**6,716**	**3,000**	**9,716**
- non-current provisions	6,118		6,118
- current provisions	598	3,000	3,598

The Company recognises provisions in accordance with the policies specified in Section 4.14.

The provision for warranty repairs is a significant item in the separate financial statements. It increased by 6.65% year on year.

5.20. TRADE AND OTHER PAYABLES

Trade and other payables are presented below (see also Note 4.10.1):

Item	As at Dec 31 2011	As at Dec 31 2010	As at Jun 30 20090
Financial liabilities	**14,056**	**22,607**	**19,201**
Trade payables	58		88
Purchase of non-current assets	12,491	14,395	14,246
Amount of retentions on construction contracts	1,507	8,007	2,686
Other financial liabilities	-	205	2,181
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	**14,056**	**22,607**	**19 201**

Long-term liabilities primarily represent amounts retained as security for completion of construction work by subcontractors, liabilities under insurance services and liabilities under liabilities under investment purchases (licenses). These amounts bear no interest. Due to long payment terms, in some cases exceeding six 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 5.77% (December 31st 2010: 4.66%; December 31st 2009: 4.76%).

All amounts in PLN thousand (unless otherwise indicated)

CURRENT LIABILITIES

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Financial liabilities	**432,012**	**411,922**	**303,589**
Trade payables	264,356	401,916	296,236
Purchase of non-current assets	2,162	2,879	811
Liabilities under investment purchases	-	-	-
Liabilities under purchase of debt	-	-	-
Liabilities under purchase of equity instruments	160,042	1,651	1,071
Amount of retentions on construction contracts	4,588	5,476	5,471
Other financial liabilities	864	-	-
Non-financial liabilities	**84,278**	**217,358**	**96,538**
VAT payable	21,121	49,729	20,920
Tax, duties and grants payable	671	905	576
Advances received for construction contract work	59,144	162,407	69,633
Other non-financial liabilities	3,342	4,317	5,409
Total trade and other payables	**516,290**	**629,280**	**400,127**

The Company views the carrying amount of trade payables as a reasonable approximation of their fair value (see Note 5.10.5.6).

For information on amounts due to customers for construction contract work, see Note 5.22.

5.21. PREPAID EXPENSES AND DEFERRED INCOME

Item	Non-current			Current		
	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Assets - prepaid expenses:						
Insurance contracts	786	2,123	3,961	2,616	3,624	2,893
Guarantees	388	1,092	1,010	654	996	778
- Turn-of-reporting-period expenses	128	-	-	14	-	438
Expenses incurred prior to construction contract execution	-	-	-	50,739	14,098	2,060
Cost of future acquisitions	-	-	-	215	203	3,162
Subscriptions, training	-	-	-	28	19	18
Other (joint costs of consortium operating)	-	-	-	1,582	8,458	-
Other	3,097	660	378	4,918	4,723	383
Assets - prepaid expenses	4,399	3,875	5,349	60,607	32,121	9,732
Liabilities - deferred income:						
Audit provision	-	-	-	87	108	83
Deferred service income	5,716	6,467	7,317	816	879	914
Other	-	-	3	2	5	1
Liabilities - deferred income:	**5,716**	**6,467**	**7,320**	**905**	**992**	**998**

In 2011, prepaid expenses increased compared with 2010 in connection with expenses incurred prior to the execution of construction contracts. The expenses were attributable to PBG's activities aimed at winning new contracts and diversifying its business.

Under deferred income, the Company recognises e.g. grants obtained in 2004–2006 under the EU programme "Sectoral Operational Programme Improvement of the Competitiveness of Enterprises" to fund new fixed assets to enhance the Company's competitiveness. Benefits from the grants are recognised throughout the asset's depreciation period until December 31st 2011. In 2011, the Company recognised other income on grants at PLN 816 thousand (2010: PLN 1 thousand, 2009: PLN 1 thousand). As at the balance-sheet date, there are no terms and conditions not yet met that could contribute to the subsidy becoming repayable.

All amounts in PLN thousand (unless otherwise indicated)

5.22. CONSTRUCTION CONTRACTS

In 2011, the Company recognised in the income statement uninvoiced revenue from construction services at PLN 116,401 thousand (2010: PLN -20,828 thousand; 2009: PLN -84,072 thousand).
The amounts recognised in the 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 4.20.2 on accounting policies, under "Basis of Accounting and Accounting Policies"). The carrying amounts of receivables and payables arising under construction contracts are presented in the table below:

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Initial amount of revenue agreed in contract	2,902,774	3,220,075	2,680,515
Variations in contract work	252,327	223,855	298,601
Aggregate amount of revenue	**3,155,101**	**3,443,930**	**2,979,116**
Amount of costs incurred to balance-sheet date	1,749,228	1,165,859	1,054,216
Costs expected to incur to finish contract work	903,162	1,739,278	1,438,729
Aggregate amount of contract costs	**2,652,390**	**2,905,137**	**2,492,945**
Aggregate estimated profit (losses) on construction contracts	**502,711**	**538,793**	**486,171**
Stage of completion as at the balance-sheet date	**65.95%**	**40.13%**	**42.29%**
Prepayments received as at the balance-sheet date	66,340	115,862	72,940
Prepayments that can be set off with receivables under construction contracts	4,748	29,969	3,308
Retentions total	6,130	30,779	6,001
Aggregate amount of costs incurred to the balance-sheet date	1,749,228	1,165,859	1,054,216
Aggregate amount of recognised profits (losses) to the balance-sheet date	381,210	267,439	164,144
Revenue estimated as at the balance-sheet date	**2,130,438**	**1,433,298**	**1,218,360**
Progress billings	1,939,909	1,355,416	1,111,976
Amounts due from customers for construction contract work	**195,169**	**116,779**	**148,185**
Amounts due from customers for construction contract work payable to consortium members as at the balance-sheet date	-	-	4,732
Amounts due from customers for construction contract work payable to the consortium as a whole as at the balance-sheet date, less prepayments that can be set off	**190,421**	**86,810**	**149,609**
Amounts due to customers for construction contract work	**4,640**	**38,897**	**41,801**

Owing to binding confidentiality agreements, the PBG Management Board disclosed the information required under IAS 11 Construction Contracts at aggregate amounts, without itemising the individual contracts.

All amounts in PLN thousand (unless otherwise indicated)

Carrying amounts in the financial statements that relate to construction contracts are best estimates of the Management Board, although there is a certain degree of uncertainty as to their actual values (see section 4.16.2 in Accounting Policies).

In 2008, the Company's Management Board executed two contracts as a consortium leader. The projects are executed as joint ventures in accordance with IAS 31. If the Company, as a consortium leader, considers an agreement executed between the principal and the consortium as a construction contract, such long-terms contracts are settled based on revenue and expense budgets for the portion of the contract completed only by the Company, and expenses received from other consortium members and revenue invoices issued to the principal as the billing entity and concerning work performed by consortium members, are not recognised in the Company's income statement.
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.

Jointly-controlled asset:

- 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 2,088,976 thousand.

5.23. INCOME AND EXPENSES

REVENUE BY SEGMENT

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Gas, oil and fuels	738,231	710,192	441,085
Water	81,933	73,082	126,421
Industrial and residential construction	123,331	98,458	226,783
Roads	11,518	24,045	-
Power	-	-	-
Other	9,122	12,453	33,174
Total revenue	**964,135**	**918,230**	**827,463**

All amounts in PLN thousand (unless otherwise indicated)

REVENUE BY CUSTOMER'S COUNTRY

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Domestic customers	964,027	918,168	827,463
Foreign customers	108	62	-
Total revenue	**964,334**	**918,230**	**827,463**

NATURE OF EXPENSES

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Depreciation and amortisation	16,297	15,919	14,828
Raw material and consumables used	165,490	14,096	48,895
Services	621,814	666,556	567,397
Taxes and duties	1,710	1,391	1,598
Employee benefits	35,697	41,640	41,802
Other expenses	13,695	16,647	13,532
Total expenses	**854,703**	**756,249**	**688,052**
Cost of merchandise and materials sold	115	4,951	8,443
Changes in inventories of finished goods and work in progress (-)	(6,002)	11,509	12,018
Work performed by entity and capitalised (-)	-	-	-
Cost of sales, distribution costs and administrative expenses	**848,816**	**772,709**	**708,513**

COSTS BY SUPPLIER'S COUNTRY

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Domestic suppliers	567,829	646,396	591,435
Foreign suppliers	249,972	96,827	87,965
Total cost	**817,801**	**743,223**	**679,400**

OTHER INCOME

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Gain on disposal of non-financial assets	-	526	1,111
Fair value measurement of investment property	306	-	-
Reversals of allowance for credit losses on receivables	1	3	122
Reversals of inventories write-downs	-	-	297
Reversals of unused provisions	890	1,171	291
Compensation and penalties received	1,055	1,907	420
Government grants income	816	884	890
Lease revenue	3,428	2,706	3,013

All amounts in PLN thousand (unless otherwise indicated)

