SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD
JANUARY 1ST – DECEMBER 31ST 2009

WYSOGOTOWO, MARCH 19TH 2010

TABLE OF CONTENTS

All amounts in PLN '000 (unless otherwise stated)

1. ANNUAL SEPARATE FINANCIAL STATEMENTS

1.1. STATEMENT OF FINANCIAL POSITION

Item	IFRS as at Dec 31 2009	IFRS as at Dec 31 2008	IFRS as at Dec 31 2007
Assets			
Non-current assets	**685,605**	**561,260**	**534,833**
Goodwill	1,606	1,606	1,606
Intangible assets	28,069	10,596	8,675
Property, plant and equipment	138,779	148,116	132,946
Investment property	8,175	710	710
Investments in subsidiary undertakings	389,950	330,226	255,249
Other non-current financial assets	99,551	39,355	126,149
– in associated undertakings	23,548	32,916	108,995
– in other undertakings	76,003	6,439	17,154
Non-current receivables under derivative financial instruments	6,415	12,916	-
Non-current receivables	7,711	9,508	9,094
– from associated undertakings	-	-	-
– from other undertakings	7,711	9,508	9,094
Deferred tax assets	-	-	-
Non-current prepayments and accrued income	5,349	8,227	404
Current assets	**1,559,113**	**779,104**	**774,266**
Inventories	17,297	32,623	21,737
Receivables under construction contracts	149,609	179,287	112,488
– from associated undertakings	8,611	6,994	8,649
– from other undertakings	140,998	172,293	103,839
Trade receivables	352,511	250,802	216,742
– from associated undertakings	116,313	99,554	16,199
– from other undertakings	236,198	151,248	200,543
Current income tax receivable	-	-	-
Other current receivables	13,863	23,462	8,622
– from associated undertakings	10,845	11,788	7,363
– from other undertakings	3,018	11,674	1,259
Other current financial assets	473,611	120,958	77,100
– in associated undertakings	294,344	93,723	66,276
– in other undertakings	179,267	27,235	10,824
Current receivables under derivative financial instruments	13,166	1,279	2,483
Cash and cash equivalents	529,324	164,943	327,707
Current prepayments and accrued income	9,732	5,750	7,387
Non-current assets classified as held for sale	-	-	-
Total assets	**2,244,718**	**1,340,364**	**1,309,099**

All amounts in PLN '000 (unless otherwise stated)

Item	IFRS as at Dec 31 2009	IFRS as at Dec 31 2008	IFRS as at Dec 31 2007
Equity and liabilities			
Equity	**1,049,309**	**761,202**	**720,225**
Share capital	14,295	13,430	13,430
Treasury shares	-	-	-
Share premium account	733,348	551,178	551,178
Valuation of hedging transactions	141	(11,651)	1,840
Other capitals	203,246	149,776	104,948
Retained earnings	98,279	58,469	48,829
– retained earnings/(deficit)	-	-	(1,268)
– net profit/(loss) for current year	98,279	58,469	50,097
Liabilities	**1,195,409**	**579,162**	**588,874**
Non-current liabilities	**491,980**	**288,825**	**234,853**
Non-current loans and borrowings	80,885	65,549	18,803
– from associated undertakings	-	-	-
– from other undertakings	80,885	65,549	18,803
Other non-current financial liabilities	376,597	200,000	200,047
Non-current liabilities under derivative financial instruments	553	1,540	
Other non-current liabilities	19,201	5,072	300
– to associated undertakings	-	-	-
– to other undertakings	19,201	5,072	300
Deferred tax liabilities	1,035	4,099	3,606
Provisions for liabilities under employee benefits	271	303	327
Other non-current provisions	6,118	4,206	2,618
Government subsidies	-	-	-
Non-current accruals and deferred income	7,320	8,056	9,152
Current liabilities	**703,429**	**290,337**	**354,021**
Current loans and borrowings	104,858	108,516	97,154
– from associated undertakings	16,523	-	-
– from other undertakings	88,335	108,516	97,154
Other current financial liabilities	133,705	2,252	113,372
Current liabilities under derivative financial instruments	236	15,291	490
Trade payables	371,340	145,086	109,439
– to associated undertakings	102,654	76,988	33,704
– to other undertakings	268,686	68,098	75,735
Liabilities under construction contracts	41,801	4,452	3,768
– to associated undertakings	-	1,273	25
– to other undertakings	41,801	3,179	3,743
Current income tax payable	17,789	3,548	4,731
Other current liabilities	28,918	9,506	22,863
– to associated undertakings	171	3,592	139
– to other undertakings	28,747	5,914	22,724
Provisions for liabilities under employee benefits	186	230	175
Other current provisions	3,598	303	973
Government subsidies	-	-	-
Current accruals and deferred income	998	1,153	1,056
Liabilities under non-current assets held for sale	-	-	-
Total equity and liabilities	**2,244,718**	**1,340,364**	**1,309,099**

1.2. INCOME STATEMENT

Item	IFRS Jan 1 - Dec 31 2009	IFRS Jan 1 - Dec 31 2008
Continuing operations		
Sales revenue	**827,463**	**571,576**
– of associated undertakings	202,758	133,662
Revenue from sales of products	11,317	18,053
Revenue from sales of services	807,545	542,976
Revenue from sales of goods for resale and materials	8,601	10,547
Cost of sales	**(679,400)**	**(465,846)**
– of associated undertakings	(337,467)	(166,094)
Cost of products sold	(13,759)	(17,443)
Cost of services sold	(657,198)	(438,462)
Cost of goods for resale and materials sold	(8,443)	(9,941)
Gross profit/(loss)	**148,063**	**105,730**
Selling costs	-	-
General and administrative expenses	(29,113)	(36,984)
Other operating income	8,887	4,938
Other operating expenses	(2,241)	(1,656)
Costs of restructuring	-	-
Operating profit/(loss)	**125,596**	**72,028**
Finance income	31,578	28,189
Finance expenses	(35,487)	(29,155)
Other gains/(losses) on investments	-	2,527
Pre-tax profit/(loss)	**121,687**	**73,589**
Income tax	(23,408)	(15,120)
Net profit/(loss) from continuing operations	**98,279**	**58,469**
Discontinued operations		
Net loss from discontinued operations		-
Net profit/(loss)	**98,279**	**58,469**

1.3. NET EARNINGS (LOSS) PER ORDINARY SHARE

Item	IFRS Jan 1 – Dec 31 2009 (PLN per share)	IFRS Jan 1 – Dec 31 2008 (PLN per share)	IFRS Jan 1 – Dec 31 2007 (PLN per share)
Net profit/(loss) from continuing operations	98,279	58,469	50,097
Net profit/(loss) from continuing and discontinued operations	98,279	58,469	50,097
Weighted average number of ordinary shares ('000)	13,935	13,430	13,197
Diluted weighted average number of ordinary shares ('000)	13,935	13,430	13,197
from continuing operations			
– basic	7.05	4.35	3.80
– diluted	7.05	4.35	3.80
from continuing and discontinued operations			
– basic	7.05	4.35	3.80
– diluted	7.05	4.35	3.80

All amounts in PLN '000 (unless otherwise stated)

1.4. STATEMENT OF COMPREHENSIVE INCOME

Item	IFRS Jan 1 – Dec 31 2009	IFRS Jan 1 – Dec 31 2008
Net profit/(loss)	**98,279**	**58,469**
Other comprehensive income		
Remeasurement of property, plant and equipment	-	-
Available-for-sale financial assets:		
– income/(loss) disclosed under other comprehensive income in period	-	-
– amounts transferred to profit or loss	-	-
Cash-flow hedges:		
– income/(loss) disclosed under other comprehensive income in period	(3,820)	(11,762)
– amounts transferred to profit or loss	18,580	(5,120)
– amounts included in the initial value of hedged items	-	
Income tax on items of other comprehensive income	(2,968)	3,390
Other comprehensive income after tax	11,792	(13,492)
Comprehensive income	**110,071**	**44,977**

All amounts in PLN '000 (unless otherwise stated)

1.5. STATEMENT OF CASH FLOWS

Item	IFRS Jan 1 – 31 Dec 2009	IFRS Jan 1 – 31 Dec 2008
Cash flows from operating activities		
Net profit before income tax	**121,687**	**73,589**
Adjustments:	**10,474**	**2,584**
Amortisation of intangible assets	3,805	1,839
Impairment losses on goodwill	-	-
Impairment losses on property, plant and equipment	-	-
Depreciation of property, plant and equipment	11,022	13,256
(Profit)/loss on sale of property, plant and equipment	(1,111)	(30)
(Profit)/loss on sale of available-for-sale financial assets (held for trading)	581	(7,200)
Gains/(losses) on fair value measurement of investment property	-	-
(Gains)/losses on change in fair value of financial assets measured at fair value	(4,711)	(11,963)
Share in profit/(loss) of associated undertakings	-	-
Foreign exchange gains/(losses)	-	-
Interest expense	30,939	28,348
Interest received	(30,051)	(21,666)
Dividend received	-	-
Cash provided by/(used in) operating activities before changes in working capital	**132,161**	**76,173**
Change in inventories	15,326	(10,885)
Change in receivables	(60,410)	(109,978)
Change in liabilities	281,827	26,682
Change in provisions and accruals and deferrals	3,136	(6,624)
Other adjustments	(4,512)	(3,497)
Net cash provided by/(used in) operating activities	**367,528**	**(28,129)**
Interest paid	-	-
Income tax paid	(15,199)	(12,513)
Net cash provided by/(used in) operating activities	**352,329**	**(40,642)**
Cash flows from investing activities		
Acquisition of intangible assets	(7,056)	(6,229)
Disposal of intangible assets	-	-
Acquisition of property, plant and equipment	(6,921)	(30,096)
Disposal of property, plant and equipment	7,455	667
Acquisition of investment property	-	
Disposal of investment property	-	
Acquisition of held-to-maturity financial assets	(11,659)	(36,900)
Disposal of held-to-maturity financial assets	82,629	57,400
Acquisition of subsidiary undertakings (net of the acquired cash)	(63,923)	(73,975)
Disposal of subsidiary undertakings	1,650	2,500
Other expenses – additional contributions to equity	-	(6,650)
Government subsidies received	-	-
Loans advanced	(511,982)	(18,843)
Decrease in loans advanced	36,587	49,059

All amounts in PLN '000 (unless otherwise stated)

Interest received	14,772	8,111
Dividend received	-	-
Other income	-	-
Other cash used in investing activities	(7,667)	-
Net cash provided by/(used in) investing activities	(466,115)	**(54,956)**
Cash flows from financing activities	-	
Net proceeds from issue of shares	182,170	-
Acquisition of treasury shares	-	-
Repayment of debt securities	(75,000)	-
Issue of debt securities	375,000	(110,000)
Repayment of interest on debt securities	(15,601)	(16,766)
Redemption of debt securities	-	-
Increase in loans and borrowings	147,981	72,503
Repayment of loans and borrowings	(135,463)	(14,117)
Repayment of interest on loans and borrowings	(10,541)	(11,892)
Interest on deposits	11,439	13,542
Decrease in finance lease liabilities	(929)	(11)
Interest paid	(182)	(425)
Dividend paid	-	-
Commissions on loans	-	-
Other expenses	(707)	(962)
Net cash provided by/(used in) financing activities	**478,167**	**(68,128)**
Net change in cash and cash equivalents	**364,381**	**(163,726)**
Cash and cash equivalents at beginning of period	**164,943**	**328,669**
Effect of foreign exchange gains/(losses)	**-**	-
Cash and cash equivalents at end of period	**529,324**	**164,943**

