

**POLISH FINANCIAL SUPERVISION AUTHORITY**

**PBG Group**



**Interim Consolidated Financial Statements  
for Q1 2011**

**prepared in accordance with the International Financial Reporting Standards**

Date of release: May 12th 2011

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**TABLE OF CONTENTS**

1	INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE PBG GROUP FOR Q1 2011 .....	5
	FINANCIAL HIGHLIGHTS .....	5
	INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	6
	INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT .....	7
	NET EARNINGS (LOSS) PER ORDINARY SHARE .....	8
	INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	9
	MANAGEMENT BOARD'S DISCUSSION OF THE PBG GROUP'S FINANCIAL PERFORMANCE IN Q1 2011 .....	9
	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST– MARCH 31ST 2011 .....	18
	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST– MARCH 31ST 2010 .....	18
	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST– DECEMBER 31ST 2010 .....	19
	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS .....	21
2	NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR Q1 2011 .....	22
2.1	The Parent Undertaking and the PBG Group .....	22
2.1.1	The Parent Undertaking .....	22
2.1.2	The Group's Business .....	23
2.1.3	PBG S.A.'s Role within the Group. Changes in the Group's Structure .....	24
2.2	Policies applied in the preparation of the Q1 2011 interim condensed consolidated financial statements .....	41
2.2.1	Compliance Statement and General Rules of Preparation .....	41
2.2.2	Management Board's Representation .....	41
2.2.3	Accounting Policies Adopted by the Group .....	41
2.3	Correction of Errors and Changes in Accounting Policies .....	43
2.4	Functional Currency and Presentation Currency of the Financial Statements and Rules Adopted to Translate Financial Data .....	43
2.4.1	Functional Currency and Presentation Currency .....	43
2.4.2	Rules adopted to translate financial data .....	44
2.5	Selected notes to the financial statements .....	44
2.5.1	Sales revenue .....	44
2.5.2	Costs by type .....	44
2.5.3	Other operating income .....	45
2.5.4	Other operating expenses .....	45
2.5.5	Finance income .....	45
2.5.6	Finance expenses .....	46
2.5.7	Profit/loss on investments .....	46
2.6	Operating Segments .....	46
2.7	PBG Group's most significant achievements or failures in Q1 2011, and key related events .....	52
2.8	Non-recurring factors and events with material bearing on consolidated financial results .....	56
2.9	Seasonality or cyclicity of the Company's operations in the reporting period .....	57
2.10	Total and per share dividend declared or paid, on ordinary and preference shares .....	57
2.11	Events subsequent to March 31st 2011, undisclosed in these statements, which may materially affect future consolidated financial results of the PBG Group and separate financial results of PBG S.A. 57 The other terms of the agreement remained unchanged. ....	58
	Combination of KRI S.A. and CP Energia S.A. ....	58
2.12	Representation of the Management Board on achievement of previous forecasts for the financial year, taking into account actual results published in the condensed consolidated and separate quarterly reports .....	60
2.13	Shareholders holding, directly or indirectly through subsidiaries, 5% or more of the total vote at the General Shareholders Meeting of PBG S.A. as at the date of release of this report .....	60
2.14	Changes in ownership of the company shares or rights to shares (options) held by members of the Management Board and Supervisory Board of PBG S.A. ....	62
2.15	Proceedings pending before court, arbitration court or public administration authorities, including the following information: .....	63
2.16	Material related-party transactions .....	63
2.16.1	Related party transaction(s) executed by the Company or its subsidiary, of value exceeding the PLN equivalent of EUR 500,000 .....	63
2.16.2	Transactions with non-consolidated related parties .....	64
2.17	Issue, redemption and repayment of debt and equity securities .....	67

2.18	Information on loan or borrowing sureties or guarantees issued by the Company or its subsidiaries, where the aggregate value of such outstanding sureties or guarantees issued to a single entity or its subsidiaries represents 10% or more of the Company's equity .....	67
2.19	Contingent assets and liabilities .....	68
2.20	Other information which in the Company's opinion is material for the assessment of its personnel, assets, financial standing and financial result and their changes, or for the assessment of its ability to fulfil obligations .....	68
2.21	Factors with a bearing on the Company's results in the next quarter or in a longer term, according to the Company's assessment .....	69
3.	INTERIM CONDENSED FINANCIAL STATEMENTS OF PBG S.A. FOR Q1 2011 .....	71
	FINANCIAL HIGHLIGHTS .....	71
	INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION OF PBG S.A. ....	72
	INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION OF PBG S.A. (CONTINUED) .....	72
	INTERIM CONDENSED INCOME STATEMENT OF PBG S.A. ....	73
	INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY OF PBG S.A. FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2011 .....	80
	INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY OF PBG S.A. FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2010 .....	80
	INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY OF PBG S.A. FOR THE PERIOD JANUARY 1ST–DECEMBER 31ST 2010 .....	82
	INTERIM CONDENSED STATEMENT OF CASH FLOWS OF PBG S.A. ....	83
	SELECTED NOTES TO THE FINANCIAL STATEMENTS .....	84

## 1 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE PBG GROUP FOR Q1 2011

## FINANCIAL HIGHLIGHTS

Item	As at	As at	As at	As at	As at	As at
	Mar 31	Mar 31	Dec 31	Mar 31	Mar 31	Dec 31
	2011	2010	2010	2011	2010	2010
	PLN			EUR		
<b>Balance sheet</b>						
Assets	4,588,846	3,740,749	4,754,962	1 143,809	968,554	1,200,657
Non-current liabilities	1,065,312	598,294	985,574	265,538	154,910	248,863
Current liabilities	1,670,430	1,480,069	1,937,942	416,369	383,219	489,342
Equity attributable to owners of the Parent	1,627,514	1,435,262	1,605,151	405,672	371,618	405,310
Share capital	14,295	14,295	14,295	3,563	3,701	3,610
Number of shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Book value per share (PLN / EUR)	113.85	100.40	112.29	28.38	26.00	28.35
Dividend per share declared or paid (PLN/EUR)	-	-	1.40	-	-	0.35
PLN / EUR exchange rate as at end of period	x	x	x	4.0119	3.8622	3.9603

Item	for the period	for the period	for the period	for the period
	Jan 1–Mar 31	Jan 1–Mar 31	Jan 1–Mar 31	Jan 1–Mar 31
	2011	2010	2011	2010
	PLN		EUR	
<b>Income statement</b>				
Sales revenue	477,635	469,024	120,184	118,234
Operating profit/(loss)	33,472	23,924	8,422	6,031
Pre-tax profit/(loss)	30,348	22,825	7,636	5,754
Net profit/(loss) from continuing operations	24,261	17,436	6,105	4,395
Net profit/(loss) attributable to:	24,261	17,436	6,105	4,395
– owners of the Parent	24,084	17,768	6,060	4,479
– minority interests	177	(332)	45	(84)
Earnings/(loss) per ordinary share (PLN/EUR)	1.68	1.24	0.42	0.31
Diluted earnings/(loss) per ordinary share (PLN/EUR)	1.68	1.24	0.42	0.31
PLN/EUR average exchange rate	x	x	3.9742	3.9669
<b>Statement of cash flows</b>				
Net cash provided by/(used in) operating activities	(194,968)	5,645	(49,058)	1,423
Net cash provided by/(used in) investing activities	(84,949)	(250,692)	(21,375)	(63,196)
Net cash provided by/(used in) financing activities	(3,295)	28,628	(829)	7,217
Net change in cash and cash equivalents	(283,212)	(216,419)	(71,263)	(54,556)
PLN/EUR average exchange rate	x	x	3.9742	3.9669

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Item	As at Mar 31 2011	As at Mar 31 2010	As at Dec 31 2010
<i>Assets</i>			
<b>Non-current assets</b>	<b>1,670,425</b>	<b>1,183,933</b>	<b>1,599,128</b>
Goodwill	346,882	341,428	346,882
Intangible assets	44,165	32,044	41,640
Property, plant and equipment	706,413	360,811	665,388
Non-regenerative natural resources	61,744	12,290	36,772
Investment property	293,796	165,252	293,757
Investments in subsidiary undertakings	10,000	10,000	10,000
Investments in associated undertakings	66,116	53,448	65,769
Receivables	14,613	13,923	15,831
Loans advanced	60,953	108,172	60,112
Derivative financial instruments	240	8,169	171
Other non-current financial assets	46,194	69,718	38,643
Deferred tax assets	-	-	-
Non-current prepayments and accrued income	19,309	8,678	24,163
<b>Current assets</b>	<b>2,918,421</b>	<b>2,556,816</b>	<b>3,155,834</b>
Inventories	303,247	264,981	293,500
Receivables under construction contracts	511,013	833,046	393,583
Trade and other receivables	1,199,934	636,401	1,327,224
Current income tax receivable	15,173	11,918	7,748
Loans advanced	210,124	303,344	210,492
Derivative financial instruments	6,017	11,360	4,873
Other current financial assets	184,806	31,118	155,265
Cash and cash equivalents	425,567	443,941	708,509
Current accruals and deferred income	62,540	20,707	54,640
Non-current assets classified as held for sale	-	-	-
<b>Total assets</b>	<b>4,588,846</b>	<b>3,740,749</b>	<b>4,754,962</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Item	As at Mar 31 2011	As at Mar 31 2010	As at Dec 31 2010
<i>Equity and liabilities</i>			
<b>Equity</b>	<b>1,853,104</b>	<b>1,662,386</b>	<b>1,831,446</b>
<b>Equity attributable to owners of the Parent</b>	<b>1,627,514</b>	<b>1,435,262</b>	<b>1,605,151</b>
Share capital	14,295	14,295	14,295
Treasury shares	-	-	-
Share premium account	733,348	733,348	733,348
Valuation of hedging transactions and foreign exchange gains/(losses) on consolidation	(16,814)	(15,696)	(15,289)
Other capitals	523,317	381,932	523,339
Retained earnings	373,368	321,383	349,458
- retained earnings/(deficit)	349,284	303,615	125,143

– net profit/(loss) for current year attributable to owners of the parent	24,084	17,768	224,315
<b>Non-controlling interests</b>	<b>225,590</b>	<b>227,124</b>	<b>226,295</b>
Item	As at Mar 31 2011	As at Mar 31 2010	As at Dec 31 2010
<b>Liabilities</b>	<b>2,735,742</b>	<b>2,078,363</b>	<b>2,923,516</b>
<b>Non-current liabilities</b>	<b>1,065,312</b>	<b>598,294</b>	<b>985,574</b>
Loans, borrowings and other debt instruments	975,142	494,226	904,894
Finance lease	14,351	13,442	9,122
Derivative financial instruments	-	3,679	412
Other non-current liabilities	34,890	41,192	37,914
Deferred tax liabilities	13,862	17,221	5,284
Provisions for liabilities under employee benefits	5,675	6,294	5,520
Other non-current provisions	14,623	14,631	15,623
Government subsidies	-	-	-
Non-current accruals and deferred income	6,769	7,609	6,805
<b>Current liabilities</b>	<b>1,670,430</b>	<b>1,480,069</b>	<b>1,937,942</b>
Loans, borrowings and other debt instruments	475,964	676,173	523,985
Finance lease	13,555	12,944	10,723
Derivative financial instruments	11,490	27,296	11,265
Trade and other payables	1,008,898	631,655	1,193,845
Liabilities under construction contracts	91,052	72,897	89,593
Current income tax payable	1,664	1,647	28,616
Provisions for liabilities under employee benefits	29,210	25,832	29,728
Other current provisions	28,892	28,634	32,293
Government subsidies	-	-	-
Current accruals and deferred income	9,705	2,991	17,894
Liabilities associated with non-current assets held for sale	-	-	-
<b>Total equity and liabilities</b>	<b>4,588,846</b>	<b>3,740,749</b>	<b>4,754,962</b>

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Item	Q1 Jan 1– Mar 31 2011	Q1 Jan 1– Mar 31 2010
<i>Continuing operations</i>		
<b>Sales revenue</b>	<b>477,635</b>	<b>469,024</b>
Revenue from sales of products	3,399	2,037
Revenue from sales of services	471,217	463,985
Revenue from sales of goods for resale and materials	3,019	3,002
<b>Cost of sales</b>	<b>(422,366)</b>	<b>(420,364)</b>
Cost of products sold	(1,781)	(2,181)
Cost of services sold	(418,338)	(415,209)
Cost of goods for resale and materials sold	(2,247)	(2,974)
<b>Gross profit/(loss)</b>	<b>55,269</b>	<b>48,660</b>
Selling costs	(1,198)	-
Administrative expenses	(25,653)	(24,811)
Other operating income	8,047	18,392
Other operating expenses	(3,340)	(19,721)
Share in profit of undertakings valued with equity method	347	1,404
Costs of restructuring	-	-

<b>Operating profit/(loss)</b>	<b>33,472</b>	<b>23,924</b>
Finance income	12,189	16,030
Finance expenses	(19,270)	(17,129)
Item (continued)	Q1 Jan 1– Mar 31 2011	Q1 Jan 1– Mar 31 2010
Valuation of interests in joint ventures	-	-
Other gains/(losses) on investments	3,957	-
<b>Pre-tax profit/(loss)</b>	<b>30,348</b>	<b>22,825</b>
Corporate income tax	(6,087)	(5,389)
<b>Net profit/(loss) from continuing operations</b>	<b>24,261</b>	<b>17,436</b>
<i>Discontinued operations</i>		
Net loss on discontinued operations	-	-
<b>Net profit/(loss)</b>	<b>24,261</b>	<b>17,436</b>
<b>Net profit/(loss) attributable to:</b>	<b>24,261</b>	<b>17,436</b>
– owners of the Parent	24,084	17,768
– minority interests	177	(332)

## NET EARNINGS (LOSS) PER ORDINARY SHARE

Item	Q1 Jan 1– Mar 31 2011	Q1 Jan 1– Mar 31 2010
Net profit/(loss) from continuing operations	24,084	17,768
Net profit/(loss) from continuing and discontinued operations	24,084	17,768
Weighted average number of ordinary shares	14,295,000	14 295,000
Diluted weighted average number of ordinary shares	14,295,000	14 295,000
<i>from continuing operations</i>		
– basic	1.68	1.24
– diluted	1.68	1.24
<i>from continuing and discontinued operations</i>		
– basic	1.68	1.24
– diluted	1.68	1.24



## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Item	Q1 Jan 1– Mar 31 2011	Q1 Jan 1– Mar 31 2010
<b>Net profit/(loss)</b>	<b>24,261</b>	<b>17,436</b>
<b>Other comprehensive income</b>		
Remeasurement of property, plant and equipment	-	-
<b>Available-for-sale financial assets:</b>		
– income/(loss) disclosed under other comprehensive income in period	-	-
– amounts transferred to profit or loss	-	-
<b>Cash-flow hedges:</b>		
– income/(loss) disclosed under other comprehensive income in period	939	26,888
– amounts transferred to profit or loss	(61)	3,036
– amounts included in the initial value of hedged items	-	-
Foreign currency differences on translation of foreign operations	(4,238)	858
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	401	(6,028)
Total other comprehensive income after tax	(2,959)	24,754
Item	Q1 Jan 1– Mar 31 2011	Q1 Jan 1– Mar 31 2010
<b>Comprehensive income</b>	<b>21,302</b>	<b>42,190</b>
<b>Comprehensive income attributable to:</b>		
– owners of the Parent	<b>22,558</b>	<b>33,031</b>
– minority interests	<b>(1,256)</b>	<b>9,159</b>

## MANAGEMENT BOARD'S DISCUSSION OF THE PBG GROUP'S FINANCIAL PERFORMANCE IN Q1 2011

## 1. PBG GROUP'S FINANCIAL PERFORMANCE

## Material events and factors with a bearing on the PBG Group's financial performance in Q1 2011

In Q1 2011, sales of the PBG Group stood at over PLN 477m, up 2% year on year. The Group's results at all levels of the P&L improved significantly, which translated into higher profitability.

PBG's performance on a non-consolidated basis was very good. The Company reported a significant increase in revenues and, compared with its peers, managed to maintain high profitability ratios. PBG's separate results accounted for approximately 34% of the Group's sales revenue, as much as 67% of the Group's operating profit, and 62% of net profit attributable to the owners of the parent. As usual, the winter season had a material bearing on the financial results of Aprivia, Dromost, PRiD and Betpol (road

construction companies), all of which recorded losses in Q1 2011. Although the companies posted gross loss on sales, a recovery in the road construction segment is expected in the coming quarters.

#### Summary of the Q1 2011 results:

- **Sales revenue** of **PLN 477.6m**, up by **2%** year on year;
- **Gross profit on sales up by 14%**, from **PLN 48.7m** to **PLN 55.3m**;
- **Operating profit up by 40%**, from **PLN 23.9m** to **PLN 33.5m**;
- **Over PLN 9m increase in EBITDA**, from **PLN 35.5m** to **PLN 44.7m**;
- **Net profit** attributable to the owners of the parent at **PLN 24.1m**, representing a **36% increase** year on year;
- Net profit was positively affected by a **non-recurring event**, i.e. disposal of shares in Gdynska Projekt by Hydrobudowa 9, which contributed nearly **PLN 4m**, recognised as gain on investments;
- PBG SA was the largest contributor to the Group's performance. The Company reported **revenue** of approximately **PLN 164m**, **operating profit** of **PLN 22.5m** and **net profit** of **PLN 15m**. These figures represent 34% of the PBG Group's sales revenue, 67% of the Group's operating profit and 62% of its net profit, respectively.
- Consolidation of road construction companies adversely affected the Group's profitability. While **the Aprivia Group** generated **sales revenue of over PLN 30m**, it sustained a **gross loss on sales of PLN 2.6m**, **operating loss of PLN 4.4m** and **net loss attributable to the owners of the parent of PLN 4.3m**.
- As at **April 1st 2011**, the value of the PBG Group's order book was **PLN 5bn**, including around **PLN 2.6bn** scheduled for execution in **2011**. Year on year, the order book's value grew by PLN 1bn. Contracts in the road construction segment have the largest share in the backlog, while the natural gas, crude oil and fuels segment has the second largest share in the order book. The third largest segment in terms of backlog is industrial construction, where the Group recognises mainly infrastructural projects. The water segment has the smallest share in the backlog - only 8.3% of the total order book's value.

