THE PBG GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD
JANUARY 1ST – DECEMBER 31ST 2009

WYSOGOTOWO, MARCH 19TH 2010

Group name:	***The PBG Group***		
Period covered by the financial statements:	***January 1st – December 31st 2009***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

FINANCIAL HIGHLIGHTS

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
	PLN		EUR	
Income Statement				
Sales revenue	2,577,980	2,091,425	593,923	592,119
Operating profit/(loss)	286,496	223,573	66,004	63,297
Pre-tax profit/(loss)	262,628	213,877	60,505	60,552
Net profit/(loss) from continuing operations	222,040	187,254	51,154	53,015
Net profit/(loss) attributable to:	222,040	187,254	51,154	53,015
– owners of the Parent	210,625	156,331	48,524	44,260
– minority interests	11,415	30,923	2,630	8,755
Earnings/(loss) per ordinary share (PLN / EUR)	15.11	11.64	3.48	3.30
Diluted earnings (loss) per ordinary share (PLN / EUR)	15.11	11.64	3.48	3.30
PLN / EUR average exchange rate			4.3406	3.5321

Cash flow statement				
Net cash provided by/(used in) operating activities	306,529	(253,080)	70,619	(71,651)
Net cash provided by/(used in) investing activities	(352,035)	(185,622)	(81,103)	(52,553)
Net cash provided by/(used in) financing activities	416,920	315,221	96,051	89,245
Net change in cash and cash equivalents	371,414	(123,481)	85,567	(34,960)
PLN / EUR average exchange rate			4.3406	3.5321

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2009	As at Dec 31 2008
	PLN		EUR	
Balance sheet				
Assets	4,008,346	2,840,965	975,694	680,895
Non-current liabilities	561,784	410,022	136,747	98,270
Current liabilities	1,823,076	1,334,869	443,765	319,928
Equity	1,623,486	1,096,074	395,182	262,696
Share capital	14,295	13,430	3,480	3,219
Number of shares	14,295,000	13,430,000	14,295,000	13,430,000
Weighted average number of ordinary shares	13,935,000	13,430,000	13,935,000	13,430,000
Diluted weighted average number of ordinary shares	13,935,000	13,430,000	13,935,000	13,430,000
Book value per share (PLN / EUR)	97.61	69.06	23.76	16.55
Dividend per share declared or paid (PLN / EUR)	1.40	-	0.34	-
PLN / EUR exchange rate as at end of period			4.1082	4.1724

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

a) The selected items of the statement of financial position were translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for the balance-sheet date. As at December 31st 2009, the exchange rate was EUR 1 = PLN 4.1082, and as at December 31st 2008 it was EUR 1 = PLN 4.1724.

b) The selected items of the income statement and the statement of cash flows for 2009 and 2008 were translated using the EUR/PLN exchange rate which is the arithmetic mean of the mid-exchange rates quoted by the National Bank of Poland for the last day of each month of the reporting period, i.e. EUR 1 = PLN 4.3406 and EUR 1 = PLN 3.5321, respectively.

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Group name:	***The PBG Group***		
Period covered by the financial statements:	***January 1st – December 31st 2009***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Item	Section	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Assets				
Non-current assets		**1,011,530**	**901603**	**734,779**
Goodwill	6	319,015	315,609	267,426
Intangible assets	7	32,966	14,820	13,262
Property, plant and equipment	8	368,264	401,739	306,786
Non-regenerative natural resources	10	12,290	11,999	27,834
Investment property	11	144,125	23,672	30,383
Investments in subsidiary undertakings	5.3	10,000	27,000	4,000
Investments in associated undertakings		-	-	-
Other non-current financial assets	12.2; 12.4	91,610	36,618	39,289
Non-current receivables under derivative financial instruments	12.3	8,746	12,916	15,890
Non-current receivables	15	14,618	20,593	21,614
Deferred tax assets	13	-	23,070	-
Non-current prepayments and accrued income	25	9,896	13,567	4,787
Current assets		**2,996,816**	**1,939,362**	**1,524,546**
Inventories	14	233,694	69,360	40,145
Receivables under construction contracts	26	725,591	783,930	439,585
Trade receivables	15	1,074,424	679,366	534,476
Current income tax receivable		3,388	978	-
Other current receivables	15	37,749	48,751	43,263
Other current financial assets	12.2; 12.4	217,308	50,487	18,308
Current receivables under derivative financial instruments	12.3	20,215	1,280	28,210
Cash and cash equivalents	16	660,281	288,750	409,342
Current prepayments and accrued income	25	24,166	16,460	14,725
Non-current assets classified as held for sale		-	-	-
Total assets		**4,008,346**	**2,840,965**	**2,259,325**

All amounts in PLN ‘000 (unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Item	Section	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Equity and liabilities				
Equity		**1,623,486**	**1,096,074**	**785,220**
Equity attributable to owners of the Parent		**1,395,305**	**927,504**	**750,670**
Share capital	17	14,295	13,430	13,430
Treasury shares		-	-	-
Share premium account	18	733,348	551,178	551,178
Valuation of hedging transactions and foreign exchange gains/(losses) on consolidation	19	(30,349)	(101,444)	8,759
Other capitals		374,229	276,057	65,998
Item (continued)	Section	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Retained earnings		303,782	188,283	111,305
– retained earnings/(deficit)		93,157	31,952	6,997
– net profit/(loss) for current year attributable to owners of the Parent		210,625	156,331	104,308
Minority interests	21	**228,181**	**168,570**	**34,550**
Liabilities		**2,384,860**	**1,744,891**	**1,474,105**
Non-current liabilities		**561,784**	**410,022**	**331,739**
Non-current loans and borrowings	12.5	101,877	112,850	50,033
Non-current liabilities under issue of debt securities and finance lease	12.5	391,177	210,386	208,497
Non-current liabilities under derivative financial instruments	12.3	553	46,610	-
Other non-current liabilities	24	40,110	17,115	20,603
Deferred tax liabilities	13	150	-	18,595
Provisions for liabilities under employee benefits	22	6,405	5,229	4,184
Other non-current provisions	23	14,191	9,606	20,675
Government subsidies		-	-	-
Non-current accruals and deferred income	25	7,320	8,226	9,152
Current liabilities		**1,823,076**	**1,334,869**	**1,142,366**
Current loans and borrowings	12.5	493,867	475,147	350,402
Current liabilities under issue of debt securities and finance lease	12.5	147,948	6,924	113,856
Current liabilities under derivative financial instruments	12.3	59,256	188,279	490
Trade payables	24	851,290	484,051	454,434
Liabilities under construction contracts	26	60,450	14,989	19,594
Current income tax payable	29	25,871	21,219	17,800
Other current liabilities	24	135,642	55,681	58,118
Provisions for liabilities under employee benefits	22	6,258	6,836	7,257
Other current provisions	23	39,027	78,926	118,805
Government subsidies		-	-	-
Current accruals and deferred income	25	3,467	2,817	1,610
Liabilities under non-current assets held for sale		-	-	-
Total equity and liabilities		**4,008,346**	**2,840,965**	**2,259,325**

All amounts in PLN '000 (unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

Item	Section	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Continuing operations			
Sales revenue	27.1	**2,577,980**	**2,091,425**
Revenue from sales of products		20,767	21,741
Revenue from sales of services		2,546,985	2,012,270
Revenue from sales of goods for resale and materials		10,228	57,414
Cost of sales	27.2	**(2,185,857)**	**(1,756,805)**
Cost of products sold	27.2	(22,957)	(20,790)
Cost of services sold	27.2	(2,153,262)	(1,682,637)
Cost of goods for resale and materials sold		(9,638)	(53,378)
Gross profit/(loss)		**392,123**	**334,620**
Selling costs		-	-
General and administrative expenses	27.2	(109,764)	(110,035)
Other operating income	27.3	31,143	18,629
Other operating expenses	27.4	(27,006)	(19,641)
Share in profit of undertakings valued with equity method		-	-
Costs of restructuring		-	-
Operating profit/(loss)		**286,496**	**223,573**
Finance income	28.1	30,717	50,176
Finance expenses	28.2	(58,850)	(62,140)
Other gains/(losses) on investments	28.3	4,265	2,268
Pre-tax profit/(loss)		**262,628**	**213,877**
Income tax	29	(40,588)	(26,623)
Net profit/(loss) from continuing operations		**222,040**	**187,254**
Discontinued operations			
Net loss from discontinued operations		-	-
Net profit/(loss)		**222,040**	**187,254**
Net profit/(loss) attributable to:		**222,040**	**187,254**
– owners of the Parent		210,625	156,331
– minority interests		11,415	30,923

NET EARNINGS (LOSS) PER ORDINARY SHARE

Item	Jan 1–Dec 31 2009 1 / share	Jan 1–Dec 31 2008 1 / share
Net profit/(loss) from continuing operations	210,625	156,331
Net profit/(loss) from continuing and discontinued operations	210,625	156,331
Weighted average number of ordinary shares	13,935,000	13,430,000
Diluted weighted average number of ordinary shares	13,935,000	13,430,000
from continuing operations		
– basic	15.11	11.64
– diluted	15.11	11.64
from continuing and discontinued operations		
– basic	15.11	11.64
– diluted	15.11	11.64

All amounts in PLN '000 (unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Net profit/(loss)	**222,040**	**187,254**
Other comprehensive income		
Remeasurement of property, plant and equipment	7,503	-
Available-for-sale financial assets:	-	-
– income/(loss) disclosed under other comprehensive income in period	-	-
– amounts transferred to profit or loss	-	-
Cash-flow hedges:	-	-
– income/(loss) disclosed under other comprehensive income in period	5,664	(198,541)
– amounts transferred to profit or loss	114,765	10,956
– amounts included in the initial value of hedged items	-	-
Foreign currency differences arising on translation of foreign operations	(10,131)	666
Foreign currency differences transferred to profit or loss – sale of foreign operations	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-
Income tax on items of other comprehensive income	(21,761)	34,782
Total other comprehensive income after tax:	**96,040**	**(152,137)**
Comprehensive income	**318,080**	**35,117**
Comprehensive income attributable to:		
– owners of the Parent	290,034	46,128
– minority interests	28,046	(11,011)

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

Item	Equity attributable to owners of the Parent								Minority interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Foreign currency differences arising on translation of subsidiaries	Other capitals	Retained earnings	Total		
Balance as at Jan 1 2009	**13,430**	**-**	**551,178**	**(102,264)**	**820**	**274,778**	**190,193**	**928,135**	**185,483**	**1,113,618**
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	1,279	(1,910)	(631)	(16,913)	(17,544)
Balance after changes	**13,430**	**-**	**551,178**	**(102,264)**	**820**	**276,057**	**188,283**	**927,504**	**168,570**	**1,096,074**
Changes in equity in period Jan 1- Dec 31 2009										
Issue of shares	865	-	182,170	-	-	-	-	183,035	-	183,035
Valuation of options (share-based payment programme)	-	-	-	-	-	1,279		1,279	759	2,038
Change in Group's structure (transactions with minorities)	-	-	-	(1,139)	-	(6,891)	2,035	(5,995)	38,753	32,758
Other adjustments	-	-	-	-	-	5,933	4	5,937	(7,947)	(2,010)
Dividends	-	-	-	-	-			-	-	-
Allocation of profit/(loss) to equity	-	-	-	-	-	90,676	(97,165)	(6,489)	-	(6,489)
Total transactions with owners of the Parent	865	-	182,170	(1,139)	-	90,997	(95,126)	177,767	31,565	209,332
Net profit for period Jan 1 – Dec 31 2009		**-**			**-**		**210,625**	**210,625**	**11,415**	**222,040**
Other comprehensive income:										
Remeasurement of property, plant and equipment	-	-	-	-	-	7,503	-	7,503	-	7,503
Cash-flow hedges	-	-	-	120,429	-	-	-	120,429	-	120,429
Cash-flow hedges (KM adjustment)	-	-	-	(21,208)	-	-	-	(21,208)	21208	-
Foreign currency differences arising on translation of foreign operations	-	-	-	-	(10,131)	-	-	(10,131)	-	(10,131)
Foreign currency differences arising on translation of foreign operations payable to minority interests	-	-	-	-	4,577	-	-	4577	(4577)	-
Foreign currency differences transferred to profit or loss – sale of foreign operations	-	-	-	-	-	-	-	-	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-	-	-	-
Income tax on items of other comprehensive income	-	-	-	(23,624)	2,191	(328)	-	(21,761)	-	(21,761)
Total comprehensive income	-	-	-	75,597	(3,363)	7,175	210,625	290,034	28,046	318,080
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
Balance as at Dec 31 2009	**14,295**	-	**733,348**	**(27,806)**	**(2,543)**	**374,229**	**303,782**	**1,395,305**	**228,181**	**1,623,486**

Group name:	***The PBG Group***		
Period covered by the financial statements:	***January 1st – December 31st 2009***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2008

Item	Equity attributable to owners of the Parent								Minority interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Foreign currency differences arising on translation of subsidiaries	Other capitals	Retained earnings	Total		
Balance as at Jan 1 2008	**13,430**	**-**	**551,178**	**8,605**	**154**	**65,998**	**111,305**	**750,670**	**34,550**	**785,220**
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	-	-	-	-	-
Balance after changes	**13,430**	**-**	**551,178**	**8,605**	**154**	**65,998**	**111,305**	**750,670**	**34,550**	**785,220**
Changes in equity in period Jan 1– Dec 31 2008										
Issue of shares	-	-	-	-	-	-	-	-	-	-
Issue of shares in connection with exercise of options (share-based payment programme)	-	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	1,279	-	1,279	759	2,038
Change in Group's structure (transactions with minorities)	-	-	-	-	-	140,717	(4,640)	136,077	144,380	280,457
Other adjustments	-	-	-	-	-	2,243	(2,243)	-	(108)	(108)
Dividends	-	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) to equity	-	-	-	-	-	65,820	(72,470)	(6,650)	-	(6,650)
Total transactions with owners of the Parent	-	-	-	-	-	210,059	(79,353)	130,706	145,031	275,737
Net profit for period Jan 1 – Dec 31 2008	**-**	**-**	**-**	**-**	**-**	**-**	**156,331**	**156,331**	**30,923**	**187,254**
Other comprehensive income:										
Remeasurement of property, plant and equipment	-	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	(187,585)	-	-	-	(187,585)	-	(187,585)
Cash-flow hedges (adjustment for share attributable to minority interests)				41,934				41,934	(41,934)	-
Foreign currency differences arising on translation of foreign operations	-	-	-	-	666	-	-	666	-	666
Foreign currency differences transferred to profit or loss – sale of foreign operations	-	-	-	-	-	-	-	-	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-	-	-	-
Income tax on items of other comprehensive income				34,782				34,782		34,782
Total comprehensive income	-	-	-	(110,869)	666	-	156,331	46,128	(11,011)	35,117
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
Balance as at Dec 31 2009	**13,430**	**-**	**551,178**	**(102,264)**	**820**	**276,057**	**188,283**	**927,504**	**168,570**	**1,096,074**

CONSOLIDATED STATEMENT OF CASH FLOWS

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Cash flows from operating activities		
Net profit before income tax	**262,628**	**213,877**
Adjustments:	**23,732**	**127,893**
Amortisation of intangible assets	5,221	3,384
Impairment losses on goodwill	-	-
Impairment losses on property, plant and equipment	135	761
Depreciation of property, plant and equipment	41,901	41,761
(Profit)/loss on sale of property, plant and equipment	(2,399)	(1,022)
(Profit)/loss on sale of available-for-sale financial assets (held for trading)	(23,721)	7,259
Gains/(losses) on fair value measurement of investment property	243	-
(Gains)/losses on change in fair value of financial assets measured at fair value	(34,199)	35,511
Share in profit/(loss) of associated undertakings	-	-
Foreign exchange gains/(losses)	497	205
Interest expense	70,813	62,744
Interest received	(34,757)	(22,706)
Dividend received	(2)	(4)
Cash provided by/(used in) operating activities before changes in working capital	**286,360**	**341,770**
Change in inventories	(24,233)	(29,215)
Change in receivables	(361,063)	(493,702)
Change in liabilities	506,271	20,417
Change in provisions and accruals and deferrals	(38,304)	(60,558)
Other adjustments	(7,245)	1,075
Net cash provided by/(used in) operating activities	**361,786**	**(220,213)**
Interest paid	(187)	(531)
Income tax paid	(55,070)	(32,336)
Net cash provided by/(used in) operating activities	**306,529**	**(253,080)**
Cash flows from investing activities		
Acquisition of intangible assets	(8,896)	(6,924)
Disposal of intangible assets	10	-
Acquisition of property, plant and equipment	(60,936)	(103,515)
Disposal of property, plant and equipment	28,741	2,851
Acquisition of investment property	(58,164)	(10,882)
Disposal of investment property	-	21,474
Acquisition of held-to-maturity financial assets	(11,659)	(11,522)
Disposal of held-to-maturity financial assets	26,129	36,301
Acquisition of subsidiary undertakings (net of the acquired cash)	(45,850)	(96,217)
Disposal of subsidiary undertakings	1,762	2,500
Other expenses – additional contributions to equity	-	-
Government subsidies received	-	-
Loans advanced	(238,418)	(23,446)
Decrease in loans advanced	14,466	3,285
Interest received	8,402	596

All amounts in PLN '000 (unless otherwise stated)

Item (continued)	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Dividend received	2	4
Other income	50	-
Other cash used in investing activities	(7,674)	(127)
Net cash provided by/(used in) investing activities	**(352,035)**	**(185,622)**
Cash flows from financing activities		
Net proceeds from issue of shares	181,790	292,227
Acquisition of treasury shares	-	-
Repayment of notes	(75,000)	(110,000)
Issue of debt securities	375,000	-
Repayment of interest on notes	(15,601)	(16,766)
Redemption of debt securities	-	-
Increase in loans and borrowings	231,144	289,694
Repayment of loans and borrowings	(239,749)	(109,134)
Repayment of interest on loans and borrowings	(37,674)	(36,959)
Interest on deposits	12,430	13,909
Decrease in finance lease liabilities	(12,901)	(5,986)
Interest paid	(1,328)	(1,613)
Other expenses	(1,191)	(151)
Net cash provided by/(used in) financing activities	**416,920**	**315,221**
Net change in cash and cash equivalents	**371,414**	**(123,481)**
Cash and cash equivalents at beginning of period	**288,750**	**410,305**
Effect of foreign exchange gains/(losses)	117	1,926
Cash and cash equivalents at end of period	**660,281**	**288,750**

1. GENERAL INFORMATION

1.1. PARENT UNDERTAKING

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

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

1.2. PARENT UNDERTAKING'S MANAGEMENT BOARD AND SUPERVISORY BOARD

As at the date of approval for publication of these consolidated financial statements, that is March 19th 2010, the **Management Board of the Parent Undertaking** was composed of the following persons:

- Jerzy Wiśniewski – President,
- Tomasz Woroch – Vice-President,
- Przemysław Szkudlarczyk – Vice-President,
- Tomasz Tomczak – Vice-President,
- Mariusz Łożyński – Vice-President.

In the period from January 1st 2009 to the date of approval of these consolidated financial statements for publication, the following changes in the composition of the Management Board of the Parent Undertaking occurred:

- On September 30th 2009, Mr Tomasz Latawiec submitted his resignation as member of the Management Board to the Supervisory Board of PBG S.A., citing family commitments as the reason for resignation.

All amounts in PLN '000 (unless otherwise stated)

As at the date of approval of these consolidated financial statements for publication, that is March 19th 2010, the **Supervisory Board of the Parent Undertaking** was composed of the following persons:

- Maciej Bednarkiewicz – Chairman,
- Jacek Kseń – Deputy Chairman,
- Wiesław Lindner – Secretary,
- Dariusz Sarnowski – Member,
- Adam Strzelecki – Member.

In the period from January 1st 2009 to the date of approval of these consolidated financial statements for publication, the following changes in the composition of the Supervisory Board of the Parent Undertaking occurred:

- On June 4th 2009, the Management Board of PBG S.A. received a notice of resignation submitted by Mr Jacek Krzyżaniak, a member of the Supervisory Board of PBG S.A. Mr Krzyżaniak's resignation was connected with his appointment to the supervisory board of one of Hydrobudowa Polska SA's subsidiaries.

1.3. THE GROUP'S BUSINESS PROFILE

The core business of the Parent Undertaking are engineering activities and related technical consultancy (according to the Polish Classification of Activities – PKD 71.12 Z).
For description of business of the Group's subsidiary undertakings, see table in Section 1.4 of these consolidated financial statements.

1.4. PBG GROUP

These consolidated financial statements of the PBG Group include the Parent Undertaking and the following subsidiary undertakings:

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2009	Dec 31 2008
Aprivia SA (1)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	100.00%

Group name:	*The PBG Group*		
Period covered by the financial statements:	*January 1st – December 31st 2009*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN '000 (unless otherwise stated)*		

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2009	Dec 31 2008
Betpol SA (2)	ul. Fordońska 168a, 85-766 Bydgoszcz POLAND	Construction of roads and motorways PKD 42.11.Z	District Court of Bydgoszcz, XIII Commercial Division of the National Court Register	full; subsidiary undertaking of Aprivia S.A., consolidated in the consolidated financial statements of PBG S.A., the Parent Undertaking	70.00%	70.00%
Dromost Sp. z o.o. (3)	Żabno 4A, 63-112 Brodnica POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of Aprivia S.A., consolidated in the consolidated financial statements of PBG S.A., the Parent Undertaking	87.40%	87.40%
Przedsiębiorstwo Robót Inżynieryjno - Drogowych SA (PRID SA) (4)	ul. Poznańska 42, 64-300 Nowy Tomyśl POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of Aprivia S.A., consolidated in the consolidated financial statements of PBG S.A., the Parent Undertaking	100.00%	100.00%
Avatia Sp. z o.o. (5)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Reproduction of recorded media PKD 18.20.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	99.80%	99.80%
Brokam Sp. z o.o. (6)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	100.00%
Excan Oil and Gas Engineering Ltd (7)	#201,9637-45 Avenue Edmonton AB T6E 5Z8 CANADA	Intermediation in contract execution, coordination of design and engineering work, general trading activities	CERTIFICATE OF INCORPORA-TION Edmonton Alberta	full	100.00%	100.00%

All amounts in PLN '000 (unless otherwise stated)

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2009	Dec 31 2008
GasOil Engineering a.s. (8)	Karpatska, 3256/15 Poprad 05801 SLOVAKIA	Design services, owner supervision services	Obchodný register Okresného súdu Prešov (Commercial Register of the District Court of Prešov)	full	62.45%	62.45%
Hydrobudowa Polska SA (9)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	62.74%	61.61%
P.R.G. Metro Sp. z o. o. (10)	ul. Wólczyńska 156 01-919 Warszawa POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court for the Capital City of Warsaw of Warsaw, XIII Commercial Division of the National Court Register	full; subsidiary undertaking Hydrobudowa Polska SA, consolidated in the consolidated financial statements of the parent undertaking Hydrobudowa Polska SA	61.79%	52.09%
Hydrobudowa 9 SA (11)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of residential and non-residential buildings PKD 41.20 Z Construction of water projects PKD 42.91.Z Site preparation 43.12.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of Hydrobudowa Polska SA, consolidated in the consolidated financial statements of the parent undertaking Hydrobudowa Polska SA	62.74%	61.61%
Gdyńska Projekt Sp. z o.o. (12)	ul. Sienkiewicza 22, 60-900 Poznań POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of Hydrobudowa 9 SA, consolidated in the consolidated financial statements of the parent undertaking Hydrobudowa Polska SA	62.74%	61.61%

All amounts in PLN '000 (unless otherwise stated)

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2009	Dec 31 2008
Infra SA (13)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Plumbing, heat and air conditioning installation PKD 43.22.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	99.95%	99.95%
KWG SA (14)	Aleja Wojska Polskiego129, 70-490 Szczecin POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court of Szczecin, - XI Commercial Division of the National Court Register	full	100.00%	100.00%
Metorex Sp. z o.o. (15)	ul. Żwirki i Wigury 17A, 87-100 Toruń POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court of Toruń - VII Commercial Division of the National Court Register	full	99.56%	99.56%
PBG Export Sp. z o.o. (16)	Al. Juliusza Słowackiego 64, 30 – 004 Kraków POLAND	Manufacture of metal structures and parts of structures PKD 25.11.Z	District Court for Kraków – Śródmieście of Kraków, XI Commercial Division of the National Court Register	full	99.95%	-
PBG Technologia Sp. z o.o. (formerly Hydrobudowa Polska Konstrukcje Sp. z o.o.) (17)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Manufacture of metal structures and parts of structures PKD 25.11.Z	District Court for Katowice – East of Katowice, VIII Commercial Division of the National Court Register	full	100.00%	61.61%
PBG Dom Sp. z o.o. (18)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of residential and non-residential buildings PKD 41.20 Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	100.00%

All amounts in PLN '000 (unless otherwise stated)

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2009	Dec 31 2008
Apartamenty Poznańskie Sp. z o.o. (19)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of residential and non-residential buildings PKD 41.20 Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	51.00%	51.00%
PBG Dom Invest I Sp. z o.o. (formerly Dawil Sp. z o.o.) (20)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Development of building projects PKD 41.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	100.00%
PBG Dom Invest II Sp. z o.o. (formerly Budwil Sp. z o.o.) (21)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Development of building projects PKD 41.10. Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	51.00%	51.00%
Górecka Projekt Sp. z o.o. (22)	ul. Sienkiewicza 22, 60-900 Poznań POLAND	Development of building projects PKD 41.10. Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	61.61%

Group name:	The PBG Group		
Period covered by the financial statements:	*January 1st – December 31st 2009*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN '000 (unless otherwise stated)*		

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2009	Dec 31 2008
Złotowska 51 Sp. z o.o. (formerly KM Investment Sp. z o.o.) (23)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of residential and non-residential buildings PKD 41.20.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	60.00%	-
City Development Sp. z o.o. (24)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Development of building projects PKD 41.10. Z	District Court for the Capital City of Warsaw of Warsaw, XII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	75.00%	-
Villa Poznań Sp. z o.o. (25)	ul. Mazowiecka 42, 60-623 Poznań POLAND	Development of building projects PKD 41.10. Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	-
PBG Dom Management I Sp. z o.o. (26)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of: PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	-
Kino Development Sp. z o.o. (27)	ul. Marszał-kowska 80, 00-517 Warszawa POLAND	Development of building projects PKD 41.10. Z	District Court for the Capital City of Warsaw of Warsaw, XII Commercial Division of the National Court Register	full; subsidiary undertaking of: PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	-

All amounts in PLN '000 (unless otherwise stated)

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2009	Dec 31 2008
Wschodni Invest Sp. z o.o. (28)	ul. Mazowiecka 41, 60 – 623 Poznań POLAND	Other monetary intermediation PKD 64.19.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	-
Energopol Ukraina (29)	ul. Kondratiuka 1, 04201 Kijów UKRAINA	Construction and assembly activities	no information	full; subsidiary undertaking of Wschodni Invest Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	51.00%	-
PBG Ukraina P.S.A. (*public company limited by shares*) (30)	ul. Kondratiuka 1, 04201 Kiev UKRAINE	Construction of buildings, construction of other structures, assembly and installation of prefabricated structures, assembly of metal structures, organisation of property construction projects, intended for sale or rental; engineering activities.	Obolon District State Administration in Kiev	full	100.00%	100.00%

The figures in the table above present the Parent Undertaking's share in the share capital of the individual companies.
The percentage shares in the share capital of the PBG Group companies are presented in the form of compound interest (percentage share held by PBG S.A., the Parent Undertaking, in a subsidiary undertaking times percentage share of the subsidiary undertaking's interest in its subsidiary undertaking).
This refers to the members of the Hydrobudowa Polska, PBG Dom, Aprivia and Wschodni Invest Groups.

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

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

3. Dromost Sp. z o.o. has been a subsidiary undertaking of Aprivia S.A. since October 8th 2008 – Aprivia S.A. holds 87.40 % of the share capital of Dromost Sp. z o.o. PBG S.A. indirectly holds 87.40% of the share capital of Dromost Sp. z o.o.

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

5. Avatia Sp. z o. o has been a subsidiary undertaking of PBG S.A. since February 15th 2008 – PBG S.A. holds 99.80% of the share capital of Avatia Sp. z o.o.

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

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

8. GasOil Engineering a.s. has been a subsidiary undertaking of PBG S.A. since April 12th 2007 – PBG S.A. holds 62.45% of the share capital of GasOil Engineering a.s.

9. Hydrobudowa Polska S.A. is a subsidiary undertaking of PBG S.A. and the parent undertaking of the Hydrobudowa Polska Group. As at December 31st 2008, PBG S.A. held 61.61% of the share capital of Hydrobudowa Polska S.A.; as at December 31st 2009, PBG S.A. held 62.74% of the share capital of Hydrobudowa Polska S.A.

10. P.R.G. Metro Sp. z o.o. has been a subsidiary undertaking of Hydrobudowa Polska S.A. since September 12th 2008 – as at December 31st 2008, Hydrobudowa Polska S.A. held 84.55% of the share capital of P.R.G. Metro Sp. z o.o.; as at December 31st 2009, Hydrobudowa Polska S.A. held 98.49% of the share capital of P.R.G. Metro Sp. z o.o. As at December 31st 2009, PBG S.A. indirectly held 61.79% of the share capital of P.R.G. Metro Sp. z o.o.

11. Hydrobudowa 9 S.A. has been a subsidiary undertaking of Hydrobudowa Polska S.A. since September 30th 2008. Hydrobudowa Polska S.A. holds 100% of the share capital of Hydrobudowa 9 S.A. As at December 31st 2009, PBG S.A. indirectly held 62.74% of the share capital of Hydrobudowa 9 S.A.

12. Gdyńska Projekt Sp. z o.o. has been a subsidiary undertaking of Hydrobudowa 9 S.A. since April 2nd 2008 – Hydrobudowa 9 S.A. holds 100% of the share capital of Gdyńska Projekt Sp. z o.o. As at December 31st 2009, PBG S.A. indirectly held 62.74% of the share capital of Gdyńska Projekt Sp. z o.o.

13. Infra S.A. has been a subsidiary undertaking of PBG S.A. since May 19th 2005 – PBG S.A. holds 99.95% of the share capital of Infra S.A.

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

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

16. PBG Export Sp. z o.o. has been a subsidiary undertaking of PBG S.A. since April 2nd 2009 – PBG S.A. holds 99.95% of the share capital of PBG Export Sp. z o.o.

17. PBG Technologia Sp. z o.o. (formerly Hydrobudowa Polska Konstrukcje Sp. z o.o.) has been a subsidiary undertaking of PBG S.A. since April 2nd 2009 – PBG S.A. holds 100% of the share capital of PBG Technologia Sp. z o.o. As at December 31st 2008, PBG Technologia Sp. z o.o. was a direct subsidiary undertaking of Hydrobudowa Polska S.A. – Hydrobudowa Polska held 100% of the share capital of PBG Technologia Sp. z o.o. As at December 31st 2009, PBG S.A. held 100% of the share capital of PBG Technologia.

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

19. Apartamenty Poznańskie Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since June 27th 2008. PBG Dom Sp. z o.o. holds 51% of the share capital of Apartamenty Poznańskie Sp. z o.o. As at December 31st 2009, PBG S.A. indirectly held 51% of the share capital of Apartamenty Poznańskie Sp. z o.o.

20. PBG Dom Invest I Sp. z o.o. (formerly Dawil Sp. z o.o.) has been a subsidiary undertaking of PBG Dom Sp. z o.o. since August 26th 2008 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Dom Invest I Sp. z o.o. As at December 31st 2009, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest I Sp. z o.o.

21. PBG Dom Invest II Sp. z o.o. (formerly Budwil Sp. z o.o.) has been a subsidiary undertaking of PBG Dom Sp. z o.o. since April 8th 2008 – PBG Dom Sp. z o.o. holds 51% of the share capital of PBG Dom Invest II Sp. z o.o. As at December 31st 2009, PBG S.A. indirectly held 51% of the share capital of PBG Dom Invest II Sp. z o.o.

22. Górecka Projekt Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since June 25th 2009 –PBG Dom Sp. z o.o. holds 100% of the share capital of Górecka Projekt Sp. z o.o. As at December 31st 2008, Górecka Projekt Sp. z o.o. was a direct subsidiary of Hydrobudowa 9 S.A., which is a member of the Hydrobudowa Polska Group, in which Hydrobudowa Polska S.A. is the parent undertaking. As at December 31st 2008, Hydrobudowa 9 S.A. held 100% of the share capital of Górecka Projekt Sp. z o.o. As at December 31st 2009, PBG S.A. indirectly held 100% of the share capital of Górecka Projekt Sp. z o.o.

23. Złotowska 51 Sp. z o.o. (formerly KM Investment Sp. z o.o.) has been a subsidiary undertaking of PBG Dom Sp. z o.o. since April 9th 2009 – PBG Dom Sp. z o.o. holds 60% of the share capital of Złotowska 51 Sp. z o.o. As at December 31st 2009, PBG S.A. indirectly held 60% of the share capital of Złotowska 51 Sp. z o.o.

24. City Development Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since June 9th 2009 – PBG Dom Sp. z o.o. holds 75% of the share capital of City Development Sp. z o.o. As at December 31st 2009, PBG S.A. indirectly held 75% of the share capital of City Development Sp. z o.o.

25. Villa Poznań Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since November 3rd 2009 –PBG Dom Sp. z o.o. holds 100 % of the share capital of Villa Poznań Sp. z o.o. As at December 31st 2009, PBG S.A. indirectly held 100% of the share capital of Villa Poznań Sp. z o.o.

26. PBG Dom Management Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since November 17th 2009 – PBG Dom Sp. z o.o. holds 100 % of the share capital of PBG Dom Management Sp. z o.o. As at December 31st 2009, PBG S.A. indirectly held 100% of the share capital of PBG Dom Management Sp. z o.o.

27. Kino Development Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since November 27th 2009 – PBG Dom Sp. z o.o. holds 100 % of the share capital of Kino Development Sp. z o.o. As at December 31st 2009, PBG S.A. indirectly held 100% of the share capital of Kino Development Sp. z o.o.

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

29. Energopol Ukraina has been a subsidiary undertaking of Wschodni Invest Sp. z o.o. since June 19th 2009 – Wschodni Invest Sp. z o.o. holds 51% of the share capital of Energopol Ukraina. As at December 31st 2009, PBG S.A. indirectly held 51% of the share capital of Energopol Ukraina.

30. PBG Ukraina Publiczna Spółka Akcyjna (public company limited by shares) has been a subsidiary undertaking of PBG S.A. since October 28th 2009. PBG S.A. holds 100% of the share capital of PBG Ukraina Publiczna Spółka Akcyjna.

Consolidation of Secondary-Level Subsidiary Undertakings

Hydrobudowa Polska S.A. has the following subsidiary undertakings: P.R.G. Metro Sp. z o.o. and Hydrobudowa 9 S.A.; the latter has a subsidiary undertaking: Gdyńska Projekt Sp. z o.o. As at December 31st 2009, Hydrobudowa 9 S.A. did not prepare consolidated financial statements. All the companies comprising the Hydrobudowa Polska Group are consolidated at the level of their parent undertaking, i.e. Hydrobudowa Polska S.A.

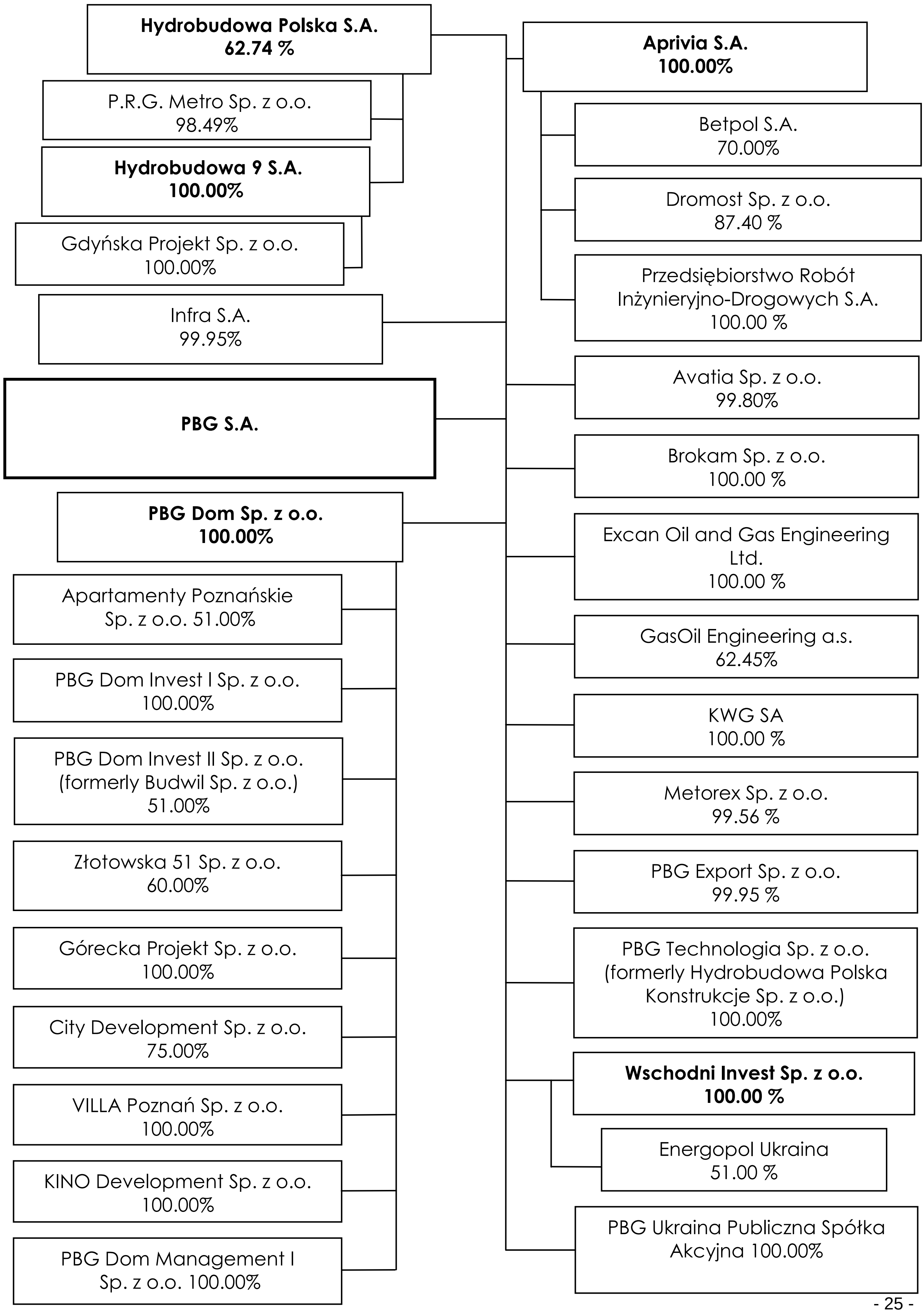
Furthermore, Aprivia S.A. has the following subsidiary undertakings: Betpol S.A., Dromost S.A. and Przedsiębiorstwo Robót Inżynieryjno – Drogowych S.A. As at December 31st 2009, these companies were consolidated at the level of the consolidated financial statements prepared by the Aprivia Group.

PBG Dom Sp. z o.o. has the following subsidiary undertakings: Apartamenty Poznańskie Sp. z o.o., PBG Dom Invest I Sp. z o.o, PBG Dom Invest II Sp. z o.o., Górecka Projekt Sp. z o.o., Złotowska 51 Sp. z o.o., City Development Sp. z o.o., Villa Poznań Sp. z o.o., PBG Dom Management Sp. z o.o. and Kino Development Sp. z o.o.; as at December 31st 2009, PBG Dom Sp. z o.o. did not prepare consolidated financial statements. The companies are consolidated at the level of the Parent Undertaking, i.e. PBG S.A.

Wschodni Invest Sp. z o.o. has one subsidiary undertaking – Energopol Ukraina; as at December 31st 2009, the company did not prepare consolidated financial statements. The companies are consolidated at the level of the Parent Undertaking, i.e. PBG S.A.

Group name:	***The PBG Group***		
Period covered by the financial statements:	***January 1st – December 31st 2009***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

STRUCTURE OF THE PBG GROUP AS AT DECEMBER 31ST 2009



In the period covered by these consolidated financial statements, the following transactions were executed and resulted in reorganisation of the PBG Group. For description of the effect these transactions had on the Group's financial standing and its assets, see Section 5 on business acquisitions and disposals of subsidiary undertakings.

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

Incorporation of PBG Export Sp. z o.o.

On April 2nd 2009, subsidiary PBG Export Sp. z o.o. was incorporated in Kraków. Its share capital amounts to PLN 1,000,000.00 and is divided into 20,000 shares with a par value of PLN 50.00 per share. PBG S.A. acquired 19,990 shares of PLN 50.00 per share, for a total value of PLN 999,500.00. The shares were paid up in cash. PBG S.A. holds 99.95% of the share capital and 99.95% of votes in PBG Export Sp. z o.o.
On July 6th 2009, the company was registered by the District Court for Kraków–Śródmieście in Kraków, 11th Commercial Division of the National Court Register.
PBG Export Sp. z o.o. was incorporated to acquire new contracts in Poland and abroad and to supervise their performance.

Acquisition of shares in PBG Technologia Sp. z o.o. (formerly Hydrobudowa Polska Konstrukcje Sp. z o.o.)

On April 2nd 2009, an agreement on acquisition of shares in PBG Technologia Sp. z o.o. (formerly Hydrobudowa Polska Konstrukcje Sp. z o.o.) was executed with Hydrobudowa Polska SA.
Under the agreement, PBG S.A. acquired all 16,100 shares with a par value of PLN 500.00 per share and a total value of PLN 8,050,000.00, for the price of PLN 9,000,000.00. The shares represent 100% of votes at the General Shareholders Meeting and 100% of shares in PBG Technologia Sp. z o.o.'s share capital.
The change of the company name from Hydrobudowa Polska Konstrukcje Sp. z o.o. to PBG Technologia Sp. z o.o. was registered on April 30th 2009 by the District Court in Katowice, 8th Commercial Division of the National Court Register.

