THE PBG GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2010

WYSOGOTOWO, MARCH 17TH 2011

Group name:	***PBG Group***		
Period covered by the financial statements:	***Jan 1–Dec 31 2010***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

Group name:	PBG Group		
Period covered by the financial statements:	Jan 1–Dec 31 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

FINANCIAL HIGHLIGHTS

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
	PLN		EUR	
Sales revenue	2,740,311	2,572,509	684,325	592,662
Operating profit/(loss)	272,710	284,316	68,103	65,502
Pre-tax profit/(loss)	267,610	260,448	66,829	60,003
Net profit/(loss) from continuing operations	218,559	219,860	54,580	50,652
Net profit/(loss) attributable to:	218,559	219,860	54,580	50,652
- owners of the Parent	224,315	209,094	56,017	48,172
- minority interests	(5,756)	10,766	(1,437)	2,480
Net cash provided by/(used in) operating activities	433,582	305,060	108,276	70,281
Net cash provided by/(used in) investing activities	(529,951)	(350,566)	(132,342)	(80,764)
Net cash provided by/(used in) financing activities	144,866	416,920	36,177	96,051
Net change in cash and cash equivalents	48,497	371,414	12,111	85,567
Weighted average number of ordinary shares	14,295,000	13,935,000	14,295,000	13,935,000
Diluted weighted average number of ordinary shares	14,295,000	13,935,000	14,295,000	13,935,000
Earnings/(loss) per ordinary share (PLN/EUR)	15.69	15.00	3.92	3.46
Diluted earnings/(loss) per ordinary share (PLN/EUR)	15.69	15.00	3.92	3.46
PLN/EUR average exchange rate			4.0044	4.3406

Item	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2010	As at Dec 31 2009
	PLN		EUR	
Assets	4,754,962	4,015,446	1,200,657	977,422
Non-current liabilities	985,574	569,192	248,863	138,550
Current liabilities	1,937,942	1,827,432	489,342	444,825
Equity	1,605,151	1,393,687	405,310	339,245
Share capital	14,295	14,295	3,610	3,480
Number of shares	14,295,000	14,295,000	14,295,000	14,295,000
Book value per share (PLN/EUR)	112.29	97.49	28.35	23.73
Dividend per share declared or paid (PLN/EUR)	-	1.40	-	0.34
PLN / EUR exchange rate as at end of period			3.9603	4.1082

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 2010, the exchange rate was EUR 1 = PLN 3.9603, and as at December 31st 2009 it was EUR 1 = PLN 4.1082.

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

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All figures in PLN '000 (unless stated otherwise)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Item	Section	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
Assets				
Non-current assets		**1,599,128**	**1,017,651**	**901,603**
Goodwill	6	346,882	321,423	315,609
Intangible assets	7	41,640	32,966	14,820
Property, plant and equipment	8	665,388	368,264	401,739
Non-regenerative natural resources	10	36,772	12,290	11,999
Investment property	11	293,757	147,838	23,672
Investments in subsidiary undertakings	5	10,000	10,000	27,000
Investments in associated undertakings	5	65,769	-	-
Investments in joint ventures		-	-	-
Receivables	15	15,831	14,618	20,593
Loans advanced	12.2	60,112	56,035	3,350
Financial derivatives	12.3	171	8,746	12,916
Other non-current financial assets	12.4	38,643	35,575	33,268
Deferred tax assets liabilities	13	-	-	23,070
Non-current accruals and deferred income	26	24,163	9,896	13,567
Current assets		**3,155,834**	**2,997,795**	**1,939,362**
Inventories	14	293,500	238,386	69,360
Receivables under construction contracts	27	393,583	721,878	783,930
Trade and other receivables receivables	15	1,327,224	1,112,173	728,117
Current income tax receivables		7,748	3,388	978
Loans advanced	12.2	210,492	216,446	37,428
Derivative financial instruments	12.3	4,873	20,215	1,280
Other current financial assets	12.4	155,265	862	13,059
Cash and cash equivalents	16	708,509	660,281	288,750
Current accruals and deferred income	26	54,640	24,166	16,460
Non-current assets held for sale	21	-	-	-
Total assets		**4,754,962**	**4,015,446**	**2,840,965**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Item	Section	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
Equity and liabilities				
Equity		**1,831,446**	**1,618,822**	**1,096,074**
Equity attributable to owners of the Parent		**1,605,151**	**1,393,687**	**927,504**
Share capital	18	14,295	14,295	13,430
Treasury shares		-	-	-
Share premium account	18	733,348	733,348	551,178
Valuation of hedging transactions and foreign exchange gains/(losses) on consolidation	20	(15,289)	(30,349)	(101,444)

All amounts in PLN ‘000 (unless otherwise stated)

Item (continued)	Section	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
Other equity	21	523,339	374,142	276,057
Retained earnings	13	349,458	302,251	188,283
- retained earnings/(deficit)	28	125,143	93,157	31,952
- net profit (loss) for the year - attributable to owners of the Parent		224,315	209,094	156,331
Non-controlling interests	**23**	**226,295**	**225,135**	**168,570**
Liabilities		**2,923,516**	**2,396,624**	**1,744,891**
Non-current liabilities		**985,574**	**569,192**	**410,022**
Loans, borrowings and other debt instruments	12.5	904,894	476,878	312,850
Finance lease	9	9,122	16,177	10,387
Derivative financial instruments	12.3	412	553	46,610
Other liabilities	25	37,914	40,110	17,115
Deferred tax liabilities	18	5,284	7,558	-
Liabilities and provisions for employee benefits	25	5,520	6,405	5,229
Other non-current provisions	25	15,623	14,191	9,606
Government subsidies		-	-	-
Non-current accruals and deferred income	26	6,805	7,320	8,226
Current liabilities		**1,937,942**	**1,827,432**	**1,334,869**
Loans, borrowings and other debt instruments	12.5	523,985	625,308	476,284
Finance lease	9	10,723	16,507	5,786
Derivative financial instruments	12.3	11,265	59,256	188,279
Trade and other payables	25	1,193,845	973,042	522,210
Liabilities under construction contracts	8	89,593	60,450	14,989
Current income tax payable	30	28,616	25,871	21,219
Liabilities and provisions for employee benefits	25	29,728	24,504	24,358
Other current provisions	25	32,293	39,027	78,926
Government subsidies		-	-	-
Current accruals and deferred income	26	17,894	3,467	2,817
Liabilities under non-current assets held for sale	21	-	-	-
Total equity and liabilities		**4,754,962**	**4,015,446**	**2,840,965**

CONSOLIDATED INCOME STATEMENT

Item	Section	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Continuing operations			
Sales revenue	28	**2,740,311**	**2,572,509**
Revenue from sales of products		28,404	20,767
Revenue from sales of services		2,698,793	2,541,514
Revenue from sales of goods for resale and materials		13,114	10,228
Cost of sales	28	**(2,393,075)**	**(2,182,566)**

Group name:	PBG Group		
Period covered by the financial statements:	Jan 1–Dec 31 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN ‘000 (unless stated otherwise)		

Item (continued)	Section	As at Dec 31 2010	As at Dec 31 2009
Cost of products sold		(24,883)	(23,379)
Cost of services sold		(2,355,754)	(2,149,549)
Cost of goods for resale and materials sold		(12,438)	(9,638)
Gross profit/(loss)		**347,236**	**389,943**
Selling costs	28	(73)	-
General and administrative expenses	28	(109,096)	(109,764)
Other operating income	28	66,863	31,143
Other operating expenses	28	(33,603)	(27,006)
Share in profit of undertakings valued with equity method	28	1,383	-
Costs of restructuring		-	-
Operating profit/(loss)		**272 710**	**284,316**
Finance income	29	64,015	30,717
Finance expenses	29	(71,324)	(58,850)
Valuation of interests in joint ventures		-	-
Other gains/(losses) on investments	20	2,209	4,265
Pre-tax profit/(loss)		**267,610**	**260,448**
Income tax	30	(49,051)	(40,588)
Net profit/(loss) from continuing operations		**218,559**	**219, 860**
Discontinued operations			
Net loss from discontinued operations		-	-
Net profit/(loss)		**218,559**	**219,860**
Net profit/(loss) attributable to:		**218,559**	**219,860**
- owners of the Parent		224,315	209,094
- minority interests		(5,756)	10,766

NET EARNINGS (LOSS) PER ORDINARY SHARE

Item	for the period Jan 1–Dec 31 2010 1 / share	for the period Jan 1–Dec 31 2009 1 / share
Net profit/(loss) from continuing operations	224,315	209,094
Net profit/(loss) from continuing and discontinued operations	224,315	209,094
Weighted average number of ordinary shares	14,295,000	13,935,000
Diluted weighted average number of ordinary shares	14,295,000	13,935,000
from continuing operations		
- basic	15.69	15.00
- diluted	15.69	15.00
from continuing and discontinued operations		
- basic	15.69	15.00
- diluted	15.69	15.00

All amounts in PLN '000 (unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Net profit/(loss)	**218,559**	**219,860**
Other comprehensive income		
Remeasurement of property, plant and equipment	(5,404)	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	20,985	5,664
– amounts transferred to profit or loss	7,491	114,765
– amounts included in the initial value of hedged items	-	-
Foreign currency differences arising on translation of foreign operations	3,252	(10,131)
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	(5,790)	(21,761)
Other comprehensive income after tax	20,534	96,040
Comprehensive income	**239,093**	**315,900**
Comprehensive income attributable to:		
– owners of the Parent	**234,770**	**288,504**
– minority interests	**4,323**	**27,396**

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

Item	Equity attributable to owners of the parent								Non-controlling 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 2010	**14,295**	**-**	**733,348**	**(27,806)**	**(2,543)**	**374,229**	**303,782**	**1,395,305**	**228,181**	**1,623,486**
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	(87)	(1,531)	(1,618)	(3,046)	(4,664)
Balance after changes	**14,295**	**-**	**733,348**	**(27,806)**	**(2,543)**	**374,142**	**302,251**	**1,393,687**	**225,135**	**1,618,822**
Changes in equity in period Jan 1–Dec 31 2010										
Issue of shares	-	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	1,285	-	1,285	753	2,038
Changes in Group's structure (transactions with non-controlling interests)	-	-	-	(136)	-	(4,048)	690	(3,494)	2,558	(936)
Other adjustments	-	-	-	363	-	11,732	(5,331)	6,764	(6,068)	696
Dividends	-	-	-	-	-	-	(20,013)	(20,013)	-	(20,013)
Allocation of profit/(loss) to equity	-	-	-	-	-	146,260	(152,454)	(6,194)	(406)	(6,600)
Total transactions with owners of the parent	-	-	-	227	-	155,229	(177,108)	(21,652)	(3,163)	(24,815)
Net profit for period Jan 1–Dec 31 2010	-	-	-	-	-	-	224,315	224,315	(5,756)	218,559
Other comprehensive income after tax for Jan 1–Dec 31 2010	-	-	-	13,793	1,040	(6,032)	-	8,801	10,079	18,880
Total comprehensive income	-	-	-	13,793	1,040	(6,032)	224,315	233,116	4,323	237,439
Transfer to retained earnings (sale of remeasured property, plant and equipment)								-		-
Balance as at Dec 31 2010	**14,295**	**-**	**733,348**	**(13,786)**	**(1,503)**	**523,339**	**349,458**	**1,605,151**	**226,295**	**1,831,446**

Group name:	***PBG Group***		
Period covered by the financial statements:	***Jan 1–Dec 31 2010***	**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 2009

Item	Equity attributable to owners of the parent								Non-controlling 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
Changes in Group's structure (transactions with non-controlling interests)	-	-	-	(1,139)	-	(6,891)	2,035	(5,995)	38,752	32,757
Other adjustments	-	-	-	-	-	5,846	4	5,850	(10,343)	(4,493)
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)	-	90,910	(95,126)	177,680	29,168	206,848
Net profit for period Jan 1–Dec 31 2009	-	-	-	-	-	-	209,094	209,094	10,766	219,860
Other comprehensive income after tax for Jan 1–Dec 31 2009	-	-	-	75,597	(3,363)	7,175	-	79,409	16,631	96,040
Total comprehensive income	-	-	-	75,597	(3,363)	7,175	209,094	288,503	27,397	315,900
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)**	**374,142**	**302,251**	**1,393,687**	**225,135**	**1,618,822**

CONSOLIDATED STATEMENT OF CASH FLOWS

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Cash flows from operating activities		
Profit before tax	**267,610**	**260,448**
Adjustments:		
Depreciation and impairment losses on property, plant and equipment	40,733	42,035
Amortisation of and impairment losses on intangible assets	5,980	5,221
Change in fair value of investment property	(25,685)	(9,671)
Change in fair value of financial assets (liabilities) recognised in income statement	(5,882)	(14,878)
Cash flow hedges transferred from equity	7,357	122,955
Impairment losses on financial assets	13	133
(Gains) losses on disposal of non-financial non-current assets	(4,778)	(137)
(Gains) losses on disposal of financial assets (other than derivative instruments)	(2,192)	-
Foreign exchange gains/(losses)	(434)	(1,922)
Interest expense	70,057	54,366
Interest income	(36,458)	(26,274)
Dividend received	(5)	(2)
Share in profit/(loss) of associated undertakings	(1,384)	-
Other adjustments	(6,507)	11,771
Total adjustments:	**40,815**	**183,597**
Change in inventories	(45,014)	(24,233)
Change in receivables	(110,932)	(428,842)
Change in liabilities	106,319	472,429
Change in provisions and accruals and deferrals	(33,660)	(38,304)
Effect of construction contracts	265,483	103,800
Other adjustments		
Change in working capital	**182,196**	**84,850**
Gains/(losses) on settlement of derivative instruments	(2,790)	(168,578)
Interest paid on operating activities	(160)	(187)
Income tax paid	(54,089)	(55,070)
Net cash provided by/(used in) operating activities	**433,582**	**305,060**
Cash flows from investing activities		
Acquisition of intangible assets	(6,007)	(8,896)
Disposal of intangible assets	75	10
Acquisition of property, plant and equipment	(138,101)	(60,936)
Disposal of property, plant and equipment	686	28,741
Acquisition of investment property	(125,856)	(58,164)
Disposal of investment property	900	-
Acquisition of subsidiary undertakings, net	(122,902)	(46,800)
Disposal of subsidiary undertakings, net	1,071	1,762
Repayment of loans advanced	191,190	14,466
Loans advanced	(225,432)	(235,999)
Acquisition of other financial assets	(291,000)	(11,659)
Disposal of other financial assets	186,400	26,129
Government subsidies received	-	-
Interest received	6,319	8,402
Other inflows	1,166	50
Other investment expenses	(8,465)	(7,674)
Dividend received	5	2
Item (continued)	for the period	for the period

All amounts in PLN '000 (unless otherwise stated)

	Jan 1–Dec 31 2010	Jan 1–Dec 31 2009
Net cash provided by/(used in) investing activities	**(529,951)**	**(350,566)**
Cash flows from financing activities		
Net proceeds from issue of shares	-	181,790
Acquisition of own shares	(300)	-
Proceeds from issue of debt securities	450,000	375,000
Redemption of debt securities	(125,000)	(75,000)
Interest paid on debt securities	(39,677)	(15,601)
Increase in loans and borrowings	117,848	231,144
Repayment of loans and borrowings	(205,899)	(239,749)
Repayment of finance lease liabilities	(10,024)	(12,901)
Interest paid	(35,054)	(39,002)
Interest received on bank deposits	13,024	12,430
Other inflows/outflows	(39)	(1,191)
Dividend paid	(20,013)	-
Net cash provided by/(used in) financing activities	**144,866**	**416,920**
Net change in cash and cash equivalents	**48,497**	**371,414**
Cash and cash equivalents at beginning of period	660,281	**288,750**
Effect of foreign exchange gains/(losses)	(269)	**117**
Cash and cash equivalents at end of period	**708,509**	**660,281**

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 a Notary's Deed of December 1st 2003. The Company may conduct operations in all parts of Poland pursuant to the provisions of the Commercial Companies Code. The Parent 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 17th 2011, the composition of the **Parent Undertaking's Management Board** was as follows:

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

In the period from January 1st 2010 to the date of approval of these consolidated financial statements for publication, there were no changes in the composition of the Management Board of the Parent Undertaking.

As at the date of approval of these consolidated financial statements for publication, that is March 17th 2011, the composition of the **Parent Undertaking's Supervisory Board** was as follows:

- Maciej Bednarkiewicz – Chairperson,
- Małgorzata Wisniewska – Deputy Chair
- Dariusz Sarnowski – Secretary,
- Adam Strzelecki – Member,
- Marcin Wierzbicki – Member.

All amounts in PLN '000 (unless otherwise stated)

In the period from January 1st 2010 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 April 21st 2010, under Resolution No. 22 of the Annual General Shareholders Meeting of PBG S.A. Jacek Kseń and Wiesław Lindner ceased to sit on the Supervisory Board as a result of the expiry of their term of office. Małgorzata Wiśniewska and Marcin Wierzbicki replaced the leaving members of the Supervisory Board.

1.3. THE GROUP'S BUSINESS

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 2010	Dec 31 2009
Aprivia S.A. (1)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	100.00%
Betpol S.A. (2)	ul. Fordońska 168a, 85-766 Bydgoszcz, POLAND	Construction of roads and motorways PKD 42.11.Z	District Court of Bydgoszcz, XIII Commercial Division of the National Court Register	full subsidiary undertaking of Aprivia S.A., consolidated in the consolidated financial statements of PBG S.A., the Parent Undertaking	70.00%	70.00%

All figures in PLN ‘000 (unless stated otherwise)

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2010	Dec 31 2009
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	99.90%	87.40%
Przedsiębiorstwo Robót Inżynieryjno - Drogowych S.A. (PRID S.A.) (4)	ul. Poznańska 42, 64-300 Nowy Tomyśl POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	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	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 INCORPORATION Edmonton Alberta	full	100.00%	100.00%
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%

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 2010	Dec 31 2009
Hydrobudowa Polska S.A. (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	63.05%	62.74%
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 S.A., consolidated in the consolidated financial statements of the parent undertaking Hydrobudowa Polska S.A.	62.10%	61.79%
Hydrobudowa 9 S.A. (11)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Construction of residential and non-residential property PKD 41.20 Z Construction of water projects PKD 42.91.Z Site preparation 43.12.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full subsidiary undertaking of Hydrobudowa Polska S.A., consolidated in the consolidated financial statements of the parent undertaking Hydrobudowa Polska S.A.	63.05%	62.74%
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 S.A., consolidated in the consolidated financial statements of the parent undertaking Hydrobudowa Polska S.A.	63.05%	62.74%
KWG SA (13)	Aleja Wojska Polskiego129, 70-490 Szczecin POLAND	construction of utility projects for fluids (PKD 42.21.Z), and	District Court of Szczecin, - XI Commercial Division of the National Court Register	full	100.00%	100.00%

All figures in PLN '000 (unless stated otherwise)

Metorex Sp. z o.o. (14)	ul. Żwirki i Wigury 17A, 87-100 Toruń POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court of Torun - VII Commercial Division of the National Court Register	full	99.56%	99.56%
Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2010	Dec 31 2009
PBG Energia Sp. z o.o. (former PBG Export Sp. z o.o.) (15)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of telecommunications and power lines PKD 42.22.Z	District Court for Kraków – Sródmiescie of Kraków, XI Commercial Division of the National Court Register	full	99.95%	99.95%
PBG Technologia Sp. z o.o. (formerly Hydrobudowa Polska Konstrukcje Sp. z o.o.) (16)	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%	100.00%
PBG Dom Sp. z o.o. (17)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Construction of residential and non-residential property PKD 41.20 Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	100.00%
PBG Dom Invest I Sp. z o.o. (formerly Dawil Sp. z o.o.) (18)	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%

Group name:	*PBG Group*		
Period covered by the financial statements:	*Jan 1–Dec 31 2010*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN '000 (unless otherwise stated)*		

PBG Dom Invest III Sp. z o.o. (19)	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%	-
Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2010	Dec 31 2009
PBG DOM Invest III Sp. k. Sp. z o.o. (20)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	proportionate 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 Invest IV Sp. z o.o. (21)	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%	-
PBG Dom Invest V Sp. z o.o. (22)	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%	-

All figures in PLN '000 (unless stated otherwise)

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding Dec 31 2010	Group's shareholding Dec 31 2009
PBG Dom Invest VI Sp. z o.o. (23)	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%	-
PBG Dom Invest Vii Sp. z o.o. (24)	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%	-
PBG Dom Invest VIII Sp. z o.o. (25)	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%	-
PBG Dom Invest IX 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%	-

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 2010	Dec 31 2009
PBG Dom Invest X Sp. z o.o. (27)	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%	-
Górecka Projekt Sp. z o.o. (28)	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%	100.00%
Złotowska 51 (formerly KM Investment Sp. z o.o.) (29)	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.	100.00%	60.00%
City Development Sp. z o.o. (30)	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%	75.00%

All figures in PLN '000 (unless stated otherwise)

Villa Poznań Sp. z o.o. (31)	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%	100.00%
Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2010	Dec 31 2009
Quadro House Sp. z o.o. (formerly PBG Dom Management I Sp. z o.o.) (32)	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%	100.00%
Kino Development Sp. z o.o. (33)	ul. Marszałkowska 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%	100.00%
Wschodni Invest Sp. z o.o. (34)	ul. Mazowiecka 42, 60-623 Poznań POLAND	Other financial intermediation PKD 64.19.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	100.00%

All amounts in PLN '000 (unless otherwise stated)

Energopol Ukraina (35)	ul. Kondratiuka 1, 04201 Kiev UKRAINE	Construction and assembly activities	Obolon District State Administration in Kiev	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%	51.00%
Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2010	Dec 31 2009
PBG Ukraina Publiczna Spółka Akcyjna (public company limited by shares) (36)	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%
PBG Operator Sp. z o.o. (formerly Revana Sp. z o.o.) (37)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Other credit granting PKD 64.92.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	-
PBG Bułgaria Sp. z o.o. (38)	Nikołaj Chajtov 2, Sofia 1113, BULGARIA	Industrial activities n.e.c., repair and installation of machinery and equipment	-	full	100,00%	-
HBP Drogi Sp. z o.o. (39)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	-

All figures in PLN '000 (unless stated otherwise)

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding	
					Dec 31 2010	Dec 31 2009
Bathinex Sp. z o.o. (40)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100,00%	-
Strateg Capital Sp. z o.o. (41)	ul. Ratajczaka 19, 61-814 Poznań POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	80.00%	-
AQUA SA (42)	ul. Kanclerska 28, 60-327 Poznań POLAND	Engineering activities and related technical consultancy PKD 71.12.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	81.70%	-
Energomontaż-Południe S.A. (43)	ul. Mickiewicza 15, 40-951 Katowice POLAND	Other building installation EKD 4534	District Court for Katowice, Commercial Division of the National Court Register	equity	25.00%	-

The figures in the table above present the Parent Undertaking's interests 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. As at December 31st 2009, Aprivia S.A. held 87.40% of the share capital of Dromost Sp. z o.o., as at December 31st 2010, the interest was 99.99% of

the share capital of Dromost Sp. z o.o. As at December 31st 2010, the PBG S.A. indirectly held 99.99% 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. 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 2000, PBG S.A. held 62.74% of the share capital of Hydrobudowa Polska S.A.; as at December 31st 2010, PBG S.A. held 63.05% 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 2009, Hydrobudowa Polska S.A. held 86.46% of the share capital of P.R.G. Metro Sp. z o.o.; as at December 31st 2010, Hydrobudowa Polska S.A. held 98.49% of the share capital of P.R.G. Metro Sp. z o.o. As at December 31st 2010, PBG S.A. indirectly held 62.10% 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 2009. Hydrobudowa Polska S.A. holds 100% of the share capital of Hydrobudowa 9 S.A. As at December 31st 2010, PBG S.A. indirectly held 63.05% 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 2010, PBG S.A. indirectly held 63.05% of the share capital of Gdyńska Projekt Sp. z o.o.

13. 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.

14. 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.

15. PBG Energia Sp. z o.o. (formerly 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 Energia Sp. z o.o.

16. 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.

17. 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.

18. 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 2010, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest I Sp. z o.o.

19. PBG Dom Invest III Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since January 5th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Dom Invest III Sp. z o.o. As at December 31st 2010, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest III Sp. z o.o.

20. PBG Dom Invest III Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since January 5th 2010 – PBG Dom Sp. z o.o. is a limited partner (komandytariusz) in PBG Dom Invest III Sp. z o.o. Sp.k. and holds 50% of its share capital. PBG Dom Invest III Sp. z o.o. is the general partner (komplementariusz) and also holds 50% of PBG Dom Invest III Sp. z o.o. Sp.k.'s share capital. As at December 31st 2010, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest III Sp. z o.o. Sp. k.

21. PBG Dom Invest IV Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since January 5th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Dom Invest IV Sp. z o.o. As at December 31st 2010, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest IV Sp. z o.o.

22. PBG Dom Invest V Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since January 5th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Dom Invest V Sp. z o.o. As at December 31st 2010, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest V Sp. z o.o.

23. PBG Dom Invest VI Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since September 28th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Dom Invest VI Sp. z o.o. As at December 31st 2010, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest VI Sp. z o.o.

24. PBG Dom Invest VII Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since September 28th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Dom Invest VII Sp. z o.o. As at December 31st 2010, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest VII Sp. z o.o.

25. PBG Dom Invest VIII Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since September 6th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Dom Invest VIII Sp. z o.o. As at December 31st 2010, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest VIII Sp. z o.o.

26. PBG Dom Invest IX Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since September 6th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Dom Invest IX Sp. z o.o. As at December 31st 2010, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest IX Sp. z o.o.

27. PBG Dom Invest X Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since September 6th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Dom Invest X Sp. z o.o. As at December 31st 2010, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest X Sp. z o.o.

28. 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 2010, PBG S.A. indirectly held 100% of the share capital of Górecka Projekt Sp. z o.o.

29. 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. As at December 31st 2009, PBG Dom Sp. z o.o. held 60% of the share capital of Złotowska 51 Sp. z o.o., as at December 31st 2010, PBG Dom Sp. z o.o. held 100% of the share capital of Złotowska 51 Sp. z o.o. As at December 31st 2010, the PBG S.A. indirectly held 99.99% of the share capital of Złotowska 51 Sp. z o.o.

30. 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 2010, PBG S.A. indirectly held 75% of the share capital of City Development Sp. z o.o.

31. 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 2010, PBG S.A. indirectly held 100% of the share capital of Villa Poznań Sp. z o.o.

32. Quadro House Sp. z o.o. (formerly 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 Quadro House Sp. z o.o. As at December 31st 2010, PBG S.A. indirectly held 100% of the share capital of Quadro House Sp. z o.o.

33. 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 2010, PBG S.A. indirectly held 100% of the share capital of Kino Development Sp. z o.o.

34. 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. As at December 31st 2010, PBG S.A. held 100% of the share capital of Wschodni Invest Sp. z o.o.

35. 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 2010, PBG S.A. indirectly held 51% of the share capital of Energopol Ukraina.

36. 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.

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

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

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

40. Strateg Capital Sp. z o.o. has been a subsidiary undertaking of PBG S.A. since October 13th 2010. PBG S.A. holds 80% of the share capital of Strateg Capital Sp. z o.o.

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

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

43. Energomontaż Południe S.A. has been an associated undertaking of PBG S.A. since February 17th 2010 – PBG S.A. holds 25% of the share capital of Energomontaż Południe S.A.

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 2010, 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.

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 2010, these companies were consolidated in the consolidated financial statements prepared by the Aprivia Group.

PBG Dom Sp. z o.o. has the following subsidiary undertakings: PBG Dom Invest I Sp. z o.o, PBG Dom Invest III Sp. z o.o., PBG Dom Invest III Sp. z o.o. Sp. k., PBG Dom Invest IV Sp. z o.o., PBG Dom Invest V Sp. z o.o., PBG Dom Invest VI Sp. z o.o., PBG Dom Invest VII Sp. z o.o., PBG Dom Invest VIII Sp. z o.o., PBG Dom Invest IX Sp. z o.o., PBG Dom Invest X 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., Quadro House Sp. z o.o. (formerly PBG Dom Management Sp. z o.o.) and Kino Development Sp. z o.o. As at December 31st 2010, 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 2010, the company did not prepare consolidated financial statements. The companies are consolidated at the level of the Parent Undertaking, i.e. PBG S.A.

Consolidation of Associated Undertakings

As at December 31st 2010, the interests in associated undertakings, recognised in the consolidated financial statements, were assessed using the equity method. For detailed information on associated undertakings, see section 3.6.Energomontaż Południe S.A. is consolidated with equity method.