ORDER BOOK AS AT APRIL 1ST 2011	
Natural gas, crude oil and fuels	33.6%
Water	8.3%
Residential and industrial construction	19.3%
Road construction	38.8%
<b>Total</b>	<b>100%</b>

In Q1 2011, the most important sources of revenue from the core business of the PBG Group were the following construction contracts:

#### A). Water segment

- 1) Construction of Wastewater Transmission System from Left-Bank Warsaw to **Czajka Sewage Treatment Plant**; contract executed between Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w Warszawie and PRG Metro; recognised revenue: **PLN 38.7m**;
- 2) Construction of the **Malczyce Stage of Fall**; contract executed between MAXER S.A. and PBG S.A.; recognised revenue: **PLN 11.9m**;

#### **B). Natural gas, crude oil and fuels**

- 3) Construction of **Lubiatów-Międzychód-Grońów Crude Oil and Natural Gas Mine**; contract executed between PGNiG and PBG; recognised revenue: **PLN 72.6m**;
- 4) Construction of Surface Infrastructure for **the Wierzchowice Underground Gas Storage Facility**; contract executed between PGNiG S.A. and PBG S.A.; recognised revenue: **PLN 37.2m**;
- 5) Modernisation of **Jarosław II Compressor Plant**; contract executed between Control Process S.A. and PBG S.A.; recognised revenue: **PLN 16.4m**;
- 6) Delivery **and Execution of Undeground Reinforced Concrete Shell Steel Tanks for Storage of Liquid Fuels**, contract executed between Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego (NATO Investment Agency) and PBG S.A.; recognised revenue: **PLN 10.6m**;

#### **C). Industrial construction**

- 7) Construction of Multi-Purpose National Stadium in Warsaw; contract executed between Narodowe Centrum Sportu and Hydrobudowa Polska S.A.; recognised revenue: **PLN 60.1m**;
- 8) Design and Construction of **Waste Neutralisation Facility in Gdańsk Szadółki**; contract executed between Zakład Utylizacji w Gdańsku and Hydrobudowa Polska S.A.; recognised revenue: **PLN 11.5m**;
- 9) Construction of **Arena Bałtycka** Football Stadium in Gdańsk; contract executed between the Municipality of Gdańsk and Hydrobudowa Polska S.A.; recognised revenue: **PLN 15.6m**;

#### **D). Road construction**

- 10) Construction of **A-4 Motorway Tarnów-Rzeszów between the Krzyż and Dębica Pustynia nodes**; contract executed between Generalna Dyrekcja Dróg Krajowych i Autostrad Rzeszów Branch and Hydrobudowa Polska S.A.; recognised revenue: **PLN 68m**;

The following events significant to the PBG Group occurred in particular segments in Q1 2011 and until the date of this report:

#### **1. Crude oil, natural gas and fuels**

##### **CONTRACTS**

- o Changes in the terms and conditions of the contract for construction of the LNG Terminal in Świnoujście; the investor, Polskie LNG S.A., abandoned plans to construct the ORV system. The contract price was reduced by PLN 206.1m (VAT exclusive), from PLN 2,415m to PLN 2,209m (VAT exclusive).

##### **OTHER**

- o Sale and conversion of **500,000 Series A shares** with voting preference into ordinary bearer shares, at the request Mr Jerzy Wiśniewski, the main shareholder of PBG S.A. Subsequent admission of the shares to trading on the main market of the WSE and their assimilation with 10,055,000 PBG shares already traded on the WSE. Following the transaction, 10,555,000 ordinary bearer shares are currently in trading, whereas 3,740,000 shares conferring voting preference remain outside the stock-exchange trading. At present, shareholders holding 14,295,000 shares have the right to a total of 18,035,000 votes at the General Shareholders Meeting;
- o Notifications of a reduction in the shareholding in PBG S.A. by Mr Jerzy Wiśniewski and an increase in the shareholding in PBG S.A. by **Pioneer Pekao Investment Management S.A.** (PPIM);

**Changes in the PBG S.A.'s shareholder structure in Q1 2011**

Notification date	Threshold	Number of Shares	% of total vote at GM (%)	Date of change
<b>Clients of Pioneer Pekao Investment Management S.A. (PPIM):</b>				
January 20th 2011	> 14%	2,598,850	14.41%	January 14th 2011
January 28th 2011	> 15%	2,709,863	15.03%	January 25th 2011
February 4th 2011	> 15%	2,721,635	15.09%	January 31st 2011
March 2nd 2011	> 17%	3,078,439	17.07%	February 25th 2011
March 8th 2011	> 17%	3,085,288	17.11%	March 1st 2011
April 29th 2011	> 19%	3,459,824	19.18%	April 21st 2011
<b>Jerzy Wiśniewski – founder and main shareholder of PBG S.A.</b>				
January 14th 2011	< 45,70%*	3,735,054 (registered preferred shares)	41.42%	January 14th 2011

- o Execution of a Letter of Intent between **PBG** and **Obrascon Huarte Lain (OHL)** providing for a close cooperation on foreign oil and gas markets, including in the area of construction of oil and gas processing units, pipelines and oil and fuel tanks, first in Mexico, Brazil and other South American countries;
- o Supervisory Board's positive opinion on the Management Board's proposal to allocate **PLN 20.013m** to payment of dividend of **PLN 1.40 per share**;
- o **Suspension of negotiations** with OHL of Spain concerning the sale of a 51% interest in Hydrobudowa Polska and a 50.1% interest in Aprivia. The decision was made by mutual agreement of the parties mainly in view of a significant decline of the price of Hydrobudowa Polska shares and the company's valuation on the Warsaw Stock Exchange relative to the originally agreed selling price. The negotiations will resume when the price of Hydrobudowa Polska shares recovers to the level seen at the beginning of negotiations.

**2. Water and specialist construction (industrial):**

**CONTRACTS**

- o Contract for execution of the project "**Road connection between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego – Task 2**, ul. Potokowa–Aleja Rzeczypospolitej

Section (total length of 3.32 kilometres). The contract price was agreed at **PLN 129.3m (VAT exclusive)**;

- o Contract for execution of the project "**Construction of a sports and entertainment arena with accompanying infrastructure in Toruń**". The contract price was agreed at **PLN 99m (VAT exclusive)**;
- o As at **April 1st 2011** the value of the order book of **the HBP Group** exceeded **PLN 1.8bn**, including **PLN 1.1bn** to be executed in **2011**, and the balance of **PLN 700m** scheduled for execution in subsequent years;

**OTHER**

- o Resignation from the position of Vice-President of the Management Board of Hydrobudowa Polska submitted by Szymon Tamborski;
- o Appointment by the Supervisory Board of Radosław Czarny-Kropiwnicki as Vice-President of the Management Board of Hydrobudowa Polska.

**3. Road construction:**

- o Participation in the largest tenders for construction of motorways and express-ways in Poland; the current estimated value of bids in pre-qualification proceedings is **PLN 3.2bn**.

**4. Power engineering:**

- o Participation in the largest tenders in the power engineering sector; the current estimated value of bids in pre-qualification proceedings exceeds **PLN 25bn**;
- o **Tender offer for Energomontaż Południe shares in order to achieve 66% of the total vote at the General Shareholders Meeting.**

**Financing of activities:**

1. **Bank and insurance limits** for the financing of current activities increased to **PLN 3.64bn**; Sources of the increase included: financing for the LNG terminal provided by Credit Agricole, a line for the A4 motorway advanced by PEKAO, a new limit at Espirito Santo, and financing for the Strateg Capital project.

**Factors with a bearing on our future financial performance:**

1. Execution of **PLN 5bn** worth of contracts.
2. Participation in tenders and winning major contracts for:
  - o Construction of coal- and gas-fired power generation units;
  - o Construction and extension of gas transmission pipelines, compressor plants and gas storage facilities;
  - o Construction of waste incineration plants and waste management plants;
  - o Construction of hydro-engineering facilities;
  - o Construction of other infrastructure.
3. Consolidation of the PBG Group companies, to enhance efficiency through improved utilisation of the operating capacities and more efficient management of projects, human resources, equipment and materials, as well as outsourcing of selected functions.

## PBG Group

Qsr1/2011 (all figures in PLN '000, unless indicated otherwise)

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4. Execution of the planned acquisition of Hydrobudowa 9 by Hydrobudowa Polska, scheduled to be completed at the beginning of 2012. Concurrent organisational restructuring designed to substantially reduce fixed costs.
5. Completion of the tender offer for Energomontaż Południe shares and possible consolidation of this company.

### PBG Group's profitability ratios in Q1 2011

Profitability ratios	Q1 2011	Q1 2010
Gross margin <sup>1</sup>	11.6%	10.4%
Operating margin <sup>2</sup>	7.0%	5.1%
Net margin <sup>3</sup>	5.0%	3.8%

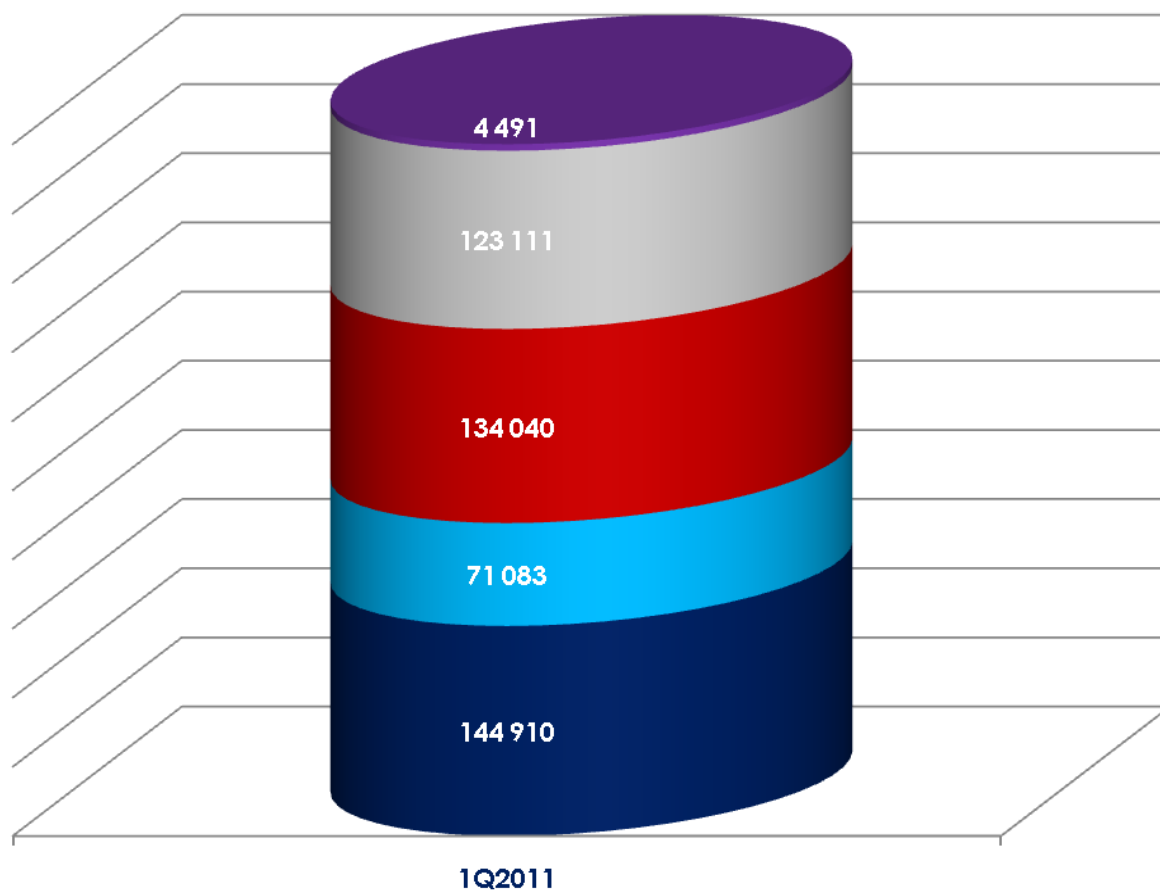
<sup>1</sup>gross profit / sales revenue\*100

<sup>2</sup> (operating profit / sales revenue) \*100

<sup>3</sup> net profit attributable to owners of the Parent / sales revenue\*100

In Q1 2011 the PBG Group recorded increased margins at all levels of the P&L: **gross margin on sales** was **11.6%**, up 1.2% on Q1 2010; **operating margin** was **7%**, 1.9% higher than a year before, while **net margin** rose from 3.8% to **5%**, representing a **1.2% improvement**. In Q1 2011, **the share of variable costs in sales revenue fell** from **89.6% to 88.4%** year on year, that is by **1.2%**. During the period, **the share of general and administrative expenses** in sales **went up to 5.4%** relative to **5.3%**, which translates into an **increase** by a only 0.1%. This results from a **3%** year-on-year rise in general and administrative expenses.

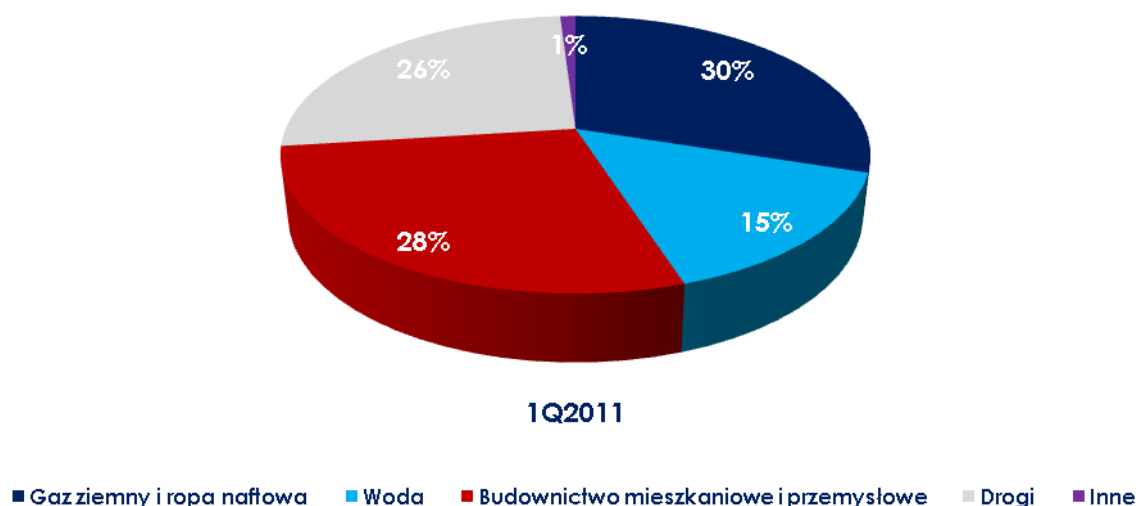
SHARE OF THE PBG GROUP'S BUSINESS SEGMENTS IN SALES REVENUE IN Q1 2011 (PLN '000)



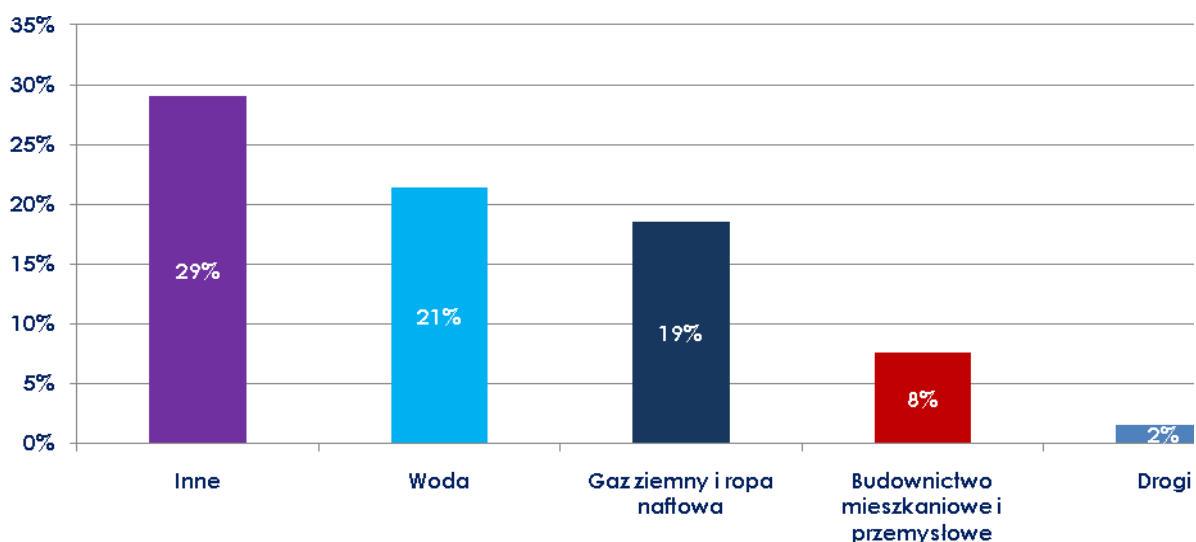
■ Gaz ziemny, ropa naftowa i paliwa ■ Woda ■ Budownictwo przemysłowe i mieszkaniowe ■ Budownictwo drogowe ■ Inne

Gaz ziemny, ropa naftowa i paliwa	Natural gas, crude oil and fuels
Woda	Water
Budownictwo przemysłowe i mieszkaniowe	Residential and industrial construction
Budownictwo drogowe	Road construction
Inne	Other

PERCENTAGE SHARES OF THE PBG GROUP'S BUSINESS SEGMENTS IN SALES REVENUE IN Q1 2011 (PLN '000)



#### GROSS MARGIN BY OPERATING SEGMENTS IN Q1 2011



## 2. OTHER OPERATING INCOME AND EXPENSES, FINANCE INCOME AND EXPENSES

### 1. Other operating income

In Q1 2011, **other operating income totalled PLN 8m**, with a ca. PLN 3m reversal of impairment losses on receivables being its most material item. Damages received under insurance contracts, fines and penalties of over PLN 1.7m, and lease income of PLN 1.2m are also an important source of other operating income. Year on year, the value of other operating income **dropped by 56%**.

### 2. Other operating expenses



In Q1 2011, other operating expenses **exceeded PLN 3.3m**, and were significantly lower relative to Q1 2010, by as much as **83%**. Other operating expenses include such major items as damages paid under insurance contracts, fines and penalties (PLN 0.3m), impairment losses on receivables (PLN 0.32m) and donations (over PLN 0.5m).

### 3. Finance income

In Q1 2011, **finance income totalled PLN 12.2m, having fallen** year on year. The main item under finance income was interest on advanced loans (almost PLN 5m). Other items included interest from banks (PLN 1.5m), interest income on notes (almost PLN 1.5m) and income from financial market transactions (PLN 2.5m).

### 4. Finance expenses

As at the end of Q1 2011, **finance expenses amounted to PLN 19.3m**, having **increased by 12%** year on year. Interest on notes issued by PBG (over PLN 11m) as well as interest and fees on bank loans (PLN 7.6m) represented the main items under finance expenses.

## 3. PBG GROUP'S STATEMENT OF CASH FLOWS

### Cash flows (PLN '000)

	Q1 2011	Q1 2010
Net cash provided by/(used in) operating activities	- 194,968	+ 5,645
Net cash provided by/(used in) investing activities	- 84,949	- 250,692
Net cash provided by/(used in) financing activities	- 3,295	+ 28,628
Net cash at end of period	+ 425,567	+ 443,941

The statement of cash flows in Q1 2011 reveals major changes relative to Q1 2011. The PBG Group generated **negative net cash from operating activities**. The change was caused by significant expenses related to the LMG and Wierzchowice contracts, as well as projects involving construction of stadiums and motorways.