Gain on disposal of equity instruments	-	17	-
Interest on cash in bank account reserved for operating activities (other interest on securities)	11,994	5,807	3,908
Interest on loans advanced as part of operating activities	43,586	36,719	13,308
Exchange differences on operating activities	13,449	-	-
Profit/(loss) on derivative instruments related to	13,732	910	929
Discount (long-term settlements)	-	555	482
Surety and guarantee services	145	485	267
Other	3,622	780	2,743
Total other income	**93,024**	**52,470**	**27,781**

OTHER EXPENSES

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Loss on disposal of non-financial assets	286	-	-
Fair value measurement of investment property	-	58	-
Property, plant and equipment impairment loss and intangible assets impairment loss	-	-	297
Allowance for credit losses on receivables	3,360	-	131
Inventories write-downs	364	-	297
Compensation and penalties paid	320	782	266
Grants	470	602	499
Loss on disposal of equity instruments	21,356	-	-
Interest on cash in bank account reserved for operating activities, interest on trade and other payables	80	197	136
Interest on loans advanced as part of operating activities	-	-	-
Exchange differences on operating activities	-	2,083	4,101
Discount (long-term settlements)	911	-	45
Other expenses (PBG Foundation)	-	362	-
Other	871	595	751
Total other expenses	**28,018**	**4,679**	**6,523**

All amounts in PLN thousand (unless otherwise indicated)

5.24. FINANCE INCOME AND COSTS

FINANCE INCOME

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Total interest income for financial assets not at fair value through profit or loss			
Cash and cash equivalents (deposits)	3,178	6,663	12,708
Loans and receivables	1,244	1,514	127
Total interest income for financial assets not at fair value through profit or loss	**4,422**	**8,177**	**12,835**
Total fair value and disposal gains on financial instruments at fair value through profit or loss:			
Held-for-trading derivatives	-	-	-
Cash flow hedge derivatives	(1,328)	(518)	(151)
Listed equity securities			
Debt instruments			
Money market funds	2,950	1,850	-
Total fair value and disposal gains on financial instruments at fair value through profit or loss	**1,622**	**1,332**	**(151)**
Gain (loss) (+/-) from exchange differences on:			
Cash and cash equivalents	8,501	4,636	-
Loans and receivables (exchange differences on loans allocated to financing activities)	3	-	-
Total gain (loss) (+/-) from exchange differences	**8,504**	**4,636**	**-**
Dividend income from available-for-sale securities	-	43,228	-
Other finance income	27	4	
Total finance income	**14,575**	**57,377**	**12,684**

All amounts in PLN thousand (unless otherwise indicated)

FINANCE COSTS

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Interest expenses for financial liabilities not at fair value through profit or loss:			
Finance lease liabilities	213	193	182
Bank borrowings	6,883	7,927	9,693
Bank overdrafts	962	2,792	-
Loans		82	23
Debt instruments	69,863	45,139	20,905
Total interest expenses for financial liabilities not at fair value through profit or loss	**77,921**	**56,133**	**30,803**
Total fair value and disposal losses on financial instruments at fair value through profit or loss			
Held-for-trading derivatives	-	-	-
Cash flow hedge derivatives	-	-	-
Listed equity securities	-	-	-
Debt instruments	-	-	-
Money market funds	-	-	-
Total fair value and disposal losses on financial instruments at fair value through profit or loss	-	-	-
(Gain) loss (-/+) from exchange differences on:			
Cash and cash equivalents	-	-	-
Loans and receivables	-	-	-
Financial liabilities at amortised cost	-	-	-
(Gain) loss (-/+) from exchange differences	-	-	-
Commission on sureties issued	-	-	213
Other finance costs	9	21	189
Total finance costs	**77,930**	**56,154**	**31,205**

Allowances for credit losses on loans and receivables related to operating activities are recognised by the Company under other expenses (see Note 4.24).

The valuation and settlement of hedging derivatives mainly affect operating income or operating expenses disclosed by the Company (see Note 4.10.3 on hedges).

All amounts in PLN thousand (unless otherwise indicated)

5.25. INCOME TAX EXPENSE

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Current tax expense			
Settlement of income tax for the current period	(2,585)	30,652	(29,440)
Adjustments for current tax of prior periods (+/-)	580	-	-
Current tax expense	**(2,005)**	**30,652**	**(29,440)**
Deferred income expense:			
Origination and reversal of temporary differences	(22,074)	(1,504)	6,032
Settlement of unused tax losses	-	-	-
Deferred income expense	**(22,074)**	**(1,504)**	**6,032**
Income tax expense	**(24,079)**	**29,148**	**(23,408)**

In 2011, the Company filed a correction to its corporate income tax return due to recognition of higher tax expenses in the final tax settlement. The value of the correction (PLN 580 thousand) was charged to the current period.

RECONCILIATION OF CORPORATE INCOME TAX ON PRE-TAX PROFIT/LOSS WITH CORPORATE INCOME TAX

Item	for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Profit (loss) before tax	**116,970**	**194,535**	**121,687**
Domestic tax rate for the Parent	19%	19%	19%
Tax at domestic rate of the Parent	**22,224**	**36,962**	**23,121**
Tax effect of:			
- tax-rate differences in foreign jurisdictions (+/-)	-	-	-
- tax-exempt income (-)	(7)	(8,381)	(115)
- non-deductible expenses (+)	136	568	403
- utilisation of unrecognised tax loses (-) (-)	-	-	-
- unrecognised deferred tax assets for temporary differences (+)	875	-	-
- unrecognised deferred tax assets for unused tax losses (+)	1,431	-	-
- adjustments for current tax of prior periods (+/-)	(580)	-	-
Income tax expense	**24,079**	**29,148**	**23,408**
Average effective tax rate	21%	15%	19%

All amounts in PLN thousand (unless otherwise indicated)

5.26. EARNINGS PER SHARE AND DIVIDEND PROPOSED

EARNINGS PER SHARE

Earnings per share are computed as the quotient of net profit attributable to shareholders to the weighted average number of ordinary shares outstanding during the period.

While computing both basic and diluted earnings (loss) per share, the Company substitutes the amount of net profit (loss) attributable to the Company shareholders 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.

Item	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2010
Continuing operations			
Net profit (loss) from continuing operations	92,891	165,387	98,279
Weighted average number of ordinary shares	14,295,000	14,295,000	13,934,580
Dilutive effect of options			
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	13,934,580
Basic earnings per share (PLN)	6.50	11.57	7.05
Diluted earnings per share (PLN)	6.50	11.57	7.05
Discontinued operations			
Profit (loss) from discontinued operations	-	-	-
Weighted average number of ordinary shares	-	-	-
Dilutive effect of options			
Diluted weighted average number of ordinary shares	-	-	-
Basic earnings per share (PLN)	-	-	-!
Diluted earnings per share (PLN)	-	-	-
Continuing and discontinued operations			
Net profit (loss)	92,891	165,387	98,279
Weighted average number of ordinary shares	14,295,000	14,295,000	13,934,580
Dilutive effect of options			
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	13,934,580
Basic earnings per share from all operations (PLN)	**6.50**	**11.57**	**7.05**
Diluted earnings per share from all operations (PLN)	**6.50**	**11.57**	**7.05**

All amounts in PLN thousand (unless otherwise indicated)

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.

5.27. CASH FLOWS

The following adjustments to profit (loss) before tax were made to determine cash flows from operating activities:

Item	IFRS for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	Q1-Q4 Jan 1 – Dec 31 2009
Cash flows from operating activities			
Profit (loss) before tax	**116,970**	**194,535**	**121,687**
Adjustments:			
Depreciation and impairment of property, plant and equipment	12,352	11,461	11,022
Amortisation and impairment of intangible assets	3,945	4,458	3,805
Change in fair value of investment property	(306)	58	-
Gains (losses) on financial assets and liabilities at fair value through profit or loss	(12,601)	(4,098)	(6,576)
Cash flow hedges recycled from equity	(7,335)	(4,899)	18,580
Impairment losses on financial assets	-	-	-
(Gain) loss on disposal of non-financial non-current assets	286	(526)	(1,111)
(Gain) loss on disposal of non-derivative financial assets	21,355	-	-
Foreign exchange gains (losses)	(17,332)	-	(2,419)
Interest expense	77,928	56,330	30,939
Interest income	(60,001)	(48,201)	(30,051)
Interest received on bank deposits (received prepayments)		-	-
Dividend received	-	(43,228)	-
Share in profit (loss) of associates	-	-	-
Other adjustments	635	(5,271)	(4,512)
Total adjustments:	**(18,926)**	**(33,916)**	**19,677**
Change in inventories	3,109	12,453	15,326
Change in receivables	307,617	(201,377)	(90,088)
Change in liabilities	(282,177)	229,762	244,479
Change in provisions and accruals and deferrals	(30,660)	(18,975)	3,136
Effect of construction contracts	(137,541)	59,896	67,026
Other adjustments	-	-	-
Changes in working capital	**(139,652)**	**81,759**	**239,879**

For the purposes of preparing the statement of cash flows, the Company classifies cash in the manner applied to the presentation thereof in the statement of financial position (see Note 5.17).