Consolidation of jointly-controlled undertakings

As at the date of these consolidated financial statements, the Group has investments which in accordance with IAS 31 it classifies as:

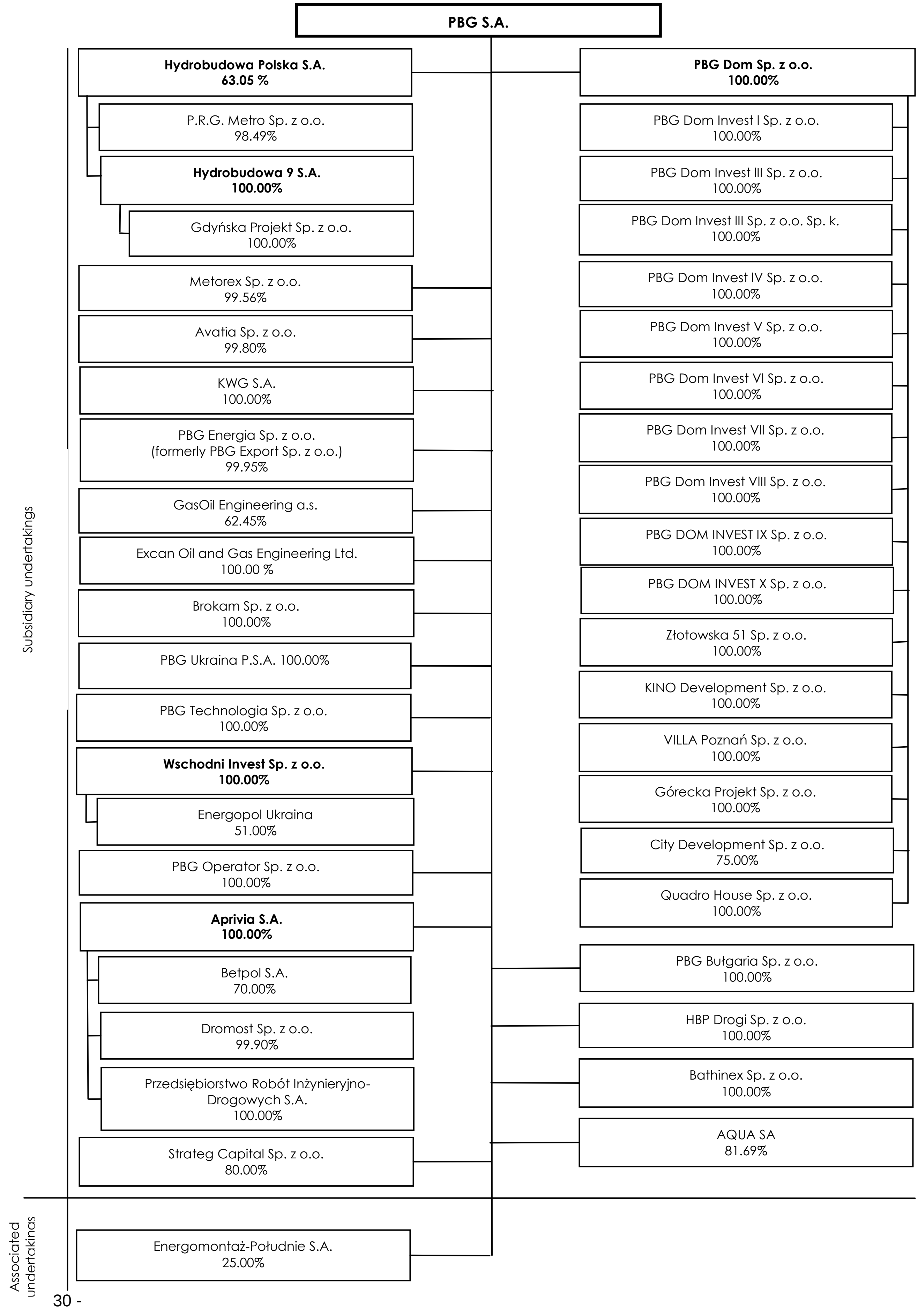
Jointly controlled entity

For detailed information on investments in joint ventures, see section 3.7. of the consolidated financial statements herein. Investments, recognised as jointly-controlled entities, and consolidated using the proportionate method:

- Joint venture Alpine Bau GMBH, PBG S.A., Aprivia S,A, Hydrobudowa Polska S.A. Spółka Cywilna, created for the execution of project “Construction of the Kaczkowo – Korzeńsko section of the S5 Poznań (A-2 – Głuchowo interchange) – Wrocław (A-8 – Widawa interchange) expressway, the Ring Road of Bojanowo and Rawicz”.
- Consortium of Saipem SpA, Techint Sp, Snamprogetti Canada INC, PBG S.A., PBG Export Sp. z o.o. established for the execution of project “Delivery of the working design, construction and commissioning of the Liquefied Natural Gas Regasification Terminal in Świnoujście”.

Group name:	*PBG Group*		
Period covered by the financial statements:	*Jan 1–Dec 31 2010*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN '000 (unless otherwise stated)*		

STRUCTURE OF THE PBG GROUP AS AT DECEMBER 31ST 2010



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.

On September 15th 2010, the Management Board the Parent Undertaking, executed with Obrascón Huarte Lain Construcción Internacional, S.L., a Memorandum of Understanding in which the Parties confirmed their interest in entering into cooperation in the area of offering construction and contracting services in Poland and abroad.

On December 28th 2010, the parties entered into a agreement which sets out the procedure for and the terms of a transaction in which OHL is to ultimately acquire:

107,384,807 shares in Hydrobudowa Polska S.A., owned by PBG S.A. as at the agreement date, representing 51% of the company's share capital, for a total price of PLN 431,000,000; 36,068,525 shares in APRIVIA S.A., owned by PBG S.A. as at the agreement date, representing 50.1% of the company's share capital, for a total price of PLN 75,000,000.

OHL has also declared its intention to retain controlling interests in HYDROBUDOWA POLSKA S.A. and APRIVIA S.A., with PBG S.A. holding at least a 12.05% interest in HYDROBUDOWA POLSKA S.A. and a 49.9% interest in APRIVIA S.A.

Completion of this transaction will result in material changes in the Group's structure, and thus in the Group's consolidated statement of financial position.

<u>CHANGE IN PBG S.A.'S INTEREST IN THE GROUP'S SUBSIDIARIES IN THE REPORTING PERIOD</u>

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

On February 17th 2010, by way of 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 (one hundred zlotys) per share. The share capital increase was registered on March 29th 2010.

All new shares in the company's increased share capital were paid for with cash and acquired by the existing shareholder – PBG S.A. Following the transaction, the Parent Undertaking continues to hold 100% of the share capital of PBG Dom Sp. z o.o.

Increase of Equity Interest in Hydrobudowa Polska S.A.

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

Disposal of Infra S.A.

On May 31st 2010, the PBG Management Board entered into an agreement with a natural person to sell all 4,997,500 Infra shares owned by PBG S.A., with a par value of PLN 1.00 per share. PBG S.A. sold Infra S.A. shares for PLN 8,450,000.00.

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

Incorporation of a subsidiary undertaking – PBG Bułgaria Sp. z o.o.

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

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

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

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

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

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

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

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

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

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

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

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

The shares acquired for PLN 5 thousand represent 100% of the share capital of Villalobos Sp. z o.o.

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

Acquisition of Shares in Strateg Capital Sp. z o.o. by PBG S.A.

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

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

Prior to the transaction, PBG S.A. held 47 shares representing 18.80% of the share capital and total vote at the General Shareholders Meeting of STRATEG CAPITAL Sp. z o.o.

Following the transaction, PBG S.A. held 200 shares with a total par value of PLN 200 thousand, representing 80.00% of the share capital and total vote at the General Shareholders Meeting of STRATEG CAPITAL Sp. z o.o.

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

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

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

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

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

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

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

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

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

The shares acquired by PBG S.A. represent 81.70% of AQUA's share capital and confer the right to 710,770 votes, representing 81.70% of the total vote at the General Shareholders Meeting of AQUA S.A. Thus, AQUA S.A. became a member of the PBG Group as a direct subsidiary of PBG S.A.

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

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

CHANGES IN PBG S.A.’S INTERESTS IN THE GROUP’S ASSOCIATED UNDERTAKINGS

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.

CHANGE OF PBG S.A.'S INTEREST IN JOINT VENTURES

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

On August 11th 2010, partnership JOINT VENTURE ALPINE BAU GmbH/PBG S.A./Aprivia S.A./Hydrobudowa Polska S.A. of Rawicz was formed.

Total contribution to the company's capital made by the partners is PLN 15 thousand. Amounts contributed by each party to the joint venture:

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

The parties will participate in distribution of profits or coverage of loss pro rata to their interests contributed to the company.

The company has been formed to conduct business activity consisting in construction and related activities.

The business objective of JOINT VENTURE ALPINE BAU GmbH/PBG S.A./Aprivia S.A./Hydrobudowa Polska S.A. is execution of a project under the Consortium Agreement on construction of the Kaczkowo-Korzeńsko section (the Bojanowo and Rawicz beltway) of the S5 Poznań (A2 – the Głuchowo interchange) – Wrocław (A8 – the Widawa interchange) expressway.

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

CHANGES AT SECONDARY SUBSIDIARIES

THE PBG DOM GROUP

Acquisition of Shares in Subsidiary Undertakings

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

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

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

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

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

These companies are SPVs established for the purpose of executing property development projects in the future. The business of the companies comprises trade in real estate for own account, real estate lease agency services and real property management.

Disposal of Apartamenty Poznanskie Sp. z o.o.

On June 28th 2010, the Management Board of PBG Dom Sp. z o.o. entered into a share sale agreement with AVELAR Sp. z o.o. concerning all 255 PBG Dom Sp. z o.o.'s shares in Apartamenty Poznanskie Sp. z o.o., with par value of PLN 100.00 per share. PBG Dom Sp. z o.o. sold the shares in Apartamenty Polskie Sp. z o.o. for PLN 5,932,937.00. Prior to the transaction, PBG Dom Sp. z o.o. held a 51.00% interest in Apartamenty Poznanskie Sp. z o.o.'s share capital and total vote.

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

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

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

Acquisition of Shares in Subsidiary Undertakings

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

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

In addition, on September 28th 2010 PBG Dom Sp. z o.o., a subsidiary of PBG S.A., acquired shares in the following companies:

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

Each of the companies listed above has a share capital of PLN 5 thousand divided into 100 shares with a par value of PLN 50.00 per share.

These companies are SPVs established for the purpose of executing property development projects in the future. The business of the companies comprises trade in real estate for own account, real estate lease agency services and real property management.

On September 30th 2010, PBG Dom Invest VIII Sp. z o.o. purchased land property with an investment project under construction. The project consists in construction of a hotel in Świnoujście. Upon completion of the project, PBG Dom Invest VIII Sp. z o.o. intends to engage in hotel operations.

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

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

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

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

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

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

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

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

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

THE APRIVIA GROUP

Increase of equity interest in Dromost Sp. z o.o., a subsidiary.

On December 29th 2010, Aprivia S.A. acquired from natural persons 864 shares of Dromost Sp. z o.o with a par value of PLN 500.00 per share.

Prior to the transaction, Aprivia S.A. held 6,000 shares representing 87.40% of the share capital and total vote at the General Shareholders Meeting of Dromost Sp. z o.o.

Following the transaction, Aprivia S.A. held 6,864 shares with a total par value of PLN 500.00, representing 99.99% of the share capital and total vote at the General Shareholders Meeting of Dromost Sp. z o.o.

The share capital of Dromost Sp. z o.o. amounts to PLN 3,432,500.00 and is divided into 6,865 shares with a par value of PLN 500.00 per share.

1.5. APPROVAL FOR PUBLICATION

These consolidated financial statements for the year ended December 31st 2010 were approved for publication by the Parent Undertaking's Management Board on March 17th 2011.

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 EU-endorsed International Financial Reporting Standards (IFRS), which were in effect as at December 31st 2010.

2.2. REPORTING CURRENCY AND THE LEVEL OF ROUNDING

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

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

- assets and liabilities of each presented 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 2010.

The financial statements will be available at the Parent Undertaking's website at:
http://www.pbg-sa.pl/relacje-inwestorskie/raporty-okresowe.html#2010 from the dates given in the current report on dates of publication of the 2010 annual and consolidated annual 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, the PBG Management Board hereby represents that to the best of their 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 2010 and the comparative period from January 1st to December 31st 2009.

The PBG 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 adopted by the PBG Management Board, the auditor was appointed by virtue of Supervisory Board's resolution of June 11th 2010 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 2010

The following new or revised standards and interpretations effective at January 1st 2010 have an impact on the accounting policies applied in the preparation of these consolidated financial statements:

- IFRS 3 (amendment) Business Combinations and IAS 27 (amendment) Consolidated and Separate Financial Statements. 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 previously applicable principles providing for multi-step settlement of obtaining control are no longer valid. The standards also introduce changes with respect to measurement of non-controlling interests (previously: minority interests).
- IAS 39 (amendment) Financial Instruments: Recognition and Measurement. The amendments clarify what qualifies as a hedging instrument or hedged item and provide guidelines to the assessment of hedge effectiveness.
- IFRS 1 (amendment) First-Time Adoption of IFRS. The amendments consist in reorganisation of the standard's body.
- IFRS 5 (amendment) - amendments to IFRS 5 introduced as part of the "Annual Improvements Project 2008".

- Amendments introduced as part of the "Annual Improvements Project 2009" to the following standards: IFRS 2, 5, 8; IAS 1, 7, 17, 18, 36, 38, 39; IFRIC 9, 16.
- IFRS 2 (amendment) Share-based Payment. The amendments clarify the manner of recognition of share-based payment schemes covering several group undertakings.
- IFRS 1 (amendment) First-Time Adoption of IFRS. 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.
- IFRIC 12 Service Concession Arrangements. IFRIC 12 regulates the recognition of assets and liabilities under service contracts with governments.
- IFRIC 15 Agreements for the Construction of Real Estate. IFRIC 15 relates to recognition of revenue by entities operating in the real estate construction business.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 provides guidance as to accounting treatment of hedges of interest in net assets of foreign operations.
- IFRIC 17 Distributions of Non-cash Assets to Owners. 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.
- IFRIC 18 Transfers of Assets from Customers. 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.

The standards and interpretations which have been published by the IASB but have not been endorsed for use by the European Union are discussed below in the section devoted to standards and interpretations which are not yet effective.

Revised IFRS 3 and IAS 27 affect these consolidated financial statements. Application of the other standards and interpretations listed above has no material effect on the consolidated financial statements.

IRFS 3 Business Combinations.

The Group applied revised IRFS prospectively to combinations carried out after January 1st 2010. Revised IFRS 3 affected these consolidated financial statements in the following way:

- Combination costs are charged to expense of the period as incurred. Previously, such costs were recognised as a component of the combination cost, and affected goodwill. The application of revised IFRS 3 resulted in recognition of cost in the amount of PLN 167 thousand in the 2010 income statement, and decrease of the financial result by that amount, as compared to the previously applied accounting policies.
- Contingent remuneration is measured at fair value as at the acquisition date. If a financial liability occurs at recognition of contingent remuneration, its later valuation affects profit or loss. Previously, contingent remuneration was recognised only if the payment was likely, and later changes affected the adjustment of originally recognised goodwill.

IAS 27 Consolidated and Separate Financial Statements.

The revised standard introduced changes to the method of recognising transactions between the Parent Undertaking and the non-controlling interests (previously: minority interests) which do not result in a loss of control. Such transactions are perceived as equity transactions, thus their settlement does not affect the income statement. The revised IAS 27 includes new regulations regarding the accounting for the loss of control over a subsidiary. The Group prospectively introduced these amendments with respect to transactions which occurred after January 1st 2010. The revised standard has a limited effect on Group's accounting policies, as in its consolidated financial statements the Group has recognised transactions between the Parent Undertaking and non-controlling interests, which do not result in loss of control as equity transactions.

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

In these consolidated financial statements, the Company did not choose the option of early application of any standard or interpretation other than the amendments to IAS 1 introduced as part of the "Annual Improvements Project 2010", which are effective for annual periods beginning on January 1st 2011. The Company has applied from January 1st 2010 the provisions of IAS 1.106A which allow the required reconciliations for components of other comprehensive income to be presented in a section of the financial statements rather than the consolidated statement of changes in equity (see section 20).

2.5.3. ISSUED STANDARDS AND INTERPRETATIONS WHICH AS AT DECEMBER 31ST 2010 ARE NOT EFFECTIVE YET AND THEIR BEARING ON THE GROUP'S FINANCIAL STATEMENTS

The following new or revised standards and interpretations, effective for annual periods beginning after 2010, were issued by the date of these 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 amendment will have no 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 amendment will have no impact on the consolidated financial statements.
- IFRS 9 Financial Instruments: Classification and Measurement – effective for annual periods beginning on or after January 1st 2013 (not endorsed by the European Commission). The new standard will replace the existing IAS 39. The part of IFRS 9 which has so far been published includes guidance concerning classification and measurement of financial assets, classification and measurement of financial liabilities and derecognition of financial assets and liabilities. The Group is currently assessing the impact of IFRS 9 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 2010. The amendment introduces additional relief

for first-time adopters of IFRS with respect to comparative disclosures concerning financial instruments. The amendment will have no impact on the consolidated financial statements.

- Amendments introduced as part of the “Annual Improvements Project 2010”: IFRS 1, 3, 7; IAS 1, 21, 28, 31, 34; IFRIC 13 – effective for annual periods beginning on or after January 1st 2011 (IFRS 3, IAS 21, 28, 31 – July 1st 2010). These amendments will have no material impact on the consolidated financial statements.
- IFRS 7 (amendment) Financial Instruments: Disclosures – effective for annual periods beginning on or after July 1st 2011 (not endorsed by the European Commission). The amendment introduces additional disclosure requirements concerning transfer of financial assets, both resulting in derecognition of financial assets and in recognition of the matching liability. The amendment will have no 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 2011 (not endorsed by the European Commission). Thus far, under IFRS 1 the possibility to take advantage of certain reliefs or exemptions depended on whether the transaction concerned took place before or after January 1st 2004. In line with the amendment, that date is replaced by the date of transition to IFRS. Furthermore, changes have been introduced regarding application of IFRS after a period when an entity operated in severe hyperinflation environment, price indices were not available and there was no stable foreign currency. These amendments will have no impact on the consolidated financial statements.
- IAS 12 (amendment) Income Taxes – effective for annual periods beginning on or after January 1st 2012 (not endorsed by the European Commission). The amended standard provides guidance on how to calculate deferred tax when the tax laws provide for a different treatment depending on whether the value of investment property is recovered through its use (rents) or sale, and the entity is not planning to sell the property. The amendment to IAS 12 supersedes SIC 12, because the provisions of SIC 12 have been incorporated in IAS 12. The amendment will have no material impact on the 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 have no 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 have no material impact on the consolidated financial statements.

The Group intends to implement the above standards and interpretations as of their effective dates, save for amendments to IAS 1 resulting from the “Annual Improvement Project 2010”. The Company has applied from January 1st 2010 the provisions of IAS 1.106A which allow the required reconciliations for components of other comprehensive income to be presented in a section of the financial statements rather than the consolidated statement of changes in equity (see section 20).

The Parent Undertaking’s Management Board monitors 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 amount of recognised hedged assets and liabilities is adjusted for fair value changes which may be attributed to the risk against which such assets and liabilities are hedged.

3.1. SUBSTANCE-OVER-FORM RULE

In accordance with the substance-over-form rule, the financial statements should present information which reflect the economic substance of events and transactions 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 statement of financial position prepared additionally 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 2010. 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.

The companies, the financial statements of which are irrelevant to the consolidated financial statements of the Group, may be excluded from consolidation. The Company is excluded from consolidation if it was acquired and is held exclusively with a view to resale in the near future. Investments in subsidiaries classified as held for sale are recognised under IFRS 5.

Subsidiaries are 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:

- goodwill or profit are recognised on acquisition of control (pursuant to IFRS 3),
- non-controlling 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 amounts 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).

Non-controlling interests are disclosed as a separate item under equity and correspond to such part of the subsidiaries' comprehensive income and net assets which is attributable to entities other than the Group members. The Group allocates subsidiaries' comprehensive income to the Parent Undertaking's shareholders and non-controlling interests on the basis of their interest in equity.

Prior to January 1st 2010, the excess of losses attributable to minority interests over the non-controlling interests' value had been charged to the Parent Undertaking. In accordance with the revised IAS 27 the Group did not modify the allocated losses retrospectively, thus the subsequently reported profits of subsidiaries will be first attributed to the Parent Undertaking, until the losses non-controlling interests, previously absorbed by the Parent Undertaking, have been recovered.

Transactions with non-controlling interests not resulting in loss of control by the Parent Undertaking are treated by the Group as equity transactions:

- partial disposal of shares to non-controlling interests -difference between the selling price and the carrying amount of the subsidiary's net assets attributable to the interests sold to the non-controlling interests is recognised directly in equity under retained earnings.
- acquisition of shares from non-controlling interests - any difference between the cost and the carrying amount of the net assets purchased from the non-controlling interests 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.

Remuneration in exchange for control covers distributed assets, incurred liabilities and issued equity instruments measured at fair value as at the acquisition date. Contingent remuneration, measured at fair value as at the acquisition date, also constitutes a component of remuneration. Additional business combination costs (advisory, measurements etc.) are not treated as remuneration for acquisition but charged to cost as incurred.

Goodwill (profit) is calculated as a difference between the following:

- total remuneration disbursed for control, non-controlling interests and the fair value of blocks of shares held in the acquiree prior to the acquisition date and
- fair value of identifiable net assets of the acquiree.

Any excess of the total calculated in the above manner, 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 above total 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.

As at January 1st 2010, the Group applied the acquisition method to settle business combinations, in manner specified in the previous version of IFRS 3 (see also item 2.5 on amendments to standards and interpretations).

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 amount. Carrying amount is deemed to be equal to the amount initially determined by the controlling entity rather than the amount 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 inequity under reserve funds,
- non-controlling interests are measured in proportion to the carrying amount 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 amount of the investments in associates.
The carrying amount 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. INVESTMENTS IN JOINT VENTURES

Par. 3 of IAS 31 defines a joint venture as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.
Joint control is the division of control over a business defined in the agreement, occurring only if the strategic financial and operating decisions related to the business require a unanimous approval of the controlling parties (shareholders).

Par. 7 of IAS 31 specifies three types of joint ventures, depending on their form and structure:

- Jointly controlled assets
- Jointly controlled operations
- Jointly controlled entity

The standard provides detailed rules for recognising shares in joint ventures, as well as reporting assets, liabilities, revenues and costs of joint ventures in financial statements.
The Group holds interests in entities classified under IAS 31 as jointly controlled entity and jointly controlled activity.
In case of a joint venture in form of jointly controlled operations, assets, liabilities, revenue and costs are recognised in the financial statements of the venturer, therefore adjustments and other consolidation methods are not applied to these items during the execution of consolidated financial statements by the venturer.

On the other hand, joint venture in the form of a jointly controlled entity is recognised by the Group in the consolidated financial statements of the venturer by means of proportionate consolidation.

Proportionate consolidation means that the balance sheet of the venturer includes its share in jointly controlled assets and liabilities. The income statement of the venturer includes its share in revenue and costs of the jointly controlled entity.

The venturer ceases to apply proportionate consolidation at the moment in which it no longer exercises joint control over the jointly controlled entity or loses interest in control over such entity.

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

3.8. FOREIGN CURRENCY TRANSACTIONS

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

3.9. BORROWING COSTS

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

3.10. GOODWILL

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

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

All amounts in PLN '000 (unless otherwise stated)

3.11. GROUPS DETAILED POLICIES RELATING TO MEASUREMENT OF ASSETS AND LIABILITIES

3.11.1. INTANGIBLE ASSETS

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

As at the balance-sheet date, intangible assets are carried at cost less amortisation and impairment losses. Intangible assets with finite 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 assets	20-50 %

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

Research costs are charged to 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 recognised in the Company's financial statements under “intangible assets” in the statement of financial position.

3.11.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes tangible assets:

- which are held by the company with a view to being used in the production process, in supply of goods or provision of services, or for administrative purposes,
- which will be used for a period longer than one year,
- in respect of which it is probable that the future economic benefits associated with the asset will flow to the company,
- whose 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 PBG 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 under "property, plant and equipment" in the statement of financial position.

3.11.3. LEASED ASSETS

Finance leases, which transfer to the Company substantially all the risks and rewards incident to ownership of the leased asset, are recognised in the 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 Company. However, if there is no reasonable certainty that the Company will obtain ownership before the end of the lease, the asset is depreciated over the shorter of the 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.

3.11.4. IMPAIRMENT OF NON-FINANCIAL NON-CURRENT ASSETS

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

- goodwill (the first impairment test is performed before the end of the 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 amount 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.

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

3.11.6. NON-REGENERATIVE NATURAL RESOURCES

Non-regenerative natural resources are initially recognised at cost. The cost is increased by any 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.

3.11.7. FINANCIAL INSTRUMENTS

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

A financial asset or a financial liability is recognised on the 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.

3.11.7.1. Financial assets

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

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

These categories 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 presented in the balance sheet as:

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

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

This category includes all derivatives disclosed in the balance sheet in a separate item "other financial assets", except hedging derivatives, which are measured in accordance with the requirements of hedge accounting, mainly investment certificates in investment funds.
In the category of financial assets measured at fair value through profit or loss the Company recognises investments in joint ventures. Such presentation provides more useful information as this asset category is managed and its results are measured at fair value, in accordance with documented risk management policies or an investment strategy, while information on this category is on this basis provided to the entity's key management personnel (within the meaning of IAS 24 Related Party Disclosures (revised in 2003)), for instance to the entity's management board or chief executive officer.
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 – on the basis 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 amount 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.

3.11.7.2. 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.

3.11.7.3. 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 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 Company 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.

3.11.8. 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”.

3.11.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and cash at banks, demand deposits and highly liquid short-term investments (with maturities up to three months), which can be easily turned into cash and the risk that they fluctuate in value is negligible.

3.11.10. 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 there classification.

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.

3.11.11. 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".

3.11.12. SHARE-BASED PAYMENTS

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

The value of compensation for the services rendered by the Company'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 vesting 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.

3.11.13. 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.

3.11.13.1. CURRENT EMPLOYEE BENEFITS

Current employee benefit obligations are undiscounted and shown on the balance sheet at amounts due.

3.11.13.2. 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 unused holidays 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 under provisions for employee benefits, net of any amounts already paid. The provision for accumulating compensated absences is classified as a current provision and is not discounted.

3.11.13.3. 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.

3.11.14. 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, 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 34. The Group also presents 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.

3.11.15. 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”.

3.11.16. 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.

3.11.16.1. 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.

3.11.16.2. SALE OF SERVICES

Revenue under leases of property

Revenues 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 is 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 Group performs an agreement for construction services which pursuant to IAS 31 it classifies as a "joint venture" then, in accordance with paragraph 7 of IAS 31, it recognises the contract as:

- Jointly controlled operations

This is the most frequent type of consortium. Its duration is precisely defined and not too long. An association of companies offers to jointly perform a project with a clear division of duties among the consortium members, which perform such duties on their own account. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own liabilities and raises its own finance, which represent its own obligations. The leader chosen from among the consortium members has the powers to sign the contract on behalf of the consortium, and is also in charge of the economic settlements with the principal, including issue of invoices. A simple joint venture arrangement regulates the manner of distribution of the revenue from sales of joint products and of all the jointly incurred expenses among the consortium members. The consortium partners issue invoices to the consortium leader and this way ultimately participate in the profits generated by the joint venture.

- Jointly controlled assets

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

- Jointly controlled entity

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

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

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

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.

3.11.16.3. 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.

3.11.17. 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,
- value of goods and materials sold
- general and 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 current and non-current loans, borrowings and other sources of financing, including discounting of liabilities,
- net foreign-exchange losses.

3.11.18. 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 carry forward or carry back 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 amounts 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.

3.11.19. MANAGEMENT'S SUBJECTIVE JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements requires the Parent Undertaking's Management Board to exercise judgement 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.

3.11.19.1. 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 2010, 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 amounts of non-current assets subject to depreciation, see Sections 7 and 8.

3.11.19.2. 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.

All amounts in PLN '000 (unless otherwise stated)

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Revenue as Initially agreed in the contracts	7,708,014	7,775,586
Change of contract revenue	344,729	319,080
Total revenue under the contracts	8,052,743	8,094,666
Costs incurred by the balance-sheet date	3,432,146	3,858,735
Costs to be incurred by the contract completion	3,760,726	3,109,868
Estimated total cost of the contracts	7,192,872	6,968,603
Estimated total profit (loss) under construction contracts:	**859,871**	**1,126,063**

Receivables under construction contracts disclosed in the consolidated financial statements total PLN 393,583 thousand. (2009: PLN 721,878 thousand), and along with revenue under these contracts reflect Management Board's best estimates of the results and stage of completion of particular contracts.

3.11.19.3. 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. Retirement severance payments and length-of-service awards disclosed in the consolidated financial statements amount to PLN 6,589 thousand (2009: PLN 7,481 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 increase the amount of provisions, defined as at December 31st 2010, by PLN 769 thousand (2009: PLN 481 thousand).

3.11.19.4. DEFERRED TAX ASSETS

The probability that a deferred tax asset will be utilised against future taxable profit is based on the Group companies' budgets, approved by the Parent 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.

3.11.19.5. 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 2010, the Group did not disclose any goodwill impairment losses.