Acquisition of Wschodni Invest (declassification of information)

On June 19th 2009, PBG S.A. acquired shares in Wschodni Invest Sp. z o.o. of Poznań.
Under the relevant agreement, PBG S.A. acquired 37,740 shares with a par value of PLN 100.00 per share, for a total price of PLN 40,000,000.00. The shares constitute 100% of Wschodni Invest Sp. z o.o.'s share capital of a total value of PLN 3,774,000.00, and 100% of the total number of votes.
The shares acquired in Wschodni Invest Sp. z o.o. were paid for covered as follows:
1) 500 shares of PLN 100.00 per share, with a total value of PLN 50,000.00, were paid in cash;
2) 37,240 shares of PLN 100.00 per share and a total value of 3,724,000.00 were paid for with 51 series A ordinary bearer shares of Energopol–Ukraine of Kiev, a company governed by the laws of Ukraine, with a the total value of PLN 3,724,000.00, representing 51% of the company's share capital.
Energopol – Ukraine of Kiev is a public limited company governed by the laws of Ukraine, with 100% of the shares held by foreign (Polish) investors. It holds an ownership title to a land property of 63,000 sq m situated in Kiev, where a development project (total development area: ca. 250,000 sq m) is planned. The

company provides a wide range of project-related services, including general construction services, manufacturing and design. It is experienced in trading and works related to upgrading/modernising industrial facilities.

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

On August 13th 2009, the share capital of PBG Technologia Sp. z o.o., PBG S.A.'s subsidiary, was increased.

Prior to the increase, the share capital of PBG Technologia Sp. z o.o. amounted to PLN 8,050,000.00 and was divided into 16,100 shares, with a par value of PLN 500.00 per share. Upon increase by 30,000 new shares, the company's share capital stands at PLN 23,050,000.00 and is divided into 46,100 shares, with a par value of PLN 500.00 per share.

PBG S.A. remains the owner of 100% shares of PBG Technologia Sp. z o.o.

Incorporation of PBG Ukraina by PBG S.A.

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

PBG S.A. considers its investment in PBG Ukraina as a long-term commitment.

Acquisition of shares in Energomontaż Południe SA

On October 21st 2009, PBG S.A. entered into a conditional investment agreement with Energomontaż–Południe SA.

The subject matter of the agreement were the terms of acquisition by PBG S.A. of 17,734,002 series A subscription warrants without pre-emptive rights waived and, in exchange for the subscription warrants, acquisition of the same number of shares in the conditionally increased share capital of Energomontaż–Południe SA. The share capital of Energomontaż–Południe SA was increased through an issue of 22,582,001 new series E shares with a par value of PLN 1.00 per share.

On November 20th 2009, PBG S.A.'s Management Board announced to have acquired series E ordinary bearer shares in Energomontaż Południe SA, with a par value PLN 1.00 per share.

In exercise of its subscription rights under 17,743,002 warrants, PBG S.A. acquired 17,743,002 series E shares. The issue price was PLN 3.45 per share and PBG S.A. paid a total price of PLN 61,213,356.90 for the shares.

On February 17th 2010, following registration of Energomontaż Południe SA's series E shares at the National Depository for Securities in Warsaw, PBG S.A. effectively acquired rights to 17,743,002 series E shares of Energomontaż Południe SA. The shares represent 25% of the company's share capital and confer 17,743,002 votes, i.e. 25% + 1 vote.

Increase of Equity Interest in Hydrobudowa Polska SA

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

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

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

<u>CHANGES AT SECONDARY SUBSIDIARIES</u>

HYDROBUDOWA POLSKA SA

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

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

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

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

The shares were paid up in cash by Hydrobudowa Polska SA, with a total amount of PLN 4,963,631.40.

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

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

PBG DOM SP. Z O.O.

- Acquisition of shares in Złotowska 51 Sp. z o.o. (formerly KM Investment Sp. z o.o.)

On April 9th 2009, PBG Dom Sp. z o.o. acquired significant assets created as a result of a share capital increase in Złotowska 51 Sp. z o.o. (formerly KM Investment Sp. z o.o.). The share capital increase, to PLN 125,000, was effected on April 9th 2009 by way of resolution adopted by the General Shareholders Meeting of Złotowska 51 Sp. z o.o., and included 150 shares with a par value of PLN 500.00 per share. PBG

Dom Sp. z o.o. acquired all new shares for PLN 75,000 (the book value of the shares, recognized by PBG Dom Sp. z o.o., was PLN 76,664). The acquired shares represent 60% of Złotowska 51 Sp. z o.o.'s share capital and total vote.

The share capital increase, as well as the change of company name from KM Investment Sp. z o.o. to Złotowska 51 Sp. z o.o., were registered on May 15th 2009.

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

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

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

The shares acquired by PBG Dom Sp. z o.o. represented 75% of City Development Sp. z o.o.'s share capital and total vote at the Shareholders Meeting. In total, PBG Dom Sp. z o.o.'s investment in the company's share capital amounted to PLN 2,662,500.

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

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

On June 9th 2009 PBG Dom Sp. z o.o. executed an investment agreement whereby it became a shareholder in Concept Development BSD 2 Sp. z o.o. Concept Development BSD 2 Sp. z o.o. was incorporated to execute a construction project of the Concept Tower office building at the junction of Karolkowa and Grzybowska streets in Warsaw. PBG Dom Sp. z o.o. undertook to grant a loan to Concept Development BSD 2 Sp. z o.o. on several conditions; one of them was that the credit committee or another competent body of a bank would conditionally agree to grant a loan to the company to finance the project. At the same time, PBG Dom Sp. z o.o. granted an irrevocable power of attorney to the proxy of other shareholders, under which PBG Dom Sp. z o.o. undertook not to exercise any rights in the shares of Concept Development BSD 2 Sp. z o.o. on its own or grant any powers of attorney in this respect until the date of execution of the loan agreement. The loan agreement has never been concluded.

On November 26th 2009, Abonferd Limited of Nicosia (Cyprus) accepted a PBG Dom's proposal to acquire the shares in Concept Development BSD 2 Sp. o.o. As a result of the transaction, PBG Dom Sp. z o.o. disposed of all the 1,235 shares held in Concept Development BSD 2 Sp. z o.o. for a total price of PLN 61,750. The shares hitherto held by PBG Dom Sp. z o.o. accounted for 37% of the share capital and 51% of the total vote at the General Shareholders Meeting.

- Acquisition of Shares in Górecka Projekt Sp. z o.o.

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

Under the agreement, Hydrobudowa 9 SA sold 1,000 shares with a par value of PLN 50.00 per share and a total value of PLN 50,000.00, for a price of PLN 50,000.00. The shares represented 100% of the total vote and share capital of Górecka Projekt Sp. z o.o.

The change is related to the reorganization of the PBG Group, where PBG Dom Sp. z o.o. is in charge of real estate business.

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

On November 3rd 2009, PBG Dom Sp. z o.o. acquired Villa Poznań Sp. z o.o. of Poznań.

As a result of relevant transactions made with two natural persons, PBG Dom Sp. z o.o. acquired 21,100 shares in Villa Poznań Sp. z o.o., with a par value of PLN 100,00 per share. Villa Poznań Sp. z o.o.'s share capital amounts to PLN 2,110,000. The shares represented 100% of the total vote and share capital of Villa Poznań Sp. z o.o. PBG Dom Sp. z o.o. paid PLN 2,230,100 for the shares.

The acquisition of shares in Villa Poznań Sp. z o.o. is a long-term investment. Villa Poznań Sp. z o.o. is an SPV and holds the ownership title to an undeveloped and unencumbered land property of 11,103 sq m in Poznań; the land will be used for property development purposes.

- Acquisition of Shares in PBG Dom Management I Sp. z o.o.

On November 17th 2009, PBG Dom Sp. z o.o. acquired from a natural person shares in the share capital of PBG Dom Management I Sp. z o.o. of Wysogotowo.

As a result of the transaction, PBG Dom Sp. z o.o. acquired 100 shares with a par value of PLN 50.00 per share. PBG Dom Management I Sp. z o.o.'s share capital amounts to PLN 5,000.00 PLN. The shares represent 100% of the total vote and share capital of PBG Dom Management I Sp. z o.o. PBG Dom Sp. z o.o. paid PLN 5,000.00 for the shares.

PBG Dom Management I Sp. z o.o. I is to execute a development project in Poznań.

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

On November 27th 2009, PBG Dom Sp. z o.o. executed an agreement for sale of shares and receivables, whereby it acquired from Ornament Trading (Overseas) Limited of Nicosia (Cyprus) 500 shares with a par value of PLN 100.00 per share in Kino Development Sp. z o.o. of Warsaw (the shares represented 100% of the company's total vote and share capital), and the company's receivables under loan agreements.

PBG Dom Sp. z o.o. undertook to pay PLN 5,500,000 for the shares and PLN 1,500,000 for the receivables.

Kino Development Sp. z o.o. holds the ownership title to a land property and the development thereon, situated in Warsaw, encumbered with security mortgage of a total value of PLN 6,500,000. The property is to be used for a residential building project.

INFRA SA

- Sale of subsidiaries

On September 30th 2009 Infra SA, a subsidiary, sold its assets.
Under relevant agreements with Invest Ecopap Sp. z o.o. Spółka komandytowa, Infra SA:
- sold all 897 shares held in PRIS Sp. z o.o. for a total price of PLN 1,650,000.00. The total share capital of PRIS Sp. z o.o. amounts to PLN 175,800 and is divided into 1,758 shares with a par value of PLN 100 per share;
- sold all 25,969 shares held in Wiertmar Sp. z o.o., for a total price of PLN 4,300,000.00. The total share capital of Wiertmar Sp. z o.o. amounts to PLN 2,546,000 and is divided into 50,920 shares with a par value of PLN 50 per share.
The transactions carried out by Infra SA are related to the reorganisation of the PBG Group.

1.5. APPROVAL FOR PUBLICATION

These consolidated financial statements for the year ended December 31st 2009 were approved for publication by the Parent Undertaking's Management Board on March 19th 2010.

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

2.1. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements of the PBG Group, comprising the Parent Undertaking and its subsidiaries, were prepared in accordance with the International Financial Reporting Standards as at December 31st 2009, as endorsed by the European Union.

The financial statements have been prepared using a historical cost approach, except with respect to the investment property, financial derivatives and financial assets available for sale, which have been measured at fair value.

2.2. REPORTING CURRENCY AND THE LEVEL OF ROUNDING

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

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

- assets and liabilities of each presented balance sheet are translated at the closing rate as at given balance-sheet date,
- the relevant items of the income statement are translated at the exchange rate being an arithmetic mean of the mid-rates as quoted by the National Bank of Poland (NBP) on the last day

of each reporting month. Foreign exchange gains/losses on the translation are disclosed within equity as foreign exchange gains/losses on consolidation.

2.3. GOING CONCERN ASSUMPTION

The financial statements have been prepared on the assumption that the PBG Group's Companies would continue as a going concern in the foreseeable future. As at the date of approval of these consolidated financial statements, no facts or circumstances are known that would indicate any threat to the Group's companies continuing as going concerns.

In order to allow a full insight into the financial position and profit or loss of the Group, the consolidated financial statements should be read in conjunction with the separate annual financial statements of PBG S.A. for the year ended December 31st 2009.

The separate financial statements will be available on the Parent Undertaking's website, at http://www.pbg-sa.pl/relacje-inwestorskie/informacje-ogolne/raporty-okresowe.html as from the dates given in the current report on dates of publication of the 2009 separate and consolidated financial statements.

2.4. 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 February 19th 2009, PBG S.A.'s Management Board hereby represent that to the best of our knowledge, these consolidated financial statements and the comparative information have been prepared in accordance with the accounting policies applied by the PBG Group, give a true, clear and fair view of the Group's assets, its profit or loss, and that the Directors' Report gives a true picture of the development, achievements and position of the Group, including its key risks and threats.

These consolidated 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 February 19th 2009 (Dz.U. No 33, item 259); these consolidated statements cover the period from January 1st to December 31st 2009 and the comparative period from January 1st to December 31st 2008.

PBG S.A.'s Management Board hereby represent 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 meet the auditor independence requirements to deliver an unbiased and independent auditor's opinion in compliance with the applicable laws.

Pursuant to the corporate governance rules as adopted by PBG S.A.'s Management Board, the auditor was appointed by virtue of Supervisory Board's resolution of July 21st 2009 on selection and appointment of the auditor. 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.

2.5. AMENDMENTS TO STANDARDS AND INTERPRETATIONS

2.5.1. EFFECTIVE AMENDMENTS TO STANDARDS AND INTERPRETATIONS APPLIED BY THE GROUP AS OF 2009

The following new or revised standards and interpretations effective at January 1st 2009 have an impact on the accounting policies applied in the preparation of these consolidated financial statements:

- IAS 1 (amendment) *Presentation of Financial Statements*;
- IAS 23 (amendment) *Borrowing Costs*;
- IAS 32 (amendment) *Financial Instruments: Presentation* and IAS 1 (amendment) *Presentation of Financial Statements* – amendments are related to the presentation of certain financial instruments which give the holder the right to put the instrument back to the issuer (“puttable instrument”);
- IAS 39 (amendment) *Financial Instruments: Recognition and Measurement* and IFRIC 9 (amendment) *Reassessment of Embedded Derivatives* – additional regulations issued in connection with the amendments to IAS 39 effective as of 2008 which provide for reclassification of assets measured at fair value through profit or loss (endorsed by the European Commission and effective as of January 1st 2009);
- IFRS 1 (amendment) *First-Time Adoption of International Financial Reporting Standards* and IAS 27 (amendment) *Consolidated and Separate Financial Statements* – introduction of an additional exemption for first-time adopters of IFRSs related to measurement of investments in subsidiaries and clarification of accounting principles to be applied in the case of group reorganisation by formation of a new parent;
- IFRS 2 (amendment) *Share-based Payment* – the amendment introduces a requirement of taking into account the terms of transactions which do not determine a grant of equity instruments;
- IFRS 7 (amendment) *Financial Instruments: Disclosures* – enhancement of disclosures concerning fair value and liquidity risk;
- IFRS 8 *Operating Segments*;
- Amendments to IFRSs under the *Annual improvements Project 2008*;
- IFRIC 13 *Customer Loyalty Programmes*;
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (endorsed by the European Commission and effective as of January 1st 2009).

For the list of standards and interpretations published by the IASB and effective as of 2009 but not endorsed by the European Union, see the Section on standards and interpretations which are not effective.

The revised IAS 1, revised IAS 23 and IFRS 8 have a material effect on the Group’s consolidated financial statements. The Group also implemented the amended IFRS 7, which enhances disclosures concerning financial instruments, and included the required disclosures in Sections 12.7 and 12.8. The application of the other amended standards and interpretations has no effect on the consolidated financial statements.

IAS 1 *Presentation of Financial Statements*

The Group applied the revised IAS 1 retrospectively. The standard had no effect on the Group's financial standing and its financial result, however, it introduced new presentation and disclosure principles. The principles of measurement and recognition of assets, liabilities, income and expenses did not change, except with respect to the items which the Group previously recognised directly in equity and are now disclosed in the statement of comprehensive income, e.g. remeasurement of property, plant and equipment or gains or losses on cash-flow hedges.

The implementation of IAS 1 resulted in the following changes in presentation of the main elements of the consolidated financial statements:

- The Group prepares a new element of the consolidated financial statements – the consolidated statement of comprehensive income. The Group presents a separate consolidated income statement directly above the consolidated statement of comprehensive income.

- The Group changed the order of items of the consolidated statement of changes in equity – the changes in equity resulting from transactions with owners of the Parent are disclosed as first and are followed by the items showing effect on equity of comprehensive income disclosed in the consolidated statement of comprehensive income.

- In connection with the retrospective implementation of changes in accounting policies and correction of errors, the Group presents its balance sheet prepared also as at the beginning of the comparative period.

- The Group decided to also use the changed names of individual elements of the consolidated financial statements.

IFRS 8 *Operating Segments*

IFRS 8 replaced IAS 14 *Segment Reporting* and was applied retrospectively. IFRS 8 requires the disclosure of information on operating segments based on an internal reporting system used in the process of management. The management approach determines the manner of segment identification and measurement of their performance. Therefore, the manner of measurement of operating segments' performance may be different than the one resulting from the accounting policies defined in IFRSs.

IAS 14 required segments to be identified based on risk and return on capital employed as well as their performance measured in accordance with the IFRS.

The implementation of IFRS 8 did not require any changes in the identification of segments. The segments presented in the previous annual consolidated financial statements are – according to the Group's analysis – consistent with operating segments.

IAS 23 *Borrowing Costs*

In accordance with the amended standard, it is no longer possible to use the standard approach of recognising borrowing costs in the income statement which are now required to be recognised at acquisition or production cost of a qualifying asset. The Group capitalises borrowing costs that are directly related to the acquisition, construction or adjustment of an asset.

The revised IAS 23 *Borrowing Costs* has a limited impact on the accounting principles as the Group companies previously used an alternative approach, where the borrowing costs were recognised for property, plant and equipment. In accordance with the amended IAS 23, the Group reclassified a part of finance expenses from financing activities to operating activities in connection with the classification of the borrowing costs to expenses under construction contracts.

2.5.2. APPLICATION OF STANDARDS AND INTERPRETATIONS PRIOR TO THEIR EFFECTIVE DATE

The Group did not choose to apply early any new standards and interpretations which have already been issued and endorsed by the European Union but will be effective after the balance-sheet date.

2.5.3. ISSUED STANDARDS AND INTERPRETATIONS WHICH AS AT DECEMBER 31ST 2009 ARE NOT EFFECTIVE YET AND THEIR BEARING ON THE GROUP'S FINANCIAL STATEMENTS

The following standards and interpretations in the form published by the IASB effective as of 2009 or earlier had not been endorsed by the European Union before December 31st 2009:

- IFRIC 12 *Service Concession Arrangements* – endorsed by the European Commission and applicable to financial statements for periods beginning on or after March 31st 2009;
- IFRIC 15 *Agreements for the Construction of Real Estate*;
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*.

In the Group's opinion, the above regulations will not have any impact on its consolidated financial statements.

The following new or revised standards and interpretations, effective for annual periods beginning after 2009, were issued before December 31st 2009:

- IFRS 3 (amendment) *Business Combinations* and IAS 27 (amendment) *Consolidated and Separate Financial Statements* – effective for annual periods beginning on or after July 1st 2009. The revised IFRS 3 introduces a new approach to measurement of goodwill (entity approach) under which the goodwill relating to an acquisition is measured as at the date of obtaining control and with respect to the entire acquiree and not, as it was the case previously, in proportion to the interest held by the acquirer. The existing principles providing for multi-step settlement of obtaining control are no longer valid. Furthermore, the standards implement changes to the measurement of equity attributable to minority interests and recognition of transactions between the parent and minorities which do not result in a loss of control (equity transactions with no bearing on the income statement). In the Group's opinion, the implementation of the amended standards may have a material effect on the consolidated financial statements, however, as at the date of these consolidated financial statements, the effect cannot be reliably assessed.

- IAS 39 (amendment) *Financial Instruments: Recognition and Measurement* – effective for annual periods beginning on or after July 1st 2009. The amendments clarify what qualifies as a hedging instrument or hedged item and provide guidelines to the assessment of hedge effectiveness. According to preliminary estimates, the application of the amended standard will not have a material impact on the consolidated financial statements.
- IFRS 1 (amendment) *First-Time Adoption of International Financial Reporting Standards* – effective for annual periods beginning on or after July 1st 2009. The amendments consist in reorganisation of the standard's body. The amendments do not have an impact on the Group's consolidated financial statements.
- Amendments to IFRSs under the *Annual improvements Project 2009*, effective for annual periods beginning on or after July 1st 2009 or January 1st 2010. The application of the amendments will not have a material impact on the consolidated financial statements.
- IFRS 2 (amendment) *Share-based Payment* – effective for annual periods beginning on or after January 1st 2010. The amendments clarify the manner of recognition of share-based payment programmes covering several Group undertakings. The Group is currently assessing the impact of the amended IFRS 2 on its consolidated financial statements.
- IFRS 1 (amendment) *First-Time Adoption of International Financial Reporting Standards* – effective for annual periods beginning on or after January 1st 2010. The standard introduces additional exemptions concerning measurement of assets related to exploration and appraisal of mineral reserves and determination of the nature of lease agreements. The amendments do not have an impact on the Group's consolidated financial statements.
- IAS 32 (amendment) *Financial Instruments: Presentation* – effective for annual periods beginning on or after February 1st 2010. The standard changes the approach to classification of instruments settled in own equity instruments denominated in foreign currencies. The amendments will not have a material impact on the consolidated financial statements.
- IAS 24 (amendment) *Related Party Disclosures* – effective for annual periods beginning on or after January 1st 2011. The amended standard provides for exemptions from disclosures related to state-controlled entities and introduces a new definition of related parties. The Group is currently assessing the impact of the amended IAS 24 on its consolidated financial statements.
- IFRS 9 *Financial Instruments: Classification and measurement* – effective for annual periods beginning on or after January 1st 2013. The new standard will replace the existing IAS 39. The first part of IFRS 9, which has already been published, contains only the requirements concerning classification and measurement of financial assets. The Group is currently assessing the impact of IFRS 9 on its consolidated financial statements.
- IFRIC 14 (amendment) *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – effective for annual periods beginning on or after January 1st 2011. The amended interpretation modifies the principles of recognition of prepaid contributions. The amendment will not have a material impact on the consolidated financial statements.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* – effective for annual periods beginning on or after July 1st 2009. In accordance with the interpretation, non-cash dividend should be measured at fair value of the assets distributed, and any difference between such fair value and the carrying

amount should be recognised in profit or loss. The interpretation will not have a material impact on the consolidated financial statements.

- IFRIC 18 *Transfers of Assets from Customers* – effective for annual periods beginning on or after July 1st 2009. The interpretation is related to agreements under which a customer transfers an item of property, plant and equipment used to supply electricity, gas or water. According to preliminary estimates, the application of the interpretation will not have a material impact on the consolidated financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – effective for annual periods beginning on or after July 1st 2010. The interpretation introduces accounting requirements for cases where financial liabilities are not settled by payment but through the issue of entity's own equity instruments. According to preliminary estimates, the application of the interpretation will not have a material impact on the consolidated financial statements.

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

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

3. ACCOUNTING POLICIES

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

3.1. SUBSTANCE-OVER-FORM RULE

In accordance with the substance-over-form rule, the financial statements should present information which reflect the economic substance of events and transactions in addition to their legal form.

3.2. PRESENTATION OF FINANCIAL STATEMENTS

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

The items of the consolidated income statement are presented on the basis of their function, whereas the consolidated statement of comprehensive income is prepared using the indirect method.

Where the Group implements changes in accounting policies or corrects errors retrospectively, it presents its balance sheet prepared also as at the beginning of the comparative period.

3.3. OPERATING SEGMENTS

In distinguishing operating segments, the Management Board of the Parent Undertaking is guided by the product lines and services within particular industries, representing the main services and goods

provided by the Group. Each of the segments is managed separately within each product line, given the specific character of the Group's services and products, requiring different technologies, resources and execution approaches.
The first-time application of IFRS 8 did not require the Group to distinguish any other segments than those presented in its last annual consolidated financial statements (see Section 2.5.1 on changes to standards and interpretations).

In compliance with IFRS 8, results of the operating segments are based on the internal reports regularly reviewed by the Parent Undertaking's Management Board (the Group's chief operating decision maker). The Parent Undertaking's Management Board analyses the operating segments' results at the operating profit (loss) level. Measurement of the operating segments' results used in the management calculations is consistent with the accounting policies followed in the preparation of the consolidated financial statements.
The PBG Group presents sales revenue, costs and result (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 and revenue/income and costs of other operating activity and financial activity.

3.4. CONSOLIDATION

The consolidated financial statements include financial statements of PBG S.A. (the Parent Undertaking) and financial statements of the subsidiary undertakings controlled by the Parent, in each case prepared as at December 31st 2009. Control is understood as the power to govern the financial and operating policies of a subordinated entity so as to obtain economic benefits from its activities.

The financial statements of the Parent Undertaking and of the subsidiary undertakings covered by these consolidated financial statements are prepared for the same date, i.e. December 31st. When necessary, the financial statements of subsidiary undertakings are adjusted in order to align their accounting policies with the policies adopted by the Group.
Subsidiaries are consolidated using the full consolidation method.
The full method used to consolidate the financial statements of the Parent and the subsidiaries consists in aggregating the full values of the individual items of assets, liabilities, equity, revenue and costs. In order to present the Group in such a way as if it was a single business entity, the following eliminations are made:

- on acquisition of control, the carrying value of an investment in a subsidiary is eliminated to the extent it corresponds to the Parent Undertaking's share in the subsidiary's equity, and goodwill or gain are recognised in accordance with IFRS 3,
- minority interests are identified and presented separately,
- intra-group balances and transactions (revenue, costs, dividends) are eliminated in full,,
- income and expenses arising from intra-group transactions, which is (are) included in the carrying values of assets such as inventory or property, plant and equipment, are eliminated. Losses on intra-group transactions are analysed to look for evidence of impairment of assets from the Group's perspective,

- deferred tax arising due to temporary differences which emerge following the elimination of the gains and losses on intra-group transactions is recognised (as prescribed by IAS 12).

Minority interests are disclosed as a separate item under equity and correspond to such part of the subsidiaries' net assets which is attributable to entities other than the Group members.

Any excess of losses attributable to minority interests over the minority interests' value is charged to the Parent Undertaking. If a subsidiary in question subsequently reports profits, all such profits are attributed to the Parent Undertaking until the minority's share of losses previously absorbed by the Parent Undertaking has been recovered.

Transactions with minorities which do not result in a loss of control by the Parent Undertaking are treated by the Group as equity transactions.

Any sale of shares to minority interests does not affect the income statement. Any difference between the selling price and the carrying value of the subsidiary's net assets attributable to the interests sold to the minority is recognised directly in equity under retained earnings.

Acquisition of shares from minorities does not create any goodwill. Any difference between the cost and the carrying value of the net assets purchased from the minority is recognised directly in equity under retained earnings.

3.5. BUSINESS COMBINATIONS

Business combinations which fall within the scope of IFRS 3 are accounted for using the acquisition method.

On acquisition of control, assets and liabilities of the acquiree are measured at their fair value and in compliance with IFRS 3 assets and liabilities, including contingent liabilities, are identified, irrespective of whether they were disclosed in the financial statements prior to the acquisition.

Any excess of the cost (cost of business combination) over the fair value of the acquired identifiable net assets of the acquiree is recognised under assets of the consolidated balance sheet as goodwill. The goodwill corresponds to the payment made by the acquirer in expectation of future economic benefits derivable from assets which cannot be individually identified or disclosed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

If the cost (cost of business combination) is lower than the fair value of the acquired identifiable net assets of the acquiree, the difference is recognised immediately in the income statement. Gains from bargain purchases are disclosed under other operating income.

In the case of business combinations involving jointly controlled entities, the Group does not apply the provisions of IFRS 3, but instead accounts for such transactions using the pooling of interests method, as follows:

- the acquiree's assets and liabilities are recognised at their carrying value. Carrying value is deemed to be equal to the value initially determined by the controlling entity rather than the value determinable based on the separate financial statements of the acquiree.

- intangible assets and contingent liabilities are recognised in line with the policies followed by the entity prior to the business combination, in compliance with the applicable IFRSs,
- no goodwill is created - any difference between the cost of the business combination and the acquired interest in the net assets of the controlled entity is recognised directly in equity under reserve funds,
- minority interests are measured in proportion to the carrying value of the net assets of the controlled entity,
- comparative data is restated in such a way as if the combination had taken place at the beginning of the comparative period. If the date on which the entity became a subordinated entity falls later than the beginning of the comparative period, the comparative data is presented from the moment when the entity first became a subordinated entity.

3.6. INVESTMENTS IN ASSOCIATES

Associates are those entities in which the Parent Undertaking has significant influence, but not control, over the financial and operating policies.

Investments in associates are initially recognised at cost, and then accounted for using the equity method. Goodwill is determined as at the date that significant influence commences, in compliance with the principles stemming from IFRS 3, described above in the business combinations section. The goodwill is included in the carrying value of the investments in associates.
The carrying value of investments in associates is increased or decreased by:

- the Parent Undertaking's share of the associate's profits or losses,
- the Parent Undertaking's share of the associate's other comprehensive income, deriving e.g. from revaluation of property, plant and equipment and foreign currency differences arising on translation of foreign operations. Such amounts are recognised in correspondence with the relevant item of consolidated statement of comprehensive income,
- any gains and losses on transactions between the Group and the associate, which are subject to elimination on consolidation in the part which corresponds to the interest held in the associate,
- any received distributions from the profit generated by the associate, which reduce the carrying amount of the investment.

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

3.7. FOREIGN CURRENCY TRANSACTIONS

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

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 reporting 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 arising 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 adopted accounting policy are capitalised in the value of assets (see section related to borrowing costs).

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

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

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

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

3.8. 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 asset. Borrowing costs include interest and foreign exchange gains or losses where they are regarded as an adjustment to Interest expense.

3.9. GOODWILL

Goodwill is recognised as the excess of cost (cost of business combination) over the fair value of identifiable net assets of the acquiree (see section devoted to business combinations). Goodwill is not amortised, but instead it is annually tested for impairment as prescribed by IAS 36 (see section devoted to impairment of non-financial non-current assets).

All amounts in PLN '000 (unless otherwise stated)

3.10. GROUP"S DETAILED POLICIES RELATING TO MEASUREMENT OF ASSETS AND LIABILITIES

3.10.1. 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 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.

The expected useful lives of the particular groups of intangible items are as follows:

Group	Amortisation rate
Trademarks	20-50 %
Patents and licences	20-50 %
Computer software	20-50 %
Other intangible items	20-50 %

Intangible assets with indefinite lives are not amortised, but instead they are annually tested for impairment. The Group does not carry any intangible assets with indefinite lives.

Software maintenance costs incurred in subsequent periods are charged to expense of the period as incurred.

Research costs are charged to the income statement as incurred.

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

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

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

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

Gains or losses on disposal of intangible assets are calculated as the difference between the generated sales proceeds and the net value of the given intangible assets and are recognised in the income statement as other operating income or other operating expenses.

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

Any prepayments made in connection with a planned purchase of intangible assets are presented in the financial statements of the Company in the balance-sheet item "intangible assets".

3.10.2. 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 value can be measured reliably.

Property, plant and equipment is initially recognised at cost. Such cost is increased by any expenses directly associated with 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 service. If expenditure on tangible assets under construction is permanently stopped, 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 Company's Management Board.

Depreciation is charged based on the straight-line method over the estimated useful life of a given assets. For the particular groups of items of property, plant and equipment, the useful lives are as follows:

Group	Depreciation rate
Land (perpetual usufruct rights)	not depreciated
Buildings and structures	1.5% - 2.5%
Plant and equipment	5% - 46%
Vehicles	10% - 46%
Other tangible assets	10% - 40%

Depreciation is first charged in the month in which a tangible asset becomes available for service. Useful lives and depreciation methods are reviewed once a year, leading to an adjustment of the depreciation charges in the subsequent years whenever necessary.

Tangible assets may be divided into components of material value to which separate useful lives can be attributed. Costs of general overhauls and material spare parts and fittings can also be considered such components, provided that they will be used for a period longer than one year. Day-to-day maintenance expenses incurred after the item has been placed in service, including costs of maintenance and repairs, are charged to the income statement as incurred.

An item of property, plant and equipment may be derecognised on disposal or when no future economic benefits are expected from its further use. Any gains or losses generated on the sale, liquidation or withdrawal from use are calculated as the difference between the sale proceeds and the net value of the given tangible item, and are recognised in the income statement as other operating income or other operating expenses.

Any prepayments made in connection with a planned purchase of property, plant and equipment are presented in the financial statements of the PBG Group companies in the balance-sheet item "property, plant and equipment".

In accordance with the policies adopted by the Group, any *land perpetual usufruct rights* acquired on the basis of administrative decisions are recognised on the balance sheet 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 balance sheet, under retained earnings.

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

Land perpetual usufruct rights are not amortised.

Any prepayments made in connection with a planned purchase of property, plant and equipment are presented in the financial statements of the Company in the balance-sheet item "property, plant and equipment".

3.10.3. LEASES

3.10.3.1. THE GROUP AS A LESSEE

Finance leases, which transfer to the Group substantially all the risks and rewards incident to ownership of the leased asset, are recognised in the balance sheet 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 tangible assets held under finance leases is consistent with that for assets owned by the Group. However, if there is no reasonable certainty that the Group will obtain ownership before the end of the lease, the asset is depreciated over the shorter of the 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 the income statement over the lease term on a straight-line basis.

3.10.3.2. THE GROUP AS A LESSOR

Assets leased to other parties under finance lease agreements are presented in the Group's balance sheet as receivables at amounts equal to the net investment in the lease. Net investment is equal to the aggregate of the sum of the minimum lease receipts due to the lessor under the finance lease agreement and any unguaranteed residual value attributable to the lessor, discounted using the interest rate implicit in the lease. Finance income arising in connection with finance leases is recognised based on a pattern reflecting a constant periodic rate of return on the net investment. The Group member companies who are manufacturers or dealers include selling profit or loss related to finance leases in a given period in the same way as they would for an outright sale. Costs incurred in negotiating leases and securing leasing arrangements are recognised as expenses when the selling profit is recognised. Lease receivables are disclosed under „other receivables".

3.10.4. 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 acquisition period),
- intangible assets with infinite lives,
- intangible assets which have not yet been placed in service.

Other intangible assets and items of property, plant and equipment are reviewed on an annual basis to look for any indication that they may be impaired.

Key external indicators of impairment include a situation where 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 where the carrying amount of the net assets of the reporting entity is more than its market capitalisation. Furthermore, some of most important indicators of impairment include a situation where significant adverse changes have taken place in the technological, market or economic environment in which the Group companies operate.

Internal indicators of impairment which should be considered in assessing whether there is any indication that an asset may be impaired include first of all a situation where the actual net cash flows flowing from the asset are significantly worse than those budgeted or where an asset has become obsolete or has been physically damaged.

If it is found that certain developments or circumstances may indicate that the carrying value of a given asset may not be recoverable, the asset is tested for impairment.

To test for impairment, assets are grouped at the lowest level at which they generate cash flows independently of other assets or asset groups (cash-generating units). Asset items which independently generate cash-flows 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 at least an operating segment.

If the carrying amount of assets or cash-generating units to which such assets belong exceeds their recoverable amount, then the carrying amount is reduced to the level of the recoverable amount. Recoverable amount is equal to 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 allocated in the following order: first, the carrying amount of goodwill is reduced, and then the carrying amounts of the other assets of the cash-generating unit are reduced pro rata.

Impairment losses are recognised in the income statement under other operating expenses.

Impairment losses on goodwill cannot be reversed in subsequent periods. As far as other assets are concerned, as at subsequent balance-sheet dates they are analysed for any indication that the impairment loss could be reversed. Reversed impairment losses are recognised in the income statement as other operating income.

3.10.5. INVESTMENT PROPERTY

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

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

Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which the changes emerged, under other operating income or expenses.

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

Any prepayments made in connection with a planned purchase of investment property or land are presented in the financial statements of the Company in the balance-sheet item “property, plant and equipment”.

3.10.6. NON-REGENERATIVE NATURAL RESOURCES

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

Any costs incurred after non-regenerative natural resources have been placed in service are recognised in the income statement as incurred.

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

Depreciation is charged using the activity depreciation method.

If on preparation of financial statements circumstances exist which indicate 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 income statement under other operating 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 generated on the sale/liquidation or withdrawal of non-regenerative natural resources from use are calculated as the difference between the sale proceeds and the net value of the resources, and are recognised in the income statement.

3.10.7. 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 balance sheet when the Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and liabilities is recognised using trade date accounting.

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

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

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

3.10.7.1. FINANCIAL ASSETS

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

- loans and receivables,
- financial assets at fair value through profit or loss,

- held-to-maturity investments, and
- available-for-sale financial assets.

These categories are used to determine how a particular financial asset is measured at the balance-sheet date and how any gains or losses on its revaluation are recognised in the income statement or in other comprehensive income. Gains or losses recognised in the income statement are presented as finance income or expenses, except for impairment losses on trade receivables, which are presented as other operating expenses.

Except for the financial assets at fair value through profit or loss, all the financial assets are reviewed as at each balance-sheet date to look for any indication that they may be impaired. Impairment losses are recognised if there is objective evidence that a financial asset is impaired. Indications of impairment are analysed separately for each category of financial assets, as discussed below.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost, using the effective interest method. Current receivables are measured at amounts expected to be received, as the effect of their discounting would be negligible.
Financial assets classified as loans and receivables are shown on the balance sheet as:

- non-current assets, under "non-current receivables" or "other non-current financial assets",
- current assets, under "other current financial assets" or "trade and other receivables".

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 who are in arrears with their payments 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, indications of impairment are analysed for the particular groups of assets identified from the point of view of credit risk (e.g. credit risk specific to the sector, region or structure of customer base). The ratio of impairment losses recognised in respect of any particular group is based on the recently observable trends as to debtors' payment difficulties.

Financial assets 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.
This category includes all derivatives disclosed in the balance sheet in a separate item called "other financial assets", other than hedging derivatives, which are measured in accordance with the requirements of hedge accounting.
Instruments in this category are measured at fair value, and any effects of revaluation are recognised in the income statement. Gains and losses on revaluation of financial assets are defined as the change in fair

value as determined on the basis of prices prevailing on an active market as at the balance-sheet date or – if there is no active market – with the use of valuation techniques.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity intends and is able to hold to maturity, other than the assets which are classified as loans and receivables.
In this category the Group classifies *bonds/notes and other debt securities held to maturity* shown in the balance sheet 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 value of an investment, including impairment losses, are recognised in the income statement.

Available-for-sale financial assets are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified into any of the categories discussed above.
The Group classifies in this category quoted bonds or notes that are not held to maturity and shares in companies other than its subsidiaries or associates. In the balance sheet, these assets are presented under "other financial assets".
Shares of non-listed companies are measured at cost less impairment losses, due to the fact that it is not possible to reasonably determine their fair value. Impairment losses are recognised in the income statement.
All other available-for-sale financial assets are measured at fair value. Any gains and losses on such measurement are recognised as other comprehensive income and accumulated in equity as capital reserve from revaluation of available-for-sale financial assets, except for impairment losses and foreign exchange gains or losses on monetary items, which are recognised in the income statement. Any interest which would be recognised on measurement of these financial assets at amortised cost using the effective interest method, is also included in the income statement.
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 value of the instrument 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 is transferred from equity to the income statement and presented in other comprehensive income as reclassification due to transfer to profit or loss.

3.10.7.2. FINANCIAL LIABILITIES

Financial liabilities other than derivative hedging instruments are presented in the balance sheet under the following items:

- loans, borrowings and other debt instruments,
- finance leases,

- trade and other payables,
- financial derivatives.

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 non-hedging derivatives. Current trade payables are measured at amounts expected to be paid, as the effect of their discounting would be negligible.

Any gains or losses on measurement of financial liabilities are recognised in the income statement under finance income/expenses.

3.10.7.3. HEDGE ACCOUNTING

In accordance with the corporate risk management strategy adopted by the PBG Group, all the Group companies executing long-term construction contracts which are settled in foreign currencies have the duty to use hedge accounting in order to limit the impact of financial risk on operating results as far as possible. The Group's hedging strategy assumes hedging of individual contracts the future inflows from which will be received or denominated in a foreign currency. The strategy is based on the principle of matching hedging instruments to the planned transactions under the contract, but always taking into account the actual net exposure, given the budget exchange rate determined in accordance with the relevant definition, possible foreign-currency denominated 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 Group include forward contracts and interest rate swaps. The Group's strategy also permits purchase of currency options and interest rate options.

The Group applies defined accounting policies with respect to derivatives which serve as cash-flow hedges. To use hedge accounting, the Group must meet certain conditions specified in IAS 39, concerning documentation of the hedging policy, probability of occurrence of the hedged transaction and effectiveness of the hedge. In the period covered by these consolidated financial statements, the Group designated certain of its forward contracts as cash-flow hedges. The forward contracts were concluded by the Group as part of its foreign exchange risk management, in connection with legally binding sale and purchase transactions settled in foreign currencies.

All the hedging derivatives are measured at fair value. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity as capital reserve from revaluation of cash-flow hedges. The ineffective portion of the hedge is immediately recognised in the income statement.

At the moment when the hedged item affects the income statement, the accumulated gains and losses on measurement of hedging derivatives, previously recognised in other comprehensive income, are transferred from equity to the income statement. The reclassification is presented in "consolidated statement of comprehensive income" under "cash-flow hedges – amount transferred 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 on revaluation of hedging derivatives, previously recognised in other

comprehensive income, are transferred from equity and included in the initial value (the cost) of the hedged item. The reclassification is presented in "consolidated statement of comprehensive income" under "cash-flow hedges – amount included in the initial value of hedged items".
If it becomes probable that the planned future hedged transaction will not be executed, all gains and losses on measurement of cash-flow hedges are immediately transferred to the income statement.

3.10.8. INVENTORIES

Inventories include:
- materials,
- semi-finished products and work in progress,
- finished products,
- goods for resale,
- prepayments for materials or goods for resale 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 direct costs (mainly materials and labour) and an appropriate mark up of indirect production costs, calculated on the assumption of normal utilisation of the production capacity.
Decreases in inventories of finished products are accounted for using the weighted average of the actual production cost. Decreases in inventories of materials and goods for resale are measured using the FIFO ("first in, first out") method.
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.
In the case of property developers, all expenditures incurred to complete a project are capitalised in inventories, as work in progress.
Impairment losses on tangible current assets resulting from recognition of value impairment or valuation as at balance-sheet date are charged to other operating expenses. If the circumstances resulting in the impairment loss cease to exist, the value of tangible current assets is credited to other operating income.

Circumstances necessitating an impairment loss on inventories include in particular:
- a decline of inventories' value in use (damage, obsolescence),
- the level of inventories being in excess of what the Company needs or is able to sell,
- a long inventory cycle,
- a decline of inventories' market value due to lower prices offered by competitors.

As at each balance-sheet date, the Group member companies analyse the age structure of inventories by category, and determine the required impairment losses.

Any prepayments made in connection with a planned purchase of inventories are presented in the financial statements of the Company in the balance-sheet item "Inventories".

3.10.9. 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), which can be easily turned into cash and the risk that they fluctuate in value is negligible.

3.10.10. NON-CURRENT ASSETS AND GROUPS OF NET ASSETS HELD FOR SALE

Non-current assets (or disposal groups comprising non-current assets) are classified as held for sale if their carrying amount will be recovered mainly through sale, rather than continued use of the asset. That condition is deemed satisfied only if an asset (or a disposal group) is available for immediate sale in its present condition on typical and customarily applied terms, and its sale is highly probable within one year from the reclassification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Some of the Group’s non-current assets classified as held for sale (e.g. financial assets and deferred tax assets) receive the same accounting treatment as they did before the reclassification. Non-current assets classified as held for sale are not depreciated.