1.6. STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Other capitals	Retained earnings	Total
Balance as at Jan 1 2009	**13,430**	**-**	**551,178**	**(11,651)**	**149,776**	**58,469**	**761,202**
Changes in accounting policies							-
Correction of fundamental errors							-
Balance after changes	**13,430**	**-**	**551,178**	**(11,651)**	**149,776**	**58,469**	**761,202**
Changes in equity in period Jan 1 - Dec 31 2009							
Issue of shares	865		182,170				183,035
Issue of shares in connection with exercise of options (share-based payment programme)							-
Valuation of options (share-based payment programme)							-
Change in Group's structure (transactions with minorities)							-
Dividends							-
Allocation of profit/(loss) to equity					53,470	(58,469)	(4,999)
Total transactions with owners of the Parent	865	-	182,170		53,470	(58,469)	178,036
Net profit for period Jan 1 – Dec 31 2009						98,279	98,279
Other comprehensive income:							
Remeasurement of property, plant and equipment							-
Available-for-sale financial assets							-
Cash-flow hedges				14,760			14,760
Share in other comprehensive income of undertakings valued with equity method							-
Income tax on items of other comprehensive income				(2,968)			(2,968)
Total comprehensive income	-	-	-	11,792	-	98,279	110,071
Transfer to retained earnings (sale of remeasured property, plant and equipment)							-
Balance as at Dec 31 2009	**14,295**	**-**	**733,348**	**141**	**203,246**	**98,279**	**1,049,309**

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

	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Other capitals	Retained earnings	Total
Balance as at Jan 1 2008	**13,430**	**-**	**551,178**	**1,840**	**104,948**	**48,828**	**720,224**
Changes in accounting policies							-
Correction of fundamental errors	-	-	-	-	-	-	-
Balance after changes	**13,430**	**-**	**551,178**	**1,840**	**104,948**	**48,828**	**720,224**
Changes in equity in period Jan 1– Dec 31 2008							
Issue of shares							-
Issue of shares in connection with exercise of options (share-based payment programme)							-
Valuation of options (share-based payment programme)							-
Change in Group's structure (transactions with minorities)							-
Dividends							-
Allocation of profit/(loss) to equity					44,828	(48,828)	(4,000)
Total transactions with owners of the Parent	-	-	-		44,828	(48,828)	(4,000)
Net profit for period Jan 1 – Dec 31 2008						58,469	58,469
Other comprehensive income:							
Remeasurement of property, plant and equipment							-
Available-for-sale financial assets							-
Cash-flow hedges				(16,881)			(16,881)
Share in other comprehensive income of undertakings valued with equity method							-
Income tax on items of other comprehensive income				3,390			3,390
Total comprehensive income	-	-	-	(13,491)	-	58,469	44,978
Transfer to retained earnings (sale of remeasured property, plant and equipment)							-
Balance as at Dec 31 2008	**13,430**	**-**	**551,178**	**(11,651)**	**149,776**	**58,469**	**761,202**

2. GENERAL INFORMATION

2.1. PGB S.A.

PBG S.A. is the Parent Undertaking of the PBG Group. The Company was incorporated on January 2nd 2004, by virtue of Notary's Deed of December 1st 2003. The Company may conduct operations in all parts of Poland pursuant to the provisions of the Commercial Companies Code. PGB S.A. 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 Company's registered office is located at ul. Skórzewska 35 in Wysogotowo near Poznań, 62-081 Przeźmierowo. The Company's registered office is at the same time the principal place of business. 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.

2.2. MANAGEMENT BOARD AND SUPERVISORY BOARD

As at the date of approval for publication of these financial statements, that is on ……………………., the **Management Board of PBG S.A.** was composed of the following persons:

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

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

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

As at the date of approval of these financial statements for publication, that is on ……………………., the **Supervisory Board of PGB S.A.** was composed of the following persons:

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

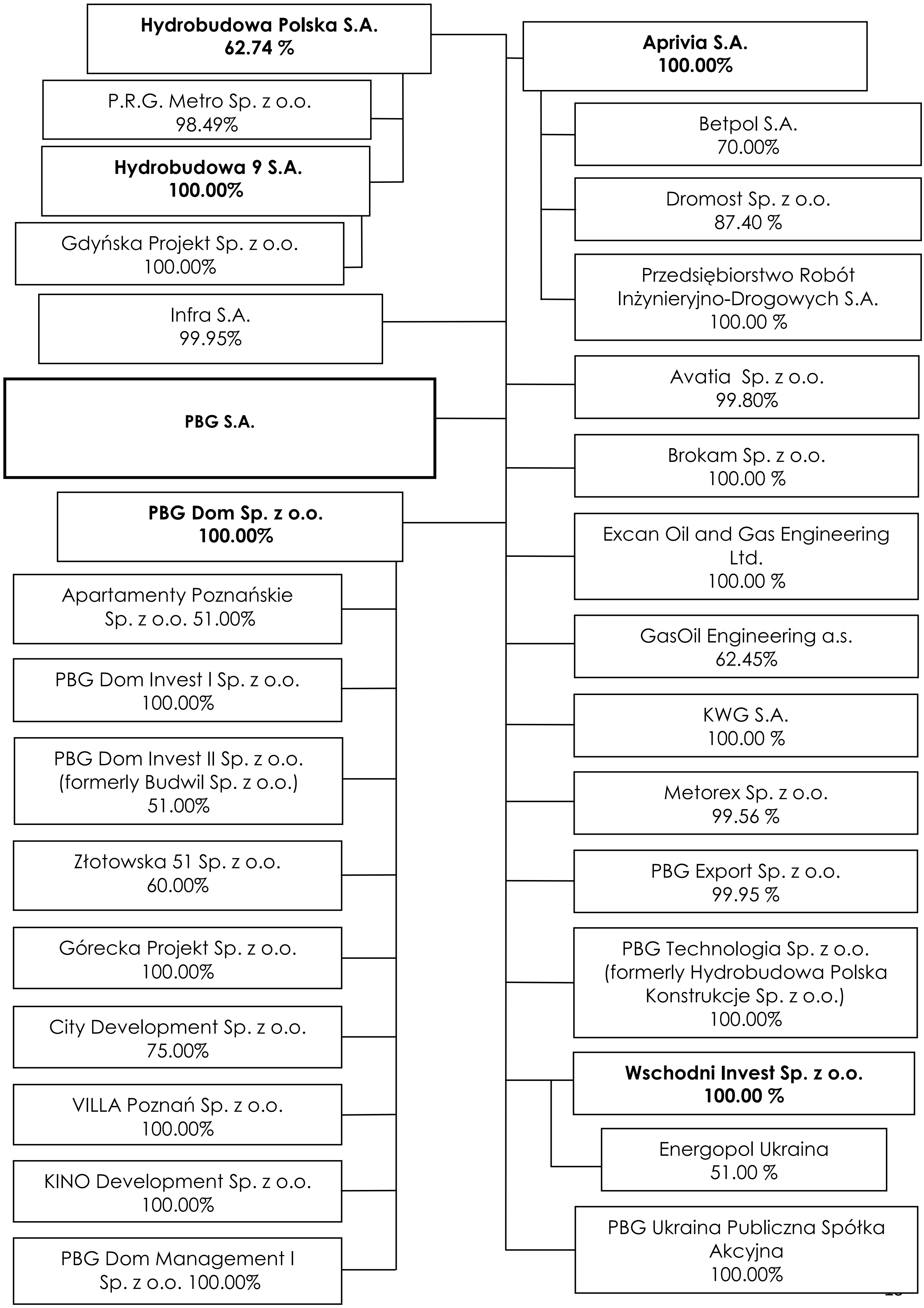
In the period from January 1st 2009 to the date of approval of these financial statements for publication, the following changes in the composition of the Supervisory Board occurred:

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

2.3. BUSINESS PROFILE

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

2.4. STRUCTURE OF THE PBG GROUP AS AT DECEMBER 31ST 2009



2.5. APPROVAL FOR PUBLICATION

These separate financial statements for the year ended December 31st 2009 were approved for publication by the Company's Management Board on March …….. 2010 (See Section 6).

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

2.6.1. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements of PBG S.A. were prepared in accordance with the International Financial Reporting Standards (IFRS) as at December 31st 2009, as endorsed by the European Union.

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

2.6.2. REPORTING CURRENCY AND THE LEVEL OF ROUNDING

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

2.6.3. GOING CONCERN ASSUMPTION

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

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

2.6.4. MANAGEMENT BOARD'S REPRESENTATION

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

These financial statements have been prepared in accordance with the accounting policies compliant with the International Financial Reporting Standards as endorsed by the European Union, and their scope complies with the requirements of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities of October 19th 2005 (Dz.U. No 209, item 1744); these financial statements cover the period from January 1st to December 31st 2009 and the comparative period from January 1st to December 31st 2008.

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

Pursuant to the corporate governance rules as adopted by PBG S.A.'s Management Board, the auditor was appointed by virtue of Supervisory Board's resolution of July 22nd 2009 on selection and appointment of the auditor. The Supervisory Board made the decision with a view to ensuring a fully independent and unbiased selection as well as independent and unbiased work of the auditor.

2.7. AMENDMENTS TO STANDARDS AND INTERPRETATIONS

2.7.1. EFFECTIVE AMENDMENTS TO STANDARDS AND INTERPRETATIONS APPLIED AS OF 2009

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

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

- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (endorsed by the European Commission and effective as of January 1st 2009).

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

The revised IAS 1, revised IAS 23 and IFRS 8 have a material effect on PBG S.A.'s financial statements. The Company also implemented the amended IFRS 7, which enhances disclosures concerning financial instruments, and included the required disclosures in Section 4.8.3. The application of the other amended standards and interpretations has no effect on the financial statements.

IAS 1 *Presentation of Financial Statements*

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

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

- The Company prepares a new element of the financial statements – the statement of comprehensive income. PBG S.A. presents a separate income statement directly above the statement of comprehensive income.

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

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

- PBG S.A. decided to also use the changed names of individual elements of the financial statements.

IFRS 8 *Operating Segments*

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

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

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

IAS 23 *Borrowing Costs*

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

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

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

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

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

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

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

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

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

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

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

2011. The amended interpretation modifies the principles of recognition of prepaid contributions. The amendment will not have a material impact on the financial statements.

- IFRIC 17 *Distributions of Non-cash Assets to Owners* – effective for annual periods beginning on or after July 1st 2009. In accordance with the interpretation, non-cash dividend should be measured at fair value of the assets distributed, and any difference between such fair value and the carrying amount should be recognised in profit or loss. The interpretation will not have a material impact on the financial statements.
- IFRIC 18 *Transfers of Assets from Customers* – effective for annual periods beginning on or after July 1st 2009. The interpretation is related to agreements under which a customer transfers an item of property, plant and equipment used to supply electricity, gas or water. According to preliminary estimates, the application of the interpretation will not have a material impact on the financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – effective for annual periods beginning on or after July 1st 2010. The interpretation introduces accounting requirements for cases where financial liabilities are not settled by payment but through the issue of entity's own equity instruments. According to preliminary estimates, the application of the interpretation will not have a material impact on the financial statements.

PBG S.A. intends to implement the above standards and interpretations as of their effective dates.

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

2.8. ACCOUNTING POLICIES

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

2.8.1. SUBSTANCE-OVER-FORM RULE

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

2.9. PRESENTATION OF FINANCIAL STATEMENTS

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

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

2.10. OPERATING SEGMENTS

In distinguishing operating segments, the Company's Management Board is guided by the product lines representing the main services and goods provided by PBG S.A.. Each of the segments is managed separately within each product line, given the specific character of the Company's services and products, requiring different technologies, resources and execution approaches.
The first-time application of IFRS 8 did not require the Company to distinguish any other segments than those presented in its last annual financial statements (see also Section 2.7.1 on changes to standards and interpretations).