**The balance of cash flows generated from investing activities** in Q1 2011 at PLN -85m. This result was mostly affected by expenditure on acquisition of property, plant and equipment with a value of almost PLN 40m, and expenditure on acquisition of investment property (PLN 13m). In Q1 2011, the Group's expenditure on acquisition of other financial assets amounted to PLN 112.6m, while proceeds from the sale of these assets reached PLN 85m. **The balance of cash flows generated from finance activities** in the analysed period stood at PLN -3.3m. This result was chiefly attributable to a net increase in the Group's debt, as well as interest paid and received. During the period, the PBG Group contracted loans totalling PLN 190m, and repaid over PLN 174m of bank debt. Interest paid under notes amounted to almost PLN 14m, while interest paid on loans and borrowings was PLN 4.3m. Interest earned on cash at bank was PLN 2.5m.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2011

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		
<b>Balance as at Jan 1 2011</b>	<b>14,295</b>	-	<b>733,348</b>	<b>(13,786)</b>	<b>(1,503)</b>	<b>523,339</b>	<b>349,458</b>	<b>1,605,151</b>	<b>226,295</b>	<b>1,831,446</b>
Changes in accounting policies								-		-
Correction of fundamental errors								-		-
<b>Balance after changes</b>	<b>14,295</b>	-	<b>733,348</b>	<b>(13,786)</b>	<b>(1,503)</b>	<b>523,339</b>	<b>349,458</b>	<b>1,605,151</b>	<b>226,295</b>	<b>1,831,446</b>
<b>Changes in equity in period Jan 1-Mar 31 2011</b>										
Issue of shares	-	-	-	-	-	-	-	-	-	-
Issue of shares in connection with exercise of options (share-based payment programme)	-	-	-	-	-	322	-	322	188	510
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-	-	-	-
Change in Group's structure (transactions with non-controlling interests)	-	-	-	-	-	30	(30)	-	-	-
Other adjustments	-	-	-	-	-	(374)	(144)	(518)	363	(155)
Dividends	-	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) to equity	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners of the Parent</b>	-	-	-	-	-	(22)	(174)	(196)	551	355
Net profit for period Jan 1-Mar 31 2011	-	-	-	-	-	-	24,084	24,084	177	24,261
Total other comprehensive income after tax for period Jan 1–Mar 31 2011	-	-	-	996	(2,521)	-	-	(1,525)	(1,433)	(2,958)
Total comprehensive income	-	-	-	996	(2,521)	-	24,084	22,559	(1,256)	21,303
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
<b>Balance as at Mar 31 2011</b>	<b>14,295</b>	-	<b>733,348</b>	<b>(12,790)</b>	<b>(4,024)</b>	<b>523,317</b>	<b>373,368</b>	<b>1,627,514</b>	<b>225,590</b>	<b>1,853,104</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST–MARCH 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		

**PBG Group**

*Qsr1/2011 (all figures in PLN '000, unless indicated otherwise)*

<b>Balance as at Jan 1 2010</b>	<b>14,295</b>	<b>-</b>	<b>733,348</b>	<b>(27,806)</b>	<b>(2,543)</b>	<b>374,229</b>	<b>303,782</b>	<b>1,395,305</b>	<b>228,181</b>	<b>1,623,486</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	(87)	(1,531)	(1,618)	(3,046)	(4,664)
<b>Balance after changes</b>	<b>14,295</b>	<b>-</b>	<b>733,348</b>	<b>(27,806)</b>	<b>(2,543)</b>	<b>374,142</b>	<b>302,251</b>	<b>1,393,687</b>	<b>225,135</b>	<b>1,618,822</b>
<b>Changes in equity in period Jan 1–Mar 31 2010</b>										
Issue of shares	-	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	321	-	321	189	510
Change in Group's structure (transactions with non-controlling interests)	-	-	-	(610)	-	-	-	(610)	-	(610)
Other adjustments	-	-	-	-	-	7,469	1,364	8,833	(7,359)	1,474
Dividends	-	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) to equity	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners of the Parent</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(610)</b>	<b>-</b>	<b>7,790</b>	<b>1,364</b>	<b>8,544</b>	<b>(7,170)</b>	<b>1,374</b>
Net profit for period Jan 1–Mar 31 2010	-	-	-	-	-	-	17,768	17,768	(332)	17,436
Total other comprehensive income after tax for period Jan 1–Mar 31 2010	-	-	-	14,957	306	-	-	15,263	9,491	24,754
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,957</b>	<b>306</b>	<b>-</b>	<b>17,768</b>	<b>33,031</b>	<b>9,159</b>	<b>42,190</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
<b>Balance as at Mar 31 2010</b>	<b>14,295</b>	<b>-</b>	<b>733,348</b>	<b>(13,459)</b>	<b>(2,237)</b>	<b>381,932</b>	<b>321,383</b>	<b>1,435,262</b>	<b>227,124</b>	<b>1,662,386</b>

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

Item	Equity attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Foreign currency differences arising on translation of subsidiaries	Other capitals	Retained earnings	Total		
<b>Balance as at Jan 1 2010</b>	<b>14,295</b>	<b>-</b>	<b>733,348</b>	<b>(27,806)</b>	<b>(2,543)</b>	<b>374,229</b>	<b>303,782</b>	<b>1,395,305</b>	<b>228,181</b>	<b>1,623,486</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	(87)	(1,531)	(1,618)	(3,046)	(4,664)
<b>Balance after changes</b>	<b>14,295</b>	<b>-</b>	<b>733,348</b>	<b>(27,806)</b>	<b>(2,543)</b>	<b>374,142</b>	<b>302,251</b>	<b>1,393,687</b>	<b>225,135</b>	<b>1,618,822</b>
<b>Changes in equity in period Jan 1–Dec 31 2010</b>										
Issue of shares	-	-	-	-	-	-	-	-	-	-

**PBG Group****Qsr1/2011** (all figures in PLN '000, unless indicated otherwise)

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)	-	-	-	-	-	-	-	--	-	-
<b>Balance as at Dec 31 2010</b>	<b>14,295</b>	<b>-</b>	<b>733,348</b>	<b>(13,786)</b>	<b>(1,503)</b>	<b>523,339</b>	<b>349,458</b>	<b>1,605,151</b>	<b>226,295</b>	<b>1,831,446</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Item	Q1 Jan 1 – Mar 31 2011	Q1 Jan 1 – Mar 31 2010
<b>Cash flows from operating activities</b>		
<b>Pre-tax profit/(loss)</b>	<b>30,348</b>	<b>22,825</b>
<b>Adjustments:</b>		
Depreciation and impairment losses on property, plant and equipment	9,430	10,137
Amortisation and impairment losses on intangible assets	1,814	1,451
Change in fair value of investment property	-	(353)
Change in fair value of financial assets (liabilities) measured through profit or loss	(2,462)	(2,969)
Cash flow hedges transferred from equity	(61)	3,036
Impairment losses on financial assets	-	-
Gain/(loss) on disposal of non-financial non-current assets	62	59
Gain/(loss) on disposal of financial assets (other than derivative instruments)	(3,957)	-
Foreign exchange gains/(losses)	(144)	(1,093)
Interest expense	18,678	23,859
Interest income	(7,148)	(16,730)
Dividend received	-	-
Share in profit/(loss) of associated undertakings	(347)	(1,404)
Other adjustments	(8,551)	(4,646)
<b>Total adjustments</b>	<b>7,314</b>	<b>11,347</b>
Change in inventories	(8,255)	(26,316)
Change in receivables	125,566	474,757
Change in liabilities	(187,214)	(344,347)
Change in provisions and accruals and deferrals	(11,032)	(5,470)
Effect of construction contracts	(115,972)	(95,009)
<b>Changes in working capital</b>	<b>(196,907)</b>	<b>3,615</b>
Gains/(losses) on settlement of derivative instruments	642	(3,523)
Interest paid on operating activities	(146)	(5)
Income tax paid	(36,219)	(28,614)
<b>Net cash provided by/(used in) operating activities</b>	<b>(194,968)</b>	<b>5,645</b>
<b>Cash flows from investing activities</b>		
Acquisition of intangible assets	(1,272)	(607)
Disposal of intangible assets	3	-
Acquisition of property, plant and equipment	(39,648)	(11,906)
Disposal of property, plant and equipment	491	449
Acquisition of investment property	(13,084)	-
Disposal of investment property	-	-
Acquisition of subsidiary undertakings, net	(444)	(46)
Disposal of subsidiary undertakings, net	-	-
Acquisition of associated undertakings	-	(64,375)
Decrease in loans advanced	12,623	16,671
Loans advanced	(9,307)	(128,019)
Acquisition of other financial assets	(112,600)	(33,736)
Disposal of other financial assets	85,300	-

Government subsidies received	85	-
Interest received	404	1,151
Other income	-	-
Other investment expenses	(7,500)	(30,274)
<i>Item (continued)</i>	Q1 Jan 1– Mar 31 2011	Q1 Jan 1– Mar 31 2010
Dividend received	-	-
<b>Net cash provided by/(used in) investing activities</b>	<b>(84,949)</b>	<b>(250,692)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of shares	-	-
Acquisition of treasury shares	-	-
Proceeds from issue of debt securities	-	33,395
Redemption of debt securities	-	-
Interest paid on debt securities	(13,854)	(14,468)
Proceeds from loans and borrowings obtained	189,724	106,556
Repayment of loans and borrowings	(174,640)	(88,695)
Repayment of finance lease liabilities	(2,809)	(2,658)
Interest paid	(4,284)	(9,145)
Interest on term deposits	2,556	3,770
Other income/expenses	12	(127)
Dividend paid	-	-
<b>Net cash provided by/(used in) financing activities</b>	<b>(3,295)</b>	<b>28,628</b>
<b>Net change in cash and cash equivalents</b>	<b>(283,212)</b>	<b>(216,419)</b>
Cash and cash equivalents at beginning of period	<b>708,506</b>	<b>660,281</b>
Effect of foreign exchange gains/(losses)	273	79
<b>Cash and cash equivalents at end of period</b>	<b>425,567</b>	<b>443,941</b>

## 2 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR Q1 2011

### 2.1 The Parent Undertaking and the PBG Group

#### 2.1.1. The 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.

### **Parent Undertaking's Management Board and Supervisory Board**

As at the date of approval for publication of these condensed consolidated financial statements, that is May 12th 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 Łożyński – Vice-President.

In the period from January 1st 2011 to the date of approval of these interim condensed 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 interim condensed consolidated financial statements for publication, that is May 12th 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.

As at the date of preparation of these interim condensed consolidated financial statements, there had been no changes in the composition of the Supervisory Board.

### **2.1.2. The Group's Business**

The core businesses of the Parent Undertaking are engineering activities and related technical consultancy (according to the Polish Classification of Activities – PKD 71.12 Z).

The Group engages in execution of hydroengineering, engineering and industrial construction projects, construction of wastewater treatment plants, waste incineration plants, water-pipe networks, sewage systems, heat and gas distribution networks, trade in materials and equipment for the gas, oil, water and sewage industries, as well as construction of infrastructure and residential projects.

**2.1.3. PBG S.A.'s Role within the Group. Changes in the Group's Structure**

PBG S.A. is the Parent Undertaking of the PBG Group.

These condensed consolidated financial statements of the PBG Group cover the Parent Undertaking and the subsidiaries listed in the table below:

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding		
					Mar 31 2011	Mar 31 2010	Dec 31 2010
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%	100.00%
Bełpol 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 the Parent Undertaking Aprivia S.A.	70.00%	70.00%	70.00%
Dromost Sp. z o.o. (3)	Żabno 4A, 63-112 Brodnica POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full subsidiary undertaking of Aprivia S.A., consolidated in the consolidated financial statements of the Parent Undertaking Aprivia S.A.	99.99%	87.40%	99.99%
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 the Parent Undertaking Aprivia S.A.	100.00%	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%	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%	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%	100.00%
GasOil Engineering a.s. (8)	Tatranska, 742 Spisska 05934 Teplice SŁOWACJA	Design services, project supervision services	Obchodný register Okresného súdu Prešov (Commercial Register of the District Court of Prešov)	full	62.45%	62.45%	62.45%
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%	63.05%
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 of Hydrobudowa Polska S.A., consolidated in the consolidated financial statements of the parent undertaking Hydrobudowa Polska S.A.	62.10%	61.79%	62.10%
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%	63.05%

KWG SA (12)	Aleja Wojska Polskiego 129, 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%	100.00%
Metorex Sp. z o.o. (13)	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%	99.56%
PBG Energia Sp. z o.o. (former PBG Export Sp. z o.o.) (14)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of telecommunications and power lines PKD 42.22.Z	District Court for Kraków – Śródmieście of Kraków, XI Commercial Division of the National Court Register	full	99.95%	99.95%	99.95%
PBG Technologia Sp. z o.o. (formerly Hydrobudowa Polska Konstrukcje Sp. z o.o.) (15)	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%	100.00%
PBG Dom Sp. z o.o. (16)	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%	100.00%
PBG Dom Invest X Sp. z o.o. Invest I S.K.A. (formerly PBG Dom Invest I Sp. z o.o.) (17)	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 indirect subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking	100.00%	100.00%	100.00%
PBG Dom Invest III Sp. z o.o. (18)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent	100.00%	100.00%	100.00%

PBG DOM Invest III Sp. k. 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	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%	50.00%	100.00%
PBG Dom Invest IV 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	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%	100.00%
PBG Dom Invest V 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%	100.00%	100.00%
PBG Dom Invest VI 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	100.00%	-	100.00%

**PBG Group**

**Qsr1/2011** (all figures in PLN '000, unless indicated otherwise)

PBG Dom Invest VII 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%	-	100.00%
PBG Dom Invest VIII 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	100.00%	-	100.00%
PBG Dom Invest IX 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	100.00%	-	100.00%
PBG Dom Invest X 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 indirect subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking	100.00%	-	100.00%
Górecka Projekt Sp. z o.o. (27)	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	100.00%	100.00%	100.00%

Złotowska 51 (formerly KM Investment Sp. z o.o.) (28)	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%	100.00%
City Development Sp. z o.o. (29)	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%	75.00%
Villa Poznań Sp. z o.o. (30)	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	100.00%	100.00%	100.00%
Quadro House Sp. z o.o. (formerly PBG Dom Management I Sp. z o.o.) (31)	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%	100.00%

Kino Development Sp. z o.o. (32)	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%	100.00%
PBGDom Invest Limited (33)	4 Afentrikas, Afentrikas Court Office 2 P.C. 6018 Larnaca Cyprus	Holding of securities		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%
PBGDom Capital Limited (34)	4 Afentrikas, Afentrika Court Office 2 P.C. 6018 Larnaca Cyprus	Holding of investment assets		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%
SPATIUM Aktywów Niepublicznych III Fundusz Inwestycyjny Zamknięty (35)	ul. Mogilska 65, 31-545 Kraków POLAND	No data available	No data available	full	100.00%	-	100.00%
Wschodni Invest Sp. z o.o. (36)	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%	100.00%

Energopol Ukraina (37)	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%	51.00%
PBG Ukraina Publiczna Spółka Akcyjna (public company limited by shares) (38)	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%	100.00%
PBG Operator Sp. z o.o. (formerly Revana Sp. z o.o.) (39)	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%	-	100.00%
PBG Bułgaria Sp. z o.o. (40)	Nikołaj Chajtov 2, Sofia 1113, BULGARIA	Industrial activities n.e.c., repair and installation of machinery and equipment	-	full	100.00%	-	100.00%
HBP Drogi Sp. z o.o. (41)	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%
Bathinex Sp. z o.o. (42)	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%

Strateg Capital Sp. z o.o. (43)	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%	-	80.00%
AQUA S.A. (44)	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%	-	81.70%
PBG Invest 1 Sarl (45)	Boulevard du Prince Henri L-1724 Luxembourg 41, LUXEMBOURG	No data available	No data available	No data available	100.00%	-	-
PBG Invest 2 Sarl (46)	Boulevard du Prince Henri L-1724 Luxembourg 41, LUXEMBOURG	No data available	No data available	No data available	100.00%	-	-
PBG Invest 3 Sarl (47)	Boulevard du Prince Henri L-1724 Luxembourg 41, LUXEMBOURG	No data available	No data available	No data available	100.00%	-	-
Energomontaż Południe S.A. (44)	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%	25.00%	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 applies to the members of the Hydrobudowa Polska, PBG Dom, Aprivia, Metorex 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 March 31st 2010, Aprivia S.A. held 87.40% of the share capital of Dromost Sp. z o.o.; as at March 31st 2011, the interest was 99.99%. As at March 31st 2011, 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 March 31st 2010, PBG S.A. held 62.74% of the share capital of Hydrobudowa Polska S.A.; as at March 31st 2011, 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 March 31st 2011, Hydrobudowa Polska S.A. held 98.49% of the share capital of P.R.G. Metro Sp. z o.o. As at March 31st 2010, PBG S.A. indirectly held 61.79% of the share capital of P.R.G. Metro Sp. z o.o., while as at March 31st 2011, the indirect interest was 62.10%.
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 March 31st 2011, PBG S.A. indirectly held 63.05% of the share capital of Hydrobudowa 9 S.A.
12. 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.
13. 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.
14. 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.
15. 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.
16. 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.
17. PBG Dom Invest X Sp. z o.o. Invest I S.K.A. has been an indirect subsidiary undertaking of PBG Dom Sp. z o.o. since March 23rd 2010, when the new legal form of the company, Spółka komandytowo-akcyjna (partnership limited by shares), was registered. The company's general partner is PBG Dom Invest X Sp. z o.o., while SPATIUM Aktywów Niepublicznych III Fundusz Inwestycyjny Zamknięty is its other shareholder. As at March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest X Sp. z o.o. Invest I S.K.A.
18. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest III 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. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest III Sp. z o.o. Sp. k.

20. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest IV Sp. z o.o.

21. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest V Sp. z o.o.

22. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest VI Sp. z o.o.

23. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest VII Sp. z o.o.

24. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest VIII Sp. z o.o.

25. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest IX Sp. z o.o.

26. PBG Dom Invest X Sp. z o.o. has been a subsidiary undertaking of PBG Dom Invest VI Sp. z o.o. since December 17th 2010 – PBG Dom Invest VI Sp. z o.o. holds 100% of the share capital of PBG Dom Invest X Sp. z o.o. As at March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest X Sp. z o.o.

27. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of Górecka Projekt Sp. z o.o.

28. 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 March 31st 2010, PBG Dom Sp. z o.o. held 60% of the share capital of Złotowska 51 Sp. z o.o.; as at March 31st 2011, PBG Dom Sp. z o.o. held 100% of the share capital of Złotowska 51 Sp. z o.o. As at March 31st 2011, PBG S.A. indirectly held 100% of the share capital of Złotowska 51 Sp. z o.o.

29. 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 March 31st 2011, PBG S.A. indirectly held 75% of the share capital of City Development Sp. z o.o.

30. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of Villa Poznań Sp. z o.o.

31. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of Quadro House Sp. z o.o.

32. 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 March 31st 2011, PBG S.A. indirectly held 100% of the share capital of Kino Development Sp. z o.o.