3.10.11. EQUITY

Share capital is valued at the par value of shares issued, as specified in the Parent Undertaking’s articles of association and the relevant entry in the National Court Register.

Any shares in the Parent Undertaking acquired and held by the Parent or by its consolidated subsidiaries reduce the amount of equity. Treasury shares are carried at acquisition cost.

Share premium account is the capital raised when the issue price of shares is in excess of their par value, after deducting the costs of the issue.

Other capital reserves include:

- capital reserve from valuation of share-based payment schemes, and
- capital reserve from accumulation of other comprehensive income, including:
  - fair value remeasurement of property, plant and equipment (see section on property, plant and equipment),
  - valuation of available-for-sale financial assets (see section on financial instruments),
  - valuation of cash-flow hedges (see section on hedge accounting),
  - foreign currency differences arising on translation of foreign operations (see section on foreign currency transactions),
  - share in comprehensive income of undertakings valued with the equity method (see section on investments in associates).

Retained earnings include earnings retained from previous periods (including the amounts allocated to equity by virtue of shareholders' resolutions) and the current year's earnings.

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

3.10.12. SHARE-BASED PAYMENTS

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

The value of compensation for the services rendered by the Group's management staff 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 which are not market related (i.e. meeting a pre-defined level of financial performance) are not taken into account when estimating the fair value.

The compensation cost and the corresponding increase in equity are recognised based on the best available estimates of the number of shares vested in a given period. The Group will revise such estimates if subsequent information indicates that the number of shares granted differs from previous estimates. Revisions to estimates of the number of shares granted are recognised in net profit (loss) of the current period – no adjustments are made in relation to prior periods.

After an incentive scheme comes to an end, the capital reserve from valuation of shares granted, less the issue costs, is transferred to the share premium account.

3.10.13. EMPLOYEE BENEFITS

Provisions for employee benefits and the related liabilities reported in the balance sheet include:

- provisions for holidays in arrears,
- other non-current employee benefits, under which the Group discloses length-of-service awards and retirement severance payments.

3.10.13.1. PROVISIONS FOR HOLIDAYS IN ARREARS

The Group recognises a provision for the cost of accumulating compensated absences, which will have to be incurred in connection with employee entitlements accrued as at the balance-sheet date.
The provision for holidays in arrears is calculated on the basis of the actual number of vacation days accrued in the current period, plus the number of vacation days accrued in prior periods. The provision for the cost of accumulating compensated absences is recognised in the balance sheet under short-term employee benefits after deducting all amounts already paid. The provision for accumulating compensated absences is classified as a current provision and is not discounted.

3.10.13.2. RETIREMENT SEVERANCE PAYMENTS AND LENGTH-OF-SERVICE AWARDS

In accordance with the remuneration systems in place at the Group, employees of the Group member companies are entitled to length-of-service awards and retirement severance payments. Length-of-service awards are paid out after a specific period of service, whereas retirement severance payments are one-off benefits, paid out when the employee retires. The amounts of retirement severance payments and length-of-service awards depend on the length of employment and average remuneration of a given employee.

The Group recognises a provision for future liabilities under retirement severance payments and length-of-service awards in order to allocate costs to the periods in which the benefits become vested.

Under IAS 19, length-of-service awards are classified as other long-term employee benefits, whereas retirement severance payments – as defined post-employment benefit plans.

The present value of the provisions as at each balance-sheet date is assessed by an independent actuary or using the projected unit credit method. The accrued provisions are equal to discounted future payments which relate to the period until the balance-sheet date. Information concerning demographics and employment turnover is sourced from historical data.

Actuarial gains and losses and past service costs are recognised immediately in the income statement.

3.10.14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

The circumstances with respect to which provisions are created include:

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

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

Provisions for warranties given are made to meet a future obligation 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 (based on the probability that a future obligation will arise) by analysing the costs of warranty repairs under ongoing construction contracts. Provisions for warranties given are charged to cost of sales under a long-term contract, based on the relation of direct expenditures already incurred to total estimated direct costs**.** The costs related to accrued provisions for warranties given do not increase the basis for determining the stage of a contract's completion. At the Group, provisions for warranties given are broken down into individual construction contracts. They are maintained to the extent 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 operating income. Depending on how long a provision is maintained, it is classified in the balance-sheet 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 to the income statement. 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.

If the Group expects the costs covered by a provision to be recoverable (e.g. under an insurance agreement), the recoverable amount is recognised as a separate item of assets, but only if it is reasonably certain that it will actually be recovered. However, the value of the asset must not exceed the value of the provision.
Any unused provisions are reversed on the day when they are no longer needed.

Provisions are used if the obligation for which they were created arises.

If the probability of an outflow of resources to settle a present obligation is remote, no contingent liability is recognised in the balance sheet, except for contingent liabilities identifiable in a business combination, as part of the allocation of acquisition costs under IFRS 3 (see section concerning business combinations).
For information on contingent liabilities, see the descriptive part of the consolidated financial statements in Section 33. The Group presents also information on lease payment liabilities arising under operating leases (Section 9).

Any inflows of economic benefits to the Group which do not yet meet the criteria to qualify as assets are classified as contingent assets, and as such are not placed on the balance sheet.

3.10.15. PREPAYMENTS AND ACCRUED INCOME

Under "Prepayments and accrued income" (presented on the assets side of the balance sheet) the Group discloses prepaid costs relating to future reporting periods, mainly lease payments and costs relating to obtaining construction contracts (if the probability of obtaining the contract is high).

The item "Accruals and deferred income" (presented in the balance sheet under equity and liabilities) includes deferred income, including financial support received to finance property, plant and equipment, accounted for under IAS 20 (*Government Grants*). Accrued expenses are recognised under non-current or current accruals and deferred income.

Grants are recognised only when it is reasonably certain that the Group will satisfy the conditions attached to a given grant and that the grant will actually be received.

A grant relating to a particular item of costs is recognised as income over the period necessary to match it with the related cost, for which it is intended to compensate.

A grant intended to finance an asset is recognised in the income statement on a systematic basis, as income over periods during which a given asset is depreciated. Instead of deducting the grant from the asset's carrying amount, the Group presents it in its consolidated balance sheet as deferred income, under "Accruals and deferred income".

3.10.16. SALES REVENUE

Sales revenue is measured at the fair value of the consideration received or receivable and represents the receivables for products, goods for resale and services provided in the ordinary course of business, less discounts, VAT and other sales-related taxes (i.e. excise duty). Sales revenue is recognised to the extent its is probable that the economic benefits associated with the transaction will flow to the Group and where its amount can be reliably estimated.

3.10.16.1. SALE OF GOODS FOR RESALE AND PRODUCTS

Revenue from sale of goods for resale and products is recognised when the following conditions are satisfied:

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

3.10.16.2. SALE OF SERVICES

Revenue under leases of property

Revenue under leases of investment property are recognised on the straight-line basis over the lease periods, as specified in the relevant agreements.

Revenue under construction contracts

The Group executes construction contracts charged at fixed prices, which fall within the scope of IAS 11. If the outcome of a construction contract can be estimated reliably, revenue should be recognised in proportion to the stage of completion of contract activity. The stage of a contract's completion, expressed as a percentage, is determined as the proportion that contract costs incurred for work performed by the balance-sheet date bear to the estimated total contract costs.

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

If it is probable that the total contract costs will exceed the total contract revenue, an expected loss on a construction contract should be immediately recognised as an expense.

If the Company executes construction contract and classifies it as "joint venture" under IAS 31, then it recognises in its income statements only that portion of revenue and costs which corresponds to its interests in the joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A written joint venture agreement should specify: the scope of activity, the term of the agreement, the entity responsible for managing the joint venture, the voting rights held by the respective partners, and the share of the output, revenue, costs and results attributable to each partner. The agreement must not provide for sole control over the joint venture by one of the partners. Each of the partners will also incur its own expenses and liabilities and raise funds to finance its own activity, giving rise to its own liabilities.

A joint venture arrangement usually regulates the manner of distribution of sales revenue generated on joint products and of all jointly incurred expenses between the partners.

Each of the partners incurs its own expenses and has a contractually defined share in sales revenue.

In respect of its interest in the jointly controlled operations, a partner must disclose in its financial statements:

a) the assets it controls and the liabilities it has incurred,

b) the incurred expenses and its share in the revenue from sales of the goods and services generated by the joint venture.

Gross amounts due from customers for contract work are shown as an asset in the balance sheet (under "Receivables under construction contracts").

Gross amounts due to customers for contract work are shown as a liability in the balance sheet (under "Trade and other payables").

In the case of prepayments in foreign currencies received in connection with a construction contract, the uninvoiced portion of the estimated revenue under construction contract as at the balance-sheet date is measured at the exchange rate effective as at the date of the prepayment. The value of revenue under construction contracts attributable to overinvoiced part (included in liabilities) as at the balance-sheet date is measured at the exchange rate effective as at the invoice date, applying the FIFO ("first in, first out") method.

Gains or losses on cash flow hedges adjust the value of revenue from sale of services.

3.10.16.3. INTEREST AND DIVIDENDS

Interest income is recognised as it accrues, using the effective interest rate method. Dividends are recognised as at the dividend record date.

3.10.17. COSTS

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

Cost of sales as at the balance-sheet date is adjusted to account for changes in the fair value of financial instruments designated as cash-flow hedges, if the transaction is no longer effective or if the hedged item is realised.

Costs are analysed by cost centres and by nature, but the basic cost accounting format of the income statement is the "costs by function" analysis.

The total cost of products, goods for resale and materials sold includes:

- cost of products sold,
- cost of services sold,
- cost of goods for resale and materials sold,
- administrative expenses.

In addition, the costs of a reporting period affecting the net profit/(loss) include **other operating expenses**, related directly to operating activities, including in particular:

- loss on disposal of property, plant and equipment and intangible assets,
- donations granted,
- provisions for disputes, fines and damages, and other costs related indirectly to operating activities,

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

- interest on overdraft facilities,
- interest on short and long-term loans, borrowings and other sources of financing, including discounting of liabilities,
- net foreign-exchange losses.

3.10.18. INCOME TAX (CURRENT AND DEFERRED)

Mandatory decreases of profit (increases of loss) include current and deferred income tax which was not recognised in other comprehensive income or directly in equity.

Current tax is calculated based on the taxable profit (tax base) for a given financial year. The profit (loss) established for tax purposes differs from pre-tax profit (loss) established for accounting purposes due to the carryforward or carryback of the income which is taxable and the expenses which are deductible, and the exclusion of expenses and income items which will never be subject to deduction/taxation. The tax charges are calculated based on the tax rates effective for a given financial year.

Deferred tax is calculated using the balance-sheet method as the tax to be paid or recovered in the future based on the differences between the carrying values of assets and liabilities and their values for tax purposes, used to determine the tax base.

A deferred tax liability is recognised for all taxable temporary differences, while a deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the identified deductible temporary differences can be utilised. No deferred tax liability or asset is recognised when a temporary difference relates to the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit. No deferred tax liability arises from goodwill which is not subject to amortisation under applicable tax regulations.

Deferred tax is calculated using the tax rates applicable at the time when the asset is realised or the liability is settled, based on tax laws that have been enacted by the balance-sheet date.

The amounts of deferred tax assets are reviewed at each balance-sheet 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.

Deferred tax is recognised in the income statement, except to the extent that it arises from items recognised directly in equity. If the tax relates to items that are credited or charged directly to equity, the tax is also charged or credited directly to equity.

3.10.19. MANAGEMENT'S SUBJECTIVE JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

3.10.19.1. USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

Every year, the Parent Undertaking's Management Board reviews the useful lives of non-current assets subject to depreciation. According to the Management Board's assessment as at December 31st 2009, the useful lives of assets adopted by the Group for depreciation purposes reflect the periods during which future economic benefits associated with the assets are expected to flow to the Group. However, actual periods during which the assets will generate future economic benefits may differ from the assumptions, due to such factors as technical obsolescence. For carrying values of non-current assets subject to depreciation, see Sections 7 and 8.

All amounts in PLN '000 (unless otherwise stated)

3.10.19.2. REVENUE ASSOCIATED WITH CONSTRUCTION CONTRACTS

Revenue and receivables associated with construction contracts disclosed in consolidated financial statements depend on the Management Board's estimates regarding the stage of completion of the contract activity and the profit margins expected to be achieved on individual contracts. The budgeted costs related to specific projects which are not yet incurred are monitored on an ongoing basis by the management staff supervising the progress of construction work, as a result of which the budgets of individual contracts are revised at least monthly. However, the costs not yet incurred and the profit margins on contract work involve a degree of uncertainty, especially in the case of highly complex projects, which take several years to complete. Below is presented the outcome of the construction contracts in progress at balance-sheet date, budgeted by the Management Board.

Item	for period Jan 1 – Dec 31 2009	for period Jan 1 – Dec 31 2008
Revenue under construction contracts	7,775,586	7,150,364
Change of contract revenue	319,080	158,941
Total contract revenue	8,094,666	7,309,305
Contract costs incurred until balance-sheet date	3,858,735	3,041,367
Costs to completed contract	3,109,868	3,298,208
Estimated total contract costs	6,968,603	6,339,575
Estimated total construction contract results, including:	**1,126,063**	**969,730**
Gains	**1,208,686**	**1,051,430**
losses (-)	(82,623)	(81,700)

Receivables under construction contracts disclosed in the consolidated financial statements total PLN 725,591 thousand (2008: PLN 783,930 thousand), and along with revenue under these contracts reflect the best Management Board's estimates of the results and the stage of completion of particular construction contracts.

3.10.19.3. PROVISIONS

The value of provisions for employee benefits, including retirement severance payments and length-of-service awards, is assessed using the projected unit credit method. Provisions for employee benefits disclosed in the consolidated financial statements total PLN 12,663 thousand (2008: PLN 12,065 thousand). The amount of provisions is affected by the assumptions concerning the discount rate and the salary increase index.

A one percentage point decrease in discount rate and a one percentage point increase in the salary increase index would raise the amount of provisions, defined as at December 31st 2009, by PLN 481 thousand.

3.10.19.4. DEFERRED TAX ASSETS

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

3.10.19.5. IMPAIRMENT OF NON-FINANCIAL ASSETS

In assessing value in use, the Management Board estimates future cash flows and the rate used to discount future cash flows to their present value (see section on impairment of non-financial assets). When determining the present value of future cash flows, assumptions need to be made regarding future financial performance. Such assumptions relate to future events and circumstances. Actual values may differ from the estimates, which may necessitate significant adjustments to the Group's assets in subsequent reporting periods.
In 2009, the Group did not disclose any goodwill impairment losses.

3.10.20. 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 assumed that the new accounting policy has always been applied. The corresponding adjustments are recognised as adjustments to equity – under retained earnings/deficit. To ensure data comparability, the relevant financial statements (comparative information) for prior periods must be adjusted accordingly, so that the new accounting policy is also reflected in financial statements for prior periods.

The items of financial statements valued on the basis of an accounting estimate are reviewed to take account of any subsequent alteration in the circumstances on which the estimate was based or any newly gained information or experience.

Corrections of material prior period errors are charged against equity – under retained earnings/deficit. When preparing financial statements, it must be assumed that the error was already corrected in the period in which it occurred. Accordingly, the amount of the correction relating to a prior reporting period should be included in the income statement for that period.

Below are presented corrections of material errors affecting the comparative data for prior periods, which have been included in the consolidated financial statements.

	Item		Impact on retained earnings/(deficit) as at Dec 31 2009
	(+)	(-)	

All amounts in PLN '000 (unless otherwise stated)

1. Valuation of subsidiary's Incentive Scheme effective from 2008	Other capitals	Retained earnings	2,038
2. Transfer to minority interests of part of increase in capital related to Incentive Scheme	Minority interests	Other capitals	759
3. Transfer to minority interests of part of costs related to Incentive Scheme	Retained earnings	Minority interests	759
4. Correction of erroneously calculated asset on loss – deferred tax	-	Retained earnings	921
	-	Deferred tax assets	-
5. Correction of erroneously calculated deferred tax asset	Retained earnings	-	-
	Deferred tax assets	-	290
6. Correct calculation of minority interests in subsidiary as at acquisition date is presented in Section 6 devoted to goodwill.	Goodwill	Minority interests	16,913
		Impact on retained earnings/(deficit)	**(1,910)**
		Impact on minority interests	**(16,913)**

BALANCE SHEET - ASSETS	**Dec 31 2008**		
	Prior to corrections	Corrections	After corrections
Non-current assets			
Goodwill	332,522	(16,913)	315,609
Intangible assets	14,820	-	14,820
Property, plant and equipment	403,749	(2,010)	401,739
Non-regenerative natural resources	11,999	-	11,999
Investment property	21,662	2,010	23,672
Investments in subsidiary undertakings	27,000	-	27,000
Investments in associated undertakings	-	-	-
Other non-current financial assets	35,655	963	36,618
Derivative financial instruments	12,916	-	12,916
Non-current receivables	20,593	-	20,593
Deferred tax assets	23,701	(631)	23,070
Non-current prepayments and accrued income	13,567	-	13,567
Non-current assets	**918,184**	**(16,581)**	**901,603**
Current assets			
Inventories	69,360	-	69,360
Receivables under construction contracts	783,930	-	783,930
Trade and other receivables	728,117	-	728,117
Current income tax receivable	978	-	978
Other current financial assets	50,487	-	50,487
Derivative financial instruments	1,280	-	1,280
Cash and cash equivalents	289,713	(963)	288,750
Current prepayments and accrued income	16,460	-	16,460
Assets classified as held for sale	-	-	-
Current assets	**1,940,325**	(963)	**1,939,362**
Total assets	**2,858,509**	**(17,544)**	**2,840,965**

BALANCE SHEET – EQUITY AND LIABILITIES	**Dec 31 2008**		
	Prior to corrections	Corrections	After corrections
Equity			
Equity attributable to owners of the Parent:	**928,135**	**(631)**	**927,504**
Share capital	13,430	-	13,430
Treasury shares (-)	-	-	-
Share premium account	551,178	-	551,178

All amounts in PLN '000 (unless otherwise stated)

Valuation of hedging transactions	(101,444)	-	(101,444)
Other capitals	274,778	1,279	276,057
Retained earnings:	190,193	(1,910)	188,283
- retained earnings/(deficit)	31,952	-	31,952
- net profit/(loss) attributable to owners of the Parent	158,241	(1,910)	156,331
Minority interests	**185,483**	**(16,913)**	**168,570**
Equity	**1 113,618**	**(17,544)**	**1 096,074**
Liabilities			
Non-current liabilities			
Loans and borrowings	112,850	-	112,850
Other financial liabilities	210,386	-	210,386
Derivative financial instruments	46,610	-	46,610
Other liabilities	17,115	-	17,115
Deferred tax liabilities	-	-	-
Liabilities and provisions under employee benefits	5,229	-	5,229
Other non-current provisions	9,606	-	9,606
Non-current accruals and deferred income	8,226	-	8,226
Non-current liabilities	**410,022**	-	**410,022**
Current liabilities			
Loans and borrowings	475,147	-	475,147
Other financial liabilities	8,045	-	8,045
Derivative financial instruments	188,279	-	188,279
Trade and other payables	538,611	-	538,611
Liabilities under construction contracts	14,989	-	14,989
Current income tax payable	21,219	-	21,219
Liabilities and provisions under employee benefits	881	5,955	6,836
Other current provisions	78,926	-	78,926
Current accruals and deferred income	8,772	(5,955)	2,817
Liabilities under assets held for sale	-	-	-
Current liabilities	**1,334,869**	-	**1,334,869**
Total liabilities	**1,744,891**	-	**1,744,891**
Total equity and liabilities	**2,858,509**	**(17,544)**	**2,840,965**

INCOME STATEMENT	**Jan 1 – Dec 31 2008**		
	Prior to corrections	Corrections	After corrections
Continuing operations			
Sales revenue	**2,091,425**	**-**	**2,091,425**
Revenue from sales of products	21,741	-	21,741
Revenue from sales of services	2 012,270	-	2 012,270
Revenue from sales of goods for resale and materials	57,414	-	57,414
Cost of sales	**(1,749,532)**	**-**	**(1,749,532)**
Cost of products sold	(20,790)	-	(20,790)
Cost of services sold	(1,675,364)	7,273	(1,682,637)
Cost of goods for resale and materials sold	(53,378)	-	(53,378)
Gross profit/(loss)	**341,893**	**-**	**334,620**
Selling costs	-	-	-
General and administrative expenses	(107,997)	(2,038)	(110,035)
Other operating income	18,629	-	18,629
Other operating expenses	(26,914))	(7,273)	(19,641)

All amounts in PLN '000 (unless otherwise stated)

Profit/(loss) on disposal of subsidiary undertakings (+/-)	2,268	-	2,268
Operating profit/(loss)	**227,879**	**(2,038)**	**225,841**
Finance income	50,176	-	50,176
Finance expenses	(62,140)	-	(62,140)
Share in profit/(loss) of undertakings valued with equity method (+/-)	-	-	-
Pre-tax profit/(loss)	**215,915**	**(2,038)**	**213,877**
Income tax	(25,992)	(631)	(26,623)
Net profit/(loss) from continuing operations	**189,923**	**(2,669)**	**187,254**
Discontinued operations			
Net profit/(loss) from discontinued operations		-	-
Net profit/(loss)	**189,923**	**(2,669)**	**187,254**
Net profit/(loss) attributable to:	-	**-**	-
- owners of the Parent	158,241	**(1,910)**	156,331
- minority interests	31,682	**(759)**	30,923

The rules of presentation were changed as follows:

- Provisions for holidays in arrears are presented as provisions for employee benefits. In prior periods the Group disclosed provisions for holidays in arrears under current accruals and deferred income. The provisions for holidays in arrears amount to PLN 5,955 thousand as at December 31st 2008, and PLN 6,137 thousand as at December 31st 2007
- Leased properties were transferred in opening balance from property, plant and equipment to investment properties. The amount as at December 31st 2008 is PLN 2,010 thousand
- Cash provided as security for loan repayment guarantee is presented under other non-current financial assets. In prior periods the Group disclosed it under cash and other equivalents. The value of cash provided as security for loan repayment guarantee amounts to PLN 963 thousand as at December 31st 2008 and PLN 963 thousand as at December 31st 2007.
- Provisions for losses on construction contracts are presented under cost of services sold. In prior periods the Group disclosed losses on construction contracts under other operating expenses. The provisions as at December 31st 2008 amount to PLN 7,243 thousand.

3.10.21. NO NETTING (SEPARATE VALUATION PRINCIPLE)

In accordance with this principle, assets and liabilities cannot be netted (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

- profit, loss and the associated costs arising under the same or similar transactions or events are immaterial.

The Group presents the results of the following transactions through netting:

- gains and losses on the disposal of non-current assets, including investments and operating assets, are recognised at the difference between the proceeds from the disposal and the carrying value of the asset and related selling costs,
- expenditure related to a provision, reimbursed under a contractual arrangement with a third party (e.g. a supplier's warranty agreement) is netted against the related reimbursement,
- deferred tax assets and liabilities are recognised as a net asset or liability,
- prepayments received for the performance of work under construction contracts are netted against revenue due under such contracts, provided the contractual provisions allow such netting,
- 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 arising on financial instruments held for trading and hedging instruments, charged against net profit/(loss), gains or losses from discounting long-term payables/receivables , etc.,
- receivables and liabilities under output/input VAT relating to future periods.

3.10.22. STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the indirect method.

3.10.23. EARNINGS PER SHARE (EPS)

EPS is calculated by dividing net profit for a given period attributable to ordinary equity holders of the parent undertaking (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.
Diluted EPS for each period is calculated by dividing net profit for a given period, adjusted for the effects of all dilutive potential ordinary shares, attributable to ordinary shares, by the adjusted weighted average number of ordinary shares.

3.10.24. CAPITAL MANAGEMENT

The objective behind the Group's capital management is to maintain the ability to continue as a going concern, taking into account any investment plans, while generating shareholder returns and incremental benefits for the other investors.
In line with the prevalent market practice, the effective use of capital is monitored against the following key measures:

- the equity ratio (capitalisation), calculated as the ratio of equity to balance-sheet total, not lower than 0.3,
- the debt/EBITDA ratio, calculated as the ratio of interest-bearing debt less cash to EBITDA (EBITDA for the last 12 months, calculated as net earnings before deduction of taxes, interest (related to finance expenses) and amortisation/depreciation), not exceeding 3.5.

4. OPERATING SEGMENTS

In distinguishing operating segments, the Management Board of the Parent Undertaking is guided by the product lines, representing the main services and goods provided by the Group. Each of the segments is managed separately within each product line, given the specific character of the Group's services and products, requiring different technologies, resources and execution approaches. The first-time application of IFRS 8 did not require the Group to distinguish any other segments than those presented in its last annual consolidated financial statements.

The PBG Group has selected the operating segment as its basic reporting pattern. The Group distinguishes the following five main segments:

- **natural gas and crude oil,**
- **water,**
- **fuels,**
- **residential and industrial construction,**
- **road construction.**

The following areas are identified within individual segments:

- **In the natural gas and crude oil segment:**

- surface installations for production of crude oil and natural gas;

- installations and facilities for liquefying and storage of natural gas and LNG regasification;

- separation and storage stations for LPG and C5+;

- storage and evaporation stations for LNG;

- underground gas storage facilities;

- desulphurisation units;

- surface installations of underground gas storage facilities;

- crude oil tanks;

- transmission systems for natural gas and crude oil, including:

  - o pressure-reduction and measurement stations, measurement and settlement stations, mixing plants and distribution nodes,
  - o compressor stations , etc.

- **In the water segment:**

- technological and sanitary installations for water and sewage systems, including:

  - o water pipes,
  - o sewage systems,
  - o water mains and trunk sewers,
  - o water intakes,

- wastewater treatment plants;

- hydraulic engineering structures, including:

  - water dams,
  - storage reservoirs,
  - levees;

- modernisation of water and sewage systems.

- **In the fuels segment:**

- fuel storage facilities.

- **In the residential and industrial construction segment:**

- general construction;

- industrial infrastructure;

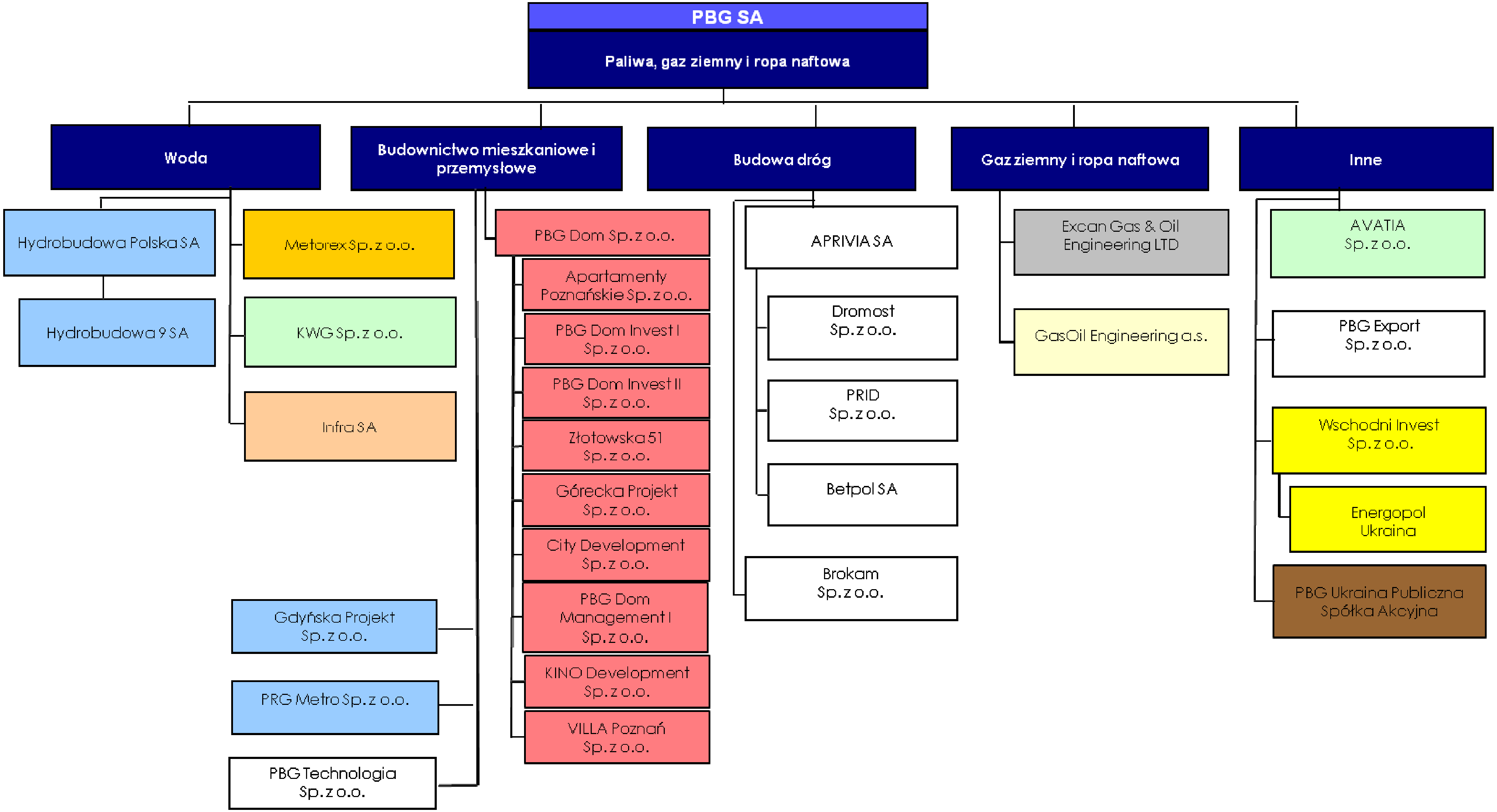
- construction of stadiums;

- construction of waste incineration plants.

- **In the segment of road construction:**

- road construction.

The PBG Group also distinguishes an additional segment called "Other", under which it recognises, *inter alia*, revenue on sales of goods for resale and materials, as well as other services which are not allocated to any of the five main segments.



PBG SA
Paliwa, gaz ziemny i ropa naftowa
Woda
Budownictwo mieszkaniowe i przemysłowe
Budowa dróg
Gaz ziemny i ropa naftowa
Inne
Hydrobudowa Polska SA
Hydrobudowa 9 SA
Metorex Sp. z o.o.
KWG Sp. z o.o.
Infra SA
Gdyńska Projekt Sp. z o.o.
PRG Metro Sp. z o.o.
PBG Technologia Sp. z o.o.
PBG Dom Sp. z o.o.
Apartamenty Poznańskie Sp. z o.o.
PBG Dom Invest I Sp. z o.o.
PBG Dom Invest II Sp. z o.o.
Złotowska 51 Sp. z o.o.
Górecka Projekt Sp. z o.o.
City Development Sp. z o.o.
PBG Dom Management I Sp. z o.o.
KINO Development Sp. z o.o.
VILLA Poznań Sp. z o.o.
APRIVIA SA
Dromost Sp. z o.o.
PRID Sp. z o.o.
Betpol SA
Brokam Sp. z o.o.
Excan Gas & Oil Engineering LTD
GasOil Engineering a.s.
AVATIA Sp. z o.o.
PBG Export Sp. z o.o.
Wschodni Invest Sp. z o.o.
Energopol Ukraina
PBG Ukraina Publiczna Spółka Akcyjna

Meaning of colours in the chart

Hydrobudowa Polska Group

PBG Dom Group

Aprivia Group

Wschodni Invest Group

The other colours used in the chart mark the other PBG Group companies, direct subsidiaries of PBG S.A., the Parent Undertaking

Legend to the chart

Paliwa, gaz ziemny i ropa naftowa	Fuels, natural gas and crude oil
Woda	Water
Budownictwo mieszkaniowe i przemysłowe	Residential and industrial construction
Budowa dróg	Road construction
Gaz ziemny i ropa naftowa	Natural gas and crude oil
Inne	Other

The PBG Group presents sales revenue, costs and result (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 and revenue/income and costs of other operating activity and financial activity.

The table below sets forth data concerning individual operating segments.

All amounts in PLN '000 (unless otherwise stated)

OPERATING SEGMENTS – DATA FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2009

Item	Segment					Other	Consolidated value
	Natural gas and crude oil	Water	Fuels	Industrial and residential construction	Road construction		
Financial highlights of operating segments for the period January 1st – December 31st 2009							
Total revenue	**399,840**	**996,045**	**83,288**	**881,202**	**187,022**	**30,583**	**2,577,980**
Extra-Group sales	399,840	996,045	83,288	881,202	187,022	30,583	2,577,980
Inter-segmental sales	-	-	-	-	-	-	-
Total costs and expenses	**(315,492)**	**(874,986)**	**(75,622)**	**(744,376)**	**(157,297)**	**(18,084)**	**(2,185,857)**
Segment result	**84,348**	**121,059**	**7,666**	**136,826**	**29,725**	**12,499**	**392,123**
Unattributed cost	x	x	x	x	x	x	(109,764)
Other operating income/expenses	x	x	x	x	x	x	4,137
Operating profit	x	x	x	x	x	x	**286,496**
Finance income	x	x	x	x	x	x	30,717
Finance expenses	x	x	x	x	x	x	(58,850)
Share in profit of undertakings consolidated with equity method	x	x	x	x	x	x	-
Profit/loss on investments	x	x	x	x	x	x	4,265
Pre-tax profit	x	x	x	x	x	x	**262,628**
Corporate income tax	x	x	x	x	x	x	(40,588)
Net profit	x	x	x	x	x	x	**222,040**

All amounts in PLN '000 (unless otherwise stated)

OPERATING SEGMENTS – DATA FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2008

Item	Segment					Other	Consolidated value
	Natural gas and crude oil	Water	Fuels	Industrial and residential construction	Road construction		
Financial highlights of operating segments for the period January 1st – December 31st 2008							
Total revenue	**258,070**	**1,115,740**	**180,089**	**199,227**	**141,191**	**197,108**	**2,091,425**
Extra-Group sales	258,070	1,115,740	180,089	199,227	141,191	197,108	2,091,425
Inter-segmental sales	-	-	-	-	-	-	-
Total costs and expenses	**(205,035)**	**(995,614)**	**(150,997)**	**(153,654)**	**(112,012)**	**(139,493)**	**(1,756,805)**
Segment result	**53,035**	**120,126**	**29,092**	**45,573**	**29,179**	**57,615**	**334,620**
Unattributed cost	x	x	x	x	x	x	(110,035)
Other operating income/expenses	x	x	x	x	x	x	(1,012)
Operating profit	x	x	x	x	x	x	**223,573**
Finance income	x	x	x	x	x	x	50,176
Finance expenses	x	x	x	x	x	x	(62,140)
Share in profit of undertakings consolidated with equity method	x	x	x	x	x	x	-
Profit/loss on investments	x	x	x	x	x	x	2,268
Pre-tax profit	x	x	x	x	x	x	**213,877**
Corporate income tax	x	x	x	x	x	x	(26,623)
Net profit	x	x	x	x	x	x	**187,254**

5. ACQUISITIONS AND DISPOSALS OF SUBSIDIARY UNDERTAKINGS

5.1. ACQUISITIONS

Mergers performed by the Group in 2009 leading to the Group taking control over business undertakings are presented in general information included in these consolidated financial statements.

Goodwill amounts determined in 2009 are presented with respect to acquisitions settled with the purchase method. The Group recognises income from chance acquisitions under "Other operating income" in the consolidated profit and loss account. In the column "Statutory reserve funds", effects of settlements of business combinations concerning jointly controlled undertakings are presented. In line with the accounting principles presented in these consolidated financial statements, such combinations are settled with the pooling of interests method (see Section 3.5 *Business Combinations*).

All amounts in PLN '000 (unless otherwise stated)

BUSINESS COMBINATIONS IN THE PERIOD JANUARY 1ST – DECEMBER 31ST 2009

Item	Acquisition date	Percent of acquired equity with voting rights	Combination cost	Fair value of net assets of targeted undertaking attributable to surviving undertaking	Goodwill acquired under business combination	Surplus of surviving undertaking's share in fair value of net assets over combination cost*
Złotowska 51 Sp. z o.o.(1)	Apr 4 2009	60.00%	104	(32)	136	-
Villa Poznań Sp. z o.o.(2)	Oct 31 2009	100.00%	2,255	2,082	173	-
City Development Sp. z o.o.(3)	Nov 30 2009	75.00%	2,850	2,020	830	-
Kino Development Sp. z o.o.(4)	Nov 30 2009	100.00%	7,013	2,579	4,434	-
Energopol Ukraina (5)	Jun 19 2009	51.00%	41,616	41,616	-	-
PBG Ukraina (6)	Oct 28 2009	100.00%	758	380	378	-
Total					**5,951**	**-**

(1) Złotowska 51 Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since April 9th 2009; - PBG Dom Sp. z o.o. holds 60% of share capital of Złotowska 51 Sp. z o.o.

(2) Villa Poznań Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since October 31st 2009; PBG Dom Sp. z o.o. holds 100% of share capital of Villa Poznań Sp. z o.o.
(3) City Development Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since November 30th 2009; PBG Dom Sp. z o.o. holds 75% of share capital of City Development Sp. z o.o.
(4) Kino Development Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since November 30th 2009; PBG Dom Sp. z o.o. holds 100% of share capital of Kino Development Sp. z o.o.
(5) Energopol Ukraina has been a subsidiary undertaking of Wschodni Invest Sp. z o.o. since June 19th 2009; Wschodni Invest Sp. z o.o. holds 51 % of share capital of Energopol Ukraina.
(6) PBG Ukraina has been a subsidiary undertaking of PBG S.A. since October 28th 2009; PBG S.A. holds 100% of share capital of PBG Ukraina.

On April 9th 2009, a subsidiary undertaking acquired 60% of equity instruments of Złotowska 51 Sp. z o.o, registered office in Wysogotowo, at ul. Skórzewska 35. Total cost of business combination amounted to PLN 104 thousand, including acquisition cost and other costs directly associated with the acquisition, which are presented below. On October 28th 2009, the Parent Undertaking acquired 100% of equity instruments of PBG Ukraina of Kiev. Total cost of business combination amounted to PLN 758 thousand, including acquisition cost and other costs directly associated with the acquisition, which are presented below. On October 31st 2009, a subsidiary undertaking acquired 75% of equity instruments in Villa Poznań Sp. z o.o, registered office in Poznań, at ul. Mazowiecka 42. Total cost of business combination amounted to PLN 2,255 thousand, including acquisition cost and other costs directly associated with the acquisition, which are presented below. On November 30th 2009, a subsidiary undertaking acquired 75% of equity instruments in City Development, registered office in Wysogotowo, at ul. Skórzewska 35. Total cost of business combination amounted to PLN 2,850 thousand, including acquisition cost and other costs directly associated with the acquisition, which are presented below. On November 30th 2009, a subsidiary undertaking acquired 100% of equity instruments in Kino Development Sp. z o.o, registered office in Warsaw, at ul. Marszałkowska 80. Total cost of business combination amounted to PLN 7,013 thousand, including acquisition cost, other costs directly associated with the acquisition, and contingent acquisition cost. The acquisition cost was increased by PLN 3,000 thousand as the agreement for sale of shares concluded between the subsidiary undertaking and the Seller accounted for the PLN 3,000 thousand increase in the acquisition cost in the case whereby the Company receives the final outline planning permission by December 31st 2013.

On June 19th 2009, PBG S.A. acquired shares in Wschodni Invest Sp. z o.o. of Poznań. Under the agreement, PBG S.A. acquired 37,740 shares with par value of PLN 100.00 each, representing 100% of the company's share capital, for the amount of PLN 40,000 thousand.

Wschodni Invest holds 37,240 shares in Energopol-Ukraina of Kiev, with a value of PLN 100,00 per share and total value of PLN 3,724 thousand, representing 51% of the company's share capital. Energopol-Ukraina of Kiev is a public limited company governed by the laws of Ukraine, with 100% of the shares held by foreign (Polish) investors. It holds an ownership title to a land property of 63,000 sq m situated in Kiev, where a development project (total development area: ca. 250,000 sq m) is planned. As the objective of the acquisition of Wschodni Invest was to acquire Energopol Ukraina, which is held by Wschodni Invest, its acquisition has not been presented in information on business combinations. Therefore PBG S.A. presents the acquisition cost of the Wschodni Invest Group as acquisition cost of a subsidiary undertaking.

Cost of business combinations was allocated to specific items of assets and liabilities of the acquired companies in 2009.

The following table presents values of the identifiable assets, liabilities and contingent liabilities of the acquired companies, disclosed in the consolidated financial statements:

All amounts in PLN '000 (unless otherwise stated)

Item	City Development Sp z o.o.		Złotowska 51 Sp. z o.o.		Kino Development Sp. z o.o.		Villa Poznań Sp. z o.o.		PBG Ukraina	
	Fair value as at the date of acquisition	Carrying value prior to business combination	Fair value as at the date of acquisition	Carrying value prior to business combination	Fair value as at the date of acquisition		Fair value as at the date of acquisition	Carrying value prior to business combination	Fair value as at the date of acquisition	Carrying value prior to business combination
Assets										
Intangible assets	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	188	188	-	-	-	-	-	-	-	-
Inventories	12,359	12,359	1,192	1,192	5,598	1,833	2,064	2,064	-	-
Receivables and loans	301	301	41	41	4	4	4	4	-	-
Other assets	-	-	7	7	10	10	-	-	-	-
Cash	138	138	112	112	8	8	50	50	380	380
Total assets	**12,986**	**12,986**	**1,352**	**1,352**	**5,620**	**1,855**	**2,118**	**2,118**	**380**	**380**
Liabilities										
Deferred income tax liabilities	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-
Loans and borrowings	9,303	9,303	1,225	1,225	3,039	3,039	34	34	-	-
Trade payable	990	990	180	180	2	2	2	2	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
Total liabilities	**10,293**	**10,293**	**1,405**	**1,405**	**3,041**	**3,041**	**36**	**36**	**-**	**-**
Fair value of net assets	**2,693**	-	**(53)**	-	**2,579**	-	**2,082**	-	**380**	**-**
% of acquired equity with voting rights	75%	-	60%	-	100%	-	100%	-	100%	-
Acquired net assets (at fair value)	2,020	-	(32)	-	2,579	-	2,082	-	380	-
Goodwill (+) / profit (-)	830	-	136	-	4,434	-	173	-	378	-
Cost of business combination, including:	**2,850**	-	**104**	-	**7,013**	-	**2,255**	-	758	-
Acquisition cost	2,663	-	75	-	3,956	-	2,230	-	380	-
Other costs directly associated with the acquisition	187	-	29	-	57	-	25	-	378	-
Contingent acquisition cost	-	-	-	-	3,000	-	-	-	-	-

All amounts in PLN '000 (unless otherwise stated)

On June 19th 2009, the Parent Undertaking acquired 100% of equity instruments of Wschodni Invest of Poznań. Total cost of business combination amounted to PLN 41,566 thousand, including acquisition cost and other costs directly associated with the acquisition, which are presented below. The shares were acquired in exchange for 51 common shares in a company under the name of Energopol-Ukraina of Kiev governed by the laws of Ukraine, representing 51% of the company's share capital, and for the amount of PLN 50 thousand paid in cash. Energopol-Ukraina holds an ownership title to a land property of 63,000 sq m situated in Kiev, where a development project (total development area: ca. 250,000 sq m) is planned. The Parent Undertaking does not determine the goodwill arising on this acquisition, as the objective of the acquisition of Wschodni Invest was to acquire shares in Energopol-Ukraina. Fair value of the company's net assets exceeds the acquisition cost of equity instruments. In 2009, cost of business combination was preliminarily allocated to specific items of assets and liabilities of the acquired company. This, however, was a provisional settlement, which may be subject to change in the future. As at the date of these consolidated financial statements, fair value of acquired assets and liabilities has not been determined. Final estimates will be available within 12 months following the date of acquisition.