3.11.20. 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.
Corrections of material errors affecting the comparative data for prior periods, which have been included in the consolidated financial statements:

- Correction of an error arising from recognition in retained profit or loss of an official tax interpretation with respect to claims awarded in 2009 in connection with a completed construction contract; this ruling necessitated an adjustment of 2009 revenue from sales of services.
- Correction of an error arising from failing to recognise the costs related to sales of apartments in 2009 under the cost of products sold.

Those corrections had no effect on the comparative data as at December 31st 2008.
The effect of correction on the comparative period is presented in the table below:

Group name:	***PBG Group***		
Period covered by the financial statements:	***Jan 1–Dec 31 2010***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES

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

All figures in PLN '000 (unless stated otherwise)

Item	As at Dec 31 2009	As at Dec 31 2008
Corrections affecting the balance sheet total of the consolidated financial statements		
4. Presentation correction consisting of proper recognition of subsequent expenditure related to the construction of the Skalar building in Poznań	-	-
(-) decrease: "Construction contract receivables"	(3,713)	-
(+) increase: "Investment property"	3,713	-
5. Presentation correction of liabilities under remuneration, social security, and other employee benefits	-	-
(-) decrease: " Trade and other payables"	(18,246)	(17,522)
(+) increase: "Liabilities and provisions for employee benefits"	18,246	17,522
Total corrections	**-**	**-**

Group name:	PBG Group		
Period covered by the financial statements:	Jan 1–Dec 31 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN '000 (unless otherwise stated)		

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

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

All figures in PLN '000 (unless stated otherwise)

Item	Dec 31 2009			
	Before	Correction No.	Correction amount	After
Equity and liabilities				
Equity	**1,623,486**		**(4,664)**	**1 618 822**
Equity attributable to owners of the parent	**1,395,305**		**(1,618)**	**1,393,687**
Share capital	14,295		-	14,295
Treasury shares	-		-	-
Share premium account	733,348		-	733,348
Valuation of hedging transactions and foreign exchange gains/(losses) on consolidation	(30,349)		-	(30,349)
Other equity	374,229	1.3	(87)	374,142
Retained earnings	303,782	2 ; 3	(1,531)	302,251
– retained earnings/(deficit)	93,157		-	93,157
– net profit/(loss) for current year attributable to owners of the parent	210,625	2 ; 3	(1,531)	209,094
Non-controlling interests	**228,181**	**1.1 ; 2 ; 3**	**(3,046)**	**225,135**
Liabilities	**2,384,860**		**11,764**	**2,396,624**
Non-current liabilities	**561,784**		**7,408**	**569,192**
Loans, borrowings and other debt instruments	493,055		(16,177)	476,878
Finance lease	-		16,177	16,177
Derivative financial instruments	553		-	553
Other liabilities	40,110		-	40,110
Deferred tax liabilities	150	1.2.1 ; 1.2.4	7,408	7,558
Liabilities and provisions for employee benefits	6,405		-	6,405
Other non-current provisions	14,191		-	14,191
Government subsidies	-		-	-
Non-current accruals and deferred income	7,320		-	7,320
Current liabilities	**1,823,076**		**4,356**	**1,827,432**
Loans, borrowings and other debt instruments	641,815		(16,507)	625,308
Finance lease	-		16,507	16,507
Derivative financial instruments	59,256		-	59,256

All amounts in PLN '000 (unless otherwise stated)

Item	Dec 31 2009			
	Before	Correction No.	Correction amount	After
Trade and other liabilities	986,932	1.2.3; 2 ; 3	(13,890)	973,042
Liabilities under construction contracts	60,450		-	60,450
Current income tax payable	25,871		-	25,871
Liabilities and provisions for employee benefits	6,258		18,246	24,504
Other current provisions	39,027		-	39,027
Government subsidies	-		-	-
Current accruals and deferred income	3,467		-	3,467
Liabilities associated with non-current assets held for sale	-		-	-
Total equity and liabilities	**4,008,346**		**7,100**	**4,015,446**

All figures in PLN '000 (unless stated otherwise)

Income statement	Jan 1–Dec 31 2009			
	Before	Correction No.	Corrections	After
Continuing operations				
Sales revenue	**2,577,980**		**(5,471)**	**2,572,509**
Revenue from sales of products	20,767		-	20,767
Revenue from sales of services	2,546,985	2	(5,471)	2,541,514
Revenue from sales of goods for resale and materials	10,228		-	10,228
Cost of sales	**(2,185,857)**		**3,291**	**(2,182,566)**
Cost of products sold	(22,957)	3	(422)	(23,379)
Cost of services sold	(2,153,262)	5	3,713	(2,149,549)
Cost of goods for resale and materials sold	(9,638)		-	(9,638)
Gross profit/(loss)	**392,123**		**(2,180)**	**389,943**
Selling costs	-		-	-
Administrative expenses	(109,764)		-	(109,764)
Other operating income	31,143		-	31,143
Other operating expenses	(27,006)		-	(27,006)
Share in profit of undertakings consolidated with equity method	-		-	-
Costs of restructuring	-		-	-
Operating profit/(loss)	**286,496**		**(2,180)**	**284,316**
Finance income	30,717		-	30,717
Finance expenses	(58,850)		-	(58,850)
Other gains/(losses) on investments	4,265		-	4,265
Pre-tax profit/(loss)	**262,628**		**(2,180)**	**260,448**
Income tax	(40,588)		-	(40,588)
Net profit/(loss) from continuing operations	**222,040**		**(2,180)**	**219,860**
Discontinued operations				
Net profit/(loss) from discontinued operations				-
Net profit/(loss)	**222,040**		**(2,180)**	**219,860**
Net profit/(loss) attributable to:				
– owners of the Parent	**210,625**		**(1,531)**	**209,094**
– minority interests	11 415	**2**	**(649)**	**10,766**

The rules of presentation were changed as follows:

- items "Trade receivables" and "Other current receivables" were combined into a single item "Trade and other receivables",
- a new item "Loans advanced" (non-current and current) was created under "Other non-current assets" and "Other current assets",
- the item "Other non-current financial liabilities" was split into "Loans, borrowings and other debt instruments" (non-current),"Finance lease" (non-current), and "Other liabilities" (non-current),
- the item "Other current financial liabilities" was split into "Loans, borrowings and other debt instruments" (current), "Finance lease" (current), and "Trade and other payables" (current),
- items "Trade payables" and "Other current liabilities" were combined into a single item "Trade and other payables",
- liabilities under employee benefits were separated from "Other current liabilities" and moved to "Liabilities and provisions for employee benefits",

- the item "Provisions for employee benefits" was changed to "Liabilities and provisions for employee benefits" (non-current and current),

Pursuant to IAS 1 paragraphs 10f and 39, if an entity has reclassified items in its financial statements, it is required to present statements of financial position for at least three reporting periods, two of each other statements and related notes. In the opinion of the Parent Undertaking's Management Board, the changes it has introduced in the presentation of the above-discussed items of the statement of financial position in the financial statements for the current reporting period have no material effect on the entire financial statements and therefore the Management Board presented the third reporting period in the case of the statement of financial position and the notes affected by the changes.

3.11.21. NO NETTING

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 amount 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.

3.11.22. STATEMENT OF CASH FLOWS

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

3.11.23. EARNINGS PER SHARE (EPS)

EPS is calculated by dividing net profit for a given period attributable to ordinary equity holders of the Parent Undertaking by the weighted average number of ordinary shares outstanding 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.

3.11.24. 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 nature of the Group’s services and products which require 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 consolidated financial statements.
The PBG Group has selected the operating segment as its basic reporting pattern. The Group distinguishes the following four main segments:

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

The following areas are identified within individual segments:

- **In the natural gas, crude oil and fuels segment:**
  - surface installations for crude oil and natural gas production
  - installations for liquefying natural gas and for LNG storage and regasification
  - LPG, C5+ separation and storage facilities
  - LNG storage and evaporation facilities

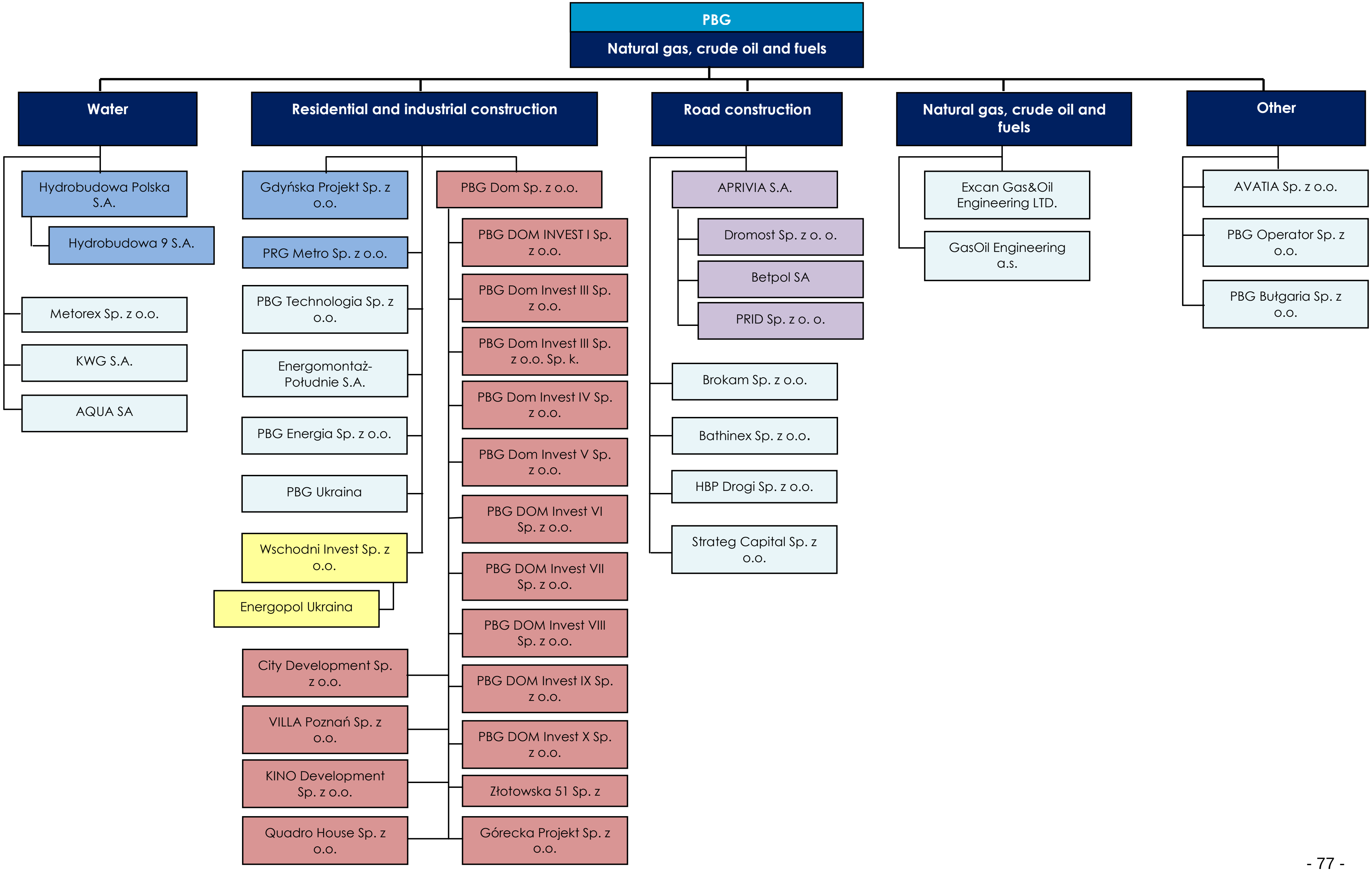
- ➢ underground gas storage facilities
- ➢ desulphurisation units
- ➢ surface infrastructure of underground gas storage facilities
- ➢ crude oil tanks
- ➢ transmission systems for natural gas and crude oil, including pressure reduction and metering stations and metering and billing stations, mixing plants, distribution nodes, compressor stations, etc.
- ➢ fuel terminals

- **In the water segment:**
  - ➢ process and sanitary installations for water and sewage systems, including:
    - water pipes,
    - sewage systems,
    - water mains and trunk sewers,
    - water intakes,
    - wastewater treatment plants;
  - ➢ water engineering structures, including:
    - water dams,
    - storage reservoirs,
    - levees,
    - modernisation of water and sewage systems.
- **In the 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 four main segments.

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 expenses of other operating activity and financing activity.

Group name:	***PBG Group***		
Period covered by the financial statements:	***Jan 1–Dec 31 2010***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All figures in PLN '000 (unless stated otherwise)***		



Legend to colours:

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.

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 expenses of other operating activity and financing activity.

The table below sets forth data for the individual operating segments.

Group name:	PBG Group		
Period covered by the financial statements:	Jan 1–Dec 31 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

OPERATING SEGMENTS – DATA FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2010

Item	Segments				Other	Consolidated
	Natural gas, crude oil and fuels	Water	Industrial and residential construction	Road construction		
Financial highlights of operating segments for the period January 1st – December 31st 2010						
Total revenue	**791,883**	**644,019**	**995,284**	**298,868**	**10,257**	**2,740,311**
External sales	791,883	644,019	995,284	298,868	10,257	2,740,311
Inter-segment sales	-	-	-	-	-	-
Total expense	**(611,512)**	**(569,153)**	**(936,540)**	**(270,168)**	**(5,702)**	**(2,393,075)**
Segment result	**180,371**	**74,866**	**58,744**	**28 700**	**4,555**	**347,236**
Unattributed cost	X	X	X	X	X	(109,169)
Other operating income/expenses	X	X	X	X	X	33,260
Share in profit of undertakings valued with equity method	X	X	X	X	X	1,383
Operating profit	X	X	X	X	X	**272,710**
Finance income	X	X	X	X	X	64,015
Finance expenses	X	X	X	X	X	(71,324)
Profit/loss on investments	X	X	X	X	X	2,209
Pre-tax profit	X	X	X	X	X	**267,610**
Income tax	X	X	X	X	X	(49,051)
Net profit	X	X	X	X	X	**218,559**

All amounts in PLN '000 (unless otherwise stated)

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

Item	Segments				Other	Consolidated
	Natural gas, crude oil and fuels	Water	Industrial and residential construction	Road construction		
Financial highlights of operating segments for the period January 1st – December 31st 2009						
Total revenue	**483,128**	**996,045**	**877,489**	**187,022**	**28,825**	**2,572,509**
External sales	483,128	996,045	877,489	187,022	28,825	2,572,509
Inter-segment sales	-	-	-	-	-	-
Total costs and expenses	**(391,114)**	**(874,986)**	**(740,663)**	**(157,297)**	**(18,506)**	**(2,182,566)**
Segment result	**92,014**	**121,059**	**136,826**	**29,725**	**10,319**	**389,943**
Unattributed cost	X	X	X	X	X	(109,764)
Other operating income/expenses	X	X	X	X	X	4,137
Share in profit of undertakings consolidated with equity method	X	X	X	X	X	-
Operating profit	X	X	X	X	X	**284,316**
Finance income	X	X	X	X	X	30,717
Finance expenses	X	X	X	X	X	(58,850)
Profit/loss on investments	X	X	X	X	X	4,265
Pre-tax profit	X	X	X	X	X	**260,448**
Income tax	X	X	X	X	X	(40,588)
Net profit	X	X	X	X	X	**219,860**

5. ACQUISITIONS AND DISPOSALS OF SUBSIDIARY UNDERTAKINGS

5.1. ACQUISITIONS

Mergers effected by the Group in 2010 and resulting in the Group taking control over business undertakings are presented in section 1.4 of these consolidated financial statements.

Goodwill amounts determined in 2010 are presented with respect to acquisitions settled with the acquisition method. The Group recognises income from chance acquisitions under "Other operating income" in the consolidated profit and loss account. Column "Statutory reserve funds" presents effects of settlements of business combinations concerning jointly controlled undertakings. In line with the accounting policies presented in these consolidated financial statements, such combinations are settled with the pooling of interests method (see section 3.5 Basis of Accounting and Accounting Policies).

All amounts in PLN '000 (unless otherwise stated)

BUSINESS COMBINATIONS IN THE PERIOD JANUARY 1ST – DECEMBER 31ST 2010

Target's name and registered office	Acquisition date	Percent of acquired equity with voting rights	Consideration:		Fair value of net assets of target undertaking	Goodwill (+) / profit (-)	Retained earnings (combination under joint control)
			Acquiring company	Non-controlling interests			
PBG Dom Invest III Sp. z o.o.	Jan 5 2010	100.00%	5	-	3	2	-
PBG Dom Invest III Sp. z o.o. Sp. Komandytowa	Jan 5 2010	100.00%	3	-	2	1	-
PBG Dom Invest IV Sp. z o.o.	Jan 5 2010	100.00%	5	-	3	2	-
PBG Dom Invest V Sp. z o.o.	Jan 5 2010	100.00%	3	-	3	-	-
PBG Bułgaria	Jul 21 2010	100.00%	74	-	74	-	-
PBG Operator Sp. z o.o.	Aug 30 2010	100.00%	5	-	5	-	-
HBP Drogi Sp. z o.o.	Oct 5 2010	100.00%	5	-	5	-	-
PBG Dom Invest VIII Sp. z o.o.	Sep 6 2010	100.00%	5	-	3	2	-
PBG DOM INVEST IX Sp. z o.o.	Sep 6 2010	100.00%	5	-	3	2	-
PBG DOM INVEST X Sp. z o.o.	Sep 6 2010	100.00%	5	-	3	2	-
PBG Dom Invest VI Sp. z o.o.	Sep 28 2010	100.00%	5	-	3	2	-
PBG DOM Invest VII Sp. z o.o.	Sep 28 2010	100.00%	5	-	3	2	-
Business combinations presented in provisionally							
Strateg Capital Sp. z o.o.	Oct 13 2010	80.00%	200	33	189	68	-
Bathinex Sp. z o.o.	Oct 14 2010	100.00%	5,950	-	(4,797)	10,747	-
AQUA S.A.	Dec 21 2010	81.70%	22,745	4,831	9,187	18,388	-

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

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

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

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

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

On July 21st 2010, the Parent Undertaking acquired 100% of equity instruments in Revana (currently PBG Operator), with registered office in Poznań, which is classified in the "other" segment. The Parent Undertaking effected the acquisition to consolidate the Group's presence on the market. Consideration paid by the Parent Undertaking to the former owners totalled PLN 5 thousand, which included the price for the shares, paid in cash.

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

On October 13th 2010, the Parent Undertaking acquired 153 shares in Strateg Capital, with registered office in Poznań, which is classified in the "road construction" segment. The Parent Undertaking effected the acquisition to consolidate the Group's presence on the market. Consideration paid by the Parent Undertaking to the former owners totalled PLN 200 thousand, which included the price for the shares, paid in cash.

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

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

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

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

Group name:	***PBG Group***		
Period covered by the financial statements:	***Jan 1–Dec 31 2010***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All figures in PLN '000 (unless stated otherwise)***		

Item	AQUA SA			Strateg Capital Sp. z o.o.			Bathinex Sp. z o.o.		
	Value used for provisional settlement	Corrections	carrying amount before business combination	Fair value as at the date of acquisition	Adjustments	carrying amount before business combination	Fair value as at the date of acquisition	Adjustments	carrying amount before business combination
Assets									
Intangible assets	41	-	41	-	-	-	-	-	-
Property, plant and equipment	962	-	962	173,152	-	173,152	19,022	-	19,022
Investment property	-	-	-	-	-	-	-	-	-
Deferred tax assets	50	-	50	-	-	-	1,153	-	1,153
Inventories	-	-	-	41	-	41	75	-	75
Receivables and loans advanced	7,308	-	7,308	5,876	-	5,876	1,326	-	1,326
Receivables under construction contracts	2,478	-	2,478	-	-	-	-	-	-
Other assets	58	-	58	296	-	296	30	-	30
Cash and cash equivalents	2,256	-	2,256	4,450	-	4,450	44	-	44
Total assets	**13,153**	**-**	**13,153**	**183,815**	**-**	**183,815**	**21,650**	**-**	**21,650**
Liabilities									
Deferred tax liability	169	-	169	-	-	-	-	-	-
Provisions	243	-	243	50	-	50	-	-	-
Loans and borrowings	-	-	-	84,093	-	84,093	22,368	-	22,368
Trade payables	1,289	-	1,289	99,327	-	99,327	4,042	-	4,042
Liabilities under construction contracts	1,620	-	1,620	-	-	-	-	-	
Liabilities under lease	-	-	-	-	-	-	-	-	
Other liabilities	645	-	645	180	-	180	38	-	38
Total liabilities	**3,966**	**-**	**3,966**	**183,650**	**-**	**183,650**	**26,448**	**-**	**26,448**
Fair value of net assets	**9,187**			**165**			**(4,798)**		
Percent of acquired equity with voting rights	81.70%			80%			100%		
Acquired net assets (at fair value)	7,506			132			(4,798)		
Goodwill (+) / profit (-)	18,388			68			10,747		
Cost of business combination, including:	**25,894**			**200**			**5,949**		
Acquisition cost	22,745			200			5,950		
Other costs directly associated with the acquisition	34			2			62		
Contingent acquisition cost	-			-			-		

Additional business combination costs are not treated as remuneration for control and were recognised by the Group as cost in the consolidated income statements under administrative expenses.

Phased business combinations (determined provisionally)

Investments in Bathinex, held by the Parent Undertaking prior to the acquisition, were measured at fair value, as at the date of acquisition, in the amount of PLN 1,071 thousand. Gain on remeasurement of these investments to fair value amounted PLN 0 thousand.

Investments in Strateg Capital, held by the Parent Undertaking prior to the acquisition, were measured at fair value, as at the date of acquisition, in the amount of PLN 47 thousand. Gain on remeasurement of these investments to fair value amounted PLN 0 thousand.

Non-controlling interests (determined provisionally)

The value of non-controlling interests in Strateg Capital, recognised as at the date of acquisition, in the amount of PLN 33 thousand, was determined as the non-controlling share in fair value of the acquired undertaking's net assets. For detailed information on changes in non-controlling interests, see Section 21.

The value of non-controlling interests in AQUA S.A., recognised as at the date of acquisition, in the amount of PLN4,831 thousand, was determined as the non-controlling share in fair value of equity instruments. The fair value was defined as the product of the number of equity instruments held by non-controlling interests and their unit price according to the New Connect index, as at the day transaction was performed, i.e. December 21st 2010.

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

Goodwill (determined provisionally)

Goodwill on the acquisition of Bathinex and AQUA results from the synergies expected to arise following the combination of the companies' operations with the operations of the Parent Undertaking; it also represents the value of assets which cannot be recognised separately under IAS 38 (staff and their expertise). Goodwill is allocated to cash-generating units and is assigned to the water segment, in case of AQUA, and road construction segment, in case of Bathinex. Goodwill arising on the settlement of the business combination has no effect on assessment of taxable income.

Revenues and financial performance of the acquired undertakings

Financial results of the acquired companies disclosed in the Group's consolidated income statement for 2010 following the date of their acquisition was PLN 0 thousand.

Had the acquisitions taken place as at January 1st 2010, the Group's financial result would have increased by PLN 166 thousand and sales revenue would have increased by PLN 10,784 thousand relative to the sales revenue disclosed in the consolidated income statement.

Consideration paid

All figures in PLN '000 (unless stated otherwise)

The consideration includes the share acquisition price, which by December 31st 2010 was paid in cash in the amount of PLN 27,902 thousand. Net cash outflows on the acquisition of subsidiary undertakings recognised in the consolidated cash flow statement:

Item	Jan 1–Dec 31 2010
Consideration paid in cash (-)	(27,902)
Cash acquired with undertakings	5,248
Net cash outflow	**(22,654)**

<u>Acquisitions settled in a provisional manner in the previous period</u>

On June 19th 2009, the Parent Undertaking acquired 100% of equity instruments of Wschodni Invest of Poznań. Total cost of the business combination was PLN 41,566 thousand, including acquisition cost and other costs directly associated with the acquisition. 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. In 2009, cost of the business combination was preliminarily allocated to specific items of assets and liabilities of the acquired company. Therefore, the combination was settled provisionally. In 2010, as a result of the final settlement of the Energopol Ukraina acquisition, the provisional values of assets and liabilities of the acquired company, presented in the consolidated financial statements for 2009, were corrected. The effect of corrections of provisional values on the comparative data for 2009 is presented in the tables below:

All amounts in PLN ‘000 (unless otherwise stated)

CORRECTIONS OF ACQUISITIONS SETTLED IN A PROVISIONAL MANNER IN THE PREVIOUS PERIOD

Item		Item		Effect on net profit/ (loss) in Jan 1–Jun 30 2009	Effect on equity as at Jun 30 2009	Assets as at Dec 31 2009	Equity and liabilities as at Dec 31 2009
		(+)	(-)				
1.	Correction of assessed deferred tax resulting from erroneously recognised rate (related to land revaluation to fair value)	-	Reserve funds	-	(7,953)	-	(7,953)
		Deferred tax liabilities	-	-	-	-	7 953
2.	3. Revaluation of real property to fair value	Inventories (goods)	-	-	4,693	4,693	-
		Reserve funds	-	-	-	-	4,693
3.	Recognition in current year's profit or loss of penalty for failure to properly perform an agreement	Trade and other liabilities	-	(2,176)	-	-	2,716
		Retained earnings	-	-	(2,176)	-	(2,716)
4.	5. Deferred tax assets under contractual penalties	Retained earnings	-	545	-	-	545
		-	Deferred tax liabilities	-	545	-	(545)
5.	2. Presentation correction related to reclassification of land from investment property to goods	Inventories (goods)	-	-	-	113,000	-
		-	Investment property	-	-	(113,000)	-
Total				**(1,631)**	**(4,891)**	**4,693**	**4,693**

All figures in PLN '000 (unless stated otherwise)

CORRECTIONS OF ACQUISITIONS SETTLED IN A PROVISIONAL MANNER - RECONCILIATION OF ITEMS OF THE FINANCIAL STATEMENTS

BALANCE SHEET - ASSETS	as at June 30 2009			
	Published financial statements	Correction No.	Correction amount	Financial statements after corrections
Non-current assets				
Goodwill	-		-	-
Intangible assets	21		-	21
Property, plant and equipment	1,438		-	1,438
Investment property	113,000	5	(113,000)	-
Investments in subsidiary undertakings	-		-	-
Investments in associated undertakings	-		-	-
Receivables and loans advanced	-		-	-
Financial derivatives	-		-	-
Other non-current financial assets	-		-	-
Non-current accruals and deferred income	-		-	-
Deferred tax assets	-		-	-
Non-current assets	**114,459**		**(113,000)**	**-**
Current assets				
Inventories	599	5 ; 2	117,693	118,292
Receivables under construction contracts	-		-	-
Trade and other receivables	351		-	351
Current income tax receivable	537		-	537
Loans other than bank loans	-		-	-
Financial derivatives	-		-	-
Other current financial assets	-		-	-
Current accruals and deferred income	87		-	87
Cash and cash equivalents	336		-	336
Non-current assets classified as held for sale			-	-
Current assets	1,910		117,693	118,292
Total assets	**116,369**		**4,693**	**118,292**

BALANCE SHEET – EQUITY AND LIABILITIES	as at June 30 2009			
	Published financial statements	Correction No.	Correction amount	Financial statements after corrections
Equity				
Equity attributable to owners of the Parent:				-
Share capital	101			101
Treasury shares (-)	-			-
Share premium account	-			-
Other equity	91,530	1 ; 2	(3,260)	88,270
Retained earnings:	(9,959)		(1,631)	(11,590)
– retained earnings/(deficit)	(10,366)			(10,366)
– net profit/(loss) attributable to owners of the Parent	407	3 ; 4	(1,631)	(1 224)
Equity attributable to owners of the parent	81,672		(4,891)	(11,489)

All amounts in PLN '000 (unless otherwise stated)

BALANCE SHEET – EQUITY AND LIABILITIES	as at June 30 2009			
	Published financial statements	Correction No.	Correction amount	Financial statements after corrections
Minority interests				-
Equity	81,672		(4,891)	(11,489)
Liabilities				
Non-current liabilities				
Loans, borrowings and other debt instruments	13,043		-	13 043
Finance lease	-		-	-
Financial derivatives	-		-	-
Other liabilities	-		-	-
Deferred tax liabilities	21,470	1 ; 4	7,408	28,878
Liabilities and provisions for employee benefits	-		-	-
Other non-current provisions	-		-	-
Non-current accruals and deferred income	-		-	-
Non-current liabilities	34,513		7,408	13,043
Current liabilities				
Trade and other liabilities	184	3	2,176	2,360
Current income tax payable	-		-	-
Loans, borrowings and other debt instruments	-		-	-
Finance lease	-		-	-
Financial derivatives	-		-	-
Liabilities and provisions for employee benefits	-		-	-
Other current provisions	-		-	-
Current accruals and deferred income	-		-	-
Liabilities associated with non-current assets held for sale	-		-	-
Current liabilities	184		2,176	2,360
Total liabilities	34,697		9,584	15,403
Total equity and liabilities	**116,369**		**4,693**	**3,914**

The goodwill on acquisition of Energopol Ukraina determined based on provisional values in 2009 amounted to PLN 0 thousand. Based on the corrections to provisional values of net assets of the acquired undertaking, the Parent Undertaking determined the goodwill as at the date of acquisition at PLN 2,408 thousand. For detailed information on goodwill, see Section 6.