## **PBG Group**

**QSR1/2011** (all figures in PLN '000, unless indicated otherwise)

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33. PBGDom Invest Limited Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since November 29th 2010 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBGDom Invest Limited Sp. z o.o. As at March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBGDom Invest Limited Sp. z o.o.
34. . PBGDom Capital Limited Sp. z o.o. has been a subsidiary undertaking of PBG Dom Invest VI Sp. z o.o. since November 25th 2010 – PBG Dom Invest VI Sp. z o.o. holds 100% of the share capital of PBGDom Capital Limited Sp. z o.o. As at March 31st 2011, PBG S.A. indirectly held 100% of the share capital of PBGDom Capital Limited Sp. z o.o.
35. SPATIUM Aktywów Niepublicznych III Fundusz Inwestycyjny Zamknięty has been a subsidiary undertaking of PBG S.A. since November 4th 2010. As at March 31st 2011, PBG S.A. holds 450 Series A and Series B Fund certificates (3.09% of the Fund), while PBGDOM Capital Limited holds 14,111 Series B Fund certificates (96.91% of the Fund).
36. 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 March 31st 2011, PBG S.A. held 100% of the share capital of Wschodni Invest Sp. z o.o.
37. 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 March 31st 2011, PBG S.A. indirectly held 51% of the share capital of Energopol Ukraina.
38. 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.
39. 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.
40. 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.
41. 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.
42. 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.
43. 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.
44. 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.
45. PBG Invest 1 Sarl has been a subsidiary undertaking of PBG S.A. since January 31st 2011. PBG S.A. holds 100% of the share capital of PBG Invest 1 Sarl.
46. PBG Invest 2 Sarl has been a subsidiary undertaking of PBG Invest 1 Sarl since January 31st 2011. PBG Invest 1 Sarl holds 100% of the share capital of PBG Invest 2 Sarl. As at March 31st 2011, PBG S.A. holds indirectly 100% of the share capital of PBG Invest 2 Sarl.
47. PBG Invest 3 Sarl has been a subsidiary undertaking of PBG Invest 2 Sarl since January 31st 2011. PBG Invest 2 Sarl holds 100% of the share capital of PBG Invest 3 Sarl. As at March 31st 2011, PBG S.A. holds indirectly 100% of the share capital of PBG Invest 3 Sarl.
48. 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. 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 March 31st 2011, these companies were consolidated in the consolidated financial statements of the Aprivia Group.

PBG Dom Sp. z o.o. has the following subsidiary undertakings: PBG Dom Invest X Sp. z o. o Invest I S.K.A., 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. and Kino Development Sp. z o.o. As at March 31st 2011, 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 March 31st 2011, 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**

Associated undertakings are consolidated with the equity method.

Energomontaż Południe S.A. is consolidated with equity method.

#### **Consolidation of special purpose vehicles**

Spatium Aktywów Niepublicznych III Fundusz Inwestycyjny Zamknięty is consolidated, but its assets, equity and liabilities are eliminated as consolidation adjustments. Assets subject to consolidation are the assets of companies contributed to Spatium Aktywów Niepublicznych III FIZ (before or during transformation), in which Spatium Aktywów Niepublicznych III FIZ is a direct shareholder.

#### **Consolidation of jointly-controlled undertakings**

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

- *Jointly controlled entity*

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".

**In the period covered by these consolidated financial statements, the following transactions were executed and resulted in reorganisation of the PBG Group.**

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

**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.

**Formation of subsidiaries**

On January 31st 2011, PBG Invest 2 Sarl of Luxembourg was formed as a subsidiary of PBG Invest 1 Sarl. PBG Invest 1 Sarl holds a 100% interest in PBG Invest 2 Sarl.

On January 31st 2011, PBG Invest 3 Sarl of Luxembourg was formed as a subsidiary of PBG Invest 2 Sarl. PBG Invest 2 Sarl holds a 100% interest in PBG Invest 3 Sarl.

**CHANGES AT SECONDARY SUBSIDIARIES IN THE REPORTING PERIOD**

**Changes in the PBG Dom Group**

In the reporting period, PBG Dom Sp. z o.o. established PBG Dom Invest Limited Sp. z o.o. of Larnaca (a company organised under the laws of Cyprus) with the share capital of EUR 1,000. PBG Dom Invest VI Sp. z o.o. established PBG Dom Capital Limited Sp. z o.o. of Larnaca with the share capital of EUR 1,000.

On March 7th 2011, a transaction was registered, whereby PBG Dom Sp. z o.o. transferred to PBG Dom Invest VI Sp. z o.o. 200 shares in Złotowska 51 Sp. z o.o. with a par value of PLN 500 per share and an aggregate value of PLN 100,000, representing 100% of shares in Złotowska 51 Sp. z o.o., as well as 500 shares in PBG Dom Invest I Sp. z o.o. with a par value of PLN 100 per share and an aggregate value of PLN 50,000, representing 100% of shares in PBG Dom Invest I Sp. z o.o. PBG Dom transferred the ownership title to the shares by way of a non-cash contribution to pay for the new shares with a total value of PLN 150,000, issued by PBG Dom Invest VI Sp. z o.o.

In March 2011, PBG Dom Invest VI Sp. z o.o. transferred to PBG Dom Capital Limited Sp. z o.o. (a company organised under the laws of Cyprus) 200 shares in Złotowska 51 Sp. z o.o. with a par value of PLN 500 per share and an aggregate value of PLN 100,000, representing 100% of shares in Złotowska 51 Sp. z o.o., as well as 500 shares in PBG Dom Invest I Sp. z o.o. with a par value of PLN 100 per share and an aggregate value of PLN 50,000, representing 100% of shares in PBG Dom Invest I Sp. z o.o. PBG Dom Invest VI Sp. z o.o. transferred the ownership title to the shares by way of a non-cash contribution to pay for the new shares with a total value of EUR 9,000, issued by PBG Dom Capital Limited Sp. z o.o.

Subsequently, PBG Dom Sp. z o.o. transferred to PBG Dom Invest Limited Sp. z o.o. (a company organised under the laws of Cyprus) 100 shares in PBG Dom Invest VI Sp. z o.o. with a par value of PLN 50 per share, representing 3% of shares in PBG Dom Invest VI Sp. z o.o. PBG Dom Sp. z o.o. transferred the ownership title

to the shares by way of a non-cash contribution to pay for the new shares with a total value of EUR 1,000, issued by PBG Dom Invest Limited Sp. z o.o.

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

A contribution by PBG DOM Capital Limited of Larnaca (Cyprus) of 98% of shares in Złotowska 51 Sp. z o.o. and 99.2% of shares in PBG Dom Invest I Sp. z o.o. to Spatium Aktywów Niepublicznych III Fundusz Inwestycyjny Zamknięty, a private equity fund represented by TRIGON TFI S.A. of Kraków, as payment for the fund investment certificates with the value of PLN 14,122,000, was registered in March 2011.

On March 23rd 2011, PBG Dom Invest I Sp. z o.o. was transformed into Spółka Komandytowo Akcyjna (partnership limited by shares) PBG Dom Invest X Sp. z o.o. Invest I S.K.A.

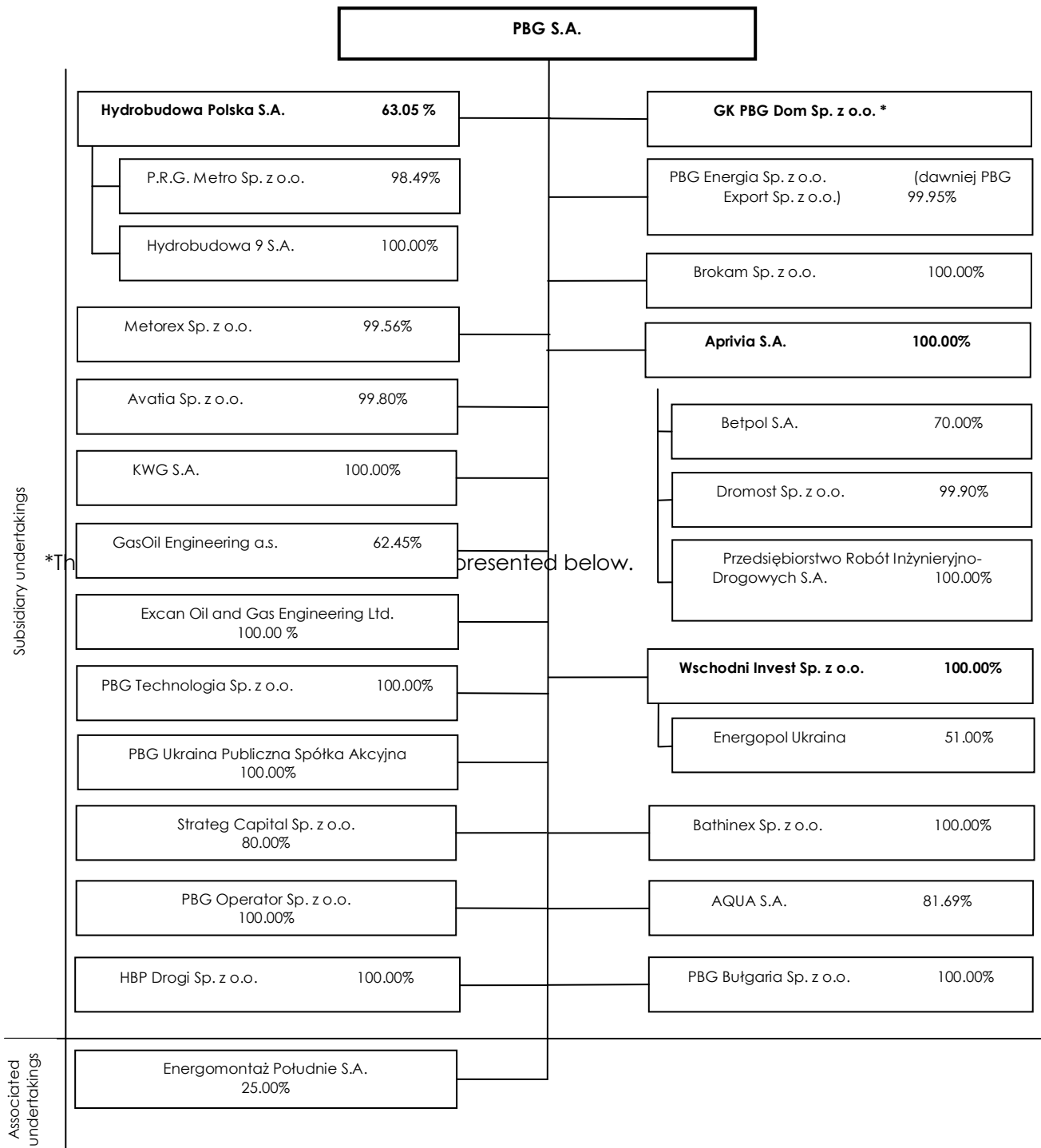
#### **Disposal of Hydrobudowa 9 S.A.'s subsidiary**

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

#### **Change of name of PBG'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 in the company's business profile.

**STRUCTURE OF THE PBG GROUP AS AT MARCH 31ST 2011**







## **2.2 Policies applied in the preparation of the Q1 2011 interim condensed consolidated financial statements**

### **2.2.1 Compliance Statement and General Rules of Preparation**

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular with IAS 34 Interim Financial Reporting, and in compliance with the EU-endorsed accounting standards applicable to interim financial reporting, published and effective at the time of preparing these quarterly consolidated financial statements. Their scope also 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. These consolidated financial statements give a true and fair view of the PBG Group's financial position as at March 31st 2011, March 31st 2010 and December 31st 2010, as well as of its operating results for the three months ended March 31st 2011 and March 31st 2010, and cash flows for the three months ended March 31st 2011 and March 31st 2010.

PBG S.A.'s separate financial statements included in this report were also prepared in accordance with the above policies. Pursuant to Par. 83.1 of the Minister of Finance's Regulation of February 19th 2009, an issuer which is a parent undertaking shall not be obliged to publish a separate quarterly report, provided that in its consolidated quarterly report the issuer discloses quarterly financial information in the form of condensed quarterly separate financial statements including: a balance sheet (statement of financial position), a profit and loss account (income statement), a statement of changes in equity (statement of changes in equity) and a cash-flow statement (statement of cash flows).

These interim condensed consolidated financial statements have been prepared on the assumption that the PBG Group companies would continue as a going concern in the foreseeable future. As at the date of approval of these condensed financial statements, no facts or circumstances have been identified that would indicate any threat to the Group continuing as a going concern.

### **2.2.2 Management Board's Representation**

PBG S.A.'s Management Board hereby represents that to the best of its knowledge, these interim condensed consolidated financial statements and the comparative data have been prepared in compliance with the applicable accounting standards applied by the Group, and give a true, fair and clear view of the Group's assets, its financial standing and financial performance.

### **2.2.3 Accounting Policies Adopted by the Group**

These interim condensed consolidated financial statements do not contain all information disclosed in the annual consolidated financial statements prepared in accordance with IFRS. These interim condensed financial statements should be read in conjunction with the 2010 consolidated financial statements of the PBG Group available at:

<http://www.pbg-sa.pl/relacje-inwestorskie/raporty-okresowe/skonsolidowany-raport-roczny-za-2010-r.html>

When compared with the accounting policies discussed in its most recent annual financial statements, the Group has implemented the following standards, amendments to accounting standards and interpretations in effect from January 1st 2011:

- Amendments to IAS 24 Related Party Disclosures The amended standard provides for exemptions from disclosures related to state-controlled entities and introduces a new definition of related parties.
- Amendments to IAS 32 Financial Instruments: Presentation The new standard pertains to the classification of rights issues.
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amended interpretation modifies the principles of recognition of prepaid contributions.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The new interpretation addresses the issue of settling financial liabilities with entity's own equity instruments. Pursuant to the interpretation, the entity's equity instruments issued to extinguish a liability are measured at their fair value. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss.
- IFRS 1 First-Time Adoption of International Financial Reporting Standards. Pursuant to the amendment, companies which in 2010 adopt IFRSs for the first time are exempt from the obligation to disclose comparative data for fair value of financial instruments, to the extent required under IFRS 7.
- Improvements to IFRSs - a collection of amendments drawn up as part of introducing annual improvements to the Standards, published on May 6th 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, and IFRIC 13), aimed chiefly at eliminating any inconsistencies and clarification of wording, endorsed by the EU on February 18th 2011.

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

Standards and interpretations which have been published by the IASB but have not been endorsed for use by the European Union:

- IFRS 9 Financial Instruments. The International Accounting Standards Board has launched a project plan for the replacement of IAS 39 with a new standard on financial instruments, with a view to simplifying the requirements for financial instruments. The project plan will be implemented in three phases. The new standard is effective for financial statements prepared for periods beginning on January 1st 2013;
- Amendment to IFRS 1 First-Time Adoption of IFRS. The amended standard provides for severe hyperinflation and removal of fixed dates for first-time adopters. The new standard is effective for financial statements prepared for periods beginning on or after July 1st 2011;
- Amendments to IFRS 7 Financial Instruments: Disclosures. The amendment pertains to the transfer of financial assets. The new standard is effective for financial statements prepared for periods beginning on or after July 1st 2011;

- Amendments to IAS 12 Deferred Tax The amendment is effective for financial statements prepared for periods beginning on or after January 1st 2012.

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

*Draft standards and interpretations published by the International Accounting Standards Board:*

- IFRS 9 Financial Instruments. The IASB has published the second out of three documents, which are to replace the currently effective IAS 39. The document focuses on amortised cost and impairment. The draft standard also suggests how to simplify, in practice, the application of requirements contained therein.
- IFRS 37 Provisions, Contingent Liabilities and Contingent Assets – Under the draft standard, the amount of a liability should be determined as the present value of the resources required to fulfil the obligation. Changes in the carrying amount of a liability resulting from the passage of time, which are to be reflected in the measurements performed as at subsequent balance-sheet dates, should be recognised as interest (borrowing costs).

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

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

### **2.3 Correction of Errors and Changes in Accounting Policies**

No corrections of material errors affecting the comparative data for prior periods were made in these interim condensed consolidated financial statements.

During the period covered by these financial statements, there were no changes in the applied accounting policies.

### **2.4 Functional Currency and Presentation Currency of the Financial Statements and Rules Adopted to Translate Financial Data**

#### **2.4.1 Functional Currency and Presentation Currency**

The functional currency of the Parent Undertaking and the presentation currency of these interim condensed consolidated financial statements and interim condensed separate financial statements is the Polish złoty, and all amounts are expressed in thousands of Polish złoty (unless indicated otherwise).

For the purpose of consolidation, financial statements of foreign branches are translated into the złoty as follows:

- assets and liabilities of each presented statement of financial position (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.

## 2.4.2 Rules adopted to translate financial data

- net revenue from sales of products, goods 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 Q1 2011 were calculated using the average EUR exchange rate based on the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland for the last day of the individual months, i.e. PLN 3.9742;

- net revenue from sales of products, goods 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 Q1 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 3.9669;

- total assets, liabilities and provisions for liabilities, non-current liabilities, current liabilities, equity and share capital as at March 31st 2011 were calculated using the EUR mid-exchange rate effective for that date (March 31st 2011), i.e. PLN 4.0119;

- total assets, liabilities and provisions for liabilities, non-current liabilities, current liabilities, equity and share capital as at March 31st 2010 were calculated using the EUR mid-exchange rate effective for that date (March 31st 2010), i.e. PLN 3.8622;

- 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.

## 2.5 Selected notes to the financial statements

### 2.5.1 Sales revenue

Item	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
Natural gas, crude oil and fuels	144,910	91,252
Water	71,083	127,878
Residential and industrial construction	134,040	220,977
Roads	123,111	12,903
Other	4,491	16,014
<b>Total sales revenue</b>	<b>477,635</b>	<b>469,024</b>

Table 2.5.1 contains data after consolidation eliminations.