All amounts in PLN thousand (unless otherwise indicated)

CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Cash and cash equivalents disclosed in the statement of financial position *Adjustments:*	**171,007**	**533,959**	**529,324**
Exchange differences on measurement of carrying amount of cash denominated in foreign currencies	-	-	-
Unrealised interest on cash (-)	-	-	-
Cash and cash equivalents disclosed in the statement of cash flows	**171,007**	**533,959**	**529,324**

5.28. RELATED-PARTY TRANSACTIONS

Related parties of the Company include key management staff, associates, subsidiaries, and other related parties, i.e. the entities controlled by the owners of the Parent as well as members of the supervisory and management bodies. The main other related parties include:

No.	Related entities
Personally-related entities as at Dec 31 2011	
1.	Apartamenty Poznańskie Sp. z o.o.
2.	Akropol Inwestycje Sp. z o.o.
3.	APP Projekt Sp. z o.o.
4.	APPCOM EWA KĘDRA, Lusówka
5.	AWDAR Sp. z o.o.
6.	Bartłomiej Krasicki
7.	CMT ADVISORY Sp. z o.o.
8.	CREANDI Sp. z o.o.
9.	DIIPP Autostrady Sp. z o.o.
10.	DM Developer Sp. z o.o.
11.	DMP Finanse Sp. z o.o.
12.	DOMDAR Sp. z o.o.
13.	Dwór w Smólsku Sp. z o.o.
14.	EAST WAST Development Poznań Sp. z o.o.
15.	ECOPAP Sp. z o.o.
16.	Energia Wiatrowa Sp. z o.o.
17.	FABRICA P. Marciniak, A. Białczyk Sp. j.
18.	F.H. "RENEE" s.c. Jerzy Trybuchowski, Piotr Trybuchowski
19.	Andrzej Bardziński Foundation
20.	PBG Foundation
21.	Firma Produkcyjno-Handlowa TADEX Tadeusz Kasperczak
22.	GMP Piotr Kurosz
23.	Hofman Tomasz
24.	INVEST ECOPAP Sp. z o.o. Spółka Komandytowa
25.	IWESJR Jerzy Ciechanowski
26.	JASTARPORT Sp. z o.o.
27.	Kancelaria Biegłych Rewidentów "AUDYT" Sp. z o.o.
28.	Kancelaria Prawna Maciej Bednarkiewicz, Andrzej Wilczyński i Wspólnicy Sp. Komandytowa

All amounts in PLN thousand (unless otherwise indicated)

29.	KAN-GAZ Eugeniusz Kurosz Sp. z o.o.
30.	KAN-GAZ Sp. z o.o.
31.	KM Property Sp. z o.o.
32.	KOLKAP S.C. Tomasz Kolendo, Konrad Kapała, Poznań ul. Zamkowa 5
33.	Krasz
34.	Księgowość Anna Nowak i Wspólnicy Spółka Komandytowa
35.	Michał Tamborski i Syn Spółka Jawna
36.	MIERZEJA DEVELOPMENT Sp. z o.o.
37.	MIKO TECH Sp. z o.o.
38.	MJW PATRIMONIUM Sp. z o.o.
39.	MONOLIT SYSTEM Sp. z o.o.
40.	MONEY HOUSE Sp. z o.o.
41.	NEPTIS Sp. z o.o.
42.	P.H. Ba-Wa s.c.
43.	PIECOBIOGAZ S.A.
44.	Polski Ogród Sp. z o.o.
45.	POMERANIA DEVELOPMENT Sp. z o.o.
46.	PONER Sp. z o.o.
47.	Poznańskie Stowarzyszenie Oświatowe (Education Association of Poznań)
48.	PRADA Violetta Wilczyńska, Andrzej Wilczyński Spółka Jawna
49.	Przedsiębiorstwo Budowlano - Montażowe i Prefabrykacji betonów "KAMAL" Sp. z o.o.
50.	Primodium B. Krasicki Sp. k.
51.	Protea Poland s.c.
52.	R AND L Sp. z o.o.
53.	REMAX-BUD
54.	SARNOWSKI I WIŚNIEWSKI Spółka Audytorska Sp. z o.o.
55.	SKOCZYŃSKI WACHOWIAK STRYKOWSKI Kancelaria Prawna Spółka Komandytowa
56.	Specjalistyczne Usługi Gazownicze "GAZ SERWIS" Sp. z o.o.
57.	Schmidt Szymon
58.	TGP INVEST Sp. z o.o.
59.	TMPM Sp. z o.o.
60.	Trans-Bau Project Sp. z o.o.
61.	VERSA S.A.
62.	Walkowiak Ltd.
63.	WIERTMAR Sp. z o.o.
64.	Zawisza Bydgoszcz S.A.
Personally-related entities as of Nov 14 2011	
1	NTGE Sp. z o.o.
2	Proxy-Dzierżęga sp.j.
3	United Media Corp. Dorota Wawrzynowicz
4	Fabryka Elektrofiltrów "ELWO" S.A. w upadłości (in bankruptcy)
Associates as of Oct 1 2011	
1	Strateg Capital Sp. z o.o.
2	GasOil Engineering a.s.

Transactions with related parties 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 Company's key management personnel includes members of the Company's Management Board. During the period covered by these financial statements, members of the key management personnel received the following remuneration:

RELATED PARTIES – AMOUNTS PAID TO MANAGEMENT PERSONNEL FOR THE PERIOD

Item	Q1-Q4 Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	Q1-Q4 Jan 1 – Dec 31 2009
Key management personnel remuneration			
Short-term employee benefits	3,809	3,920	2,712
Termination benefits	-	-	-
Post-employment benefits	-	-	-
Share-based payments	-	-	-
Other benefits	-	-	-
Total	**3,809**	**3,920**	**2,712**

For detailed information on the remuneration of members of the Company's Management Board, see Note 7.

The Company did not grant any loans to members of its key management staff during the period covered by the financial statements.

As at December 31st 2011, the balance of liabilities of the key management personnel towards the Company was PLN 5,712 thousand.

Transactions with subsidiaries, associates, jointly-controlled entities and other related entities

Related parties – selected financial information (PLN '000)

Related entities	Receivables as at Dec 31 2011	Liabilities as at Dec 31 2011	Financial assets	Borrowings	Inventories as at Dec 31 2011	Financial liabilities (securities)	2011 revenue	2011 purchases	2011 finance income	2011 finance costs
CONSOLIDATED ENTITIES										
PBG TECHNOLOGIA	184	5,603	-	-	-	-	3,416	75,524	60	-
PBG ENERGIA	159	5,736	5,488	-	-	-	1,415	3,851	82	-
INVEST WSCHODNI	3	-	153,472	-	-	-	3	-	5,101	-
APRIVIA GROUP	17,129	-	17,429	-	-	-	4,761	1,007	620	-
AVATIA Sp. z o.o.	-	1,754	-	-	-	-	1,379	3,282	-	-
Brokam Sp. z o.o.	1	-	680	-	-	-	4	-	51	-
Excan Oil and Gas Engineering Ltd.	-	1,029	-	-	-	-	-	2,998	-	-
AQUA	-	732	-	-	-	-	17	-	-	-
Hydrobudowa Polska Group	2,264	49,129	1,545	-	-	-	41,084	73,846	232	-
PBG OPERATOR	5	-	-	-	-	-	3	-	-	-

Company name:	***PBG S.A.***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

PBG DOM Group	243	3	328,487	-	-	-	583	1,275	18,026	-
KWG S.A.	556	-	704	-	-	-	525	(1)	1,476	-
ENERGOMONTAŻ POŁUDNIE	430	-	4,001	-	-	-	613	265	1	-
SARL	-	-	199	-	-	-	-	-	7	-
RAFAKO	25,798	-	10,000	-	-	-	8	-	-	-
HBP DROGI	4	-	-	-	-	-	3	-	-	-
BATHINEX	782	-	38,335	-	-	-	141	-	3,134	-
Metorex Sp. z o.o.	1,196	-	5,584	-	-	-	880	-	284	-
Total	**48,754**	**63,986**	**565,924**	**-**	**-**	**-**	**54,835**	**162,047**	**29,074**	**-**
EQUITY-RELATED PARTIES ACCOUNTED FOR WITH THE EQUITY METHOD										
STRATEG CAPITAL	-	-	150,311	-	-	-	11,354	-	7,648	-
GAS & OIL ENGINEERING A.S.	-	-	2,371	-	-	-	-	6,342	-	-
Total	**-**	**-**	**152,682**	**-**	**-**	**-**	**11,354**	**6,342**	**7,648**	**-**
PERSONALLY-RELATED NON-CONSOLIDATED ENTITIES										
Total	**36,606**	**6,608**	**35,949**	**-**	**-**	**-**	**3,508**	**24,000**	**-**	**-**

All amounts in PLN thousand (unless otherwise indicated)

5.29. CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities as at the end of the comparative periods are presented below:

CONTINGENT LIABILITIES (FINANCIAL GUARANTEES)
AS AT DECEMBER 31ST 2011

Item	IFRS at Dec 31 2011	IFRS at Dec 31 2010	IFRS at Dec 31 2009
In relation to non-consolidated subsidiaries and other related parties:			
Guarantee of liabilities	-	-	-
Guarantee of trade and other payables	3	305	-
Construction contract guarantee	-	16,282	-
Sureties for existing and future lease agreements	-	-	-
Performance bonds	-	-	-
Guarantees of removal of defects and faults	-	-	-
Bid-bond guarantees	-	-	-
Trade liability repayment guarantee	-	-	-
Advance payment bonds	-	-	-
Retention bonds	-	-	-
Other	-	-	-
Total non-consolidated subsidiaries and other related parties	**3**	**16,587**	**-**
In relation to associates:			
Guarantee of liabilities	**159,372**	**-**	**-**
Guarantee of trade and other payables	**151**	**-**	**-**
Construction contract guarantee	**-**	**-**	**-**
Sureties for existing and future lease agreements	**-**	**-**	**-**
Surety for credit and guarantee limit	**-**	**-**	**-**
Surety for limit for derivative transactions	**-**	**-**	**-**
Performance bonds	**-**	**-**	**-**
Guarantees of removal of defects and faults	**-**	**-**	**-**
Bid-bond guarantees	**-**	**-**	**-**
Trade liability repayment guarantee	**-**	**-**	**-**
Advance payment bonds	**-**	**-**	**-**
Retention bonds	**-**	**-**	**-**
Other	**-**	**-**	**-**
Total associates	**159,523**	**-**	**-**
In relation to other entities:			
Guarantee of liabilities	547,157	271,554	253,941
Guarantee of trade and other payables	44,867	34,353	86,965
Construction contract guarantee	771,442	476,115	534,848
Sureties for existing and future lease agreements	3,991	10,053	17,152
Guarantee security surety	-	-	37,088
Surety for credit and guarantee limit	233,553	167,059	202,697
Surety for limit for derivative transactions	9,079	5,467	-
Performance bonds	318,930	331,148	26,717
Guarantees of removal of defects and faults	19,905	22,629	196,629
Bid-bond guarantees	21,706	17,230	17,723

All amounts in PLN thousand (unless otherwise indicated)

Trade liability repayment guarantee		18,922	93,407
Advance payment bonds	154,321	205,585	0
Retention bonds			11,983
Payment guarantees	40,509		
Total other related entities:	**2,165,460**	**1,560,115**	**1,479,150**
Total contingent liabilities	**2,324,986**	**1,576,702**	**1,479,150**

5.30. RISK RELATED TO FINANCIAL INSTRUMENTS

Risk related to financial instruments

The Company is exposed to many types of risk related to financial instruments. The Company's financial assets and liabilities are presented in Note 4.31. The Company is exposed to the following types of risk:

- market risk, comprising currency risk and interest rate risk,
- credit risk, and
- liquidity risk.

The Company's financial risk is coordinated by its Management Board. The following are the key objectives of the risk management process:

- hedging short-term and medium-term cash flows,
- preventing volatility of the Company's financial results,
- 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 Company 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 separate income statement and other comprehensive income items are presented in Note 4.10.3.

Presented below are major risks relevant to the Company.

1.1. 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 Company applies a consistent and progressive approach to market risk management.
The Company 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 Company.

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 Company's internal situation and the applied derivative instruments. The Company uses only the instruments which it is able to measure internally using the standard valuation models applicable to each such instrument. In obtaining the market value of financial instruments, the Company 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 Company 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 Company 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.

Sensitivity analysis for currency risk

The Company 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 Company is already engaged in projects outside Poland (the main risk is related to changes in the UAH/PLN exchange rate);
- 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 Company uses advanced technologies requiring specialist equipment, which it often purchases outside of Poland.

The Company'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:

Company name:	***PBG S.A.***		
Period covered by the financial statements:	***Jan 1 - Dec 31 2011***	**Reporting currency:**	***złoty polski (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

Item	Carrying amount in foreign currency (thousands):									Amount translated into PLN	Amount expressed in PLN	Total amount (PLN + foreign currencies after translation)
	EUR	USD	GBP	CAD	UAH	NOK	RUB	CHF	BGN			
At Dec 31 2011												
Financial assets (+):												
Loans	628	6,760	-	-	258,173	-	-	-	-	134,842	626,078	760,920
Trade and other financial receivables	1,170	10	-	-	-	-	-	-	-	5,029	254,175	254,175
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	17,436	17,436
Other financial assets	-	-	-	-	-	-	-	-	-	-	96,493	96,493
Cash and cash equivalents	4,903	1,406	184	3	4	-	-	1,368	-	31,642	139,365	171,007
Financial liabilities (-):												
Borrowings, other debt instruments	-	-	-	-	-	-	-	-	-	-	1,102,825	1,102,825
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-	(8,215)	(8,215)
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	8,768	8,768
Trade and other financial payables	(7,052)	(74)	(26)	(361)	-	-	-	(958)	-	(36,354)	(409,714)	(446,068)
Total exposure to foreign currency risk	(351)	8,102	158	(358)	258,177	-	-	410	-	135,159	1,846,191	1,962,370
at Dec 31 2010												
Financial assets (+):												
Loans	8	6,547	-	-	138,429	-	-	-	-	70,521	523,252	593,773
Trade and other financial receivables	2,436	10	-	-	-	-	-	-	64	9,548	501,278	510,826
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	358	358
Other financial assets	-	-	-	-	-	-	-	-	-	-	233,020	233,020
Cash and cash equivalents	582	102	-	1,033	4	-	-	-	-	4,399	529,560	533,959
Financial liabilities (-):												
Borrowings, other debt instruments	-	-	-	-	-	-	-	-	-	-	(936,502)	(936,502)
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-	(1,828)	(1,828)
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	(453)	(453)
Trade and other financial payables	(615)	(561)	-	(483)	-	(1)	(23)	-	-	(5,700)	(440,229)	(434,529)

Company name:	PBG S.A.		
Period covered by the financial statements:	*Jan 1 - Dec 31 2011*	Reporting currency:	*złoty polski (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

Total exposure to foreign currency risk	2,411	6,098	-	550	138,433	(1)	(23)	-	64	78,768	346,084	424,852
at Dec 31 2009												
Financial assets (+):												
Loans	3,841	6,942	-	-	-	-	-	-	-	34,834	482,488	517,322
Trade and other financial receivables	9,803	10	-	-	-	-	-	-	-	39,425	267,799	307,224
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	19,581	19,581
Other financial assets	-	-	-	-	-	-	-	-	-	-	55,840	55,840
Cash and cash equivalents	3,997	12	-	-	279	-	-	-	-	16,843	512,481	529,324
Financial liabilities (-):												-
Borrowings, other debt instruments	-	-	-	-	-	-	-	-	-	-	(692,184)	(692,184)
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-	(2,791)	(2,791)
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	(789)	(789)
Trade and other financial payables	(2,567)	(4)	(58)	(297)	-	-	-	-	-	(11,999)	(310,791)	(322,790)
Total exposure to foreign currency risk	15,074	6,960	(58)	(297)	-	-	-	-	-	79,103	331,634	410,737

All amounts in PLN thousand (unless otherwise indicated)

The analysis of the sensitivity of the Company's profit (loss) and other comprehensive income with respect to financial assets and liabilities as well as the effect of movements of the EUR/PLN, USD/PLN and UAH/PLN are presented below.

The sensitivity analysis assumes a 10% increase or decrease in the EUR/PLN, USD/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	Dec 31 2011	Dec 31 2010	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
GBP/PLN	5.2691	4.5938	4.5986
UAH/PLN	0.4255	0.3722	0.3558

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 Company as at the balance-sheet date, and that the exposure is adjusted through the Company's derivative instrument position.