All figures in PLN '000 (unless stated otherwise)

5.2. DISPOSAL OF SUBSIDIARY UNDERTAKINGS

On May 30th 2010, the Parent Undertaking sold 99.95% of shares in Infra S.A., registered office in Wysogotowo near Poznań. Proceeds from the sale of the subsidiary undertaking amounted to PLN 8,450 thousand. The payment was divided into seven semi-annual instalments payable.

On June 28th 2010, PBG Dom Sp. z o.o., a subsidiary undertaking, sold 51.00% of shares in Apartamenty Poznańskie Sp. z o.o., registered office in Wysogotowo. Proceeds from the sale totalled PLN 5,993 thousand.

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

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

DISPOSALS OF SUBSIDIARY UNDERTAKINGS IN THE PERIOD JAN 1 – DEC 31 2010

Item	Net assets at the date disposal	Infra S.A.	Apartamenty Poznańskie Sp. z o.o.	PBG DOM Invest II Sp. z o.o.
Assets				
Intangible assets	295	295	-	-
Property, plant and equipment	18,472	18,472	-	-
Deferred tax assets	217	-	208	9
Inventories	3,256	571	-	2,685
Receivables and loans advanced	126,868	126,855	4	9
Other assets	7,202	2,328	4,872	2
Cash	5,213	5,027	74	112
Total assets	**161,523**	**153,548**	**5,158**	**2,817**
Liabilities				
Deferred tax liability	4,329	4,329	-	-
Provisions	2,225	2,542	-	-
Loans and borrowings	102,095	95,353	3,480	3,262
Trade payables	42,765	41,043	5	12
Other liabilities	1,194	2,581	-	-
Total liabilities	**152,608**	**145,848**	**3,485**	**3,274**
Net assets	**8,915**	**7,700**	**1,673**	**(457)**
Cash proceeds from disposal	-	-	-	-
Cash disposed of together with subsidiary undertaking	5,213	5,027	74	112
Net proceeds from disposal of subsidiary undertakings	**(5,213)**	**(5,027)**	**(74)**	**(112)**

All amounts in PLN '000 (unless otherwise stated)

5.3. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Impairment losses at beginning of period	**10,000**	**27,000**
Increase in period, including:	**-**	**10,000**
- business combinations	-	-
- reclassification	-	-
- other increase	-	10,000
Decrease in period, including:	**-**	**(27,000)**
- disposal of subsidiary undertaking	-	-
- reclassification	-	(27,000)
- other decrease	-	-
Foreign exchange gains/(losses)	-	-
Impairment losses at end of period	**10,000**	**10,000**

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

5.4. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

Investments in associated undertakings are measured at acquisition price

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

As at the date of these consolidated financial statements, fair value of the acquired assets and liabilities has not been determined. The Parent Undertaking's Management Board decided to make a provisional settlement of the acquisition, as presented below:

Item	**Energomontaż-Południe S.A.**		
	Fair value as at acquisition date	Adjustments	carrying amount before business combination
Assets			
Intangible assets	27,472	-	27,472
Property, plant and equipment	58,716	1,189	57,527
Investment property	93,855	(1,000)	94,855
Deferred tax assets	4,151	-	4,151
Inventories	82,951	15,422	67,529
Receivables and loans advanced	85,980	(38,529)	124,509
Receivables under construction contracts	35,651	35,651	-
Other assets	4,450	(6,919)	10,369
Cash	68,218	-	68,218
Total assets	**461,444**	**6,814**	**454,630**
Liabilities			
Deferred tax liability	5,657	-	5,657
Provisions	11,520	2,463	9,057
Loans and borrowings	76,926	-	76,926

All figures in PLN '000 (unless stated otherwise)

Item (continued)	Energomontaż-Południe S.A.		
	Fair value as at acquisition date	Adjustments	carrying amount before business combination
Trade payables	37,554	405	37,149
Liabilities under construction contracts	14,514	14,514	-
Liabilities under lease	58,874	(12,585)	71,459
Other liabilities	47,575	(12,703)	60,278
Total liabilities	**252,620**	**(7,906)**	**260,526**
Fair value of net assets	**208,824**	**-**	**-**
Fair value of 25% of net assets (attributable to PBG)	**52,206**	-	-
Goodwill (+) / profit (-)	12,169	-	-
Consideration for the acquired undertaking:	**64,375**	-	-

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

Investments in associated undertaking Energomontaż Południe were recognised in these consolidated financial statements based on the most recent available consolidated statements of the company i.e. for three quarters of 2010. The associated undertaking publishes its annual financial statements on a day subsequent to the date of approving the PBG Group's consolidated financial statements for publication. The Management Board of the Parent Undertaking will consider correction of the recognition of investments in the associated undertaking in the Group's consolidated financial statements, once the completed 2010 financial data of the Energomontaż Południe Group for 2010 become available.

6. GOODWILL

In 2010, goodwill disclosed in the consolidated balance sheet reflects mainly transactions resulting in acquisition of control over Bathinex and AQUA S.A. 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	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Gross amount		
Balance at beginning of period	330,253	324,439
Business combinations	29,203	8,359
Disposal of subsidiary undertakings (-)	(4,049)	(2,564)
Net currency-translation differences on foreign currency branches (plants)	-	-
Other adjustments	305	19

All amounts in PLN '000 (unless otherwise stated)

Item (continued)	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Gross amount at end of period	**355,712**	**327,845**
Impairment losses		
Balance at beginning of period	8,830	8,830
Impairment losses recognised as cost in period	-	-
Net currency-translation differences on foreign currency branches (plants)	-	-
Other changes	-	-
Impairment losses at end of period	**8,830**	**8,830**
Goodwill – carrying amount at end of period	**346,882**	**321,423**

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

Item	As at Dec 31 2010	As at Dec 31 2009
ATG Sp. z o.o.	1,606	1,606
Infra S.A.	-	2,354
Hydrobudowa Polska S.A.	43,628	43,628
Hydrobudowa 9 S.A.	176,443	176,443
PBG Dom Sp. z o.o.	19	19
Dromost Sp. z o.o.	625	625
Apartamenty Poznańskie Sp. z o.o.	-	1,692
Przedsiębiorstwo Robót Inżynieryjno Drogowych S.A.	10,050	10,050
Gas Oil Engineering A.S.	7,226	7,226
Excan Oil and Gas Engineering Ltd.	160	160
Brokam Sp. z o.o.	566	566
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
PRG Metro Sp. z o.o.	36,767	36,767
Złotowska 51 Sp. z o.o.	136	136
Villa Poznań Sp. z o.o.	173	173
City Development Sp. z o.o.	830	830
Kino Development Sp. z o.o.	4,739	4,434
Energopol Ukraina	2,408	2,408
PBG Ukraina	378	378
Bathinex Sp. z o.o.	10,747	-
Strateg Capital Sp. z o.o.	68	-
AQUA SA	18,388	-
Net goodwill	**346,882**	**321,423**

The table below presents goodwill by operating segments:

Item	As at Dec 31 2010	As at Dec 31 2009
Natural gas, crude oil and fuels	8,992	8,992
Water	255,372	239,338
Road construction	53,980	43,165
Residential and industrial construction	28,160	29,550
Other segments	378	378
Goodwill (net)	**346,882**	**321,423**

As required under IAS 36 and the applied accounting policies, goodwill attributable to each of the business segments listed above was tested for impairment as at December 31st 2010.

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

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

- The discounted cash flow model was prepared using a 20-year projection horizon.
- Detailed projections cover 2011, and with respect to economic useful lives extending beyond the stated period, cash flows were estimated by extrapolating the projections until the 20th year following 2010, accounting for business events the Company already knew about. In justified cases, it was possible to extrapolate the projections using a steady growth rate of not more than 1.5% year on year.
- 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 amount of the tested goodwill exceeded its estimated recoverable amount as at the balance-sheet date, hence no impairment losses were recognised by the Group.

7. INTANGIBLE ASSETS

Intangible assets used by the Group include 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.

All amounts in PLN '000 (unless otherwise stated)

Item	As at Dec 31 2010 net value	As at Dec 31 2009 net value
Trademarks	-	-
Patents and licences	28,846	22,066
Computer software	6,798	7,668
Costs of development work	-	-
Other intangible assets	17	638
Net carrying amount	**35,661**	**30,372**
Intangible assets under construction	5,954	2,594
Prepayments for intangible assets	25	-
Total intangible assets	**41,640**	**32,966**
Intangible assets classified as held for sale	-	-
Intangible assets	**41,640**	**32,966**

All figures in PLN '000 (unless stated otherwise)

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
January 1st – December 31st 2010						
Net carrying amount as at Jan 1 2010	**22,066**	**7,668**	**638**	**2,594**	**-**	**32,966**
Increase attributable to inclusion of new subsidiaries	-	-	17	-	25	**42**
Increase attributable to business combinations	-	-	-	-	-	**-**
Increase attributable to acquisition	9,460	2,485	-	6,309	-	**18,254**
Increase attributable to reclassification to another asset category	5	348	-	-		**353**
Decrease attributable to disposal of a subsidiary (-)	-	(296)	-	-	-	**(296)**
Decrease attributable to disposal (-)	(281)	(62)	-	(2,644)	-	**(2,987)**
Decrease attributable to reclassification to another (-)	-	-	(353)	(33)	-	**(386)**
Increase or decrease attributable to remeasurement to fair value	-	-	-	-	-	**-**
Impairment losses (-)	-	-	-	-	-	**-**
Reversal of impairment losses	-	-	-	-	-	**-**
Amortisation (-)	(2,405)	(3,290)	(285)	-	-	**(5,980)**
Net foreign exchange gains (losses) on restatement of financial statements in presentation currency	-	(55)	-	-	-	**(55)**
Other changes	-	-	-	(272)	-	**(272)**
Net carrying amount as at Dec 31 2010	**28,846**	**6,798**	**17**	**5,954**	**25**	**41,640**
						-
January 1st – December 31st 2009						
Net carrying amount 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 business combinations	-	-	-	-	-	**-**
Increase attributable to acquisitions	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)**

All amounts in PLN '000 (unless otherwise stated)

Decrease attributable to disposal (-)	(25)	(12)	-	-	-	**(37)**
Decrease attributable to reclassification to another (-)	(149)	-	-	-	-	**(149)**
Increase or decrease attributable to revaluation to fair value	-	-	-	-	-	**-**
Impairment losses (-)	-	-	-	-	-	**-**
Reversal 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	15	(9)	(10)	(204)	-	**(208)**
Net carrying amount as at Dec 31 2009	**22,066**	**7,668**	**638**	**2,594**	**-**	**32,966**

INTANGIBLE ASSETS AS AT DECEMBER 31ST 2010

Item	Patents and licences	Computer software	Other intangible assets	Intangible assets under construction	Prepayments for intangible assets	**Total**
As at Dec 31 2010						
Gross carrying amount	35,673	16,607	2,877	5,954	25	61,136
Accumulated depreciation/amortisation and impairment losses (-)	(6,827)	(9,809)	(2,860)	-	-	(19,495)
Net carrying amount as at Dec 31 2010	**28,846**	**6,798**	**17**	**5,954**	**25**	**41,640**
As at Dec 31 2009						
Gross carrying amount	26,913	15,931	3,270	2,594	-	48,708
Accumulated depreciation/amortisation and impairment losses (-)	(4,847)	(8,263)	(2,632)	-	-	(15,742)
Net carrying amount as at Dec 31 2009	**22,066**	**7,668**	**638**	**2,594**	**-**	**32,966**

All figures in PLN '000 (unless stated otherwise)

The most significant 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 amount of the asset as at December 31st 2010 was PLN 12,801 thousand (PLN 14,552 thousand in 2009). The remaining amortisation period is eight years.

In 2010, the Group acquired, under a purchase agreement, tangible and intangible assets forming an organised part of business, for a total of PLN 7,500 thousand. The organised part of business included tangible assets (plant and equipment) forming a process line permanently linked with intangible assets (production technology), and human resources related solely to the trenchless sewerage rehabilitation method. Upon the acquisition of the organised part of business, know-how was recognised under other intangible assets of the Parent Undertaking, with a carrying amount of PLN 6,918 thousand as at December 31st 2010. The remaining amortisation period is 14 years.

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

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Cost of sales	3,224	2,429
Administrative expenses	2,756	2,792
Selling costs	-	-
Total amortisation of intangible assets	**5,980**	**5,221**

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 2010, no material investment-related agreements were executed by the Group which would place it under an obligation to purchase certain intangible assets in the future.

All amounts in PLN ‘000 (unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT

Item	As at Dec 31 2010	As at Dec 31 2009
Land	23,738	26,203
Buildings and structures	104,011	112,148
Plant and equipment	101,503	129,247
Vehicles	59,889	59,144
Other tangible assets	17,634	17,349
Net carrying amount	**306,775**	**344,091**
Property, plant and equipment under construction	324,912	14,618
Prepayments for tangible assets	33,701	9,555
Total property, plant and equipment	**665,388**	**368,264**
Property, plant and equipment classified as held for sale	-	-
Property, plant and equipment	**665,388**	**368,264**

Group name:	***PBG Group***		
Period covered by the financial statements:	***Jan 1–Dec 31 2010***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All figures in PLN '000 (unless stated otherwise)***		

CHANGES IN PROPERTY, PLANT AND EQUIPMENT DURING THE PERIOD

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other	Property, plant and equipment under construction	Prepayments for tangible assets	**Total**
for the period Jan 1–Dec 31 2010								
Net carrying amount as at Jan 1 2010	**26,203**	**112,148**	**129,247**	**59,144**	**17,349**	**14,618**	**9,555**	**368,264**
Increase attributable to inclusion of new subsidiaries	174	3,145	217	133	57	201,239	6,660	211,625
Increase attributable to business combinations	-	-	-	-	-	-	-	-
Increase attributable to acquisitions	1,658	434	10,078	24,658	2,703	132,441	10,064	182,037
Increase attributable to construction	-	27	-	-	-	351	-	378
Increase attributable to executed lease agreements	-	-	310	4,016	-	-	-	4,326
Increase attributable to reclassification from another asset category	31	1,947	211	-	160	3,004	16,953	22,306
Decrease attributable to disposal of a subsidiary (-)	-	(53)	(2,362)	(15,132)	(710)	(3)	(16)	(18,276)
Decrease attributable to disposal (-)	(3,262)	(5,124)	(5,839)	(1,608)	(77)	(3,356)	-	(19,266)
Decrease attributable to liquidation (-)	-	(31)	(5,174)	(478)	(42)	(25)	-	(5,750)
Decrease attributable to reclassification to another asset category (-)	(1,033)	(4,805)	-	(1,021)	-	(22,953)	(9,458)	(39,270)
Increase or decrease attributable to revaluation to fair value	-	-	-	-	-	-	-	-
Impairment losses (-)	-	-	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-	-	-
Impairment losses used	-	-	-	-	-	-	-	-
Amortisation (-)	-	(3,681)	(25,272)	(9,922)	(1,858)	-	-	(40,733)
Net exchange differences arising on the translation of the financial statements into a different presentation currency	(32)	4	3	(16)	11	(439)	-	(469)
Other changes – decrease attributable to first-time recognition of property, plant and equipment	-	-	-	-	-	-	-	-
Other changes	(1)	-	83	115	40	35	(57)	215
Net carrying amount as at Dec 31 2010	**23,738**	**104,011**	**101,503**	**59,889**	**17,634**	**324,912**	**33,701**	**665,388**

Group name:	PBG Group		
Period covered by the financial statements:	Jan 1–Dec 31 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN ‘000 (unless otherwise stated)		

Item (continued)	Land	Buildings and structures	Plant and equipment	Vehi cles	O th er	Property, plant and equipment under construction	Prepayments for tangible assets	**Total**
Jan 1–Dec 31 2009								
Net carrying amount 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
Amortisation (-)	-	(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)
Net carrying amount as at Dec 31 2009	**26,203**	**112,148**	**129,247**	**59,144**	**17,349**	**14,618**	**9,555**	**368,264**

Group name:	***PBG Group***		
Period covered by the financial statements:	***Jan 1–Dec 31 2010***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All figures in PLN '000 (unless stated otherwise)***		

PROPERTY, PLANT AND EQUIPMENT

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other	Property, plant and equipment under construction	Prepayments for tangible assets	Total
As at Dec 31 2010								
Gross carrying amount	23,738	115,928	184,095	85,539	29,152	324,912	33,701	797,065
Accumulated depreciation/amortisation and impairment losses (-)	-	(11,917)	(82,592)	(25,650)	(11,518)	-	-	(131,677)
Net carrying amount as at Dec 31 2010	**23,738**	**104,011**	**101,503**	**59,889**	**17,634**	**324,912**	**33,701**	**665,388**
As at Dec 31 2009								
Gross carrying amount	26,203	124,410	204,612	88,692	28,150	14,618	9,555	496,240
Accumulated depreciation/amortisation and impairment losses (-)	-	(12,262)	(75,365)	(29,548)	(10,801)	-	-	(127,976)
Net carrying amount as at Dec 31 2009	**26,203**	**112,148**	**129,247**	**59,144**	**17,349**	**14,618**	**9,555**	**368,264**

All amounts in PLN '000 (unless otherwise stated)

PROPERTY, PLANT AND EQUIPMENT WITH RESTRICTED LEGAL TITLE, AND USED TO SECURE LIABILITIES

Liability / restricted title	Type of security	Collateral	carrying amount	
			As at Dec 31 2010	as at Dec 31 2009
Inter Risk - contract insurance guarantees	mortgage	Land	3,109	6,135
Inter Risk - contract insurance guarantees	mortgage	buildings and structures	582	2,355
Inter Risk - contract insurance guarantees	transfer of title	Other tangible assets	5,195	5,195
Credit facility from Bank Zachodni WBK	registered pledge	plant and equipment	6,194	8,998
Credit facility from Bank Zachodni WBK	registered pledge	buildings and structures	2,780	12,746
Credit facility from Bank Zachodni WBK	registered pledge	vehicles	1,311	396
Credit facility from Bank Zachodni WBK	registered pledge	other tangible assets	44	66
Credit facility from Bank Zachodni WBK	mortgage	Land	-	8,446
Credit facility from BGŻ	registered pledge	plant and equipment	4,218	5,049
Credit facility from BGŻ	registered pledge	vehicles	1,879	8,090
Credit facility from ING Bank Slaski S.A.	mortgage	buildings and structures	51,089	52,469
Credit facility from Kredyt Bank	mortgage	buildings and structures	14,558	16,340
Credit facility from Pekao S.A.	registered pledge	plant and equipment	15,808	20,106
Credit facility from Pekao S.A.	registered pledge	vehicles	7,200	7,866
Credit facility from Pekao S.A.	registered pledge	other tangible assets	132	126
BRE Bank S.A. Bydgoszcz Regional Corporate Branch	mortgage	land	722	722
BRE Bank S.A. Bydgoszcz Regional Corporate Branch	mortgage	buildings and structures	2,117	583
BRE Bank S.A. Bydgoszcz Regional Corporate Branch	registered pledge	plant and equipment	1,507	2,024
carrying amount of property, plant and equipment with restricted ownership title or used as collateral for liabilities			**118,445**	**157,712**

All figures in PLN ‘000 (unless stated otherwise)

As at December 31st 2010, the Group companies reviewed the useful lives of property, plant and equipment adopted by the Group in line with the Group's accounting policies. Gross value of fully depreciated property, plant and equipment that is still in use by the PBG Group companies amounted to:

Item	As at Jan 1– Dec 31 2010	As at Jan 1– Dec 31 2009
Gross value of all fully depreciated property, plant and equipment still in use	8,744	8 863
Total fully depreciated property, plant and equipment	**8,744**	**8,863**

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 2010	for the period Jan 1– Dec 31 2009
Cost of sales	31,283	32,319
Administrative expenses	9,450	9,582
Selling costs	-	-
Total depreciation of property, plant and equipment	**40,733**	**41,901**

In 2010, the Group did not recognise any impairment loss on property, plant and equipment.

As at December 31st 2010, property, plant and equipment with a carrying amount of PLN 118,445 thousand (2009: PLN 157,712 thousand) served as collateral for the Group's liabilities. For information on collateral for liabilities, see Section 12.6.

In 2010, Group companies executed investment agreements whereby they agreed to acquire in the future:

- Tunneling equipment to bore a tunnel under the Wisła river bed
- Spool piping for tunnels
- Developed land in Wysogotowo
- Parking spaces in Świnoujście
- Aggregate production equipment

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

All amounts in PLN '000 (unless otherwise stated)

OFF-BALANCE SHEET TANGIBLE ASSETS

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

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 amount of assets under finance lease agreements:

Item	Plant and equipment	Vehi cles	Total
As at Dec 31 2010			
Gross carrying amount	30,134	9,495	39,629
Accumulated depreciation/amortisation and impairment losses	(10,495)	(1,731)	(12,226)
Net carrying amount	**19,639**	**7,764**	**27,403**
As at Dec 31 2009			
Gross carrying amount	39,872	5,976	45,848
Accumulated depreciation/amortisation and impairment losses	(8,364)	(572)	(8,936)
Net carrying amount	**31,508**	**5,404**	**36,912**

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

Item	Payments under finance lease agreements, payable in:			
	up to 1 year	from 1 to 5 years	over 5 years	Total
As at Dec 31 2010				
Future minimum lease payments	10,971	9,340	-	20,311
Finance expense (-)	(248)	(218)	-	(466)
Present value of the future minimum lease payments	**10,723**	**9,122**	**-**	**19,845**
As at Dec 31 2009				
Future minimum lease payments	17,505	17,155	-	34,660
Finance expense (-)	(998)	(978)	-	(1,976)
Present value of the future minimum lease payments	**16,507**	**16,177**	**-**	**32,684**

All figures in PLN '000 (unless stated otherwise)

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. Interest on lease instalments is based on a WIBOR-linked floating interest rate,
and their repayment is secured with an aval.

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

The Group as a lessee uses property, plant and equipment under operating lease agreements. These are company cars used in the Group companies' operations. Operating lease agreements involve assets of similar unit value, therefore it is not possible to single out the most material agreements.
In 2010, the Group disclosed lease payment liabilities in the income statement at PLN 2,597 thousand (2009: PLN 2,352 thousand). The amount includes only the minimum lease payments. In the period covered by these financial statements no expenses under contingent lease payments were recognised and no sublease payments occurred.

10. NON-REGENERATIVE NATURAL RESOURCES

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Amount at beginning of period	**12,290**	**11,999**
Acquisition attributable to inclusion of new subsidiaries	17,069	-
Acquisition attributable to business combinations	-	-
Increase attributable to acquisition	7,409	-
Additions resulting from subsequent expenditure recognised in the carrying amount of an asset	4	291
Decreases resulting from disposals	-	-
Net gains (losses) on fair value adjustments	-	-
Net foreign exchange gains (losses) on restatement of financial statements in presentation currency	-	-
Other changes	-	-
Amount at end of period	**36,772**	**12,290**

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 (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 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 2010, the Parent Undertaking acquired a company which classifies some of its assets disclosed in the balance sheet as non-regenerative natural resources. The assets include:

- 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 above-mentioned documentation.

11. INVESTMENT PROPERTY

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

All figures in PLN '000 (unless stated otherwise)

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009	for the period Jan 1–Dec 31 2008
Amount at beginning of period	**147,838**	**23,672**	**30,383**
Real property acquisitions through business combinations	-	-	-
Additions resulting from real property acquisitions	56,710	59,675	5,071
Additions resulting from subsequent expenditure recognised in the carrying amount of an asset	50,532	2,543	-
Increase resulting from prepayments for investment property acquisitions	39,909	16,677	-
Increase resulting from reclassification from another asset category:	**3,431**	**38,669**	**13,970**
- from property, plant and equipment (land)	857	5,311	1,690
Item (continued)	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009	for the period Jan 1–Dec 31 2008
- from property, plant and equipment (buildings and structures)	1,863	12,218	6,885
- from property, plant and equipment under construction	711	13,550	525
- from current assets (goods)	-	7,590	4,870
Decrease attributable to disposal of a subsidiary (-)	(6,262)	-	-
Decrease resulting from disposal of real property (-)	(845)	-	-
Decreases resulting from reclassification into another asset category:	**(17,908)**	**(10,600)**	**(26,071)**
- to property, plant and equipment (land)	-	-	(466)
- to property, plant and equipment (buildings and structures)	-	-	(3,618)
- to tangible assets under construction	(955)	-	-
- to prepayments for tangible assets	(16,953)	-	-
- to current assets (goods)	-	(10,600)	(21,987)
Net gains (losses) on fair value adjustments	25,685	9,671	-
Investment property measurement recognised under capital reserve	(5,404)	7,503	-
Net foreign exchange gains (losses) on restatement of financial statements in presentation currency	-	-	-
Other changes	71	28	319
Amount at end of period	**293,757**	**147,838**	**23,672**

In 2010, the Group recorded a marked increase in Investment property, which resulted from the following:

- In 2010, subsidiary undertakings acquired assets classified by the subsidiaries' management boards as investment property.
- 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. Cumulative expenditure on the project by the balance-sheet date is PLN 110m. 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.

All amounts in PLN '000 (unless otherwise stated)

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 key items of Group's investment property include:

- real property located in Mikołów, at ul. Żwirki i Wigury, improved with a production hall and an office building,
- the "Fabryka Współczesnych Smaków" restaurant in Wysogotowo,
- right of perpetual usufruct to real property at ul. Sienkiewicza, Poznań,
- right of perpetual usufruct to developed real property at ul. Obrońców Westerplatte 51, Katowice, Province of Katowice,
- right of perpetual usufruct to developed real property at ul. J. Wolnego 4, Katowice, Province of Katowice,
- right of perpetual usufruct to developed real property at ul. J. Poniatowskiego 6, Bielsko Biała, Province of Katowice,
- freehold to 16 flats at ul. Chełmońskiego, Świnoujście, Province of Szczecin, total carrying amount of PLN 4,248,000.
- developed real property at ul. Sosnowa, Szczyrk,
- developed real property at ul. Wołczyńska, Warsaw
- high-pressure gas pipeline,
- 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,

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

The fair value of some of the properties was determined based on valuation carried out by an independent appraiser, as at December 31st 2010. The measurement was done using the discounted cash flow or comparative methods. To measure the fair value, the appraiser used current market data.
In the period covered by these consolidated financial statements, the Group companies recognised a PLN 25,685 thousand increase in value of investment property.

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

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Amounts recognised in the income statement:		
- income from investment property rental	4 204	3 335
- direct operating cost (including the cost of repair and servicing) attributable to the investment property that earned rentals in the period	(2,632)	(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	(350)	(13)
Total	**1,222**	**2,214**

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

In 2010, the Group executed an investment agreement whereby it agreed to acquire in the future:

- real property, improved with buildings, in Łeba,
- shares in joint-ownership of real property in Łeba.

As at December 31st 2010, the contractual amount of the liability was PLN 39,900 thousand.The Company settled the liability with a PLN 39,900 thousand prepayment. As at the end of 2009, 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

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

Group name:	PBG Group		
Period covered by the financial statements:	*Jan 1–Dec 31 2010*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN '000 (unless otherwise stated)*		

FINANCIAL ASSETS IN IAS 39 CATEGORIES OF FINANCIAL INSTRUMENTS

	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	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 2010									
Non-current assets:									
Non-current receivables	15	14,320	-	-	-	-	-	1,387	15,707
Non-current loans	12.2	60,112	-	-	-	-	-	-	60,112
Financial derivatives	12.3	-	-	-	-	-	171	-	171
Other non-current financial assets	12.4	-	-	-	-	38,643	-	-	38,643
Current assets:									
Trade and other receivables	15	1,194,874	-	-	-	-	-	236	1,195,110
Current loans	12.2	210,492	-	-	-	-	-	-	210,492
Financial derivatives	12.3	-	-	-	-	-	4,873	-	4,873
Other current financial assets	12.4	-	-	106,902	2,466	45,897	-	-	155,265
Cash and cash equivalents	16	708,509	-	-	-	-	-	-	708,509
Total financial assets		**2,188,307**	**-**	**106,902**	**2,466**	**84,540**	**5,044**	**1,623**	**2,388,882**
As at Dec 31 2009									
Non-current assets:									
Non-current receivables	15	12,994	-	-	-	-	-	1,624	14,618
Non-current loans	12.2	56,035	-	-	-	-	-	-	56,035
Financial derivatives	12.3	-	-	-	-	-	8,746	-	8,746
Other non-current financial assets	12.4	-	-	-	963	34,612	-	-	35,574
Current assets:									
Trade and other receivables	15	1,030,955	-	-	-	-	-	225	1,031,180

All figures in PLN '000 (unless stated otherwise)

Current loans	12.2	216,446	-	-	-	-	-	-	216,446
Financial derivatives	12.3	-	-	-	-	-	20,215	-	20,215
Other current financial assets	12.4	-	-	-	706	156	-	-	862
Cash and cash equivalents	16	660,281	-	-	-	-	-	-	660,281
Total financial assets		**1,976,711**	**-**	**-**	**1,669**	**34,768**	**28,961**	**1,849**	**2,043,958**

FINANCIAL LIABILITIES IN IAS 39 CATEGORIES OF FINANCIAL INSTRUMENTS

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 2010							
Non-current liabilities:							
Loans, borrowings and other debt instruments	12.5	-	-	904,894	-	-	904,894
Finance lease	9	-	-	-	-	9,122	9,122
Financial derivatives	12.3	-	-	-	412	-	412
Other liabilities	25	-	-	37,914	-	-	37,914
Current liabilities:							
Trade and other payables	25	-	-	852,635	-	-	852,635
Loans, borrowings and other debt instruments	12.5	-	-	523,985	-	-	523,985
Finance lease	9	-	-	-	-	10,723	10,723
Financial derivatives	12.3	-	-	-	11,265	-	11,265
Total financial liabilities		**-**	**-**	**2,319,428**	**11,677**	**19,845**	**2,350,950**
As at Dec 31 2009							
Non-current liabilities:							
Loans, borrowings and other debt instruments	12.5	-	-	476,878	-	-	476,878
Finance lease	9	-	-	-	-	16,177	16,177

All amounts in PLN '000 (unless otherwise stated)

Financial derivatives	12.3	-	-	-	553	-	553
Other liabilities	25	-	-	40,110	-	-	40,110
Current liabilities:		-	-	-	-	-	
Trade and other liabilities	25	-	-	758,673	-	-	758,673
Loans, borrowings and other debt instruments	12.5	-	-	625,308	-	-	625,308
Finance lease	9	-	-	-	-	16,507	16,507
Financial derivatives	12.3	-	-	-	59,256	-	59,256
Total financial liabilities		**-**	**-**	**1,900,969**	**59,809**	**32,684**	**1,993,463**

All figures in PLN ‘000 (unless stated otherwise)

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 “non-current loans”. In accordance with IAS 1, the current portion contains information on trade and other receivables, as well as loans. Balance sheet items related to loans and receivables are presented below. For description of receivables disclosures, see Section 15.