In compliance with IFRS 8, results of the operating segments are based on the internal reports regularly reviewed by the Company's Management Board. The Management Board analyses the operating segments' results at the operating profit (loss) level. Measurement of the operating segments' results used in the management calculations is consistent with the accounting policies followed in the preparation of the financial statements.
PBG S.A. presents sales revenue, costs and result (gross margin) by individual segments. Balance-sheet assets and equity and liabilities are not presented by business segments given the fact that some of the non-current assets are used in production that is classified in various segments, inventory of materials cannot be allocated to the particular segments, and it is impossible to make a segmental allocation of trade payables and revenue/income and costs of other operating activity and financial activity.

2.11. BUSINESS COMBINATIONS

Business combinations which fall within the scope of IFRS 3 are accounted for using the acquisition method.
On acquisition of control, assets and liabilities of the acquiree are measured at their fair value and in compliance with IFRS 3 assets and liabilities, including contingent liabilities, are identified, irrespective of whether they were disclosed in the financial statements prior to the acquisition.
Any excess of the cost (cost of business combination) over the fair value of the acquired identifiable net assets of the acquiree is recognised under assets of the balance sheet as goodwill. The goodwill corresponds to the payment made by the acquirer in expectation of future economic benefits derivable from assets which cannot be individually identified or disclosed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.
If the cost (cost of business combination) is lower than the fair value of the acquired identifiable net assets of the acquiree, the difference is recognised immediately in the income statement. Gains from bargain purchases are disclosed under other operating income.

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

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

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

2.12. FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

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

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

2.13. BORROWING COSTS

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

2.14. GOODWILL

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

All amounts in PLN '000 (unless otherwise stated)

3. DETAILED POLICIES RELATING TO MEASUREMENT OF ASSETS AND LIABILITIES

3.1. INTANGIBLE ASSETS

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

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

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

PBG S.A.	Amortisation rate
Trademarks	20-50 %
Patents and licences	20-50 %
Computer software	20-50 %
Other intangible items	20-50 %

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

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

Research costs are charged to the income statement as incurred.

Development work related to a project in the area of comprehensive construction of infrastructure for biomass is currently under way at PGB S.A.

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

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

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

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

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

The policies relating to the recognition of impairment losses are discussed in detail in Section 3.4.

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

3.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes tangible assets:

- which are held by the company with a view to being used in the production process, in supply of goods or provision of services, or for administrative purposes,
- which will be used for a period longer than one year,
- in respect of which it is probable that the future economic benefits associated with the asset will flow to the company,
- whose value can be measured reliably.

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

Following initial recognition, items of property, plant and equipment are carried at cost less depreciation and impairment losses. Property, plant and equipment under construction is not depreciated until the construction or erection work is completed and the item is placed in service. If expenditure on tangible assets under construction is permanently stopped, the total of the incurred expenses connected with work performed up to that point is charged to expense of the period. A project may be suspended if there is reasonable intention to continue the project in subsequent periods. Projects are suspended by virtue of a decision by the Company's Management Board.

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

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

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

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

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

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

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

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

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

Land perpetual usufruct rights are not amortised.

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

3.3. LEASES

3.3.1. PBG S.A. AS A LESSEE

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

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

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

3.3.2. PBG S.A. AS A LESSOR

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

3.4. IMPAIRMENT OF NON-FINANCIAL NON-CURRENT ASSETS

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

- goodwill (the first impairment test is performed before the end of the acquisition period),
- intangible assets with infinite lives, and
- intangible assets which have not yet been placed in service.

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

Key external indicators of impairment include a situation where during the period an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use, or where the carrying amount of the net assets of the reporting entity is more than its market capitalisation. Furthermore, some of most important indicators of impairment include a situation where significant adverse changes have taken place in the technological, market or economic environment in which the Company operates.

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

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

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

Goodwill is allocated to those cash-generating units that are expected to benefit from the synergies of a business combination, provided that a cash generating unit is at least an operating segment.

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

Impairment loss is allocated in the following order: first, the carrying amount of goodwill is reduced, and then the carrying amounts of the other assets of the cash-generating unit are reduced pro rata.

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

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

3.5. INVESTMENT PROPERTY

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

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

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

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

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

3.6. NON-REGENERATIVE NATURAL RESOURCES

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

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

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

Depreciation is charged using the activity depreciation method.

If on preparation of financial statements circumstances exist which indicate that the carrying amount of non-regenerative natural resources may not be recoverable, the asset is reviewed for impairment. Impairment losses are recognised in the income statement under other operating expenses.

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

3.7. FINANCIAL INSTRUMENTS

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

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

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

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

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

3.7.1. FINANCIAL ASSETS

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

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

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

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

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

Financial assets classified as loans and receivables are shown on the balance sheet as:

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

Impairment losses on doubtful receivables are estimated when the collection of the full amount of the receivable is no longer probable. All receivable balances of significant value are subject to individual assessment in the case of debtors who are in arrears with their payments or when objective evidence has been obtained that the debtor may not pay the receivable (e.g. the debtor is in a difficult financial position, judicial proceedings are conducted against the debtor, there have been changes in the economic environment adverse to the debtor). In the case of those receivables which are not subject to individual assessment, indications of impairment are analysed for the particular groups of assets identified from the point of view of credit risk (e.g. credit risk specific to the sector, region or structure of customer base). The ratio of impairment losses recognised in respect of any particular group is based on the recently observable trends as to debtors' payment difficulties.

Financial assets at fair value through profit or loss include *assets* which are classified as *held for trading* or which were designated on initial recognition as ones to be measured at fair value with fair value changes in profit or loss because they met the criteria defined in IAS 39.

This category includes all derivatives disclosed in the balance sheet in a separate item called "other financial assets", other than hedging derivatives, which are measured in accordance with the requirements of hedge accounting.

Instruments in this category are measured at fair value, and any effects of revaluation are recognised in the income statement. Gains and losses on revaluation of financial assets are defined as the change in fair value as determined on the basis of prices prevailing on an active market as at the balance-sheet date or – if there is no active market – on the basis of valuation techniques.

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

In this category the Company classifies *bonds/notes and other debt securities held to maturity* shown in the balance sheet under "other financial assets".

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

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

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

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

All other available-for-sale financial assets are measured at fair value. Any gains and losses on such measurement are recognised as other comprehensive income and accumulated in equity as capital reserve from revaluation of available-for-sale financial assets, except for impairment losses and foreign exchange gains or losses on monetary items, which are recognised in the income statement. Any interest which would be recognised on measurement of these financial assets at amortised cost using the effective interest method, is also included in the income statement.

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

On derecognition, all accumulated gains and losses previously recognised in other comprehensive income is transferred from equity to the income statement and presented in other comprehensive income as reclassification due to transfer to profit or loss.

3.7.2. FINANCIAL LIABILITIES

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

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

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

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

3.7.3. HEDGE ACCOUNTING

As PBG S.A. executes long-term construction contracts settled in foreign currencies, in accordance with the adopted corporate risk management strategy, it is required to use hedge accounting in order to limit the impact of financial risk on operating results to the largest extent possible. The Company's hedging strategy assumes hedging of individual contracts the future inflows from which will be received or denominated in a foreign currency. The strategy is based on the principle of matching hedging instruments to the planned transactions under the contract, but always taking into account the actual net exposure, given the budget exchange rate determined in accordance with the relevant definition, possible foreign-currency denominated expenses, the time horizon and the quantitative distribution of the currency flows in the particular quarters.

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

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

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

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

If the hedged transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, any gains or losses on revaluation of hedging derivatives, previously recognised in other comprehensive income, are transferred from equity and included in the initial value (the cost) of the hedged item. The reclassification is presented in "statement of comprehensive income" under "cash-flow hedges – amount included in the initial value of hedged items".

If it becomes probable that the planned future hedged transaction will not be executed, all gains and losses on measurement of cash-flow hedges are immediately transferred to the income statement.

3.8. INVENTORIES

Inventories include:

- materials,
- semi-finished products and work in progress,
- finished products,

- goods for resale,
- prepayments for materials or goods for resale classified as inventories.

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

Cost of finished products and work in progress includes direct costs (mainly materials and labour) and an appropriate mark up of indirect production costs, calculated on the assumption of normal utilisation of the production capacity.

Decreases in inventories of finished products are accounted for using the weighted average of the actual production cost. Decreases in inventories of materials and goods for resale are measured using the FIFO ("first in, first out") method.

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

In the case of property developers, all expenditures incurred to complete a project are capitalised in inventories, as work in progress.

Impairment losses on tangible current assets resulting from recognition of value impairment or valuation as at balance-sheet date are charged to other operating expenses. If the circumstances resulting in the impairment loss cease to exist, the value of tangible current assets is credited to other operating income.

Circumstances necessitating an impairment loss on inventories include in particular:

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

As at each balance-sheet date, the Company reviews the age structure of inventories by category, and determines the required impairment losses.

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

3.9. CASH AND CASH EQUIVALENTS

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

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

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

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

3.11. EQUITY

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

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

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

Other capital reserves include:

- capital reserve from valuation of share-based payment schemes,
- capital reserve from accumulation of other comprehensive income, including:
  - fair value remeasurement of property, plant and equipment (see section on property, plant and equipment),
  - valuation of available-for-sale financial assets (see section on financial instruments),
  - valuation of cash-flow hedges (see section on hedge accounting).

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

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

3.12. SHARE-BASED PAYMENTS

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

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

The compensation cost and the corresponding increase in equity are recognised based on the best available estimates of the number of shares vesting in a given period. The Company will revise such estimates if subsequent information indicates that the number of shares granted differs from previous estimates. Revisions to estimates of the number of shares granted are recognised in net profit (loss) of the current period – no adjustments are made in relation to prior periods.
After an incentive scheme comes to an end, the capital reserve from valuation of shares granted, less the issue costs, is transferred to the share premium account.

3.13. EMPLOYEE BENEFITS

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

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

3.13.1. PROVISIONS FOR HOLIDAYS IN ARREARS

The Company recognises a provision for the cost of accumulating compensated absences, which will have to be incurred in connection with employee entitlements accrued as at the balance-sheet date.

The provision for holidays in arrears is calculated on the basis of the actual number of vacation days accrued in the current period, plus the number of vacation days accrued in prior periods. The provision for the cost of accumulating compensated absences is recognised under provisions for employee benefits, net of any amounts already paid. The provision for accumulating compensated absences is classified as a current provision and is not discounted.

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

In accordance with the remuneration systems in place at PBG S.A., its employees are entitled to retirement severance payments. Retirement severance payments are one-off benefits, paid out when the employee retires. The amount of a retirement severance payment depends on the length of employment and average remuneration of a given employee.

PBG S.A. recognises a provision for future liabilities under retirement severance payments in order to allocate costs to the periods in which the benefits become vested.

Under IAS 19, retirement severance payments are post-employment defined-benefit plans.

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

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

3.14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

The circumstances with respect to which provisions are created include:

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

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

Provisions for warranties given are made to meet a future obligation to make a payment or provide a service (in connection with current operations) to unknown persons, if the amount of the liability can be estimated, even though its timing is unknown. Provisions are measured at a probability-weighted value, as assessed by the Management Board (based on the probability that a future obligation will arise) by analysing the costs of warranty repairs under ongoing construction contracts. Provisions for warranties given are charged to cost of sales under a long-term contract, based on the relation of direct expenditures already incurred to total estimated direct costs. The costs related to accrued provisions for warranties given do not increase the basis for determining the stage of a contract's completion. At PBG S.A., provisions for warranties given are broken down into individual construction contracts. They are maintained to the extent it is probable that a warranty claim or a claim for repair work will arise, until the right to make the claim expires. If any provisions remain unused (after their effective period), they are reversed to other operating income. Depending on how long a provision is maintained, it is classified in the balance-sheet as a non-current provision or a current provision.