The following table presents provisional values of identifiable assets, liabilities, and contingent liabilities of Energopol-Ukraina, disclosed in the consolidated financial statements:

Item	Energopol Ukraina		
	Fair value as at the date of acquisition	Adjustments	Carrying value before business combination
Assets			
Intangible assets	21	-	21
Property, plant and equipment	1,438	-	1,438
Deferred tax assets	-	-	-
Inventories	113,599	20,840	92,759
Receivables and loans	887	-	887
Other assets	336	-	336
Cash	87	-	87
Total assets	**116,368**	**20,840**	**95,528**
Liabilities			
Deferred income tax liabilities	19,804	-	19,804
Provisions	-	-	-
Loans and borrowings	13,043	-	13,043
Trade payable	2,019	-	2,019
Other liabilities	-	-	-
Total liabilities	**34,866**	**-**	**34,866**
Fair value of net assets	**81,502**	**-**	**-**
% of acquired equity with voting rights	51%	-	-
Acquired net assets (at fair value)	41,566	-	-
Goodwill (+) / profit (-)	-	-	-
Cost of business combination, including:	**41,566**	**-**	**-**
Acquisition cost	39,950	-	-
Other costs directly associated with the acquisition	1,616	-	-
Contingent acquisition cost	-	-	-

Cost of business combinations presented above includes acquisition cost of PLN 49,254 thousand which has been paid for in cash by December 31st 2009 and other costs associated with the acquisition paid for by

All amounts in PLN '000 (unless otherwise stated)

December 31st 2009 in the amount of PLN 2,291thousand. The following table presents the net cash outflow in respect of the acquisition of subsidiary undertakings:

Item	Jan 1 – Dec 31 2009
Cost of business combinations paid (-)	(51,545)
Cash acquired with undertakings	775
Net cash outflow	**(50,770)**

Goodwill arising on acquisition of Kino Development Sp. z o.o., City Development Sp. z o.o. and PBG Ukraina has been determined on the basis of expected synergies between the operations of these companies and the operations of the Parent Undertaking, and presents the value of assets which, in accordance with IAS 38 (employees and their expertise), could not have been disclosed separately.
In view of the acquisitions made, the Parent Undertaking does not intend to dispose of any operations conducted by the Group.

Financial results of the acquired companies disclosed in the Group's consolidated income statement for 2009 following the date of their acquisition amounted to PLN - 57 thousand.
Had the acquisitions taken place as at January 1st 2009, the Group's financial results would have been reduced by PLN 450 thousand and sales revenue would have increased by PLN 6 thousand relative to the sales revenue disclosed in the consolidated income statement.

All amounts in PLN '000 (unless otherwise stated)

NET SALES REVENUE AND NET PROFIT/LOSS FOR 2008 DISCLOSED IN ACCORDANCE WITH IFRS 3, ITEM 70

Item	Net sales revenue	Net profit/loss	Prior to acquisition, not recognised in Group's profit/loss		As of the date of acquisition, recognised in Group's profit/loss		% of share capital held
			Net revenue	Net profit/loss	Net revenue	Net profit/loss	
Złotowska 51 Sp. z o.o.(1)	2	3	-	(1)	2	4	60.00%
Villa Poznań Sp. z o.o.(2)	-	(28)	-	(25)	-	(3)	100.00%
City Development Sp. z o.o.(3)	6	(247)	6	(212)	-	(35)	75.00%
Kino Development Sp. z o.o.(4)	-	(235)	-	(212)	-	(23)	100.00%
Wschoni Invest Sp. z o.o.(5)	-	125	-	-	-	125	100.00%
Energopol Ukraina (6)	-	-	-	-	-	-	51.00%
PBG Ukraina (7)	-	-	-	-	-	-	100.00%

(1) Złotowska 51 Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since April 9th 2009; PBG Dom Sp. z o.o. holds 60% of share capital of Złotowska 51 Sp. z o.o.

(2) Villa Poznań Sp. z o.o has been a subsidiary undertaking of PBG Dom Sp. z o.o. since October 31st 2009; PBG Dom Sp. z o.o. holds 100% of share capital of Villa Poznań Sp. z o.o.

(3) City Development Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since November 30th 2009; PBG Dom Sp. z o.o. holds 75% of share capital of City Development Sp. z o.o.

(4) Kino Development Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since November 30th 2009; PBG Dom Sp. z o.o. holds 100% of share capital of Kino Development Sp. z o.o.

(5) Wschodni Invest Sp. z o.o. has been a subsidiary undertaking of PBG S.A. since June 19th 2009; PBG S.A. holds 100 of interest in the share capital of Wschodni Invest Sp. z o.o.

(6) Energopol-Ukraina has been a subsidiary undertaking of Wschodni Invest Sp. z o.o. since June 19th 2009; Wschodni Invest Sp. z o.o. holds 51% of share capital of Energopol Ukraina

(7) PBG Ukraina has been a subsidiary undertaking of PBG S.A. since October 28th 2009; PBG S.A. holds 100% of share capital of PBG Ukraina.

All amounts in PLN '000 (unless otherwise stated)

5.2. DISPOSAL OF SUBSIDIARY UNDERTAKINGS

On September 30th 2009, a subsidiary undertaking sold 51.03% of share capital of Pris Sp. z o.o. of Wrocław. Proceeds from the sale of Pris Sp. z o.o. amounted to PLN 1,650 thousand. The payment was divided into five equal quarterly instalments, with the first instalment due on December 31st 2009.

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

The table below sets forth net assets of the subsidiary undertakings at the time of disposal:

Item	Net assets as at time of disposal	**PRIS**	**WIERTMAR**
Assets			
Intangible assets	186	152	34
Property, plant and equipment	8,630	3,082	5,548
Deferred tax asset	-	-	-
Inventories	215	215	-
Receivables and loans advanced	44,856	9,718	35,138
Other assets	2,147	378	1,769
Cash	552	239	313
Total assets	**56,586**	**13,784**	**42,802**
Liabilities			
Deferred tax liability	-	-	-
Provisions	348	182	166
Loans and borrowings	1,186	1,186	-
Trade payables	52,129	14,530	37,599
Other liabilities	1,984	676	1,308
Total liabilities	**55,647**	**16,574**	**39,073**
Net assets	**939**	**(2,790)**	**3,729**
Proceeds from disposal received in cash	-	-	-
Cash disposed of together with subsidiary undertaking	552	239	313
Net proceeds from disposal of subsidiary undertakings	**(552)**	**(239)**	**(313)**

On November 25th 2009, PBG Dom, a subsidiary undertaking, sold 46% of equity instruments held in Concept Development BSD 2 Sp. z o.o. of Warsaw, as the condition precedent stipulated in the investment agreement under which PBG Dom had become a shareholder of Concept Development BSD 2 Sp. z o.o. was not satisfied. Proceeds from the sale of Concept Development BSD 2 Sp. z o.o. amounted to PLN 62 thousand. The price was fully paid in 2009.

All amounts in PLN '000 (unless otherwise stated)

5.3. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008	Jan 1 – Dec 31 2007
Balance at beginning of period	**27,000**	**4,000**	**-**
Increase in period, including:	**10,000**	**27,000**	**4,000**
- business combinations	-	-	-
- reclassification	-	-	-
- other increase	10,000	27,000	4,000
Decrease in period, including:	**(27,000)**	**(4,000)**	**-**
- disposal of subsidiary undertaking	-	-	-
- reclassification	(27,000)	(4,000)	-
- other decrease	-	-	-
Foreign exchange gains/(losses)	-	-	-
Balance at end of period	**10,000**	**27,000**	**4,000**

The balance of the item disclosed in the table above includes prepayment for shares in the company.

6. GOODWILL

In 2009, goodwill disclosed in the consolidated balance sheet mainly reflects transactions under which control over Kino Development City Development was assumed. Section 5.1 on acquisitions contains a detailed description of the method used to determine goodwill from acquisitions in the period under review. The table below sets forth changes in the carrying amount of goodwill in the periods covered by these consolidated financial statements.

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008	Jan 1 – Dec 31 2007
Gross amount			
Balance at beginning of period	324,439	275,590	74,757
Business combinations	5 951	53,196	202,224
Disposal of subsidiary undertakings (-)	(2,564)	(4,312)	(1,442)
Net currency-translation differences on foreign currency branches (plants)	-	-	-
Other adjustments	19	(35)	51
Gross amount at end of period	**327,845**	**324,439**	**275,590**
Impairment losses			
Balance at beginning of period	8,830	8,164	2,768
Write-offs charged to cost in period	-	666	5,396
Net currency-translation differences on foreign currency branches (plants)	-	-	-
Other changes	-	-	-
Impairment losses at end of period	8,830	8,830	8,164
Goodwill – carrying amount at end of period	**319,015**	**315,609**	**267,426**

All amounts in PLN '000 (unless otherwise stated)

Goodwill presented under assets in the consolidated balance sheet refers to the acquisition of the following subsidiary undertakings:

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
ATG Sp. z o.o.	1,606	1,606	1,606
Infra SA	2,354	2,354	2,354
Hydrobudowa Polska S.A.	60,541	60,541	60,541
KWG SA	-	-	701
Hydrobudowa 9 S.A.	176,443	176,443	176,443
PBG Dom Sp. z o.o.	19	19	19
Dromost Sp. z o.o.	625	625	625
Apartamenty Poznańskie Sp. z o.o.	1,692	1,692	1,692
Przedsiębiorstwo Robót Inżynieryjno Drogowych S.A.	10,050	10,050	10,050
Gas Oil Engineering A.S.	7,226	7,226	7,226
Excan Oil and Gas Engineering Ltd.	160	160	160
Bathinex Sp. z o.o.	-	-	4,312
Brokam Sp. z o.o.	566	566	566
PRIS Sp. z o.o.	-	1,131	1,131
Betpol S.A.	31,924	31,924	-
PBG Dom Invest I Sp. z o.o.*	1	1	-
PBG Dom Invest II Sp. z o.o.**	3	3	-
Wiertmar Sp. z o.o.	-	1,433	-
PRG Metro Sp. z o.o.	19,854	19,835	-
Złotowska 51 Sp. z o.o.	136	-	-
Villa Poznań Sp. z o.o.	173	-	-
City Development Sp. z o.o.	830	-	-
Kino Development Sp. z o.o.	4,434	-	-
PBG Ukraina	378	-	-
Net goodwill	**319,015**	**315,609**	**267,426**

* Formerly Dawil Sp. z o.o.
** Formerly Budwil Sp. z o.o.

In the 2008 consolidated financial statements, the Parent Undertaking recognised goodwill arising upon acquisition of P.R.G Metro Sp. z o.o. in the amount of PLN 36,766 thousand.

P.R.G. Metro Sp. z o.o. became a member of the Group following the acquisition of a 52.6% interest in its share capital by Hydrobudowa Polska S.A. PBG S.A. (the ultimate Parent Undertaking) consolidates its subsidiaries using the one-step consolidation method, with the intermediate parent companies relieved from the obligation to produce consolidated financial statements. When measuring goodwill arising upon acquisition of P.R.G. Metro Sp. z o.o., the minority interest attributable to Hydrobudowa Polska S.A. (which participated in the acquisition) was not taken into account. Following a corrective restatement of the minority interest disclosed in PBG S.A.'s consolidated financial statements, the acquired goodwill decreased by PLN 16,913 thousand.

All amounts in PLN '000 (unless otherwise stated)

The table below presents goodwill by operating segments:

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Natural gas and crude oil	8,992	8,992	8,992
Water	239,338	241,902	241,170
Fuels	-	-	-
Road construction	43,165	43,165	11,241
Residential construction and industrial construction	27,142	21,550	1,711
Other segments	378	-	4,312
Total	**319,015**	**315,609**	**267,426**

As required under IAS 36 and the applied accounting policies, goodwill attributable to each of the business segments listed above was tested for impairment as at December 31st 2009.
In order to perform the annual impairment tests, goodwill is allocated to relevant cash-generating units which are separate operating segments.
The recoverable amount of cash-generating units containing goodwill was determined on the basis of their value in use, using the discounted cash flow method. In the process, the following assumptions were used:

- detailed projections covered the period from one year to 20 years,
- with respect to economic useful lives extending beyond the stated period, cash flows were estimated by extrapolating the projections until the 20th year following 2009. In justified cases, it was possible to extrapolate the projections using a steady growth rate of not more than 1.5% year on year.
- the applied discount rates were estimated separately for each impairment test on the basis of the weighted average cost of capital (WACC), i.e. the average of cost of debt (established taking into account bank loan agreements, loan agreements and lease agreements) and cost of equity (estimated according to the CAPM model). When estimating the cost of equity, the following model components were used: yield on 20-year government bonds, risk premium specific to the country of domicile of the entity performing the test, and risk premium specific to the sector in which the entity operates (based on Aswath Damodaran's premium risk tables for 2010). Where fixed prices were applied in the discounted cash flow model, the Consumer Price Index (defined as the National Bank of Poland's long-term inflation target) was removed from the WACC.

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

All amounts in PLN '000 (unless otherwise stated)

7. INTANGIBLE ASSETS

Intangible assets used by the Group include trademarks, patents, licences, computer software, internally generated intangible assets arising from development work, and other intangible assets. Intangible assets which as at the balance-sheet date have not been placed in service are disclosed under "Intangible assets under construction". The item also includes prepayments for intangible assets.

Item	As at Dec 31 2009 Total net value, including:	As at Dec 31 2008 Total net value, including:	As at Dec 31 2007 Total net value, including:
Trademarks	-	-	-
Patents and licences	22,066	6,120	1,596
Computer software	7,668	7,634	5,596
Costs of development work	-	-	-
Other intangible assets	638	859	1,423
Net carrying value	**30,372**	**14,613**	**8,615**
Intangible assets under construction	2,594	207	4,595
Prepayments for intangible assets	-	-	52
Total intangible assets	**32,966**	**14,820**	**13,262**
Intangible assets classified as held for sale	-	-	-
Intangible assets	**32,966**	**14,820**	**13,262**

Group name:	***The PBG Group***		
Period covered by the financial statements:	***January 1st – December 31st 2009***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

CHANGES IN INTANGIBLE ASSETS DURING THE PERIOD

Item	Patents and licences	Computer software	Other intangible assets	Intangible assets under construction	Prepayments for intangible assets	Total
Net carrying value as at Jan 1 2009	**6,120**	**7,634**	**859**	**207**	**-**	**14,820**
Increase attributable to inclusion of new subsidiaries	-	134	-	-	-	134
Increase attributable to acquisition	18,868	1,647	410	409	-	21,334
Increase attributable to reclassification to another asset category (-)	-	151	-	2,182	-	2,333
Decrease attributable to disposal of a subsidiary (-)	(22)	(21)	-	-	-	(43)
Decrease attributable to disposal (-)	(25)	(12)	-	-	-	(37)
Decrease attributable to reclassification to another asset category (-)	(149)	-	-	-	-	(149)
Increase or decrease attributable to revaluation to fair value	-	-	-	-	-	-
Impairment losses (-)	-	-	-	-	-	-
Reversals of impairment losses	-	-	-	-	-	-
Amortisation (-)	(2,741)	(1,859)	(621)	-	-	(5,221)
Net foreign exchange gains (losses) on restatement of financial statements in presentation currency	-	3	-	-	-	3
Other changes – decrease attributable to entering intangible assets in the records	-	-	-	-	-	-
Other changes	15	(9)	(10)	(204)	-	(208)
Net carrying value as at Dec 31 2009	**22,066**	**7,668**	**638**	**2,594**	**-**	**32,966**
Net carrying value as at Jan 1 2008	**1,596**	**5,596**	**1,423**	**4,595**	**52**	**13,262**
Increase attributable to inclusion of new subsidiaries	18	-	-	-	-	18
Increase due to acquisition	5,178	3,871	5	2,203	-	11,257
Decrease due to disposal of a subsidiary (-)	-	-	-	-	-	-
Decrease due to disposal (-)	(73)	-	-	-	-	(73)

All amounts in PLN '000 (unless otherwise stated)

Item	Patents and licences	Computer software	Other intangible assets	Intangible assets under construction	Prepayments for intangible assets	Total
Increase or decrease attributable to revaluation to fair value	-	7	-	-	-	7
Impairment losses (-)	-	-	-	-	-	-
Reversals of impairment losses	-	-	-	-	-	-
Amortisation (-)	(694)	(2,121)	(569)	-	-	(3,384)
Net foreign exchange gains (losses) on restatement of financial statements in presentation currency	-	377	-	-	-	377
Other changes – decrease attributable to entering intangible assets in the records	-	-	-	(6,798)	-	(6,798)
Other changes	95	(96)	-	207	(52)	154
Net carrying value as at Dec 31 2008	**6,120**	**7,634**	**859**	**207**	**-**	**14,820**

INTANGIBLE ASSETS AS AT DECEMBER 31ST 2009

Item	Patents and licences	Computer software	Cost of development work	Other intangible assets	Intangible assets under construction	Prepayments for intangible assets	Total
As at Dec 31 2009							
Gross carrying value	26,913	15,931	-	3,270	2,594	-	48,708
Total accumulated amortisation and impairment losses (-)	(4,847)	(8,263)	-	(2,632)	-	-	(15,742)
Net carrying value as at Dec 31 2009	**22,066**	**7,668**	**-**	**638**	**2,594**	**-**	**32,966**
As at Dec 31 2008							
Gross carrying value	8,232	15,553	67	2,866	207	-	26,925
Total accumulated amortisation and impairment losses (-)	(2,112)	(7,919)	(67)	(2,007)	-	-	(12,105)
Net carrying value as at Dec 31 2008	**6,120**	**7,634**	**-**	**859**	**207**	**-**	**14,820**

All amounts in PLN '000 (unless otherwise stated)

The most important intangible asset owned by the Group is a licence covering design, technical and engineering concepts for fitments/fittings systems, and particularly for underground liquid fuel storage tanks, along with relevant patents, know-how, and documents confirming practical applications. The carrying value of the asset as at December 31st 2009 was PLN 14,552 thousand (PLN 0 thousand in 2008). The remaining amortisation period is nine years.

Intangible assets with indefinite useful lives are not used by the Group in its operations.

Accumulated amortisation of intangible assets was disclosed in the consolidated income statements under:

- "Cost of sales" – in the amount of PLN 2,429 thousand in 2009 (PLN 867 thousand in 2008),
- "General and administrative expenses" – in the amount of PLN 2,792 thousand in 2009 (PLN 2,517 thousand in 2008),

As at the balance-sheet date, no indication of impairment was identified with respect to intangible assets, hence no impairment losses were recognised by the Group.

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

In 2009, no investment-related agreements were signed by the Group which would place it under obligation to purchase certain intangible assets in the future.

8. PROPERTY, PLANT AND EQUIPMENT AS AT DECEMBER 31ST 2009

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Land	26,203	31,112	22,751
Buildings and structures	112,148	130,602	91,866
Plant and equipment	129,247	124,420	92,767
Vehicles	59,144	68,765	42,704
Other tangible assets	17,349	16,820	12,465
Net carrying value	**344,091**	**371,719**	**262,553**
Property, plant and equipment under construction	14,618	26,768	38,768
Prepayments for tangible assets	9,555	3,252	5,465
Total property, plant and equipment	**368,264**	**401,739**	**306,786**
Property, plant and equipment classified as held for sale	-	-	-
Property, plant and equipment	**368,264**	**401,739**	**306,786**

Group name:	***The PBG Group***		
Period covered by the financial statements:	***January 1st – December 31st 2009***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

CHANGES IN PROPERTY, PLANT AND EQUIPMENT DURING THE PERIOD

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Prepayments for tangible assets	Total
for the period January 1st – December 31st 2009								
Net carrying value as at Jan 1 2009	**31,112**	**130,602**	**124,420**	**68,765**	**16,820**	**26,768**	**3,252**	**401,739**
Increase attributable to inclusion of new subsidiaries	-	-	-	1,346	-	-	-	1,346
Increase attributable to business combinations	-	-	-	-	-	-	-	-
Increase attributable to acquisition	2,057	6,290	36,898	5,280	2,728	36,908	9,236	99,397
Increase attributable to construction	-	-	-	-	-	289	-	289
Increase attributable to executed lease agreements	-	-	23,607	2,866	-	-	2	26,475
Increase attributable to reclassification to another asset category	-	123	-	53	-	-	114	290
Decrease attributable to disposal of a subsidiary (-)	-	(186)	(2,975)	(3,358)	(88)	(126)	-	(6,733)
Decrease attributable to disposal (-)	(869)	(1,680)	(26,713)	(5,286)	(300)	-	-	(34,848)
Decrease attributable to liquidation (-)	-	(153)	(257)	(173)	(18)	-	-	(601)
Decrease attributable to reclassification to another asset category (-)	(6,209)	(18,760)	(19)	-	-	(49,962)	-	(74,950)
Increase or decrease attributable to revaluation to fair value	-	-	-	-	-	-	-	-
Impairment losses (-)	-	-	-	-	-	(134)	-	(134)
Reversal of impairment losses	-	-	3	-	-	34	-	37
Impairment losses used	-	-	-	-	-	859	-	859
Depreciation (-)	-	(3,936)	(25,594)	(10,424)	(1,947)	-	-	(41,901)
Currency translation differences on translation of financial statements, net	(13)	-	30	29	-	(19)	-	27
Other changes – decrease attributable to first-time recognition of tangible assets	-	-	-	-	-	-	-	-
Other changes	125	(152)	(153)	46	154	1	(3,049)	(3,028)

All amounts in PLN ‘000 (unless otherwise stated)

Net carrying value as at Dec 31 2009	**26,203**	**112,148**	**129,247**	**59,144**	**17,349**	**14,618**	**9,555**	**368,264**
(continued)	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Prepayments for tangible assets	Total
for the period January 1st – December 31st 2008								
Net carrying value as at Jan 1 2008	**22,751**	**91,866**	**92,767**	**42,704**	**12,465**	**38,768**	**5,465**	**306,786**
Increase attributable to inclusion of new subsidiaries	6,857	3,349	17,690	5,288	2,281	-	-	35,465
Increase attributable to business combinations	-	-	-	-	-	-	-	-
Increase attributable to acquisition	2,850	45,388	37,162	30,585	6,387	41,381	-	163,753
Increase attributable to construction	-	-	-	-	-	-	-	-
Increase attributable to executed lease agreements	-	-	2,639	3,498	-	-	-	6,137
Increase attributable to reclassification to another asset category	-	-		-	-	-	-	
Decrease attributable to disposal of a subsidiary (-)	-	-	(50)	-	-	-	-	(50)
Decrease attributable to disposal (-)	(701)	(965)	(1,333)	(1,772)	(137)	-	-	(4,908)
Decrease attributable to liquidation (-)	-	(862)	(563)	(524)	(1,221)	-	-	(3,170)
Decrease attributable to reclassification to another asset category (-)	-	(2,010)	-	-	-	-	-	(2,010)
Increase or decrease attributable to revaluation to fair value	107	-	(28)	(21)	(4)	-	-	54
Impairment losses (-)	-	-	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-	-	-
Depreciation (-)	-	(4,849)	(23,577)	(10,939)	(2,396)	-	-	(41,761)
Currency translation differences on translation of financial statements, net	120	-	118	258	-	-	-	496
Other changes – decrease attributable to first-time recognition of tangible assets	-	-	-	-	-	(53,381)	-	(53,381)
Other changes	(872)	(1,315)	(405)	(312)	(555)	-	(2,213)	(5,672)
Net carrying value as at Dec 31 2008	**31,112**	**130,602**	**124,420**	**68,765**	**16,820**	**26,768**	**3,252**	**401,739**

All amounts in PLN '000 (unless otherwise stated)

PROPERTY, PLANT AND EQUIPMENT

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Prepayments for tangible assets	Total
As at Dec 31 2009								
Gross carrying value	26,203	124,410	204,612	88,692	28,150	14,622	9,555	496,244
Total accumulated depreciation and impairment losses (-)	-	(12,262)	(75,365)	(29,548)	(10,801)	(4)	-	(127,980)
Net carrying value as at Dec 31 2009	**26,203**	**112,148**	**129,247**	**59,144**	**17,349**	**14,618**	**9,555**	**368,264**
As at Dec 31 2008								
Gross carrying value	31,112	140,167	182,532	100,062	26,783	26,768	3,252	510,676
Total accumulated depreciation and impairment losses (-)		(9,565)	(58,112)	(31,297)	(9,963)	-	-	(108,937)
Net carrying value as at Dec 31 2008	**31,112**	**130,602**	**124,420**	**68,765**	**16,820**	**26,768**	**3,252**	**401,739**

All amounts in PLN '000 (unless otherwise stated)

As at December 31st 2009, the PBG Group companies reviewed the useful lives of property, plant and equipment adopted by the Group in line with IAS 16 and the Group's accounting policies. In 2009, gross value of fully depreciated property, plant and equipment that is still in use by the PBG Group companies amounted to PLN 8,863 thousand (2008: PLN 12,528 thousand). The fall in the value of fully depreciated tangible assets that are still in use was due to the disposal of this type of tangible assets. Tangible assets equal to zero include mainly the property, plant and equipment which, in line with the Company's accounting policies, are subject to one-off depreciation due to low unit value.

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

Item	for the period Jan 1–Dec 31 2009	for the period Jan 1–Dec 31 2008
Depreciation of property, plant and equipment used in the provision of services and production disclosed as own cost in the income statement	32,319	33,959
Depreciation of other property, plant and equipment disclosed in general and administrative expenses	9,582	7,802
Total depreciation of property, plant and equipment	**41,901**	**41,761**

In 2009, the PBG Group recorded impairment losses of PLN 134 thousand, which were recognised in the consolidated income statement under "Other operating expenses" (See Section 28.3).
Impairment loss was made for the Warmia ship. The main reason for the loss was the decision to change the use of the asset.

Compensation received from third parties on account of impairment losses on or loss of property, plant and equipment was PLN 865 thousand (2008: PLN 90 thousand) and was recognised in the consolidated income statement under "Other operating income".

As at December 31st 2009, property, plant and equipment with the carrying value of PLN 135,514 thousand (2008: PLN 170,390 thousand; 2007: PLN 122,761 thousand) constituted collateral for the Group's liabilities. For information on collateral for liabilities, see Section 12.6.

In 2009, the Group executed an investment agreement whereby it agreed to acquire in the future an organised part of business within the meaning of Art. 55 of the Polish Civil Code. As at December 31st 2009, the contractual amount of the liabilities was PLN 0 because the Company made a prepayment for future liabilities of PLN 7,500 thousand (in 2008, a subsidiary undertaking agreed to acquire in the future the perpetual usufruct right together with the real estate located at ul. Sienkiewicza 22 in Poznan. As at December 31st 2008, the contractual amount of the liability was PLN 3,049 thousand).

All amounts in PLN '000 (unless otherwise stated)

OFF-BALANCE SHEET TANGIBLE ASSETS

	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Tangible assets used under rental or similar agreement, including lease agreement, including:	13,494	3,513	2,301
- value of land under perpetual usufruct	-	-	-
- finance lease agreements	2,728	3,513	2,301
Off-balance sheet tangible assets, total	**13,494**	**3,513**	**2,301**

Furthermore, the Group 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, materials, etc.
Costs related to using these assets are recognised in the income statement.

9. LEASED ASSETS

The Group as a lessee uses property, plant and equipment under finance lease agreements. The following table presents the carrying value of assets under finance lease agreements:

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
	With respect to groups of assets		
Land, buildings and structures	-	-	-
Plant and equipment	28,453	12,297	9,674
Vehicles	6,794	5,563	2,396
Other tangible assets	-	-	8
Net carrying value of leased assets	**33,925**	**17,860**	**12,078**

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

Item	As at Dec 31 2009		As at Dec 31 2008		As at Dec 31 2007	
	Minimum payments	Present value of minimum payments	Minimum payments	Present value of minimum payments	Minimum payments	Present value of minimum payments
Future minimum payments under finance lease agreements						
Payable within 1 year	18,290	16,508	6,647	5,786	3,567	2,812
Payable within 1–5 years	16,370	16,178	10,924	10,387	9,248	8,498
Payable after 5 years	-	-	-	-	-	-
Total future minimum payments under finance lease agreements	**34,660**	**32,686**	**17,571**	**16,173**	**12,815**	**11,310**
Finance charge	1,974	X	1,398	x	1,505	x
Present value of minimum payments under finance lease agreements	**32,686**	**32,686**	**16,173**	**16,173**	**11,310**	**11,310**

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

All amounts in PLN '000 (unless otherwise stated)

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

10. NON-REGENERATIVE NATURAL RESOURCES

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008	Jan 1 – Dec 31 2007
At beginning of period	**11,999**	**27,834**	**-**
Acquisition attributable to inclusion of new subsidiaries	-	-	11,999
Acquisition attributable to business combinations	-	-	-
Increase attributable to acquisition	-	-	15,835
Increase attributable to capitalised subsequent expenditure	291	-	-
Decrease attributable to disposal	-	(15,835)	-
Net gains (losses) on fair value adjustments	-	-	-
Net foreign exchange gains (losses) on restatement of financial statements in presentation currency	-	-	-
Other changes	-	-	-
At end of period	**12,290**	**11,999**	**27,834**

Non-regenerative natural resources comprise assets disclosed in the balance sheet of the Group's related undertakings. These include the following:

- Ownership title to undeveloped property with an aggregate area of 3.7128 ha located in the Ząbkowice Śląskie commune, Brodziszów cadastral district, for which the District Court in Ząbkowice Śląskie, V Land and Mortgage Registry Division, maintains Land and Mortgage Register entries No. KW 54175, KW 54742, and KW 57132;
- Ownership title to undeveloped property with an aggregate area of 24.4944 ha located in the Ząbkowice Śląskie commune, Brodziszów cadastral district, for which the District Court in Ząbkowice Śląskie, V Land and Mortgage Registry Division, maintains Land and Mortgage Register entries No. KW 51040, KW 40975, and KW 48153;
- Simplified geological documentation (of C1 category Brodziszów-Kłośnik A Field granodiorite reserve; the documentation was approved by virtue of Wałbrzych Governor's decision No. 252/98 of October 12th 1998) together with geological documentation of C1 category granodiorite reserve (Brodziszów-Kłośnik A Field; the documentation was approved by virtue of Wrocław Province Governor's decision No. 1/2000 of January 14th 2000);
- Geological documentation of granodiorite reserve (Brodziszów-Kłośnik B Field; the documentation was approved by virtue of Wrocław Province Governor's decision No. 2/2001 of April 9th 2001) together with geological information included in simplified geological

All amounts in PLN '000 (unless otherwise stated)

documentation (of C1 category Brodziszów-Kłośnik B Field granodiorite reserve; the documentation was approved by virtue of Wrocław Province Governor's decision No. 2/2001 of April 9th 2001);

- Rights arising from the ownership title to geological documentation related to the said granodiorite reserve and the rights arising from licences for granodiorite production from the reserve.

In 2009, the Parent Undertaking did not acquire or dispose of any related undertakings whose assets would include the abovementioned items. The PLN 291 thousand increase in non-regenerative natural resources is related to higher expenditure on execution of further geological surveys.

In 2008, the Parent Undertaking disposed of one related undertaking whose assets included the abovementioned items, which resulted in lower value of non-regenerative natural resources recognised as the Group's assets.

The assets include the following:

- Ownership title to undeveloped property with an aggregate area of 24.4944 ha located in the Ząbkowice Śląskie commune, Brodziszów cadastral district, for which the District Court in Ząbkowice Śląskie, V Land and Mortgage Registry Division, maintains Land and Mortgage Register entries No. KW 51040, KW 40975, and KW 48153;
- Simplified geological documentation (of C1 category Brodziszów-Kłośnik A Field granodiorite reserve; the documentation was approved by virtue of Wałbrzych Governor's decision No. 252/98 of October 12th 1998) together with geological documentation of C1 category granodiorite reserve (Brodziszów-Kłośnik A Field; the documentation was approved by virtue of Wrocław Province Governor's decision No. 1/2000 of January 14th 2000);
- Rights arising from the ownership title to the abovementioned documentation.

11. IINVESTMENT PROPERTY

Changes in the carrying amount in the reporting period were as follows:

Item	period from January 1st 2009to December 31st 2009	period from January 1st 2008 to December 31st 2008	Period from January 1st 2008 to December 31st 2007
Amount at beginning of period	**23,672**	**30,383**	**710**
Real property acquisitions through business combinations	-	-	-
Additions resulting from real property acquisitions	59,675	5,071	26,301
Additions resulting from subsequent expenditure recognised in the carrying amount of an asset	15,507	-	-
Additions resulting from reclassification from another asset category	46,172	13,970	5,001
Decreases resulting from disposals	-	-	(1,629)
Decreases resulting from reclassification into another asset category:	(10,600)	(26,071)	-
Net gains or losses from fair value adjustments	9,671	-	-

All amounts in PLN '000 (unless otherwise stated)

Item	period from January 1st 2009to December 31st 2009	period from January 1st 2008 to December 31st 2008	Period from January 1st 2008 to December 31st 2007
Net exchange differences arising on the translation of the financial statements into a different presentation currency	-	-	-
Other changes	28	319	-
Amount at end of period	**144,125**	**23,672**	**30,383**

In 2009, the Group recorded a marked increase in the balance sheet item "Investment property", which resulted from the following:

- As at December 31st 2009, all Subsidiaries reviewed their assets and reclassified them into the appropriate balance sheet items,
- A subsidiary owns undeveloped real property at Górecka 1, Poznań, where it conducts a Class A office building project. The construction process is in progress. The expenditure on the project by the balance-sheet date is PLN 58,013,000. The intent of the Company's Management Board is to earn rentals on the office space, hence the presentation of the expenditure under the item "Investment Property", in accordance with IAS 40.

The PBG Group's balance-sheet item Investment property shows only buildings and structures as well as undeveloped real property acquired to derive economic benefits from capital appreciation or from other sources, such as earning rentals. The investment property comprises:

- right of perpetual usufruct to developed real property in the locality of Żabnica, Province of Katowice, carrying amount of PLN 265,000;
- real property in the locality of Mikołów, at Żwirki i Wigury, improved with a production hall and an admin building, carrying amount of PLN 10,774,000;
- real property located in Włocławek, carrying amount of PLN 1,609,000;
- real property in the locality of Chyby, carrying amount of PLN 1,039,000;
- right of perpetual usufruct to real property at Gdyńska, Poznań, improved with an industrial building, carrying amount of PLN 3,386,000;
- right of perpetual usufruct to real property at Górecka, Poznań, and expenditure on the office and services centre development project, totalling PLN 58,013,000;
- the "Fabryka Współczesnych Smaków" restaurant in Wysogotowo, carrying amount of PLN 7,465,000;
- real property along with a building in Modzerowo, carrying amount of PLN 710,000;
- right of perpetual usufruct to real property at ul. Sienkiewicza, Poznań, along with an office building, carrying amount of PLN 9,976,000;
- right of perpetual usufruct to real property at Wilczak, Poznań, along with an admin and office building, carrying amount of PLN 2,175,000;

- freehold to undeveloped real property in the town of Włocławek, Province of Bydgoszcz, at Kuklińskiej 15, carrying amount of PLN 1,996,000;
- freehold to undeveloped real estate in the locality of Krzeptów, Province of Wrocław, carrying amount of PLN 2,562,000;
- right of perpetual usufruct to developed real property at Obrońców Westerplatte 51, Katowice, Province of Katowice, carrying amount of PLN 6,492,000;
- right of perpetual usufruct to developed real property at J. Wolnego 4, Katowice, Province of Katowice, carrying amount of PLN 5,647,000;
- right of perpetual usufruct to developed real property at Ks. Londzina 63, Katowice, Province of Katowice, carrying amount of PLN 554,000;
- right of perpetual usufruct to developed real property at J. Poniatowskiego 6, Katowice, Province of Katowice, carrying amount of PLN 5,350,000;
- freehold to a flat at Ateńska 10, Warsaw, Province of Warsaw, carrying amount of PLN 400,000;
- freehold to undeveloped real estate in the locality of Dąbrówka, Province of Poznań, District of Poznań, Municipality of Dopiewo, carrying amount of PLN 4,870,000;
- freehold to 16 flats at Chełmońskiego, Świnoujście, Province of Szczecin, total carrying amount of PLN 4,248,000.

Fair value of the right of perpetual usufruct to undeveloped real property and freehold to buildings and structures on such undeveloped real property with respect to developed real property at ul. Wilczak 45/47 and at ul. Sienkiewicza 22 in Poznań was determined based on the valuation by an independent appraiser, made as at December 18th 2009. The income-based approach was used for the valuation. Considering that the valuation is to determine the market value of the rental-earning real property, the appraiser used the investment-based valuation approach. The direct capitalisation method was used for valuation, where the market value of the real property is determined by the following formula: annual net operating income / capitalisation rate. To measure the fair value, the appraiser used current market data on the office space rental market, rental fees in Poznań, industrial space market analysis and trend analysis for the market.
Fair value of the real property at Obrońców Westerplatte 51, Katowice and the undeveloped real property at Żwirki i Wigury, Mikołów, improved with a production hall and an admin building, was determined based on the independent appraiser's valuation. The comparative and adjusted average price approaches were used for the valuation.
Impairment tests using the discounted cash flow model were conducted in the case of the remaining real properties. The tests showed that the amounts of the said real properties as shown in the accounting books fully reflect their fair value.

Undeveloped real properties are held to generate income from capital appreciation.

In the period covered by these consolidated financial statements, the Group companies recognised impairment loses on investment property of PLN 9,671,000.

All amounts in PLN '000 (unless otherwise stated)

In the reporting period, the Group earned rentals and recognised the following direct cost of servicing the real properties:

Item	period from January 1st 2009 to December 31st 2009	period from January 1st 2008 to December 31st 2008
Amounts recognised in the consolidated income statement:		
- income from investment property rental	3,335	18
- direct operating cost (including the cost of repair and servicing) attributable to the investment property that earned rentals in the period	(1,108)	-
- direct operating cost (including the cost of repair and servicing) attributable to the investment property that did not earn rentals in the period	(13)	(33)
Total	**2,214**	**(15)**

The investment property is let under irrevocable agreements entered into for indefinite time.

In 2009, the Group entered into an investment agreement, under which it undertakes to acquire in the future:

- freehold to a residential building, along with the underground garage, located at the junction of ul. Wojska Polskiego and ul. 11 Listopada in Świnoujście, Province of Szczecin, at PLN 16,953,000.

As at the end of 2008, the Group carried no similar contractual obligations.