Receivables and loans advanced

Item	As at Dec 31 2010	As at Dec 31 2009
Non-current assets:		
Financial receivables	15,707	14,618
Loans other than bank loans	60,112	56,035
Non-current receivables and loans	**75,819**	**70,653**
Current assets:		
Trade and other financial receivables	1,195,110	1,031,180
Loans	210,492	216,446
Current receivables and loans	**1,405,602**	**1,247,626**
Receivables and loans, including:	**1,481,421**	**1,318,279**
Receivables (Section 6)	**1,210,817**	**1,045,798**
Loans (Section 9)	**270,604**	**272,481**

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

As at December 31st 2010, loans advanced in PLN with a carrying amount of PLN 270,604 thousand (2009: PLN 272,481 thousand), bore interest at variable interest rates based on WIBOR plus bank margins from 1 to 2.5 percentage points, and at fixed interest rates. The loans mature in 2011–2014.
The Group also advanced loans in EUR. As at December 31st 2010, the carrying amount of foreign currency loans was PLN 30 thousand (2009: PLN 0 thousand). The foreign currency loans bear interest at 1M WIBOR floating interest rate + 1pp margin. The loans in EUR mature in 2012–2014.

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

All amounts in PLN '000 (unless otherwise stated)

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 Company include forward contracts and interest rate swaps. The Group's strategy also permits purchase of currency options and interest rate options.

All derivatives are measured at fair value, determined on the basis of market data (exchange rates and interest rates).

Item	As at Dec 31 2010	As at Dec 31 2009
Non-current assets:		
Cash flow hedges	-	8,746
Fair value hedges	171	-
Non-current derivatives	**171**	**8,746**
Current assets:		
Cash flow hedges	4,686	19,227
Fair value hedges	187	988
Current derivatives	**4,873**	**20,215**
Assets – derivatives	**5,044**	**28,961**
Non-current liabilities:		
Cash flow hedges	412	553
Fair value hedges	-	-
Non-current derivatives	**412**	**553**
Current liabilities:		
Cash flow hedges	11,265	59,120
Fair value hedges	-	136
Current derivatives	**11,265**	**59,256**
Liabilities – derivatives	**11,677**	**59,809**

HEDGING DERIVATIVES

DERIVATIVES SERVING AS CASH FLOW HEDGES (HEDGES FOR RISKS)

Item	Nominal value of foreign-currency transaction ('000)	Notional value of instruments*		Term		Effect on result in period	
		Financial assets	Financial liabilities	from	to	from	to
As at Dec 31 2010							
EUR forward contracts – hedge for sale transactions	39,313	4,686	11,224	Jan 01 2011	Dec 31 2011	Jan 01 2011	Dec 31 2011
EUR forward contracts – hedge of purchase transaction	272	-	9	Feb 14 2011	Oct 14 2011	Feb 14 2011	Oct 14 2011
USD forward contracts – hedge of purchase transactions	952		32	Jan 31 2011	May 31 2011	Jan 31 2011	May 31 2011
Interest rate swaps	15,405	-	412	Jan 01 2011	Dec 31 2013	Jan 01 2011	Dec 31 2013
Total hedging derivatives		**4,686**	**11 677**				

Item	Nominal value of foreign-currency transaction ('000)	Notional value of instruments*		Term		Effect on result in 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	2012-09-28
EUR forward contracts – hedge for sale transactions	125,759	9,529	59,020	Jan 01 2010	May 12 2011	Jan 01 2010	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	Jan 01 2010	Dec 31 2013	2010-01-01	Dec 31 2013
Total hedging derivatives		**27,973**	**59,673**				

* fair value

DERIVATIVES SERVING AS FAIR VALUE HEDGES (HEDGES FOR RISKS)

Item	Nominal value of foreign-currency transaction ('000)	Notional value of instruments*		Term		Effect on result in period	
		Financial assets	Financial liabilities	from	to	from	to
As at Dec 31 2010							
USD forward contracts – USD fair value hedges	19,300	358	-	Jan 31 2011	Apr 30 2012	Jan 31 2011	Apr 30 2012
Total hedging derivatives		**358**	**-**				
As at Dec 31 2009							
EUR forward contracts – EUR fair value hedges	4,900	927	-	Jan 15 2010	Jun 28 2010	Jan 15 2010	Jun 28 2010
USD forward contracts – USD fair value hedges	5,000	61	136	Dec 31 2010	Dec 31 2010	Dec 31 2010	Dec 31 2010
Total hedging derivatives		**988**	**136**				

* fair value

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

In the 2010 financial year, PBG S.A. and its subsidiaries hedged financial assets and future currency exposures with hedging transactions involving forward contracts. The Group companies held no currency options. The hedging transactions were concluded as part of the implemented hedging policy, in order to hedge future cash flows on sales revenue (under the existing long-term contracts), cost of sales and future fair value of financial assets. The transactions covered contracts with investors (project sponsors) and suppliers (mainly denominated in EUR and USD).

The 2010 result on derivatives *(both open and closed)*, as recognised in the consolidated income statement as at December 31st 2010, was negative at PLN -6,875 thousand, of which:

- PLN 12,972 thousand reduced sales revenue,
- PLN 4,581 thousand reduced cost of sales,
- PLN 616 thousand was recognised under finance income.

The PBG Group uses its open positions on the currency market to hedge its EUR-denominated cash flows on sales revenue: attributable to 2011 in the amount of EUR 28,940 thousand (H1 2011: EUR 21,173 thousand), and those attributable to 2012 and future years in the amount of EUR 9,731 thousand. The relevant transactions were concluded at the weighted average forward exchange rate of PLN 3.82/EUR 1.

According to data provided by the banks, as at December 31st 2010, the fair value of *open hedge positions* for EUR-denominated cash flows was negative at PLN -6,537 thousand.

PBG Group hedges its EUR-denominated cash flows (cost of sales) with open positions on the currency market, in an amount of EUR 952 thousand for 2011 (H1 2011: EUR 191 thousand). The relevant transactions were concluded at the weighted average forward exchange rate of PLN 4.02/EUR 1.

According to data sourced from banks, as at December 31st 2010, the carrying amount of *open hedge positions* for EUR-denominated cash flows was PLN 32 thousand.

PBG Group hedges its USD-denominated cash flows (cost of sales) with open positions on the currency market, in the amount of USD 272 thousand for 2011 (H1 2011: USD 85 thousand). The relevant transactions were concluded at the weighted average forward exchange rate of PLN 3.06/1 USD.

According to data sourced from banks, as at December 31st 2010, the carrying amount of *open hedge positions* for USD-denominated cash flows was negative at PLN -9 thousand.

As at December 31st 2010, the fair value of *open derivative positions* was negative at PLN -6,619 thousand of which PLN -6,578 thousand related to fair value of cash flow hedges and PLN -41 thousand related to fair value of hedges on 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.

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

All amounts in PLN '000 (unless otherwise stated)

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

With a view to hedging against the variable interest rate risk, the Parent Undertaking uses interest rate swaps.

Pursuant to the requirements of the credit facility agreement for the financing of projects, PBG S.A. was obliged to manage 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.

For 2010, the result on derivatives used to hedge interest rates as recognised in the consolidated income statement as at December 31st 2010 was negative at PLN -503 thousand, of which:

- PLN 503 thousand increased finance expenses.

As at December 31st 2010, the fair value of open positions used to hedge interest rates was negative at PLN -412 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	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Revenue		
Sales revenue	(12,072)	(114,174)
Other operating income	-	-
Finance income	1,163	(591)
Total income	**(10,909)**	**(114,765)**
Expenses		
Operating expenses	(4,581)	-
Other operating expenses	-	-
Finance expenses	547	-
Total expenses	**(4,034)**	**-**
Effect on net profit/(loss)	(6,875)	(114,765)

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:

All figures in PLN '000 (unless stated otherwise)

Item	Non-current assets		Current assets	
	Dec 31 2010	Dec 31 2009	Dec 31 2010	Dec 31 2009
Held-to-maturity investments:				
Treasury debt securities	-	-	-	-
Commercial debt securities	-	-	-	-
Term deposits	-	963	2,466	706
Other	-	-	-	
Held-to-maturity investments:	**-**	**963**	**2,466**	**706**
Available-for-sale financial assets:				
Shares of listed companies	-	-	143	156
Shares of non-listed companies	38,643	34,612	45,754	-
Debt securities	-	-	-	-
Other	-	-	-	-
Financial assets available for sale	**38,643**	**34,612**	**45,897**	**156**
Financial assets at fair value through profit or loss:				
Shares of listed companies	-	**-**	-	**-**
Debt securities	-	**-**	-	**-**
Investment fund units	-	**-**	106,902	**-**
Other	-	**-**	-	**-**
Financial assets at fair value through profit or loss	**-**	**-**	**106,902**	**-**
Total other financial assets	**38,643**	**35,575**	**155,265**	**862**

HELD-TO-MATURITY INVESTMENTS

Item	As at Dec 31 2010	As at Dec 31 2009
Bonds	-	-
Bills	-	-
Term deposits	2,466	1,669
Total held-to-maturity investments	**2,466**	**1,669**
- long-term	-	963
- short-term	2,466	706

Transaction type	Execution date	Maturity date	Nominal value	Interest rate		Carrying value
				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
Deposit	Nov 25 2010	Indefinite duration	1,500	2.50% - 3.33%	2.50% - 3.33%	1,503
Total						**2,466**

All amounts in PLN '000 (unless otherwise stated)

CHANGE IN HELD-TO-MATURITY INVESTMENTS

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Impairment losses at beginning of period	**1,669**	**16,695**
Purchase	-	12,366
Interest accrued at the effective interest rate	-	649
Impairment losses (-)	-	-
Asset reclassification	-	-
Disposal (-)	(706)	(28,041)
Other changes (attributable to inclusion of new Group subsidiaries)	1,503	-
Impairment losses at end of period	**2,466**	**1,669**

AVAILABLE-FOR-SALE ASSETS

Item	As at Dec 31 2010	As at Dec 31 2009
Shares and other equity interests	84,540	34,768
Debt securities	-	-
Total available-for-sale financial assets	**84,540**	**34,768**
- non-current	38,643	34,612
- current	45,897	156

CHANGE IN AVAILABLE-FOR-SALE ASSETS

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Impairment losses at beginning of period	**34,768**	**29,632**
Increase – new undertakings in the Group	71	-
Purchase	50,855	5,269
Measurement charged to equity	-	-
Impairment losses charged to profit or loss (-)	(13)	(133)
Increase in value charged to profit or loss (+)	-	-
Asset reclassification	(1,141)	-
Disposal (-)	-	-
Other changes	-	-
Impairment losses at end of period	**84,540**	**34,768**

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 measures shares of public companies at fair value based on their respective prices quoted as at the end of reporting period. Investments in shares of public companies include a block of 325,804 shares in Centrozap S.A. with a carrying amount of PLN 143 thousand (in 2009: PLN 156 thousand).

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

- minority (19.97%) interest in KRI S.A. with the carrying amount of PLN 25,315 thousand (in 2009: PLN 25,315 thousand),
- minority (19%) interest in Poner Sp. z o.o. with a carrying amount of PLN 4,159 thousand (in 2009: PLN 4,159 thousand),
- minority (7.82%) interest in Naftomontaż Sp. z o.o. with a carrying amount of PLN 3,500 thousand (in 2009: PLN 3,500 thousand),
- minority (18.92%) interest in Remaxbud Sp. z o.o. with a carrying amount of PLN 421 thousand (in 2009: PLN 421 thousand),
- minority (15%) interest in Lubickie Wodociągi Sp. z o.o. with a carrying amount of PLN 30 thousand (in 2009: PLN 30 thousand),
- minority (18.7%) interest in Energia Wiatrowa Sp. z o.o. with a carrying amount of PLN 18 thousand (in 2009: PLN 18 thousand),
- 100 % interest in Ortis Sp. z o.o., with a carrying amount of PLN 45,755 thousand(in 2009 : PLN 0),
- 100% interest in PBG Dom Invest II Sp. z o.o. with a carrying amount of PLN 5,102 thousand (in 2009 : PLN 0),
- minority (0.21%) interest in Konsorcjum Autostrada Śląsk with a carrying amount of PLN 4 thousand (in 2009: PLN 4 thousand),
- minority (0.89%) interest in Drogowa Trasa Średnicowa with a carrying amount of PLN 22 thousand (in 2009: PLN 22 thousand),
- one share in Mikołowski Bank Spółdzielczy with a carrying amount of PLN 0.5 thousand (in 2009: PLN 0.5 thousand).

As at December 31st 2010, no indications 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.

The Group classifies its interest in Ortis Nieruchomości Sp. z o.o. and PBG Dom Invest II Sp. z o.o. as held-for-sale financial assets, as the transactions are expected to be executed within 12 months from the balance-sheet date.

All amounts in PLN '000 (unless otherwise stated)

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).

The most significant items in this category are units in funds managed by Union Investment Towarzystwo Funduszy Inwestycyjnych S.A., which were acquired for trading. Fair value of the units was calculated as the product of the number of units held and their value.

Gains recognised in financing activities and related to this category of financial assets are presented in Section 4.23.

As at December 31st 2009, the Group did not disclose financial assets at fair value through profit or loss.

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.

Item	As at Dec 31 2010	As at Dec 31 2009
Loans	579,650	585,304
Loans other than bank loans	12,325	10,440
Debt securities in issue	836,904	506,442
Total financial liabilities	**1,428,879**	**1,102,186**
- non-current	904,894	476 878
- current	523,985	625,308

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 credit worthiness. In the period January 1st - December 31st 2010, the loans bore interest at rates ranging from 4.91% to 5.66%, with interest payable on a monthly basis.

As at the balance-sheet date, the base interest rates applicable to the loan agreements concluded by the Group companies were as follows:

All figures in PLN '000 (unless stated otherwise)

Reference rate	As at Dec 31 2010	as at 31.12.2009
1M WIBOR	3.66	3.76
3M WIBOR	3.95	4.27
6M WIBOR	4.16	4.39
1M EURIBOR	0.78	0.46
Promissory note rediscount	4.00	3.75

Source: Reuters

As at December 31st 2010, the total value of available current-account facilities was PLN 439,929 thousand (December 31st 2009: 381,629 thousand). Of that amount, PLN 174,879 thousand had been used as at December 31st 2010, compared with PLN 179,723 thousand as at December 31st 2009.

Within the limits obtained, overdraft 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 with ING Bank Śląski S.A. for arrangement and execution of a bond issue programme for PBG S.A. and Hydrobudowa Polska S.A. Under the annex of September 27th 2010, the amount of the programme was increased to PLN 1,000,000 thousand and the agreement's term was extended until December 31st 2015.

Under this programme, on October 22nd 2010, PBG S.A. issued the second tranche of bonds (Series D) with a value of PLN 450m, maturing on October 22nd 2013, and redeemed series B bonds with a value of PLN 69m. The debt under bond issue currently amounts to PLN 825m.
The bonds bear interest at a variable rate based on the 6M WIBOR rate.

Liabilities under the outstanding series D bonds are secured with sureties under civil law, up to the issue total value, granted by Hydrobudowa Polska S.A., Hydrobudowa 9 SA and PBG Technologia Sp. z o.o.
In order to secure against the interest rate risk, the Group uses IRS hedging instruments.

Pursuant to the requirements of the credit facility agreement for the financing of projects, the Group was obliged to manage 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.

Group name:	***PBG Group***		
Period covered by the financial statements:	***Jan 1–Dec 31 2010***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN '000 (unless otherwise stated)***		

LOANS AND BORROWINGS AS AT DECEMBER 31ST 2010

Company's name and registered office	Amount as per contact		Maturity date	Interest rate	Outstanding principal			
					non-current portion		current portion	
	PLN	Currency			PLN	Currency	PLN	Currency
Borrowing granted by APP Sp. z o.o.	320	PLN	Mar 31 2011	3M WIBOR + margin	-	-	236	PLN
Borrowing granted by Parkowa Łazienki Sp. z o.o.	750	PLN	Mar 31 2011	3M WIBOR + margin	-	-	555	PLN
Borrowing granted by Parkowa Łazienki Sp. z o.o.	5,500	PLN	Dec 31 2012	3M WIBOR + margin	6,626	PLN	-	-
Borrowings from natural persons	107	PLN	Dec 31 2012	fixed rate – 10%; 3M WIBOR + margin	76	PLN	31	-
Recourse factoring	-				-	-	4,801	PLN
Total	X	X	X	X	**6,702**	X	**5,623**	X

LOANS AND BORROWINGS AS AT DECEMBER 31ST 2009

Company's name and registered office	Amount as per contact		Maturity date	Interest rate	Outstanding principal			
					non-current portion		current portion	
	PLN	Currency			PLN	Currency	PLN	Currency
Borrowing granted by DM Developer Sp. z o.o.	490	PLN	Jun 30 2011	5.68%	204	PLN	-	PLN
Borrowing granted by APP Sp. z o.o.	320	PLN	Jun 30 2010	6.20%	-	-	226	PLN
Borrowings granted by Parkowa Łazienki Sp. z o.o.	6,250	PLN	Dec 31 2009	6.20%; 3M WIBOR + margin	-	-	6,813	PLN
Borrowing granted by Bathinex Sp. z o.o.	30	PLN	Dec 31 2010	11.00%	-	-	30	PLN
Borrowings received from: Ornament Trading (Oversas) Limited:	2,350	PLN	Dec 31 2010	6.00%; 8.00%	-	-	3 052	PLN
Borrowings from natural persons	113	PLN	X	10.00%; 3M WIBOR + margin;	-	-	115	PLN
Total	X	X	X	X	**204**	X	**10 236**	X

All figures in PLN '000 (unless stated otherwise)

LOANS AS AT DECEMBER 31ST 2010

Loan currency	Reference rate	Amount as at end of reporting period			
		non-current portion		current portion	
		PLN	Currency	PLN	Currency
EUR	variable*	19 145	4 834 €	25 157	6 339 €
PLN	variable*	54 048	-	481 395	-
Credit cards		-	-	34	-
Interest accrued		-	-	578	-
Adjustment at effective interest rate		-	-	(707)	-
Total		**73 193**	**-**	**506 457**	**-**

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	789 €	22,923	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**	**-**

* 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. Most of the EUR-denominated loans bear interest at the EURIBOR/BRIBOR reference rate plus the Bank's credit margin.

12.6. COLLATERAL FOR LIABILITIES

In accordance with the terms of the loan and guarantee agreements, the following instruments were used as collateral (PLN '000):

- pledge over equity interests held in other companies up to PLN 68,811 thousand (2009: PLN 11,106 thousand),
- contractual and security mortgages established on real properties up to PLN 95,226 thousand (2009: 81,635 thousand),
- contractual mortgage on inventories at PLN 54,553 thousand: including PLN 43,350 thousand to serve as collateral for PBG Group's liabilities, (2009: PLN 14,100 thousand),
- registered pledge over plant and machinery with the assignment of related insurance policy up to PLN 12,575 thousand (2009: PLN 68,799 thousand),
- financial pledge over cash up to PLN 86,500 thousand (2009: PLN 0 thousand),
- assignment of receivables under outstanding contracts up to PLN 638,503 thousand (2009: PLN 695,739 thousand),
- blank promissory notes with promissory note declarations up to PLN 792,227 thousand (2009: PLN 721,890 thousand),
- assignment of current and future receivables credited to a bank account,
- representation on submission to enforcement.

The following assets of the Group (at the carrying amount) were used as collateral for repayment of liabilities:

Item	As at Dec 31 2010	As at Dec 31 2009
Intangible assets	-	-
Non-current assets, included leased assets	118,445	147,377
Financial assets (other than receivables)	68,811	12,775
Inventories	54,553	14,100
Trade and other receivables	231,826	213,914
Cash	85,600	-
Total carrying amount of assets used as collateral	**560,135**	**388,166**

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 to the balance sheet total: **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 Parent Undertaking's Management Board monitors the value of the above-specified 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 amount of assets and liabilities compared to their fair value:

All amounts in PLN '000 (unless otherwise stated)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Class of financial instrument	Dec 31 2010		Dec 31 2009		Dec 31 2008	
	Fair value	Carrying value	Fair value	Carrying value	Fair value	carrying amount
Assets:						
Loans other than bank loans	270,604	270,604	272,481	272,481	40,778	40,778
Trade and other receivables	1,210,817	1,210,817	1,045,798	1,045,798	693,475	693,475
Financial derivatives	5,044	5,044	28,961	28,961	14,196	14,196
Debt securities	-	-	-	-	15,732	15,732
Shares of listed companies	143	143	157	157	291	291
Shares of non-listed companies *	-	-	-	-	-	-
Investment fund units	106,902	106,902	-	-	-	-
Other classes of other financial assets	2,466	2,466	1,669	1,669	963	963
Cash and cash equivalents	708,509	708,509	660,281	660,281	288,750	288,750
Liabilities:						
Bank loans and overdraft facilities	579,650	579,650	585,304	585,304	587,322	587,322
Loans other than bank loans	12,325	12,325	10,440	10,440	675	675
Debt securities	836,904	836,904	506,440	506,440	201,137	201,137
Finance lease	19,845	19,845	32,686	32,686	16,173	16,173
Financial derivatives	11,677	11,677	59,809	59,809	234,889	234,889
Trade and other payables	890,549	890,549	798,785	798,785	442,938	442,938

* Shares carried at cost are not included because reliable estimation of their fair value is not possible.

The Group decided not to determine the fair value of some of the shares of non-listed companies, as it is difficult to estimate their value. Shares of some non-listed companies disclosed under available-for-sale financial assets whose fair value cannot be estimated, are measured at cost net of any impairment losses (see Section 12.4) and therefore they are not presented in the table above.

All figures in PLN '000 (unless stated otherwise)

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.

The fair value of financial assets and liabilities for which there is no active market and which, in accordance with the accounting policies applied by the Group, are disclosed in the Group's balance sheet at amortised cost, has been determined for the purpose of preparation of this Section as present value of estimated future cash flows, discounted at the market interest rate.

The Group did not measure fair value of trade receivables and trade payable, carrying amount 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 STATEMENT OF FINANCIAL POSITION AT FAIR VALUE

The Group has applied amendments to IFRS 7 *Financial Instruments: Disclosures*, effective as of January 2009. The amendments require enhanced disclosures concerning financial instruments disclosed in the consolidated statement of financial position at fair value.

The table below presents fair value of financial assets and liabilities, classified in accordance with 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
As at Dec 31 2010					
Assets:					
Shares of listed companies	12.4	143	-	-	143
Shares of non-listed companies *		-	-	-	
Derivative hedging instruments	12.3	-	5,044	-	5,044
Debt securities measured at fair value		-	-	-	-
Total assets		143	5,044	-	5,187
Liabilities:					
Derivative hedging instruments (-)	12.3	-	(11,677)	-	(11,677)
Loans measured at fair value (-)		-	-	-	-
Total liabilities (-)		-	(11,677)	-	(11,677)

All amounts in PLN '000 (unless otherwise stated)

Net fair value		**143**	**(6,633))**	**-**	**(6,490)**

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	156	-	-	156
Shares of non-listed companies *		-	-	-	
Derivative hedging instruments	12.3	-	28,961	-	28,961
Debt securities measured at fair value		-	-	-	-
Total assets		156	28,961	-	29,117
Liabilities:					
Derivative hedging instruments (-)	12.3	-	(59,809)	-	(59,809)
Loans measured at fair value (-)		-	-	-	-
Total liabilities (-)		-	(59,809)	-	(59,809)
Net fair value		**156**	**(30,848)**	**-**	**(30,692)**

* Shares carried at cost 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 2010, 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.

All figures in PLN '000 (unless stated otherwise)

12.10 EXCLUSIONS FROM THE STATEMENT OF FINANCIAL POSITION

As at December 31st 2010, the Group had no assets, whose transfers would not result in an exclusion from the statement of financial position.

13. DEFERRED CORPORATE INCOME TAX

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

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Excess of deferred tax assets over deferred tax liabilities as at beginning of period	**(7,558)**	**23,070**
Deferred tax assets as at beginning of period	185,581	197,242
Deferred tax liabilities as at beginning of period	193,139	174,172
Year on year change:		
(Decrease) / Increase in financial result	2,872	15,545
Increase in / deduction from equity	(5,790)	(21,761)
Deferred tax assets as at the date of acquisition/disposal of subsidiary undertaking	5,625	(24 412)
Excess of deferred tax assets over deferred tax liabilities as at end of period	**(5,284)**	**(7,558)**
Deferred tax assets as at end of period	131,882	185,581
Deferred tax liabilities as at end of period	137,166	193,139

All amounts in PLN '000 (unless otherwise stated)

DEFERRED TAX ASSETS

Item	As at Jan 1st 2010 (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	Deferred tax assets as at the date of acquisition/disposal of subsidiary undertaking	As at Dec 31 2010 (at the rate of 19%)
Deferred tax assets					
- liabilities under future employee benefits	1,230	(146)	-	(13)	**1,071**
- employee benefits (holidays)	987	(170)	-	(35)	**782**
- provision for warranty costs	3,530	701	-	(406)	**3,825**
- unpaid salaries and wages, including overheads, in reporting period	1,167	55	-	(13)	**1,209**
- interest on loans	1,450	74	-	-	**1,524**
- interest on liabilities	144	248	-	-	**392**
- liabilities under loans measured at adjusted cost of acquisition (using effective interest rate method)	3	3	-	-	**6**
- revaluation of hedging financial instruments or investment property recognised at fair value (through equity)	8,033	(43)	(5,110)	-	**2,878**
- revaluation of financial instruments or investment property recognised at fair value (through profit or loss)	3,784	(2,198)	-	-	**1,586**
- expenses related to balance-sheet income	124,487	(27,583)	-	(13,903)	**83,001**
- impairment losses on receivables	6,537	(2,798)	-	-	**3,739**
- foreign exchange losses	4,373	(648)	(716)	(177)	**2,832**
- audit costs	88	20	-	(5)	**103**
- discount of non-current settlements	162	(29)	-	(12)	**121**
- tax loss	11,120	(5,693)	-	(185)	**5,242**
- other	10,464	3,302	-	857	**14,621**
- over-invoicing	8,022	926	-		**8,947**
Gross deferred tax assets	**185,581**	**(33,979)**	**(5,826)**	**(13,894)**	**131,882**

All figures in PLN '000 (unless stated otherwise)

DEFERRED TAX LIABILITIES

Item	As at Jan 1st 2010 (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	Deferred tax liability as at the date of acquisition/disposal of subsidiary undertaking	As at Dec 31 2010 (at the rate of 19%)
Deferred tax liabilities					
- interest on borrowings	2,204	5,370	-	(64)	**7,510**
- interest on deposits and own cash	281	(201)	-	-	**80**
- interest on receivables	19	42	-	-	**61**
- interest on financial assets (e.g. bonds and debt notes)	925	(723)	-	-	**202**
- balance-sheet income in current period – subsequent period for tax purposes	139,996	(42,527)	-	(18,280)	**79,189**
- difference between net carrying amount and tax base of own tangible assets	39,162	(644)	-	(564)	**37,954**
- difference between net carrying amount and tax base of tangible assets under operating lease	1,998	915	-	(112)	**2,801**
- revaluation of financial instruments or investment property recognised at fair value (through equity)	549	120	(36)	(173)	**460**
- revaluation of financial instruments recognised at fair value (through profit or loss)	6,177	(4,035)	-	-	**2,142**
- liabilities under loans measured at adjusted cost of acquisition (using effective interest rate method)	227	(96)	-	-	**131**
- foreign exchange gains	301	(223)	-	(1)	**77**
- discount of non-current settlements	418	140	-	(2)	**556**
- other	882	5,011	-	110	**6,003**
Gross deferred tax liabilities	**193,139**	**(36,851)**	**(36)**	**(19,086)**	**137,166**

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 2010, deferred tax assets amount to PLN 5,242 thousand (2009: PLN 11,120 thousand). 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:

All amounts in PLN '000 (unless otherwise stated)

Item	Jan 1–Dec 31 2010		
	Pre-tax	Tax	After-tax
Other comprehensive income:			
- remeasurement of property, plant and equipment	(5,404)	(67)	(5,471)
- available-for-sale financial assets	-	-	-
- cash flow hedges	28,476	(5,007)	23,469
- foreign currency differences arising on translation of foreign operations	3,252	(716)	2,536
- foreign currency differences transferred to profit or loss – sale of foreign operations	-	-	-
- share in other comprehensive income of undertakings valued with equity method	-	-	-
Total	**26,324**	**(5,790)**	**20,534**

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

The Group recognised the following items of inventories in the consolidated financial statements:

Item	As at Dec 31 2010	As at Dec 31 2009
Materials	29,078	17,694
Work in progress	90,010	26,244
Finished products	8,992	5,745
Goods for resale	160,912	150,049
Prepaid deliveries	4,508	38,654
Total inventories, including:	**293,500**	**238,386**
- carrying amount of inventories recognised at fair value net of selling costs	-	-

In 2009, the Group recorded a material increase in inventories, which was attributable to property development operations.