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

If the Company expects the costs covered by a provision to be recoverable (e.g. under an insurance agreement), the recoverable amount is recognised as a separate item of assets, but only if it is reasonably certain that it will actually be recovered. However, the value of the asset must not exceed the value of the provision.

Any unused provisions are reversed on the day when they are no longer needed.

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

If the probability of an outflow of resources to settle a present obligation is remote, no contingent liability is recognised in the balance sheet, except for contingent liabilities identifiable in a business combination, as part of the allocation of acquisition costs under IFRS 3 (see section concerning business combinations).

For information on contingent liabilities, see the descriptive part of the financial statements in Section 4.28.

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

3.15. PREPAYMENTS AND ACCRUED INCOME

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

The item "Accruals and deferred income" (presented in the balance sheet under equity and liabilities) includes deferred income, including financial support received to finance property, plant and equipment, accounted for under IAS 20 (*Government Grants*). Accrued expenses are recognised under non-current or current accruals and deferred income.
Grants are recognised only when it is reasonably certain that the Company will satisfy the conditions attached to a given grant and that the grant will actually be received.
A grant relating to a particular item of costs is recognised as income over the period necessary to match it with the related cost, for which it is intended to compensate.
A grant intended to finance an asset is recognised in the income statement on a systematic basis, as income over periods during which a given asset is depreciated. Instead of deducting the grant from the asset's carrying amount, PBG S.A. presents it in its balance sheet as deferred income, under "Accruals and deferred income".

3.16. SALES REVENUE

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

3.16.1. SALE OF GOODS FOR RESALE AND PRODUCTS

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

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

3.16.2. SALE OF SERVICES

The services provided by the Company include property leasing and execution of construction contracts.

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

The Company executes construction contracts charged at fixed prices, which fall within the scope of IAS 11. If the outcome of a construction contract can be estimated reliably, revenue should be recognised in

proportion to the stage of completion of contract activity. The stage of a contract's completion, expressed as a percentage, is determined as the proportion that contract costs incurred for work performed by the balance-sheet date bear to the estimated total contract costs.
If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are expected by the Company to be recoverable.
If it is probable that the total contract costs will exceed the total contract revenue, an expected loss on a construction contract should be immediately recognised as an expense.

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

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

Each of the partners incurs its own expenses and has a contractually defined share in sales revenue.
In respect of its interest in the jointly controlled operations, a venturer must disclose in its financial statements:

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

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

Gross amounts due from customers for contract work are shown as an asset in the balance sheet (under "Receivables under construction contracts").
Gross amounts due to customers for contract work are shown as a liability in the balance sheet (under "Trade and other payables").
In the case of prepayments in foreign currencies received in connection with a construction contract, the value of the prepayment is taken into account while measuring the receivables under construction contract as at the balance-sheet date. The value of revenue under construction contracts attributable to overinvoiced part (included in liabilities) as at the balance sheet date is measured at the exchange rate effective as at the invoice date, applying the FIFO ("first in, first out") method.
Gains or losses on cash flow hedges adjust the value of revenue from sale of services.

3.16.3. INTEREST AND DIVIDENDS

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

3.17. COSTS

Costs are recognised by the Company in accordance with the matching and prudence principles.
Cost of sales as at the balance-sheet date is adjusted to account for changes in the fair value of financial instruments designated as cash-flow hedges, if the transaction is no longer effective or if the hedged item is realised.
Costs are analysed by cost centres and by nature, but the basic cost accounting format of the income statement is the "costs by function" analysis.
The total cost of products, goods for resale and materials sold includes:

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

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

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

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

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

3.18. INCOME TAX (CURRENT AND DEFERRED)

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

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

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

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

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

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

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

3.19. MANAGEMENT'S SUBJECTIVE JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

3.19.1. USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

Every year, the Company's Management Board reviews the useful lives of non-current assets subject to depreciation. According to the Management Board's assessment as at December 31st 2009, the useful lives of assets adopted by the Company for depreciation purposes reflect the periods during which future economic benefits associated with the assets are expected to flow to the Company. However, actual periods during which the assets will generate future economic benefits may differ from the assumptions, due to such factors as technical obsolescence. For carrying values of non-current assets subject to depreciation, see Sections 4.3 and 4.4.

3.19.2. REVENUE ASSOCIATED WITH CONSTRUCTION CONTRACTS

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

All amounts in PLN '000 (unless otherwise stated)

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Revenue under construction contracts	2,680,515	2,682,354
Change of contract revenue	298,601	120,409
Total contract revenue	2,979,116	2,802,763
Contract costs incurred until balance-sheet date	1,054,216	674,275
Costs to completed contract	1,438,729	1,686,553
Estimated total contract costs	2,492,945	2,360,828
Estimated total construction contract results, including:	**486,171**	**441,935**
gains	**492,733**	**441,935**
losses (-)	(6,562)	-

Receivables under construction contracts disclosed in the financial statements total PLN 148,185 thousand (2008: PLN 194,908 thousand) and along with revenue under these contracts reflect the best Management Board's estimates of the results and the stage of completion of particular construction contracts.

3.19.3. PROVISONS

The value of provisions for employee benefits, including retirement severance payments and holidays in arrears, is assessed using the projected unit credit method. Provisions for employee benefits disclosed in the consolidated financial statements total PLN 457 thousand (2008: PLN 533 thousand). The amount of provisions is affected by the assumptions concerning the discount rate and the salary increase index. A one percentage point decrease in discount rate and a one percentage point increase in the salary increase index would raise the amount of provisions, defined as at December 31st 2009, by PLN 61 thousand.

3.19.4. DEFERRED TAX ASSETS

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

3.19.5. IMPAIRMENT OF NON-FINANCIAL ASSETS

In assessing value in use, the Management Board estimates future cash flows and the rate used to discount future cash flows to their present value (see section on impairment of non-financial assets). When determining the present value of future cash flows, assumptions need to be made regarding future financial performance. Such assumptions relate to future events and circumstances. Actual values may differ from the estimates, which may necessitate significant adjustments to the Company's assets in subsequent reporting periods.

3.20. CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ERRORS

An accounting policy may be changed only if the change:

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

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

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

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

3.21. NO NETTING (SEPARATE VALUATION PRINCIPLE)

In accordance with this principle, assets and liabilities cannot be netted (offset), unless required or permitted by IAS.

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

- it is required or permitted by IAS, or

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

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

- gains and losses on the disposal of non-current assets, including investments and operating assets, are recognised at the difference between the proceeds from the disposal and the carrying value of the asset and related selling costs,
- expenditure related to a provision, reimbursed under a contractual arrangement with a third party (e.g. a supplier's warranty agreement) is netted against the related reimbursement,
- deferred tax assets and liabilities are recognised as a net asset or liability,
- prepayments received for the performance of work under construction contracts are netted against revenue due under such contracts, provided the contractual provisions allow such netting,
- gains and losses arising from a group of similar transactions are reported on a net basis, i.e. foreign-exchange gains and losses or gains and losses arising on financial instruments held for trading and

All amounts in PLN '000 (unless otherwise stated)

hedging instruments, charged against net profit/(loss), gains or losses from discounting long-term payables/receivables , etc.,

- receivables and liabilities under output/input VAT relating to future periods.

3.22. STATEMENT OF CASH FLOWS

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

3.23. EARNINGS PER SHARE (EPS)

EPS is calculated by dividing net profit for a given period attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

Diluted EPS for each period is calculated by dividing net profit for a given period, adjusted for the effects of all dilutive potential ordinary shares, attributable to ordinary shares, by the adjusted weighted average number of ordinary shares.

4. NOTES TO THE BALANCE SHEET AND THE INCOME STATEMENT

4.1. INTANGIBLE ASSETS

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

Item	As at Dec 31 2009 Total net value, including:	As at Dec 31 2008 Total net value, including:	As at Dec 31 2007 Total net value, including:
Trademarks	-	-	-
Patents and licences	21,918	6,030	1,607
Computer software	3,518	3,712	1,050
Costs of development work	-	-	-
Other intangible assets	285	854	1,423
Net carrying value	**25,721**	**10,596**	**4,080**
Intangible assets under construction	2,348	-	4,595
Prepayments for intangible assets	-	-	-
Total intangible assets	**28,069**	**10,596**	**8,675**
Intangible assets classified as held for sale	-	-	-
Intangible assets	**28,069**	**10,596**	**8,675**

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

INTANGIBLE ASSETS – DISPOSAL, ACQUISITION AND IMPAIRMENT LOSSES

Item	Trademarks	Patents and licences	Computer software	Costs of development work	Other intangible assets	Intangible assets under construction	Prepayments for intangible assets	Total
Jan 1 – Dec 31 2009								
Net carrying value as at Jan 1 2009		**6,030**	**3,712**		**854**		**-**	**10,596**
Increase attributable to acquisition		18,711	244			166		**19,121**
Increase attributable to reclassification to another asset category (-)			149			2,182		**2,331**
Decrease attributable to disposal (-)		(25)						**(25)**
Decrease attributable to reclassification to another asset category (-)		(149)						**(149)**
Increase or decrease attributable to revaluation to fair value								**-**
Impairment losses (-)								**-**
Reversals of impairment losses								**-**
Amortisation (-)		(2,649)	(587)		(569)			**(3,805)**
Decrease attributable to reclassification to another asset category (-)								**-**
Other changes								**-**
Net carrying value as at Dec 31 2009	**-**	**21,918**	**3,518**	**-**	**285**	**2,348**	**-**	**28,069**

All amounts in PLN '000 (unless otherwise stated)

For prior period								
Net carrying value as at Jan 1 2008		**1,607**	**1,050**	**-**	**1,423**	**2,395**	**-**	**6,475**
Increase attributable to acquisition		5,128	3,301		1	4,403		**12,833**
Decrease attributable to disposal (-)		(73)						**(73)**
Increase or decrease attributable to revaluation to fair value						(6,798)		**(6,798)**
Impairment losses (-)								**-**
Reversals of impairment losses								**-**
Amortisation (-)		(632)	(639)		(570)			**(1,841)**
Currency translation differences on translation of financial statements, net								**-**
Other changes								**-**
Net carrying value as at Dec 31 2008	**-**	**6,030**	**3,712**	**-**	**854**	**-**	**-**	**10,596**

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

INTANGIBLE ASSETS FROM JANUARY 1ST TO DECEMBER 31ST 2009

Item	Trademarks	Patents and licences	Computer software	Costs of development work	Other intangible assets	Intangible assets under construction	Prepayments for intangible assets	**Total**
As at Jan 1 2009								
Gross carrying value	-	26,427	7,437		2,846	2,348	-	39,058
Total accumulated amortisation and impairment losses (-)	-	(4,509)	(3,919)		(2,561)		-	(10,989)
Net carrying value as at Dec 31 2009	**-**	**21,918**	**3,518**	**-**	**285**	**2,348**	**-**	**28,069**
As at Jan 1 2008								
Gross carrying value		7,853	7,224		2,846	-	-	17,923
Total accumulated amortisation and impairment losses (-)		(1,823)	(3,512)		(1,992)	-	-	(7,327)
Net carrying value as at Dec 31 2008		**6,030**	**3,712**	**-**	**854**	**-**	**-**	**10,596**

All amounts in PLN '000 (unless otherwise stated)

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

Intangible assets with indefinite useful lives are not used by the Company in its operations (see Section on accounting policies).

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

- "Cost of sales" – in the amount of PLN 2,125 thousand in 2009 (PLN 822 thousand in 2008),
- "General and administrative expenses" – in the amount of PLN 1,680 thousand in 2009 (PLN 1,045 thousand in 2008),
- "Selling costs" – in the amount of PLN 0 thousand in 2009 (PLN 0 thousand in 2008).