Company name:	*PBG S.A.*		
Period covered by the financial statements:	*Jan 1 - Dec 31 2011*	Reporting currency:	*złoty polski (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

Sensitivity analysis at Dec 31 2011	Increase in exchange rate										Decrease in exchange rate									
	10%										-10%									
	Effect on profit (loss) for the year (PLN'000)					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	5.80	0.47		4.86	3.76	5.80	0.47		3.98	3.08	4.74	0.38		3.98	3.08	4.74	0.38	
Financial assets	**26,057**	**(7,800)**	**606**	**10,985**	**29,849**	**-**	**-**	**-**	**-**	**-**	**(26,057)**	**7,800**	**(606)**	**(10,985)**	**(29,849)**	**-**	**-**	**-**	**-**	**-**
Loans	277	2,310	-	10,985	13,573	-	-	-	-	-	(277)	(2,310)	-	(10,985)	(13,573)	-	-	-	-	-
Trade and other financial receivables	517	3	-	-	520	-	-	-	-	-	(517)	(3)	-	-	(520)	-	-	-	-	-
Derivative financial instruments	23,097	(10,594)	510	-	13,013	-	-	-	-	-	(23,097)	10,594	(510)	-	(13,013)	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	2,166	480	97	-	2,743	-	-	-	-	-	(2,166)	(480)	(97)	-	(2,743)	-	-	-	-	-
Financial liabilities	**(3,115)**	**(25)**	**(14)**	**-**	**(3,154)**	**-**	**-**	**-**	**-**	**-**	**3,115**	**25**	**14**	**-**	**3,154**	**-**	**-**	**-**	**-**	**-**
Borrowings, other debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other financial payables	(3,115)	(25)	(14)	-	(3,154)	-	-	-	-	-	3,115	25	14	-	3,154	-	-	-	-	-
Effect on profit (loss) for the year	**22,942**	**(7,825)**	**593**	**10,985**	**26,695**	**-**	**-**	**-**	**-**	**-**	**(22,942)**	**7,825**	**(593)**	**(10,985)**	**(26,695)**	**-**	**-**	-	-	-
Effect on other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Company name:	*PBG S.A.*		
Period covered by the financial statements:	*Jan 1 - Dec 31 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%									
	Effect on profit (loss) for the year (PLN'000)					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	**1,641**	**(3,719)**	**-**	**5,152**	**3,074**	**(66)**	**53**	**-**	**-**	**(13)**	**(1,641)**	**3,719**	**-**	**(5,152)**	**(3,074)**	**66**	**(53)**	**-**	**-**	**13**
Loans	3	1,941	-	5,152	7,096	-	-	-	-	-	(3)	(1,941)	-	(5,152)	(7,096)	-	-	-	-	-
Trade and other financial receivables	965	3	-	-	968	-	-	-	-	-	(965)	(3)	-	-	(968)	-	-	-	-	-
Derivative financial instruments	443	(5,693)	-	-	(5,250)	(66)	53	-	-	(13)	(443)	5,693	-	-	5,250	66	(53)	-	-	13
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	230	30	-	-	261	-	-	-	-	-	(230)	(30)	-	-	(261)	-	-	-	-	-
Financial liabilities	**(244)**	**(166)**	**-**	**-**	**(410)**	**-**	**-**	**-**	**-**	**-**	**244**	**166**	**-**	**-**	**410**	**-**	**-**	**-**	**-**	**-**
Borrowings, other debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other financial payables	(244)	(166)	-	-	(410)	-	-	-	-	-	244	166	-	-	410	-	-	-	-	-
Effect on profit (loss) for the year	**1,397**	**(3,886)**	**-**	**5,152**	**2,664**	**-**	**-**	**-**	**-**	**-**	**(1,397)**	**3,886**	**-**	**(5,152)**	**(2,664)**	**-**	**-**	-	-	-
Effect on other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(66)**	**53**	**-**	**-**	**(13)**	**-**	**-**	**-**	**-**	**-**	**66**	**(53)**	**-**	**-**	**13**

Company name:	*PBG S.A.*		
Period covered by the financial statements:	*Jan 1 - Dec 31 2011*	Reporting currency:	*złoty polski (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

SENSITIVITY ANALYSIS FOR INTEREST RATE RISK AT DECEMBER 31ST 2009	Increase in exchange rate										Decrease in exchange rate									
	10%										-10%									
	Effect on profit (loss) for the year (PLN'000)					Other comprehensive income for the year					Effect on profit (loss) for the year (PLN'000)					Other comprehensive income for the year				
	EUR	USD	CAD	UAH	Total	EUR	USD	CAD	UAH	Total	EUR	USD	CAD	UAH	Total	EUR	USD	CAD	UAH	Total
	4.52	3.14	2.99	0.39		4.52	3.14	2.99	0.39		3.70	2.57	2.44	0.32		3.70	2.57	2.44	0.32	
Financial assets	**5,228**	**1,495**	**8,222**	**10**	**14,956**	**(323)**	**(9)**	**-**	**-**	**(332)**	**(5,228)**	**(1,495)**	**(8,222)**	**(10)**	**(14,956)**	**323**	**9**	**-**	**-**	**332**
Loans	1,578	1,979	-	-	3,557	-	-	-	-	-	(1,578)	(1,979)	-	-	(3,557)	-	-	-	-	-
Trade and other financial receivables	4,027	3	-	-	4,030	-	-	-	-	-	(4,027)	(3)	-	-	(4,030)	-	-	-	-	-
Derivative financial instruments	(2,019)	(490)	8,222	-	5,714	(323)	(9)	-	-	(332)	2,019	490	(8,222)	-	(5,714)	323	9	-	-	332
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	1,642	3	-	10	1,655	-	-	-	-	-	(1,642)	(3)	-	(10)	(1,655)	-	-	-	-	-
Financial liabilities	**(1,055)**	**(1)**	**(81)**	**-**	**(1,136)**	**-**	**-**	**-**	**-**	**-**	**1,055**	**1**	**81**	**-**	**1,136**	**-**	**-**	**-**	**-**	**-**
Borrowings, other debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other financial payables	(1,055)	(1)	(81)	-	(1,136)	-	-	-	-	-	1,055	1	81	-	1,136	-	-	-	-	-
Effect on profit (loss) for the year	**4,174**	**1,494**	**8,142**	**10**	**13,819**	**-**	**-**	**-**	**-**	**-**	**(4,174)**	**(1,494)**	**(8,142)**	**(10)**	**(13,819)**	**-**	**-**	-	-	-
Effect on other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(323)**	**(9)**	**-**	**-**	**(332)**	**-**	**-**	**-**	**-**	**-**	**323**	**9**	**-**	**-**	**332**

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 Company'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-related cash flows on financial assets and liabilities bearing interest at variable interest rates. The Company 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).

PBG S.A. uses interest rate swaps to hedge against variable interest rate risk.

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	**817,845**	**8,178**	**-**	**(8,178)**	**-**
Loans	633,435	6,334	-	(6,334)	-
Debt instruments	-	-	-	-	-
Money market funds	461	5	-	(5)	-
Other classes of other financial assets	12,942	129	-	(129)	-
Cash and cash equivalents	171,007	1,710	-	(1,710)	-
Financial liabilities	**(1,109,628)**	**(11,296)**	**-**	**11,096**	**-**
Bank borrowings	(266,299)	(2,663)	-	2,663	-
Loans	-	-	-	-	-
Debt instruments	(825,000)	(8,250)	-	8,250	-
Finance lease liabilities	(8,215)	(82)	-	82	-
Financial derivatives (IRS)	(10,114)	(101)	-	101	-
Effect on profit (loss) for the year	**-**	**(2,918)**	**-**	**2,918**	**-**
Effect on other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**

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	**1,181,620**	**11,816**	**-**	**(11,816)**	**-**
Loans	507,316	5,073	-	(5,073)	-
Debt instruments	-	-	-	-	-
Money market funds	106,902	1,069	-	(1,069)	-
Other classes of other financial assets	33,443	334	-	(334)	-
Cash and cash equivalents	533,959	5,340	-	(5,340)	-
Financial liabilities	**(942,371)**	**(9,424)**	**(154)**	**9,424**	**154**
Bank borrowings	(100,138)	(1,001)	-	1,001	-
Loans	-	-	-	-	-
Debt instruments	(825,000)	(8,250)	-	8,250	-
Finance lease liabilities	(1,828)	(18)	-	18	-
Financial derivatives (IRS)	(15,405)	-	(154)	-	154
Effect on profit (loss) for the year	**-**	**2,392**	**-**	**(2,392)**	**-**
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	Effect on profit (loss) for the year	Other comprehensive income for the year	Profit (loss) for the year	Other comprehensive income for the year
Financial assets	**962,602**	**9,626**	**-**	**(9,626)**	**-**
Loans	377,438	3,774	-	(3,774)	-
Debt instruments	4,937	49	-	(49)	-
Money market funds	-	-	-	-	-
Other classes of other financial assets	50,903	509	-	(509)	-
Cash and cash equivalents	529,324	5,293	-	(5,293)	-
Financial liabilities	**(710,150)**	**(6,895)**	**(207)**	**6,895**	**207**
Bank borrowings	(170,164)	(1,702)	-	1,702	-
Loans	(16,500)	(165)	-	165	-
Debt instruments	(500,000)	(5,000)	-	5,000	-
Finance lease liabilities	(2,790)	(28)	-	28	-
Financial derivatives (IRS)	(20,696)	-	(207)	-	207
Effect on profit (loss) for the year	**-**	**2,731**	**-**	**(2,731)**	**-**
Effect on other comprehensive income for the year	**-**	**-**	**(207)**	**-**	**207**

The Company 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

Credit risk is understood as the inability to meet obligations by the Company'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,
- guarantees and sureties granted.

The Company's maximum exposure to the credit risk is measured through carrying amount of the following financial assets:

All amounts in PLN thousand (unless otherwise indicated)

FINANCIAL ASSETS EXPOSED TO CREDIT RISK

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Loans	760,920	593,773	517,322
Trade and other financial receivables	260,591	260,520	307,224
Derivative financial instruments	17,436	358	19,581
Debt instruments	83,090	77,059	4,937
Money market funds	461	106,902	-
Other classes of other financial assets	12,942	33,443	50,903
Cash and cash equivalents	171,007	533,959	529,324
Contingent liabilities (financial guarantees)	2,324,986	1,576,702	1,479,150
Total exposure to credit risk	**3,631,433**	**3,182,716**	**2,908,441**

The Company 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 Company enters into transactions with partners whose creditworthiness is confirmed.