### 2.5.2 Costs by type

Item	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
Depreciation/amortisation	11,244	11,588
Materials and energy used	76,367	76,348

Contracted services	278,864	288,009
Taxes and charges	3,973	5,471
Employee benefits	59,483	54,628
Other costs by type	20,759	6,904
<b>Costs by type</b>	<b>450,690</b>	<b>442,948</b>
Goods for resale and materials sold	2,247	2,974
Change in products, production in progress (-)	(3,624)	(747)
Cost of products and services for own needs	(96)	-
<b>Cost of products and services sold</b>	<b>449,217</b>	<b>445,175</b>

### 2.5.3 Other operating income

Item	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
Reversals of impairment losses on receivables	2,969	14,244
Reversals of impairment losses on inventories	1	4
Release of unused provisions	419	186
Fines and damages received	1,751	1,717
Subsidies	241	256
Lease revenue	1,180	1,144
Reimbursement of court expenses	222	-
Past due liabilities	899	-
Other income	365	841
<b>Total other operating income</b>	<b>8,047</b>	<b>18,392</b>

### 2.5.4 Other operating expenses

Item	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
Loss on disposal of non-financial non-current assets	62	59
Impairment losses on receivables	326	4,051
Impairment losses on inventories	-	8
Cost of legal/ court proceedings	157	-
Cost of maintenance of investments	730	-
Fines and damages paid	309	14,436
Donations granted	551	117
Other expenses	1,196	1,050
<b>Total other operating expenses</b>	<b>3,340</b>	<b>19,721</b>

### 2.5.5 Finance income

Item	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
<b>a) Interest</b>	<b>8,256</b>	<b>13,186</b>

- on loans advanced	4,955	5,420
- from banks	1,500	3,402
- on bonds/notes	1,445	569
- other	356	3,795
<b>b) Other</b>	<b>3,933</b>	<b>2,844</b>
- foreign exchange gains	565	-
- losses on discounting long-term receivables	658	-
- fees for sureties issued	75	107
- revenues from financial-market transactions	2,462	2,732
- other	173	5
<b>Total finance income</b>	<b>12,189</b>	<b>16,030</b>

### 2.5.6 Finance expenses

Item	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
<b>a) Interest and bank fees</b>	<b>19,246</b>	<b>16,382</b>
- on contracted loans	93	292
- interest and fees on bank loans	7,627	5,351
- on bonds/notes	11,084	9,988
- other	442	751
<b>b) Other finance expenses</b>	<b>24</b>	<b>747</b>
- foreign exchange losses	-	418
- losses on discounting long-term receivables	-	7
- other	24	322
<b>Total finance expenses</b>	<b>19,270</b>	<b>17,129</b>

### 2.5.7 Profit/loss on investments

Item	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
<b>a) Gain/loss on investments in related undertakings</b>	<b>3,957</b>	-
- disposal of Gdyńska Project Sp. z o.o. (subsidiary)	3,957	-
<b>b) Gain/loss on disposal of shares held</b>	-	-
<b>Profit/loss on investments</b>	<b>3,957</b>	-

## 2.6 Operating Segments

In distinguishing operating segments, the Management Board is guided by the product lines, representing the main services and goods provided by the Group. Each segment 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 PBG Group's primary segment reporting format is business segments. The Group distinguishes the following key 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 roads segment:**
  - road construction

The PBG Group also distinguishes an additional segment called "Other", under which it recognises 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

**PBG Group**

**Qsr1/2011** (all figures in PLN '000, unless indicated otherwise)

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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.



## OPERATING SEGMENTS – DATA FOR THE PERIOD JANUARY 1ST– MARCH 31ST 2011

Item	Segments				Other natural gas, crude oil and fuels	Consolidated water
	natural gas, crude oil and fuels	water	industrial and residential construction			
<i>Financial highlights for the operating segments for the period January 1st–March 31st 2011</i>						
<b>Total revenue</b>	<b>144,910</b>	<b>71,083</b>	<b>134,040</b>	<b>Total revenue</b>	<b>144,910</b>	<b>71,083</b>
External sales	144,910	71,083	134,040	External sales	144,910	71,083
Inter-segment sales	-	-	-	Inter-segment sales	-	-
<b>Total costs and expenses</b>	<b>(118,128)</b>	<b>(55,887)</b>	<b>(123,915)</b>	<b>Total costs and expenses</b>	<b>(118,128)</b>	<b>(55,887)</b>
<b>Segment result</b>	<b>26,782</b>	<b>15,196</b>	<b>10,125</b>	<b>Segment result</b>	<b>26,782</b>	<b>15,196</b>
Unattributed cost	x	x	x	Unattributed cost	x	x
Other operating income/expenses	x	x	x	Other operating income/expenses	x	x
Share in profit of undertakings consolidated with equity method	x	x	x	Share in profit of undertakings consolidated with equity method	x	x
<b>Operating profit</b>	x	x	x	<b>Operating profit</b>	x	x
Finance income	x	x	x	Finance income	x	x
Finance expenses	x	x	x	Finance expenses	x	x
Share in profit of undertakings consolidated with equity method	x	x	x	Share in profit of undertakings consolidated with equity method	x	x
Profit/loss on investments	x	x	x	Profit/loss on investments	x	x
<b>Pre-tax profit</b>	x	x	x	<b>Pre-tax profit</b>	x	x

**PBG Group**

*Qsr1/2011 (all figures in PLN '000, unless indicated otherwise)*

Income tax	x	x	x	Income tax	x	x
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**OPERATING SEGMENTS – DATA FOR THE PERIOD JANUARY 1ST– MARCH 31ST 2010**

Item	Segments				Other natural gas, crude oil and fuels	Consolidated water
	natural gas, crude oil and fuels	water	industrial and residential construction			
<i>Financial highlights of operating segments for the period January 1st–March31st 2010</i>						
<b>Total revenue</b>	<b>91,252</b>	<b>127,878</b>	<b>220,977</b>	<b>Total revenue</b>	<b>91,252</b>	<b>127,878</b>
External sales	91,252	127,878	220,977	External sales	91,252	127,878
Inter-segment sales	-	-	-	Inter-segment sales	-	-
<b>Total costs and expenses</b>	<b>(73,855)</b>	<b>(118,349)</b>	<b>(199,446)</b>	<b>Total costs and expenses</b>	<b>(73,855)</b>	<b>(118,349)</b>
<b>Segment result</b>	<b>17,397</b>	<b>9,529</b>	<b>21,531</b>	<b>Segment result</b>	<b>17,397</b>	<b>9,529</b>
Unattributed cost	X	X	X	Unattributed cost	X	X
Other operating income/expenses	X	X	X	Other operating income/expenses	X	X
<b>Share in profit of undertakings consolidated with equity method</b>	X	X	X	<b>Share in profit of undertakings consolidated with equity method</b>	X	X
<b>Operating profit</b>	X	X	X	<b>Operating profit</b>	X	X
Finance income	X	X	X	Finance income	X	X

**PBG Group****Qsr1/2011** (all figures in PLN '000, unless indicated otherwise)

Finance expenses	X	X	X	Finance expenses	X	X
Share in profit of undertakings consolidated with equity method	X	X	X	Share in profit of undertakings consolidated with equity method	X	X
Profit/loss on investments	X	X	X	Profit/loss on investments	X	X
<b>Pre-tax profit</b>	X	X	X	<b>Pre-tax profit</b>	X	X
Income tax	X	X	X	Income tax	X	X
<b>Net profit</b>	X	X	X	<b>Net profit</b>	X	X

## **2.7 PBG Group's most significant achievements or failures in Q1 2011, and key related events**

In Q1 2011, the PBG Group's net revenue from sales of products, goods for resale and materials was PLN 477,635, with gross profit on sales at PLN 55,269 thousand.

The following construction contracts were the key sources of Group's revenues from core business in Q1 2011:

- a. Design and turnkey delivery of complete system for the Lubiatów-Międzychód-Grotów crude oil and natural gas production facility as part of the LMG Project – Central Facility, well-adjacent zones, pipelines etc.; contract executed by PGNiG S.A. and PBG S.A.; recognised revenue: PLN 72,640 thousand.
- b. Construction of A4 Motorway Tarnów-Rzeszów between the Krzyż and Dębica Pustynia nodes, km 502+797,96 to km 537+550; contract executed by Generalna Dyrekcja Dróg Krajowych i Autostrad Rzeszów Branch and Hydrobudowa Polska S.A.; recognised revenue: PLN 68,047 thousand.
- c. Construction of multi-purpose National Stadium in Warsaw, with auxiliary infrastructure; contract executed by Narodowe Centrum Sportu and Hydrobudowa Polska S.A.; recognised revenue: PLN 60,114 thousand.
- d. Construction of wastewater transmission system from left-bank Warsaw to Czajka Sewage Treatment Plant – Phase II, delivery of the Zakład Farysa facilities, siphon crossing under the Vistula, facilities of Zakład Świderska, and right-bank trunks; contract executed by Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji of Warsaw and Przedsiębiorstwo Robót Górniczych Metro Sp. z o.o.; recognised revenue: PLN 38,691 thousand.
- e. Construction of surface infrastructure for the Wierzchowice Underground Gas Storage Facility; contract executed by PGNiG S.A. and PBG S.A.; recognised revenue: PLN 37,200 thousand.
- f. Modernisation of Jarosław II Compressor Plant; contract executed by Control Process S.A. and PBG S.A.; recognised revenue: PLN 16,376 thousand.
- g. Construction of Arena Bałtycka football stadium in Gdańsk Letnica; contract executed by the Municipality of Gdańsk and Hydrobudowa Polska S.A.; recognised revenue: PLN 15,560 thousand.
- h. Construction of the Malczyce barrage on the Oder river; contract executed by Maxer S.A. w upadłości (in bankruptcy) and PBG S.A.; recognised revenue: PLN 11,920 thousand.
- i. Design and construction of waste neutralisation facility in Gdańsk Szadółki – construction and assembly works; contract executed by Zakład Utylizacji Sp. z o.o. of Gdańsk and Hydrobudowa Polska S.A.; recognised revenue: PLN 11,536 thousand.
- j. Delivery and construction of underground steel fuel storage tanks in reinforced concrete enclosures – Modernisation and extension of storage facilities for propellants and lubricants; contract executed by Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego and PBG S.A.; recognised revenue: PLN 10,597 thousand.

**Key events related to the PBG Group's material achievements and failures reported by the Parent Undertaking in current reports in Q1 2011.**

## **INVESTMENT PROJECT AGREEMENTS**

### **Execution of an annex to the PGE Arena Gdańsk football stadium construction contract**

On January 20th 2011, the Management Board of Hydrobudowa Polska S.A. acting on behalf of Consortium consisting of:

- HYDROBUDOWA POLSKA S.A. – Consortium leader,
- HYDROBUDOWA 9 S.A. – Consortium partner,
- ALPINE BAU DEUTSCHLAND AG – Consortium partner,
- ALPINE BAU GmbH – Consortium partner,
- ALPINE Construction Polska Sp. z o.o. – Consortium partner,

executed an annex to the contract of April 10th 2009 with the Municipality of Gdańsk, represented by Biuro Inwestycji Euro Gdańsk 2012, for the second stage of construction works on the Arena Bałtycka football stadium in Gdańsk Letnica.

The annex stipulates April 30th 2011 as the contract completion date.

Extension of the contract completion date was dictated by changes in the scope of works and adverse weather conditions that prohibited the performance of most of the critical works scheduled. In addition, completing installations on the playing field and laying down a grass pitch in winter would not be advisable.

Execution of annex to the contract of April 20th 2009, for the second stage of construction works on the Baltic Arena Football Stadium in Gdańsk Letnica was communicated in PBG's Current Report No. 18/2009 of April 10th 2009.

### **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 Consortium of Saipem S.A. – 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 S.A. cancelled the construction of the ORV system under the contract for 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.

### **Execution of a material contract for the delivery of Task 2 under the project involving construction of a road connection between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego.**

## **PBG Group**

**QSR1/2011** (all figures in PLN '000, unless indicated otherwise)

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On March 11th 2011, a consortium led by HYDROBUDOWA POLSKA S.A., comprising PBG S.A., APRIVIA S.A. and OBRASCÓN HUARTE LAIN S.A. (OHL), and the Municipality of Gdańsk executed a contract for the Road connection between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego – task 2, ulica Potokowa–Aleja Rzeczypospolitej section (total length of 3.32 kilometres). The agreed contract price is PLN 129,300 thousand VAT-exclusive. OHL will deliver and take responsibility for 50% of the contracted works while the other consortium members, PBG Group member companies, will deliver and take responsibility for the other 50%.

The consortium agreed to complete the works within 20 months of the contract award.

The performance bond has been set at 10% of the VAT-inclusive contract price.

The total value of contractual penalties may not exceed 10% of the VAT-inclusive contract price. The penalty for a delay on the contract has been set at 0.05% of the VAT-inclusive contract price:

- a) for each day of delay, understood as a period which has lapsed between the scheduled completion time and the actual completion time as specified in the handover certificate,
- b) for each day of delay in the delivery of a milestone on a deadline specified in the Terms of Reference in the amount of 0.05% of the VAT-inclusive contract price.

The payment of contractual penalties, if any, does not release the consortium from its obligation to complete the works or a part thereof within the time frames specified in the contract nor from any other obligation, commitment, responsibility or liability that may arise under the contract. The principal holds the right to pursue a claim for damages on general terms if the value of a damage, if any, exceeds the amount of the contractual penalties.

The contract is considered material based on the equity criterion.

## **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 the 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.

#### **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, executed on June 5th 2007 between PBG Group companies: 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.

#### **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 S.A. reduced the guarantee facility granted to the member companies of the PBG Group, namely PBG S.A., Hydrobudowa Polska S.A., Hydrobudowa 9 S.A., and to Infra S.A., 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 Euler Hermes S.A. for provision of contract related guarantees**

On February 25th 2011, the PBG Management Board executed an annex to the agreement of September 28th 2007 for provision of contract-related guarantees under a revolving credit facility.

Under the annex, executed between members of the PBG Group (PBG S.A., Hydrobudowa Polska S.A. and Hydrobudowa 9 S.A.) and Towarzystwo Ubezpieczeń Euler Hermes S.A.:

- 1) the renewable limit under the guarantee facility has been raised from PLN 100,000 thousand to PLN 120,000 thousand,
- 2) the maximum amount of a single guarantee issued under the limit has been raised from PLN 10,000 thousand to PLN 11,000 thousand,
- 3) the period for which TUiR Euler Hermes S.A. has committed to provide contract guarantees (bid bonds, performance bonds, maintenance bonds and advance payment bonds) has been extended until December 31st 2011.

Other material terms and conditions of the agreement remain unchanged.

#### **Appointment of the auditor**

The PBG Management Board hereby reports that the Company's Supervisory Board, during a meeting held on March 29th 2011, acting pursuant to Par. 36.2a of the Articles of Association, and having considered the

recommendation issued by the Audit Committee, appointed Grant Thornton Frąckowiak Sp. z o.o. as the auditor of the separate financial statements of PBG S.A. and consolidated financial statements of the PBG Group for the years 2011, 2012, and 2013.

## **2.8 Non-recurring factors and events with material bearing on consolidated financial results**

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

In the 2011 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 construction 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 2011 result on derivatives **(both open and closed)**, as recognised in the consolidated income statements as at March 31st 2011, amounted to PLN **534 thousand**, of which:

- PLN 277 thousand reduced sales revenue,
- PLN 338 thousand reduced cost of sales,
- PLN 473 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 16,248 thousand (H2 2011: EUR 7,767 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 3.72/EUR 1.

According to data provided by the banks, as at March 31st 2011, the fair value of **open hedge positions** for EUR-denominated cash flows was negative at PLN -9,308 thousand.

The PBG Group hedges its EUR-denominated cash flows (cost of sales) with open positions on the currency market, in an amount of EUR 14,921 thousand for 2011 (H2 2011: EUR 14,160 thousand). The relevant transactions were concluded at the weighted average forward exchange rate of PLN 3.95/EUR 1.

According to data provided by the banks, as at March 31st 2011, the carrying value of **open hedge positions** for EUR-denominated cash flows was PLN 1,546 thousand.

The PBG Group hedges its USD-denominated cash flows (cost of sales) with open positions on the currency market, in the amount of USD 186 thousand for H2 2011. The relevant transactions were concluded at the weighted average forward exchange rate of PLN 3.03/USD 1.

According to data provided by the banks, as at March 31st 2011, the carrying value of **open hedge positions** for USD-denominated cash flows was negative at PLN -27 thousand.

As at March 31st 2011, the fair value **of open derivative positions** was negative at PLN **-5,513** thousand, of which PLN -7,789 thousand related to the fair value of cash flow hedges, and PLN 2,276 thousand related to 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.

## **2.9 Seasonality or cyclicity of the Company's operations in the reporting period**

Due to the nature of the Company's operations (construction and assembly services), the performance of works is determined chiefly by weather conditions. Low temperatures hinder earthworks and assembly, which may significantly affect the Group's sales revenue.

PBG Group's strategy is aimed at securing high single-value contracts. This will facilitate elimination of seasonal changes in sales revenue, also ensuring more balanced stream of revenue throughout the financial year.

## **2.10 Total and per share dividend declared or paid, on ordinary and preference shares**

The PBG Supervisory Board issued a positive opinion on the Management Board's proposal to distribute the 2010 net profit of PLN 20,013 thousand (twenty million and thirteen thousand zloty) as dividend of PLN 1.40 per share.

## **2.11 Events subsequent to March 31st 2011, undisclosed in these statements, which may materially affect future consolidated financial results of the PBG Group and separate financial results of PBG S.A.**

## **MERGERS, ACQUISITIONS, ESTABLISHMENT OF NEW SUBSIDIARIES**

### **DISPOSAL OF SUBSIDIARIES**

### **INVESTMENT PROJECT AGREEMENTS**

#### **Execution of a material contract for construction of a sports and entertainment arena in Toruń**

The Management Board of Hydrobudowa Polska S.A. reported that on April 7th 2011, a Consortium consisting of:

1. Hydrobudowa Polska S.A. – Consortium leader,
2. PBG S.A. – Consortium partner,

executed a contract with Municipality of Toruń for construction of a sports and entertainment arena with accompanying infrastructure in Toruń.

The agreed remuneration is PLN 99,019 thousand (VAT exclusive).

The consortium agreed to complete the works within 550 calendar days of the contract execution date.

The performance bond has been set at 5% of the VAT-inclusive contract price.

The parties further agreed on the following percentage-based division of work:

- 1) Hydrobudowa Polska S.A. as the consortium leader will deliver 50% of the works under the project and will be responsible for work coordination,
- 2) PBG S.A. as a consortium partner will deliver 50% of the scope of work under the project.

## **AGREEMENTS WITH FINANCIAL INSTITUTIONS**

### **Annex to the framework credit facility agreement and guarantee agreement with Banco Espírito Santo de Investimento S.A.**

On April 4th 2011, the PBG Management Board executed an annex to the framework agreement of August 20th 2010, concerning various credit facilities, executed between the PBG Group companies, including PBG S.A., Hydrobudowa Polska S.A., Hydrobudowa 9 S.A., and Aprivia S.A., and the Polish Branch of Banco Espírito Santo de Investimento S.A. Pursuant to the annex, PRG Metro Sp. z o.o. became party to the agreement and a guarantor under the guarantees provided by the other PBG Group companies to secure the discharge of obligations under the agreement. Under the annex, a line of credit of up to PLN 200,000 thousand was granted by the Bank to the companies, and the availability period of the lending products was extended until March 28th 2012.

Concurrently, an annex to the guarantee agreement with the Polish Branch of Banco Espírito Santo de Investimento S.A. was executed, whereby the companies made a representation on submission to enforcement for up to PLN 300,000 thousand (three hundred million złoty), including late payment interest accruing from the date of issuing a writ of execution until the date of payment, with the Bank being entitled to request for an enforcement clause be attached to the writ of execution until March 28th 2022. Moreover, the validity period of the issued guarantee was extended until March 28th 2020.

The other terms of the agreement remained unchanged.