In 2009 and 2008, the Company did not recognise any impairment losses that would be disclosed in the income statement under "Other operating expenses".
As at December 31st 2009, the Company did not use intangible assets as collateral for its liabilities.

4.2. GOODWILL

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008	Jan 1 – Dec 31 2007
Goodwill (procurement platform)	1 606	1 606	1 606
Goodwill (net)	**1 606**	**1 606**	**1 606**

As required under IAS 36 and the applied accounting policies, goodwill attributable to each of the business segments listed above was tested for impairment as at December 31st 2009.
In order to perform the annual impairment tests, goodwill is allocated to relevant cash-generating units which are separate operating segments.
The impairment tests confirmed that the fair value of the goodwill corresponds to its book value.

All amounts in PLN '000 (unless otherwise stated)

4.3. PROPERTY, PLANT AND EQUIPMENT

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Land	6,391	6,729	4,474
Buildings and structures	74,930	76,713	49,801
Plant and equipment	25,835	28,982	26,568
Vehicles	10,455	15,938	11,160
Other tangible assets	12,333	12,294	10,421
Net carrying value	**129,944**	**140,656**	**102,424**
Property, plant and equipment under construction	1,252	7,407	28,196
Prepayments for tangible assets	7,583	53	2,326
Total property, plant and equipment	**138,779**	**148,116**	**132,946**
Property, plant and equipment classified as held for sale	-	-	-
Property, plant and equipment	**138,779**	**148,116**	**132,946**

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

CHANGES IN PROPERTY, PLANT AND EQUIPMENT DURING THE PERIOD

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Prepayments for tangible assets	Total
January 1st – December 31st 2009								
Net carrying value as at Jan 1 2009	**6,729**	**76,713**	**28,982**	**15,938**	**12,294**	**7,407**	**53**	**148,116**
Increase attributable to acquisition		164	4,623	896	1,092	441	7,530	14,746
Increase attributable to construction								-
Increase attributable to executed lease agreements								-
Increase attributable to reclassification to another asset category		123		53				176
Decrease attributable to disposal (-)			(2,063)	(3,871)	(243)			(6,177)
Decrease attributable to liquidation (-)		(115)	(3)	(3)	(5)			(126)
Decrease attributable to reclassification to another asset category (-)	(338)	-				(6,596)		(6,934)
Increase or decrease attributable to revaluation to fair value								-
Impairment losses (-)								-
Reversal of impairment losses								-
Depreciation (-)		(1,955)	(5,704)	(2,558)	(805)			(11,022)
Other changes								-
Net carrying value as at Dec 31 2009	**6,391**	**74,930**	**25,835**	**10,455**	**12,333**	**1,252**	**7,583**	**138,779**

All amounts in PLN '000 (unless otherwise stated)

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Prepayments for tangible assets	Total
January 1st – December 31st 2008								
Net carrying value as at Jan 1 2008	**4,474**	**49,801**	**26,568**	**11,160**	**10,421**	**28,196**	**2,326**	**132,946**
Increase attributable to acquisition	2,255	29,599	7,704	8,498	4,078	37,238	18,927	108,299
Increase attributable to construction								-
Increase attributable to executed lease agreements								-
Increase attributable to reclassification to another asset category			1,016					1,016
Decrease attributable to disposal (-)			(166)	(365)	(44)			(575)
Decrease attributable to liquidation (-)			(28)	(21)	(4)			(53)
Decrease attributable to first-time recognition of tangible assets						(58,027)		(58,027)
Decrease attributable to prepayment settlement							(21,200)	(21,200)
Increase or decrease attributable to revaluation to fair value								-
Impairment losses (-)								-
Reversal of impairment losses								-
Depreciation (-)		(2,687)	(6,112)	(3,334)	(1,123)			(13,256)
Other changes					(1,034)			(1,034)
Net carrying value as at Dec 31 2008	**6,729**	**76,713**	**28,982**	**15,938**	**12,294**	**7,407**	**53**	**148,116**

All amounts in PLN '000 (unless otherwise stated)

PROPERTY, PLANT AND EQUIPMENT

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Prepayments for tangible assets	Total
As at Dec 31 2009								
Gross carrying value	6,391	82,352	45,993	18,241	18,898	1,252	7,583	180,710
Total accumulated depreciation and impairment losses (-)	-	(7,422)	(20,158)	(7,786)	(6,565)	-	-	(41,931)
Net carrying value as at Dec 31 2009	**6,391**	**74,930**	**25,835**	**10,455**	**12,333**	**1,252**	**7,583**	**138,779**
As at Dec 31 2008								
Gross carrying value	6,729	82,193	49,522	29,412	18,812	7,407	53	194,128
Total accumulated depreciation and impairment losses (-)		(5,480)	(20,540)	(13,474)	(6,518)	-	-	(46,012)
Net carrying value as at Dec 31 2008	**6,729**	**76,713**	**28,982**	**15,938**	**12,294**	**7,407**	**53**	**148,116**

All amounts in PLN '000 (unless otherwise stated)

PROPERTY, PLANT AND EQUIPMENT WITH RESTRICTED OWNERSHIP TITLE OR USED AS COLLATERAL FOR LIABILITIES

Liability / restricted title	Type of security	Collateral	Carrying value
Loan in PEKAO S.A.	registered pledge	vehicles	2,992
Loan in PEKAO S.A.	registered pledge	plant and equipment	6,156
Loan in ING Bank Śląski S.A.	mortgage	buildings and structures	52,469
Carrying value of property, plant and equipment with restricted ownership title or used as collateral for liabilities			**61,617**

As at December 31st 2009, the Company reviewed the useful lives of property, plant and equipment adopted by the Group in line with IAS 16 and the Group's accounting policies. . In 2009, gross value of fully depreciated property, plant and equipment that is still in use by PBG amounted to PLN 2,681thousand (2008: PLN 5,542 thousand). The fall in the value of fully depreciated tangible assets that are still in use was due to the sale of this type of tangible assets to subsidiary undertakings. Tangible assets equal to zero include mainly the property, plant and equipment which, in line with the Company's accounting policies, are subject to one-off depreciation due to low unit value.

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

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Cost of sales	6,100	8,009
General and administrative expenses	4,922	5,247
Selling costs	-	-
Cost of other assets	-	-
Other	-	-
Total depreciation of property, plant and equipment	**11,022**	**13,256**

As at December 31st 2009, property, plant and equipment with the carrying value of PLN 61,617 thousand (2008: PLN 16,588 thousand, 2007: PLN 15,906 thousand) served as collateral for the Company's liabilities. For information on collateral for liabilities, see Section 4.8.6.

As at the balance-sheet date, no indicators of impairment of property, plant and equipment were identified. As a consequence, the Company did not recognise impairment losses, as was the case in 2008 and 2007.

OFF-BALANCE SHEET TANGIBLE ASSETS

Item	As at Dec 31 2009	As at Dec 31 2008
Tangible assets used under rental or similar agreement, including lease agreement, including:	2,093	2,946
- value of land under perpetual usufruct		
- finance lease agreements	2,093	2,946
Off-balance sheet tangible assets, total	**2,093**	**2,946**

All amounts in PLN '000 (unless otherwise stated)

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

4.4. LEASED ASSETS

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

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Land, buildings and structures	-	-	-
Plant and equipment	2,648	32	34
Vehicles	143	-	-
Other tangible assets	-	-	-
Net carrying value of leased assets	**2,791**	**32**	**34**

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

Item	As at Dec 31 2009		As at Dec 31 2008		As at Dec 31 2007	
	Minimum payments	Present value of minimum payments	Minimum payments	Present value of minimum payments	Minimum payments	Present value of minimum payments
Future minimum payments under finance lease agreements						
Payable within 1 year	1,701	1,598	-	-	12	11
Payable within 1–5 years	1,376	1,193			-	-
Payable after 5 years					-	-
Total future minimum payments under finance lease agreements	**3,077**	**2,791**	**-**	**-**	**12**	**11**
Finance charge	286	**x**		**x**	1	**x**
Present value of minimum payments under finance lease agreements	**2,791**	**2,791**	**-**	**-**	**11**	**11**

The most important finance lease agreements include the lease of an excavator with an initial value of the leased asset of PLN 3,157 thousand. The agreement was concluded on February 24th 2009 for the period of three years, after which the Group has the right to purchase the leased asset. The interest on lease instalments is based on a 1M WIBOR-linked floating interest rate, and their repayment is secured with a blank promissory note. For detailed information on collateral for the Company's liabilities, see Section 4.8.6.
In the period covered by these financial statements no expenses under contingent lease payments were recognised and no sublease payments occurred as the assets are used only within the Company.

4.5. NON-REGENERATIVE NATURAL RESOURCES

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

All amounts in PLN '000 (unless otherwise stated)

4.6. INVESTMENT PROPERTY

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

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008	Jan 1 – Dec 31 2007
Amount at beginning of period	**710**	**710**	**0**
Real property acquisitions through business combinations			710
Additions resulting from real property acquisitions			
Additions resulting from subsequent expenditure recognised in the carrying amount of an asset	167		
Additions resulting from reclassification from another asset category:	**6,723**	**-**	**-**
- from property, plant and equipment (land)	338		
- from property, plant and equipment (buildings and structures)	132		
- from tangible assets under construction	6,253		
- from current assets (goods)			
Decreases resulting from disposals			
Decreases resulting from reclassification into another asset category:	**-**	**-**	**-**
- to property, plant and equipment (land)			
- to property, plant and equipment (buildings and structures)			
- to tangible assets under construction			
- to current assets (goods)			
Net gains or losses from fair value adjustments			
Additions resulting from revaluation to fair value	575		
Amount at end of period	**8,175**	**710**	**710**

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

The investment property comprises:

- the "Galeria Smaków" restaurant in Wysogotowo, carrying amount of PLN 6,995 thousand;

- hardened pavement next to the restaurant, carrying amount of PLN 132 thousand;

- land under the restaurant, carrying amount of PLN 338 thousand;

- real property along with a building in Modzerowo, carrying amount of PLN 710 thousand.

As required under IAS 32, the fair value of real property was determined based on the estimated future cash flows attributable to leases of property between 2010 and 2048, using an inflation-adjusted discount rate of 7.28%. Based on these assumptions, the value of discounted cash flows was estimated at PLN 7,465,276.27, which is expected to arise on the lease of investment property between 2010 and 2048. The amount relates to the fair value of investment as at December 31st 2009 and it may be expected to generate the same amount of economic benefits under the above assumptions.

All amounts in PLN '000 (unless otherwise stated)

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

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Amounts recognised in statement of comprehensive income:		
- income from investment property rental	571	-
- direct operating cost (including the cost of repair and servicing) attributable to the investment property that earned rentals in the period	82	-
- direct operating cost (including the cost of repair and servicing) attributable to the investment property that did not earn rentals in the period	-	13
Total	**653**	**13**

The investment property is let under irrevocable agreements entered into for indefinite time.
As at the balance-sheet date, PBG S.A. recognised a PLN 575 thousand impairment loss, increasing the value of the "Galeria Smaków" restaurant to the market value.

4.7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The table below presents PBG S.A.'s interest in consolidated subsidiary undertakings.