The Group analysed indicators of impairment on inventories as at December 31st 2010.

All figures in PLN '000 (unless stated otherwise)

IMPAIRMENT LOSSES ON INVENTORIES

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Impairment losses at beginning of period	**301**	**796**
Impairment losses recognised as cost in period	281	297
Impairment losses reversal in period (-)	(7)	(792)
Other changes (net currency translation differences)	6	-
Impairment losses at end of period	**581**	**301**

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 Company creates impairment losses on inventories which are damaged or if they have become wholly or partially obsolete.

In 2010, the Group recognised PLN 281 thousand impairment losses (2009: PLN 297 thousand) in the consolidated income statement under "Other operating expenses" (see Section 28.4). The impairment losses were recognised for slow moving materials.

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 Company takes into account their relevance to production processes and provision of services.

Inventories owned by the PBG Group are pledged as collateral to secure the Group's liabilities up to PLN 54,553 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 2010	As at Dec 31 2009	As at Dec 31 2008
Financial assets			
Financial receivables	**15,707**	**14,618**	**20,593**
Trade receivables	3,694	8,565	11,743
Impairment losses on trade receivables (-)	-	(45)	(161)
Trade receivables (net)	**3,694**	**8,520**	**11,582**
Receivables on sale of property, plant and equipment	-	-	-
Retained amounts (security deposits)	4,926	4 401	6,919
Receivables under finance lease	1,387	1,624	1,849
Other financial receivables	5,700	73	243
Impairment losses on other receivables (-)	-	-	
Other financial receivables (net)	**12,013**	**6,098**	**9,011**
Non-financial assets	**-**		
Non-financial receivables	**125**	**-**	**-**

All amounts in PLN '000 (unless otherwise stated)

Item (continued)	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
Tax and other benefits receivable	1	-	-
Prepayments and	123	-	-
Other non-financial receivables	-	-	-
Total non-current receivables	**15,831**	**14,618**	**20,593**

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 2010, the discount rate was 4.66% (December 31st 2009: 4.76%).

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.

Non-current receivables include finance lease receivables since, according to the Group's accounting policies (Section 3.11.3), 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 amount of finance lease receivables as at December 31st 2010 was PLN 1,566 thousand, including current portion of PLN 313 thousand, (2009: PLN 1,879 thousand, including current portion of PLN 313 thousand)

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

CURRENT RECEIVABLES:

Item	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
Financial assets			
Financial receivables	**1,195,110**	**1,031,180**	**672,882**
Trade receivables	1,147,357	1,015,867	660,289
Impairment losses on trade receivables (-)	(13,400)	(24,585)	(30,978)
Trade receivables (net)	**1,133,957**	**991,282**	**629,311**
Receivables on sale of property, plant and equipment	14,738	725	1,944
Retained amounts (security deposits)	35,199	23,611	24,378
Receivables under finance lease	236	225	213
Receivables under court proceedings	26,693	55,573	45,224
Receivables on sale of shares	10,224	10,250	5,581
Other financial receivables	1,105	4,340	11,247
Impairment losses on other financial receivables receivables (-)	(27,042)	(54,826)	(45,016)
Other net financial receivables	**61,153**	**39,898**	**43,571**
Non-financial receivables	**132,114**	**80,993**	**55,235**

All figures in PLN '000 (unless stated otherwise)

Item (continued)	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
VAT receivable	20,875	20,533	27,004
Taxes, customs duties and subsidies receivable	5,653	368	291
Prepayments and advances	97,374	58,806	26,520
Settlements with employees	1,467	1,286	1,420
Other non-financial receivables, net	7,644	990	369
Impairment losses on other non-financial receivables (-)	(899)	(990)	(369)
Total receivables	**1,327,224**	**1,112,173**	**728,117**

The Group regards the carrying amount of trade receivables as a reasonable approximation of their fair value (see Section 12.7).

The Group tested the receivables for impairment in line with the applied accounting policies (see section 3.11.4.1) in "Basis of Accounting and Accounting Policies". Impairment losses on receivables which in 2010 were charged to other operating expenses of the consolidated income statement, were as follows:

- impairment losses on non-current receivables – PLN 0 thousand) (2009: PLN 45 thousand),
- impairment losses on current receivables – PLN 41,341 thousand (2009: PLN 80,401 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	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Impairment losses at beginning of period	**45**	**161**
Increase attributable to inclusion of new subsidiaries	-	-
Decrease attributable to disposal of subsidiaries	-	-
Impairment losses recognised in the reporting period	-	(116)
Reversed impairment losses recognised as revenue in period (-)	-	-
Impairment losses used in period (-)	-	-
Other changes (currency translation differences)	(45)	-
Impairment losses at end of period	**-**	**45**

All amounts in PLN '000 (unless otherwise stated)

IMPAIRMENT LOSSES ON CURRENT RECEIVABLES

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Impairment losses at beginning of period	**80,401**	**76,363**
Impairment losses attributable to inclusion of new subsidiaries	-	-
Impairment losses - decrease attributable to disposal of subsidiaries	(172)	(510)
Impairment losses recognised as cost in period	7,361	15,132
Reversed impairment losses recognised as revenue in period (-)	(21,477)	(9,457)
Impairment losses used in the reporting period (-)	(25,593)	(1,575)
Other changes	821	448
Impairment losses at end of period	**41,341**	**80,401**

PAST DUE CURRENT RECEIVABLES BY PERIOD OF DELAY

Item	Dec 31 2010		Dec 31 2009	
	Not past due	Past due	Not past due	Past due
Current receivables:				
Trade receivables	817,784	329,573	737,319	278,548
Impairment losses on trade receivables (-)	(45)	(13,355)	(6)	(24,579)
Trade receivables (net)	**817,739**	**316,218**	**737,313**	**253,969**
Other financial receivables	57,935	30,260	39,832	54,892
Impairment losses on other receivables (-)	(14)	(27,028)	-	(54,826)
Other financial receivables, net	**57,921**	**3,232**	**39,832**	**66**
Financial receivables	**875,660**	**319,450**	**777,145**	**254,035**

AGEING ANALYSIS OF PAST DUE CURRENT RECEIVABLES

Item	Trade receivables		Other financial receivables	
	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2010	As at Dec 31 2009
Past due current receivables:				
Up to 1 month	154,363	126,412	747	15
From 1 to 6 months	112,739	125,666	234	36
From 6 to 12 months	49,451	22,899	2,220	-
Over one year	13,020	3,571	27,059	54,841
Past due financial receivables	**329,573**	**278,548**	**30,260**	**54,892**

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 2010, past due receivables amounted to PLN 359,833 thousand. The Group recognised impairment losses for up to PLN 41,341 thousand (as at December 31st 2009 past due receivables amounted to PLN 334,430 thousand and impairment losses were recognised for PLN 80,401 thousand).

All figures in PLN '000 (unless stated otherwise)

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 2010	As at Dec 31 2009
Cash at bank accounts denominated in PLN	592,229	553,062
Cash at foreign currency accounts	27,726	19,209
Cash in hand	798	598
Short-term deposits	87,406	86,162
Other	350	1,251
Total	**708,509**	**660,281**

Cash in hand and short-term deposits denominated in PLN and in foreign currencies are presented in aggregate, as at the balance sheet day, after translation at the exchange rate used for valuation.
Cash and cash equivalents comprise cash at banks and cash in hand, as well as current financial assets with maturities up to three months. The 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.

As at December 31st 2010, cash with a carrying amount of PLN 6,972 thousand (2009: PLN 1,206 thousand) was restricted cash as it was deposited in joint escrow accounts.

CASH AND CASH EQUIVALENTS BY CURRENCY

Item	As at Dec 31 2010		As at Dec 31 2009		As at Dec 31 2008	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) Polish złoty (PLN)	X	641,876	X	584,302	X	263,476
b) Euro (EUR)	16,375	63,370	17,789	72,033	6,064	24,570
c) US dollar (USD)	368	1,063	12	33	37	105
d) Swiss frank (CHF)	-	-	-	-	-	-
e) Pound sterling (GBP)	-	-	-	-	-	-
f) Canadian dollar (CAD)	753	2,198	605	1,635	258	599
h) Ukrainian hryvnia (UAH)	4	2	6,404	2,278	-	-
Total	**X**	**708,509**	**X**	**660,281**	**X**	**288,750**

17. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at the balance sheet date, the Group does not carry discontinued operations and does not hold property, plant and equipment for sale.

All amounts in PLN '000 (unless otherwise stated)

18. EQUITY

18.1. SHARE CAPITAL

Equity (attributable to equity holders of the Parent).

As at December 31st 2010, the share capital of the Parent Undertaking amounted to PLN 14,295 thousand (2009: PLN 14,295, 2008: PLN 13,430 thousand) and was divided into 14,295,000 shares (2009:14,295,000 shares, 2007: 13,430,000 shares) with a par value of PLN 1.00 per share. All shares were paid up in full.

4,240,000 series A shares are voting preference shares, with each share carrying the right to 2 votes at the Company's General Shareholders Meeting. The remaining shares are not 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 1–Dec 31 2010	Jan 1–Dec 31 2009
Outstanding and fully paid up shares:		
Number of shares at the beginning of period	14,295	13,430
Share issue further to option execution (share-based payments)	-	-
Issue of shares	-	865
Share redemption (-)	-	-
Number of shares at the end of period	**14,295**	**14,295**

As at December 31st 2010, 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 figures in PLN '000 (unless stated otherwise)

SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL SHAREHOLDERS MEETING AS AT DECEMBER 31ST 2010

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	1,369,463 ordinary shares	1,369,463	9.58%	7.39%
Clients of Pioneer Pekao Investment Management SA	2,228,695 ordinary shares	2,228,695	15.59%	12.02%

CHANGES IN THE STRUCTURE OF SHARE BLOCKS SUBSEQUENT TO DECEMBER 31ST 2010

By the date of publication of these consolidated financial statements, the following changes occurred in the Issuer's shareholder structure:

Change in the number of Company shares held the major investor

On January 13th 2011, Mr. Jerzy Wiśniewski, a major shareholder in the Company, sold 500,000 series A registered shares in PBG S.A. in a transaction executed outside the regulated market.

Prior to the transaction, Mr. Wiśniewski held 4,235,054 registered preference shares in the Company, representing 29.63% of the Company's share capital and conferring the right to exercise 8,470,108 votes at its General Shareholders Meeting, which represented 45.70% of the total vote.

Following the transaction, Mr Wiśniewski holds 3,735,054 registered preference shares in the Company, representing 26.13% of the Company's share capital and conferring the right to exercise 7,470,108 votes at its General Shareholders Meeting, which represent 41.42% of the total vote.

The sale of the Company shares was executed following a written notification by the founder shareholders of PBG SA of their waiver of the right of first refusal over the shares.

The Company's share capital amounts to PLN 14,295,000.00. The sale of Series A registered shares resulted in expiry of the preference attached to the shares and a decrease in the total number of votes at the Company's General Shareholders Meeting from 18,535,000 to 18,035,000 votes.

As of February 3rd 2011, the Management Board of the Polish National Depository for Securities (KDPW), acting under Resolution No. 76/11 of January 31st 2011, assigned code PLPBG0000052 to 500,000 ordinary bearer shares of PBG S.A., created upon conversion of registered shares, the conversion having been carried out at a shareholder's request dated January 14th 2011.

1) 3,740,000 PBG S.A. registered shares are identified with code PLPBG0000037;

2) 500,000 PBG SA ordinary bearer shares are identified with code PLPBG0000052.

As of March 4th 2011, the Management Board of the Polish NDS assimilated 500,000 Series A PBG shares identified with code PLPBG00000052 with 10,055,000 PBG shares identified with code PLPBG0000029.

As a result, as of March 4th 2011, the free float of PBG shares was 10,555,000.

Notifications of increase in Pioneer Pekao Investment Management S.A.'s holding of PBG SA shares

In the period from January 28th to March 8th 2011, Pioneer Pekao Investment Management SA (PPIM) acquired PBG shares, as a result of which:

- on January 28th 2011 its total shareholding in PBG S.A., as regards financial instruments held in the portfolios managed by PPIM as part of its portfolio management services, increased to 15.05% of the total vote at PBG S.A.'s General Shareholders Meeting;
- on February 4th 2011 the Fund's total shareholding in PBG S.A., as regards shares held in its portfolio managed by PPIM in performance of the investment fund portfolio management services, increased to 15.09% of the total vote at PBG S.A.'s General Shareholders Meeting;
- on March 2nd 2011 the Fund's total shareholding in PBG S.A., as regards financial instruments held in the portfolios managed by PPIM as part of its portfolio management services, increased to 17.05% of the total vote at PBG S.A.'s General Shareholders Meeting;
- on March 8th 2011 the Fund's total shareholding in PBG S.A., as regards financial instruments held in the portfolios managed by PPIM as part of its portfolio management services, increased to 17.05% of the total vote at PBG S.A.'s General Shareholders Meeting.

Notifications of increase in Pioneer Pekao Investment Management's holding of PBG shares

In performance of the investment fund portfolio management agreement between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych SA and Pioneer Pekao Investment Management (PPIM), on behalf of the following Funds:

1. Pioneer Fundusz Inwestycyjny Otwarty (Pioneer Open-End Investment Fund),
2. Specjalistyczny Fundusz Inwestycyjny Otwarty Telekomunikacji Polskiej (Telekomunikacja Polska Specialised Open-End Investment Fund),
3. Pioneer Zmiennej Alokacji Specjalistyczny Fundusz Inwestycyjny Otwarty (Pioneer Variable Allocation Specialised Open-End Investment Fund),
4. Pioneer Zmiennej Alokacji 2 Specjalistyczny Fundusz Inwestycyjny Otwarty (Pioneer Variable Allocation 2 Specialised Open-End Investment Fund),
5. Pioneer Zmiennej Alokacji 3 Specjalistyczny Fundusz Inwestycyjny Otwarty (Pioneer Variable Allocation 3 Specialised Open-End Investment Fund),
6. Pioneer Zabezpieczony Rynku Polskiego Specjalistyczny Fundusz Inwestycyjny Otwarty (Pioneer Protected Polish Market Specialised Open-End Investment Fund);

in the period from January 28th to March 2nd 2011, PPIM acquired PBG shares, as a result of which:

- on January 28th 2011 the shareholdings held by the above Funds in PBG S.A., as regards shares held in their portfolios managed by PPIM in performance of its investment fund portfolio management services, increased to 15.03% of the total vote at PBG S.A.'s General Shareholders Meeting;
- on March 2nd 2011 the shareholdings held by the above Funds in PBG S.A., as regards shares held in their portfolios managed by PPIM in performance of its investment fund portfolio management services, increased to 17.07% of the total vote at PBG S.A.'s General Shareholders Meeting.

All figures in PLN '000 (unless stated otherwise)

SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL SHAREHOLDERS MEETING AS AT THE DATE OF APPROVAL FOR PUBLICATION OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Shareholder	Number of shares	Total Par Value (PLN)	% of Share Capital Held	% of Votes held in Total Number of Votes
Jerzy Wiśniewski	3,735,054 shares, including: 3,735,054 series A registered preference shares	3,735,054	26.13%	41.42%
ING Otwarty Fundusz Emerytalny	1,369,463 ordinary shares	1,369,463	9.58%	7.59%
Clients of Pioneer Pekao Investment Management SA	3,085,288 ordinary shares	3,085,288	21.58%	17.11%

19. SHARE PREMIUM ACCOUNT

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, 2010 it was PLN 733,348 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**
Share issue	-	-	-	-	-	-
Share premium account as at December 31st 2010						**733,348**

20. VALUATION RESERVE FROM HEDGING TRANSACTIONS

As at December 31st 2010 the valuation reserve from hedging transactions and foreign exchange gains or losses on consolidation was negative at PLN -15,289 thousand and comprised:

- balances underlying valuation of derivative instruments that meet the requirements of hedge accounting, hedge of cash flows, or effective part of the hedge – negative at PLN -13,787 thousand,
- foreign exchange losses on translation of financial statements of subsidiaries – negative at PLN -1,502 thousand.

21. OTHER CAPITALS

Group name:	PBG Group		
Period covered by the financial statements:	Jan 1–Dec 31 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN '000 (unless otherwise stated)		

Item	Capital reserve from valuation of share-based payment schemes	Other accumulated total income by title:						Total other capitals
		Remeasurement of property, plant and equipment	Available-for-sale financial assets	Cash flow hedges	Exchange differences on translation of foreign operations	Share in other comprehensive income of undertakings valued with equity method	Total other comprehensive income	
Balance as at Jan 1 2010	**-**	**7,174**	**-**	**(44,173)**	**(7,120)**	**-**	**(44,119)**	**(44,119)**
Correction of fundamental errors	-	-	-	(916)	-	-	(916)	(916)
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-	-
Shares issued in connection with option exercise (transfer to share premium account)	-	-	-	-	-	-	-	-
Total other comprehensive income for January 1st – December 31st 2010	-	354	-	28,474	3,252	-	32,080	32,080
Change in Group's structure	-	(456)	-	(280)	-	-	(736)	(736)
Income tax on items of other comprehensive income	-	(67)	-	(5,006)	(717)	-	(5,790)	(5,790)
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	(5,758)	-	-	-	-	(5,758)	(5,758)
Balance as at Dec 31 2010	**-**	**1,247**	**-**	**(21,901)**	**(4,585)**	**-**	**(25,239)**	**(25,239)**
Balance as at Jan 1 2009	**-**	**77**	**-**	**(140,979)**	**820**	**-**	**(140,082)**	**(140,082)**
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-	-
Shares issued in connection with option exercise (transfer to share premium account)	-	-	-	-	-	-	-	-
Total other comprehensive income for January 1st – December 31st 2009	-	7,503	-	120,429	(10,131)	-	117,801	117,801
Income tax on items of other comprehensive income	-	(329)	-	(23,623)	2,191	-	(21,761)	(21,761)
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	(77)	-	-	-	-	(77)	(77)
Balance as at Dec 31 2009	**-**	**7,174**	**-**	**(44,173)**	**(7,120)**	**-**	**(44,119)**	**(44,119)**

22. INCENTIVE SCHEME

Under Resolution No. 37/08/2007 dated August 26th 2008, the Supervisory Board of the subsidiary company Hydrobudowa 9 S.A. of Poznań adopted the rules of the Incentive Scheme that set forth operating principles of an incentive scheme in Hydrobudowa 9 S.A. introduced pursuant to Resolution No. 24 of the Annual General Shareholders Meeting of Hydrobudowa 9 S.A. dated June 24th 2008 on setting the principles of the company's incentive scheme, and Resolution No. 25 of the Annual General Shareholders Meeting of Hydrobudowa 9 S.A. dated June 24th 2008 on share capital increase by way of 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 S.A. from among members of the Management Board and persons specified at the sole discretion of the Supervisory Board or upon request of the Management Board of Hydrobudowa 9 S.A. from among key employees of Hydrobudowa 9 S.A., key employees of the companies from the PBG Group, persons holding positions on the governing bodies of PBG S.A. and governing bodies of the companies from the PBG Group are eligible to participate in the scheme.

The scheme will operate until December 31st 2013.

In order to carry out the scheme, Hydrobudowa 9 S.A. issued 692,225 series D shares that were subscribed for by BZ WBK S.A., the custodian bank, and registered by a competent court. The custodian bank concluded with Hydrobudowa Polska S.A. a subscription agreement for 1,755,738 ordinary bearer series L shares of Hydrobudowa Polska S.A. with a par value of PLN 1.00 per share, issued pursuant to Resolution No. 3 of the Extraordinary Shareholders Meeting of Hydrobudowa Polska S.A. dated August 18th 2008, divided into five tranches, of which four tranches of 351,147 series L shares and one tranche of 351,150 series L shares will be offered to eligible persons in 2009, 2010, 2011, 2012, and 2013. The custodian bank made an in-kind contribution of 692,225 series D shares held in Hydrobudowa 9 S.A. 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 shares and one tranche of 351,150 shares. Shares that will not be acquired under a specific tranche will be offered in the next one.

The series L shares will be offered to eligible persons at PLN 0.14 per share.

The first list of eligible persons was approved by the Supervisory Board of Hydrobudowa 9 S.A. on December 23rd 2008.

Amounts relating to the incentive scheme have been disclosed in the books since 2008. As at December 31st 2010 the value of the scheme was PLN 2,038 thousand (December 31st 2009: PLN 2,038 thousand).

Key data and on the share-based payments programme launched in Hydrobudowa 9 SA is presented in the table below:

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

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.

Hydrobudowa Polska S.A. intends to continue its growth policy; therefore, the management board will not propose for dividend payments within the next five years. Therefore there has been a zero dividend from shares put in the model.

The expected volatility of the share price (standard deviation) was estimated on the basis of historic prices of Hydrobudowa Polska S.A. shares on the Warsaw Stock Exchange since its debut, i.e. on September 17th 2007 until April 16th 2010.

The average yield of 5-year Treasury bonds at the auction held on December 2nd 2009 was assumed as the risk-free interest rate.

Changes in the number of shares resulting from the incentive scheme are presented below:

Item	Jan 1–Dec 31 2010		Jan 1–Dec 31 2009	
	Number of Shares	Share Execution Price* (PLN)	Number of Shares	Share Execution Price* (PLN)
Number at the beginning of period	1,404,591	0.14	1,755,738	0.14
Granted during the period (+)	-	-	-	-
Redeemed during the period (-)	-	-	-	-
Exercised during the period (-)	(351,147)	0.14	(351,147)	0.14
Expired during the period (-)	-	-	-	-
Number at the end of period	**1,053,444**	**-**	**1,404,591**	-
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:

All figures in PLN '000 (unless stated otherwise)

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 S.A. intends to continue its growth policy; therefore, the management board will not propose for dividend payments within the next five years. Based on that there has been a zero dividend from shares put in the model.

The expected volatility of the share price (standard deviation) was estimated on the basis of historic 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.

23. NON-CONTROLLING INTERESTS

Equity attributable to minority interests represents a portion of net assets of subsidiary companies which is not directly or indirectly owned by shareholders of the Parent Undertaking.

Non-controlling interests presented under the Group's equity relate to the following subsidiary companies:

Item	As at Dec 31 2010	As at Dec 31 2009	as at Dec 31 2008
HBP Group	173,176	177,494	153,546
INFRA Group	-	-	4,249
APRIVIA Group	10,738	11,356	9,701
GasOil Engineering a.s.	2,835	2,575	1,074
PBG Dom Sp. z o.o.	614	665	-
Energopol Ukraina	34,068	33,045	-
Strateg Capital	33	-	-
Aqua S.A.	4,831	-	-
Total	**226,295**	**225,135**	**168,570**

In the period covered by these consolidated financial statements, non-controlling interests decreased on the back of transactions and settlement of a portion of comprehensive income attributable to non-controlling interests, as shown in the table below:

All amounts in PLN '000 (unless otherwise stated)

Item	Jan 1–Dec 31 2010	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Balance at beginning of period	**225,135**	**168,570**	**34,550**
Change in Group's structure (transactions with non-controlling interests)			
Business combination – initial determination of non-controlling interests (+)	4,864	38,275	124,151
Disposal of subsidiaries resulting in their exclusion from the Group – settlement of non-controlling interests (–)	-	(484)	-
Acquisition by the Group of non-controlling interests (-)	(2,306)	(1 435)	-
Disposal by the Group of subsidiary undertakings' equity to non-controlling interests, not resulting in loss of control (+)	-	-	-
Comprehensive income:			
Net profit/(loss) for the period (+/-)	(5,756)	10,766	30,923
Other comprehensive income for the period (after tax) (+/-)	10,080	16,630	(41,934)
Other changes	(5,722)	(7,187)	20,880
Balance of non-controlling interests as at end of period:	**226,295**	**225,135**	**168,570**

24. EMPLOYEE BENEFITS

PROVISIONS FOR EMPLOYEE BENEFITS

Item	Non-current liabilities and provisions			Current liabilities and provisions		
	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
Wages and salaries payable	-	-	-	12,673	7,897	6,415
Social security contributions payable	-	-	-	11,020	9,693	9,370
Provision for retirement severance payments	3,150	3,322	2,042	834	773	569
Provision for length-of-service awards	2,367	3,083	3,187	238	303	312
Provision for holidays in arrears	-	-	-	4,277	5,182	5,955
Other provisions for employee benefits	-	-	-	-	-	-
Other liabilities under employee benefits	3	-	-	685	656	1,737
Total liabilities and provisions for employee benefits	**5,520**	**6,405**	**5,229**	**29,728**	**24,504**	**24,358**

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 2010				
Provisions as at Jan 1 2010	**4,095**	**3,386**	**5,182**	**12,663**
Increase in provisions recognised as expense in period (new provisions and increase in provisions attributable to update of estimates)	1,611	338	2,202	4,151
Increase in provisions attributable to inclusion of new subsidiaries	26	-	96	122

All figures in PLN '000 (unless stated otherwise)

Decrease in provisions attributable to disposal of subsidiaries	(68)	-	(186)	(254)
Release of provisions recognised as income in period (-)	(404)	(73)	(1,030)	(1,507)
Provisions used (-)	(1,061)	(958)	(447)	(2,465)
Item (continued)	Provision for retirement severance payments	Provision for length-of-service awards	Provision for unused holidays	Total
Decrease in provisions attributable to changes in accounting estimates	(340)	(88)	(1,410)	(1,838)
Other changes in provisions (net currency translation differences)	124	-	(130)	(6)
Provisions as at Dec 31 2010, including:	**3,984**	**2,605**	**4,277**	**10,867**
- non-current provisions	3,150	2,367	-	5,517
- current provisions	834	238	4,277	5,350
Jan 1–Dec 31 2009				
Provisions as at Jan 1 2009	**2,611**	**3,499**	**5,955**	**12,065**
Increase in provisions recognised as expense in period (new provisions and increase in provisions attributable to update of estimates)	1,739	806	3,981	6,526
Increase in provisions attributable to inclusion of new subsidiaries	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 revision of estimates	(169)	-	(111)	(280)
Other changes in provisions (net currency translation differences)	(2)	-	77	75
Provisions as at Dec 31 2009, including:	**4,095**	**3,386**	**5,182**	**12,663**
- non-current provisions	3,322	3,083	-	6,405
- current provisions	773	303	5,182	6,258

For a general overview of the employee benefit scheme, see Section 22.