## **OTHER**

### **Change of name and form of incorporation of Złotowska 51 Sp. z o.o.**

On April 1st 2011, Złotowska 51 Sp. z o.o. was transformed into Spółka Komandytowo Akcyjna (partnership limited by shares) PBG Dom Invest X Sp. z o.o. Złotowska 51 S.K.A.

### **Disposal of shares in Budownictwo Naftowe Naftomontaż Sp. z o.o.**

On April 7th 2011, the Parent Undertaking PBG S.A. executed a share sale contract with PGNiG Technologie Sp. z o.o., whereby PBG S.A. sold all 3,500 (three thousand five hundred) of its shares in Budownictwo Naftowe Naftomontaż Sp. z o.o. of Krosno, with par value of PLN 1,000.00 per share.

### **Combination of KRI S.A. and CP Energia S.A.**

On April 7th 2011, the General Shareholders Meeting of CP Energia S.A. approved the combination of KRI S.A. and CP Energia S.A.

The combination was effected by way of contribution of 100% of KRI S.A. shares to CP Energia S.A., as agreed by both companies. The General Shareholders Meeting of CP Energia S.A. resolved to issue new J Series shares in CP Energia S.A. and award them to the existing shareholders of KRI S.A., in exchange for the contribution of shares in KRI S.A.

As a result of the share capital increase, the existing shareholders of KRI S.A. will hold the right to 65% of votes at the General Shareholders Meeting of CP Energia S.A.

In order to sustain further development of the combined entity, the Extraordinary General Shareholders Meeting of CP Energia S.A. resolved to increase share capital by way of issue of new Series K shares with a par value of PLN 1 per share and with pre-emptive rights. The proceeds from the issue of shares are planned at PLN 50m. The resolution of the General Shareholders Meeting related to Series K shares issue will become effective following the registration of contribution shares.

CP Energia S.A. plans to simultaneously introduce J Series shares and K Series shares to trading on the WSE regulated market by December 31st 2011.

Following the transaction, PBG S.A. holds a 19.97% interest in CP Energia S.A.

#### **Letter of Intent regarding cooperation with OHL S.A.**

On April 7th 2011, the PBG Management Board executed a Letter of Intent with Obrascón Huarte Lain S.A. The Letter of Intent provides for a close cooperation between the Parties with a view to fostering development and expansion of their operations in foreign oil and gas markets. The Parties declared their intent to enter into cooperation in the oil and gas sector, including the construction of oil and gas processing units, pipelines, and oil and fuel tanks, first in Mexico, Brazil and other South American countries. The Parties will assess the possibilities of expansion into other South American markets where OHL has been present, such as Mexico, Bolivia, Peru, Ecuador and Columbia, following the assessment of conditions for entry into those markets and for the provision of services. Moreover, the Parties declared their intent to enter into cooperation regarding the construction of transport infrastructure, civil engineering and other specialist construction projects in Africa, Russia, Turkmenistan, Uzbekistan and Kazakhstan.

The Letter of Intent will remain in force for 12 months from its execution, and is considered as the continuation of cooperation between PBG S.A. and OHL S.A., reported by the Company in Current Report No. 49/2010 of September 15th 2010, No. 50/2010 of September 21st 2010 and No. 65/2010 of December 29th 2010.

#### **Negotiations with OHL**

On May 12th 2011, the Management Board of PBG S.A. reported that PBG S.A. and OBRASCÓN HUARTE LAIN CONSTRUCCIÓN INTERNACIONAL S.L. (OHL) made a joint decision to suspend negotiations on a planned disposal of PBG S.A.'s shares in subsidiary undertakings Hydrobudowa Polska S.A. and Aprivia S.A. A regular decrease of value of construction companies listed on WSE has been observed recently (WIG Budownictwo index eroded by 21% from the peak recorded in September until today), which affected the market valuation of HYDROBUDOWA shares, compared to their valuation at the beginning of negotiations between PBG and OHL.

Although the negotiations have been put on hold, both parties remain interested in executing the transaction, by which OHL will acquire 51% of shares in HYDROBUDOWA and 50.1% of shares in APRIVIA, for a total amount of PLN 506m; including 107,384,807 of HYDROBUDOWA shares for PLN 431,000 thousand and 36,068,525 of APRIVIA shares for PLN 75,000 thousand. PBG and OHL intend to continue their negotiations when the market valuation of HYDROBUDOWA shares returns to the level considered by the parties when they began the negotiations.

## 2.12 Representation of the Management Board on achievement of previous forecasts for the financial year, taking into account actual results published in the condensed consolidated and separate quarterly reports

The Management Board of the Parent Undertaking represents that based on the results published in the interim condensed consolidated and interim condensed separate quarterly reports, the Board has decided to uphold its opinion that the forecast for 2011 will be achieved as planned, and the results presented for the quarter confirm that these forecasts are achievable.

## 2.13 Shareholders holding, directly or indirectly through subsidiaries, 5% or more of the total vote at the General Shareholders Meeting of PBG S.A. as at the date of release of this report

Shareholders holding 5% or more of the total vote at the General Shareholders Meeting of PBG S.A., directly or indirectly through subsidiaries, as at the date of release of the consolidated quarterly report, including the number of shares held by these entities, percentage share in share capital, number of votes carried by these shares and their percentage share in the total vote at the General Shareholders Meeting, as well as changes in the structure of ownership of large blocks of PBG S.A. shares after the date of release of the previous consolidated quarterly report – based on the information held by the Parent Undertaking.

Shareholder	Number of shares	Total par value (PLN)	% of share capital	% of total vote
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 S.A.	3,459,824 ordinary shares	3,459,824	24.20%	19.18%

### Changes in the Company's shareholder structure in the reporting period

#### Change in the number of Company shares held by a 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 S.A. 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 S.A. 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 PLPBG0000052 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 S.A. shares**

In the period from January 28th to March 8th 2011, Pioneer Pekao Investment Management S.A. (PPIM) acquired PBG S.A. 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 17.11% of the total vote at PBG S.A.'s General Shareholders Meeting.

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

In performance of the investment fund portfolio management agreement between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. 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 S.A. 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.

#### **Changes in the Company's shareholder structure subsequent to March 31st 2011:**

##### **Increase in Pioneer Pekao Investment Management S.A.'s holding of PBG S.A. shares**

On April 21st 2011, Pioneer Pekao Investment Management S.A. (PPIM) acquired PBG S.A. shares, as a result of which 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 19.18% of the total vote at PBG S.A.'s General Shareholders Meeting.

Moreover, in performance of the investment fund portfolio management agreement between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and Pioneer Pekao Investment Management (PPIM), PPIM reported 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 Zabezpieczonego Rynku Polskiego Specjalistyczny Fundusz Inwestycyjny Otwarty (Pioneer Secured Polish Market Specialised Open-End Investment Fund),

that the shareholdings held by the above funds in PBG S.A., as regards shares included in their portfolios managed by PPIM in performance of its investment fund portfolio management services, increased to 19.09% of the total vote at PBG S.A.'s General Shareholders Meeting.

#### **2.14 Changes in ownership of the company shares or rights to shares (options) held by members of the Management Board and Supervisory Board of PBG S.A.**

Changes in the ownership of the Company shares or rights to the Company shares (options) held by members of the Management Board and the Supervisory Board of PBG S.A. after the date of release of the previous report for 2010, based on the information held by the Parent Undertaking as at **May 12th 2010**.

Item	Number of shares	
	As at the date of release of the previous report for 2010: <b>March 17th 2011</b>	As at the date of release of the report for Q1 2011: <b>May 12th 2011</b>
<u>Members of the Management Board:</u>		
Przemysław Szkudlarczyk	4,500	4,500
Tomasz Tomczak	3,250	3,250
Tomasz Woroch	1,778	1,778
Mariusz Łożyński	3,553	3,553
<u>Members of the Supervisory Board:</u>		
Maciej Bednarkiewicz	-	-
Małgorzata Wiśniewska	3,279	3,279
Dariusz Sarnowski	-	-
Adam Strzelecki	-	-
Marcin Wierzbicki	-	-

**2.15 Proceedings pending before court, arbitration court or public administration authorities, including the following information:**

a) proceedings relating to payables or receivables of the Company or its subsidiary, equalling at least 10% of the Company's equity, specifying: subject matter of the proceedings, value of the claim, date of institution of the proceedings, parties to the proceedings, and the Company's position;

b) two or more proceedings relating to payables or receivables with a total value equalling at least 10% of the Company's equity, specifying the total value of proceedings separately for payables and receivables, as well as the Company's position, and – for the most significant proceedings relating to payables and receivables – specifying the subject matter of the proceedings, value of the claim, date of institution of the proceedings, and parties thereto.

The value of pending court proceedings instituted both by and against PBG S.A. and the PBG Group Companies does not exceed 10% of the Company's equity.

**2.16 Material related-party transactions**

**2.16.1 Related party transaction(s) executed by the Company or its subsidiary, of value exceeding the PLN equivalent of EUR 500,000**

In Q1 2011, there were certain transactions with related parties, whose value as of the beginning of the financial year exceeded the PLN equivalent of EUR 500,000. However, the transactions were typical and routine and entered into on an arm's-length basis, with their nature and terms determined by day-to-day operations of the Company and its subsidiaries.

#### **2.16.2 Transactions with non-consolidated related parties**

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.



**DATA ON RELATED PARTIES – SALES AND RECEIVABLES**

Item	Sales revenue		Receivables				
	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010		Jan 1–Mar 31 2011	Jan 1–Mar 31 2010		Jan 1–Mar 31 2011
<b>Sales to:</b>			<b>Sales to:</b>			<b>Sales to:</b>	
Other related parties	26,214	16,917	Other related parties	26,214	16,917	Other related parties	26,214
<b>Total</b>	<b>26,214</b>	<b>16,917</b>	<b>Total</b>	<b>26,214</b>	<b>16,917</b>	<b>Total</b>	<b>26,214</b>

**DATA ON RELATED PARTIES – PURCHASES AND LIABILITIES**

Item	Purchases (costs, assets)		Liabilities				
	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010		Jan 1–Mar 31 2011	Jan 1–Mar 31 2010		Jan 1–Mar 31 2011
<b>Purchases from:</b>			<b>Purchases from:</b>			<b>Purchases from:</b>	
Other related parties	86,300	29,328	Other related parties	86,300	29,328	Other related parties	86,300
<b>Total</b>	<b>86,300</b>	<b>29,328</b>	<b>Total</b>	<b>86,300</b>	<b>29,328</b>	<b>Total</b>	<b>86,300</b>

**DATA ON RELATED PARTIES - LOANS ADVANCED**

Item	Mar 31 2011		Mar 31 2010		Dec 31 2010		Item		Mar 31 2011	
	Total under agreement	Balance at balance-sheet date	Total under agreement		Total under agreement	Balance at balance-sheet date	Total under agreement		Total under agreement	Balance at balance-sheet date
<b>Loans advanced to:</b>			<b>Loans advanced to:</b>				<b>Loans advanced to:</b>			
Other related parties	48,408	59,182	58,580	Other related parties	27,549	59,182	58,580	Other related parties	27,549	59,182
<b>Total</b>	<b>48,408</b>	<b>59,182</b>	<b>58,580</b>	<b>Total</b>	<b>27,549</b>	<b>59,182</b>	<b>58,580</b>	<b>Total</b>	<b>27,549</b>	<b>59,182</b>

DATA ON RELATED PARTIES – LOANS RECEIVED

Item	Mar 31 2011		Mar 31 2010		Dec 31 2010		Item		Mar 31 2011	
	Total under agreement	Balance at balance-sheet date	Total under agreement		Total under agreement	Balance at balance-sheet date	Total under agreement		Total under agreement	Balance at balance-sheet date
<b>Loans received from:</b>			<b>Loans received from:</b>				<b>Loans received from:</b>			
Other related parties	-	-	-	Other related parties	-	-	-	Other related parties	-	-
<b>Total</b>	-	-	-	<b>Total</b>	-	-	-	<b>Total</b>	-	-

## **2.17 Issue, redemption and repayment of debt and equity securities**

In the first three months of 2011, the PBG Group did not issue or redeem any debt securities outside the Group.

## **2.18 Information on loan or borrowing sureties or guarantees issued by the Company or its subsidiaries, where the aggregate value of such outstanding sureties or guarantees issued to a single entity or its subsidiaries represents 10% or more of the Company's equity**

In Q1 2011:

- On January 19th 2011, the agreement for provision of contract-related guarantees under a revolving credit facility No. 2/2008/PO of April 2nd 2008 between PBG Group companies (PBG S.A., Hydrobudowa Polska S.A., Hydrobudowa 9 S.A., and Infra S.A. – outside of the Group) and Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A. was amended. The amendment provides for a reduction of guarantee limit granted by STU Ergo Hestia S.A. Pursuant to the agreement, the facility was reduced from PLN 120,000 thousand to PLN 100,000 thousand. Other provisions of the agreement remained unchanged.
- On January 24th 2011, an annex was executed to the credit facility agreement used to provide liquidity for day-to-day operations No. U/00910614330/0003/2007/4000 of April 27th 2007 between the PBG Group companies (PBG S.A., Hydrobudowa Polska S.A., Hydrobudowa 9 S.A., and Aprivia S.A.) and Bank Gospodarki Żywnościowej S.A. Under the annex, the amount of the facility was increased from PLN 120,000 thousand to PLN 125,000 thousand for the period until November 30th 2011 and the final repayment date for the entire facility was extended to December 30th 2019. As the repayment date was extended, the PBG Group companies submitted a representation on submission to enforcement for an amount of up to PLN 207,000 thousand, 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. Moreover, the security consisting in assignment of receivables under the contracts performed by the Group companies was reduced from 150% to 100% of utilised limit. Other provisions of the agreement remained unchanged.
- On February 1st 2011, an annex was executed to the agreement for the provision of contract guarantees within a renewable limit No. 40/07/849 of June 5th 2007 between PBG Group companies (PBG S.A., Hydrobudowa Polska S.A., Hydrobudowa 9 S.A.) and TUIR Allianz Polska S.A. The renewable limit under the guarantee facility is PLN 130,000 thousand. The annex extends, until December 31st 2011, the period in which TUIR Allianz Polska S.A. commits to issue to the Companies contract-related guarantees (bid bonds, performance bonds, defects liability bonds and advance payment guarantees). Other material terms of the agreement remain unchanged.

- On February 25th 2011, an annex was executed to the agreement for the provision of contract guarantees within a renewable limit No. 029/09/2007 of September 28th 2007 between PBG Group companies (PBG S.A., Hydrobudowa Polska S.A., Hydrobudowa 9 S.A.) and Towarzystwo Ubezpieczeń Euler Hermes S.A. The annex extends, until December 31st 2011, the period in which TUiR Euler Hermes S.A. commits to issue to the Companies contract-related guarantees (bid bonds, performance bonds, defects liability bonds and advance payment guarantees). Under the annex, the facility's limit was also increased from PLN 100,000 thousand to PLN 120,000 thousand, while the limit for a single guarantee was raised from PLN 10,000 thousand to PLN 11,000 thousand. Other material terms of the agreement remain unchanged.

## 2.19 Contingent assets and liabilities

Item	IFRS as at Mar 31 2011	IFRS as at Mar 31 2010	IFRS as at Dec 31 2010
<b>To non-consolidated related undertakings:</b>			
Loan and borrowing repayment surety	-	1,300	-
Trade and other payables repayment surety	443	29,015	305
Contract-related guarantee surety	-	-	16,282
<b>Total non-consolidated related undertakings</b>	<b>443</b>	<b>30,315</b>	<b>16,587</b>
<b>To other undertakings:</b>			
Loan and borrowing repayment surety	28,000	34,500	28,250
Trade and other payables repayment surety	311	1,220	1,490
Contract-related guarantee surety	18,433	2,054	2,207
Sureties for existing and future lease agreements	299	379	313
Performance bonds	741,160	610,358	736,655
Defects liability bonds	100,870	83,104	96,716
Bid-bond guarantees	63,655	63,181	34,120
Trade liability repayment guarantee	38,037	11,736	23,780
Advance payment bonds	271,867	144,069	282,236
Retention bonds	7,118	2,745	7,035
Other	373	-	373
<b>Total other related undertakings:</b>	<b>1,270,123</b>	<b>953,346</b>	<b>1,213,175</b>
<b>Total contingent liabilities</b>	<b>1,270,566</b>	<b>983,661</b>	<b>1,229,762</b>

From Q2 2007 onwards, eliminations on consolidation are made in the PBG 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 PBG Group Companies.

## 2.20 Other information which in the Company's opinion is material for the assessment of its personnel, assets, financial standing and financial result and their changes, or for the assessment of its ability to fulfil obligations

Except for the events referred to in the management discussion, in Q1 2011 no other material events occurred which could have any significant bearing on the assessment of the Group's assets, financial position and financial result or their changes, or which would be material for the assessment of the Group's staffing situation or its ability to fulfil obligations.

## **2.21 Factors with a bearing on the Company's results in the next quarter or in a longer term, according to the Company's assessment**

In Q2 2011, the Company will continue construction work under the executed contracts, the most important of which include:

- a. Design and turnkey delivery of complete system for the Lubiatów-Międzychód-Grotów crude oil and natural gas production facility as part of the LMG Project – Central Facility, well-adjacent zones, pipelines etc.; contract executed by PGNiG S.A. and PBG S.A.; planned revenue: PLN 114,860 thousand.
- b. Construction of multi-purpose National Stadium in Warsaw, with auxiliary infrastructure; contract executed by Narodowe Centrum Sportu and Hydrobudowa Polska S.A.; planned revenue: PLN 105,103 thousand.
- c. Construction of A4 Motorway Tarnów–Rzeszów between the Krzyż and Dębica Pustynia nodes, km 502+797,96 to km 537+550; contract executed by Generalna Dyrekcja Dróg Krajowych i Autostrad Rzeszów Branch and Hydrobudowa Polska S.A.; planned revenue: PLN 91,070 thousand.
- d. Construction of the Toruń–Stryków section of the A1 Motorway, subsection III (Brzezie–Kowal) from km 186+348 to km 215+850; contract executed by Generalna Dyrekcja Dróg Krajowych i Autostrad and Aprivia S.A.; planned revenue: PLN 62,373 thousand.
- e. Design and construction of waste neutralisation facility in Gdańsk Szadółki – construction and assembly works; contract executed by Zakład Utylizacji Sp. z o.o. of Gdańsk and Hydrobudowa Polska S.A.; planned revenue: PLN 52,884 thousand.
- f. Construction of the Toruń–Stryków section of the A1 Motorway, subsection I (Czerniewice–Odolin) from km 151+900 to km 163+300 and subsection II (Odolin–Brzezie) from km 163+300 to km 186+366; contract executed by Generalna Dyrekcja Dróg Krajowych i Autostrad and Aprivia S.A.; planned revenue: PLN 40,285 thousand.
- g. Construction of Arena Bałtycka football stadium in Gdańsk Letnica; contract executed by the Municipality of Gdańsk and Hydrobudowa Polska S.A.; planned revenue: PLN 27,962 thousand.
- h. Construction of surface infrastructure for the Wierzchowice Underground Gas Storage Facility; contract executed by PGNiG S.A. and PBG S.A.; planned revenue: PLN 24,801 thousand.
- i. Construction of high-efficiency cogeneration gas and steam unit by KGHM Polska Miedź S.A.; contract executed by KGHM S.A. and PBG S.A.; planned revenue: PLN 21,163 thousand.
- j. Reconstruction of Road No. 434, section from Road No. 36 to Śrem; contract executed by Wielkopolski Zarząd Dróg Wojewódzkich of Poznań and Przedsiębiorstwo Robót Inżynieryjno - Drogowych S.A.; planned revenue: PLN 21,023 thousand.