12. FINANCIAL ASSETS AND LIABILITIES

12.1. CATEGORIES OF ASSETS AND LIABILITIES

The value of financial assets disclosed in the consolidated balance sheet relates to the following categories of financial instruments, defined in IAS 39:

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 on initial recognition as ones to be measured at fair value

4 - held-to-maturity investments

5 - available-for-sale financial assets

6 - hedging derivatives

7 - assets outside the scope of IAS 39

Group name:	***The PBG Group***		
Period covered by the financial statements:	***January 1st – December 31st 2009***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

Item	Section	*Categories of financial instruments according to IAS 39							Total
		Loans and receivables	Financial assets at fair value through profit or loss - held for trading	Financial assets at fair value through profit or loss - designated on initial recognition as ones to be measured at fair value	Held-to-maturity investments	Available-for-sale financial assets	Hedging derivatives	Outside IAS 39	
As at Dec 31 2009									
Non-current assets:									
Non-current receivables	12.2	14,618	-	-	-	-	-	-	14,618
Long-term loans	12.2	56,035	-	-	-	-	-	-	56,035
Derivative financial instruments	12.3	-	-	-	-	-	8,746	-	8,746
Other non-current financial assets	12.4	-	-	-	963	34,611	-	10,000	45,574
Current assets:									
Trade and other receivables	15	1,031,180	-	-	-	-	-	-	1,031,180
Short-term loans	12.2	216,446	-	-	-	-	-	-	216,446
Derivative financial instruments	12.3	-	-	-	-	-	20,215	-	20,215
Other current financial assets	12.4	-	-	-	706	157	-	-	863
Cash and cash equivalents	16	660,281	-	-	-	-	-	-	660,281
Total financial assets		**1,978,560**	**-**	**-**	**1,669**	**34,768**	**28,961**	**10,000**	**2,053,958**
As at Dec 31 2008									
Non-current assets:									
Non-current receivables	12.2	20,593	-	-	-	-	-	-	20,593
Long-term loans	12.2	3,350	-	-	-	-	-	-	3,350
Derivative financial instruments	12.3	-	-	-	-	-	12,916	-	12,916
Other non-current financial assets	12.4	-	-	-	3,963	29,341	-	27,000	60,304
Current assets:									
Trade and other receivables	15	672,882	-	-	-	-	-	-	672,882

All amounts in PLN '000 (unless otherwise stated)

Short-term loans	12.2	37,428	-	-	-	-	-	-	37,428
Derivative financial instruments	12.3	-	-	-	-	-	1,280	-	1,280
Other current financial assets	12.4	-	-	-	12,732	291	-	-	13,023
Cash and cash equivalents	16	288,750	-	-	-	-	-	-	288,750
Total financial assets		**1,023,003**	**-**	**-**	**16,695**	**29,632**	**14,196**	**27,000**	**1,110,526**

Item (continued)	Section	*Categories of financial instruments according to IAS 39							Total
		Loans and receivables	Financial assets at fair value through profit or loss - held for trading	Financial assets at fair value through profit or loss - designated on initial recognition as ones to be measured at fair value	Held-to-maturity investments	Available-for-sale financial assets	Hedging derivatives	Outside IAS 39	
As at Dec 31 2007									
Non-current assets:									
Non-current receivables	12.2	21,614	-	-	-	-	-	-	21,614
Long-term loans	12.2	1,405	-	-	-	-	-	-	1,405
Derivative financial instruments	12.3	-	-	-	-	-	15,890	-	15,890
Other non-current financial assets	12.4	-	-	-	8,507	29,377	-	4,000	41,884
Current assets:									
Trade and other receivables	15	517,904	-	-	-	-	-	-	517,904
Short-term loans	12.2	13,217	-	-	-	-	-	-	13,217
Derivative financial instruments	12.3	-	1,583	-	-	-	28,210	-	29,793
Other current financial assets	12.4	-	-	-	3,508	-	-	-	3,508
Cash and cash equivalents	16	409,342	-	-	-	-	-	-	409,342
Total financial assets		**963,482**	**1,583**	**-**	**12,015**	**29,377**	**44,100**	**4,000**	**1,054,557**

The value of financial liabilities disclosed in the consolidated balance sheet relates to the following categories of financial instruments, defined in IAS 39:

1 - financial liabilities at fair value through profit or loss - held for trading

2 - financial liabilities at fair value through profit or loss - designated on initial recognition as ones to be measured at fair value

3 - financial liabilities measured at amortised cost

4 - hedging derivatives

5 - liabilities outside the scope of IAS 39

All amounts in PLN '000 (unless otherwise stated)

Item	Section	*Categories of financial instruments according to 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 on initial recognition as ones to be measured at fair value	Financial liabilities measured at amortised cost	Hedging derivatives	Outside IAS 39	
As at Dec 31 2009							
Non-current liabilities:							
Loans and borrowings	12.5	-	-	101,877	-	-	101,877
Other debt instruments	12.5			375,000			375,000
Finance leases	12.5	-	-	-	-	16,178	16,178
Derivative financial instruments	12.3	-	-	-	553	-	553
Other liabilities	24	-	-	40,110	-	-	40,110
Current liabilities:							
Trade and other payables	24	-	-	758,674	-	-	758,674
Loans and borrowings	12.5	-	-	493,867	-	-	493,867
Other debt instruments	12.5	-	-	131,440	-	-	131,440
Finance leases	12.5	-	-	-	-	16,508	16,508
Derivative financial instruments	12.3	-	-	-	59,256	-	59,256
Total financial liabilities		**-**	**-**	**1,900,968**	**59,809**	**32,686**	**1,993,463**
As at Dec 31 2008							
Non-current liabilities:							
Loans and borrowings	12.5	-	-	112,850	-	-	112,850
Other debt instruments	12.5			200,000			200,000
Finance leases	12.5	-	-	-	-	10,387	10,387
Derivative financial instruments	12.3	-	-	-	46,610	-	46,610
Other liabilities	24	-	-	17,115	-	-	17,115

All amounts in PLN '000 (unless otherwise stated)

Current liabilities:							
Trade and other payables	24	-	-	425,823	-	-	425,823
Loans and borrowings	12.5	-	-	475,147	-	-	475,147
Other debt instruments	12.5	-	-	1,137	-	-	1,137
Finance leases	12.5	-	-	-	-	5,786	5,786
Derivative financial instruments	12.3	-	-	-	188,279	-	188,279
Total financial liabilities		**-**	**-**	**1,232,072**	**234,889**	**16,173**	**1,483,134**

Item	Section	*Categories of financial instruments according to 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 on initial recognition as ones to be measured at fair value	Financial liabilities measured at amortised cost	Hedging derivatives	Outside IAS 39	
As at Dec 31 2007							
Non-current liabilities:							
Loans and borrowings	12.5	-	-	50,033	-	-	50,033
Other debt instruments	12.5	-	-	200,000	-	-	200,000
Finance leases	12.5	-	-	-	-	8,498	8,498
Derivative financial instruments	12.3	-	-	-	-	-	-
Other liabilities	24	-	-	20,603	-	-	20,603
Current liabilities:							
Trade and other payables	24	-	-	425,879	-	-	425,879
Loans and borrowings	12.5	-	-	350,402	-	-	350,402
Other debt instruments	12.5	-	-	111,043	-	-	111,043
Finance leases	12.5	-	-	-	-	2,812	2,812
Derivative financial instruments	12.3	-	-	-	490	-	490
Total financial liabilities		**-**	**-**	**1,157,960**	**490**	**11,310**	**1,169,760**

All amounts in PLN '000 (unless otherwise stated)

12.2. FINANCIAL RECEIVABLES AND LOANS

For the purposes of presentation, loans and receivables are presented under separate items in the consolidated balance sheet (IFRS 7.6). In the non-current part of the balance sheet receivables are disclosed under "non-current receivables", and loans under "other non-current financial assets". In accordance with IAS 1, the current portion contains information on trade and other receivables, as well as loans. Balance sheet items related to loans and receivables are presented below. For description of receivables disclosures, see Section 15.

	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Non-current assets:			
Financial receivables	14,618	20,593	21,614
Loans	56,035	3,350	1,405
Non-current receivables and loans	**70,653**	**23,943**	**23,019**
Current assets:			
Trade and other receivables	1,031,180	672,882	517,904
Loans	216,446	37,428	13,217
Current receivables and loans	**1,247,626**	**710,310**	**531,121**
Receivables and loans, including:	**1,318,279**	**734,253**	**554,140**
Financial receivables (Section 15)	1,045,798	693,475	539,518
Loans (Section 12.2)	272,481	40,778	14,622

LOANS ADVANCED AS AT DECEMBER 31ST 2009

Transaction type	Execution date	Maturity date	Nominal value	Nominal interest rate	Carrying value
Loan advanced to Anta Development Sp. z o.o.:	Dec 15 2008	Dec 31 2010	500	3M WIBOR+2%	533
Loan advanced to Awdar Sp. z o.o.:	Mar 30 2009	Dec 31 2010	9,020	3M WIBOR+2.1%	9,456
Loan advanced to Awdar Sp. z o.o.:	Mar 30 2009	Dec 31 2010	14,000	3M WIBOR+2.1%	14,678
Loan advanced to Awdar Sp. z o.o.:	May 6 2009	Dec 31 2010	2,300	3M WIBOR+2%	2,389
Loan advanced to Awdar Sp. z o.o.:	Jun 16 2009	Dec 31 2010	3,000	3M WIBOR+2%	3,095
Loan advanced to Bathinex Sp. z o.o.:	Jun 10 2007	2010-12-31	4,050	10.00%	4,900
Loan advanced to Bathinex Sp. z o.o.:	Jan 7 2008	Dec 31 2010	350	10.00%	411
Loan advanced to Bathinex Sp. z o.o.:	Jul 22 2008	Dec 31 2010	2,000	10.00%	2,274
Loan advanced to Bathinex Sp. z o.o.:	Dec 15 2008	Dec 31 2010	4,000	10.00%	4,402
Loan advanced to Bathinex Sp. z o.o.:	Mar 4 2009	Mar 4 2010	500	10.00%	541
Transaction type (continued)	Execution date	Maturity date	Nominal value	Nominal interest rate	Carrying value

All amounts in PLN ‘000 (unless otherwise stated)

Loan advanced to Bathinex Sp. z o.o.:	Apr 1 2009	Apr 1 2010	500	10.00%	537
Loan advanced to Bathinex Sp. z o.o.:	May 6 2009	May 5 2010	500	10.00%	533
Loan advanced to Bathinex Sp. z o.o.:	Jun 1 2009	May 31 2010	500	10.00%	529
Loan advanced to Bathinex Sp. z o.o.:	Jul 1 2009	Jun 30 2010	2,500	10.00%	2,625
Loan advanced to Bathinex Sp. z o.o.:	Sep 14 2009	Sep 13 2010	1,200	10.00%	1,236
Loan advanced to Bathinex Sp. z o.o.:	Oct 6 2009	Oct 5 2010	320	10.00%	327
Loan advanced to DM Developer Sp. z o.o.	Oct 16 2009	Dec 31 2010	500	3M WIBOR+2%	507
Loan advanced to Energia Wiatrowa.pl Sp. z o.o.:	Mar 12 2009	Mar 12 2014	150	3M WIBOR+2%	157
Loan advanced to Jastarport Sp. z o.o.:	May 30 2008	Dec 31 2011	6,000	3M WIBOR+2%	6,666
Loan advanced to Kan-Gaz Sp. z o.o.	Jul 20 2009	Jun 30 2010	10,830	3M WIBOR+2.5%	11,009
Loan advanced to Kaz-Gaz Sp. z o.o.:	Dec 1 2009	Mar 31 2010	5,000	3M WIBOR+2%	5,020
Loan advanced to Kan-Gaz Sp. z o.o.:	Sep 21 2009	Dec 31 2010	10,050	3M WIBOR+2%	10,224
Loan advanced to Lubickie Wodociągi Sp. z o.o.:	Dec 27 2004	Jan 31 2010	37	1M WIBOR+2%	37
Loan advanced to Lubickie Wodociągi Sp. z o.o.:	Nov 28 2005	Apr 30 2013	1,363	1M WIBOR+2%	1,363
Loan advanced to PBG Basket SA:	Dec 1 2008	Jun 30 2010	3,230	1M WIBOR+1%	3,332
Loan advanced to Poner Sp. z o.o.	Nov 26 2009	Apr 30 2013	4,660	1Y WIBOR+2,5%	4,688
Loan advanced to Pris Sp. z o.o.	Sep 24 2009	Sep 23 2010	456	1M WIBOR+1%	456
Loan advanced to Remaxbud Sp. z o.o.	Mar 14 2007	Jun 30 2010	1,345	3M WIBOR+2%	1,345
Loan advanced to Remaxbud Sp. z o.o.	Nov 20 2009	Dec 31 2010	320	3M WIBOR+2%	322
Loan advanced to Słowian Invest Sp. z o.o.	Dec 22 2009	Dec 31 2010	21,415	3M WIBOR+2%	21,441
Loan advanced to Strateg Capital Sp. z o.o.	Oct 10 2008	Dec 31 2010	3,449	10.00%	3,449
Loan advanced to Strateg Capital Sp. z o.o.	Jan 6 2009	Dec 31 2010	25,146	10.00%	25,146
Loan advanced to Strateg Capital Sp. z o.o.	Mar 26 2009	Dec 31 2010	3,968	10.00%	3,968
Loan advanced to Strateg Capital Sp. z o.o.	Apr 16 2009	Dec 31 2010	749	10.00%	749
Loan advanced to Strateg Capital Sp. z o.o.	Jul 1 2009	Dec 31 2010	3,227	10.00%	3,227
Loan advanced to Strateg Capital Sp. z o.o.	Aug 10 2009	Dec 31 2010	37,912	10.00%	37,912

All amounts in PLN '000 (unless otherwise stated)

Transaction type (continued)	Execution date	Maturity date	Nominal value	Nominal interest rate	Carrying value
Loan advanced to Strateg Capital Sp. z o.o.:	Sep 7 2009	Dec 31 2010	8,169	10.00%	8,169
Loan advanced to Strateg Capital Sp. z o.o.	Oct 6 2009	Dec 31 2010	5,324	10.00%	5,324
Loan advanced to Strateg Capital Sp. z o.o.	Dec 14 2009	Dec 31 2010	15,220	10.00%	15,283
Loan advanced to Wamar Sp. z o.o.	Oct 3 2008	Jun 30 2010	6,700	8.89%	7,152
Loan advanced to Z.W Sowiński Sp.k.:	Dec 29 2009	Jun 28 2011	43,344	3M WIBOR+2%	43,359
Loan advanced to M&W Bartosz Jankowski	Sep 23 2008	Sep 22 2010	117	1M WIBOR+1%	128
Loan advanced to natural persons:	x	x	2,860	x	3,582
Total, including:					**272,481**
- long-term					56,035
- short-term					216,446

LOANS ADVANCED AS AT DECEMBER 31ST 2008

Transaction type	Execution date	Maturity date	Nominal value	Nominal interest rate	Carrying value
Loan advanced to Anta Development Sp. z o.o.	Dec 15 2008	Dec 31 2009	500	3M WIBOR+2%	502
Loan advanced to Bathinex Sp. z o.o.	Jun 10 2007	Dec 31 2009	4,050	10.00%	4,495
Loan advanced to Bathinex Sp. z o.o.	Jan 7 2008	Dec 31 2009	350	10.00%	376
Loan advanced to Bathinex Sp. z o.o.	Jul 22 2008	Dec 31 2009	2,000	10.00%	2,074
Loan advanced to Bathinex Sp. z o.o.	Dec 15 2008	Dec 31 2009	1,500	10.00%	1,506
Loan advanced to Jastarport Sp. z o.o.	May 30 2008	Dec 31 2009	6,000	3M WIBOR+2%	6,289
Loan advanced to Lubickie Wodociągi Sp. z o.o.	Dec 27 2004	Jan 31 2010	318	1M WIBOR+2%	318
Loan advanced to Lubickie Wodociągi Sp. z o.o.	Oct 19 2005	Jan 31 2009	16	1M WIBOR+2%	16
Loan advanced to Lubickie Wodociągi Sp. z o.o.	Nov 28 2005	Apr 30 2013	1,363	1M WIBOR+2%	1,363
Loan advanced to Piecobiogaz SA	Jul 18 2007	Dec 31 2009	3,400	3M WIBOR+1%	3,748
Loan advanced to Piecobiogaz SA	Sep 14 2007	Dec 31 2009	4,200	3M WIBOR+1%	4,589
Loan advanced to PBG Basket SA	Dec 1 2008	Jun 30 2009	300	1M WIBOR+1%	302
Loan advanced to Remaxbud Sp. z o.o.	Mar 14 2007	Dec 31 2009	1,500	3M WIBOR+1%	1,500
Loan advanced to Strateg Capital Sp. z o.o.	Oct 10 2008	Dec 31 2009	3,090	10.00%	3,140

All amounts in PLN '000 (unless otherwise stated)

Transaction type (continued)	Execution date	Maturity date	Nominal value	Nominal interest rate	Carrying value
Loan advanced to M&W Bartosz Jankowski	Sep 23 2008	Sep 22 2010	172	1M WIBOR+1%	175
Loans advanced to Toska Włocławek	Apr 26 2006	Sep 30 2008	60	3M WIBOR+1%	3
Loan advanced to WAMAR s.c.	Oct 3 2008	Dec 31 2009	6,000	8.89%	6,082
Loans advanced to natural persons:	x	x	5,090	x	4,248
Loans advanced to employees:	x	x	87	x	52
Total, including:					**40,778**
- long-term					3,350
- short-term					37,428

Loans advanced are valued at amortised cost, using the effective interest rate method. The carrying value of loans bearing interest at a variable interest rate is considered to be a reasonable approximation of fair value.

As at December 31st 2009 loans advanced in PLN with the carrying value of PLN 272,481 thousand (2008: PLN 40,778 thousand), bore interest at a variable interest rate based on WIBOR with a bank margin from 1 to 2.5 percentage points, and at a fixed interest rate. Loan maturity dates fall in the period 2010–2014.
The Group did not advance any loans in EUR. The carrying value of the foreign currency loan as at December 31st 2008 amounted to PLN 632 thousand (2007: PLN 593 thousand). The foreign currency loan bore interest at a fixed interest rate (11%). The loan in EUR was due in 2008.

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

CHANGES IN LOANS

	For period Jan 1- Dec 31 2009	For period Jan 1- Dec 31 2008
Loans at beginning of period	**40,778**	**14,622**
Increase – new companies joining the Group	-	-
Acquisition – advancement of loans	238,418	23,447
Interest accrued at the effective interest rate	9,135	2,108
Impairment losses (-) valuation	-	93
Changes due to disposal of subsidiary undertaking	-	4,190
Disposal (-) repayment of loans	(17,603)	(3,733)
Other changes, including: reversal of impairment losses	-	51
Other changes, including: creation of impairment losses	(909)	-
Changes due to disposal of subsidiary undertaking	2,662	-
Loans at end of period	**272,481**	**40,778**

All amounts in PLN '000 (unless otherwise stated)

In 2009, the Group recognised an impairment loss on loans in the amount of PLN 909 thousand. Impairment losses on loans are disclosed under "finance expenses" in the consolidated income statement (see Section 29.2). An impairment loss was also recognised for loans to companies in difficult financial situation.

12.3. FINANCIAL DERIVATIVES

The Group uses derivatives to manage the currency risk related to a portion of purchase and sale transactions.

In accordance with the corporate risk management strategy adopted by the PBG Group, all the Group companies executing construction contracts which are settled in foreign currencies have the duty to use hedge accounting in order limit the impact of financial risk on operating results as far as possible. The Group's hedging strategy assumes hedging of individual contracts the future inflows from which will be received or denominated in a foreign currency. The strategy is based on the principle of matching hedging instruments to the planned transactions under the contract, but always taking into account the actual net exposure, given the budget exchange rate determined in accordance with the relevant definition, possible foreign-currency denominated 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 Group 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 on the basis of market data (exchange rates and interest rates).

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Non-current assets:			
Cash flow hedges	8,746	12,916	15,890
Fair value hedges	-	-	-
Non-current derivatives	**8,746**	**12,916**	**15,890**
Current assets:			
Cash flow hedges	19,227	1,280	28,210
Fair value hedges	988	-	-
Current derivatives	**20,215**	**1,280**	**28,210**
Assets – hedging derivatives	**28,961**	**14,196**	**44,100**
Non-current liabilities:			
Cash flow hedges	553	46,610	-
Fair value hedges	**-**	**-**	-
Non-current derivatives	**553**	**46,610**	**-**
Current liabilities:			
Cash flow hedges	59,120	188,279	490
Fair value hedges	136	-	-
Current derivatives	**59,256**	**188,279**	**490**
Liabilities – hedging derivatives	**59,809**	**234,889**	**490**

HEDGING DERIVATIVES

DERIVATIVES SERVING AS CASH FLOW HEDGES (HEDGES FOR RISKS)

Item	Nominal value of foreign-currency transaction ('000)	Carrying amount of instruments *		Term		Effect on result in the period	
		Financial assets	Financial liabilities	from	to	from	to
As at Dec 31 2009							
CAD forward contracts – hedge for purchase transactions	30,720	18,444	-	Mar 29 2010	Sep 28 2012	Mar 29 2010	Sep 28 2012
EUR forward contracts – hedge for sale transactions	125,759	9,529	59,020	Nov 27 2006	May 12 2011	Jan 1 2009	May 12 2011
USD forward contracts – hedge for purchase transactions	3,250	-	100	Feb 26 2010	Mar 30 2010	Feb 26 2010	Mar 30 2010
Interest rate swaps	-	-	553				
Total hedging derivatives		**27,973**	**59,673**				

Item	Nominal value of foreign-currency transaction ('000)	Carrying amount of instruments *		Term		Effect on result in the period	
		Financial assets	Financial liabilities	from	to	from	to
As at Dec 31 2008							
CAD forward contracts – hedge for purchase transactions	34,370	14,196	-	Mar 30 2009	Sep 28 2012	Mar 30 2009	Sep 28 2012
EUR forward contracts – hedge for sale transactions	349,114	-	233,349	May 30 2007	Dec 31 2010	Jan 1 2008	Dec 31 2011
Interest rate swaps	-	-	1,540				
Total hedging derivatives		**14,196**	**234,889**				

Item	Nominal value of foreign-currency transaction ('000)	Carrying amount of instruments *		Term		Effect on result in the period	
		Financial assets	Financial liabilities	from	to	from	to
As at Dec 31 2007							
EUR forward contracts – hedge for sale transactions	260,462	44,101	-	Jan 1 2007	Dec 31 2010	Jan 1 2008	Dec 31 2011
USD forward contracts – hedge for purchase transactions	1,000	-	490	Sep 28 2008	Sep 28 2008	Sep 28 2008	Sep 28 2008

Total hedging derivatives	**44,101**	**490**	

* fair value

DERIVATIVES SERVING AS FAIR VALUE HEDGES (HEDGES FOR RISKS)

Item	Nominal value of foreign-currency transaction ('000)	Carrying amount of instruments *		Term		Effect on result in the period	
		Financial assets	Financial liabilities	from	to	from	to
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 hedging derivatives		**988**	**136**				

EFFECT OF FOREIGN EXCHANGE HEDGES ON THE RESULTS OF THE PBG GROUP

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

In the financial year 2009, PBG S.A. and its subsidiaries executed hedge transactions only with regard to planned future currency exposures, using standard forward contracts. Companies of the PBG Group did not hold any currency options. Hedge transaction were executed in line with the applicable hedging policy and concerned contracts with investors and suppliers (primarily denominated in EUR, CAD and USD). The transactions were not of a speculative nature; they were executed in performance of the hedging policy, and their objective was to secure future cash flows related to sales revenue (under effective long-term construction contracts) and costs of sales, and provide a hedge for future fair value of a financial asset.

As at December 31st 2009, the result on derivatives ***(open and closed)*** for 2009 was PLN -106,237 thousand, of which:
- PLN 114,174 thousand reduced sales revenue (amount transferred from other comprehensive income to the income statement in the reporting period, reduction of sales revenue)
- PLN 6,773 thousand reduced cost of sales,
- PLN 1,164 thousand was recognised under finance income.

Due to the fact that the PBG Group holds open currency positions, a portion its EUR-denominated cash flows (attributable to sales revenue), including cash flows of EUR 107,244 thousand to be made in 2010 (of which EUR 63,876 thousand is to be made in H1 2010), and of EUR 18,515 thousand to be made in 2011 and the following years, is hedged. The transactions were executed using a weighted average EUR/PLN forward rate of 3.77.
According to data sourced from banks, as at December 31st 2009, the fair value of ***open hedge positions*** for EUR-denominated cash flows was –PLN 49,491 thousand,
The Group hedges a portion of its CAD-denominated cash flows (attributable to cost of sales) by holding open currency positions, including a position of CAD 20,150 thousand for 2010 (of which CAD 9,700 thousand relates to H1 2010), and a position of CAD 10,570 thousand for 2011 and the following years. The transactions were executed using a weighted average CAD/PLN forward rate of 2.16.
According to data sourced from banks, as at December 31st 2009, the carrying amount of ***open hedge positions*** for CAD-denominated cash flows was PLN 18,444 thousand.
The Group hedges a portion of its USD-denominated cash flows (attributable to cost of sales) by holding open currency positions in the amount of USD 3,250 thousand for 2010. The transactions were executed using a weighted average USD/PLN forward rate of 2.88.
According to data sourced from banks, as at December 31st 2009, the carrying amount of ***open hedge positions*** for USD-denominated cash flows was –PLN 100 thousand.

As at December 31st 2009, the fair value of ***open derivative positions*** was –PLN 30,295 thousand of which –PLN 31,147 thousand related to fair value of cash flow hedges and PLN 852 thousand related to fair value of hedges for financial assets. The fair value of open hedge position varies in response to changing market conditions. Accordingly, the final result on those transactions may differ significantly from the valuation presented above.

All amounts in PLN '000 (unless otherwise stated)

Hedging contracts are executed in compliance with the PBG Group's strategy for hedging business activities against currency risk.

EFFECT OF INTEREST RATE HEDGES ON THE RESULTS OF THE PBG GROUP

In order to manage interest rate risk, the Group uses interest rate swaps as hedging instruments.

Pursuant to the requirements of the credit facility agreement for the financing of projects, the Group is obliged to manage interest rate risk. In order to comply with the Bank's requirements, on July 23rd 2008, the Group executed an interest rate swap transaction in respect of 50% of the outstanding amount of the loan facility, which will mature by December 31st 2013.
As at December 31st 2009, the result for 2009 on derivatives used as interest rate hedges was PLN -1,152 thousand, of which:
- PLN 599 thousand increased finance expenses,
- PLN 553 thousand reduced other comprehensive income.

In 2009, the Group recognised gain on valuation of cash flow hedges of PLN 5,664 thousand (2008: PLN -198,541 thousand) under other comprehensive income. As at December 31st 2009, capital reserve from revaluation of cash flow hedges amounted to PLN -27,806 thousand (2008: PLN -102,264 thousand, 2007: PLN 8,605 thousand).

Amounts transferred from the capital reserve from revaluation of cash flow hedges to financial result in connection with execution of a hedged item were presented under the following items of the consolidated cash flow statement:

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Revenue		
Sales revenue	(114,174)	(12,223)
Other operating income	-	-
Finance income	(591)	-
Total income	(114,765)	(12,223)
Expenses		
Operating expenses	-	-
Other operating expenses	-	(1,267)
Finance expenses	-	-
Total expenses	-	-
Effect on net profit/(loss)	(114,765)	(10,956)

All amounts in PLN '000 (unless otherwise stated)

In the period covered by these consolidated financial statements, no amounts accumulated in the revaluation capital reserve were transferred to the initial value of hedged items.

12.4. OTHER FINANCIAL ASSETS

The Group presents the following investments under other financial assets:

Item	Current assets			Non-current assets		
	Dec 312009	Dec 312008	Dec 31 2007	Dec 312009	Dec 312008	Dec 31 2007
Held-to-maturity investments:						
Commercial debt securities	-	12,732	3,352	-	3,000	7,544
Term deposits	706	-	156	963	963	963
Total held-to-maturity investments	**706**	**12,732**	**3,508**	**963**	**3,963**	**8,507**
Available-for-sale financial assets:						
Shares of listed companies	157	291	-	-	-	-
Shares of non-listed companies	-	-	-	34,611	29,341	29,377
Debt securities	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total available-for-sale financial assets	**157**	**291**	**-**	**34,611**	**29,341**	**29,377**
Financial assets at fair value through profit or loss:						
Shares of listed companies	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Investment fund units	-	-	-	-	-	-
Other	-	-	1 583	-	-	-
Total financial assets at fair value through profit or loss	**-**	**-**	**1,583**	**-**	**-**	**-**
Total other financial assets	**863**	**13,023**	**5,091**	**35,574**	**33,304**	**37,884**

HELD-TO-MATURITY INVESTMENTS

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Bonds	-	-	-
Bills	-	15,732	10,896
Term deposits	1,669	963	1,119
Total held-to-maturity investments	**1,669**	**16,695**	**12,015**
- non-current	963	3,963	8,507
- current	706	12,732	3,508

Transaction type	Execution date	Maturity date	Nominal amount	Interest rate		Carrying amount
				nominal	effective	
Purchase of guarantee for loan repayment from Bank Ochrony Środowiska S.A.	Sep 27 2002	Dec 20 2011	963	0.00%	0.00%	963
Purchase of bid bond reguarantee from Calyon Credit Agricole	Dec 10 2009	Jun 8 2010	706	1.50%	1.50%	706
Total						**1,669**

All amounts in PLN '000 (unless otherwise stated)

CHANGE IN HELD-TO-MATURITY INVESTMENTS

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Balance at beginning of period	**16,695**	**12,015**
Purchase	12,366	5,000
Interest accrued at the effective interest rate	649	885
Impairment losses (-)	-	-
Asset reclassification	-	-
Disposal (-)	(28,041)	(1,205)
Other changes	-	-
Balance at end of period	**1,669**	**16,695**

AVAILABLE-FOR-SALE ASSETS

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Shares and other equity interests	34,768	29,632	29,377
Debt securities	-	-	-
Total available-for-sale assets	**34,768**	**29,632**	**29,377**
- non-current	34,611	29,341	29,377
- current	157	291	-

CHANGE IN AVAILABLE-FOR-SALE ASSETS

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Balance at beginning of period	**29,632**	**29,377**
Increase –new undertakings in the Group	-	-
Purchase	5,269	63
Measurement charged to equity	-	-
Impairment losses charged to profit or loss (-)	(133)	-
Increase in value charged to profit or loss (+)	-	290
Asset reclassification	-	-
Disposal (-)	-	(358)
Other changes	-	260
Balance at end of period	**34,768**	**29,632**

Available-for-sale assets comprise shares of public listed companies and shares of non-listed companies. The Group measures shares of public companies at fair value based on their respective prices quoted as at the end of reporting period. The Group's most material investments in shares of listed companies include a block of 325,804 shares of Centrozap S.A. with the carrying value of PLN 157 thousand (in 2008: PLN 291 thousand).

The Group measures shares of non-listed companies at acquisition price less impairment losses, because reliable estimation of their fair value is infeasible. The Group does not intend to sell the shares held in non-listed companies in the nearest future.

The Group's equity interests in non-listed companies include:

- minority (19.97%) interest in KRI S.A. with the carrying value of PLN 25,315 thousand (in 2008: PLN 25,315 thousand),
- minority (19%) interest in Poner Sp. z o.o. with the carrying value of PLN 4,159 thousand (in 2008: PLN 0 thousand),
- minority (18%) interest in Bathinex Sp. z o.o. with the carrying value of PLN 1,083 thousand (in 2008: PLN 18 thousand),
- minority (7.82%) interest in Naftomontaż Sp. z o.o. with the carrying value of PLN 3,500 thousand (in 2008: PLN 3,500 thousand),
- minority (18.92%) interest in Remaxbud Sp. z o.o. with the carrying value of PLN 421 thousand (in 2008: PLN 421 thousand),
- minority (15%) interest in Lubickie Wodociągi Sp. z o.o. with the carrying value of PLN 30 thousand (in 2008: PLN 30 thousand),
- minority (18.80%) interest in Strateg Capital Sp. z o.o. with the carrying value of PLN 47 thousand (in 2008: PLN 47 thousand),
- minority (18.7%) interest in Energia Wiatrowa Sp. z o.o. with the carrying value of PLN 18 thousand (in 2008: PLN 0 thousand),
- minority (19%) interest in Awdar Sp. z o.o. with the carrying value of PLN 10 thousand (in 2008: PLN 0 thousand),
- minority (0.21%) interest in Konsorcjum Autostrada Śląsk with the carrying value of PLN 4 thousand (in 2008: PLN 4 thousand),
- minority (0.89%) interest in Drogowa Trasa Średnicowa with the carrying value of PLN 22 thousand (in 2008: PLN 22 thousand),
- one share in Mikołowski Bank Spółdzielczy with the carrying value of PLN 0.5 thousand (in 2008: PLN 0.5 thousand)

As at December 31st 2009, no indicators of impairment of the financial assets referred to above were identified. Consequently, the Group did not recognise impairment losses.

If an indicator of impairment is identified, the Group reviews values of the financial assets referred to above using measurement techniques based on the DCF model.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category of assets comprises financial assets and liabilities held for trading, as well as financial assets and liabilities designated on initial recognition as ones to be measured at fair value with fair value changes in profit or loss.

The Group classifies non-hedging derivatives as financial assets and liabilities held for trading.

Fair value is determined based on market data (foreign exchange rates and interest rates). As at December 31st 2009 (the end of reporting period), the Group did not disclose financial assets at fair value through profit or loss (in 2008: PLN 0 thousand, in 2007: PLN 1,583 thousand).

All amounts in PLN '000 (unless otherwise stated)

12.5. LOANS, BORROWINGS AND OTHER DEBT INSTRUMENTS

The table below sets forth the amounts of loans, borrowings and other debt instruments recognised in the consolidated financial statements.

DEBT SECURITIES IN ISSUE, FINANCED LEASE LIABILITIES, LOANS AND BORROWINGS

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Loans	585,304	587,322	398,129
Borrowings	10,440	675	2,306
Financed lease liabilities	32,686	16,173	11,310
Debt securities in issue	506,440	201,137	311,043
Total financial liabilities	**1,134,870**	**805,307**	**722,788**
- non-current	493,055	323,237	258,530
- current	641,815	482,070	464,258

The Group does not classify any loans or borrowings as financial liabilities designated as ones to be measured at fair value with fair value changes in profit or loss. All loans, borrowings and other debt instruments are measured at amortised cost, using the effective interest rate method. Section 12.7 includes the presentation of fair values of loans, borrowings and other debt instruments.

The majority of loans contracted by the Group companies bear interest at variable interest rates. The interest rate used most often is based on 1M WIBOR plus margin which depends on the borrower's creditworthiness. The loans bore interest at rates ranging from 5.01% to 6.26%, with interest payable on a monthly basis.

As at the end of reporting period, the base interest rates applied in loan agreements concluded by the Group companies were as follows:

Reference rate	Dec 31 2009	Dec 31 2008
1M WIBOR	3.76	5.61
3M WIBOR	4.27	5.88
6M WIBOR	4.39	5.95
1M EURIBOR	0.46	2.6
Promissory note rediscount	3.75	5.25

As at December 31st 2009, according to the agreements concluded, the total value of current-account facilities stood at PLN 381,629 thousand, compared with PLN 302,601 thousand as at December 31st 2008. Of that amount, PLN 179,723 thousand had been used as at December 31st 2009, compared with PLN 136,952 thousand as at December 31st 2008.

Within the limits obtained, current-account credit facilities are renewed for annual periods.

In order to enhance the diversification of financing sources, in November 2007 an agency and dealer agreement was signed for ING Bank Śląski S.A.'s arrangement and execution of a three-year bond issue programme for PBG S.A. and Hydrobudowa Polska S.A., with the total par value of PLN 500,000 thousand.

All amounts in PLN '000 (unless otherwise stated)

Under this programme, on September 10th 2009, PBG S.A. issued the second tranche of bonds (Series C) with a value of PLN 375m, maturing on September 10th 2012, and redeemed series B bonds with a value of PLN 75m. The debt under bond issue currently amounts to PLN 500,000 thousand.
The bonds bear interest at a variable rate based on the 6M WIBOR rate.

Liabilities under bonds issued are secured with civil-law sureties up to the issue total value, granted by Hydrobudowa Polska S.A., Infra S.A. and Hydrobudowa 9 S.A.

In order to secure against the interest rate risk, the Group uses **IRS hedging instruments**.

Under the conditions of an agreement for a credit facility for financing capital investments, PBG S.A., the Parent Undertaking, was obliged to limit interest rate risk. In the performance of the Bank's requirements, on July 23rd 2008, the Company entered into an IRS transaction for 50% of the outstanding loan amount, maturing by December 31st 2013.
The IRS transaction consists in the swap of interest payments accruing at a variable 1M WIBOR rate for interest payments accruing at a fixed interest rate.

The Parent Undertaking uses hedge accounting for cash flows with respect to the derivative transaction referred to above and partially hedging against interest rate risk to which the cash flows are exposed.

LOANS AND BORROWINGS BY MATURITY

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Short-term loans and borrowings	493,867	475,147	350,402
Long-term loans and borrowings, by maturity	101,877	112,850	50,033
- from 1 year to 2 years	88,496	73,265	36,512
- from 2 years to 5 years	10,140	39,585	13,521
- over 5 years	3,241	-	-
Total loans and borrowings	**595,744**	**587,997**	**400,435**

LOANS AND BORROWINGS BY CURRENCY

Item	As at Dec 31 2009		As at Dec 31 2008	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) PLN	X	569,580	x	578,852
b) EUR	6,353	26,164	500	2,132
c) SKK	-	-	50,635	7,013
Total loans and borrowings	**X**	**595,744**	**x**	**587,997**

All amounts in PLN '000 (unless otherwise stated)

The table below presents the nature and scale of risk to which the Group is exposed under the contracted loans, borrowings and other debt instruments (see also Section 34 pertaining to risks).

LOANS AND BORROWINGS AS AT DECEMBER 31ST 2009

Item	Principal	Nominal interest rate	Cost
Borrowing granted by DM Developer Sp. z o.o.			
Advancement date: Apr 9 2008	206	5.68%	65
Borrowing granted by APP Sp. z o.o.			
Advancement date: Nov 8 2006	226	6.20%	56
Borrowings granted by Parkowa Łazienki Sp. z o.o.			
Advancement date: Nov 8 2006	531	6.20%	131
Advancement date: May 30 2007	4,174	3M WIBOR+2%	923
Advancement date: Apr 18 2007	2,108	3M WIBOR+2%	-
Item (continued)	Principal	Nominal interest rate	Cost
Borrowing granted by Bathinex Sp. z o.o.			
Advancement date: Oct 15 2009	30	11.00%	1
Borrowings granted by Ornament Trading (Overseas) Limited:			
Advancement date: Feb 17 2005	2,678	8.00%	240
Advancement date: Jul 18 2007	115	6.00%	6
Advancement date: Jun 2 2009	259	6.00%	9
Borrowings from natural persons	113	3M WIBOR+2%; 10.00%	79
Total borrowings, including:	**10,440**	**x**	**1,510**
- long-term	204	**x**	**-**
- short-term	10,236	**x**	**-**

LOANS AS AT DECEMBER 31ST 2009

Loan currency	Reference rate	**Amount as at end of reporting period**			
		non-current portion		current portion	
		PLN	currency	PLN	currency
EUR	variable*	3,241	EUR 789	22,923	EUR 5,564
PLN	variable*	98,497	-	461,187	-
Credit cards		-	-	23	-
Interest accrued		-	-	630	-
Adjusted at the effective interest rate		(65)	-	(1,132)	-
Total		**101,673**	**-**	**483,631**	**-**

LOANS AS AT DECEMBER 31ST 2008

Loan currency	Reference rate	**Amount as at end of reporting period**			
		non-current portion		current portion	
		PLN	currency	PLN	currency
EUR	variable*	-	-	2,132	EUR 500
SKK	variable*	-	-	7,013	SKK 50,635
PLN	variable*	112,214	-	465,151	-
Credit cards		-	-	21	-

Interest accrued	-	-	906	-
Overdraft facility	-	-	15	-
Adjusted at the effective interest rate	(20)	-	(110)	-
Total	**112,194**	**-**	**475,128**	**-**

* The majority of loans contracted by the Group companies bear interest at variable interest rates. For PLN loans, the interest rates used most often are based on the 1M WIBOR reference rate plus the Bank's credit margin, depending on the borrower's creditworthiness. EUR loans predominantly bear interest at the EURIBOR/BRIBOR reference rate plus the Bank's credit margin.

Group name:	*The PBG Group*		
Period covered by the financial statements:	*January 1st – December 31st 2009*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN '000 (unless otherwise stated)*		

LOANS AS AT DECEMBER 31ST 2009

Company's name and registered office	Contractual loan amount		Maturity date	Interest	Outstanding principal				Security
					non-current portion		current portion		
	PLN	Currency			PLN	Currency	PLN	Currency	
BGŻ S.A., Warsaw	10,000	PLN	Dec 31 2010	1M WIBOR + bank's margin*	-	PLN	3,333	PLN	1. Registered pledge over object of the loan and assignment of rights under insurance policy of the asset encumbered with the registered pledge. 2. Power of attorney over each borrowers' current accounts maintained by the bank. 3. Blank promissory notes issued by each borrower with promissory note declarations.
BGŻ S.A., Warsaw	34,000	PLN	Nov 30 2010	1M WIBOR+ bank's margin*	-	PLN	34,000	PLN	1. Confirmed assignment of claims under contracts for at least 150% of the amount of used limit. 2. Power of attorney over borrower's current accounts. 3. Blank promissory note. 4. Representation on submission to enforcement.
BGŻ S.A., Warsaw	6,000	PLN	Dec 31 2011	1M/3M WIBOR + bank's margin*	-	PLN	-	PLN	1. Registered pledge over loan-financed asset and assignment of rights under insurance policy of the loan-financed asset. 2. Power of attorney over each borrowers' current accounts maintained by the bank. 3. Blank promissory notes issued by each borrower.
BGŻ S.A., Warsaw	39,000	PLN	Nov 30 2010	1M WIBOR + bank's margin*	-	PLN	39,000	PLN	1. Confirmed assignment of claims under contracts performed by the borrower for at least 200% of the amount of used limit. 2. Power of attorney over present and future accounts at the lender's bank. 3. Blank promissory note with a promissory note declaration.
BGŻ S.A., Warsaw	1,667	PLN	Dec 31 2010	1M WIBOR + bank's margin*	-	PLN	1,667	PLN	1. Blank promissory note with a promissory note declaration. 2. Registered pledge over a financial asset. 3. Power of attorney over present and future accounts at the lender's bank.

Group name:	***The PBG Group***		
Period covered by the financial statements:	***January 1st – December 31st 2009***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

Company's name and registered office	Contractual loan amount		Maturity date	Interest	Outstanding principal				Security
					non-current portion		current portion		
	PLN	Currency			PLN	Currency	PLN	Currency	
BGŻ S.A., Warsaw	849	PLN	Dec 31 2011	1M WIBOR + bank's margin*	424	PLN	425	PLN	1. Blank promissory note with a promissory note declaration. 2. Registered pledge over a financial asset. 3. Power of attorney over present and future accounts at the lender's bank.
BOŚ S.A., Poznań Branch	11,231	PLN	Dec 15 2011	0.4 X promissory notes rediscount rate	1,284	PLN	1,284	PLN	1. Blank promissory note with an aval by Mr Jerzy and Ms Małgorzata Wiśniewski, Mr Marek Grunt and his wife, and Mr Tomasz Woroch and his wife. 2. Bank guarantee issued by BRE Bank S.A., Poznań Branch. 3. Representation on submission to enforcement.
BZ WBK S.A.	13,327	PLN	Jul 31 2010	1M WIBOR + bank's margin*	-	PLN	11,077	PLN	1. Mortgage over loan-financed property. 2. Surety under civil law. 3. Transfer of claims under lease agreements.
BZ WBK S.A., Poznań	1,336	PLN	May 28 2010	1M WIBOR + bank's margin*	-	PLN	186	PLN	1. Blank promissory note with a promissory note declaration. 2. Representation on voluntary submission to bank enforcement. 3. Power of attorney to direct debits to borrower's bank accounts.
BZ WBK S.A., Wrocław	20,000	PLN	Nov 30 2010	1M WIBOR + bank's margin*	-	PLN	14,567	PLN	1. Power of attorney over borrower's current accounts. 2. Assignment of existing and future pecuniary claims of at least 150% of the amount of used limit. 3. Blank promissory notes. 4. Surety under civil law for borrower's liabilities under each detailed agreement.
BZ WBK S.A., Wrocław	5,000	PLN	Jun 30 2013	1M WIBOR + bank's margin*	2,778	PLN	1,111	PLN	1. Registered pledge over machines and equipment purchased with cash from contracted investment loan. 2. Surety under civil law issued by PBG S.A. – blank promissory note with a promissory note declaration.