Cash and bank deposit-related credit risk

All entities with which the Company 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, in most cases, have upper medium credit ratings[1] , and those with sufficient equity as well as a robust and stable market position. 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 specialist investment fund. As at December 31st 2011, the carrying amount of the investments in commercial paper was PLN 83,551 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.

Derivative transaction-related credit risk

All entities with which the Company enters into derivative transactions operate in the financial sector. These are financial institutions (banks) with upper medium rating[1]. They have sufficient equity and a robust and

[1] An upper medium grade rating is rating from A+ to A- at Standard&Poor's and Fitch and from A1 to A3 at Moody's.

stable market position. The maximum exposure to a single counterparty under derivative transactions executed by the Company was 58%.

Currency and interest rate derivative transactions entered into by the Company as at December 31st 2010 and December 31st 2009:

Item	Dec 31 2011	Dec 31 2010	Dec 31 2009
	PLN '000	PLN '000	PLN '000
Financial assets	17,436	357	19,581
Financial liabilities	(8,767),	(453)	(790)
Derivative instruments valuation, net	**8,669**	**(96)**	**18,792**

As the relationship financial institutions have upper medium ratings[1], the Company is not exposed to credit risk in connection with the executed derivative transactions.

Credit risk inherent in trade receivables and other financial receivables

The Company has a long history of relationships with several customers, which operate in diverse sectors. Based on the 2011 turnover1, the largest customers included:

No.	Customer	% share
	TOTAL	100%
1	PGNIG S.A.	67.77%
2	KGHM POLSKA MIEDŹ S.A.	6.27%
3	MAXER S.A	5.77%
4	DALKIA ŁÓDŹ	4.04%
5	HYDROBUDOWA POLSKA	3.25%
6	CONTROL PROCESS S.A.	2.91%
7	GAZ-SYSTEM	1.62%
8	LNG SAIPEM	1.14%
9	STRATEG CAPITAL SP. Z O.O.	1.04%
10	SAIPEM S.P.A.	0.96%
12	OTHER	5.23%

At present, PGNiG is the Company's key customer in the oil and gas segment. This follows from the execution of two contracts of substantial value for PGNiG, totalling nearly PLN 2.5bn. These are historically highest contracts executed by PBG S.A. with the customer. However, the Company's strategy provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenue. In order to mitigate the risk of dependence on key customers, the Company gradually expands its customer base, winning new contracts from such organisations as NATO Defence Investment Division, KGHM or Dalkia Łódź.

The Company seeks to further mitigate the risk by:

- diversifying sources of revenue and winning new customers,
- operating on international markets.

All amounts in PLN thousand (unless otherwise indicated)

The analysis of receivables, as the most important category of assets exposed to the credit risk is presented in the tables below:

NOT PAST DUE AND PAST DUE CURRENT 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	198,688	23,136	350,258	112,683	249,804	39,254
Allowance for credit losses on trade receivables (-)	-	(2,959)	-	(193)	-	(287)
Trade receivables, net	**198,688**	**20,177**	**350,258**	**112,490**	**249,804**	**38,967**
Other financial receivables	33,819	789	35,413	3,938	7,969	2,791
Allowance for credit losses on other financial receivables (-)	-	(574)	-	-	-	(18)
Other financial receivables, net	**33,819**	**215**	**35,413**	**3,938**	**7,969**	**2,773**
Financial receivables	**232,507**	**20,392**	**385,671**	**116,428**	**257,773**	**41,740**

ANALYSIS OF AGE OF FINANCIAL RECEIVABLES PAST DUE BUT NOT IMPAIRED

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	5,907	-	68,350	3,770	9,146	2,683
more than 1 but not more than 6 months	17,046	73	44,140	168	30,108	108
more than 6 but not more than 12 months	183	716	-	-	-	-
more than one year	-	-	193	-	-	-
Total financial receivables past due	**23,136**	**789**	**112,683**	**3,938**	**39,254**	**2,791**

As assessed by the Company'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 Company did not establish any collateral or used other tools to improve the credit terms.

With respect to trade receivables, the Company is not 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 do not show a marked deterioration in quality, as most of them fall into the "within 6 months" category, and there is no threat to their effective collectability.

As the Company 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 Company uses offsetting (compensating) arrangements where such solution is accepted by both parties.

LIQUIDITY RISK

The Company is exposed to the liquidity risk, that is the loss of ability to timely meet financial liabilities. The Company 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.

All amounts in PLN thousand (unless otherwise indicated)

The maturities of the Company's financial liabilities as at the balance-sheet date are presented in the table below:

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	after 5 years		
At Dec 31 2011							
Bank borrowings	20,412	79,290	-	-	-	99,711	99,880
Bank overdrafts	79,240	87,348	-	-	-	166,588	166,588
Loans	-	-	-	-	-	-	-
Debt instruments	-	386,357	450,000			825,000	836,357
Finance lease liabilities	649	425	1,971	1,335	3,835	8,215	8,215
Derivative financial instruments	5,117	3,651	-	-	-	8,768	8,768
Trade and other payables	427,989	3,412	13,777	250	29	445,457	446,068
Total exposure to liquidity risk	**533,407**	**560,483**	**465,748**	**1,585**	**3,864**	**1,553,739**	**1,565,876**
at Dec 31 2010							
Bank borrowings	-	42,233	48,688	-	-	90,921	90,921
Bank overdrafts	-	9,217	-	-	-	9,217	9,217
Loans	-	-	-	-	-	-	-
Debt instruments	-	-	825,000	-	-	825,000	836,903
Finance lease liabilities	593	710	525	-	-	1,828	1,828
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other financial payables	401,423	2,695	22,462	738	381	427,699	435,503
Total exposure to liquidity risk	**402,016**	**54,855**	**896,675**	**738**	**381**	**1,354,665**	**1,374,372**
at Dec 31 2009							
Bank borrowings	26,888	16,645	70,745	10,139	-	124,417	123,473
Bank overdrafts	45,747	-	-	-	-	45,747	45,747
Loans	16,500	-	-	-	-	16,500	16,523
Debt instruments	-	125,000	375,000	-	-	500,000	506,441
Finance lease liabilities	586	607	1,597	-	-	2,790	2,790
Derivative financial instruments	-	236	553	-	-	789	789
Trade and other financial payables	300,458	3,131	18,450	957	382	323,378	328,237
Total exposure to liquidity risk	**390,179**	**145,619**	**466,345**	**11,096**	**382**	**1,013,621**	**1,024,000**

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 separate statement of financial position. In the case of derivative instruments, fair values are shown as at the respective balance-sheet dates.

All amounts in PLN thousand (unless otherwise indicated)

As at the respective balance-sheet dates, the Company had the following available overdraft facilities:

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2009
Line of credit granted	241,500	155,000	95,000
Bank overdrafts used	166,588	9,217	45,747
Line of credit available for use	74,912	145,783	49,253

6. 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 stakeholders.

The Company monitors the level of capital based on the carrying amount of equity plus subordinated loans from the owner and less capital on valuation of cash-flow derivative hedges. Based on thus calculated capital amount, the Company calculates the ratio of capital to total financing sources. The Company's target for the ratio is not less than 0.43.

Further, in order to monitor the debt service coverage ratio, the Company calculates the ratio of debt (i.e. the ratio of liabilities under lease, loans, borrowings and other debt instruments) to EBITDA (operating profit/(loss) less depreciation/amortisation). The Company's target for the debt to EBITDA ratio is not higher than 1.86.

The above targets are in line with the relevant covenants of the credit facility agreements, described in detail in Note 5.10.4.

PBG S.A. is not subject to any external capital requirements.

In the period covered by these separate financial statements, the ratios were as follows:

Item	As at Dec 31 2011	As at Dec 31 2010	As at Dec 31 2010
Capital:			
Equity	1,238,138	1,189,607	1,049,309
Subordinated loans from the owner	-	-	-
Capital on valuation of cash flow hedges (-)	-	(65)	(141)
Capital	1,238,138	1,189,542	1,049,168
Total financing source: Equity	1,238,138	1,189,607	1,049,309
Borrowings, other debt instruments	1,102,825	936,502	692,184
Finance lease liabilities	8,215	1,828	2,790
Total financing source	2,349,178	2,127,937	1,744,283
Capital to total financing sources ratio	**0.53**	**0.56**	**0.60**
EBITDA			
Operating profit (loss)	180,325	193,312	140,208
Depreciation and amortisation	16,297	15,919	14,827
EBITDA	196,622	209,231	155,035
Debt:			
Borrowings, other debt instruments	1,102,825	936,502	692,184
Finance lease liabilities	8,215	1,828	2,790
Debt	1,111,040	938,330	694,974
Debt to EBITDA ratio	**5 .65**	**4.48**	**4.48**

All amounts in PLN thousand (unless otherwise indicated)

7. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

After December 31st 2011 certain events occurred which did not require adjusting the separate 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 2012.