- k. 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; contract executed by Generalna Dyrekcja Dróg Krajowych i Autostrad and Aprivia S.A.; planned revenue: PLN 16,424 thousand.
- l. Construction of water supply and sewage infrastructure in Łęknice, Dziewiąty, Trzydziesty, Korzeniec, and Wzgórze Gołonoskie districts; contract executed by the Municipality of Dąbrowa Górnicza and KWG S.A.; planned revenue: PLN 15,890 thousand.
- m. Modernisation of Mosina water and sewage treatment plant, stage II; contract executed by Aquanet S.A. and Hydrobudowa 9 S.A.; planned revenue: PLN 15,833 thousand.

## 3. INTERIM CONDENSED FINANCIAL STATEMENTS OF PBG S.A. FOR Q1 2011

## FINANCIAL HIGHLIGHTS

Item	As at Mar 31 2011	As at Mar 31 2010	As at Dec 31 2010	As at Mar 31 2011	As at Mar 31 2010	As at Dec 31 2010
	PLN			EUR		
<b>Balance sheet</b>						
Assets	2,640,875	2,110,944	2,768,226	658,260	546,565	698,994
Non-current liabilities	889,893	482,553	911,205	221,813	124,943	230,085
Current liabilities	544,972	566,903	667,413	135,839	146,782	168,526
Share capital	14,295	14,295	14,295	3,563	3,701	3,610
Number of shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000	14,295,000
Book value per share (PLN/EUR)	84.37	74.26	83.22	21.03	19.23	21.01
Dividend per share declared or paid (PLN/EUR)	-	-	-	1.40	-	0.35
PLN / EUR exchange rate as at end of period				4.0119	3.8622	3.9603

Item	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
	PLN		EUR	
<b>Income statement</b>				
Sales revenue	163,787	110,825	41,213	27,937
Operating profit/(loss)	22,479	14,792	5,656	3,729
Pre-tax profit/(loss)	18,485	15,421	4,651	3,887
Net profit/(loss) from continuing operations	14,942	12,530	3,760	3,159
Net profit/(loss)	14,942	12,530	3,760	3,159
Earnings/(loss) per ordinary share (PLN/EUR)	1.05	0.88	0.26	0.22
Diluted earnings/(loss) per ordinary share (PLN/EUR)	1.05	0.88	0.26	0.22
PLN/EUR average exchange rate			3.9742	3.9669
<b>Cash flow statement</b>				
Net cash provided by/(used in) operating activities	(55,578)	29,387	(13,985)	7,408
Net cash provided by/(used in) investing activities	(93,055)	(220,468)	(23,415)	(55,577)
Net cash provided by/(used in) financing activities	(59,599)	(13,027)	(14,996)	(3,284)
Net change in cash and cash equivalents	(208,232)	(204,108)	(52,396)	(51,453)
PLN/EUR average exchange rate			3.9742	3.9669

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION OF PBG S.A.

Item	As at Mar 31 2011	As at Mar 31 2010	As at Dec 31 2010
<b>Assets</b>			
<b>Non-current assets</b>	<b>1,002,782</b>	<b>826,916</b>	<b>999,755</b>
Goodwill	1,606	1,606	1,606
Intangible assets	27,159	34,742	30,665
Property, plant and equipment	163,089	135,104	176,825
Non-regenerative natural resources	-	-	-
Investment property	58,505	8,175	58,505
Investments in subsidiary undertakings	455,821	432,597	455,590
Investments in associated undertakings	65,121	64,375	65,121
Receivables	9,621	7,049	10,350
Loans advanced	98,468	64,665	86,058
Financial derivatives	240	3,722	171
Other non-current financial assets	119,449	69,662	110,503
Deferred tax assets	-	-	486
Non-current prepayments and accrued income	3,703	5,219	3,875
<b>Current assets</b>	<b>1,638,093</b>	<b>1,284,028</b>	<b>1,768,471</b>
Inventories	4,955	16,927	4,844
Receivables under construction contracts	87,685	172,469	86,810
Trade and other receivables	557,585	204,093	572,948
Current income tax receivable	3,747	-	-
Loans advanced	559,865	503,264	507,715
Financial derivatives	3,585	1,591	187
Other current financial assets	151,893	50,649	122,515
Cash and cash equivalents	233,368	325,216	441,600
Current prepayments and accrued income	35,410	9,819	31,852
Non-current assets classified as held for sale	-	-	-
<b>Total assets</b>	<b>2,640,875</b>	<b>2,110,944</b>	<b>2,768,226</b>

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION OF PBG S.A. (CONTINUED)

Item	As at Mar 31 2011	As at Mar 31 2010	As at Dec 31 2010
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>1,206,010</b>	<b>1,061,488</b>	<b>1,189,608</b>
Share capital	14,295	14,295	14,295
Treasury shares			
Share premium account	733,348	733,348	733,348
Valuation of hedging transactions	1,525	(210)	65
Other equity	276,512	203,246	276,512
Retained earnings	180,330	110,809	165,388
- retained earnings/(deficit)	165,388	98,279	-
- net profit/(loss) for current year	14,942	12,530	165,388
<b>Liabilities</b>	<b>1,434,865</b>	<b>1,049,456</b>	<b>1,578,618</b>
<b>Non-current liabilities</b>	<b>889,893</b>	<b>482,553</b>	<b>911,205</b>
Loans, borrowings and other debt instruments	850,333	447,618	873,688
Finance lease	338	1,379	525



**PBG Group**

Qsr1/2011 (all figures in PLN '000, unless indicated otherwise)

Item (continued)	As at Mar 31 2011	As at Mar 31 2010	As at Dec 31 2010
Derivative financial instruments	-	667	412
Other liabilities	22,869	18,430	22,607
Deferred tax liabilities	2,818	765	-
Liabilities and provisions for employee benefits	322	271	322
Other non-current provisions	6,884	6,290	7,184
Government subsidies	-	-	-
Non-current accruals and deferred income	6,329	7,133	6,467
<b>Current liabilities</b>	<b>544,972</b>	<b>566,903</b>	<b>667,413</b>
Loans, borrowings and other debt instruments	43,286	240,262	62,813
Finance lease	1,344	1,218	1,303
Derivative financial instruments	315	394	41
Trade and other payables	469,342	262,883	544,962
Liabilities under construction contracts	23,952	53,813	31,233
Current income tax payable	-	1,193	19,401
Liabilities and provisions for employee benefits	4,259	3,878	5,552
Other current provisions	1,657	2,380	1,117
Government subsidies	-	-	-
Current accruals and deferred income	817	882	991
Liabilities associated with non-current assets held for sale	-	-	-
<b>Total equity and liabilities</b>	<b>2,640,875</b>	<b>2,110,944</b>	<b>2,768,226</b>

**INTERIM CONDENSED INCOME STATEMENT OF PBG S.A.**

Item	Q1 2011 Jan 1– Mar 31 2011	Q1 2010 Jan 1– Mar 31 2010
<i>Continuing operations</i>		
<b>Sales revenue</b>	<b>163,787</b>	<b>110,825</b>
Revenue from sales of products	-	-
Revenue from sales of services	163,728	108,473
Revenue from sales of goods for resale and materials	59	2,352
<b>Cost of sales</b>	<b>(137,248)</b>	<b>(90,810)</b>
Cost of products sold	-	-
Cost of services sold	(137,189)	(88,458)
Cost of goods for resale and materials sold	(59)	(2,352)
<b>Gross profit/(loss)</b>	<b>26,539</b>	<b>20,015</b>
Selling costs	-	-
General and administrative expenses	(6,629)	(6,147)
Other operating income	3,246	1,283
Other operating expenses	(677)	(359)
Costs of restructuring	-	-
<b>Operating profit/(loss)</b>	<b>22,479</b>	<b>14,792</b>
Finance income	17,641	14,551
Dividend income	-	-
Finance expenses	(21,635)	(13,922)
Other gains/(losses) on investments	-	-
<b>Pre-tax profit/(loss)</b>	<b>18,485</b>	<b>15,421</b>
Income tax	(3,543)	(2,891)
<b>Net profit/(loss) from continuing operations</b>	<b>14,942</b>	<b>12,530</b>
<i>Discontinued operations</i>		
Net loss on discontinued operations	-	-

Net profit/(loss)	14,942	12,530
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**NET EARNINGS (LOSS) PER ORDINARY SHARE**

Item	Q1 2011 Jan 1– Mar 31 2011	Q1 2010 Jan 1– Mar 31 2010
Net profit/(loss) from continuing operations	14,942	12,530
Net profit/(loss) from continuing and discontinued operations	14,942	12,530
Weighted average number of ordinary shares	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000
<i>from continuing operations</i>		
- basic	1.05	0.88
- diluted	1.05	0.88
<i>from continuing and discontinued operations</i>		
- basic	1.05	0.88
- diluted	1.05	0.88

**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

Item	Q1 2011 Jan 1– Mar 31 2011	Q1 2010 Jan 1– Mar 31 2010
<b>Net profit/(loss)</b>	<b>14,942</b>	<b>12,530</b>
<b>Other comprehensive income</b>		
Remeasurement of property, plant and equipment	-	-
<b>Available-for-sale financial assets:</b>		
- income/(loss) disclosed under other comprehensive income in period	-	-
- amounts transferred to profit or loss	-	-
<b>Cash-flow hedges:</b>		
- income/(loss) disclosed under other comprehensive income in period	<b>2,141</b>	<b>(254)</b>
- amounts transferred to profit or loss	(338)	<b>(179)</b>
- amounts included in the initial value of hedged items	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-
Income tax on items of other comprehensive income	(343)	<b>82</b>
Other comprehensive income after tax	1,460	(351)
<b>Comprehensive income</b>	<b>16,402</b>	<b>12,179</b>

**MANAGEMENT BOARD'S DISCUSSION OF PBG S.A.'S FINANCIAL PERFORMANCE IN Q1 2011****I. IMPORTANT EVENTS AND FACTORS WITH A BEARING ON THE FINANCIAL PERFORMANCE OF PBG S.A. IN Q1 2011**

Year on year, PGB S.A. reported a significant rise in sales revenue and generated improved net profit. Margins achieved at all levels of the P&L have remained very high, and are among the highest in the construction sector.

**1.1 In Q1 2011, PBG S.A. generated sales revenue of almost PLN 164m, and recorded gross profit of PLN 26.5m. Year on year, the Company's sales revenue grew by as much as 48%, and its gross profit rose by 33%. Operating profit closed at PLN 22.5m, while net profit exceeded PLN 14.9m. Year on year, the operating profit went up by 52% and net profit grew by 19%.**

**1.2** In Q1 2011, the following construction contracts were the key sources of revenue from Company's core business:

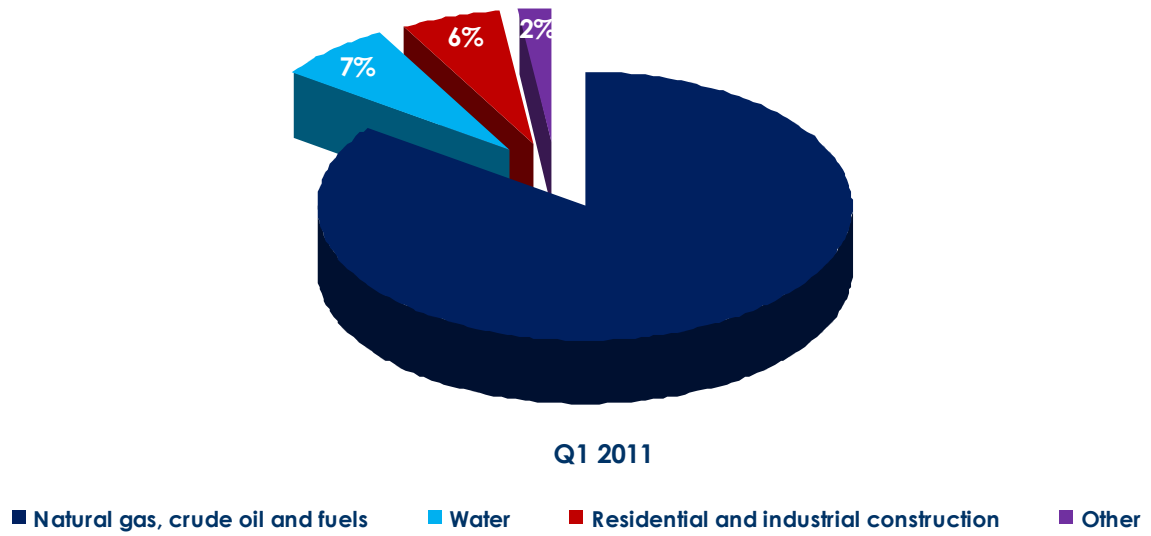
- 1) **Design and Turnkey Construction of Complete System for the Lubiatów-Międzychód-Grońów Crude Oil and Natural Gas Mine** as Part of the LMG Project – Central Facility, Well-Adjacent Zones, Pipelines etc.; contract executed between PGNiG S.A. and PBG S.A. Recognised revenue: **PLN 72.6m;**
- 2) **Construction of Surface Infrastructure for the Wierzchowice Underground Gas Storage Facility;** contract executed between PGNiG S.A. and PBG S.A. Recognised revenue: **PLN 37.2m;**
- 3) **Modernisation of Jarosław II Compressor Plant;** contract executed by Controll Process S.A. and PBG S.A. Recognised revenue: **PLN 16.4m;**
- 4) **Construction of the Malczyce barrage;** contract executed by Maxer S.A. and PBG S.A.; recognised revenue: **PLN 11.9m;**
- 5) **Delivery and construction of underground steel fuel storage tanks in reinforced concrete enclosures – Modernisation and extension of storage facilities for propellants and lubricants;** contract executed by Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego and PBG S.A.; recognised revenue: **PLN 10.6m.**

## **II. DISCUSSION OF REVENUE, INCOME, COSTS AND EXPENSES**

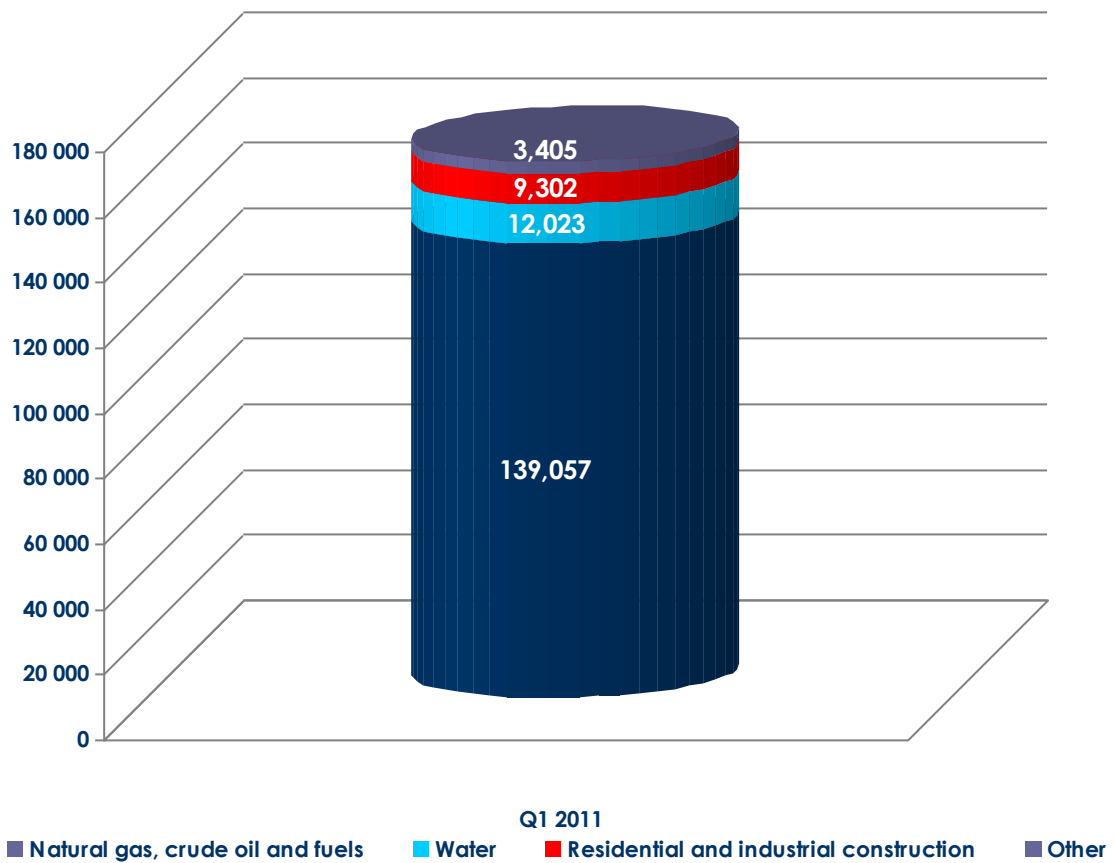
### **2.1 Sales Revenue**

PBG S.A.'s **sales revenue** for Q1 2011 reached almost **PLN 164m, up by 48% year on year. At 85%, the natural gas, crude oil and fuels segment** represented the largest proportion of the total sales revenue. **The second largest segment was the water segment.** In the period under review, the segment's share in total sales revenue was 7.3 %. **The industrial and residential construction segment** ranked third, with a **5.7% share in PBG S.A.'s total sales revenue. The segment "other"** represented only **2.1%** of PBG S.A.'s revenue.

PERCENTAGE SHARE OF PBG S.A.'S BUSINESS SEGMENTS IN SALES REVENUE FOR Q1 2011



SHARE OF PBG S.A.'S BUSINESS SEGMENTS IN SALES REVENUE FOR Q1 2011 (PLN '000)



2.2 Cost of Sales

In Q1 2011, **the cost of sales slightly exceeded PLN 137m and rose significantly (by 51%)** year on year. There was an increase in the **share of variable costs** in total sales revenue. The value of variable costs in Q1 2011 represented **83.8%** of revenue, having risen **by 1.8%** year on year.

### **2.3 General and Administrative Expenses**

**As at the end of Q1 2011**, general and administrative expenses **amounted to PLN 6.6m, having** increased by a mere PLN 0.5m year on year (up 8%). **In the analysed period, the share of general administrative expenses in sales revenue** declined materially **by 1.5%**, to **4%**.