25. OTHER PROVISIONS AND LIABILITIES

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

OTHER PROVISIONS FOR LIABILITIES

Item	Non-current provisions			Current provisions		
	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
Provision for warranties/guarantees	15,139	13,817	9,240	5,294	5,043	4,363
Provision for losses on construction contracts	-	-	-	1,668	272	3,926
Other provisions for liabilities	484	374	366	25,331	33,712	70,637
Total other provisions for liabilities:	**15,623**	**14,191**	**9,606**	**32,293**	**39,027**	**78,926**

All amounts in PLN '000 (unless otherwise stated)

CHANGES IN OTHER PROVISIONS FOR LIABILITIES

Item	Provision for warranties/guarantees	Provision for losses on construction contracts	Other provisions for liabilities	Total
Jan 1–Dec 31 2010				
Provisions as at Jan 1 2010	**18,860**	**272**	**34,086**	**53,218**
Increase in provisions recognised as expense in period (new provisions) and increase in provisions attributable to update of estimates	9,831	2,627	4,678	17,136
Increase in provisions attributable to inclusion of new subsidiaries	19	-	161	180
Decrease in provisions attributable to disposal of subsidiaries	(2,138)		(119)	(2,257)
Release of provisions recognised as income in the period (-)	(2,246)	-	(9,500)	(11,746)
Use of provisions (-)	(3,893)	(1,242)	(3,446)	(8,581)
Decrease in provisions due to revision of estimates	-	-	(48)	(48)
Other changes in provisions (net currency translation differences)	-	11	4	15
Provisions as at Dec 31 2010, including:	**20,433**	**1,668**	**25,815**	**47,917**
- non-current provisions	15,139	-	484	15,623
- current provisions	5,294	1,668	25,331	32,293
Jan 1–Dec 31 2009				
Provisions as at Jan 1 2009	**13,603**	**3,926**	**71,003**	**88,532**
Increase in provisions recognised as expense in period (new provisions) and increase in provisions attributable to update of estimates	8,360	524	8,479	17,363
Increase in provisions attributable to inclusion of new subsidiaries	-	-	-	-
Decrease in provisions – disposal of subsidiaries	(253)	-	-	(253)
Release of provisions recognised as income in the period (-)	(845)	(4,070)	(31,100)	(36,015)
Use of provisions (-)	(1,792)	(108)	(14,296)	(16,196)
Decrease in provisions due to revision of estimates	(156)	-	-	(156)
Other changes in provisions (net currency translation differences)	(57)	-	-	(57)
Provisions as at Dec 31 2010, including:	**18,860**	**272**	**34,086**	**53,218**
- non-current provisions	13,817	-	374	14,191
- current provisions	5,043	272	33,712	39,027

The Group recognises provisions for projected losses on construction contracts when a total cost to complete a construction contract exceeds the total revenue under the contract. Such provisions are recognised in the income statement when disclosed. (See also Section 27).

Provision for warranty repairs is a significant item in the financial statements of the Group. As part of completing a construction contract the Companies of the Group are responsible for faults and defects reported by the principal subsequently to the completion of a project under warranties and guaranties. The Group recognises a provision for warranty repairs charged to the costs of contract by reference to the stage of its completion. When calculating the provisions for each contract, the Company uses estimates, including historical data on costs of remedial works, size of the contract, its nature and the risk of faults and defects.

All figures in PLN '000 (unless stated otherwise)

The calculation is based on multiplication of the incurred variable costs by the percentage ratio. The ratios range from 0.1% to 1.2%.

The items which had the most significant effect on provisions in 2010 are as follows:

- Creation of a provision under Construction of the Łyna Sewage Treatment Plant in Olsztyn, for future losses following from the settlement agreement – PLN 2,513 thousand;
- Release of a provision under Construction of the Południe Sewage Treatment Plant in Warsaw, due to the fulfilment of conditions which gave rise to creation of a provision for potential contractual penalties – PLN 6,177 thousand;
- Release of a provision under Construction of the Południe Sewage Treatment Plant in Warsaw, due to the fulfilment of conditions which gave rise to creation of a provision for future losses – PLN 2,122 thousand.

TRADE AND OTHER LIABILITIES

Trade and other liabilities of the Group are as follows:

NON-CURRENT LIABILITIES

Item	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
Financial liabilities	**37,914**	**40,110**	**17,115**
Trade payables	6,383	10,515	4,478
Liabilities under purchase of property, plant and equipment	14,395	14,246	-
Retained amounts (security deposits)	16,915	13,237	7,597
Liabilities under insurance policies	-	1,336	4,960
Other financial liabilities	221	776	80
Non-financial liabilities			
Tax and other benefits payable	-	-	-
Prepayments and advances	-	-	-
Other non-financial liabilities	-	-	-
Total liabilities	**37,914**	**40,110**	**17,115**

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 2010, the discount rate was 3.66%, and as at December 31st 2009 the rate was 3.76%.

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)

CURRENT TRADE LIABILITIES

Item	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
Financial liabilities	**852,635**	**758,673**	**425,823**
Trade payables	774,420	721,845	395,942
Liabilities under purchase of property, plant and equipment	17,782	1,142	1,097
Liabilities under investment purchases	4,274	-	6,463
Liabilities under purchase of claims	-	-	-
Liabilities under purchase of shares	30,667	4,571	1,115
Retained amounts (security deposits)	23,292	25,179	21,206
Liabilities under insurance policies	-	5,378	
Other financial liabilities	2,200	558	
Non-financial liabilities	**341,210**	**214,369**	**96,387**
VAT payable	119,125	92,912	22,740
Tax, customs duties and subsidies payable	4,756	5,583	4,070
Prepayments and advances	208,208	111,919	69,302
Other non-financial liabilities	9,121	3,955	275
Total liabilities	**1,193,845**	**973,042**	**522,210**

OTHER CURRENT LIABILITIES

Item	Dec 31 2010		Dec 31 2009	
	Not past due	Past due	Not past due	Past due
Current liabilities:				
Trade payables	609,612	164,808	561,659	160,186
Other financial liabilities	57,590	20,625	21,100	15,728
Financial liabilities	**667,202**	**185,433**	**582,759**	**175,914**

AGEING ANALYSIS OF PAST DUE CURRENT FINANCIAL LIABILITIES

Item	Dec 31 2010		Dec 31 2009	
	Trade payables	Other financial liabilities	Trade payables	Other financial liabilities
Past due current liabilities:				
Up to 1 month	107,602	6,675	111,727	903
From 1 to 6 months	47,675	9,145	40,118	4,742
From 6 to 12 months	5,032	1,628	2,374	6,255
Over one year	4,499	3,177	5,967	3,828
Past due financial liabilities	**164,808**	**20,625**	**160,186**	**15,728**

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

All figures in PLN ‘000 (unless stated otherwise)

26. PREPAYMENTS AND ACCRUED INCOME

ACCRUALS AND DEFERRALS

Item	Non-current prepayments			Current prepayments		
	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
Prepayments and accrued income						
- Insurance contracts	4,444	5,187	7,384	7,065	6,065	6,406
- Guarantees	3,035	4,044	4,963	2,125	3,676	3,649
- Turn-of-reporting-period expenses	-	-	-	192	1,771	235
- Prepaid reusable materials	-	-	-	-	1,769	1,694
- Expenses incurred prior to construction contract execution	-	-	-	14,767	3,076	2,188
- Cost of future acquisitions	-	-	-	203	3,295	1,115
- Subscriptions, training	-	-	-	514	669	1,146
- Other	7,662	665	1,220	9,651	3,845	27
- New projects expenses - joint ventures	9,022	-	-	20,123	-	-
Total prepayments and accrued income	**24,163**	**9,896**	**13,567**	**54,640**	**24,166**	**16,460**
Accruals and deferred income						
- Subsidies received	6,805	7,320	8,226	2,730	2,566	1,320
- Balance sheet audit provision	-	-	-	568	459	497
- Deferred income	-	-	-	3,942	-	-
- Cost of share issue	-	-	-	-	442	904
- New projects (joint ventures)	-	-	-	7,826	-	96
- Other	-	-	-	2,828	-	-
Total accruals and deferred income:	**6,805**	**7,320**	**8,226**	**17,894**	**3,467**	**2,817**

In 2010, prepayments increased compared with 2009. In particular, prepayments are recognised particularly under “Expenses incurred prior to construction contract execution”, in connection with to PBG S.A.’s activities aimed at winning new contracts and diversifying its business scope.

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 2010, the Group recognised other operating income on subsidies at PLN 1,000 (2009: PLN 1,000). 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)

27. SALE OF SERVICES

In 2010, the Group recognised in the consolidated income statement uninvoiced revenue from construction services in the negative amount of PLN -357,438 thousand (2009: negative at PLN -119,874 thousand).

The amounts recognised in the consolidated statement of financial position 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 Section 3.11.16.2 on accounting policies, under "Basis of Accounting and Accounting Policies"). The amounts of receivables and payables resulting from construction contracts are presented in the table below:

Item	As at Dec 31 2010	As at Dec 31 2009
Revenue as initially agreed in the contracts	7,708,014	7,740,208
Change	344,729	319,080
Total revenue under the contracts	**8,052,743**	**8,059,288**
Expenses incurred by the balance-sheet date	3,432,146	3,840,031
Costs to be incurred by the contract completion	3,760,726	3,095,078
Estimated total cost of the contracts	**7,192,872**	**6,935,109**
Estimated profit	**859,871**	**1,124,179**
Percentage of completion as at the balance-sheet date	47.72%	55.37%
Prepayments received as at the balance-sheet date	146,478	128 245
Prepayments that can be set off with receivables under construction contracts	31,820	28,159
Retentions total	44,643	37,356
Costs incurred by the balance-sheet date related to the contract performance	3,434,087	3,840,031
Profit or loss recognised as at the balance-sheet date	517,227	554,417
Revenue estimated as at the balance-sheet date	**3,951,314**	**4,394,448**
Amounts invoiced as at the balance-sheet date	3,588,441	3,709,593
Receivables under the contracts as at the balance-sheet date	**425,403**	**745,305**
Receivables under the contracts payable to the consortium as at the balance-sheet date	-	4,732
Receivables under the contracts payable to the consortium as a whole as at the balance sheet date, reduced by prepayments that can be set off	**393,583**	**721,878**
Payables under the contracts as at the balance-sheet date	**89,593**	**60,450**

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

Prepayments for construction contracts are recognised as trade payables (see 3.11.16.2) and total PLN 146,478 thousand as at December 31st 2010 (December 31st 2009: PLN 128,245 thousand).

As at December 31st 2010, retentions under construction contracts total PLN 44,643 (December 31st 2009: PLN 37,356 thousand) and are recognised as payables. Retentions will be released 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 section on uncertainty of estimates (see section 3.11.19.2 in "Basis of Accounting and Accounting Policies").

In 2008, the Parent Undertaking's Management Board executed two contracts as a consortium leader. The projects are executed as joint ventures. In 2009, two further joint venture agreements were executed by Hydrobudowa Polska S.A., and in 2010, Aprivia S.A. executed two contracts which are recognised by the Group as jointly-controlled operations.

Long-terms agreements of this type are settled based on revenue and expense budgets for the portion of the contract executed only by the Company; expenses transferred from other consortium members and invoices issued to the principals for work performed by consortium members, are not recognised in the Company's income statement (see section 3.11.16.2.).

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

- Lubiatów-Międzychód Grotów, valued at PLN 1,397,000,000, will be recognised in the Group's sales at PLN 1,085,077,000;
- Wierzchowice Underground Gas Storage Facility, valued at PLN 1,089,000 thousand, will be recognised in the Group's sales at PLN 461,539 thousand;
- Football Stadium in Gdańsk Letnica, valued at PLN 427,700 thousand, will be recognised in the Group's sales at PLN 213,850 thousand;
- National Stadium in Warsaw, valued at PLN 1,252,755 thousand, will be recognised in the Group's sales at PLN 626,378 thousand;
- Construction of subsection III (Brzezie – Kowal) of the Toruń – Stryków section of the A1 Motorway, from km 186+348 to km 215+850, valued at PLN 702,769 thousand, will be recognised in the Group's sales at PLN 386,626 thousand;
- Construction of subsection I (Czerniewice – Odolin) of the Toruń – Stryków section of the A1 Motorway, from km 151+900 to km 163+900, and subsection II (Odolin – Brzezie) from km 163+300 to km 186+366, valued at PLN 765,6322 thousand, will be recognised in the Group's sales at PLN 259,392 thousand.

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

The Group assumes various roles in the joint ventures, 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. Under the provisions of escrow account agreements, these funds are restricted cash. As at

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December 31st 2010, restricted cash totalled: PLN 6,972 thousand (PLN 1,206 thousand as at December 31st 2009).

Where the Group is a partner in a joint venture, the funds in escrow accounts are not recognised by the Group in the statement of financial position. The total of funds in escrow accounts that were not recognised in the statement of financial position is PLN 128,762 thousand as at December 31st 2010 (PLN 97,589 thousand as at December 31st 2009).

28. OPERATING INCOME AND EXPENSES

28.1. SALES REVENUE

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
- natural gas, crude oil and fuels	791,883	483,128
- water	644,019	996,045
- residential and industrial construction	995,284	877,489
- road construction	298,868	187,022
- other	10,257	28,825
Total sales revenue	**2,740,311**	**2,572,509**

28.2. COSTS BY TYPE

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Depreciation/amortisation	46,712	47,122
Materials and energy used	395,385	480,754
Contracted services	1,772,364	1,504,675
Taxes and charges	23,151	20,263
Employee benefits	249,740	257,229
Other costs by type	43,555	46,994
Total costs by type	**2,530,907**	**2 357 037**
Goods for resale and materials sold	12,438	9,638
Change in products, production in progress (-)	(39,710)	(72,563)
Cost of products and services for own needs (-)	(1,391)	(1,782)
Cost of sales, selling costs, general and administrative expenses	**2,502,244**	**2,292,330**

All figures in PLN '000 (unless stated otherwise)

28.3. OTHER OPERATING INCOME

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Gain on disposal of non-financial non-current assets	4,778	137
Fair value measurement of investment property	25,685	9,671
Reversals of impairment losses on property, plant and equipment and intangible assets	-	37
Reversals of impairment losses on receivables	21,468	9,395
Reversals of impairment losses on inventories	7	792
Release of unused provisions	2,268	845
Fines and damages received	5,013	4,115
Subsidies	1,045	1,334
Lease revenue	3,157	1,530
Other	3,442	3,287
Total other operating income	**66,863**	**31,143**

28.4. OTHER OPERATING EXPENSES

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
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 receivables	6,968	15,132
Impairment losses on inventories	281	297
Provisions for fines and damages	1,429	-
Fines and damages paid	19,292	5,407
Donations granted	1,199	2,957
Other expenses	4,434	3,079
Total other operating expenses	**33,603**	**27,006**

Contractual penalties on exceeding the contract performance deadline are disclosed in the "fines and damages paid" item. Payment of these penalties arises from the settlement agreements executed in the course of arbitration proceedings. Those proceedings covered disputes concerning damages for additional costs incurred due to extended contract execution period; on the other hand, the principals claimed contractual penalties for exceeded contract execution deadlines.

In accordance with the settlement agreements, the parties mutually acknowledged their claims. The above resulted in a reversal of impairment losses on receivables due to costs incurred as a result of extended contract execution period and incidental works and in recognition in other operating income. Penalties were recognised in other operating expenses.

All amounts in PLN '000 (unless otherwise stated)

29. FINANCE INCOME AND EXPENSES

29.1. FINANCE INCOME

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Interest income from financial instruments not measured at fair value through profit or loss:		
Cash and cash equivalents (deposits)	12,732	14,092
Loans and receivables	33,167	12,549
Debt securities held to maturity	-	650
Interest income related to financial instruments not measured at fair value through profit or loss	**45,899**	**27,291**
Gains on valuation and settlement of financial instruments measured at fair value through profit or loss:		
Derivatives held for trading	-	
Derivative hedging instruments	4,436	1,164
Shares of listed companies	-	
Debt securities	-	
Investment fund units	-	
Gains on valuation and settlement of financial instruments measured at fair value through profit or loss	**4,436**	**1,164**
Foreign exchange gains/(losses):		
Cash and cash equivalents	28,079	-
Loans and receivables	(19,442)	-
Financial liabilities measured at amortised cost	633	-
Foreign exchange gains/(losses)	**9,270**	**-**
Gains on available-for-sale assets transferred from equity	-	-
Dividend on available-for-sale financial assets	5	2
Reversals of impairment losses on loans	-	-
Reversals of impairment losses on interest from receivables	9	62
Reversals of impairment losses on held-to-maturity investments	-	-
Interest on financial assets covered by impairment loss	-	-
Discount (long-term settlements)	745	830
Commission on sureties issued	3,275	353
Other finance income	376	1,015
Total finance income:	**64,015**	**30,717**

All figures in PLN '000 (unless stated otherwise)

29.2. FINANCE EXPENSES

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Interest expense on financial instruments not measured at fair value through profit or loss		
Finance lease liabilities	185	469
Bank loans	22,182	24,966
Overdraft facilities	11,036	8,805
Loans other than bank loans	576	297
Debt securities	34,414	19,528
Trade and other liabilities	2,316	486
Interest expense on financial instruments not measured at fair value through profit or loss	**70,709**	**54,551**
Losses on valuation and settlement of financial instruments measured at fair value through profit or loss:		
Derivatives held for trading	-	-
Derivative hedging instruments	-	-
Shares of listed companies	13	133
Debt securities	-	-
Investment fund units	-	
Losses on valuation and settlement of financial instruments measured at fair value through profit or loss	***13***	***133***
Foreign exchange gains/(losses):	-	
Cash and cash equivalents	-	(24,463)
Loans and receivables	-	30,149
Financial liabilities measured at amortised cost	-	(2,936)
Foreign exchange gains/(losses)	**-**	**2,750**
Losses on available-for-sale assets transferred from equity	-	-
Impairment losses on loans	-	909
Impairment losses on interest from receivables	393	-
Impairment losses on held-to-maturity investments	-	-
Impairment losses on available-for-sale financial assets	-	-
Other finance expenses	209	507
Total finance expenses	**71,324**	**58,850**

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).

All amounts in PLN '000 (unless otherwise stated)

29.3. GAINS/LOSSES ON INVESTMENTS

Item	for the period Jan 1–Dec 31 2009	for the period Jan 1–Dec 31 2008
a) Gain/loss on investments in related undertakings	**2,209**	**4,265**
- Sale of subsidiaries	2,209	4,265
Gain/loss on investments	**2,209**	**4,265**

30. INCOME TAX

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Current income tax	(51,923)	(56,838)
Deferred income tax	2,872	16,250
Adjustments to current income tax for previous periods	-	-
Total:	**(49,051)**	**(40,588)**

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:

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Pre-tax profit	**267,610**	**260,448**
Tax rate applied by the Parent Undertaking	19%	19%
Tax calculated at the domestic tax rate applied by the Parent Undertaking	**50,846**	**49,485**
Reconciliation of income tax in connection with:		
- application of a different tax rate at the Group companies (+/-)	-	-
- non-taxable income (-)	(5,004)	(12,514)
- permanent non-tax-deductible expenses (+)	4,541	3,271
- utilisation of tax losses previously not recognised (-)	(921)	(180)
- not recognised asset for deferred tax on deductible temporary differences (+)	89	526
- not recognised asset for deferred tax on tax losses (+)	(62)	-
- corrections of tax expense for previous periods (+/-)	(438)	-
Income tax	**49,051**	**40,588**
Average tax rate applied	0.18	0.15

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 statement of financial position:

- deferred tax asset of PLN 131,880 thousand as at December 31st 2010 (2009: PLN 185,591 thousand),

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- deferred tax liability of PLN 137,166 thousand as at December 31st 2010 (2009: PLN 193,139 thousand).

For further information on deferred tax recognised in the statement of comprehensive income, see Section 13.

31. EARNINGS PER SHARE, DIVIDEND PAID AND PROPOSED

31.1. EARNINGS PER SHARE

Earnings per share are computed as the quotient of net profit attributable to owners of the Parent to the weighted average number of ordinary shares outstanding 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 2010	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Continuing operations			
Net profit/(loss) from continuing operations	224,315	209 094	156,331
Weighted average number of ordinary shares	14,295,000	13,935,000	13,430,000
Dilutive effect of convertible options	-	-	-
Diluted weighted average number of ordinary shares	14,295,000	13,935,000	13,430,000
Basic earnings/(loss) per share from continuing operations (PLN)	15.69	15.00	11.64
Diluted earnings/(loss) per share from continuing operations (PLN)	15.69	15.00	11.64
Continuing and discontinued operations			
Net profit/(loss)	224,315	209,094	156,331
Weighted average number of ordinary shares	14,295,000	13,935,000	13,430,000
Dilutive effect of convertible options	-	-	-
Diluted weighted average number of ordinary shares	14,295,000	13,935,000	13,430,000
Basic earnings/(loss) per share from all operations (PLN)	**15.69**	**15.00**	**11.64**
Diluted earnings/(loss) per share from all operations (PLN)	**15.69**	**15.00**	**11.64**

31.2. DIVIDEND PAID AND PROPOSED

Pursuant to the resolution of the Annual General Shareholders Meeting of April 21st 2010, the Company paid dividend for 2009 in the amount of PLN 20,013 thousand, i.e. PLN 1.40 per share.
The Parent Undertaking's Management Board is considering proposing payment of dividend from the Parent Undertaking's profit for 2010, in the amount of PLN 20,013 thousand, i.e. PLN 1.4 per share.

All amounts in PLN '000 (unless otherwise stated)

Given the fact that dividend payment requires approval by the General Shareholders Meeting, no dividend-related liability was recognised in the consolidated financial statements for 2010. The transaction did not affect corporate income tax, either.

32. CASH FLOWS

The Group discloses cash flows from operating activities using the indirect method, by which the pre-tax profit/loss is adjusted with non-cash transactions, deferred income, prepayments, and revenues and expenses related to cash flows from investing or financing activities.

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

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
Adjustments:		
Depreciation and impairment losses on property, plant and equipment	40,733	42,035
Amortisation of and impairment losses on intangible assets	5,980	5,221
Change in fair value of investment property	(25,685)	(9,671)
Change in fair value of financial assets (liabilities) measured through profit or loss	(5,882)	(14,878)
Cash flow hedges transferred from equity	7,357	122,955
Impairment losses on financial assets	13	133
(Gains) losses on disposal of non-financial non-current assets	(4,778)	(137)
(Gains) losses on disposal of financial assets (other than derivative instruments)	(2,192)	-
Foreign exchange gains/(losses)	(434)	(1,922)
Interest expense	70,057	54,366
Interest income	(36,458)	(26,274)
Dividend received	(5)	(2)
Share in profit/(loss) of associated undertakings	(1,384)	-
Other adjustments	(6,507)	11,771
Total adjustments:	**40,815**	**183,597**
Change in inventories	(45,014)	(24,233)
Change in receivables	(110,932)	(428,842)
Change in liabilities	106,319	472,429
Change in provisions and accruals and deferrals	(33,660)	(38,304)
Effect of construction contracts	265,483	103,800
Other adjustments		
Change in working capital	**182,196**	**84,850**
Gains/(losses) on settlement of derivative instruments	(2,790)	(168,578)
Interest paid on operating activities	(160)	(187)
Income tax paid	(54,089)	(55,070)
Net cash provided by/(used in) operating activities	**433,582**	**305,060**

All figures in PLN '000 (unless stated otherwise)

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 statement of financial position. The difference between cash disclosed in the statement of financial position and that disclosed in the statement of cash flows is attributable to the following items:

Item	As at Dec 31 2010	As at Dec 31 2009
Cash and cash equivalents disclosed in the balance sheet	708,509	660,281
Adjustments:		
Foreign currency differences arising on measurement of carrying amount of cash denominated in foreign currencies	269	(117)
Cash and cash equivalents disclosed in statement of cash flows	**708,778**	**660,164**

33. 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 the 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	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009	for the period Jan 1–Dec 31 2008
Amounts paid to management personnel			
Current employee benefits	5,938	11,874	9,054
Benefits for employment termination	82	-	-
Post-employment benefits	-	-	-
Share-based payments	-	-	-
Other benefits	6	4	-
Total	**6,025**	**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 2010, the balance of the Group's receivables from its key management personnel under unsettled prepayments amounted to PLN 0 thousand (as at December 31st 2009: PLN 160 thousand).

All amounts in PLN '000 (unless otherwise stated)

As at December 31st 2010, the balance of the Group's liabilities towards its key management amounted to PLN 3,326 thousand (as at December 31st 2009: PLN 37,440 thousand).

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

Item	Sales revenue	
	Jan 1–Dec 31 2010	Jan 1–Dec 31 2009
Sales to:		
Other related parties	156,600	141,094
Total	**156,600**	**141,094**

RECEIVABLES FROM THE OTHER RELATED PARTIES

Item	Receivables	
	As at Dec 31 2010	As at Dec 31 2009
Sales to:		
Other related parties	203,812	144,675
Total	**203,812**	**144,675**

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

Item	Purchases (costs, assets)	
	Jan 1–Dec 31 2010	Jan 1–Dec 31 2009
Purchases from:		
Other related parties	217,255	156,083
Total	**217,255**	**156,083**

All figures in PLN '000 (unless stated otherwise)

LIABILITIES TOWARDS THE OTHER RELATED PARTIES

Item	Liabilities	
	As at Dec 31 2010	As at Dec 31 2009
Purchases from:		
Other related parties	77,360	37,440
Total	**77,360**	**37,440**

LOANS ADVANCED TO THE OTHER RELATED PARTIES

Item	Dec 31 2010		Dec 31 2009	
	Total under agreement	Balance at balance-sheet date	Total under agreement	Balance at balance-sheet date
Loans advanced to:				
Other related parties	54,839	98,477	37,040	38,114
Total	**54,839**	**98,477**	**37,040**	**38,114**

In 2010, loans advanced by the Group to the other related parties totalled PLN 54,839 thousand (in 2009: PLN 37,040 thousand). The balance of loans advanced to those parties was PLN 98,477 thousand as at December 31st 2010 (PLN 38,114 thousand as at December 31st 2009). 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 2010		Dec 31 2009	
	Total under agreement	Balance at balance-sheet date	Total under agreement	Balance at balance-sheet date
Loans received from:				
Other related parties	-	320	2,507	3,257
Total	**-**	**320**	**2,507**	**3,257**

34. CONTINGENT ASSETS AND LIABILITIES

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

Item	As at Dec 31 2010	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 payables repayment surety	305	16,228	20,396
Performance bond sureties	16,282	-	-
Total non-consolidated related undertakings	**16,587**	**17,828**	**20,396**
To other undertakings:			
Loan and borrowing repayment surety	28,250	34,675	41,144
Trade and other payables repayment surety	1,490	-	-
Performance bond sureties	2,207	5,120	7,664
Item (continued)	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008

All amounts in PLN '000 (unless otherwise stated)

Sureties for existing and future lease agreements	313	401	-
Performance bonds	736,655	657,591	636,453
Guarantees of removal of defects and faults	96,716	71,825	26,740
Bid-bond guarantees	34,120	50,097	10,427
Trade liability repayment guarantee	23,780	12,999	12,316
Advance payment bonds	282,236	176,832	98,424
Retention bonds	7,035	2,919	2,139
Other	373	-	-
Total other related undertakings:	**1,213,175**	**1,012,459**	**835,307**
Total contingent liabilities	**1,229,762**	**1,030,287**	**855,703**

The year-on-year change in total contingent liabilities as at **December 31st 2010** is primarily attributable to increased amounts of securities created for contracts executed by the Group companies (performance bonds, advance payment bonds).

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 Undertaking and the consolidated subsidiaries; these eliminations are 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.

November 2nd 2010 a subsidiary undertaking filed a claim against the Municipality of Wrocław with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw to receive payment of EUR 9,482 thousand) (the equivalent of PLN 38,781 thousand) and determine whether the basic work under the "Extension of the sewage system for the Ołtaszyn housing estate" contract was completed in time.

The dispute arose between the Consortium (Hydrobudowa Polska S.A. (the leader), PBG S.A., Hydrobudowa 9 S.A.) and the Municipality of Wrocław (the Principal), related to the timely completion of the contract. As a consequence, the Principal charged contractual penalties for untimely completion of the contract, amounting to EUR 9,482 thousand and did not pay recent invoices in the amount of PLN 38,781 thousand.

The hearing of evidence is in progress as at the date of approval the financial statements for publication. The verdict is expected to be delivered no sooner than in April 2011.

When estimating the risk of contractual penalties, the Company's Management Board considered the following facts:

- the actual completion of contract works occurred on time,
- although the Take-Over Certificate was not issued by the Contract Engineer, it was possible to use all completed work and certain completed work was actually in use,
- the incomplete as-built documentation was the only reason hindering the issue of the Take-Over Certificate,
- absence of any damage/loss sustained by the Principal.

Due to the low probability of awarding the full amount of contractual penalty and inability to reliably assess provisions for future liabilities, the Management Board did not recognise any such provisions.

The Company's Management Board recognised above information as contingent liability, in line with IAS 86 Par 86.

35. 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 transactions on financial markets. In economic terms, the transactions concluded by the Company are entered into for the purpose of hedging against specific risks. Moreover, the Group has formally designated some of the derivative instruments as cash flow and fair value hedging instruments under the requirements of IAS 39 (Hedging Derivative Instruments). 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 12.3.

Presented below are major risks relevant to the Group.

35.1. MARKET RISK

All market risk management objectives should be considered as a whole, and their achievement is determined primarily by the Company's internal situation and market conditions.

The Group applies a consistent and progressive approach to market risk management.
The Group has developed a financial risk management strategy to manage the market risks resulting from the above factors. The strategy sets out relevant management policies for each of the exposures by defining the process of measuring the exposure, parameters of risk hedging, instruments used for hedging purposes, as well as the time horizon for each type of risk source. The market risk management policies are

applied by the designated organisational units under the supervision of the Risk Committee, the Management Board and the Supervisory Board of the Group.