BUSINESS COMBINATIONS, INCORPORATION OF NEW SUBSIDIARIES

Date	Entities	Transaction type	Description	Objective
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 S.A. 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				

All amounts in PLN thousand (unless otherwise indicated)

AGREEMENTS WITH FINANCIAL INSTITUTIONS

Agreement execution date	Parties	Subject matter	Key terms
27.12.2011	**Institution:** Bank Gospodarki Żywnościowej S.A. **Party to the transaction:** PBG S.A., Hydrobudowa Polska S.A., Aprivia S.A. Hydrobudowa 9 S.A.	Energomontaż Południe S.A., a direct subsidiary of RAFAKO S.A., joins the group of borrowers securing financing for the Company. Increase in the credit facility amount.	Increase in the credit facility amount from PLN 125m to PLN 157m for the period until December 30th 2017.
For more details, see: Current Report No. 3/2012 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/3-2012-zawarcie-aneksu-do-umowy-o-linie-kredytowa-z-bankiem-gospodarki-zywnosciowej-s-a.html			
30.12.2011	**Institution:** Bank Zachodni WBK S.A. **Party to the transaction:** PBG S.A., Hydrobudowa Polska S.A., Hydrobudowa 9 S.A.	Execution of agreements defining revised terms of the credit facility provided under the agreement of June 30th 2005.	The agreement stipulates that the parties may execute subsidiary agreements, whereby the bank's aggregate exposure must not exceed PLN 210m, as well as overdraft facility agreements for up to PLN 203m to finance day-to-day operations.
For more details, see: Current Report No. 4/2012 http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/4-2012-aktualizacja-zasad-kredytu-udostepnionego-przez-bz-wbk-s-a.html			
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			

All amounts in PLN thousand (unless otherwise indicated)

OTHER

Agreement execution date	Subject matter	Key terms
03.04.2012	Resolution No. 6 of the Extraordinary General Meeting of PBG S.A. of Wysogotowo	Pursuant to Art. 393.5 and Art. 448 of the Commercial Companies Code, Art. 20 and Art. 23 of the Bond Act of June 29th 1995 (consolidated text: Dz. U. of 2001, No. 120, item 1300, as amended) and Par. 28.6 of the Company's Articles of Association, the General Meeting resolved to: issue Series A1 through A12 bonds convertible into Series H shares, issue Series H shares as a part of a conditional share capital increase; to waive preemptive rights of the existing shareholders with respect to Series A1 through A12 bonds convertible into Series H shares and Series H shares, and amend the Company's Articles of Association so that Par. 9.3 of the Company's Articles of Association shall be added, reading 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
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		
16.03.2012	Execution of a subcontract agreement with Keller Polska.	On March 16th 2012, an agreement was executed with the Subcontractor for delivery of work as part of the Trasa Słowackiego project (Task 4) in Gdańsk, carried out by the Consortium under the contract agreement of October 14th 2011. The agreement provides for the delivery of slurry walls, anchoring elements, base slabs, and waterproof partitions and screens. The value of work as specified in the agreement is PLN 148m (VAT exclusive). All work subcontracted under the agreement is to be completed by October 2014.
For more details, see: Current Report No. 15/2012http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/15-2012-zawarcie-znaczacej-umowy-podwykonawczej-ze-spolka-keller-polska.html		

All amounts in PLN thousand (unless otherwise indicated)

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
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		

8. OTHER INFORMATION

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;

All amounts in PLN thousand (unless otherwise indicated)

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	As at Dec 31 2011	As 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	3.8403 – Jan 12 2011	3.8356 – Apr 6 2010	3.9170 – Jan 7 2009

Key items of the statement of financial position, income statement and statement of cash flows from the financial statements and the comparative financial information, translated into the euro.

Company name:	PBG S.A.		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	złoty polski (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

SELECTED FINANCIAL DATA TRANSLATED INTO THE EURO AS AT DECEMBER 31ST 2011

Item	Q1-Q4	for the period	for the period	for the period	for the period	Q1-Q4
	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 (thousand)	PLN (thousand)	PLN (thousand)	EUR	EUR	EUR
Income statement						
Revenue	964,135	918,230	827,463	232,877	229,305	190,633
Operating profit (loss)	180,325	193,312	140,208	43,556	48,275	32,302
Profit (loss) before tax	116,970	194,535	121,687	28,253	48,580	28,035
Net profit (loss) from continuing operations	92,891	165,387	98,279	22,437	41,301	22,642
Net profit (loss)	92,891	165,387	98,279	22,437	41,301	22,642
Basic earnings per share (PLN/EUR)	6.50	11.57	7.05	2	3	2
Diluted earnings per share (PLN/EUR)	6.50	11.57	7.05	2	3	2
Average exchange rate for the period PLN/EUR				4.1401	4.0044	4.3406
Statement of cash flows						
Net cash from (used in) operating activities	(40,858)	237,422	349,910	(9,869)	59,290	80,613
Net cash used in investing activities	(402,166)	(411,942)	(463,696)	(97,139)	(102,872)	(106,828)
Net cash from financing activities	80,976	179,155	478,167	19,559	44,740	110,161
Net change in cash and cash equivalents	(362,048)	4,635	364,381	(87,449)	1,157	83,947
Average exchange rate for the period PLN/EUR				4.1401	4.0044	4.3406

Item	As at Dec 31 2011 PLN (thousand)	As at Dec 31 2010 PLN (thousand)	As at Dec 31 2009 PLN (thousand)	As at Dec 31 2011 EUR	As at Dec 31 2010 EUR	As at Dec 31 2009 EUR
Statement of financial position						
Assets	2,929,963	2,860,210	2,244,718	663,368	722,221	546,399
Non-current liabilities	502,393	911,206	491,980	113,746	230,085	119,756
Current liabilities	1,189,432	759,397	703,429	269,297	191,752	171,226
Equity	1,238,138	1,189,607	1,049,309	280,325	300,383	255,418
Share capital	14,295	14,295	14,295	3,237	3,610	3,480
Number of shares	14,295,000	14,295,000	13,935,000	14,295,000	14,295,000	13,935,000
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)	86.61	83.22	73.40	19.61	21.01	17.87
Dividend per share declared or paid (PLN/EUR)	-	1.40	1.40	-	0.35	0.34
PLN/EUR exchange rate at the end of the period				4.4168	3.9603	4.1082

All amounts in PLN thousand (unless otherwise indicated)

REMUNERATION OF MEMBERS OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BOARDS

REMUNERATION OF MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICES IN THE PARENT FROM JANUARY 1ST TO DECEMBER 31ST 2011

Item	Base pay	Other benefits	Total
Remuneration of Members of the Management Board			
Jerzy Wiśniewski	1,800	-	1,800
Tomasz Woroch	414	-	414
Przemysław Szkudlarczyk	420	-	420
Tomasz Tomczak	420	-	420
Mariusz Łożyński	360	-	360
Total	**3,414**	**-**	**3,414**
Remuneration of Members of the Supervisory Board			
Maciej Bednarkiewicz	120	-	120
Małgorzata Wiśniewska	96	47	143
Dariusz Sarnowski	60	-	60
Adam Strzelecki	36	-	36
Marcin Wierzbicki	36	-	36
Total	**348**	**47**	**395**

REMUNERATION OF MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICES IN THE PARENT FROM JANUARY 1ST TO DECEMBER 31ST 2010

Item	Base pay	Other benefits	Total
Remuneration of Members of the Management Board			
Wiśniewski Jerzy	2,550	-	2,550
Woroch Tomasz	420	-	420
Szkudlarczyk Przemysław	320	-	320
Tomczak Tomasz	320	-	320
Łożyński Mariusz	310	-	310
Total	**3,920**	**-**	**3,920**
Remuneration of Members of the Supervisory Board			
Bednarkiewicz Maciej	120	-	120
Kseń Jacek	32	-	32
Lindner Wiesław	20	-	20
Sarnowski Dariusz	52	-	52
Strzelecki Adam	36	-	36
Wierzbicki Marcin	24	-	24
Wiśniewska Małgorzata	64	14	78
			-
Total	**348**	**14**	**362**

Company name:	PBG S.A.		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	złoty polski (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

REMUNERATION OF MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICES IN THE PARENT FROM JANUARY 1ST TO DECEMBER 31ST 2009

Item	Base pay	Other benefits	Total
Remuneration of Members of the Management Board			
Jerzy Wiśniewski	1,200	3	1,203
Tomasz Woroch	420	2	422
Przemysław Szkudlarczyk	300	2	302
Tomasz Tomczak	300	2	302
Mariusz Łożyński	300	2	302
Tomasz Latawec	180	1	181
Total	**2,700**	**12**	**2,712**
Remuneration of Members of the Supervisory Board			
Maciej Bednarkiewicz	120	1	121
Jacek Kseń	96	1	97
Wiesław Lindner	60	1	61
Dariusz Sarnowski	36	1	37
Adam Strzelecki	36	1	37
Krzyżaniak Jacek	15	1	16
Total	**363**	**6**	**369**

AVERAGE HEADCOUNT IN THE PERIOD JANUARY 1ST – DECEMBER 31ST 2011 (FTE)

Item	Q1-Q4 Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	Q1-Q4 Jan 1 – Dec 31 2009
White-collar employees	383	384	364
Manual employees	63	70	128
Total	**446**	**454**	**493**

STAFF TURNOVER

Item	Q1-Q4 Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	Q1-Q4 Jan 1 – Dec 31 2009
Number of persons hired	90	81	88
Number of persons made redundant (-)	(169)	(39)	(290)
Total	**(79)**	**42**	**(202)**

All amounts in PLN thousand (unless otherwise indicated)

AUDITOR CONSIDERATION

Grant Thornton Frąckowiak Sp. z o.o. is qualified to audit and review the financial statements of PBG S.A. Consideration paid to the auditor for the provision of its services is presented below.