### **2.4 Other Operating Income**

In Q1 2011, **other operating income amounted to PLN 3.2m**. The main items under other operating income were the disposal of non-current non-financial assets (almost PLN 1m), received penalties and damages (over PLN 0.8m) and lease income (almost PLN 0.8m). Year on year, the value of other operating income **went up by 153%**.

### **2.5 Other operating expenses**

**As at the end of Q1 2011**, other operating expenses **totalled PLN 0.7m**, having advanced by **89%** year on year. The operating expenses comprise mainly penalties, damages and donations.

### **2.6 Finance income**

**Year on year**, Q1 2011 **saw a 21% rise in finance income**, to PLN 17.6m. The main item under finance income was represented by **interest on advanced loans. (PLN 9.6m)**. **Other items included income from financial market transactions (PLN 4.1m) and interest from banks(PLN 2.5m)**.

### **2.7 Finance Expenses**

In Q1 2011, **finance expenses amounted to PLN 21.6m**, having **increased by as much as 55%** year on year. **Interest on the notes issued by PBG S.A. (PLN 17m)** represented the largest item of finance expenses. Other substantial components included **foreign exchange losses(2.8m)and interest, fees and commissions on bank loans (PLN 1.8m)**.

## **III. DISCUSSION OF THE FINANCIAL RESULT**

### **3.1 Items of the income statement**

In Q1 2011, the Company posted net profit of nearly **PLN 15m**, representing a 19% growth relative to the end of Q1 2010. In Q1 2011, the financial result at all levels of the income statement continued to grow. **Gross profit on sales rose by 33% while operating profit advanced by as much as 52%**.

### **3.2 EBITDA**

In Q1 2010, capital expenditure on property, plant and equipment and intangible assets totalled PLN 5m, relative to PLN 6.6m in the corresponding period of the previous year. In the same period, depreciation/amortisation charges amounted to PLN 3.8m, against PLN 3.3m in Q1 2010.

As at the end of Q1 2011, EBITDA (EBIT before depreciation/amortisation) was **PLN 26.3m, up by 45%, or over PLN 8m**, relative to the corresponding period of the previous year.

### 3.3 Profitability Ratios

**In the same period**, sales revenue dynamics was **148%** and was lower than the dynamics of cost of sales (**151%**). The difference had an adverse effect on **the gross margin on sales**, which recorded a year-on-year drop **by 1.9%** to **16.2%**. However, the gross margin on sales remained very high. **The operating margin went up by 0.4%** and stood at **13.7%**. Net margin **dropped by 2.2%**, to **9.1%**. The decline of net margin resulted from a year-on-year growth in finance expenses, under which interest on the issued notes is recognised. In Q4 2010, the value of notes in issue rose by a further PLN 325m. At present, the Company's debt under all notes outstanding amounts to PLN 825m.

#### PBG S.A.'s profitability ratios in Q1 2011

Profitability Ratios	Q1 2011	Q1 2010
Gross margin <sup>1</sup>	16.2%	18.1%
Operating margin <sup>2</sup>	13.7%	13.3%
Net margin <sup>3</sup>	9.1%	11.3%

<sup>1</sup> (gross profit / sales revenue) \*100

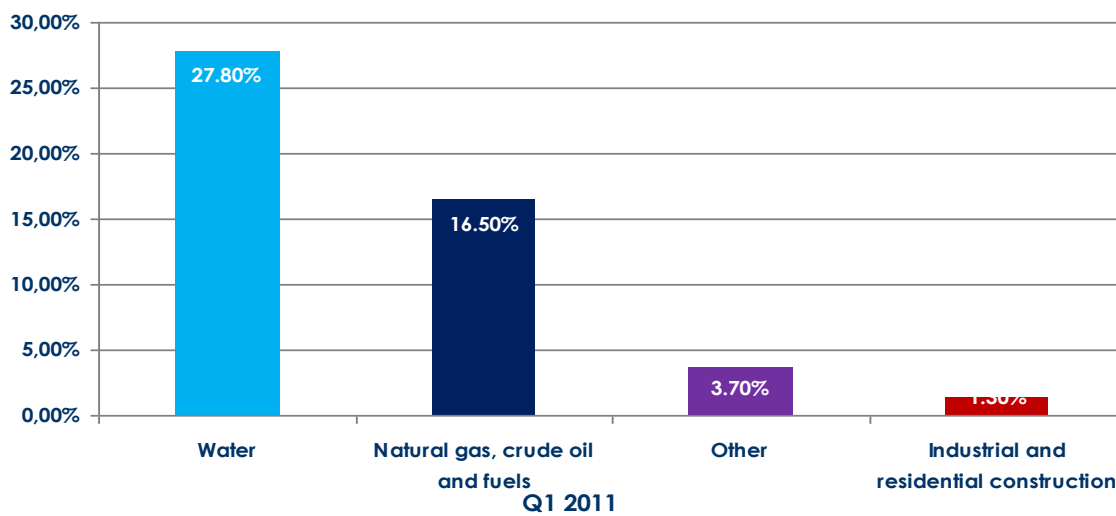
<sup>2</sup> (operating profit / sales revenue) \*100

<sup>3</sup> net profit attributable to owners of the Parent / sales revenue\*100

### 3.4 Gross Margin by Segments

In Q1 2011, the Company reported highest margins on contracts executed in the **water segment**. The segment's average gross margin was **27.8%**. The second most profitable segment was **natural gas, crude oil and fuels**, where the average gross margin on contracts was **16.5%**. **The segment "other"** was ranked third, with gross margin at **3.7%**. **The industrial and residential construction** segment reported an average gross margin of **1.3%**. However, this segment represented only 6% of the Company's sales revenue in Q1 2011.

**GROSS MARGIN BY BUSINESS SEGMENTS FOR Q1 2011**



## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY OF PBG S.A. FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2011

Item	Equity attributable to owners of the parent								Total equity
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Foreign currency differences on translation of subsidiaries	Other capitals	Retained earnings	Total	
<b>Balance as at Jan 1 2011</b>	<b>14,295</b>	-	<b>733,348</b>	<b>65</b>	-	<b>276,512</b>	<b>165,388</b>	<b>1,189,608</b>	<b>1,189,608</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	-	-	-	-
<b>Balance after changes</b>	<b>14,295</b>	-	<b>733,348</b>	<b>65</b>	-	<b>276,512</b>	<b>165,388</b>	<b>1,189,608</b>	<b>1,189,608</b>
<b>Changes in equity in period Jan 1–Mar 31 2011</b>									
Issue of shares	-	-	-	-	-	-	-	-	-
Share issue further to option execution (share-based payments)	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment scheme)	-	-	-	-	-	-	-	-	-
Change in Group structure (transactions with non-controlling interests)	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) to equity	-	-	-	-	-	-	-	-	-
Total transactions with owners of the parent	-	-	-	-	-	-	-	-	-
Net profit for period Jan 1–Mar 31 2011	-	-	-	-	-	-	<b>14,942</b>	<b>14,942</b>	<b>14,942</b>
Total other comprehensive income after tax for the period Jan 1–Mar 31 2011	-	-	-	1,460	-	-	-	1,460	1,460
Total comprehensive income	-	-	-	1,460	-	-	14,942	16,402	16,402
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
<b>Balance as at Mar 31 2011</b>	<b>14,295</b>	-	<b>733,348</b>	<b>1,525</b>	-	<b>276,512</b>	<b>180,330</b>	<b>1,206,010</b>	<b>1,206,010</b>

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY OF PBG S.A. FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2010



**PBG Group**

**QSR1/2011** (all figures in PLN '000, unless indicated otherwise)

Item	Equity attributable to owners of the parent								Total equity
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Foreign currency differences on translation of subsidiaries	Other capitals	Retained earnings	Total	
<b>Balance as at Jan 1 2010</b>	<b>14,295</b>	-	<b>733,348</b>	<b>141</b>	-	<b>203,246</b>	<b>98,279</b>	<b>1,049,309</b>	<b>1,049,309</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	-	-	-	-
<b>Balance after changes</b>	<b>14,295</b>	-	<b>733,348</b>	<b>141</b>	-	<b>203,246</b>	<b>98,279</b>	<b>1,049,309</b>	<b>1,049,309</b>
<b>Changes in equity in period Jan 1–Mar 31 2010</b>									
Issue of shares	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment scheme)	-	-	-	-	-	-	-	-	-
Change in Group structure (transactions with non-controlling interests)	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) to equity	-	-	-	-	-	-	-	-	-
Total transactions with owners of the parent	-	-	-	-	-	-	-	-	-
Net profit for period Jan 1–Mar 31 2010	-	-	-	-	-	-	12,530	12,530	12,530
Total other comprehensive income after tax for the period Jan 1–Mar 31 2010	-	-	-	(351)	-	-	-	(351)	(351)
Total comprehensive income	-	-	-	(351)	-	-	12,530	12,179	12,179
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
<b>Balance as at Mar 31 2010</b>	<b>14,295</b>	-	<b>733,348</b>	<b>(210)</b>	-	<b>203,246</b>	<b>110,809</b>	<b>1,061,488</b>	<b>1,061,488</b>

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY OF PBG S.A. FOR THE PERIOD JANUARY 1ST–DECEMBER 31ST 2010

Item	Equity attributable to owners of the parent								Total equity
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Foreign currency differences on translation of subsidiaries	Other capitals	Retained earnings	Total	
<b>Balance as at Jan 1 2010</b>	<b>14,295</b>	-	<b>733,348</b>	<b>141</b>	-	<b>203,246</b>	<b>98,279</b>	<b>1,049,309</b>	<b>1,049,309</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	-	-	-	-
<b>Balance after changes</b>	<b>14,295</b>	-	<b>733,348</b>	<b>141</b>	-	<b>203,246</b>	<b>98,279</b>	<b>1,049,309</b>	<b>1,049,309</b>
<b>Changes in equity in period Jan 1–Dec 31 2010</b>									
Issue of shares	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment scheme)	-	-	-	-	-	-	-	-	-
Change in Group structure (transactions with non-controlling interests)	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(20,013)	(20,013)	(20,013)
Allocation of profit/(loss) to equity	-	-	-	-	-	73,266	(78,266)	(5,000)	(5,000)
Total transactions with owners of the parent	-	-	-	-	-	73,266	(98,279)	(25,013)	(25,013)
Net profit for period Jan 1–Dec 31 2010	-	-	-	-	-	-	165,388	165,388	165,388
Total other comprehensive income after tax for the period Jan 1–Dec 31 2010	-	-	-	(76)	-	-	-	(76)	(76)
Total comprehensive income	-	-	-	(76)	-	-	165,388	165,312	165,312
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
<b>Balance as at Dec 31 2010</b>	<b>14,295</b>	-	<b>733,348</b>	<b>65</b>	-	<b>276,512</b>	<b>165,388</b>	<b>1,189,608</b>	<b>1,189,608</b>

## INTERIM CONDENSED STATEMENT OF CASH FLOWS OF PBG S.A.

Item	Q1 Jan 1–Mar 31 2011	Q1 Jan 1–Mar 31 2010
<b>Cash flows from operating activities</b>		
<b>Pre-tax profit/(loss)</b>	<b>18,485</b>	<b>15,421</b>
<b>Adjustments:</b>		
Depreciation and impairment losses on property, plant and equipment	2,818	2,188
Amortisation of and impairment losses on intangible assets	1,036	1,104
Change in fair value of investment property	-	-
Change in fair value of financial assets (liabilities) measured through profit or loss	(4,099)	(2,590)
Cash flow hedges transferred from equity	(338)	(179)
Impairment losses on financial assets	-	-
Gain/(loss) on disposal of non-financial non-current assets	(979)	24
Gain/(loss) on disposal of financial assets (other than derivative instruments)	-	-
Foreign exchange gains/(losses)	-	-
Interest expense	18,761	12,131
Interest income	(13,541)	(11,961)
Dividend received	-	-
Share in profit/(loss) of associated undertakings	-	-
Other adjustments	817	809
<b>Total adjustments</b>	<b>4,475</b>	<b>(92)</b>
Change in inventories	(111)	371
Change in receivables	39,117	162,942
Change in liabilities	(81,664)	(134,455)
Change in provisions and accruals and deferrals	(4,752)	(1,306)
Effect of construction contracts	(8,156)	(10,847)
Change in working capital	<b>(55,566)</b>	<b>16,705</b>
Gains/(losses) on settlement of derivative instruments	758	17,028
Interest paid on operating activities	-	-
Income tax paid	(23,730)	(19,675)
<b>Net cash provided by/(used in) operating activities</b>	<b>(55,578)</b>	<b>29,387</b>
<b>Cash flows from investing activities</b>		
Acquisition of intangible assets	(796)	(276)
Disposal of intangible assets	3,038	-
Acquisition of property, plant and equipment	(4,222)	(6,351)
Disposal of property, plant and equipment	182	275
Acquisition of investment property	-	-
Disposal of investment property	-	-
Acquisition of subsidiary undertakings, net	(231)	(107,022)
Disposal of subsidiary undertakings, net	-	-
Repayment of loans advanced	11,601	51,321
Loans advanced	(70,577)	(94,503)
Acquisition of other financial assets	(107,500)	(33,736)
Disposal of other financial assets	80,000	-
Government subsidies received	-	-
Interest received	2,950	98

Other income	-	-
Other investment expense	(7,500)	(30,274)
Dividend received	-	-
<i>Item (continued)</i>	Q1 2011 Jan 1– Mar 31 2011	Q1 2010 Jan 1– Mar 31 2010
<b>Net cash provided by/(used in) investing activities</b>	<b>(93,055)</b>	<b>(220,468)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of shares	-	-
Acquisition of treasury shares	-	-
Proceeds from issue of debt securities	-	-
Redemption of debt securities	-	-
Interest paid on debt securities	(13,854)	(14,468)
Increase in loans and borrowings	38,000	41,010
Repayment of loans and borrowings	(84,595)	(40,269)
Repayment of finance lease liabilities	(274)	(193)
Interest paid	(1,170)	(2,549)
Interest received on bank deposits	2,294	-
Other inflows/outflows	-	3,442
Dividend paid	-	-
<b>Net cash provided by/(used in) financing activities</b>	<b>(59,599)</b>	<b>(13,027)</b>
<b>Net change in cash and cash equivalents</b>	<b>(208,232)</b>	<b>(204,108)</b>
Cash and cash equivalents at beginning of period	<b>441,600</b>	<b>529,324</b>
Effect of foreign exchange gains/(losses)	-	-
<b>Cash and cash equivalents at end of period</b>	<b>233,368</b>	<b>325,216</b>

## SELECTED NOTES TO THE FINANCIAL STATEMENTS

## SALES REVENUE

Item	Q1 2011 Jan 1– Mar 31 2011	Q1 2010 Jan 1– Mar 31 2010
Natural gas, crude oil and fuels	139,057	78,309
Water	12,023	4,639
Residential and industrial construction	9,302	17,915
Roads	-	-
Other	3,405	9,962
<b>Total sales revenue</b>	<b>163,787</b>	<b>110,825</b>

## COSTS BY TYPE

Item	Q1 2011 Jan 1– Mar 31 2011	Q1 2010 Jan 1– Mar 31 2010
Depreciation/amortisation	3,854	3,292
Materials and energy used	6,910	2,796
Contracted services	116,513	78,824
Taxes and charges	290	331
Salaries and wages	8,083	6,491
Social security and other benefits	1,578	1,491
Other costs by type	6,655	3,094
<b>Costs by type</b>	<b>143,883</b>	<b>96,319</b>
Change in inventories, work in progress, accruals and deferrals	(65)	(1,714)
Cost of products and services for own needs	-	-
Selling costs	-	-
Administrative expenses	(6,629)	(6,147)
<b>Cost of products and services sold</b>	<b>137,189</b>	<b>88,458</b>

## OTHER OPERATING INCOME

Item	Q1 2011 Jan 1– Mar 31 2011	Q1 2010 Jan 1– Mar 31 2010
Gain on disposal of non-financial non-current assets	979	-
Fair-value measurement of investment property	-	-
Reversals of impairment losses on property, plant and equipment and intangible assets	-	-
Reversals of impairment losses on receivables	-	25
Reversals of impairment losses on inventories	-	-
Release of unused provisions	271	21
Fines and damages received	828	106
Subsidies	204	220
Lease revenue	774	753
Measurement of real property	-	-
Other income	190	158
<b>Total other operating income</b>	<b>3,246</b>	<b>1,283</b>

## OTHER OPERATING EXPENSES

Item	Q1 2011 Jan 1– Mar 31 2011	Q1 2010 Jan 1– Mar 31 2010
Loss on disposal of non-financial non-current assets	-	24
Fair-value measurement of investment property	-	-
Impairment losses on goodwill	-	-
Impairment losses on property, plant and equipment and intangible assets	-	-
Impairment losses on receivables	-	-
Impairment losses on inventories	-	-
Created provisions	-	-
Fines and damages paid	88	89
Deficit in current assets due to no specific fault	-	-
Non-tax-deductible costs	-	18
Donations granted	434	106
Other expenses	155	122
<b>Total other operating expenses</b>	<b>677</b>	<b>359</b>

## FINANCE INCOME

Item	Q1 2011 Jan 1– Mar 31 2011	Q1 2010 Jan 1– Mar 31 2010
<b>a) Interest</b>	<b>13,541</b>	<b>11,961</b>
- on loans advanced	9,555	8,388
- from banks	2,521	3,442
- on bonds/notes	1,445	100
- other	20	31
<b>b) Other</b>	<b>4,100</b>	<b>2,590</b>
- foreign exchange gains	-	-
- losses on discounting long-term receivables	-	-
- dividends and other profit distributions receivable	-	-
- fees for sureties issued	-	-
- revenues from financial-market transactions	4,100	2,590
- other	-	-
<b>Total finance income</b>	<b>17,641</b>	<b>14,551</b>

## FINANCE EXPENSES

Item	Q1 2011 Jan 1– Mar 31 2011	Q1 2010 Jan 1– Mar 31 2010
<b>a) Interest and bank fees</b>	<b>18,762</b>	<b>12,131</b>
- on contracted loans	-	82
- interest and fees on bank loans	1,790	2,471
- on bonds/notes	16,947	9,419
- other	25	159
<b>b) Other finance expenses</b>	<b>2,873</b>	<b>1,791</b>
- foreign exchange losses	2,790	1,782
- losses on discounting long-term receivables	83	-
- impairment losses on financial assets	-	-
- costs of financial-market transactions	-	-
- other	-	9
<b>Total finance expenses</b>	<b>21,635</b>	<b>13,922</b>

**Signatures of all members of the Management Board**

Jerzy Wiśniewski – President of the Management Board

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Tomasz Woroch – Vice-President of the Management Board

.....

Przemysław Szkudlarczyk – Vice-President of the Management Board

.....

Tomasz Tomczak – Vice-President of the Management Board

.....

Mariusz Łożyński – Vice-President of the Management Board

.....

**Signature of the person responsible for the preparation of the financial statements**

Eugenia Bachorz – Proxy – Accounting Services Centre Director .....

Wysogotowo, May 10th 2011