Market Risk Management Techniques

The key methods used to manage market risk involve hedging strategies based on derivative instruments and natural hedging. All derivative-market strategies take into account the following factors: current and projected market conditions, the Group's internal situation and the applicable derivative instruments. The 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 Company:

- forwards,
- interest rate swaps (IRS),
- swaps.

Hedge Accounting – Effective Hedge Requirement under IAS 39

The Group applies hedge accounting for cash flows to protect against the risks of fluctuations in exchange rates and interest rates.

Before entering into a hedging transaction and during such a transaction's lifetime, the Group confirms and documents that there is a strong negative correlation between changes in the fair value of the hedging instrument and changes in the fair value of the hedged exposure. Hedging effectiveness is assessed and monitored on an ongoing basis.

The rules of cash flow hedge accounting provide that the effective portion of the result on the valuation of hedge transactions should be posted to equity in the period in which such transactions are designated as a hedge of future cash flows. The amounts posted to equity are subsequently transferred to the profit and loss account once the hedged transaction is executed.

Market Risk Exposure

Currency Risk

The Group is exposed to risk of fluctuations in exchange rates due to the following reasons:

- the development strategy provides for broader expansion into foreign markets. The Group is already engaged in projects outside of Poland.
- raw materials for large contracts are imported (there is a risk related to fluctuations in other exchange rates, such as USD/PLN or EUR/PLN),

- the Group uses advanced technologies requiring specialist equipment, which it often purchases outside of Poland.

The Group’s financial assets and liabilities, expressed in foreign currencies and translated into PLN at the closing price as at the balance-sheet date, are shown below:

Group name:	PBG Group		
Period covered by the financial statements:	Jan 1–Dec 31 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN '000 (unless otherwise stated)		

Item	Amount in foreign currency ('000):								Restated amount ('000)
	EUR	USD	GBP	CAD	UAH	BGN	RUB	NOK	PLN
As at Dec 31 2010									
Financial assets (+):									
Borrowings	8	-	-	-	-	-	-	-	30
Trade and other financial receivables	27,415	64	-	-	-	64	-	-	111,021
Financial derivatives	Section 12.3	Section 12.3	-	-	-	-	-	-	5,044
Other financial assets	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	16,375	368	-	753	4	-	-	-	66,633
Financial liabilities (-):									
Loans, borrowings and other debt instruments	(500)	-	-	-	-	-	-	-	(2,034)
Finance lease	(2,865)	-	-	-	-	-	-	-	(11,701)
Financial derivatives	Section 12.3	Section 12.3	-	-	-	-	-	-	(11,677)
Trade payables and other financial liabilities	(16,093)	(2,304)	-	(919)	-	-	(23)	(1)	(68,904)
Total exposure to currency risk	**24,340**	**(1,872)**	**-**	**(166)**	**4**	**64**	**(23)**	**(1)**	**88,412**
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	-	-	-	-	-	-	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 lease	(4,196)	-	-	-	-	-	-	-	(18,071)
Financial derivatives	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**

The Group executes most transactions in PLN. 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 and USD/PLN exchange rates.

The sensitivity analysis assumes a 10% growth or decline in the EUR/PLN, USD/PLN and UAH/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	As at Dec 31 2010	As at Dec 31 2009
EUR/PLN	3.9603	4,1082
USD/PLN	2.9641	2.8503

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.

SENSITIVITY ANALYSIS AS AT DEC 31 2010

Sensitivity analysis as at Dec 31 2010	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	Total	EUR	USD	Total	EUR	USD	Total	EUR	USD	Total
	4.36	3.26		4.36	3.26		3.56	2.67		3.56	2.67	
Financial assets	**10,698**	**(5,565)**	**5,133**	**(11,425)**	**53**	**(11,372)**	**(10,698)**	**5,565**	**(5,133)**	**11,425**	**(53)**	**11,372**
Borrowings	3	-	3	-	-	-	(3)	-	(3)	-	-	-
Trade receivables and other financial receivables	10,857	19	10,876	-	-	-	(10,857)	(19)	(10,857)	-	-	-
Financial derivatives	(2,687)	(5,693)	(8,380)	(11,425)	53	(11,372)	2,687	5,693	8,380	11,425	(53)	11,372
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	6,485	109	6,594	-	-	-	(6,485)	(109)	(6,594)	-	-	-
Financial liabilities	**(7,706)**	**(683)**	**(8,389)**	**-**	**-**	**-**	**7,706**	**683**	**8,389**	**-**	**-**	**-**
Loans, borrowings and other debt instruments	(198)	-	(198)	-	-	-	198	-	198	-	-	-
Finance lease	(1,135)	-	(1,135)	-	-	-	1,135	-	1,135	-	-	-
Financial derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Trade payables and other financial liabilities	(6,373)	(683)	(7,056)	-	-	-	6,373	683	7,056	-	-	-
Effect on net profit/(loss)	**6,952**	**(6,248)**	**704**	**-**	**-**	**-**	**(6,952)**	**6,248**	**(704)**	**-**	**-**	-
Effect on other comprehensive income	**-**	**-**	**-**	**(11,425)**	**53**	**(11,372)**	**-**	**-**	**-**	**11,425**	**(53)**	**11,372**

Group name:	*PBG Group*		
Period covered by the financial statements:	*Jan 1–Dec 31 2010*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All figures in PLN '000 (unless stated otherwise)*		

SENSITIVITY ANALYSIS AS AT DECEMBER 31ST 2009

Sensitivity analysis as at Dec 31 2009	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	Total	EUR	USD	Total	EUR	USD	Total	EUR	USD	Total
	4.52	3.14		4.52	3.14		3.70	2.57		3.70	2.57	
Financial assets	**17,269**	**1,855**	**19,124**	**(37,509)**	**(9)**	**(37,518)**	**(17,269)**	**(1,855)**	**(19,124)**	**37,509**	**9**	**37,518**
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other financial receivables	26,130	2,341	28,471	-	-	-	(26,130)	(2,341)	(28,471)	-	-	-
Financial derivatives	(16,168)	(490)	(16,658)	(37,509)	(9)	(37,518)	16,168	490	16,658	37,509	9	37,518
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	7,308	3	7,311	-	-	-	(7,308)	(3)	(7,311)	-	-	-
Financial liabilities	**(15,830)**	**(300)**	**(16,130)**	**-**	**-**	**-**	**15,830**	**300**	**16,130**	**-**	**-**	**-**
Loans, borrowings and other debt instruments	(2,610)	-	(2,610)	-	-	-	2,610	-	2,610	-	-	-
Finance lease	(1,724)	-	(1,724)	-	-	-	1,724	-	1,724	-	-	-
Financial derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Trade payables and other financial liabilities	(11,496)	(300)	(11,797)	-	-	-	11,496	300	11,797	-	-	-
Effect on the financial result	**1,439**	**1,554**	**2,994**	**-**	**-**	**-**	**-1,439**	**-1,554**	**-2,994**	**-**	**-**	-
Effect on other comprehensive income	**-**	**-**	**-**	**(37,509)**	**(9)**	**(37,518)**	**-**	**-**	**-**	**37,509**	**9**	**37,518**

Exposure to currency risk varies over the year, depending on the volume of transactions executed in foreign currencies. Nevertheless, the sensitivity analysis can be regarded as a representative measure to quantify the Group's exposure to 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:

- loans advanced,
- acquired treasury debt securities, bank debt securities, commercial debt securities, including bonds and treasury bills
- deposits,
- received loans and borrowings,
- debt securities in issue
- finance leases,
- interest rate swaps (IRS).

In order to secure against the interest rate risk, the Group uses IRS hedging instruments.
Pursuant to the covenants of the credit facility agreement for project financing, the Parent Undertaking was obliged to manage interest rate risk. In the performance of the Bank's requirements, on July 23rd 2008, the Parent Undertaking 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 2010	Value at risk	interest rate rise		interest rate fall	
		1%		-1%	
	PLN '000	Effect on net profit/(loss)	Effect on other comprehensive income	Effect on net profit/(loss)	Effect on other comprehensive income
Financial assets	**1,173,016**	**11,730**	**-**	**(11,730)**	**-**
Borrowings	270,604	2,706	-	(2,706)	-
Debt securities	-	-	-	-	-
Investment fund units	106,902	1,069	-	(1,069)	-
Other classes of other financial assets	87,004	870	-	(870)	-
Cash and cash equivalents	708,509	7,085	-	(7,085)	-
Financial liabilities	**(1,464,124)**	**(14,487)**	**(154)**	**14,487**	**154**
Loans	(579,650)	(5,796)	-	5,796	-
Borrowings	(12,327)	(123)	-	123	-
Debt securities	(836,904)	(8,369)	-	8,369	-
Finance lease	(19,845)	(198)	-	198	-
Financial derivatives (IRS)	(15,405)	-	(154)	-	154
Effect on net profit/(loss)	**-**	**(2,757)**	**-**	**2,757**	
Effect on other comprehensive income	**-**	**-**	**(154)**	**-**	**154**

Sensitivity analysis as at Dec 31 2009	Value at risk	interest rate rise		interest rate fall	
		1%		-1%	
	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**	**7,996**	**-**	**(7,996)**	**-**
Borrowings	137,637	1,376	-	(1,376)	-
Debt securities	-	-	-	-	-
Investment fund units	-	-	-	-	-
Other classes of other financial assets	1,669	17	-	(17)	-
Cash and cash equivalents	660,281	6,603	-	(6,603)	-
Financial liabilities	**(1,151,482)**	**(11,308)**	**(207)**	**11,308**	**207**
Loans	(585,304)	(5,853)	-	5,853	-
Borrowings	(6,356)	(64)	-	64	-
Debt securities	(506,440)	(5,064)	-	5,064	-
Finance lease	(32,686)	(327)	-	327	-
Financial derivatives (IRS)	(20,696)	-	(207)	-	207
Effect on net profit/(loss)	**-**	**(3,312)**	**-**	**3,312**	**-**
Effect on other comprehensive income	**-**	**-**	**(207)**	**-**	**207**

All amounts in PLN '000 (unless otherwise stated)

The Group holds financial instruments which bear interest at fixed-interest rates, and which are measured in the statement of financial position 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.

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 Company enters into transactions for physical delivery of products;
- creditworthiness of financial institutions (banks) with whom the Group enters into hedging transactions;
- creditworthiness of entities in which the Group invests or whose securities the Group acquires.

The following are the 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 amount of the following financial assets:

Item	As at Dec 31 2010	As at Dec 31 2009
Borrowings	270,604	272,481
Trade and other financial receivables	1,210,817	1,045,798
Financial derivatives	5,044	28,961
Debt securities	-	-
Investment fund units	106,902	-
Other classes of other financial assets	87,006	36,437
Cash and cash equivalents	708,509	660,281
Conditional payables under guarantees and sureties advanced	1,229,762	1,030,287
Total credit risk exposure	**3,618,644**	**3,074,245**

The Group monitors 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 the risk management activities, the Group enters into transactions with partners whose creditworthiness is confirmed.

Cash and bank deposit-related credit risk.

All entities with which the Group enters into deposit transactions operate in the financial sector. These are exclusively banks registered in Poland, or with Polish operations as subsidiaries of foreign banks, owned by European financial institutions which, in most cases, have upper medium credit ratings[1], and those with sufficient equity as well as a robust and stable market position. Considering the above, as well as the short-term nature of placements, it is reasonable to argue that the credit risk for cash and bank deposits is low.

Risk related to investments in debt securities and investment fund units

The Company is exposed to this type of credit risk due to changes in the fair value of units in a specialised investment funds. As at December 31st 2010, the carrying amount of investment fund units was PLN 106,902 thousand. Fair value of investment funds units is measured as the product of the number of units held and their value.

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 high medium rating[1]. They have the sufficient equity and a robust and stable market position. Currency and interest rate derivative transactions entered into by the Group as at December 31st 2010 and December 31st 2009:

Item	Dec 31 2010 PLN '000	Dec 31 2009 PLN '000
Financial assets	5,044	28,961
Financial liabilities	(11,677)	(59,809)
Derivative instruments valuation, net	**(6,633)**	**(30,848)**

Thanks to the highly diversified composition of the group of counterparties and cooperation with financial institutions with upper medium ratings, [1], as well as given the fair value of liabilities under the derivative transactions, the Group is not exposed to credit risk inherent in derivative transactions.

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

All amounts in PLN ‘000 (unless otherwise stated)

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 2010 sales revenue, the largest customers included:

No.	Customer	% share in sales revenue
	Total	**100.00%**
1	ALPINE BAU	19.70%
2	PGNIG S.A.	19.30%
3	Poznański Ośrodek Sportu i Rekreacji	8.30%
4	Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji Warszawa	7.21%
5	Municipality of Gdańsk	5.53%
6	Zakład Utylizacyjny Sp. z o.o. of Gdańsk	3.76%
7	Miejskie Wodociągi i Kanalizacja w Bydgoszczy	3.10%
8	AQUANET SA	2.48%
9	Miejski Zakład Oczyszczania Leszno	2.19%
10	Municipality of Wrocław	2.14%
11	Karkonoski System Wodociągów i Kanalizacji	1.82%
12	MAXER S.A	1.79%
13	KGHM S.A.	1.69%
14	Other	20.99%

At present, the main customer for the Group's services in the natural gas and oil segment is PGNiG. This is related to the execution of two contracts of substantial value for that customer, totalling nearly PLN 2.5bn. These are highest-ever contracts signed by the Parent Undertaking 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 dependence on its key customers, PBG Group gradually expands its customer base, winning new contracts from such organisations as Polskie LNG, NATO Defense Investment Division, or KGHM, and foreign entities.

In 2010, the shares of key customers in the Group's total sales revenue did not exceed several per cent.

The Group seeks to further mitigate the risk 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:

All figures in PLN ‘000 (unless stated otherwise)

Item	Dec 31 2010		Dec 31 2009	
	Not past due	Past due	Not past due	Past due
Current receivables:				
Trade receivables	817,784	329,573	737,319	278,548
Impairment losses on trade receivables (-)	(45)	(13,355)	(6)	(24,579)
Trade receivables (net)	**817,739**	**316,218**	**737,313**	**253,969**
Other financial receivables	57,935	30,260	39,832	55,882
Impairment losses on other receivables (-)	(14)	(27,028)	-	(54,826)
Other financial receivables, net	**57,921**	**3,232**	**39,832**	**1,056**
Financial receivables	**875,660**	**319,450**	**777,145**	**255,025**

Item	Dec 31 2010		Dec 31 2009	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Past due current receivables:				
Up to 1 month	154,363	747	126,412	15
From 1 to 6 months	112,739	234	125,666	36
From 6 to 12 months	49,451	2,220	22,899	-
Over one year	13,020	27,059	3,571	54,841
Past due financial receivables	**329,573**	**30,260**	**278,548**	**54,892**

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 losses 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 12.2, 12.4 and 15.

34.2 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:

Group name:	PBG Group		
Period covered by the financial statements:	Jan 1–Dec 31 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

Item	Current:		Non-current:			Liabilities total (no discount)	carrying amount
	up to 6 months	from 6 to 12 months	1 to 3 years	3 to 5 years	over 5 years		
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
As at Dec 31 2010							
Bank loans and overdraft facilities	232,046	274,945	73,193	-	-	580,184	579,650
Borrowings	-	5,627	6,700	-	-	12,327	12,327
Debt securities	-	-	825,000	-	-	825,000	836,904
Finance lease	5,360	5,364	9,061	60	-	19,845	19,845
Financial derivatives	3,598	7,626	-	-	-	11,224	11,224
Trade payables and other financial liabilities	793,135	69,420	24,030	2,916	1,043	890,544	890,544
Total liquidity risk exposure	**1,034,139**	**362,982**	**937,984**	**2,976**	**1,043**	**2,339,124**	**2,350,487**
As at Dec 31 2009							
Bank loans and overdraft facilities	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	-	-	59,808	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**

The table presents the contractual value of the payables, net of discount related to valuation at amortised cost, hence the amounts may vary from those recognised in the consolidated statement of financial position. In the case of derivative instruments, fair values are shown as at the respective balance-sheet dates.

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

Item	As at Dec 31 2010	As at Dec 31 2009
	PLN '000	PLN '000
Overdrafts received	439,929	381,629
Overdrafts used	174,879	179,723
Available overdrafts	**265,050**	**201,906**

36. CAPITAL MANAGEMENT

The Company manages capital to ensure it may continue as a going-concern and to secure the expected rate of return to shareholders and other parties with interest in the Group's financial standing.

The Group monitors the effective use of capital using such 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 Dec 31 2010	As at Dec 31 2009	As at Dec 31 2008
Equity ratio – target (min.)	0.30	0.30	0.30
Equity ratio – actual	**0.34**	**0.41**	**0.34**
IBD/EBITDA – target (max.)	3.50	3.50	3.50
IBD/EBITDA – actual	**1.92**	**1.31**	**1.55**

The ratios fell within the targets assumed by the Group in all periods.

37. EVENTS SUBSEQUENT TO THE BALANCE-SHEET DATE

After December 31st 2010 the following events occurred which did not require disclosure in the consolidated financial statements for 2010:

MERGERS, ACQUISITIONS, ESTABLISHMENT OF NEW SUBSIDIARIES

Establishment of PBG Invest 1 Sarl

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

INVESTMENT PROJECT AGREEMENTS

Notice from Polskie LNG of cancellation of the construction of the ORV system under the contract for the construction of the LNG terminal in Świnoujście

On February 10th 2011, further to Current Report No. 35/2010 of July 15th 2010, the PBG Management Board reported that it received, as a Partner in the Consotrium of Saipem SA – Techint Compagnia Tecnica Internazionale S.p.A. - Snamprogetti Canada Inc. - PBG S.A. – PBG Export Sp. z o.o., from the Consortium Leader - Saipem S.p.A., a notice that Polskie LNG SA cancelled the construction of the ORV system under the contract for the construction of the LNG terminal in Świnoujście, concluded with the Consortium on July 15th 2010.

As provided for in the contract, the contract price payable to the Consortium was reduced by PLN 206,070 thousand (VAT-exclusive) upon delivery of a written notice in accordance with the contract. The PBG Management Board informed the public of Polskie LNG's right to partially cancel the contract in Current Report No. 35/2010.

Following the cancellation, the VAT-exclusive contract price fell from PLN 2,415,213 thousand to PLN 2,209,143 thousand.

Other provisions of the contract remained unchanged.

AGREEMENTS WITH FINANCIAL INSTITUTIONS

Execution of an annex to the credit facility agreement with Bank Gospodarki Żywnościowej S.A.

On January 24th 2011, the PBG Management Board executed an annex to the credit facility agreement used to provide liquidity for day-to-day operations, executed on April 27th 2007 by members of the PBG Group (PBG S.A., HYDROBUDOWA POLSKA S.A., HYDROBUDOWA 9 S.A., and APRIVIA S.A.) and Bank Gospodarki Żywnościowej S.A. of Warsaw.

Under the annex, the amount of the facility was increased from PLN 120m to PLN 125m for a period until November 30th 2011 and the final repayment date for the entire facility was extended to December 30th 2019.

Under the annex, the amount of the facility was increased from PLN 120m to PLN 125m for a period until November 30th 2011 and the final repayment date for the entire facility was extended to December 30th 2019.

Until November 30th 2011, up to PLN 5m of the credit facility may be used for the purposes of transactions executed with the Borrower under the "Framework agreement defining the terms and conditions of entering into and executing financial market transactions with BGŻ S.A." and/or the "Agreement governing

the execution of FX transactions on the terms negotiated between the client and Bank Gospodarki Żywnościowej S.A." within a limit set by the Bank; with the proviso that the maximum maturity of a transaction within the limit may extend to 5 years and for Hydrobudowa Polska SA, Hydrobudowa 9 SA, and Aprivia SA - until January 13th 2012. The Bank may enter into financial market transactions until November 30th 2011 at the latest.
As the repayment date was extended, the PBG Group subsidiaries submitted a representation on submission to enforcement for an amount of up to PLN 207m, with the bank being entitled to apply to the court for an enforcement order (klauzula wykonalności) giving effect to the bank's enforceable title (tytuł egzekucyjny) by December 30th 2022.
At the same time, the security consisting in assignment of receivables under the contracts performed by the Group subsidiaries was reduced from 150% to 100% of utilised Limit.

Value of the agreement with Ergo Hestia lowered

On February 17th 2011, the Management Board of Hydrobudowa Polska SA reported that Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA reduced the guarantee facility granted to the member companies of the PBG Group, namely PBG S.A., Hydrobudowa Polska SA, Hydrobudowa 9 SA, and to Infra SA, currently outside the Group. The guarantee facility is provided under the cooperation agreement for the provision of insurer guarantees under an approved limit, dated April 2nd 2008.
Pursuant to the agreement, the facility was reduced from PLN 120,000 thousand to PLN 100,000 thousand.

Annex to Agreement with TUiR Allianz Polska S.A. on Provision of Contract-Related Guarantees

On February 1st 2011, the PBG Management Board executed an annex to the agreement for the provision of contract guarantees within a renewable limit, concluded on June 5th 2007 between PBG Group companies (the "Companies"), i.e. PBG S.A., Hydrobudowa Polska S.A., Hydrobudowa 9 S.A., and TUiR Allianz Polska S.A.
Under the annex, the period in which TUiR Allianz Polska S.A. is committed to issue contract guarantees (bid bonds, performance bonds, maintenance bonds and advance payment guarantees) to the Companies has been extended until December 31st 2011.
Other material terms of the agreement remain unchanged.

OTHER

Change of name of PBG's Subsidiary.

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

All figures in PLN '000 (unless stated otherwise)

38. OTHER INFORMATION

38.1. KEY ITEMS TRANSLATED INTO THE EURO

In the periods covered by the consolidated financial statements and the comparative consolidated financial information, average and mid-exchange rates quoted by the National Bank of Poland were used to translate the złoty into the euro, and in particular:

a) 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 2010 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 4.0044.

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 total net cash flows 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.

c) total assets, liabilities and provisions for liabilities, non-current liabilities, current liabilities, equity and share capital as at December 31st 2010 were calculated using the EUR mid-exchange rate effective for that date (December 31st 2010), i.e. PLN 3.9603.

d) 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.

Item	Dec 31 2010	Dec 31 2009
Exchange rate effective for the last day of the period	3.9603	4.1082
Average exchange rate for the period, calculated based on the arithmetic mean of exchange rates effective for the last day of each individual month in a given period	4.0044	4.3406
The highest exchange rate in the period	4.1770 – May 7 2010	4.8999 – Feb 18 2009
The lowest exchange rate in period	3.8356 – Apr 6 2010	3.9170 – Jan 7 2009

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

Group name:	PBG Group		
Period covered by the financial statements:	*Jan 1–Dec 31 2010*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN '000 (unless otherwise stated)*		

FINANCIAL HIGHLIGHTS

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009
	PLN		EUR	
Sales revenue	2,740,311	2,572,509	684,325	592,662
Operating profit/(loss)	272,710	284,316	68,103	65,502
Pre-tax profit/(loss)	267,610	260,448	66,829	60,003
Net profit/(loss) from continuing operations	218,559	219,860	54,580	50,652
Net profit/(loss) attributable to:	218,559	219,860	54,580	50,652
- owners of the Parent	224,315	209,094	56,017	48,172
- minority interests	(5,756)	10,766	(1,437)	2,480
Net cash provided by/(used in) operating activities	433,582	305,060	108,276	70,281
Net cash provided by/(used in) investing activities	(529,951)	(350,566)	(132,342)	(80,764)
Net cash provided by/(used in) financing activities	144,866	416,920	36,177	96,051
Net change in cash and cash equivalents	48,497	371,414	12,111	85,567
Weighted average number of ordinary shares	14,295,000	13,935,000	14,295,000	13,935,000
Diluted weighted average number of ordinary shares	14,295,000	13,935,000	14,295,000	13,935,000
Earnings/(loss) per ordinary share (PLN/EUR)	15.69	15.00	3.92	3.46
Diluted earnings/(loss) per ordinary share (PLN/EUR)	15.69	15.00	3.92	3.46
PLN/EUR average exchange rate			4.0044	4.3406

Item	As at Dec 31 2010	As at Dec 31 2009	As at Dec 31 2010	As at Dec 31 2009
	PLN		EUR	
Assets	4,754,962	4,015,446	1,200,657	977,422
Non-current liabilities	985,574	569,192	248,863	138,550
Current liabilities	1,937,942	1,827,432	489,342	444,825
Equity attributable to owners of the parent	1,605,151	1,393,687	405,310	339,245
Share capital	14,295	14,295	3,610	3,480
Number of Shares	14,295,000	14,295,000	14,295,000	14,295,000
Book value per share (PLN/EUR)	112.29	97.49	28.35	23.73
Dividend per share declared or paid (PLN/EUR)	-	1.40	-	0.34
PLN / EUR exchange rate as at end of period			3.9603	4.1082

All figures in PLN '000 (unless stated otherwise)

38.2. REMUNERATION PAID TO MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS OF THE PARENT UNDERTAKING

Total amount of remuneration and other benefits paid to members of the Management Board of the Parent Undertaking:

Item	Parent Undertaking:		Subsidiary and Associated Undertakings:		Total
	Remuneration	Other benefits	Remuneration	Other benefits	
Jan 1–Dec 31 2010					
Jerzy Wiśniewski	2,550	-	-	-	2,550
Tomasz Woroch	420	-	-	-	420
Przemysław Szkudlarczyk	320	-	36	-	356
Tomasz Tomczak	320	-	12	-	332
Mariusz Łożyński	310	-	-	-	310
Total	**3,920**	**-**	**48**	**-**	**3,968**
Jan 1–Dec 31 2009					
Jerzy Wiśniewski	1,200	3	-	-	1,203
Tomasz Woroch	420	2	65	-	487
Przemysław Szkudlarczyk	300	2	36	-	338
Tomasz Tomczak	300	2	9	-	311
Mariusz Łożyński	300	2	-	-	302
Tomasz Latawiec *	180	1	-	-	181
Total	**2,700**	**12**	**110**	**-**	**2 822**

* Member of PBG S.A. Management Board until September 30th 2009

For other information on key management personnel, including loans, see Section 33.

Total amount of remuneration and other benefits paid to members of the Supervisory Board of the Parent Undertaking:

Item	Parent Undertaking:		Subsidiary and Associated Undertakings:		Total
	Remuneration	Other benefits	Remuneration	Other benefits	
Jan 1–Dec 31 2010					
Maciej Bednarkiewicz	120	-	-	-	120
Małgorzata Wiśniewska	64	14	233	1	312
Dariusz Sarnowski	52	-	-	-	52
Adam Strzelecki	36	-	-	-	36
Marcin Wierzbicki	24	-	-	-	24
Jacek Kseń *	32	-	-	-	32
Wiesław Lindner **	20	-	-	-	20
Total	**348**	**14**	**233**	**1**	**596**
Jan 1–Dec 31 2009					
Maciej Bednarkiewicz	120	1	-	-	121
Jacek Kseń	96	1	-	-	97
Wiesław Lindner	60	1	-	-	61
Jacek Krzyżaniak ***	15	1	38	-	54
Dariusz Sarnowski	36	1	-	-	37
Adam Strzelecki	36	1	-	-	37
Total	**363**	**6**	**38**	**-**	**407**

* Deputy Chairman of the PBG Supervisory Board until April 21st 2010
** Secretary of the PBG Supervisory Board until April 21st 2010.

All amounts in PLN '000 (unless otherwise stated)

*** Member of the PBG Supervisory Board until June 4th 2009.

38.3. EMPLOYMENT IN THE GROUP AND STAFF FLUCTUATION

Group's average headcount by employee groups and staff fluctuation were as follows:

EMPLOYMENT IN THE GROUP (FTE)

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009	for the period Jan 1–Dec 31 2008
White-collar employees	1,657	1,729	1,781
Blue-collar employees	1,559	1,993	2,196
Total	**3,216**	**3,722**	**3,977**

STAFF FLUCTUATION

Item	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009	for the period Jan 1–Dec 31 2008
Number of persons employed	407	544	944
Number of persons dismissed	(585)	(1,093)	(1,072)
Total	**(178)**	**(549)**	**(128)**

38.4. 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	for the period Jan 1–Dec 31 2010	for the period Jan 1–Dec 31 2009	for the period Jan 1–Dec 31 2008
Audit of annual financial statements	513	518	511
Review of financial statements	207	187	261
Tax advisory	6	14	72
Other services	93	94	47
Total	**819**	**813**	**891**

38.5. 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 figures in PLN ‘000 (unless stated otherwise)

39. APPROVAL FOR PUBLICATION

These consolidated financial statements for the year ended December 31st 2010 (and comparative data) were approved for publication by the Company’s Management Board on March 17th 2011.

Signatures of all Management Board members

Date	Name	Position	Signature
Mar 17 2011	Jerzy Wiśniewski	President of the Management Board	…………………………..
Mar 17 2011	Tomasz Woroch	Vice-President of the Management Board	…………………………..
Mar 17 2011	Przemysław Szkudlarczyk	Vice-President of the Management Board	…………………………..
Mar 17 2011	Tomasz Tomczak	Vice-President of the Management Board	…………………………..
Mar 17 2011	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 17 2011	Eugenia Bachorz	Proxy Accounting Coordination Director	…………………………..