Group name:	The PBG Group		
Period covered by the financial statements:	January 1st – December 31st 2009	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN '000 (unless otherwise stated)		

Company's name and registered office	Contractual loan amount		Maturity date	Interest	Outstanding principal				Security
					non-current portion		current portion		
	PLN	Currency			PLN	Currency	PLN	Currency	
BZ WBK S.A., Wrocław	42,929	PLN	Nov 30 2010	1M WIBOR + bank's margin*	-	PLN	35,261	PLN	1. Power of attorney over a bank account. 2. Assignment of claims under B-0106 Tychy and B-0020 Swarzędz contracts. 3. Surety under civil law issued by PBG S.A. and Hydrobudowa Polska S.A. 4. Blank promissory note. 5. Mortgages over properties. 6. Representation on submission to enforcement
BZ WBK S.A., Wrocław	4,000	PLN	Jun 30 2012	1M WIBOR + bank's margin*	1,333	PLN	889	PLN	1. Registered pledge over machines and equipment purchased with cash from contracted investment loan. 2. Surety under civil law issued by PBG S.A. – blank promissory note with a promissory note declaration.
DnB NORD Polska S.A., Warsaw	60,000	PLN	Jan 31 2011	1M WIBOR + bank's margin*	-	PLN	22,801	PLN	1. Power of attorney. 2. Agreements on transfer of claims. 3. Reciprocal surety. 4. Amount of claims under contracts of at least 150% of the amount of used limit. 5. Power of attorney to direct debits to borrower's current account.
DZ Bank Polska S.A., Warsaw	23,700	PLN	Jul 31 2010	1M WIBOR + bank's margin*	-	PLN	13,989	PLN	1. Blank promissory note issued by PBG S.A. with an aval by Hydrobudowa Polska S.A. 2. Blank promissory note with a promissory note declaration issued by Hydrobudowa Polska S.A. with an aval by PBG S.A. 3. Transfer to the bank of each borrower's claims under agreements/contracts of at least 150% of the amount of used limit. 4. Representation on submission to enforcement.
ING Bank Śląski S.A., Katowice	30,000	PLN	Aug 13 2010	1M WIBOR + bank's margin*	-	PLN	29,990	PLN	1. Representation on submission to enforcement 2. Corporate guarantees.

All amounts in PLN '000 (unless otherwise stated)

Company's name and registered office	Contractual loan amount		Maturity date	Interest	Outstanding principal				Security
					non-current portion		current portion		
	PLN	Currency			PLN	Currency	PLN	Currency	
ING Bank Śląski S.A., Katowice	5,000	PLN	Aug 13 2010	1M WIBOR + bank's margin*	-	PLN	3,608	PLN	1. Assignment of claims of at least 150% of the amount of used facility limit. 2. Power of attorney over borrower's bank accounts maintained by the bank. 3. Representation on submission to enforcement.
ING Bank Śląski S.A., Katowice	10,000	PLN	Mar 30 2013	1M WIBOR + bank's margin*	4,426	PLN	1,967	PLN	1. Deposit mortgage of up to PLN 13,000,000 over property located in Wysogotowo, Tarnowo Podgórne commune, Land and Mortgage Register entry No. KW PO1P/00218712/9. 2. Assignment of rights under insurance policy of the above property. 3. Power of attorney to the bank account at ING Bank Śląski S.A.
ING Bank Śląski S.A., Katowice	36,000	PLN	Dec 31 2011	1M WIBOR + bank's margin*	4,316	PLN	4,316	PLN	1. Power of attorney over bank accounts at ING Bank Śląski S.A. 2. First deposit mortgage of up to PLN 18,000,000 over property located in Wysogotowo, Tarnowo Podgórne commune, Land and Mortgage Register entry No. KW 91.909. 3. First deposit mortgage of up to PLN 18,000,000 over property located in Wysogotowo, Tarnowo Podgórne commune, Land and Mortgage Register entry No. KW 66.276. 4. Assignment of rights under insurance policy of the above property. 5. Letter if intent by Mr Jerzy Wiśniewski stating that he will remain the holder of at least 35% of the total vote at the General Shareholders Meeting of PBG S.A. 6. Surety under civil law issued by subsidiaries Hydrobudowa Polska S.A. and Infra S.A.
ING Bank Śląski S.A., Katowice	1,000	PLN	Sep 5 2010	1M WIBOR + bank's margin*	-	PLN	107	PLN	1. Power of attorney over a bank account. 2. Corporate guarantee.

All amounts in PLN '000 (unless otherwise stated)

Company's name and registered office	Contractual loan amount		Maturity date	Interest	Outstanding principal				Security
					non-current portion		current portion		
	PLN	Currency			PLN	Currency	PLN	Currency	
Kredyt Bank S.A., Warsaw	10,680	PLN	Dec 31 2011	1M WIBOR + bank's margin*	3,560	PLN	3,560	PLN	1. Ordinary mortgage of PLN 10,680 thousand created over perpetual usufruct right to land and ownership title to buildings and structures situated on the land and comprising a separate object of ownership. 2. Deposit mortgage of PLN 2,670 thousand created over perpetual usufruct right to land and ownership title to buildings and structures situated on the land and comprising a separate object of ownership. 3. Assignment of rights under agreement insuring the above property against fire and other acts of God. 4. Blank promissory note with a promissory note declaration issued by the borrower.
Millennium S.A., Poznań	45,000	PLN	May 27 2010	1M WIBOR + bank's margin*	-	PLN	16,528	PLN	1. Blank promissory note with a promissory note declaration. 2. Representation by the borrower and the guarantor on submission to enforcement. 3. Power of attorney granted by the borrower over its account maintained by the bank. 4. Surety under civil law issued by Hydrobudowa Polska S.A. 5. Surety under civil law issued by Infra S.A. 6. Assignment of claims of at least 150% of the amount of used limit for the Group.
Millennium S.A., Warsaw	25,000	PLN	Jun 10 2010	1M WIBOR + bank's margin*	-	PLN	10,521	PLN	1. Assignment of claims of at least 150% of the amount of used facility limit. 2. Power of attorney over borrower's accounts maintained by the bank. 3. Blank promissory note. 4. Representation on submission to enforcement. 5. Cross surety.

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Rounding:	All amounts in PLN '000 (unless otherwise stated)		

Company's name and registered office	Contractual loan amount		Maturity date	Interest	Outstanding principal				Security
					non-current portion		current portion		
	PLN	Currency			PLN	Currency	PLN	Currency	
Nordea Bank Polska S.A., Gdynia	60,000	PLN	Nov 30 2010	1M WIBOR + bank's margin*	-	PLN	1,642	PLN	1. Surety issued by PBG S.A., Infra S.A. and Hydrobudowa 9 S.A. 2. Transfer of claims in the amount and of the type accepted by the bank. 3. Blank promissory note with a promissory note declaration issued by the borrower. 4. Power of attorney over all borrowers' accounts maintained by the bank. 5. Representation on submission to enforcement.
Nordea S.A., Poznań	30,000	PLN	Apr 9 2010	1M WIBOR + bank's margin*	-	PLN	29,219	PLN	1. Assignment of claims under contracts performed by the Group companies for at least 150% of the amount of used limit. 2. Power of attorney over borrower's current accounts at Bank Nordea S.A. 3. Surety issued by subsidiaries Hydrobudowa Polska S.A. and Infra S.A. 4. Blank promissory note with a promissory note declaration. 5. Representation on submission to enforcement.
PEKAO S.A., Poznań	10,000	PLN	May 31 2010	1M WIBOR + bank's margin*	-	PLN	10,000	PLN	1. Assignment of claims subject to a condition precedent under contracts for at least 150% of the amount of currently used facility. 2. Power of attorneys over borrower's present and future bank accounts at Bank PEKAO S.A. 3. Written representation by the borrower on voluntary submission to enforcement. 4. Blank promissory note with a promissory note declaration issued by the borrower.
PEKAO S.A., Poznań	34,210	PLN	Dec 31 2013	1M WIBOR + bank's margin*	20,526	PLN	6,842	PLN	1. Power of attorney over borrower's bank accounts at Bank PEKAO S.A. 2. Representation by the borrower on submission to enforcement. 3. Registered pledge over 14,244,999 shares in Betpol S.A. 4. Surety under civil law issued by Hydrobudowa Polska S.A. and representation on submission to enforcement.

Group name:	***The PBG Group***		
Period covered by the financial statements:	***January 1st – December 31st 2009***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

Company's name and registered office	Contractual loan amount		Maturity date	Interest	Outstanding principal				Security
					non-current portion		current portion		
	PLN	Currency			PLN	Currency	PLN	Currency	
PEKAO S.A., Poznań	14,000	PLN	Apr 30 2012	1M WIBOR + bank's margin*	2,048	PLN	3,175	PLN	1. Blank promissory note with a promissory note declaration. 2. Registered pledge over the loan-financed asset. 3. Power of attorney over present and future bank accounts at Bank PEKAO S.A. 4. Written representation by the borrower on voluntary submission to enforcement in accordance with Art. 97.1.2 of the Banking Law of August 29th 1997.
PEKAO S.A., Poznań	18,700	PLN	Sep 30 2013	1M WIBOR + bank's margin*	10,285	PLN	3,740	PLN	1. Power of attorney over borrower's bank accounts at Bank PEKAO S.A. 2. Representation by the borrower on voluntary submission to enforcement. 3. Registered pledge over 25,000 shares in PRID S.A. 4. Surety issued by subsidiary Hydrobudowa Polska S.A. and representation on submission to enforcement.
PEKAO S.A., Warsaw	40,000	PLN	Apr 30 2012	1M WIBOR + bank's margin*	8,369	PLN	8,744	PLN	1. Registered pledge over the loan-financed asset and transfer of rights under insurance agreement. 2. Power of attorney over borrower's present and future accounts at the bank. 3. Written representation by the borrower on voluntary submission to enforcement executed in accordance with the provisions of the Code of Civil Procedure. 4. Blank promissory note with a promissory note declaration issued by the borrower (not paid).
PEKAO S.A., Warsaw	10,000	PLN	May 31 2010	1M WIBOR + bank's margin*	-	PLN	1,490	PLN	1. Assignment of claims subject to a condition precedent under contract(s) with credible customers accepted by the Bank for at least 150% of the amount of the transaction. 2. Surety under civil law issued by PBG S.A. with registered office in Wysogotowo. 3. Power of attorney over borrower's current accounts maintained by Bank Pekao S.A. 4. Representation on submission to enforcement.

Group name:	The PBG Group		
Period covered by the financial statements:	*January 1st – December 31st 2009*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN '000 (unless otherwise stated)*		

Company's name and registered office	Contractual loan amount		Maturity date	Interest	Outstanding principal				Security
					non-current portion		current portion		
	PLN	Currency			PLN	Currency	PLN	Currency	
PEKAO S.A., Warsaw	10,000	PLN	May 31 2010	1M WIBOR + bank's margin*	-	PLN	10,000	PLN	1. Assignment of claims subject to a condition precedent under contract(s) with credible customers accepted by the Bank for at least 150% of the amount of the transaction. 2. Surety under civil law by PBG S.A. with registered office in Wysogotowo. 3. Power of attorney over borrower's current accounts maintained by Bank Pekao S.A. 4. Representation on submission to enforcement.
PKO BP S.A., Poznań	11,750	PLN	Mar 31 2011	3M WIBOR + bank's margin*	1,148	PLN	1,148	PLN	1. Ordinary contractual mortgage created to secure cash amounting to PLN 11,750 thousand. 2. Deposit contractual mortgage created to secure interest and other costs amounting to PLN 2,350 thousand.
Raiffeisen Bank Polska S.A.	3,000	PLN	Nov 30 2010	1M WIBOR + bank's margin*	-	PLN	3,000	PLN	1. Power of attorney over current and other credit accounts at the bank. 2. Assignment of claims under the loan-financed contract approved by the borrower.
Raiffeisen Bank Polska S.A., Warsaw	23,000	PLN	Nov 30 2010	1M WIBOR + bank's margin*	-	PLN	23,000	PLN	1. Blank promissory note with a promissory note declaration. 2. Power of attorney over accounts at the borrower's bank. 3. Representation by the borrower on submission to enforcement. 4. Transfer of claims under a contract.
Raiffeisen Bank Polska S.A., Warsaw	60,000	PLN	Nov 25 2010	1M WIBOR / 1M EURIBOR + bank's margin*	-	PLN	57,000	PLN	1. Power of attorney over a bank account. 2. Transfer of claims under the B-0005 Bydgoszcz contract. 3. Transfer of claims under the B-0203 Wałbrzych contract. 4. Representation on submission to enforcement.
Raiffeisen Bank Polska S.A., Warsaw	2,119	EUR 500	Nov 25 2010	1M WIBOR / 1M EURIBOR + bank's margin*	-	PLN	2,119	EUR 500	1. Power of attorney over a bank account. 2. Transfer of claims under the B-0005 Bydgoszcz contract. 3. Transfer of claims under the B-0203 Wałbrzych contract. 4. Representation on submission to enforcement.

Group name:	The PBG Group		
Period covered by the financial statements:	January 1st – December 31st 2009	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN '000 (unless otherwise stated)		

Company's name and registered office	Contractual loan amount		Maturity date	Interest	Outstanding principal				Security
					non-current portion		current portion		
	PLN	Currency			PLN	Currency	PLN	Currency	
UniCredit Bank Slovakia a.s.	12,325	EUR 3,000	Jun 30 2010	1M BRIBOR + bank's margin*	-	PLN	9,133	EUR 2,223	1. Guarantee issued by PBG S.A. in favour of UniCredit Bank Slovakia a.s.
UniCredit Bank Slovakia a.s.	12,325	EUR 3,000	Jul 30 2010	1M WIBOR + bank's margin*	-	EUR	11,671	EUR 2,841	1. Guarantee issued by PBG S.A. in favour of UniCredit Bank Slovakia a.s.
UniCredit Bank Slovakia a.s.	20,046	EUR 4,880	Apr 20 2019	3M BRIBOR + bank's margin*	3,241	EUR 789	-	-	1. Guarantee issued by PBG S.A. in favour of UniCredit Bank Slovakia a.s.
WestLB Bank Polska S.A., Poznań	56,000	PLN	Jan 31 2012	1M WIBOR + bank's margin*	38,000	PLN	12,000	PLN	1. Registered pledge over 24,329,508 shares in Hydrobudowa Polska S.A. 2. Representation on voluntary submission to enforcement.
WestLB Bank Polska S.A., Warsaw	40,000	PLN	Jan 30 2011	3M WIBOR + bank's margin*	-	PLN	40,000	PLN	1. Guarantee issued by PBG S.A. 2. Representation on submission to enforcement.
Credit cards					-		23		
Accrued interest					-		630		
Adjustment using effective interest rate					(65)		(1,132)		
Total	x	x	x	x	**101,673**	x	**483,631**	x	x

* Bank's margin is subject to confidentiality clause and its disclosure requires bank's consent.

All amounts in PLN '000 (unless otherwise stated)

12.6. COLLATERAL FOR LIABILITIES

Liabilities that the Group has taken under loans, borrowings, other debt instruments, and finance lease are covered by the following collateral (as at the balance-sheet date):

- contractual mortgage established on real property for PLN 10,680 (2008: PLN 17,295, 2007: PLN 6,668 thousand),
- security mortgage established on real property up to PLN 70,955 thousand (2008: PLN 70,955 thousand, 2007: PLN 65,285 thousand),
- registered pledge on plant and machinery up to PLN 68,799 thousand (2008: PLN 67,977 thousand, 2007: PLN 42,050 thousand),
- pledge over equity interests held in other companies up to PLN 11,106 thousand (2008: PLN 12,616 thousand, 2007: PLN 12,616 thousand),
- registered pledge established over inventories and agreements on transfer of ownership to inventories up to PLN 0 thousand (2008: PLN 0 thousand, 2007: PLN 3,000 thousand),
- assignment of receivables up to PLN 2,516,764 thousand (2008: PLN 421,075 thousand, 2007: PLN 752,494 thousand),
- assignment of rights under insurance policies up to PLN 0 thousand (2008: PLN 0 thousand, 2007: PLN 0 thousand),
- promissory note up to PLN 169,800 thousand (2008: PLN 71,248 thousand, 2007: PLN 174,111 thousand),
- promissory note secured by assignment up to PLN 35,261 thousand (2008: PLN 21,081 thousand, 2007: PLN 5,932 thousand),
- representation on submission to enforcement,
- assignment of current and future receivables credited to a bank account.

As at December 31st, 2009 the following assets of the Group (at the carrying value) were used as collateral for repayment of liabilities:

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Intangible assets	-	-	-
Non-current assets, included leased assets	135,514	170,390	122,761
Financial assets (other than receivables)	12,775	13,578	13,578
Inventories	-	-	3,000
Trade and other receivables	213,914	75,221	70,063
Cash and cash equivalents	-	-	-
Total carrying value of assets used as collateral	**362,203**	**259,189**	**209,402**

Except for the above forms of collateral, loan agreements impose additional requirements on the Group that must be satisfied:

- Maintenance of specific financial ratios, i.e.
  - **net profitability** – net profit to sales revenue: **not lower than 5.3%;**
  - **gearing** – the sum total of bank short- and long-term 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 ratio formula does not include mutual guarantees and sureties granted by creditors to financial institutions)**: not higher than 1.9;**
  - **equity ratio (capitalisation)** – equity to the balance sheet total: **not lower than 0.3;**
  - **debt/EBITDA** – interest bearing debt less the amount of cash and cash equivalents to EBITDA (EBITDA calculated for the last 12 months as the net profit plus tax and interest (on finance expenses) and depreciation and appreciation): **not higher than 3.5;**
  - **debt cover** – the sum of net profit, depreciation and amortisation and interest (on finance expenses) to the sum total of interest (on finance expenses) and instalments due on long-term financial liabilities: **not lower than 2.0;**

The Group monitors the value of the above ratios on an ongoing basis.

The Group makes all of its payments under bank debt in a timely manner.

12.7 FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

FAIR VALUE

The table below presents carrying value of assets and liabilities compared to their fair value:

All amounts in PLN '000 (unless otherwise stated)

Class of financial instrument	Section	Dec 312009		Dec 312008		Dec 31 2007	
		Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
Assets:							
Borrowings	12.2	272,481	272,481	40,778	40,778	14,622	14,622
Trade and other receivables	15	1,087,215	1,087,215	693,475	693,475	539,518	539,518
Financial derivatives	12.3	28,961	28,961	14,196	14,196	44,100	44,100
Debt securities	12.4	-	-	15,732	15,732	10,896	10,896
Shares of listed companies	12.4	157	157	291	291	-	-
Shares of non-listed companies *	12.4	-	-	-	-	-	-
Other classes of other financial assets	12.4	1,669	1,669	963	963	1,119	1,119
Cash and cash equivalents	16	660,281	660,281	288,750	288,750	409,342	409,342
Liabilities:							
Loans	12.5	585,304	585,304	587,322	587,322	398,129	398,129
Borrowings	12.2	10,440	10,440	675	675	2,306	2,306
Debt securities	12.5	506,440	506,440	201,137	201,137	311,043	311,043
Finance lease	12.5	32,686	32,686	16,173	16,173	11,310	11,310
Financial derivatives	12.3	59,809	59,809	234,889	234,889	490	490
Trade and other payable	25	798,785	798,785	442,938	442,938	446,482	446,482

*Shares whose fair value could not be determined are not included in the table.

All amounts in PLN '000 (unless otherwise stated)

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value of financial instruments for which there is an active market is determined on the basis of quoted market prices (bid price and asking price). If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Inputs to the valuation technique make maximum use of active market variables (foreign exchange rates, interest rates, etc.).

For further information on the method of measurement and fair value of financial assets and liabilities, which, in accordance with the accounting policies applied by the Group, are disclosed in the Group's consolidated balance sheet at fair value, see Section 12.8.

Fair value of financial assets and liabilities for which there is no active market and which, in accordance with the accounting policies applied by the Group, are disclosed in the Group's balance sheet 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 Group did not measure fair value of trade receivables and trade payable, carrying value of these items has been regarded a sufficient approximation of their fair value.

12.8. FURTHER INFORMATION ON THE METHOD OF MEASUREMENT FOR FINANCIAL INSTRUMENTS DISCLOSED IN THE CONSOLIDATED BALANCE SHEET AT FAIR VALUE

The Group has applied amendments to IFRS 7 *Financial Instruments: Disclosures,* effective as of January 2009. The amendments require enhanced disclosures concerning financial instruments disclosed in the consolidated balance sheet at fair value. In the first year of adoption of the amended IFRS 7, the Group need not provide disclosures for comparative periods. For this reason, only fair value of financial instruments measured as at December 31st 2009 has been presented.

The table below presents fair value of financial assets and liabilities, classified in accordance with 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	Section	Level 1	Level 2	Level 3	Total fair value
Balance as at Dec 31 2009					
Assets:					
Shares of listed companies	12.4	157	-	-	157
Shares of non-listed companies*		-	-	-	
Derivative hedging instruments	12.3	-	28,961	-	28,961
Debt securities measured at fair value		-	-	-	-
Total assets		157	28,961	-	29,118

All amounts in PLN '000 (unless otherwise stated)

Liabilities:					
Derivative hedging instruments (-)	12.3	-	59,809	-	59,809
Loans measured at fair value (-)		-	-	-	-
Total liabilities (-)		-	59,809	-	59,809
Net fair value		**157**	**(30,848)**	**-**	**(30,691)**

*Shares carried at cost have are not included as their fair value cannot be measured reliably.

In the reporting period there were no transfers between Level 1 and Level 2 fair value measurements.

12.9 RECLASSIFICATIONS

As at December 31st 2009, the Group did not make any reclassifications of financial assets which would lead to a change of the measurement method for such assets, requiring such assets to be measured at fair value, at cost, or at amortised cost.

12.10 EXCLUSION FROM THE BALANCE SHEET

As at December 31st 2009, the Group had no assets, whose transfers would not result in an exclusion from the balance sheet.

13. DEFERRED CORPORATE INCOME TAX

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

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Excess of deferred tax assets over deferred tax liabilities as at beginning of period	**23,070**	**(18,595)**
Deferred tax assets as at beginning of period	197,242	80,650
Deferred tax liabilities as at beginning of period	174,172	99,245
Y-o-y change:		
(Decrease) / Increase in financial result	15,545	8,567
Increase in / deduction from equity	(21,761)	34,604
Deferred tax assets as at the date of acquisition of subsidiary undertaking	(17,004)	(1,506)

All amounts in PLN '000 (unless otherwise stated)

Excess of deferred tax assets over deferred tax liabilities as at end of period	**(150)**	**23,070**
Deferred tax assets as at end of period	185,036	197,242
Deferred tax liabilities as at end of period	185,186	174,172

DEFERRED TAX ASSETS

Item	As at Jan 1st 2009 (at the rate of 19%)	Increase/(decrease) in financial result attributable to change in temporary differences and tax loss	Increase/(decrease) in equity attributable to change in temporary differences	As at Dec 31 2009 (at the rate of 19%)
Deferred tax assets				
- liabilities under future employee benefits	1,111	116	-	**1,227**
- employee benefits (holidays)	1,065	(81)	-	**984**
- provision for warranty costs	2,468	1,062	-	**3,530**
- unpaid salaries and wages, including overheads, in reporting period	2,966	(1,799)	-	**1,167**
- interest on loans	612	838	-	**1,450**
- interest on liabilities	257	(113)	-	**144**
- liabilities under loans measured at adjusted cost of acquisition (using effective interest rate method)	48	(45)	-	**3**
- revaluation of hedging financial instruments or investment property recognised at fair value (through equity)	32,592	-	(24,010)	**8,582**
- revaluation of financial instruments or investment property recognised at fair value (through profit or loss)	13,502	(9,311)	-	**4,191**
- expenses related to balance-sheet income	128,411	(3,924)	-	**124,487**
- impairment losses on receivables	4,422	2,100	-	**6,522**
- foreign exchange losses	1,688	861	2,192	**4,741**
- audit costs	80	8	-	**88**
- discount of non-current settlements	278	(116)	-	**162**
- tax loss	-	11,015	-	**11,015**
- other	7,742	7,570	1,430	**16,742**
Gross deferred tax assets	**197,242**	**8,182**	**(20,388)**	**185,036**

All amounts in PLN '000 (unless otherwise stated)

DEFERRED TAX LIABILITIES

Item	As at Jan 1st 2009 (at the rate of 19%)	(Increase)/decrease in financial result attributable to change in temporary differences and tax loss	(Increase)/decrease in equity attributable to change in temporary differences	As at Dec 31 2009 (at the rate of 19%)
Deferred tax liabilities				
- interest on borrowings	491	1,697	-	**2,188**
- interest on deposits and own cash	41	239	-	**280**
- interest on receivables	115	(95)	-	**20**
- interest on financial assets (e.g. bonds and debt notes)	1,180	(255)	-	**925**
- balance-sheet income in current period – subsequent period for tax purposes	154,461	(14,465)	-	**139,996**
- difference between net carrying value and tax base of own tangible assets	11,137	1,638	18,434	**31,209**
- difference between net carrying value and tax base of tangible assets under operating lease	543	1,455	-	**1,998**
- revaluation of financial instruments or investment property recognised at fair value (through equity)	606	-	(57)	**549**
- revaluation of financial instruments recognised at fair value (through profit or loss)	3,875	2,302	-	**6,177**
- liabilities under loans measured at adjusted cost of acquisition (using effective interest rate method)	29	198	-	**227**
- foreign exchange gains	1,338	(1,037)	-	**301**
- discount of non-current settlements	377	41	-	**418**
- other	(21)	919	-	**898**
Gross deferred tax liabilities	**174,172**	**(7,363)**	**18,377**	**185,186**

The Group companies incurring tax loss recognised deferred tax assets whose realisation is dependent on recording tax revenue in the future in the amount exceeding the gains on reversal of taxable temporary differences. As at December 31st 2009, the value of such assets amounted to PLN 11,015 thousand (PLN 0 thousand in 2008). The current budgets of the Group companies approved by the Parent Undertaking's Management Board and the Group's business strategy form the basis for the recognition of such assets.

Income tax related to each item of other comprehensive income is as follows:

Item	Jan 1– Dec 31 2009		
	Pre-tax	Tax	After-tax
Other comprehensive income:			
- remeasurement of property, plant and equipment	7,503	(328)	7,175
- available-for-sale financial assets	-	-	-

- cash-flow hedges	120,429	(23,624)	96,805
- foreign currency differences arising on translation of foreign operations	(10,131)	2,191	(7,940)
- foreign currency differences transferred to profit or loss – sale of foreign operations	-	-	-
- share in other comprehensive income of undertakings valued with equity method	-	-	-
Total	**117,801**	**21,761**	**96,040**

14. INVENTORIES

STRUCTURE OF INVENTORIES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Materials	17,694	25,173	13,497
Work in progress	26,244	31,921	15,251
Finished products	5,745	22	28
Goods for resale	145,357	4,189	9,050
Prepaid deliveries	38,654	8,055	2,319
Total inventories, including:	**233,694**	**69,360**	**40,145**
- carrying value of inventories recognised at fair value net of selling costs	-	-	-

In 2009, the Group recorded a material increase in inventories, which was attributable to:

- inclusion of new subsidiary Energopol Ukraina, which owns a land plot with a value of PLN 113,599 thousand;
- increased capital expenditure related to property development;
- higher prepaid deliveries.

IMPAIRMENT LOSSES ON INVENTORIES

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Balance at beginning of period	**796**	**743**
Impairment losses recognised as expenses in reporting period	297	53
Reversed impairment losses in reporting period (-)	(792)	-
Other changes (net translation differences)	-	-
Balance at end of period	**301**	**796**

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

The PBG Group creates impairment losses on inventories if it can be reasonably assumed that the cost of acquisition or production of inventories may not be recovered or if the selling price of inventories significantly declines. In particular, the Group creates impairment losses on inventories which are damaged or if they have become wholly or partially obsolete.

All amounts in PLN ‘000 (unless otherwise stated)

In 2009, the PBG Group recorded impairment losses in the amount of PLN 297 thousand (PLN 53 thousand in 2008), which were recognised in the consolidated income statement under “Other operating expenses” (see Section 27.4). The impairment losses were created for slow moving materials which remain at the Group after the acquisition of ATG in 2007.

The Group companies make an independent assessment of inventories as at each balance-sheet date. In particular, when estimating the net recoverable value of inventories the Group companies take into account their relevance to production processes and provision of services.
As at the balance-sheet date, there were no indications of impairment of inventories, therefore the Group companies did not recognise any impairment losses.
In 2009, the Group executed an investment agreement whereby it agreed to acquire in the future:

- an undeveloped property located in Łeba in the Province of Gdańsk (Łeba commune, Lębork district, plot No. 78/15) with an area of 8.19 ha; as at December 31st 2009, the liability under the agreement amounts to PLN 4,868 thousand.

15. TRADE AND OTHER RECEIVABLES

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

NON-CURRENT RECEIVABLES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Trade receivables (gross)	**12,966**	**18,662**	**19,580**
- from domestic customers	12,966	18,662	19,580
- from foreign customers	-	-	-
Other receivables (gross)	**1,697**	**2,092**	**2,253**
- under leases	1,624	1,849	1,951
- other	73	243	302
Impairment losses on receivables (-)	(45)	(161)	(219)
Total non-current receivables (net), including:	**14,618**	**20,593**	**21,614**
- financial receivables	14,618	20,593	21,614
- non-financial receivables	-	-	-

Non-current receivables mainly include receivables with extended maturities for services performed and amounts retained as performance bond with respect to construction work in progress or completed. These amounts bear no interest. Due to long repayment periods (up to five years in certain cases), these receivables have been discounted. Non-current receivables are discounted based on 1M WIBOR + 1 p.p. As at December 31st 2009, the discount rate was 4.76%, while as at the December 31st 2008, it was 6.61%.
Non-current receivables are subject to relatively high credit risk. The management boards of the Group companies monitor debtors’ standing on an on-going basis; in the event of any threat to recovering the full amount receivable, impairment loss is recognised.
In the presented financial statements, non-current receivables have been posted in net amounts, subject to the discount and impairment losses.

All amounts in PLN '000 (unless otherwise stated)

Non-current receivables include finance lease receivables since, according to the Group's accounting policies, Section 3.10.3.2, assets leased to other parties under finance lease agreements are presented in the Group's balance sheet as receivables at amounts equal to the net investment.

Gross carrying value of finance lease receivables as at December 31st 2009 was PLN 1,624 thousand, including current portion of PLN 225 thousand.

The finance lease concerns perpetual usufruct right to land property located in Szczecin and the ownership right to an office building built thereon.

NON-CURRENT RECEIVABLES (GROSS) BY CURRENCY

Item	As at Dec 31 2009		As at Dec 31 2008	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) Polish złoty (PLN)	x	12,011	x	12,338
b) euro (EUR)	647	2,579	2,054	8,350
c) Canadian dollar (CAD)	27	73	27	66
		14,663		**20,754**

CURRENT RECEIVABLES:

CURRENT TRADE RECEIVABLES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Trade receivables (gross)	**1,099,009**	**710,344**	**572,784**
- from domestic customers	1,008,239	696,327	566,597
- from foreign customers	90,770	14,017	6,187
Impairment losses on trade receivables (-)	(24,585)	(30,978)	(38,308)
Total trade receivables (net)	**1,074,424**	**679,366**	**534,476**
- financial receivables	1,015,618	652,846	506,753
- non-financial receivables	58,806	26,520	27,723

OTHER CURRENT RECEIVABLES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Other receivables (gross)	**93,565**	**94,136**	**78,691**
- VAT receivable	20,533	27,004	31,782
- taxes, grants, customs duties, social security and health insurance contributions and other benefits	368	291	58
- settlements with employees	1,286	1,420	272
- under court proceedings	55,573	45,224	34,981
- disposal of equity interests	10,250	5,950	-
- other	5,555	14,247	11,598
Impairment losses on other receivables (-)	(55,816)	(45,385)	(35,428)
Total other receivables (net)	**37,749**	**48,751**	**43,263**
- financial receivables	15,562	20,036	11,151
- non-financial receivables	22,187	28,715	32,112

All amounts in PLN '000 (unless otherwise stated)

CURRENT TRADE AND OTHER RECEIVABLES (GROSS) BY CURRENCY

Item	As at Dec 31 2009		As at Dec 31 2008	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) Polish złoty (PLN)	x	946,840	x	641,597
b) euro (EUR)	62,957	218,722	39,206	153,929
c) US dollar (USD)	8,213	23,133	893	2,057
d) Swiss frank (CHF)	-	-	20	42
e) pound sterling (GBP)	-	-	3	12
f) Canadian dollar (CAD)	1,235	3,355	1,217	2,927
g)Slovakian koruna (SK)	-	-	28,282	3,916
h) Ukrainian hryvnia (UAH)	1,473	524	-	-
Total	**x**	**1,192,574**	**x**	**804,480**

The Group tested the receivables for impairment in line with the applied accounting policies (see Section 3.10.7.1). Impairment losses on receivables, which in 2009 were charged to other operating expenses of the consolidated income statement, were as follows:

- impairment losses on non-current receivables – PLN 45 thousand*)* (2008: PLN 161 thousand),
- impairment losses on current receivables – PLN 80,401 thousand (2008: PLN 76,363 thousand).

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

IMPAIRMENT LOSSES ON NON-CURRENT RECEIVABLES

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Balance at beginning of period	**161**	**219**
Impairment losses – inclusion of new companies in the Group	-	**-**
Impairment losses recognised in the reporting period	-	53
Impairment losses reversed in the reporting period (-)	(116)	(111)
Impairment losses utilised in the reporting period (-)	-	-
Other changes	-	-
Balance at end of period	**45**	**161**

All amounts in PLN '000 (unless otherwise stated)

Impairment losses on current receivables (i.e. trade and other receivables):

IMPAIRMENT LOSSES ON CURRENT RECEIVABLES

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Balance at beginning of period	**76,363**	**73,736**
Impairment losses – inclusion of new companies in the Group	-	1,741
Impairment losses – decrease due to disposal of companies	(510)	-
Impairment losses recognised in the reporting period	15,132	15,913
Impairment losses reversed in the reporting period (-)	(9,296)	(14,509)
Impairment losses utilised in the reporting period (-)	(1,575)	(180)
Other changes	287	(338)
Balance at end of period	**80,401**	**76,363**

PAST DUE CURRENT RECEIVABLES BY PERIOD OF DELAY

Item	As at Dec 31 2009	As at Dec 31 2008
Past due trade receivables	**308,652**	**245,802**
- up to one month	126,412	63,927
- from one to six months	125,666	141,180
- from six month to one year	22,899	38,038
- more than one year	58,261	33,635
- impairment losses for past due receivables (-)	(24,585)	(30,978)
Other past due current receivables	**3,091**	**447**
- up to one month	2,496	399
- from one to six months	595	48
- from six month to one year	-	-
- more than one year	55,816	45,385
- impairment losses for past due receivables (-)	(55,816)	(45,385)
Gross past due receivables	**392,145**	**322,612**
Impairment losses on past due receivables	(80,401)	(76,363)
Net past due receivables	**311,744**	**246,249**

In accordance with the Group's policy, receivables past due by more than 180 days are tested to identify whether impairment losses should be recognised for them. In principle, the Group recognises impairment losses for full amounts of such past due receivables. On rare occasions, the Group does not recognise impairment losses for receivables from certain debtors which are past due by more than 180 days if a security has been established for such receivable. As at December 31st 2009, past due receivables amounted to PLN 392,408 thousand. The Group companies recognised impairment losses for up to PLN 80,401 thousand (as at December 31st 2008 past due receivables amounted to PLN 322,612 thousand and impairment losses were recognised for PLN 76,363 thousand).

All amounts in PLN '000 (unless otherwise stated)

CURRENT RECEIVABLES UNDER COURT PROCEEDINGS

Item	As at Dec 31 2009	As at Dec 31 2008
Trade receivables, including:	**-**	**-**
- gross receivables under court proceedings	89	16,080
- impairment losses for disputed receivables (-)	(89)	(16,080)
Other current receivables, including:	**-**	**-**
- gross receivables under court proceedings	55,573	45,224
- impairment losses for disputed receivables (-)	(55,573)	(45,224)
Gross receivables under court proceedings	**55,662**	**61,304**
Impairment losses for disputed receivables	**(55,662)**	**(61,304)**
Net receivables under court proceedings	**-**	**-**

In ordinary sales transactions, receivables collection period is 14–30 days.

In the opinion of the management boards of the Group companies, the risk related to bad debts is reflected in the amount of impairment losses recognised on doubtful receivables.

16. CASH AND CASH EQUIVALENTS

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
a) in Polish currency	**585,048**	**241,403**	**382,247**
- cash	583,857	236,702	382,067
- cash in transit	23	4,478	-
- interest on deposits	1,168	223	180
b) in foreign currencies (translated into PLN)	**75,233**	**47,347**	**27,095**
Total	**660,281**	**288,750**	**409,342**

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 book value of such assets reflects their fair value.

Given that the Group only cooperates with reputable banks, the risk related to cash deposits is significantly reduced.

CASH AND CASH EQUIVALENTS BY CURRENCY

Item	As at Dec 31 2009		As at Dec 31 2008	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) Polish złoty (PLN)	x	584,302	x	263,476
b) euro (EUR)	17,789	72,033	6,064	24,570
c) US dollar (USD)	12	33	37	105
d) Swiss frank (CHF)	-	-	-	-
e) pound sterling (GBP)	-	-	-	-
f) Canadian dollar (CAD)	605	1,635	258	599
g) Ukrainian hryvnia (UAH)	6,404	2,278	-	-
Total	x	**660,281**	x	**288,750**

All amounts in PLN '000 (unless otherwise stated)

17. EQUITY

17.1. SHARE CAPITAL

Equity (attributable to equity holders of the Parent).

As at December 31st, 2009 the share capital of the Parent Undertaking amounted to PLN 14,295 thousand (2008: PLN 13,430 thousand, 2007: PLN 13,430 thousand) and was divided into 14,295,000 shares (2008: 13,430,000 shares, 2007: 13,430,000 shares) with a par value of PLN 1.00 per share. All shares were paid up in full.

4,500,000 series A shares are voting preference shares, with each share carrying the right to 2 votes at the Company's General Shareholders Meeting. The remaining shares are not preference and each entitles to one vote the Company's General Shareholders Meeting.

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

Item	Jan 01 – Dec 31 2009	Jan 01 – Dec 31 2008
Outstanding and fully paid up shares:		
Number of shares at the beginning of period	13,430	13,430
Share issue further to option execution (share-based payments)	-	-
Share issue	865	-
Share redemption (-)	-	-
Number of shares at the end of period	**14,295**	**13,430**

As at December 31st, 2009 the share capital structure was as follows:

Series / Issue	Share Preference Type	Type of Limitation of Rights Issue	Number of Shares	Value of Series / Issue at Par Value	Payments to Share Capital
series A	voting preference 2:1	none	4,240,000	4,240	contribution in kind
series A	none	none	1,460,000	1,460	cash
series B	none	none	1,500,000	1,500	cash
series C	none	none	3,000,000	3,000	cash
series D	none	none	330,000	330	cash
series E	none	none	1,500,000	1,500	cash
series F	none	none	1,400,000	1,400	cash
series G	none	none	865,000	865	cash
				14,295	

All amounts in PLN '000 (unless otherwise stated)

LIST OF SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL SHAREHOLDERS MEETING AS AT THE SUBMISSION DATE OF THE ANNUAL FINANCIAL STATEMENTS

Shareholder	Number of Shares	Total Par Value (PLN)	% of Share Capital Held	% of Votes held in Total Number of Votes
Jerzy Wiśniewski	4,235,054 shares, of which: 4,235,054 series A registered preference shares	4,235,054	29.63%	45.70%
ING Otwarty Fundusz Emerytalny	1,259,078 ordinary shares	1,259,078	8.81%	6.79%
AVIVA Otwarty Fundusz Emerytalny Aviva BZ WBK	1,342,417 ordinary shares	1,342,417	9.39%	7.24%
Clients of Pioneer Pekao Investment Management SA	951,182 ordinary shares	951,182	6.65%	5.13%

CHANGES IN THE STRUCTURE OF SHARE BLOCKS AFTER DECEMBER 31ST, 2009

There were no changes in the ownership structure of the issuer's share blocks occurring by the publication date of the consolidated annual financial statements.

18. SHARE PREMIUM ACCOUNT

The share premium account results from excess of the issue price over of par value of series B, C, D, E, F, and G shares; as at December 31st, 2009 it was PLN 733,348 thousand.

In 2009, the Parent Undertaking carried out the issue of 865,000 series G shares, with a price of PLN 220.00 per share. The issue value of shares sold amounted to PLN 190,300 thousand. The Parent Undertaking incurred the issue costs of PLN 7,265 thousand. The share premium from sale of series G shares was PLN 182,170 thousand.

	Issue Price (PLN)	Number of Shares	Issue Value	Par Value (-)	Issue Costs (-)	Share Premium
Share premium account as at January 1st, 2007						**218,088**
Series F share issue	250	1,400,000	350,000	(1,400)	(15,510)	333,090
Share premium account as at December 31st, 2007						**551,178**
Share issue	-	-	-	-	-	-
Share premium account as at December 31st, 2008						**551,178**
Series G share issue	220	865,000	190,300	(865)	(7,265)	182,170
Share premium account as at December 31st, 2009						**733,348**

19. VALUATION RESERVE FROM HEDGING TRANSACTIONS

As at December 31st, 2009 the valuation reserve from hedging transactions and foreign exchange gains or losses under consolidation was PLN -30,349 thousand and comprised:

- balances underlying valuation of derivative instruments that comply with the requirements of hedge accounting, hedge cash flows, or effective part of the hedge – PLN -27,806 thousand

- foreign exchange losses from translation of financial statements of subsidiaries – PLN -2,543 thousand

20. INCENTIVE SCHEME

Under Resolution No. 37/08/2007 dated August 26th 2008 the Supervisory Board of the subsidiary company Hydrobudowa 9 SA of Poznań adopted the rules of the Incentive Scheme that set forth operating principles of an incentive scheme in Hydrobudowa 9 SA introduced pursuant to Resolution No. 24 of the General Shareholders Meeting of Hydrobudowa 9 SA dated June 24th 2008 on setting the principles of the Company's incentive scheme, and Resolution No. 25 of the General Shareholders Meeting of Hydrobudowa 9 SA dated June 24th 2008 on share capital increase by way of an issue of series D shares with pre-emptive rights waived to carry out the incentive scheme and on amendments to the articles of association.