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

Item	Subsidiary undertaking's registered office	Interest in share capital as at Dec 31 2009	Dec 31 2009		Dec 31 2008		Dec 31 2007	
			Cost of acquisition	Accumulated impairment losses	Cost of acquisition	Accumulated impairment losses	Cost of acquisition	Accumulated impairment losses
Aprivia S.A.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	100.0%	71,999	-	71,999	-	-	-
Avatia Sp. z o.o.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	99.8%	50	-	50	-	-	-
Brokam Sp. z o.o.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	100.0%	12,565	-	12,565	-	12,565	-
Excan Oil and Gas Engineering Ltd.	#201, 9637-45 Avenue Edmonton AB T6E5Z8, Canada	100.0%	782	-	782	-	781	-
Gas & Oil Engineering sr.o	Karpatska, 3256/15 Poprad, 05801 Słowacja	62.45%	7,490	-	7,490	-	7,490	-
Hydrobudowa Polska S.A.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	62.74%	194,237	-	185,076	-	126,418	-
Infra S.A.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	99.95%	8,433	-	8,433	-	8,433	-
KWG S.A.	Al. Wojska Polskiego 129, 70-490 Szczecin, Poland	100.0%	1,734	-	1,734	-	1,734	-
Metorex Sp. z o.o.	ul. Żwirki i Wigury 17A, 87-100 Toruń, Poland	99.56%	2,717	-	2,717	-	2,717	-
PBG Dom Sp. z o.o.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	100.0%	12,380	-	12,380	-	2,019	-

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

Item	Subsidiary undertaking's registered office	Interest in share capital as at Dec 31 2009	Dec 31 2009		Dec 31 2008		Dec 31 2007	
			Cost of acquisition	Accumulated impairment losses	Cost of acquisition	Accumulated impairment losses	Cost of acquisition	Accumulated impairment losses
PBG Technologia Sp. z o.o.	ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	100.0%	24,190	-	-	-	-	-
PBG Export Sp. z o.o.	Al. Juliusza Słowackiego 64, 30-004 Kraków, Poland	100.0%	999	-	-	-	-	-
Wschodni Invest Sp. z o.o.	ul. Mazowiecka 41, 60-623 Poznań, Poland	100.0%	41,616	-	-	-	-	-
PBG Ukraina Publiczna S.A.	ul. Kondratiuka 1, 04-201 Kiev, Ukraine	100.00%	758	-	-	-	-	-
Prepayment for shares			10,000	-	27,000	-	3,000	-
Total			389,950	-	330,226	-	165,157	-
Carrying value of investments				**389,950**		**330,226**		**165,157**

All amounts in PLN '000 (unless otherwise stated)

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Balance at beginning of period	330,226	255,249
Increase in period, including:	**59,724**	**214,041**
- business combinations		
- reclassification		
- other increase	59,724	214,041
Decrease in period, including:	**-**	**(139,064)**
- disposal of subsidiary undertaking		(5,923)
- reclassification		
- other decrease		(133,141)
Balance at end of period	**389,950**	**330,226**

Changes in Financial Assets in the Period January 1st–December 31st 2009

INCREASE OF INTEREST IN THE REPORTING PERIOD

Incorporation of PBG Export Sp. z o.o.

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

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

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

On April 2nd 2009, an agreement on acquisition of shares in PBG Technologia Sp. z o.o. (formerly Hydrobudowa Polska Konstrukcje Sp. z o.o.) was executed with Hydrobudowa Polska S.A.

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

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

Acquisition of Wschodni Invest (declassification of information)

On June 19th 2009, PBG S.A. acquired shares in Wschodni Invest Sp. z o.o. of Poznań. Under the relevant agreement, PBG S.A. acquired 37,740 shares with a par value of PLN 100.00 per share, for a total price of PLN 40,000,000.00. The shares constitute 100% of Wschodni Invest Sp. z o.o.'s share capital of a total value of PLN 3,774,000.00, and 100% of the total number of votes.

The shares acquired in Wschodni Invest Sp. z o.o. were paid for covered as follows:

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

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

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

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

On August 13th 2009, the increase in share capital of PBG Technologia Sp. z o.o., PBG S.A.'s subsidiary, was registered. Prior to the increase, the share capital of PBG Technologia Sp. z o.o. amounted to PLN 8,050,000.00 and was divided into 16,100 shares, with a par value of PLN 500 per share. Upon increase by 30,000 new shares, the company's share capital stands at PLN 23,050,000.00 and is divided into 46,100 shares, with a par value of PLN 500 per share.

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

Incorporation of PBG Ukraina by PBG S.A.

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

Increase of Equity Interest in Hydrobudowa Polska S.A.

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

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

Upon execution of the transaction, PBG S.A. holds 132,098,185 ordinary shares of Hydrobudowa Polska S.A., represent 62.74% of the company's share capital and confer rights to 132,098,185 votes (62.74%

All amounts in PLN '000 (unless otherwise stated)

of the total vote). As a result of the transaction, PBG S.A.'s share in the share capital and total vote of Hydrobudowa Polska S.A. increased by 1.13%.

OTHER CHANGES IN THE REPORTING PERIOD

Acquisition of shares in Energomontaż Południe S.A.

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

The subject matter of the agreement were the terms of acquisition by PBG S.A. of 17,734,002 series A subscription warrants without pre-emptive rights waived and, in exchange for the subscription warrants, acquisition of the same number of shares in the conditionally increased share capital of Energomontaż – Południe S.A. The share capital of Energomontaż – Południe S.A. was increased through an issue of 22,582,001 new series E shares with a par value of PLN 1 per share.

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

In exercise of its subscription rights under 17,743,002 warrants, PBG S.A. acquired 17,743,002 (seventeen million, seven hundred and forty-three thousand, two) series E shares. The issue price was PLN 3.45 per share and PBG S.A. paid a total price of PLN 61,213,356.90 (sixty-one million, two hundred and thirteen thousand, three hundred and fifty-six, 90/100) for the shares. The above amount was paid on February 2nd 2010.

On February 17th 2010, following registration of Energomontaż Południe S.A.'s series E shares under code No. ISIN PLENMPD00018 at the National Depository for Securities in Warsaw, PBG S.A. effectively acquired rights to 17,743,002 series E shares of Energomontaż Południe S.A. The shares represent 25% of the company's share capital and confer 17,743,002 votes, i.e. 25% + 1 vote.

In 2009, the Company did not dispose of any subsidiary undertakings.

4.8. FINANCIAL ASSETS AND LIABILITIES

4.8.1. CATEGORIES OF ASSETS AND LIABILITIES

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

1 - loans and receivables	5 - available-for-sale financial assets
2 - financial assets at fair value through profit or loss - held for trading	6 - hedging derivatives
3 - financial assets at fair value through profit or loss - designated on initial recognition as ones to be measured at fair value	7 - assets outside the scope of IAS 39
4 - held-to-maturity investments	

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

	Section	*Categories of financial instruments according to IAS 39							Total
		Loans and receivables	Financial assets at fair value through profit or loss - held for trading	assets at fair value through profit or loss - designated on initial recognition as ones to be measured at fair value	Held-to-maturity investments	Available-for-sale financial assets	Hedging derivatives	Outside IAS 39	
As at Dec 31 2009									
Non-current assets:									
Receivables and loans	4.8.2	71,716							71,716
Derivative financial instruments	4.8.3						6,415		6,415
Other non-current financial assets	4.8.4				963	34,583		389,950	425,496
Current assets:									
Trade and other receivables	4.8.2	308,471							308,471
Loans	4.8.2	453,317							453,317
Derivative financial instruments	4.8.3						13,166		13,166
Other current financial assets	4.8.4	14,650			5,643				20,293
Cash and cash equivalents	4.8.14	529,324							529,324
Total financial assets		1,377,478	-	-	6,606	34,583	19,581	389,950	1,828,198
As at Dec 31 2008									
Non-current assets:									
Receivables and loans	4.8.2	11,037							11,037
Derivative financial instruments	4.8.3						12,916		12,916
Other non-current financial assets	4.8.4				7,549	29,314		330,226	367,089
Current assets:									
Trade and other receivables	4.8.2	260,221							260,221
Loans	4.8.2	33,683							33,683
Derivative financial instruments	4.8.3						1,279		1,279
Other current financial assets	4.8.4	14,650			73,585				88,235
Cash and cash equivalents	4.8.14	164,943							164,943
Total financial assets		484,534	-	-	81,134	29,314	14,195	330,226	939,403

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

As at Dec 31 2007									
Non-current assets:									
Receivables and loans	4.8.2	10,438							10,438
Derivative financial instruments	4.8.3								
Other non-current financial assets	4.8.4				94,591	29,252		255,249	379,092
Current assets:									
Trade and other receivables	4.8.2	217,805							217,805
Loans	4.8.2	73,591							73,591
Derivative financial instruments	4.8.3						2,483		2,483
Other current financial assets	4.8.4				3,508				3,508
Cash and cash equivalents	4.8.14	328,669							328,669
Total financial assets		630,503	-	-	98,099	29,252	2,483	255,249	1,015,586

All amounts in PLN '000 (unless otherwise stated)

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

1 - financial liabilities at fair value through profit or loss - held for trading	4 - hedging derivatives
2 - financial liabilities at fair value through profit or loss - designated on initial recognition as ones to be measured at fair value	5 - liabilities outside the scope of IAS 39
3 - financial liabilities measured at amortised cost	

	Section	*Categories of financial instruments according to IAS 39					Total
		Financial liabilities at fair value through profit or loss - held for trading	Financial liabilities at fair value through profit or loss - designated on initial recognition as ones to be measured at fair value	Financial liabilities measured at amortised cost	Hedging derivatives	Outside IAS 39	
As at Dec 31 2009							
Non-current liabilities:							
Loans and borrowings and other debt instruments	4.8.5			455,885			455,885
Finance leases	4.4					1,597	1,597
Derivative financial instruments	4.8.3				553		553
Other liabilities	4.17			19,201			19,201
Current liabilities:							
Trade and other payables	4.17			309,036			442,056
Loans and borrowings and other debt instruments	4.8.5			236,299			236,299
Finance leases	4.4					1,193	1,193
Derivative financial instruments	4.8.3				236		236
Total financial liabilities		-	-	1,020,421	789	2,790	1,024,000
As at Dec 31 2008							
Non-current liabilities:							
Loans and borrowings and other debt instruments	4.8.5			265,549			265,549
Finance leases	4.4						
Derivative financial instruments	4.8.3				1,540		1,540
Other liabilities	4.17			5,072			5,072
Current liabilities:							

Trade and other payables	4.17			143,401			143,401
Loans and borrowings and other debt instruments	4.8.5			109,654			109,654
Finance leases	4.4						
Derivative financial instruments	4.8.3				15,291		15,291
Total financial liabilities		-	-	523,676	16,831	-	540,507
As at Dec 31 2007							
Non-current liabilities:							
Loans and borrowings and other debt instruments	4.8.5			218,803			218,803
Finance leases	4.4						
Derivative financial instruments	4.8.3						
Other liabilities	4.17			347			347
Current liabilities:							
Trade and other payables	4.17			130,928			130,928
Loans and borrowings and other debt instruments	4.8.5			208,198			208,198
Finance leases	4.4					11	11
Derivative financial instruments	4.8.3				490		490
Total financial liabilities		-	-	558,276	490	11	558,777

All amounts in PLN '000 (unless otherwise stated)

4.8.2. FINANCIAL RECEIVABLES AND LOANS

For the purposes of presentation, loans and receivables are presented under separate items in the balance sheet (IFRS 7.6). In the non-current part of the balance sheet receivables are disclosed under "non-current receivables", and loans under "other non-current financial assets". In accordance with IAS 1, the current portion contains information on trade and other receivables, as well as loans. Balance sheet items related to loans and receivables are presented below. For description of receivables disclosures, see Section 4.13.