Item	Q1-Q4 Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010	Q1-Q4 Jan 1 – Dec 31 2009
Audit of annual financial statements	129	108	83
Review of interim financial statements	55	56	47
Tax consultancy	79	6	-
Other services	70	22	57
Total	**333**	**192**	**187**

MATERIAL EVENTS RELATING TO PREVIOUS YEARS AND DISCLOSED IN THE FINANCIAL STATEMENTS FOR THE CURRENT REPORTING PERIOD

No events relating to previous years are disclosed in the annual financial statements of PBG S.A.

9. DIFFERENCES BETWEEN THESE FINANCIAL STATEMENTS AND PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS

SUMMARY AND EXPLANATION OF THE DIFFERENCES BETWEEN INFORMATION DISCLOSED IN THESE FINANCIAL STATEMENTS AND THE PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS FOR Q4 2011.

Company name:	PBG S.A.		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	złoty polski (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31ST 2011

Item	Data published for Q4 2011	Data published in the 2011 financial statements	Adjustment	Note
Assets				
Non-current assets	**1,586,474**	**1,607,673**	**40,878**	
Goodwill	1,606	1,606	-	
Intangible assets	27,423	30,657	3,234	1
Property, plant and equipment	187,115	187,115	-	
Non-regenerative natural resources	-	0	-	
Investment property	59,736	59,736	-	
Investments in subsidiaries	1,025,729	1,040,380	14,651	4
Investments in associates	6,482	6,470	(12)	7
Investments in joint ventures	-	12	12	7
Receivables	33,490	7,692	(25,798)	12
Loans made	136,720	168,883	32,163	11
Derivative financial instruments	4,230	4,230	-	
Other long-term financial assets	99,544	96,493	(3,051)	5
Deferred tax assets	-	-	-	
Long-term deferred income	4,399	4,399	-	
Current assets	**1,384,503**	**1,322,290**	**(62,213)**	
Inventories	5,103	1,735	(3,368)	8
Amounts due from customers for construction contract work	202,923	190,421	(12,502)	2; 8;
Trade and other receivables	265,853	266,409	556	8
Current tax assets	26,952	26,867	(85)	10
Loans made	624,200	592,037	(32,163)	11
Derivative financial instruments	13,206	13,206	-	
Other short-term financial assets	14,651	-	(14,651)	4
Cash and cash equivalents	171,007	171,007	-	
Short-term deferred income	60,608	60,608	-	
Non-current assets held for sale	-	-	-	
Total assets	**2,970,977**	**2,929,963**	**(41,014)**	

All amounts in PLN thousand (unless otherwise indicated)

Item	Data published for Q4 2011	Data published in the 2011 financial statements	Adjustment	Note
Equity and liabilities				
Equity	**1,270,542**	**1,238,138**	**(32,404)**	
Share capital	14,295	14,295	-	
Treasury shares (-)	-	-	-	
Share premium	733,348	733,348	-	
Cash-flow hedges	-	-	-	
Other components of equity	400,075	397,604	(2,471)	5;6
Retained earnings	122,824	92,891	(29,933)	
- accumulated profit (loss) from prior years	-	-	-	
- net profit (loss) attributable to owners of the parent	122,824	92,891	(29,933)	
Liabilities	**1,700,435**	**1,691,825**	**(8,610)**	
Non-current liabilities	**539,878**	**502,393**	**(37,484)**	
Borrowings, other debt instruments	480,996	450,000	(30,996)	14
Finance lease liabilities	7,142	7,142	-	
Derivative financial instruments	-	-	-	
Other liabilities	14,056	14,056	-	
Deferred tax liabilities	23,536	17,048	(6,488)	6;9;10;13
Employee benefits liabilities and provisions	324	324	-	
Other long-term provisions	8,108	8,108	-	
Government grants	-	-	-	
Long-term deferred income	5,716	5,716	-	
Current liabilities	**1,160,557**	**1,189,432**	**28,874**	
Borrowings, other debt instruments	621,829	652,825	30,996	14
Finance lease liabilities	1,073	1,073	-	
Derivative financial instruments	8,768	8,768	-	
Trade and other payables	518,412	516,290	(2,122)	8;
Amounts due to customers for construction contract work	4,640	4,640	-	
Current tax liabilities	-	-	-	
Employee benefits liabilities and provisions	4,184	4,184	-	
Other short-term provisions	746	746	-	
Government grants	-	-	-	
Short-term deferred income	905	905	-	
Liabilities under non-current assets held for sale	-	-	-	
Total equity and liabilities	**2,970,977**	**2,929,963**	**(41,014)**	

Company name:	PBG S.A.		
Period covered by the financial statements:	Jan 1 - Dec 31 2011	Reporting currency:	złoty polski (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

INCOME STATEMENT FOR THE PERIOD JAN 1 – DEC 31 2011 (COST BY FUNCTION OF EXPENSE)

Item	Data published for Q4 2011	Data published in the 2011 financial statements	Adjustment	Note
Continuing operations				
Revenue	**1,001,913**	964,135	(37,778)	
- from related parties	57,149	57,149	-	
Sale of finished goods	-	-	-	
Rendering of services	1,001,799	964,020	(37,779)	2;3
Sale of merchandise and materials	114	115	1	
Cost of sales	**(845,984)**	(817,801)	28,183	
- from related parties	(155,560)	(155,560)	-	
Finished goods sold	-	-	-	
Services rendered	(845,870)	(817,686)	28,184	1;3
Merchandise and materials sold	(114)	(115)	(1)	
Gross profit (loss)	**155,929**	146,334	(9,595)	
Distribution costs	-	-	-	
Administrative expenses	(31,015)	(31,015)	-	
Other income	97,466	93,024	(4,442)	12
Other expenses	(6,298)	(28,018)	(21,720)	12
Restructuring costs	-	-	-	
Operating profit (loss)	**216,082**	180,325	(35,757)	
Finance income - dividend	-	-	-	
Finance costs	(63,355)	(63,355)	-	
Share of profit (loss) of entities accounted for using the equity method (+/−)	-	-	-	
Profit (loss) before tax	**152,727**	116,970	(35,757)	
Income tax expense	(29,903)	(24,079)	(5,824)	6;9;10;13
Net profit (loss) from continuing operations	**122,824**	92,891	(5,996)	
Discontinued operations				
Loss from discontinued operations	-	-	-	
Net profit (loss)	**122,824**	**92,891**	**(29,933)**	

1. Adjustment related to derecognition of costs of intangible assets sold to a subsidiary – PLN 3,234 thousand.
2. Adjustment of revenue recognised under a contract – PLN 12,779 thousand.
3. Presentation adjustment of revenue and costs related to services sold – PLN 24,950 thousand.
4. Presentation adjustment related to the transfer of additional contributions to equity from "Other short-term financial assets" to "Investments in subsidiaries" – PLN 14,651 thousand.
5. Adjustment connected with determination of the fair value of available-for-sale financial assets as at the balance-sheet date – PLN 3,051 thousand.
6. Adjustment related to the recognition of deferred tax asset on the above item – PLN 580 thousand.
7. Presentation adjustment related to a transfer from "Investments in subsidiaries" to "Investments in jointly-controlled entities" – PLN 12 thousand.
8. Impairment loss on inventories – PLN 364 thousand.
9. Deferred tax asset for items related to the recognition of impairment loss – PLN 293 thousand.
10. Correction of corporate income tax.

All amounts in PLN thousand (unless otherwise indicated)

11. Presentation adjustment related to the transfer of a loan from "Current loans" to "Non-current loan"– PLN 32,163 thousand.
12. Derecognition of revenue estimated on the sale of EPD shares – PLN 25,798 thousand.
13. Adjustment related to the recognition of deferred tax asset for the above item – PLN 4,902 thousand.
14. Reclassification of non-current bank borrowings to current liabilities – PLN 30,996 thousand.

10. APPROVAL FOR PUBLICATION

The financial statements for the year ended December 31st 2011 (and comparative data) were approved for publication by the Company's Management Board on April 27th 2012.

Signatures of all Management Board members

Date	First name and surname	Position	Signature
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 financial statements

Date	First name and surname	Position	Signature
2012-04-27	Małgorzata Jankowska	Chief Accountant	……………………………