Persons selected at the discretion of the Supervisory Board of Hydrobudowa 9 SA from among members of the Management Board and persons indicated at the sole discretion of the Supervisory Board or upon request of the Management Board of Hydrobudowa 9 SA from among key employees of Hydrobudowa 9 SA, key employees of the companies from the PBG Group, persons holding positions on the bodies of PBG S.A. and bodies of the companies from the PBG Group will be eligible to participate in the incentive scheme.

The scheme will operate until December 31st 2013.

In order to carry out the scheme, Hydrobudowa 9 SA issued 692,225 series D shares that were subscribed for by BZ WBK SA, the custodian bank, and registered by a competent court. The custodian bank concluded with Hydrobudowa Polska SA a subscription agreement for 1,755,738 ordinary bearer series L shares of Hydrobudowa Polska SA with a par value of PLN 1.00 per share, issued pursuant to Resolution No. 3 of the Extraordinary Shareholders Meeting of Hydrobudowa Polska SA dated August 18th, 2008, divided into five tranches, of which four tranches of 351,147 series L shares and one tranche of 351,150 series L shares will be offered to Eligible Persons in 2009, 2010, 2011, 2012, and 2013. The custodian bank made an in-kind contribution of 692,225 series D shares is held in Hydrobudowa 9 SA to cover those shares.

All of the above series L shares to be allocated to Eligible Persons will be divided into five tranches, of which there will be four tranches of 351,147 Share and one tranche of 351,150 Shares. Those shares that will not be acquired under a specific tranche will be offered in the next one.

The sale price of series L shares to be allocated to Eligible Persons will be PLN 0.14.

The first of eligible persons was approved by the Supervisory Board of Hydrobudowa 9 SA on December 23rd, 2008.

Amounts relating to the incentive scheme have been disclosed in the books of account since 2008. As at December 31st 2009 the value of the scheme stood at PLN 2,038 thousand (as at December 31st 2008 stood at PLN 2,038 thousand).

Basic information about the share-based payments programme launched in Hydrobudowa 9 SA is shown in the following table:

All amounts in PLN '000 (unless otherwise stated)

Item	HB9 Incentive Scheme
Granting date (programme launch date)	Aug 26 2008
End date for the eligibility period	Dec 31 2013
End date for possible option exercise	Dec 31 2013
Number of shares	1,755,738
Share execution price (PLN)	0.14
Share quotation as at the granting date (PLN)	5.80

Changes in the number of shares further to the incentive scheme have been presented below:

Item	Jan 01 - Dec 31 2009		Jan 01 - Dec 31 2008	
	Number of Shares	Share Execution Price* (PLN)	Number of Shares	Share Execution Price* (PLN)
Number at the beginning of period	1,755,738	0.14	1,755,738	0.14
Granted during the period (+)	-	-	-	-
Redeemed during the period (-)	-	-	-	-
Exercised during the period (-)	(351,147)	0.14	-	-
Expired during the period (-)	-	-	-	-
Number at the end of period	**1,404,591**	**-**	**1,755,738**	-
Exercisable at the end of period	-	-	-	-

*average weighted prices of option execution

The fair value of shares granted to employees was estimated with the use of the Black-Scholes-Marton model as at the granting date. Lack of additional market conditions affecting the payment profile was the basis for applying an analytical closed model. The applied model is the most frequently used tool to determine the theoretical value of option premium. The fair value of shares and the input data to the applied valuation model (apart from the previously presented parameters of share-based payments programmes) are presented in the table below:

Item	HB9 Incentive Scheme
Fair value of 1 share valued as at the granting date of the first tranche	**4.42**
Assumptions under the fair value valuation model:	
Expected share-based dividend (%)	0%
Expected share volatility (%)	51.2%
Risk-free interest rate (%)	5.55%
Projected option duration (life cycle) (years)	4.47

Hydrobudowa Polska SA intends to continua the policy of the Company's growth; therefore, the management board will not submit motions for dividend payment within the next five years. Based on that there has been a zero dividend from shares put in the model.

All amounts in PLN '000 (unless otherwise stated)

The expected volatility of the share price (standard deviation) was estimated on the basis of historic quotations of Hydrobudowa Polska SA on the Warsaw Stock Exchange since its debut, i.e. on September 17th, 2007 until July 13th, 2009.

The average profitability of 5-year Treasury bonds at the tender held on July 15th, 2009 was assumed as the risk-free interest rate.

21. EQUITY ATTRIBUTABLE TO MINORITY INTERESTS

Equity attributable to minority interests represents a portion of net assets of subsidiary companies which is not directly or indirectly held by shareholders of the Parent Undertaking.
Minority interests presented under the Group's equity relate to the following subsidiary companies:

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 312007
HBP Group	178,143	153,546	32,684
INFRA Group	-	4,249	1,250
APRIVIA Group	11,356	9,701	522
GasOil Engineering a.s.	2,575	1,074	-
PBG Dom Sp. z o.o.	665	-	94
Energopol Ukraina	35,442	-	-
Total	**228,181**	**168,570**	**34,550**

In the period covered by these consolidated financial statements, minority interests decreased on the back of transactions affecting the Group's structure and settlement of a portion of comprehensive income attributable to minority interests, as shown in the table below:

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Balance at beginning of period	**168,570**	**34,550**
Change in the Group structure (transactions with minority shareholders):		
Business combination – initial determination of minority interests and increases due to issue (+)	40,672	124,151
Disposal of subsidiaries resulting in their exclusion from the Group – settlement of minority interests (-)	(484)	-
Acquisition of minority interests by the Group (-)	(1 ,435)	-
Disposal by the Group of subsidiary undertakings' equity to minority shareholders, not resulting in loss of control (+)	-	-
Comprehensive income:		
Net profit (loss) for the period (+/-)	11,415	30,923
Other comprehensive income for the period (after tax) (+/-)	16,630	(41,934)
Other changes	(7,188)	20,880
Minority interests balance at end of period	**228,181**	**168,570**

All amounts in PLN '000 (unless otherwise stated)

22. EMPLOYEE BENEFITS

PROVISIONS FOR EMPLOYEE BENEFITS

Item	As at Dec 312009	As at Dec 31 2008	As at Dec 312007
Provision for retirement severance payments	4,095	2,611	2,144
Provision for length-of-service awards	3,386	3,499	3,160
Provision for unused holidays	5,182	5,955	6,137
Provisions for employee benefits, including:	**12,663**	**12,065**	**11,441**
- non-current provisions	6,405	5,229	4,184
- current provisions	6,258	6,836	7,257

CHANGES IN PROVISIONS FOR EMPLOYEE BENEFITS

Item	Provision for retirement severance payments	Provision for length-of-service awards	Provision for unused holidays	Total
Jan 1 – Dec 31 2009				
Provisions as at Jan 1 2009	**2,611**	**3,499**	**5,955**	**12,065**
Increase in provisions recognised as cost in the period (newly-created provisions)	1,503	806	3,737	6,046
Increase in provisions due to revaluation of estimates	67	-	244	311
Increase in provisions – inclusion of new companies in the Group	230	-	-	230
Decrease in provisions – disposal of subsidiaries	(25)	-	(125)	(150)
Release of provisions recognised as income in the period (-)	(41)	(454)	(1,278)	(1,773)
Use of provisions (-)	(248)	(465)	(3,317)	(4,030)
Decrease in provisions due to revaluation of estimates	-	-	(111)	(111)
Other changes in provisions (net currency translation differences)	(2)	-	77	75
Provisions as at Dec 31 2009:	**4,095**	**3,386**	**5,182**	**12,663**
Jan 1 – Dec 31 2008				
Provisions as at Jan 1 2008	**2,144**	**3,160**	**6,137**	**11,441**
Increase in provisions recognised as cost in the period (newly-created provisions)	664	131	1,738	2,533
Increase in provisions due to revaluation of estimates	67	134	289	490
Increase in provisions – inclusion of new companies in the Group	229	471	310	1 010
Release of provisions recognised as income in the period (-)	(38)	-	(657)	(695)
Use of provisions (-)	(658)	(455)	(1,856)	(2,969)
Decrease in provisions due to revaluation of estimates	-	(13)	-	(13)
Other changes in provisions (net currency translation differences)	203	71	(6)	268
Provisions as at Dec 31 2008	**2,611**	**3,499**	**5,955**	**12 ,065**

For a general overview of the employee benefit scheme, see Section 3.3.22.

23. OTHER PROVISIONS

Provisions disclosed in the consolidated financial statements and their changes in the respective periods are shown below:

All amounts in PLN '000 (unless otherwise stated)

OTHER PROVISIONS FOR LIABILITIES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Provisions for warranties given	18,860	13,603	9,238
Provisions for losses on construction contracts	34,358	74,929	130,242
Total other provisions for liabilities, including:	**53,218**	**88,532**	**139,480**
- non-current provisions	14 ,191	9,606	20,675
- current provisions	39,027	78,926	118,805

CHANGES IN OTHER PROVISIONS FOR LIABILITIES

Item	Provision for warranties given	Provision for losses on construction contracts	Total
Jan 1 – Dec 31 2009			
Provisions as at Jan 1 2009	**13,603**	**74,929**	**88,532**
Increase in provisions recognised as cost in the period (newly-created provisions)	8,082	3,763	11,845
Increase in provisions due to revaluation of estimates	278	1,361	1,639
Increase in provisions – inclusion of new companies in the Group	-	-	-
Decrease in provisions – disposal of subsidiaries	(253)	-	(253)
Release of provisions recognised as income in the period (-)	(818)	(33,162)	(33,980)
Use of provisions (-)	(1,792)	(12,533)	(14,325)
Decrease in provisions due to revaluation of estimates	(156)	-	(156)
Other changes in provisions (net currency translation differences)	(84)	-	(84)
Provisions as at Dec 31 2009	**18,860**	**34,358**	**53,218**
- non-current provisions	13,817	374	14,191
- current provisions	5,043	33,984	39 ,027
Jan 1 – Dec 31 2008			
Provisions as at Jan 1 2008	**9,238**	**130,242**	**139,480**
Increase in provisions recognised as cost in the period (newly-created provisions)	5,606	19,222	24,828
Increase in provisions due to revaluation of estimates	413	-	413
Increase in provisions – inclusion of new companies in the Group	1,255	3,450	4,705
Release of provisions recognised as income in the period (-)	(1,051)	(62,108)	(63,159)
Use of provisions (-)	(1,858)	(16,051)	(17,909)
Decrease in provisions due to revaluation of estimates	-	-	-
Other changes in provisions (net currency translation differences)	-	174	174
Provisions as at Dec 31 2008	**13,603**	**74,929**	**88,532**
- non-current provisions	9,240	366	9,606
- current provisions	4,363	74,563	78,926

The Group creates provisions in compliance with the policies specified in Section 3.3.18.

All amounts in PLN '000 (unless otherwise stated)

The key items which hade the most significant effect on provisions in 2009 are as follows:

- Use of a provision under the Rybnik contract due to fulfilment of provisions stipulated in the settlement agreement – amount of PLN 11,464 thousand;
- Release of a provision under the Rybnik contract due to fulfilment of conditions which gave rise to creation of a provision for potential contractual penalties – amount of PLN 28,777 thousand;
- Increase in provision for losses under the Grodzisk construction contract – amount of PLN 3,000 thousand.

Provision for warranty repairs is also a key item in the financial statements of the Group. It increased by 39% year-on-year, primarily owing to the fact that all subsidiaries of the Group must create provisions for warranty maintenance services if they are contractually bound to do so.

24. TRADE AND OTHER LIABILITIES

Trade and other liabilities of the Group are as follows:

NON-CURRENT LIABILITIES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Trade liabilities	**23,752**	**12,075**	**12,714**
- liabilities to Polish suppliers	23,679	11,996	12,706
- liabilities to foreign suppliers	73	79	8
Other non-current liabilities	**16,358**	**5,040**	**7,889**
- liability under purchase of property	-	-	7,500
- liability under insurance services	1,336	4,960	-
- liability under purchase of a license	14,246	-	-
- other financial liabilities	476	-	47
- other	300	80	342
Total non-current liabilities, including:	**40,110**	**17,115**	**20,603**
- financial liabilities	40,110	17,115	20,603
- non-financial liabilities	-	-	-

Non-current liabilities primarily represent amounts retained as security for completion of construction work by subcontractors, liabilities under insurance services and liabilities under purchase of license rights. The amounts do not bear interest. Due to long payment terms, in some cases exceeding five years, the liabilities have been discounted. Non-current liabilities are discounted using the rate equal to 1M WIBOR + 1 p.p. As at December 31st 2009, the discount rate was 4.76%, and as at December 31st 2008 6.61%.

In 2009, other non-current liabilities under purchase of licenses increased. The largest item in this group is the liability related to the Ferrari system, a set of design, technical and construction solutions regarding underground storage tanks for liquid fuels.

All amounts in PLN '000 (unless otherwise stated)

NON-CURRENT LIABILITIES BY CURRENCY

Item	As at Dec 312009		As at Dec 312008	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) Polish złoty (PLN)	x	37,354	x	17,089
b) euro (EUR)	672	2,756	7	26
c) other currencies	-	-	-	-
		40,110		**17,115**

CURRENT TRADE LIABILITIES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Liabilities to Polish suppliers	814 ,573	468,733	447,788
Liabilities to foreign suppliers	36,717	15,318	6,646
Total trade liabilities, including:	**851,290**	**484,051**	**454,434**
- financial liabilities	739,371	414,749	386,672
- non-financial liabilities	111,919	69,302	67,762

OTHER CURRENT LIABILITIES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
VAT payable	92,912	22,740	1,946
Tax, subsidies, customs duty, social security, health care and other benefits payable	15,276	13,440	11,773
Amounts payable to employees	8,152	8,427	5,192
Purchase of property	-	-	17,485
Purchase of claims	4,500	-	-
Investment purchases	-	6,463	18,332
Other financial liabilities	4,716	1,121	2,404
Other	10,086	3,490	986
Total other liabilities, including:	**135,642**	**55,681**	**58,118**
- financial liabilities	19,302	11,074	39,207
- non-financial liabilities	116,340	44,607	18,911

CURRENT TRADE AND OTHER LIABILITIES (GROSS) BY CURRENCY

Item	As at Dec 31 2009		As at Dec 31 2008	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) Polish złoty (PLN)	x	865,755	x	474,685
b) euro (EUR)	27,312	115,174	13,886	57,316
c) US dollar (USD)	1,053	2,838	1,516	3,776
d) Swiss franc (CHF)	-	-	-	-
e) pound sterling (GBP)	58	274	-	-
f) Canadian dollar (CAD)	885	2,432	1,092	1,196
g) Slovak koruna (SK)	-	-	17,286	2,394

All amounts in PLN '000 (unless otherwise stated)

h) Ukrainian hryvnia (UAH)	1,290	458	-	-
i) other currencies	-	-	-	365
Total	**x**	**986,932**	**x**	**539,732**

The Group believes that the carrying amount of trade liabilities represent a reasonable approximation of their fair value.

25. PREPAYMENTS AND DEFERRED INCOME

DEFERRED INCOME

Item	as at December 31st 2009	as at December 31st 2008	as at December 31st 2007
Insurance contracts	11,252	13,790	5,363
Guarantees	7,720	8,612	5,348
Turn-of-reporting-period expenses	1,771	235	116
Other (subscription, training)	669	1,733	1,994
Prepaid reusable products	1,769	1,694	-
Prepaid financial expenses	678	302	-
Expenses incurred prior to construction contract execution	3,051	2,188	4,129
Cost of shares issued	-	-	499
Cost of future acquisitions	3,295	1,115	2,063
Other	3,857	358	-
Total prepayments, including:	**34,062**	**30,027**	**19,512**
- non-current	9,896	13,567	4,787
- current	24,166	16,460	14,725

DEFERRED INCOME

Item	as at December 31st 2009	as at December 31st 2008	as at December 31st 2007
Balance sheet audit provision	460	497	284
Subsidy	9,883	9,546	10,274
Cost of shares issued	444	904	-
Other	-	96	204
Prepayments and deferred income at end of period, including:	**10,787**	**11,043**	**10,762**
- non-current prepayments	7,320	8,226	9,152
- current prepayments	3,467	2,817	1,610

Under prepayments and deferred income, the PBG Group recognises e.g. subsidies obtained in 2004–2006 under the EU programme "Sectoral Operational Programme Improvement of the Competitiveness of Enterprises" from the Ministry of Economy and Labour to fund new fixed assets to improve the Group's competitiveness. Benefits from the subsidy are recognised throughout the fixed asset depreciation period. In 2009, the Company recognised only other operating income from the above, in the amount of PLN 1,000,000 (2008: PLN 2,000,000). 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 '000 (unless otherwise stated)

26. SALE OF SERVICES

In 2009, the Group recognised in the consolidated income statement uninvoiced revenue from construction services in the amount of PLN -119,874,000 (2008: PLN 349,345,000).

The amounts recognised in the consolidated balance sheet result from construction contracts in progress as at the balance-sheet date. Receivables under construction contracts are recognised as the total of expenses incurred under the construction contracts increased by profit (or reduced by loss), and reduced by partial invoices (see 3.10.16.2 on accounting policies, under "Basis of preparation and accounting policies"). The amounts of receivables and payables resulting from construction contracts are shown in the table below:

Item	as at December 31st 2009	as at December 31st 2008	as at December 31st 2007
Revenue from the contract as initially set	7,775,586	7,150,364	4,234,085
Change	319,080	158,941	46,932
Total revenue from the contract*	**8,094,666**	**7,309,305**	4,281,017
Expenses incurred by the balance-sheet date	3,858,735	3,041,367	1,880,709
Expenses to be incurred by the completion of the contract	3,109,868	3,298,208	2,120,080
Estimated total cost of the contract	**6,968,603**	**6,339,575**	4,000,789
Estimated profit	1,126,063	969,730	280,228
Stage of completion as at the balance-sheet date	55.4%	47.97%	47%
Advances received as at the balance-sheet date	128,245	77,979	69,742
Advances that can be set off with receivables under construction contracts	28,159	39,501	39,106
Retentions total	37,356	39,397	60,137
Expenses incurred by the balance-sheet date related to the contract performance	3,858,735	3,041,367	1,880,709
Profit or loss recognised by the balance-sheet date	557,356	263,964	44,128
Revenue estimated as at the balance-sheet date	4,416,091	3,305,331	1,926,837
Amounts invoiced by the balance-sheet date	**3,725,637**	**2,496,889**	1,467,740
Receivables under the contract as at the balance-sheet date	749,018	823,431	478,691
Receivables under the contract payable to the consortium as at the balance-sheet date	**4,732**	**-**	-
Receivables under the contract payable to the consortium as a whole as at the balance sheet date, reduced by the advance that can be set off	**725,591**	**783,930**	439,585
Payables under the contract as at the balance-sheet date	**(60,450)**	**(14,989)**	**(19,594)**

The Management Board of PBG S.A., the Parent Undertaking, owing to binding confidentiality agreements, disclosed the information required by IAS 11 (construction contracts) as aggregate amounts, without itemising the individual contracts.

Advances received from employers under construction contracts are recognised as trade payables (see 3.10.16.2) and, as at December 31st 2009, total PLN 128,245,000 (December 31st 2008: PLN 77,979,000).

As at December 31st 2009, retentions under construction contracts total PLN 37,356,000 (December 31st 2008: PLN 39,397,000) and are recognised as payables. Retentions will be settled by the employers upon acceptance of the work performed.

Amounts in the consolidated financial statements that relate to construction contracts are best estimates of the Parent Undertaking's Management Board, although there is a certain degree of uncertainty as to their actual values, which is discussed in the item on uncertainty of estimates (see 3.10.19.1 "Basis of preparation and accounting policies").

In 2008, the Parent Undertaking's Management Board executed two contracts as a consortium leader. Projects contemplated in these contracts are joint ventures. In 2009, Hydrobudowa Polska, a subsidiary, executed two contracts that have the features of a joint venture. Long-terms contracts of this type are settled based on revenues and expenses budgets for the portion of the contract completed only by the Company, and expenses received from other consortium members and revenue invoices with the developer as the billing entity and concerning work performed by consortium members, are not recognised in the Company's income statement, as discussed in 3.10.16.2.

Contracts which, under IAS 31, are recognised as completed as part of the joint venture with the consortium's partners are:

- Lubiatów-Międzychód Grotów contract, valued at PLN 1,397,000,000, will be recognised in the Group's sales at PLN 1,085,077,000;
- Underground Gas Storage Facility Wierzchowice contract, valued at PLN 1,089,000,000, will be recognised in the Group's sales at PLN 461,539,000;
- Football Stadium in Gdańsk Letnica contract, valued at PLN 427,700,000, will be recognised in the Group's sales at PLN 213,850,000;
- National Stadium in Warsaw contract, valued at PLN 1,252,755,000, will be recognised in the Group's sales at PLN 626,378,000;

As part of the performance under the joint ventures, the Group operates, with the partners, joint ESCROW accounts. It is a joint account that can be operated by partners of the consortium, acting jointly and unanimously.

The Group assumes various roles in the joint ventures, e.g. as a formal leader and a formal partner (co-leader) of a joint venture. In both cases, for the purpose of financial settlements among the partners, the Company is entitled to a half of the funds deposited in the ESCROW accounts.

Where the Group is the leader of the consortium, funds in ESCROW accounts are recognised as the Group's cash. The provisions of the ESCROW account agreement designate these funds as restricted. As at December 31st 2009, restricted cash totalled: PLN 1,206,000 (PLN 0 as at December 31st 2008).

Where the Group is a partner in a joint venture, the funds in ESCROW accounts are not recognised by the Group in the balance sheet. The total of funds in the ESCROW accounts that were not recognised in the balance sheet is PLN 97,589,000 as at December 31st 2009 (PLN 0 as at December 31st 2008).

All amounts in PLN '000 (unless otherwise stated)

27. OPERATING INCOME AND EXPENSES

27.1. SALES REVENUE

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
- natural gas and crude oil	399,840	258,070
- water	996,045	1,115,740
- fuels	83,288	180,089
- residential and industrial construction	881,202	199,227
- road construction	187,022	141,191
- other	30,583	197,108
Total sales revenue	**2,577,980**	**2,091,425**

SALES REVENUE BY SUPPLIER

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
- domestic customers	2,552,248	2,063,322
- foreign customers	25,732	28,103
Total sales revenue	**2,577,980**	**2,091,425**

27.2. COSTS BY TYPE

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Depreciation/amortisation	47,122	45,145
Raw materials and energy used	480,754	364,178
Contracted services	1,507,966	1,175,871
Taxes and charges	20,263	11,910
Salaries and wages	213,728	186,616
Social security and other benefits	43,501	39,706
Other costs by type	46,994	46,295
Costs by type	**2,360,328**	**1,869,721**
Change in inventories, work in progress, accruals and deferred income	(72,563)	(36,320)
Cost of products and services for own needs	(1,782)	(12,666)
Selling costs	-	-
Administrative expenses	(109,764)	(110,035
Cost of products and services sold	**2,176,219**	**1,710,700,**

All amounts in PLN '000 (unless otherwise stated)

COSTS BY SUPPLIER

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
- domestic suppliers	2,023,437	1,716,426
- foreign suppliers	162,420	47,652
Total selling costs	**2,185,857**	**1,763,988**

27.3. OTHER OPERATING INCOME

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Gain on disposal of non-financial non-current assets	137	410
Fair value measurement of investment property	9,671	-
Reversals of impairment losses on property, plant and equipment and intangible assets	37	-
Reversals of impairment losses on financial receivables	9,395	6,885
Reversals of impairment losses on non-financial receivables	-	-
Reversals of impairment losses on inventories	792	-
Reversals of unused provisions	845	1,051
Fines and damages received	4,115	3,604
Subsidies	1,334	1,130
Lease revenue	1,530	1,219
Other income	3,287	4,330
Other operating income, total	**31,143**	**18,629**

27.4. OTHER OPERATING EXPENSES

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Loss on disposal of non-financial non-current assets	-	-
Fair value measurement of investment property	-	-
Impairment losses on goodwill	-	-
Impairment losses on property, plant and equipment and intangible assets	134	-
Impairment losses on financial receivables	15,132	7,406
Impairment losses on non-financial receivables	-	792
Impairment losses on inventories	297	53
Reversals of impairment losses on inventories (-)	-	-
Created provisions	87	966
Fines and damages paid	5,407	4,417
Donations granted	2,957	1,309
Other expenses	2,992	4,698
Other operating expenses, total	**27,006**	**19,641**

All amounts in PLN '000 (unless otherwise stated)

28. FINANCE INCOME AND EXPENSES

28.1. FINANCE INCOME

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
a) Interest	**27,291**	**21,810**
- on loans advanced	10,131	2,110
- from banks	14,092	15,933
- on bonds/notes	650	1,718
- other	2,418	2,049
b) Other	**3,426**	**28,366**
- foreign exchange gains	-	26,387
- revenues from financial-market transactions	1,164	-
- gains from discounting long-term payables	830	104
- dividends and other profit distributions receivable	2	4
- fees for sureties issued	353	1,312
- purchase of receivables	482	-
- provisions for interest	62	-
- other	533	559
Total finance income	**30,717**	**50,176**

The Group carries no financial assets or liabilities which would be assets or liabilities designated on initial recognition as ones to be measured at fair value through profit or loss. The disclosed gains and losses arising from the valuation or settlement of financial assets at fair value through profit or loss pertain solely to financial instruments held for trading.

28.2. FINANCE EXPENSES

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
a) Interest and bank fees	**54,551**	**58,482**
- on contracted loans	297	859
- interest and fees on bank loans	33,771	38,173
- on notes/bonds	19,528	17,192
- other	955	2,258
b) Other finance expenses	**4,299**	**3,658**
- foreign exchange losses	2,750	-
- costs of financial-market transactions	-	1,217
- losses from discounting long-term receivables	-	-
- fees for sureties received	-	2,187
- impairment losses on financial assets	909	-
- costs of share capital increase	84	124
- other	556	130
Total finance expenses	**58,850**	**62,140**

All amounts in PLN '000 (unless otherwise stated)

Impairment losses on receivables related to operating activities are recognised by the Group under other operating expenses (see section 28.4).

The valuation and settlement of hedging derivatives mainly affect operating income or operating expenses disclosed by the Group (as described in a sub-section of section 12.3 devoted to hedges).

28.3. GAINS/LOSSES ON INVESTMENTS

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
a) Gain/loss on investments in related undertakings	**4,265**	**2,268**
- disposal of Bathinex Sp. z o.o. (subsidiary)	-	2,268
- disposal of PRIS Sp. z o.o. (subsidiary)	3,299	-
- disposal of Wiertmar Sp. z o.o. (subsidiary)	966	-
Gain/loss on investments	**4,265**	**2,268**

29. INCOME TAX

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Current income tax	(56,838)	(35,190)
Deferred income tax	16,250	8,567
Adjustments to current income tax for previous periods	-	-
Total	**(40,588)**	**(26,623)**

The difference between the income tax amount disclosed in the income statement and the amount calculated at the rate applied to pre-tax profit stems from the following items:

RECONCILIATION OF TAX CHARGES WITH NET PROFIT (LOSS)

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Pre-tax profit	**262,628**	**213,877**
Tax calculated at 19% tax rate	(49,899)	(40,637)
Non-taxable income	11,624	(1,502)
Costs other than non-deductible expenses	(3,271)	(2,255)
Utilisation of tax losses not previously recognised	180	-
Tax losses with respect to which no deferred tax asset has been recognised	4,735	17,894
Deductible temporary differences with respect to which no tax asset has been recognised	(3,957)	(123)
Adjustments to current income tax for previous periods	-	-
Income tax charged to net profit (loss)	**(40,588)**	**(26,623)**

All amounts in PLN '000 (unless otherwise stated)

The PBG Group is not a consolidated group for tax purposes. As the Group's members are independent taxpayers, the deferred tax asset and liability must be calculated separately by each of them.

As a result, the following deferred tax items are recognised in the consolidated balance sheet:

- deferred tax asset of PLN 185,036 thousand as at December 31st 2009 (relative to 197,242 in 2008)
- deferred tax liability of PLN 185,186 thousand as at December 31st 2009 (relative to 174,172 2008)

Further information on deferred tax recognised in the consolidated statement of comprehensive income is presented in section 29.

30. EARNINGS PER SHARE, DIVIDEND PAID AND PROPOSED

30.1. EARNINGS PER SHARE

Earnings per share are computed as the quotient of net profit attributable to owners of the Parent to the weighted average number of ordinary shares outstanding within the given period.

While computing both the basic and diluted earnings (loss) per share, the Group substitutes the amount of net profit (loss) attributable to owners of the parent in the numerator, thus avoiding the dilutive effect on profit (loss).

The table below presents the computation of the basic and diluted earnings (loss) per share, with the reconciliation of the diluted weighted average number of shares.

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Continuing operations		
Net profit/(loss) from continuing operations	210,625	157,252
Weighted average number of ordinary shares	13,935,000	13,430,000
Dilutive effect of convertible options	-	-
Diluted weighted average number of ordinary shares	13,935,000	13,430,000
Basic earnings (loss) per share from continuing operations (PLN)	15.11	11.71
Diluted earnings (loss) per share from continuing operations (PLN)	15.11	11.71
Continuing and discontinued operations		
Net profit (loss)	210,625	157,252
Weighted average number of ordinary shares	13,935,000	13,430,000
Dilutive effect of convertible options	-	-
Diluted weighted average number of ordinary shares	13,935,000	13,430,000
Basic earnings (loss) per share from continuing *and discontinued* operations (PLN)	**15.11**	**11.71**
Diluted earnings (loss) per share from continuing *and discontinued* operations (PLN)	**15.11**	**11.71**

30.2. DIVIDEND PAID AND PROPOSED

By the date of these consolidated financial statements, the Management Board of the Parent Undertaking submitted to the Supervisory Board a motion for the payment of dividend from the Parent Undertaking's profit for 2009, in an amount of PLN 20,013 thousand, that is PLN 1.40 per share. Given the fact that dividend payment is subject to the General Shareholders Meeting's approval, no dividend-related liability was recognised in the consolidated financial statements for 2009. The transaction did not affect corporate income tax, either.

All amounts in PLN '000 (unless otherwise stated)

31. CASH FLOWS

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

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Adjustments:	**23,732**	**127,893**
Amortisation of intangible assets	5,221	3,384
Impairment losses on goodwill	-	-
Impairment losses on property, plant and equipment	135	761
Depreciation of property, plant and equipment	41,901	41,761
(Profit)/loss on sale of property, plant and equipment	(2,399)	(1,022)
(Profit)/loss on sale of available-for-sale financial assets (held for trading)	(23,721)	7,259
Gains/(losses) on fair value measurement of investment property	243	-
(Gains)/losses on change in fair value of financial assets measured at fair value	(34,199)	35,511
Share in profit/(loss) of associated undertakings	-	-
Foreign exchange gains/(losses)	497	205
Interest costs	70,813	62,744
Interest received	(34,757)	(22,706)
Dividend received	(2)	(4)
Cash provided by/(used in) operating activities before changes in working capital	**286,360**	**341,770**
Change in inventories	(24,233)	(29,215)
Change in receivables	(361,063)	(493,702)
Change in liabilities	506,271	20,417
Change in provisions and accruals and deferrals	(38,304)	(60,558)
Other adjustments	(7,245)	1,075
Cash provided by/(used in) operating activities	**361,786**	**(220,213)**
Interest paid	(187)	(531)
Income tax paid	(55,070)	(32,336)
Net cash provided by/(used in) operating activities	**306,529**	**(253,080)**

For the purposes of preparing the consolidated statement of cash flows, the Group classifies cash in the manner adopted for the presentation thereof in the consolidated statement of financial position. The difference between cash disclosed in the statement of financial position and that disclosed in statement of cash flows is attributable to the following items:

All amounts in PLN '000 (unless otherwise stated)

Item	Dec 31 2009	Dec 31 2008
Cash and cash equivalents disclosed in statement of financial position	660,281	288,750
Adjustments:		
Foreign currency differences arising on measurement of carrying amount of cash denominated in foreign currencies	(117)	(1,926)
Cash and cash equivalents disclosed in statement of cash flows	**660,164**	**286,824**

32. RELATED PARTIES

The effects of transactions between the undertakings covered by the consolidated financial statements have been eliminated. The transactions between the Parent Undertaking and its subsidiary undertakings are disclosed in the separate financial statements of the Parent Undertaking.

Transactions with related parties are executed on an arm's-length basis with nature and terms of those transactions determined by day-to-day operations.

Transactions with Key Management Personnel

The Group includes the members of the Management Boards of the Parent Undertaking and subsidiary undertakings in the Group's management personnel. In the period covered by these consolidated financial statements, the remuneration of the key personnel was as follows:

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Benefits paid to management personnel		
Current employee benefits	11,874	9,054
Benefits for employment termination	-	-
Share-based payments	-	-
Other benefits	4	-
Total benefits	**11,878**	**9,054**

For detailed information on the remuneration of members of the Management Board of the Parent Undertaking, see Section 38.2.

The Group did not grant any loans to the members of its key management personnel within the period covered by these consolidated financial statements.
As at December 31st 2009, the balance of the Group's receivables from its key management personnel under unsettled prepayments amounted to PLN 160 thousand (as at December 31st 2008: PLN 312 thousand).

In 2009, the value of the Group's purchases from entities controlled by the Group's key management personnel totalled PLN 156,083 thousand (compared with PLN 9,657 thousand as at December 31st 2008). The balance of liabilities under those purchases was PLN 37,440 thousand as at December 31st 2009 (PLN 11,618 thousand as at December 31st 2008).

All amounts in PLN ‘000 (unless otherwise stated)

In 2009, the Group’s sales to entities controlled by the Group’s key management personnel totalled PLN 141.094 thousand (compared with PLN 60,113 thousand as at December 31st 2008). The balance of receivables under those sales stood at PLN 144,675 thousand as at December 31st 2009 (PLN 171,340 thousand as at December 31st 2008 and PLN 1,028 thousand as at December 31st 2007).

Transactions with the Other Related Parties

In the period covered by these consolidated financial statements, the following amounts of sales revenue and receivables from the other related parties were disclosed:

SALES REVENUE FROM THE OTHER RELATED PARTIES

Sales revenue	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Sales to:		
Other related parties	141,094	60,113
Total	**141,094**	**60,113**

RECEIVABLES FROM THE OTHER RELATED PARTIES

Receivables	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Sales to:			
Other related parties	144,675	171,340	1,028
Total	**144,675**	**171,340**	**1,028**

No impairment losses on receivables from the other related parties were recognised; consequently, no related cost was disclosed in the consolidated income statement.

In the period covered by these consolidated financial statements, the following amounts of purchases from and liabilities towards the other related parties were disclosed:

PURCHASES FROM THE OTHER RELATED PARTIES

Purchase (cost, assets)	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Purchase from:		
Other related parties	156,083	9,657
Total	**156,083**	**9,657**

LIABILITIES TOWARDS THE OTHER RELATED PARTIES

Liabilities	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Purchase from:			
Other related parties	37,440	11,618	-
Total	**37,440**	**11,618**	**-**

All amounts in PLN '000 (unless otherwise stated)

LOANS ADVANCED TO THE OTHER RELATED PARTIES

Item	Dec 31 2009		Dec 31 2008	
	Advanced in period	Accumulated balance	Advanced in period	Accumulated balance
Loans advanced to:				
Other related parties	31,040	38,114	10,350	23,579
Total	**31,040**	**38,114**	**10,350**	**23,579**

In 2009, loans advanced by the Group to the other related parties totalled PLN 31,040 thousand (in 2008: PLN 10,350 thousand). The balance of loans advanced to those parties stood at PLN 38,114 thousand as at December 31st 2009 (PLN 23,579 thousand as at December 31st 2008). The loans include both long- and short-term loans and are to be repaid by April 30th 2013.

BORROWINGS RECEIVED FROM THE OTHER RELATED PARTIES

Item	Dec 31 2009		Dec 31 2008	
	Received in period	Accumulated balance	Received in period	Accumulated balance
Borrowings received from:				
Other related parties	3,052	3,257	620	711
Total	**3,052**	**3,257**	**620**	**711**

33. CONTINGENT ASSETS AND LIABILITIES

As at the end of individual periods, contingent liabilities were as follows:

Item	As at Dec 31 2009	As at Dec 31 2008
To non-consolidated related undertakings:		
Loan and borrowing repayment surety	1,600	-
Trade and other payable repayment surety	16,228	20,396
Total non-consolidated related undertakings	**17,828**	**20,396**
To other undertakings:		
Loan and borrowing repayment surety	34,675	41,144
Trade and other payable repayment surety	-	-
Performance bond sureties	5,120	7,664
Sureties for existing and future lease agreements	401	-
Performance bonds	657,591	636,453
Guarantees of removal of defects and faults	71,825	26,740
Bid bond guarantees	50,097	10,427
Trade liability repayment guarantee	12,999	12,316
Guarantees of downpayment refund	176,832	98,424
Guarantees of refund of retained amounts	2,919	2,139
Total other related undertakings	**1,012,459**	**835,307**
Total contingent liabilities	**1,030,287**	**855,703**

The manifest change in total contingent liabilities as at **December 31st 2009** when compared with the respective figure for the previous year is primarily attributable to increased amounts of securities created on contracts executed by the Group individual Companies, and especially to the guarantee of downpayment refund granted to PGNiG S.A. in connection with the investment project designated as "The Construction of Surface Infrastructure of the Underground Gas Storage Facility in Wierzchowice".

From Q2 2007 onwards, eliminations on consolidation are made in the Group's financial statements for off-balance sheet guarantees and sureties granted to third parties in respect of liabilities of the Parent Company and the consolidated subsidiaries, which were recognised in the consolidated financial statements as trade payables, payables under loans or guarantees granted to third parties at the request of the Group companies.

34. RISK RELATED TO FINANCIAL INSTRUMENTS

The PBG Group is exposed to many risks related to financial instruments. The Group's financial assets and liabilities by categories are presented in Section 12. The Group is exposed to the following risks:
- market risk, comprising currency risk and interest rate risk
- credit risk
- liquidity risk.

Financial risk management at the Group is coordinated by the Parent Undertaking, which closely cooperates with the management boards and chief financial officers of its subsidiaries. The following objectives play the most important role in the risk management process:
- hedging short-term and medium-term cash flows
- stabilising the fluctuations in the Group's financial result
- achieving financial forecasts by meeting budget targets
- achieving a satisfactory rate of return on long-term investments and securing optimal financing sources for investment activities.

The Group does not enter into speculative transaction on financial markets. In economic terms, the transactions concluded by the Group are entered into for the purpose of hedging against specific risks.
Moreover, the Group has formally designated some of the derivative instruments as cash flow and fair value hedging instruments under the requirements of IAS 39 (*Hedging Derivative Instruments*). The effects of the applied hedge accounting on the individual items of the consolidated profit and loss account and other comprehensive income items are presented in Section 9.3.

34.1. 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 PBG Group applies a consistent and progressive approach to market risk management.

The Group has developed a financial risk management strategy to manage the market risks resulting from the above factors. The strategy sets out relevant management policies for each of the exposures by defining the process of measuring the exposure, parameters of risk hedging, instruments used for hedging purposes, as well as the time horizon for each type of risk source. The market risk management policies are applied by the designated organisational units under the supervision of the Risk Committee, the Management Board and the Supervisory Board of the PBG Group.

Market Risk Management Techniques

The key techniques used to manage market risk involve strategies based on derivative instruments and natural hedging.

All derivative-market strategies take into account the following factors: current and projected market conditions, the Group's internal situation and the applicable derivative instruments. The PBG Group 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 PBG Group relies on information received from leading banks and financial news services.

The following types of financial instruments may be used by the Group:

- forwards
- interest rate swaps (IRS)
- swaps

Hedge Accounting – Effective Hedge Requirement under IAS 39

The PBG Group applies hedge accounting for cash flows to protect against the risks of fluctuations in exchange rates and interest rates.

Before entering into a hedging transaction and during such a transaction's lifetime, the Group confirms and documents that there is a strong negative correlation between changes in the fair value of the hedging instrument and changes in the fair value of the hedged exposure.

Hedging effectiveness is assessed and monitored on an ongoing basis.

The rules of cash flow hedge accounting provide that the effective portion of the result on the valuation of hedge transactions should be posted to equity in the period in which such transactions are designated as a hedge of future cash flows. The amounts posted to equity are subsequently transferred to the profit and loss account once the hedged transaction is executed.

Market Risk Exposure

Currency Risk

The PBG Group is exposed to risk of fluctuations in exchange rates due to the following reasons:

- as an active participant in the market for environmental protection and hydro-engineering projects, we execute contracts co-financed by the EU, which in most cases are denominated and settled in the euro;

- our development strategy provides for broader expansion into foreign markets; today, the Group's credentials already include several contracts executed abroad;
- the Group imports raw materials for large contracts (there is also a risk related to fluctuations in the other exchange rates, such as USD/PLN or CAD/PLN);
- the Group uses advanced technologies requiring specialist equipment, which it often purchases outside of Poland.