Item	As at Dec 31 2009	As at Dec 31 2008
Non-current assets:		
Receivables	7,711	9,508
Loans	64,005	1,529
Non-current receivables and loans	**71,716**	**11,037**
Current assets:		
Trade and other receivables	308,471	260,221
Loans	453,317	33,683
Current receivables and loans	**761,788**	**293,904**
Receivables and loans, including:	**833,504**	**304,941**
Receivables	316,182	269,729
Loans	517,322	35,212

Loans advanced are valued at amortised cost, using the effective interest rate method. The carrying value of loans bearing interest at a variable interest rate is considered to be a reasonable approximation of fair value. The Company calculated the fair value of loans bearing interest at a fixed interest rate (see Section 4.8.7).

As at December 31st 2009 loans advanced in PLN with the carrying value of PLN 517,322 thousand (2008: PLN 35,213 thousand), bore interest at a variable interest rate based on WIBOR with a bank margin from 1 to 2.5 percentage points. Loan maturity dates fall in the period 2010–2014. The Company also advanced loans in EUR and USD. The carrying value of the foreign currency loans as at December 31st 2009 amounted to PLN 34,835 thousand (no foreign currency loans were advanced in 2007 and 2008). The foreign currency loans bare interest based on 3M LIBOR + 3% bank margin and at a fixed interest rate (2%). The loans in EUR and USD mature in 2010.

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

All amounts in PLN '000 (unless otherwise stated)

Item	Jan 1- Dec 31 2009	Jan 1- Dec 31 2008
Loans at beginning of period	**49,864**	**66,935**
Acquisition – advancement of loans	511,982	18,844
Interest accrued at the effective interest rate	13,426	3,391
Impairment losses (-) valuation	-	-
Asset reclassification	-	-
Disposal (-) repayment of loans	(43,087)	(54,009)
Other changes, including: creation of impairment losses	(212)	-
Other changes, including: reversal of impairment losses	-	51
Loans at end of period	**517,322**	**35,212**

Impairment losses on loans are disclosed under "finance expenses" in the income statement (see Section 4.21). An impairment loss was also recognised for a loan to a company in difficult financial situation.

Financial receivables disclosed under borrowings and receivables include the following additional contributions to equity of a subsidiary undertaking:

- Additional contribution to equity of PBG Dom Sp. z o.o. in accordance with Resolution No. 4 of the Extraordinary General Shareholders Meeting of PBG Dom, dated June 11th 2007; PBG S.A., as the company's sole owner, was obliged to pay an additional contribution of PLN 400 for each share held, which amounted to an aggregate of PLN 8,000,000;
- additional contribution to equity of PBG Dom Sp. z o.o. in accordance with Resolution No. 1 of the Extraordinary General Shareholders Meeting of PBG Dom, dated December 17th 2008; PBG S.A., as the company's sole owner, was obliged to pay an additional contribution of PLN 30.35 for each share held, which amounted to an aggregate of PLN 3,750,410.20;
- additional contribution to equity of PBG Dom Sp. z o.o. in accordance with Resolution No. 1 of the Extraordinary General Shareholders Meeting of PBG Dom, dated December 22nd 2008; PBG S.A., as the company's sole owner, was obliged to pay an additional contribution of PLN 23.47 for each share held, which amounted to an aggregate of PLN 2,900,234.84.

Additional contributions to equity are disclosed under "other current financial assets" of the Company's balance sheet.

4.8.3. FINANCIAL DERIVATIVES

The Company uses derivatives to manage the currency risk related to a portion of purchase and sale transactions.
In accordance with the corporate risk management strategy adopted by the PBG Group, all the Group companies executing long-term construction contracts which are settled in foreign currencies have the duty to use hedge accounting in order limit the impact of financial risk on operating results as far as possible. The Company's hedging strategy assumes hedging of individual contracts the future inflows from which will be received or denominated in a foreign currency. The strategy is based on the principle of matching hedging instruments to the planned transactions under the contract, but always taking into

account the actual net exposure, given the budget exchange rate determined in accordance with the relevant definition, possible foreign-currency denominated expenses, the time horizon and the quantitative distribution of the currency flows in the particular quarters.

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

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

The table below presents cash-flow hedges by category.

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

DERIVATIVES SERVING AS CASH FLOW HEDGES (HEDGES FOR RISKS)

	Nominal value of foreign-currency transaction ('000)	Carrying amount of instruments *		Term		Effect on result in the period	
		Financial assets	Financial liabilities	from	to	from	to
As at Dec 31 2009							
EUR forward contracts – hedge for sale transactions	800	149		Mar 29 2010	Mar 29 2010	Mar 29 2010	Mar 29 2010
CAD forward contracts – hedge for purchase transactions	30,720	18,444		Mar 29 2010	Sep 28 2012	Mar 29 2010	Sep 28 2012
USD forward contracts – hedge for purchase transactions	3,250		100	Feb 26 2010	Mar 30 2010	Feb 26 2010	Mar 30 2010
EUR interest rate swap	20,696		553	Dec 31 2013	Dec 31 2013	Dec 31 2013	Dec 31 2013
Total hedging derivatives		**18,593**	**653**				
As at Dec 31 2008							
EUR forward contracts – hedge for sale transactions	20,000		15,291	Mar 27 2009	Dec 28 2009	Mar 27 2009	Dec 28 2009
CAD forward contracts – hedge for purchase transactions	34,370	14,195		Mar 30 2009	Sep 28 2012	Mar 30 2009	Sep 28 2012
EUR interest rate swap	26,455		1,540	Dec 31 2013	Dec 31 2013	Dec 31 2013	Dec 31 2013
Total hedging derivatives		**14,195**	**16,831**				
As at Dec 31 2007							
EUR forward contracts – hedge for sale transactions	17,000	2,483		Jun 27 2008	Sep 26 2008	Jun 27 2008	Sep 26 2008
USD forward contracts – hedge for purchase transactions	1,000		490	Sep 28 2008	Sep 28 2008	Sep 28 2008	Sep 28 2008
Total hedging derivatives		**2,483**	**490**				

* fair value

DERIVATIVES SERVING AS FAIR VALUE HEDGES (HEDGES FOR RISKS)

	Nominal value of foreign-currency transaction ('000)	Carrying amount of instruments *		Term		Effect on result in the period	
		Financial assets	Financial liabilities	from	to	from	to
As at Dec 31 2009							
EUR forward contracts – EUR fair value hedges	4,900	927		Jan 15 2010	Jun 28 2010	Jan 15 2010	Jun 28 2010
USD forward contracts – USD fair value hedges	5,000	61	136	Dec 31 2010	Dec 31 2010	Dec 31 2010	Dec 31 2010

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

* fair value

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

EFFECT OF FOREIGN EXCHANGE HEDGES ON THE RESULTS OF PBG S.A.

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

As at December 31st 2009, the result on derivatives ***(open and closed)*** for 2009 was PLN -10,439 thousand, of which:
- PLN 18,580 thousand reduced sales revenue (amount transferred from other comprehensive income to the income statement in the reporting period)
- PLN 6,773 thousand reduced cost of sales,
- PLN 1,369 thousand was recognised under finance income.

Due to the fact that PBG S.A. holds open currency positions, a portion its EUR-denominated cash flows (attributable to sales revenue), including cash flows of EUR 800 thousand to be made in 2010, is hedged. The transactions were executed using a weighted average EUR/PLN forward rate of 4.33.
According to data sourced from banks, as at December 31st 2009, the fair value of ***open hedge positions*** for EUR-denominated cash flows was PLN 149 thousand.
The Company hedges a portion of its CAD-denominated cash flows (attributable to cost of sales) by holding open currency positions, including a position of CAD 20,150 thousand for 2010 (of which CAD 9,700 thousand relates to H1 2010), and a position of CAD 10,570 thousand for 2011 and the following years. The transactions were executed using a weighted average CAD/PLN forward rate of 2.16.
According to data sourced from banks, as at December 31st 2009, the carrying amount of ***open hedge positions*** for CAD-denominated cash flows was PLN 18,444 thousand.
The Company hedges a portion of its USD-denominated cash flows (attributable to cost of sales) by holding open currency positions in the amount of USD 3,250 thousand for 2010. The transactions were executed using a weighted average USD/PLN forward rate of 2.88.
According to data sourced from banks, as at December 31st 2009, the carrying amount of ***open hedge positions*** for USD-denominated cash flows was -PLN 100 thousand.

As at December 31st 2009, the fair value of ***open derivative positions*** was PLN 19,345 thousand of which PLN 18,493 thousand related to fair value of cash flow hedges and PLN 852 thousand related to fair value of hedges for financial assets. The fair value of open hedge position varies in response to changing market conditions. Accordingly, the final result on those transactions may differ significantly from the valuation presented above.

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

All amounts in PLN '000 (unless otherwise stated)

EFFECT OF INTEREST RATE HEDGES ON THE RESULTS OF PBG S.A.

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

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

In 2009, the Company recognised loss on valuation of cash flow hedges of PLN 3,820 thousand (2008: PLN -11,762 thousand) under other comprehensive income. As at December 31st 2009, capital reserve from revaluation of cash flow hedges amounted to PLN 141 thousand (2008: PLN (11,651) thousand, 2007: PLN 1,840 thousand).
Amounts transferred from the capital reserve from revaluation of cash flow hedges to financial result in connection with execution of a hedged item were presented under the following items of the cash flow statement:

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Revenue		
Sales revenue	(17,989)	3,853
Other operating income		
Finance income	(591)	
Total income	**(18,580)**	**3,853**
Expenses		
Operating expenses		(1,267)
Other operating expenses		
Finance expenses		
Total expenses	-	**(1,267)**
Effect on net profit/(loss)	**(18,580)**	**5,120**

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

4.8.4. OTHER FINANCIAL ASSETS

The Company presents the following investments under other financial assets:

4.8.4.1. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Bonds	4,937	59,709	83,695
Bills	-	20,463	14,404

All amounts in PLN '000 (unless otherwise stated)

Deposits due in more than 3 months	1,669	962	962
Total held-to-maturity investments, including:	**6,606**	**81,134**	**99,061**
- non-current	963	7,548	95,553
- current	5,643	73,586	3,508

Transaction type	Execution date	Maturity date	Nominal amount	Interest rate		Carrying amount
				nominal	effective	
Acquisition of KWG S.A. bonds	Nov 14 2008	Nov 14 2010	4,500	8.89%	8.53%	4,937
Purchase of guarantee for loan repayment from Bank Ochrony Środowiska S.A.	Sep 27 2002	Dec 20 2011	962	0.00%	0.00%	962
Purchase of bid bond reguarantee from Calyon Credit Agricole	Dec 10 2009	Jun 8 2010	706	1.50%	1.50%	707
Total						**6,606**

All amounts in PLN '000 (unless otherwise stated)

CHANGE IN HELD-TO-MATURITY INVESTMENTS

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Balance at beginning of period	**81,134**	**99,061**
Purchase	12,367	36,900
Interest accrued at the effective interest rate	3,908	5,736
Impairment losses (-)	-	
Asset reclassification	-	
Disposal (-)	(90,803)	(60,563)
Other changes		
Balance at end of period	**6,606**	**81,134**

The above investments mainly include commercial paper with a carrying value of PLN 4,937 thousand (2008: PLN 59,709 thousand). The commercial papers bear interest at fixed interest rate of 8.89% and mature in 2010. The bonds are measured at amortised cost using the effective interest rate method. The fair value of the bonds is presented in Section 4.8.7.

4.8.4.2. AVAILABLE-FOR-SALE ASSETS

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2008
Shares and other equity interests	34,583	29,315	29,252
Debt securities	-	-	-
Total available-for-sale assets, including:	**34,583**	**29,315**	**29,252**
- non-current	34,583	29,315	29,252
- current	-	-	-

CHANGE IN AVAILABLE-FOR-SALE ASSETS

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Balance at beginning of period	**29,315**	**29,252**
Increase – new undertakings in the Group		
Purchase	5,269	63
Measurement charged to equity		
Impairment losses charged to profit or loss (-)		
Asset reclassification		
Disposal (-)		
Other changes		
Balance at end of period	**34,584**	**29,315**

As part of its available-for-sale assets PBG S.A. does not hold any shares in publicly listed companies.