The Group's financial assets and liabilities, expressed in foreign currencies and translated into PLN using the closing price as at the balance-sheet date, are shown below:

Item	Amount in foreign currency ('000):						Restated in PLN
	EUR	USD	GBP	CAD	SKK	UAH	
As at Dec 31 2009							
Financial assets (+):	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Trade receivables and other financial receivables	63,604	8,213	-	1,262	-	1,473	248,386
Financial derivatives	Section 12.3	Section 12.3	-	Section 12.3	-	-	28,961
Other financial assets	-	-	-	-	-	-	-
Cash and cash equivalents	17,789	12	-	605	-	6,404	75,979
Financial liabilities (-):	-	-	-	-	-	-	-
Loans, borrowings and other debt instruments	(6,353)	-	-	-	-	-	(26,164)
Finance leases	(4,196)	-	-	-	-	-	(18,071)
Financial derivatives	Section 12.3	Section 12.3	-	Section 12.3	-	-	(58,809)
Trade payables and other financial liabilities	(27,984)	(1,053)	(58)	(885)	-	(1,290)	(123,934)
Total exposure to currency risk	**42,860**	**7,172**	**(58)**	**982**	**-**	**6,587**	**126,348**
As at Dec 31 2008							
Financial assets (+):	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Trade receivables and other financial receivables	41,260	893	3	1,244	28,282	-	171,299
Financial derivatives	Section 12.3	-	-	Section 12.3	-	-	14,196
Other financial assets	-	-	-	-	-	-	-
Cash and cash equivalents	6,064	37	-	258	52	-	25,274
Financial liabilities (-):	-	-	-	-	-	-	-
Loans, borrowings and other debt instruments	(500)	-	-	-	(50,635)	-	(9,145)
Finance leases	-	-	-	-	(8,034)	-	(1,113)
Financial derivatives	Section 12.3	-	-	Section 12.3	-	-	(234,889)
Trade payables and other financial liabilities	(13,893)	(1,516)	-	(1,092)	(17,286)	-	(65,073)
Total exposure to currency risk	**32,931**	**(586)**	**3**	**410**	**(47,621)**	**-**	**(99,451)**
As at Dec 31 2007							
Financial assets (+):	-	-	-	-	-	-	-

Item	Amount in foreign currency ('000):						Restated in PLN
	EUR	USD	GBP	CAD	SKK	UAH	
Borrowings	-	-	-	-	-	-	-
Trade receivables and other financial receivables	45,217	-	-	121	34,172	-	168,005
Financial derivatives	Section 12.3	Section 12.3	-	-	-	-	44,100
Other financial assets	-	-	-	-	-	-	-
Cash and cash equivalents	6,053	124	-	-	2,804	-	15,859
Financial liabilities (-):	-	-	-	-	-	-	-
Loans, borrowings and other debt instruments	-	-	-	-	(47,864)	-	(5,102)
Finance leases	-	-	-	-	(6,603)	-	(704)
Financial derivatives	Section 12.3	Section 12.3	-	-	-	-	(490)
Trade payables and other financial liabilities	(12,494)	(1,234)	-	(23)	(40,695)	-	(53,789)
Total exposure to currency risk	**38,776**	**(1,110)**	**-**	**98**	**(58,186)**	**-**	**167,879**

All amounts in PLN '000 (unless otherwise stated)

Sensitivity Analysis with Respect to Currency Risk

The Group executes most transactions in the Polish currency. The Group's exposure to currency risk is related to foreign sale and purchase transactions, primarily executed in EUR and USD.

The Group minimises currency risk by entering into currency forward contracts. The Group does not use forward contracts if the amounts paid (purchase) or received (sale) offset the risk to a large extent. If purchase and sale transactions expressed in foreign currencies are not counterbalanced, the Group uses forward contracts to achieve the above stated risk management objectives.

Presented below is sensitivity analysis of the financial result and other comprehensive income with respect to the Group's financial assets and liabilities, taking into account movements in the EUR/PLN, USD/PLN and CAD/PLN exchange rates.

The sensitivity analysis assumes a 10% growth or decline in the EUR/PLN, USD/PLN and CAD/PLN exchange rates vs. the mid exchange rate quoted by the National Bank of Poland for a given balance-sheet date.

Mid exchange rate of the National Bank of Poland	Dec 31 2009	Dec 31 2008	Dec 31 2007
EUR/PLN	4.1082	4.1724	3.5820
USD/PLN	2.8503	2.9618	2.4350
CAD/PLN	2.7163	2.4307	2.4854

Please note that currency derivatives offset exchange rate volatility. Thus, it is assumed that risk exposure is connected with financial instruments held by the Group as at each balance-sheet date, and that the exposure is adjusted through the Group's derivative instrument position.

Group name:	*The PBG Group*		
Period covered by the financial statements:	***January 1st – December 31st 2009***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

SENSITIVITY ANALYSIS AS AT DECEMBER 31ST 2009

Item	Exchange rate growth								Exchange rate decline							
	10%								-10%							
	Effect on the financial result (PLN '000)				Effect on other comprehensive income (PLN '000)				Effect on the financial result (PLN '000)				Effect on other comprehensive income (PLN '000)			
	EUR	**USD**	**CAD**	**Total**	**EUR**	**USD**	**CAD**	**Total**	**EUR**	**USD**	**CAD**	**Total**	**EUR**	**USD**	**CAD**	**Total**
	4.52	3.14	2.99	-	4.52	3.14	2.99	-	3.70	2.57	2.44	-	3.70	2.57	2.44	-
Financial assets	**17,269**	**1,855**	**8,729**	**27 853**	**(37,509)**	**(9)**	**-**	**(37,518)**	**(17,269)**	**(1,855)**	**(8,729)**	**(27,853)**	**37,509**	**9**	**-**	**37,518**
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade receivables and other financial receivables	26,130	2,341	343	28 814	-	-	-	-	(26,130)	(2,341)	(343)	-	-	-	-	-
Financial derivatives	(16,168)	(490)	8,222	(8 436)	(37,509)	(9)	-	(37,518)	16,168	490	(8,222)	-	37,509	9	-	37,518
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	7,308	3	164	7 476	-	-	-	-	(7,308)	(3)	(164)	-	-	-	-	-
Financial liabilities	**(15,830)**	**(300)**	**(240)**	**(16 371)**	**-**	**-**	**-**	**-**	**15,830**	**300**	**240**	**16,371**	**-**	**-**	**-**	**-**
Loans, borrowings and other debt instruments	(2,610)	-	-	(2 610)	-	-	-	-	2,610	-	-	-	-	-	-	-
Finance leases	(1,724)	-	-	(1 724)	-	-	-	-	1,724	-	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade payables and other financial liabilities	(11,496)	(300)	(240)	(12 037)	-	-	-	-	11,496	300	240	-	-	-	-	-
Effect on the financial result	**1,439**	**1,554**	**8,489**	**11 483**	**-**	**-**	**-**	**-**	**(1,439)**	**(1,554)**	**(8,489)**	**(11,483)**	**-**		**-**	**-**
Effect on other comprehensive income	**-**	**-**	**-**	**-**	**(37,509)**	**(9)**	**-**	**(37,518)**	**-**	**-**	**-**	**-**	**37,509**	**9**	**-**	**37,518**

SENSITIVITY ANALYSIS AS AT DECEMBER 31ST 2008

Item	Exchange rate growth								Exchange rate decline							
	10%								-10%							
	Effect on the financial result (PLN '000)				Effect on other comprehensive income (PLN '000)				Effect on the financial result (PLN '000)				Effect on other comprehensive income (PLN '000)			
	EUR	**USD**	**CAD**	**Total**	**EUR**	**USD**	**CAD**	**Total**	**EUR**	**USD**	**CAD**	**Total**	**EUR**	**USD**	**CAD**	**Total**
	4.59	3.26	2.67	-	4.59	3.26	2.67	-	3.76	2.67	2.19	-	3.76	2.67	2.19	-
Financial assets	**(19,779)**	**275**	**8,454**	**(11,049)**	**(106,140)**	**-**	**265**	**(105,875)**	**20,082**	**(275)**	**(8,454)**	**11,353**	**106,140**	**-**	**(265)**	**105,875**
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade receivables and other financial receivables	17,215	264	302	17,782	-	-	-	-	(16,950)	(264)	(302)	-	-	-	-	-
Financial derivatives	(39,524)	-	8,089	(31,435)	(106,140)	-	265	(105,875)	39,524	-	(8,089)	-	106,140	-	(265)	105,875
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	2,530	11	63	2,604	-	-	-	-	(2,491)	(11)	(63)	-	-	-	-	-
Financial liabilities	**(6,005)**	**(449)**	**(265)**	**(6,720)**	**-**	**-**	**-**	**-**	**6,005**	**449**	**265**	**6,720**	**-**	**-**	**-**	**-**
Loans, borrowings and other debt instruments	(209)	-	-	(209)	-	-	-	-	209	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade payables and other financial liabilities	(5,797)	(449)	(265)	(6,511)	-	-	-	-	5,797	449	265	-	-	-	-	-
Effect on the financial result	**(25,784)**	**(174)**	**8,189**	**(17,769)**	**-**	**-**	**-**	**-**	**26,088**	**174**	**(8,189)**	**18,073**	**-**	**-**	-	**-**
Effect on other comprehensive income	**-**	**-**	**-**	**-**	**(106,140)**	**-**	**265**	**(105,875)**	**-**	**-**	**-**	**-**	**106,140**	**-**	**(265)**	**105,875**

SENSITIVITY ANALYSIS AS AT DECEMBER 31ST 2007

Item	Exchange rate growth								Exchange rate decline							
	10%								-10%							
	Effect on the financial result (PLN '000)				Effect on other comprehensive income (PLN '000)				Effect on the financial result (PLN '000)				Effect on other comprehensive income (PLN '000)			
	EUR	**USD**	**CAD**	**Total**	**EUR**	**USD**	**CAD**	**Total**	**EUR**	**USD**	**CAD**	**Total**	**EUR**	**USD**	**CAD**	**Total**
	3.94	2.68	2.73	-	3.94	2.68	2.73	-	3.22	2.19	2.24	-	3.22	2.19	2.24	-
Financial assets	**18,140**	**232**	**30**	**18,402**	**(93,072)**	**41**	**-**	**(93,031)**	**(18,140)**	**(232)**	**(30)**	**(18,402)**	**106,745**	**(41)**	**-**	**106,703**
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade receivables and other financial receivables	16,197	-	30	16,227	-	-	-	-	(16,197)	-	(30)	-	-	-	-	-
Financial derivatives	(225)	202	-	(23)	(93,072)	41	-	(93,031)	225	(202)	-	-	106,745	(41)	-	106,703
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	2,168	30	-	2,198	-	-	-	-	(2,168)	(30)	-	-	-	-	-	-
Financial liabilities	**(4,475)**	**(300)**	**(6)**	**(4,782)**	**-**	**-**	**-**	**-**	**4,475**	**300**	**6**	**4,782**	**-**	**-**	**-**	**-**
Loans, borrowings and other debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade payables and other financial liabilities	(4,475)	(300)	(6)	(4,782)	-	-	-	-	4,475	300	6	-	-	-	-	-
Effect on the financial result	**13,664**	**(68)**	**24**	**13,621**	**-**	**-**	**-**	**-**	**(13,664)**	**68**	**(24)**	**(13,621)**	**-**	**-**	-	**-**

Exposure to currency risk varies over the year, depending on the volume of transactions executed in foreign currencies. Nevertheless, the above sensitivity analysis can be regarded as a representative measure which quantifies the Group's exposure to currency risk.

Interest rate risk

Management of interest rate risk concentrates on the minimisation of the impact of fluctuations in interest cash flows on financial assets and liabilities which bear interest at variable interest rates. The Group is exposed to the interest rate risk in connection with the following categories of financial assets and liabilities:
- granted loans,
- acquired treasury debt securities, bank debt securities, commercial debt securities, including bonds and treasury bills
- deposits,
- received loans and borrowings,
- debt securities in issue
- interest rate swaps (IRS).

With a view to hedging against the variable interest rate risk, the Group uses interest rate swaps.

Under the conditions of an agreement for a credit facility for financing capital investments, PBG S.A., the Group, was obliged to limit interest rate risk. In the performance of the Bank's requirements, on July 23rd 2008, the Group entered into an IRS transaction for 50% of the outstanding loan amount, maturing by December 31st 2013.

The IRS transaction consists in the swap of interest payments accruing at a variable 1M WIBOR rate for interest payments accruing at a fixed interest rate.

The Group uses hedge accounting for cash flows with respect to the derivative transaction referred to above and partially hedging against interest rate risk to which the cash flows are exposed.

Sensitivity analysis with respect to interest rate risk

Below we present sensitivity analysis concerning net profit (loss) and other comprehensive income with respect 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 with respect to financial assets and liabilities sensitive to interest rate changes (i.e. those which bear interest at a variable interest rate).

Sensitivity analysis as at Dec 31 2009	Value at risk	1% interest rate rise		1% interest rate fall	
	PLN ‘000	Effect on net profit/(loss)	Effect on other comprehensive income	Effect on net profit/(loss)	Effect on other comprehensive income
Financial assets	**799,587.00**	**7,995.87**	**-**	**(7,995.87)**	**0.00**
Borrowings	137,637.00	1,376.37	-	(1,376.37)	-
Debt securities		-	-	-	-
Investment fund units	-	-	-	-	-
Other classes of other financial assets	1,669.00	16.69	-	(16.69)	-
Cash and cash equivalents	660,281.00	6,602.81	-	-6,602.81	-
Financial liabilities	**(1,147,784.00)**	**(11,270.88)**	**(206.96)**	**11,270.88**	**206.96**
Loans	(588,046.00)	(5,880.46)	-	5,880.46	-
Borrowings	(6,356.00)	(63.56)	-	63.56	-
Debt securities	(500,000.00)	(5,000.00)	-	5,000.00	-
Finance lease	(32,686.00)	(326.86)	-	326.86	-
Financial derivatives (IRS)	(20,696.00)	-	(206.96)	-	206.96
Effect on net profit/(loss)	**-**	**(3,275.01)**	**-**	**3,275.01**	
Effect on other comprehensive income	**-**	**-**	**(206.96)**	**-**	**206.96**

Sensitivity analysis as at Dec 31 2008	Value at risk	1% interest rate rise		1% interest rate fall	
	PLN ‘000	Effect on net profit/(loss)	Effect on other comprehensive income	Effect on net profit/(loss)	Effect on other comprehensive income
Financial assets	**346,223.00**	**3,462.23**	**-**	**(3,462.23)**	**-**
Borrowings	40,778.00	407.78	-	(407.78)	-
Debt securities	15,732.00	157.32	-	(157.32)	-
Investment fund units	-	-	-	-	-
Other classes of other financial assets	963.00	9.63	-	(9.63)	-
Cash and cash equivalents	288,750.00	2,887.50	-	(2,887.50)	-
Financial liabilities	**(829,637.00)**	**(8,031.82)**	**(264.55)**	**8,031.82**	**264.55**
Loans	(586,334.00)	(5,863.34)	-	5,863.34	-
Borrowings	(675.00)	(6.75)	-	6.75	-
Debt securities	(200,000.00)	(2,000.00)	-	2,000.00	-
Finance lease	(16,173.00)	(161.73)	-	161.73	-
Financial derivatives (IRS)	(26,455.00)	-	(264.55)	-	264.55
Effect on net profit/(loss)	**-**	**(4,569.59)**	-	**4,569.59**	-
Effect on other comprehensive income	-	-	**(264.55)**	-	**264.55**

Sensitivity analysis as at Dec 31 2007	Value at risk	1% interest rate rise		1% interest rate fall	
	PLN '000	Effect on net profit/(loss)	Effect on other comprehensive income	Effect on net profit/(loss)	Effect on other comprehensive income
Financial assets	**435,979.00**	**4,359.79**	**-**	**(4,359.79)**	**-**
Borrowings	14,622.00	146.22	-	(146.22)	-
Debt securities	11,052.00	110.52	-	(110.52)	-
Investment fund units	-	-	-	-	-
Other classes of other financial assets	963.00	9.63	-	(9.63)	-
Cash and cash equivalents	409,342.00	4,093.42	-	(4,093.42)	-
Financial liabilities	**(721,834.00)**	**(7,218.34)**	**-**	**7,218.34**	**-**
Loans	(397,978.00)	(3,979.78)	-	3,979.78	-
Borrowings	(2,546.00)	(25.46)	-	25.46	-
Debt securities	(310,000.00)	(3,100.00)	-	3,100.00	-
Finance lease	(11,310.00)	(113.10)	-	113.10	-
Financial derivatives (IRS)	-	-	-	-	-
Effect on net profit/(loss)	**-**	**(2,858.55)**	-	**2,858.55**	-
Effect on other comprehensive income	-	-	**-**	-	**-**

The Group holds financial instruments which bear interest at a fixed-interest rate, which are measured in the balance sheet at acquisition cost adjusted using the effective interest rate method.
Financial instruments' sensitivity to 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.

34.2 CREDIT RISK

Credit risk is understood as the inability to meet obligations towards the Group's creditors. Credit risk has three primary aspects:
- creditworthiness of customers with whom the Group 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 credit risk exposures with different credit risk profiles:
- cash and bank deposits,
- derivatives,
- trade receivables,

- loans advanced,
- debt securities,
- guarantees and sureties advanced.

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

Item	December 31st 2009 PLN '000	December 31st 2008 PLN '000	December 31st 2007 PLN '000
Loans	272,481	40,778	14,622
Trade and other financial receivables	1,087,215	693,475	539,518
Derivatives	28,961	14,196	44,100
Debt securities	-	15,732	11,052
Investment fund units	-	-	-
Other classes of other financial assets	1,669	963	963
Cash and cash equivalents	660,281	288,750	409,342
Conditional payables under guarantees and sureties advanced	1,030,287	855,703	700,380
Total credit risk exposure	**3,080,894**	**1,909,597**	**1,719,977**

The Group companies monitor clients' and creditors' outstanding payments by analysing the credit risk individually, or for the individual asset classes according to credit risk (e.g. by industry, region or structure of customers). Further, as part of risk management activities, the Group companies enter into transactions with partners whose creditworthiness is confirmed.

Cash and bank deposit-related credit risk

All entities with which the Group enters into deposit transactions operate in the financial sector. These are exclusively banks registered in Poland, or with Polish operations as subsidiaries of foreign banks, owned by European financial institutions which, in most cases, have top credit ratings, 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 placements, it is reasonable to argue that the credit risk for cash and bank deposits is low.

Derivative transaction-related credit risk

All entities with which the Group enters into derivative transactions operate in the financial sector. These are financial institutions (banks) with top (11%), mid-high (77%) or average (12%) credit rating. They have the sufficient equity and a robust and stable market position. The maximum share of a single entity in the total value of derivative transactions effected by the Group is 43%.

Currency and interest rate derivate instrument transactions entered into by the Group as at the respective balance-sheet dates are valued as follows:

Item	December 31st 2009 PLN '000	December 31st 2008 PLN '000	December 31st 2007 PLN '000
Financial assets	28,961	14,196	44,100
Financial liabilities	59,809	234,889	490
Derivative instruments valuation, net	**(30,848)**	**(220,693)**	**43,610**

Thanks to the highly diversified composition of the group of counterparties, and due to the credit ratings of our partner financial institutions, the Group is not exposed to credit risk inherent in the derivative transactions.

Credit risk inherent in trade receivables and other financial receivables.

The Group has a long track record of work with many customers, which are active in diverse sectors. Based on the 2009 revenue, the top customers included:

PBG GROUP'S CUSTOMERS IN 2009		
No.	Customer	Share
	Total	**100.00%**
1	PGNIG SA	16.84%
2	POZNAŃSKIE OŚRODKI SPORTU I REKREACJI	5.89%
3	ALPINE CONSTRUCTION POLSKA SP. Z O.O	4.93%
4	MIEJSKIE WODOCIĄGI I KANALIZACJA W BYDGOSZCZY	4.45%
5	GMINA WROCŁAW (WROCŁAW MUNICIPALITY)	3.65%
6	GMINA TYCHY URZĄD MIASTA TYCHY (TYCHY MUNICIPALITY)	3.34%
7	MPWIK KRAKÓW	3.11%
8	ZAKŁAD UTYLIZACYJNY SP. Z O.O.	3.05%
9	ŁÓDZKA SPÓŁKA INFRASTRUKTURALNA SPÓŁKA Z O.O.	2.87%
10	AQUANET SA	2.44%
11	GAZ-SYSTEM	2.35%
12	MIEJSKIE PRZEDSIEBIORSTWO WODOCIĄGÓW I KANALIZACJI W WARSZAWIE	2.32%
13	WAMAR SP. Z O.O.	2.28%
14	OTHER	42.48%

At present, the main customer for the Group's natural gas and oil services is PGNiG. This is related to the execution of two contracts of substantial value for the customer, totalling nearly PLN 2.5bn. These are highest-ever contracts signed by PBG S.A. with PGNiG. However, please note that the PBG Group's strategy provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenues. In order to mitigate the risk of being dependent on key customers, PBG gradually attracts new customers for the Group's services, such as NATO, PKN ORLEN, PERN, LOTOS, Natfobazy, OLPP and foreign entities.

In 2009, the shares of key customers in the Group's total sales revenue did not exceed 20%.

The Group seeks to mitigate the risk further by:

- diversifying sources of revenue and securing new customers,
- executing EU-funded contracts, primarily for local governments,

- operating on international markets.

The analysis of receivables, as the most important category of assets exposed to credit risk, in terms of outstanding amounts and aging for which impairment losses were not recognised, is presented in the tables below:

Item	December 31st 2009		December 31st 2008		December 31st 2007	
	Not past due	Past due	Not past due	Past due	Not past due	Past due
	PLN '000		PLN '000		PLN '000	
Current receivables:						
Trade receivables	761,655,	278,548,	395,383,	288,441,	418,063,	126,998,
Impairment losses on trade receivables (-)	(6)	(24,579)	(88)	(30,890)	(5,102)	(33,206)
Net trade receivables	**761,649,**	**253,969,**	**395,295,**	**257,551,**	**412,961,**	**93,792,**
Other financial receivables	15,496,	55,882,	19,836,	45,585,	11,331,	35,248,
Impairment losses on other receivables	-	(55,816)	(204)	(45,181)	(257)	(35,171)
Other net financial receivables	**15,496**	**66**	**19 632**	**404**	**11 074**	**77**
Financial receivables	**777,145**	**254,035**	**414,927**	**257,955**	**424,035**	**93,869**

Item	December 31st 2009		December 31st 2008		December 31st 2007	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
	PLN '000		PLN '000		PLN '000	
Past due current receivables:						
Up to 1 month	139,962	15	123,343	59	35,859	77
From 1 to 6 months	83,417	36	117,540	48	48,801	-
From 6 to 12 months	13,741	-	13,989	-	4,062	-
Over one year	41,428	55,831	33,569	45,478	38,276	35,171
Past due financial receivables	**278,548**	**55,882**	**288,441**	**45,585**	**126,998**	**35,248**

As assessed by the Group's Management Board, the above financial assets which are not past due and for which no impairment losses were recognised as at the respective balance-sheet dates, can reasonably be considered as good credit quality assets. Thus, the Group did not establish collateral or used other tools to improve the credit terms.

With respect to trade receivables, the Group is not exposed to credit risk inherent in being dependent on a single major partner or a group of partners sharing the same characteristics. Based on historical data on overdue payments, the receivables that are past due and for which no impairment charges have been recognised do not show a marked deterioration in quality, as most of them fall into the "up to 6 months" category, and there is no threat to their effective collectability.
The Group operates in the market of specialist construction services for the natural gas, petroleum, fuel, water supply and sewerage, road and infrastructural sectors, there is no credit risk concentration.

In order to reduce its credit risk exposure, the Group uses offsetting (compensating) arrangements where such solution is accepted by both parties.

For detailed information on impairment losses on financial assets, see Sections 9.2, 9.4 and 12.

34.3 LIQUIDITY RISK

The Group is exposed to the risk of losing liquidity, that is the loss of the ability to timely meet financial liabilities. The Group manages the liquidity risk by monitoring payment dates and demand for cash with respect to the servicing of current 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 compared with the available sources of funding (in particular by evaluating the ability to source funds under credit facilities) and with the ability to place free funds.

The maturities of the Group's financial liabilities are presented in the table below:

All amounts in PLN '000 (unless otherwise stated)

Item	Current:		Non-current:			Liabilities total (no discount)	Carrying value
	up to 6 months	from 6 to 12 months	1 to 3 years	3 to 5 years	over 5 years		
As at December 31st 2009							
Bank loans	105,599	380,710	88,357	10,139	3,241	588,046	585,304
Borrowings	5,493	2,878	140	-	-	8,511	10,440
Debt securities	-	125,000	375,000	-	-	500,000	506,440
Finance lease	6 464	10,044	15,881	297	-	32,686	32,686
Financial derivatives	26 991	32,264	553	-	-	59,809	59,809
Trade and other financial payables	745 853	12,822	34,192	7,013	937	800,817	798,785
Total liquidity risk exposure	**890,400**	**563,718**	**514,123**	**17,449**	**4,178**	**1,989,868**	**1,993,464**
As at December 31st 2008							
Bank loans	145,773	328,347	72,629	39,585	-	586,334	587,322
Overdraft facilities	-	-	-	-	-	-	-
Borrowings	-	-	675	-	-	675	675
Debt securities	-	-	200,000	-	-	200,000	201,137
Finance lease	3,640	2,146	9,897	490	-	16,173	16,173
Financial derivatives	72,350	111,720	50,819	-	-	234,889	234,889
Trade and other financial payables	418,878	6,945	13,928	4,136	316	444,203	442,938
Total liquidity risk exposure	**640,641**	**449,158**	**347,948**	**44,211**	**316**	**1,482,274**	**1,483,134**
As at December 31st 2007							
Bank loans	26,376	321,567	44,435	5,600	-	397,978	398,129
Overdraft facilities	-	-	-	-	-	-	-
Borrowings	-	2,546	-	-	-	2,546	2,306
Debt securities	-	110,000	200,000	-	-	310,000	311,043
Finance lease	1,602	1,210	8,498	-	-	11,310	11,310
Financial derivatives	-	490	-	-	-	490	490
Trade and other financial payables	407,772	18,107	20,603	-	-	446,482	446,482
Total liquidity risk exposure	**435,750**	**453,920**	**273,536**	**5,600**	**-**	**1,168,806**	**1,169,760**

All amounts in PLN '000 (unless otherwise stated)

The table shows the contractual value of the payables, net of discount related to valuation at amortised cost, hence the amounts may vary from those recognised in the consolidated balance sheet. In the case of derivative instruments, fair values are shown as at the respective balance-sheet dates.

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

Item	December 31st 2009	December 31st 2008	December 31st 2007
Overdrafts granted	381,629	302,601	236,883
Overdrafts used	170,723	136,952	102,513
Available overdrafts	**201,906**	**165,649**	**134,370**

35. CAPITAL MANAGEMENT

The Group manages capital to ensure uninterrupted operations by the Group and the expected rate of return to shareholders and other parties with interest in the Group's financial standing.

The Group monitors the effective use of capital using such indicators as:

- Equity ratio, calculated as the ratio of equity to balance-sheet total. The Group's target for the ratio is not less than 0.3;
- Debt/EBITDA, calculated as the ratio of interest-bearing debt less cash to EBITDA (for the last 12 moths, net profit plus taxes and interest expensed plus amortisation and depreciation). The Group's target for the ratio is not more than 3.5.

The above targets are also in line with covenants stipulated in relevant loan agreements.

In the period covered by the consolidated financial statements, the above ratios were as follows:

Ratio	as at December 31st 2009	as at December 31st 2008	as at December 31st 2007
Equity ratio – target (min.)	0.30	0.30	0.30
Equity ratio – actual	**0.41**	**0.39**	**0.34**
IBD/EBITDA – target (max.)	3.50	3.50	3.50
IBD/EBITDA – actual	**1.31**	**1.63**	**1.55**

The ratios fell within the targets assumed by the Group in all periods.

36. EVENTS SUBSEQUENT TO THE BALANCE-SHEET DATE

After December 31st 2009 the following events occurred which did not require disclosure in the consolidated financial statements for 2009:

MERGERS, ACQUISITIONS, ESTABLISHMENT OF NEW SUBSIDIARIES

Acquisition of shares in PBG Dom Invest III Sp. z o.o.

On January 5th 2010 PBG Dom Sp. z o.o., a subsidiary, acquired a 100% shareholding in PBG Dom Invest III Sp. z o.o. of Wysogotowo near Poznań.

The share capital of PBG Dom Invest III Sp. z o.o. amounts to PLN 5,000.00 and is divided into 100 shares with a par value of PLN 50 per share. One share carries one vote.

PBG Dom Invest III Sp. z o.o. is a special purpose vehicle established for the purpose of executing a development project in the future. The business of the company includes sale and purchase of real property for is own account, real estate lease agency services, and real property management.

Acquisition of Shares in Energomontaż Południe SA – Completion of the Transaction

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

Share Capital Increase by PBG Dom Sp. z o.o.

On February 17th 2010, pursuant to Resolution No. 1 the Extraordinary Shareholders Meeting of PBG Dom Sp. z o.o. increased the company's share capital from PLN 12,357,200.00 to PLN 55,000,000.00, i.e. by PLN 42,642,800.00 through creation of new 426,428 shares with a par value of PLN 100.00 (hundred zlotys) per share. As at the date of approval of these consolidated financial statements, the share capital increase had not been registered by a competent court.

All newly created shares in the company's increased share capital were paid for with cash and acquired by the existing shareholder of the company – PBG S.A. Following the transaction, the Parent Undertaking holds a 100% interest in the share capital of PBG Dom Sp. z o.o.

INVESTMENT PROJECT AGREEMENTS

Conclusion of a Material Agreement with Strateg Capital Sp. z o.o.

On January 11th 2010 the Management Board of PBG S.A. entered into at a series of transactions with Strateg Capital Sp. z o.o., as a result of which a total value of contracts concluded with the company in the previous 12 months amounted to PLN 168,079,202.98 and satisfied the statutory materiality criterion.

A single agreement of the largest value is a PLN 69,312,136.98 contract (VAT exclusive) of June 19th 2009, whereby PBG S.A. acts as the contractor. The subject matter of the contract is the provision of general contracting services in connection with construction of an aggregate (melaphyre) quarry and processing plant in Tłumaczów, delivery of aggregate loading and handling systems and construction of a railway siding. The contract completion date is September 30th 2010. The parties may extend the scope of the contract.

The total value of the concluded contracts is considered material for PBG S.A. based on the total shareholders' equity criterion. Strateg Capital is an affiliated company of PBG S.A. – PBG S.A. holds an 18-percent equity interest in the company.

Conclusion of Material Agreement with PBG Dom Sp. z o.o.

On January 11th 2010 the Management Board of PBG S.A. notified of executing a series of transactions with PBG Dom Sp. z o.o. as a result of which a total value of contracts concluded with the company in the previous 12 months amounted to PLN 145,819,500.

A single agreement of the largest value is a PLN 35,910,000.00 loan agreement of June 23rd 2009, whereby PBG S.A. acts as the lender. The loan becomes due on December 31st 2010.

PBG Dom issued a blank promissory note with a declaration on submission to enforcement. The loan bears interest on market terms.

The total value of the concluded agreements is considered material for PBG S.A. based on the total shareholders' equity criterion. PBG Dom is a wholly-owned subsidiary of PBG S.A.

Conclusion of Material Agreement with Operator Gazociągów Przesyłowych Gaz-System SA

On March 2nd, 2010 Control Process SA as a leader of a consortium comprising Control Process SA, PBG S.A., and GasOil engineering a.s. concluded a contract with Operator Gazociągów Przesyłowych Gaz-System SA. The subject matter of the contract is n project "Turnkey Delivery of Construction of Jarosław II Gas Compressor Station as part of the Upgrade of Jarosław Gas Compressor Station".

Works on the project execution will start within 14 days as of the contract date and will last for 18 months. The flow capacity of the new Jarosław II Gas Compressor Station will total 300,000 m³/h.

The parties agreed on a total lump-sum remuneration for the Consortium for due delivery of the project of PLN 117,700,000.00 (VAT exclusive) (in words: one hundred seventeen million seven hundred thousand zlotys). The share of PBG S.A. in the remuneration will amount to about 50%.

The Management Board of PBG S.A. recognised the contract as material due to the market potential and the fact that the facility will serve an important transmission hub in Poland's existing and planned gas transmission system which Gaz-System SA plans to extend by 2014 by adding 1,000 km of new pipelines.

Exceeding the Materiality Threshold in Contracts with Ćwiertnia Sp. z o.o.

On March 15th 2010 the Management Bard of PBG S.A. notified that further to execution of contracts with the Przedsiębiorstwo Inżynierskie Ćwiertnia Sp. z o.o. a total value of contracts concluded with the company in the previous 12 months reached PLN 101,502,030.52 (VAT exclusive).

A single agreement of the largest value is a contract entered into on October 30th 2009 whereby PBG S.A. acts as the principal, and Przedsiębiorstwo Inżynierskie Ćwiertnia acts as the contractor, under which, in exchange for a remuneration of PLN 33,075,000 (VAT exclusive), the contractor agreed to perform part of the works specified in the contract, involving comprehensive delivery of engineering systems, control and monitoring cable networks, and cable networks for the ESD security system, relating to the

All amounts in PLN '000 (unless otherwise stated)

3.5 bn nm³ extension of the Wierzchowice Underground Storage Facility (first stage 1.2bn nm³). The contract is to be completed by November 18th 2011.

Within 14 days after execution of the contract, the contractor established a performance bond for PBG S.A. in the form of five blank promissory notes with a declaration on submission to enforcement for a total amount of up to 10% the contractual remuneration (VAT inclusive), i.e. PLN 4,035,150.

The total value of the concluded contracts is considered material for PBG S.A. based on the total shareholders' equity criterion.

37. OTHER INFORMATION

37.1. KEY ITEMS TRANSLATED INTO THE EURO

In the periods covered by the consolidated financial statements and the comparable 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) net revenue from sales of products, goods for resale and materials, operating profit, pre-tax profit, net profit, as well as net cash provided by/(used in) operating activities, net cash provided by/(used in) investing activities, net cash provided by/(used in) financing activities and net change in cash and cash equivalents for 2009 were calculated using 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.

b) net revenue from sales of products, goods for resale and materials, operating profit, pre-tax profit, net profit, as well as net cash provided by/(used in) operating activities, net cash provided by/(used in) investing activities, net cash provided by/(used in) financing activities and net change in cash and cash equivalents for 2008 were calculated using 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 3.5321.

c) total assets, liabilities and provisions for liabilities, non-current liabilities, current liabilities, equity and share capital as at December 31st 2009 were calculated using the EUR mid-exchange rate effective for that date (December 31st 2009), i.e. PLN 4.1082.

d) total assets, liabilities and provisions for liabilities, non-current liabilities, current liabilities, equity and share capital as at December 31st 2008 were calculated using the EUR mid-exchange rate effective for that date (December 31st 2008), i.e. PLN 4.1724.

Item	Dec 31 2009	Dec 31 2008
Exchange rate effective for the last day of the period	4.1082	4.1724
Average exchange rate for the period, calculated based on the arithmetic mean of exchange rates effective for the last day of each individual month in a given period	4.3406	3.5321
The highest exchange rate in the period	4.8999 – Feb 18 2009	4.1848 – Dec 29 2008

All amounts in PLN '000 (unless otherwise stated)

The lowest exchange rate in the period	3.9170 – Jan 7 2009	3.2026 – Jul 31 2008

Key items of the consolidated balance sheet, income statement and statement of cash flows from the consolidated financial statements and the comparable consolidated financial information, translated into the euro:

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
	PLN		**EUR**	
Income statement				
Sales revenue	2,577,980	2,091,425	593,923	592,119
Operating profit/(loss)	286,496	223,573	66,004	63,297
Pre-tax profit/(loss)	262,628	213,877	60,505	60,552
Net profit/(loss) from continuing operations	222,040	187,254	51,154	53,015
Net profit/(loss) attributable to:	222,040	187,254	51,154	53,015
- owners of the Parent	210,625	156,331	48,524	44,260
- minority interests	11,415	30,923	2,630	8,755
Earnings/(loss) per ordinary share (PLN / EUR)	15.11	11.64	3.48	3.30
Diluted earnings (loss) per ordinary share (PLN / EUR)	15.11	11.64	3.48	3.30
PLN / EUR average exchange rate			4.3406	3.5321

Cash flow statement				
Net cash provided by/(used in) operating activities	306,529	(253,080)	70,619	(71,651)
Net cash provided by/(used in) investing activities	(352,035)	(185,622)	(81,103)	(52,553)
Net cash provided by/(used in) financing activities	416,920	315,221	96,051	89,245
Net change in cash and cash equivalents	371,414	(123,481)	85,567	(34,960)
PLN / EUR average exchange rate			4.3406	3.5321

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2009	As at Dec 31 2008
	PLN		**EUR**	
Balance sheet				
Assets	4,008,346	2,840,965	975,694	680,895
Non-current liabilities	561,784	410,022	136,747	98,270
Current liabilities	1,823,076	1,334,869	443,765	319,928
Equity	1,623,486	1,096,074	395,182	262,696
Share capital	14,295	13,430	3,480	3,219
Number of shares	14,295,000	13,430,000	14,295,000	13,430,000
Weighted average number of ordinary shares	13,935,000	13,430,000	13,935,000	13,430,000
Diluted weighted average number of ordinary shares	13,935,000	13,430,000	13,935,000	13,430,000
Book value per share (PLN / EUR)	97.61	69.06	23.76	16.55
Dividend per share declared or paid (PLN / EUR)	1.40	-	0.34	-
PLN / EUR exchange rate as at end of period			4.1082	4.1724

All amounts in PLN ‘000 (unless otherwise stated)

37.2. REMUNERATION PAID TO MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS OF THE PARENT UNDERTAKING

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

Item	Base remuneration	Other benefits	Total
Remuneration paid to Management Board members			
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 Latawiec*	180	1	181
Total	**2,700**	**12**	**2,712**
Remuneration paid to Supervisory Board members			
Maciej Bednarkiewicz	120	1	121
Jacek Kseń	96	1	97
Wiesław Lindner	60	1	61
Jacek Krzyżaniak **	15	1	16
Dariusz Sarnowski	36	1	37
Adam Strzelecki	36	1	37
Total	**363**	**6**	**369**

* Member of PBG S.A.'s Management Board until September 30th 2009.
** Member of PBG S.A.'s Supervisory Board until June 4th 2009.

REMUNERATION PAID TO MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICES IN THE PARENT UNDERTAKING FROM JANUARY 1ST TO DECEMBER 31ST 2008

Item	Base remuneration	Other benefits	Total
Remuneration paid to Management Board members			
Jerzy Wiśniewski	741	-	741
Tomasz Woroch	420	-	420
Przemysław Szkudlarczyk	300	-	300
Tomasz Tomczak	300	-	300
Mariusz Łożyński	245	-	245
Tomasz Latawiec	240	-	240
Total	**2,246**	**-**	**2,246**
Remuneration paid to Supervisory Board members			
Maciej Bednarkiewicz	120	-	120
Jacek Kseń	96	-	96
Wiesław Lindner	60	-	60
Jacek Krzyżaniak	36	-	36
Dariusz Sarnowski	36	-	36
Adam Strzelecki	36	-	36
Total	**384**	**-**	**384**

All amounts in PLN '000 (unless otherwise stated)

REMUNERATION PAID TO MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICES IN SUBSIDIARY, JOINTLY-CONTROLLED AND ASSOCIATED UNDERTAKINGS FROM JANUARY 1ST TO DECEMBER 31ST 2009

Item	Base remuneration	Other benefits	Total
Remuneration paid to Management Board members			
Jerzy Wiśniewski	-	-	-
Tomasz Woroch	65	-	65
Przemysław Szkudlarczyk	36	-	36
Tomasz Tomczak	9	-	9
Mariusz Łożyński	-	-	-
Tomasz Latawiec *	-	-	-
Total	**110**	**-**	**110**
Remuneration paid to Supervisory Board members			
Maciej Bednarkiewicz	-	-	-
Jacek Kseń	-	-	-
Wiesław Lindner	-	-	-
Jacek Krzyżaniak **	-	-	-
Dariusz Sarnowski	-	-	-
Adam Strzelecki	-	-	-
Total	**-**	**-**	**-**

*   Member of PBG S.A.'s Management Board until September 30th 2009.
** Member of PBG S.A.'s Supervisory Board until June 4th 2009.

REMUNERATION PAID TO MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICES IN SUBSIDIARY, JOINTLY-CONTROLLED AND ASSOCIATED UNDERTAKINGS FROM JANUARY 1ST TO DECEMBER 31ST 2008

Item	Base remuneration	Other benefits*	Total
Remuneration paid to Management Board members			
Jerzy Wiśniewski	190	4	194
Tomasz Woroch	273	5	278
Przemysław Szkudlarczyk	59	-	59
Tomasz Tomczak	-	-	-
Mariusz Łożyński	-	-	-
Tomasz Latawiec	121	-	121
Total	**643**	**9**	**652**
Remuneration paid to Supervisory Board members			
Maciej Bednarkiewicz	-	-	-
Jacek Kseń	-	-	-
Wiesław Lindner	-	-	-
Jacek Krzyżaniak	72	3	75
Dariusz Sarnowski	-	-	
Adam Strzelecki	-	-	-
Total	**72**	**3**	**75**

* Other benefits: third-party liability insurance for Supervisory Board members.

All amounts in PLN '000 (unless otherwise stated)

37.3. EMPLOYMENT IN THE GROUP AND CHANGES IN STAFF

EMPLOYMENT IN THE GROUP (FTE)

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008	Jan 1–Dec 31 2007
White-collar employees	1,729	1,781	1,521
Blue-collar employees	1,993	2,196	1,998
Total	**3,722**	**3,977**	**3,519**

CHANGES IN STAFF

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008	Jan 1–Dec 31 2007
Number of persons employed	544	944	1,133
Number of persons dismissed	(1,093)	(1,072)	(1,018)
Total	**(549)**	**(128)**	**115**

37.4. FEE OF THE ENTITY QUALIFIED TO AUDIT FINANCIAL STATEMENTS

Grant Thornton Frąckowiak Sp. z o.o. is entitled to audit and review the financial statements of the companies in the Group. Below are presented fees paid to the auditor for the provision of its services.

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Audit of annual financial statements	518	511
Review of financial statements	187	261
Tax advisory	14	72
Other services	94	47
Total	**813**	**891**

37.5. MATERIAL EVENTS IN PREVIOUS YEARS, DISCLOSED IN THE FINANCIAL STATEMENTS FOR THE CURRENT REPORTING PERIOD

No events relating to previous years are disclosed in the annual consolidated financial statements of the Group.

All amounts in PLN '000 (unless otherwise stated)

38. DISCLOSURE APPROVAL

The consolidated financial statements for the year ended December 31st 2009 (along with comparative data) have been approved for disclosure by the Management Board on March 19th 2010.

Signatures of all Management Board members

Date	Name	Position	Signature
Mar 19 2010	Jerzy Wiśniewski	President of the Management Board	…………………………..
Mar 19 2010	Tomasz Woroch	Vice-President of the Management Board	…………………………..
Mar 19 2010	Przemysław Szkudlarczyk	Vice-President of the Management Board	…………………………..
Mar 19 2010	Tomasz Tomczak	Vice-President of the Management Board	…………………………..
Mar 19 2010	Mariusz Łożyński	Vice-President of the Management Board	…………………………..

Signature of the person responsible for the preparation of the consolidated financial statements

Date	Name	Position	Signature
Mar 19 2010	Eugenia Bachorz	Proxy Accounting Coordination Director	…………………………..