All amounts in PLN '000 (unless otherwise stated)

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

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

- minority (19.97%) interest in KRI S.A. with the carrying value of PLN 25,315 thousand (in 2008: PLN 25,315 thousand),
- minority (19.00%) interest in Poner Sp. z o.o. with the carrying value of PLN 4,159 thousand (in 2008: PLN 0 thousand),
- minority (18.00%) interest in Bathinex Sp. z o.o. with the carrying value of PLN 1,083 thousand (in 2008: PLN 0 thousand),
- minority (7.82%) interest in Naftomontaż Sp. z o.o. with the carrying value of PLN 3,500 thousand (in 2008: PLN 3,500 thousand),
- minority (18.92%) interest in Remaxbud Sp. z o.o. with the carrying value of PLN 421 thousand (in 2008: PLN 421 thousand),
- minority (15.00%) interest in Lubickie Wodociągi Sp. z o.o. with the carrying value of PLN 30 thousand (in 2008: PLN 30 thousand),
- minority (18.80%) interest in Strateg Kapital Sp. z o.o. with the carrying value of PLN 47 thousand (in 2008: PLN 47 thousand),
- minority (18.70%) interest in Energia Wiatrowa Sp. z o.o. with the carrying value of PLN 18 thousand (in 2008: PLN 0 thousand),
- minority (19.00%) interest in Awdar Sp. z o.o. with the carrying value of PLN 10 thousand (in 2008: PLN 0 thousand).

4.8.5. LOANS, BORROWINGS AND OTHER DEBT INSTRUMENTS

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

OTHER FINANCIAL LIABILITIES, LOANS AND BORROWINGS

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Loans	169,220	174,065	115,957
Borrowings	16,523	-	-
Debt securities in issue	506,440	201,138	311,043
Other – acquisition of shares	1,071	1,114	2,365
Total financial liabilities	**693,254**	**376,317**	**429,365**
- non-current	455,885	265,549	218,839
- current	237,370	110,768	210,526

The Company does not classify any loans or borrowings as financial liabilities designated as ones to be measured at fair value with fair value changes in profit or loss. All loans, borrowings and other debt instruments are measured at amortised cost, using the effective interest rate method. Section 4.8.7 includes the presentation of fair values of loans, borrowings and other debt instruments.

All amounts in PLN '000 (unless otherwise stated)

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

As at the end of reporting period, the base interest rates applied in loan agreements concluded by PBG S.A. were as follows:

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

As at December 31st 2009, according to the agreements concluded, the total value of overdraft facilities stood at PLN 95,000 thousand, compared with PLN 65,000 thousand as at December 31st 2008. Of that amount, PLN 45,747 thousand had been used as at December 31st 2009, compared with no debt outstanding under overdraft facilities as at December 31st 2008.

Within the limits obtained, overdraft facilities are renewed for annual periods.

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

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

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

In order to hedge against the interest rate risk, the Company uses **IRS hedging instruments**.

Under the conditions of an agreement for a credit facility for financing capital investments, PBG S.A. was obliged to limit interest rate risk. In the performance of the Bank's requirements, on July 23rd 2008, the Company entered into an IRS transaction for 50% of the outstanding loan amount, maturing by December 31st 2013.
The IRS transaction consists in the swap of interest payments accruing at a variable 1M WIBOR rate for interest payments accruing at a fixed interest rate.
The Company uses hedge accounting for cash flows with respect to the derivative transaction referred to above and partially hedging against interest rate risk to which cash flows are exposed.

LOANS AND BORROWINGS BY MATURITY

Item	As at	As at	As at

	Dec 31 2009	Dec 31 2008	Dec 31 2007
Short-term loans and borrowings	104,859	108,516	97,154
Long-term loans and borrowings, by maturity	80,884	65,549	18,803
- from 1 year to 3 years	70,745	42,861	13,203
- from 3 years to 5 years	10,139	22,688	5,600
- over 5 years	-	-	-
Total loans and borrowings	**185,743**	**174,065**	**115,957**

LOANS AND BORROWINGS BY CURRENCY

Item	As at Dec 31 2009		As at Dec 31 2008		As at Dec 31 2007	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) PLN	x	185,743	x	174,065	x	115,957
b) EUR						
c) USD						
d) CHF						
e) GBP						
f) CAD						
g) other currencies						
Total loans and borrowings	**x**	**185,743**	**x**	**174,065**	**x**	**115,957**

<u>Financial Liabilities Measured as Amortised Cost</u>

The table below presents the nature and scale of risk to which the Company is exposed under the contracted loans, borrowings and other debt instruments (see also Section 4.28 pertaining to risks).

All amounts in PLN '000 (unless otherwise stated)

LOANS AS AT DECEMBER 31ST 2009

Company's name and registered office	Contractual loan amount		Maturity date	Outstanding principal				Collateral
				non-current portion		current portion		
	PLN	Currency		PLN	Currency	PLN	Currency	
BOŚ Poznań Branch, Poznań	11,231	PLN	Dec 15 2011	1,284	PLN	1,284	PLN	1. Blank promissory note with an aval by Mr Jerzy and Ms Małgorzata Wiśniewski, Mr Marek Grunt and his wife, and Mr Tomasz Woroch and his wife. 2. Bank guarantee issued by BRE Bank S.A., Poznań Branch.
MILLENNIUM S.A.	45,000	PLN	May 27 2010	-	PLN	16,528	PLN	1. Blank promissory note with a promissory note declaration. 2. Representation by the borrower and the guarantor on submission to enforcement. 3. Power of attorney over bank account. 4. Surety under civil law issued by HBP S.A. 5. Surety under civil law issued by Infra. 6. Assignment of claims of at least 150%.
PEKAO S.A., Poznań	10,000	PLN	May 31 2010	-	PLN	10,000	PLN	1. Assignment of claims subject to a condition precedent under contracts for at least 150% of the amount of currently used facility. 2. Power of attorneys over borrower's present and future bank accounts. 3. Written representation by the borrower on submission to enforcement. 4. Blank promissory note with a promissory note declaration.
PEKAO S.A., Poznań	34,210	PLN	Dec 31 2013	20,526	PLN	6,842	PLN	1. Power of attorney over borrower's accounts at the bank. 2. Representation on submission to enforcement. 3. Registered pledge over 14,244,999 shares in BETPOL S.A. 4. Surety under civil law issued by HYDROBUDOWA POLSKA S.A.

All amounts in PLN '000 (unless otherwise stated)

PEKAO S.A., Poznań	14,000	PLN	Apr 30 2012	2,048	PLN	3,175	PLN	1. Blank promissory note with a promissory note declaration. 2. Registered pledge over a financial asset. 3. Power of attorney over present and future bank accounts at Bank PEKAO S.A. 4. Representation on voluntary submission to enforcement.
PEKAO S.A., Poznań	18,700	PLN	Sep 30 2013	10,285	PLN	3,740	PLN	1. Power of attorney over borrower's accounts at the bank. 2. Representation on submission to enforcement. 3. Registered pledge over 25,000 shares in PRID S.A. 4. Surety under civil law issued by HYDROBUDOWA POLSKA S.A.
WEST LB, Poznań	56,000	PLN	Jan 31 2012	38,000	PLN	12,000	PLN	1. Registered pledge over 24,329,508 shares in HYDROBUDOWA POLSKA S.A. 2. Representation on voluntary submission to enforcement.
NORDEA S.A.	30,000	PLN	Apr 9 2010	-	PLN	29,219	PLN	1. Surety issued by HYDROBUDOWA POLSKA S.A. 2. Surety issued by INFRA S.A. 3. Assignment of claims under contracts for at least 150% of the amount of currently used facility. 4. Blank promissory note with a promissory note declaration. 5. Power of attorney over a bank account; representation on voluntary submission to enforcement.
BZ WBK S.A., Poznań	1,336	PLN	May 28 2010	-	PLN	186	PLN	1. Blank promissory note with a promissory note declaration. 2. Representation on voluntary submission to enforcement.
ING Bank Śląski S.A., Katowice	10,000	PLN	Mar 30 2013	4,426	PLN	1,967	PLN	1. Power of attorney to the bank account at ING Bank Śląski S.A. 2. Deposit mortgage of up to PLN 13,000 thousand over property located in Wysogotowo, Tarnowo Podgórne commune, Land and Mortgage Register entry No. KW PO1P/00218712/9. 3. Assignment of rights under insurance policy of the above property. 4. Blank promissory note.
ING Bank Śląski S.A., Katowice	36,000	PLN	Dec 31 2011	4,316	PLN	4,316	PLN	1. First deposit mortgage of up to PLN 18,000,000 over property located in Wysogotowo, Tarnowo Podgórne commune, Land and Mortgage Register entry No. 91.909. 2. First deposit mortgage of up to PLN 18,000,000

All amounts in PLN '000 (unless otherwise stated)

								over property located in Wysogotowo, Land and Mortgage Register entry No. KW PO1P/00218712/9. 3. Assignment of rights under insurance policy of the above property. 4. Transfer of rights under the agreement on additional project financing, dated January 13th 2005. 5. Power of attorney to the bank account at ING Bank Śląski S.A. 6. Surety under civil law issued by Infra and HBP. 7. Blank promissory note. 8. Letter if intent by Mr Jerzy Wiśniewski stating that he will remain the holder of 35% of the total vote at the General Shareholders Meeting of PBG S.A.
Credit cards						23		
Accrued interest						181		
Adjustment using effective interest rate						(1,126)		
Total	x	x	x	**80,885**	x	**88,335**	x	x

BORROWINGS AS AT DECEMBER 31ST 2009

Item	Principal	Interest rate		Cost
		nominal	effective	
Borrowing granted by Hydrobudowa Polska S.A.	16,523	3M WIBOR + 2%		23
Total borrowings	**16,523**	**x**	**x**	**23**

All amounts in PLN '000 (unless otherwise stated)

4.8.6. COLLATERAL FOR LIABILITIES

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

- contractual mortgage established on real property for PLN 0 thousand (2008: PLN 6,000 thousand, 2007: PLN 6,000 thousand),
- security mortgage established on real property up to PLN 49,000 thousand (2008: PLN 49,000 thousand, 2007: PLN 36,000 thousand),
- registered pledge on plant and machinery up to PLN 9,148 thousand (2008: PLN 18,801 thousand, 2007: PLN 15,905 thousand),
- pledge over equity interests held in other companies up to PLN 11,106 thousand (2008: PLN 12,616 thousand, 2007: PLN 12,616 thousand),
- registered pledge established over inventories and agreements on transfer of ownership to inventories up to PLN 0 thousand (2008: PLN 0 thousand, 2007: PLN 0 thousand),
- assignment of receivables up to PLN 2,068,952 thousand (2008: PLN 226,969 thousand, 2007: PLN 377,072 thousand),
- promissory note with a promissory note declaration up to PLN 2,418 thousand (2008: PLN 0 thousand, 2007: PLN 0 thousand),
- representation on submission to enforcement,
- assignment of current and future receivables credited to a bank account.

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

Item	As at	As at	As at
Intangible assets			
Non-current assets, included leased assets	61,617	82,112	55,289
Financial assets (other than receivables)	12,775	13,578	13,578
Inventories			
Trade and other receivables	102,649	5,734	68,614
Cash and cash equivalents			
Total carrying value of assets used as collateral	**177,041**	**101,424**	**137,481**

At the balance-sheet date, as in the comparative periods, PBG S.A. was in default with any payment of principal or interest.

All amounts in PLN '000 (unless otherwise stated)

4.8.7. FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

Fair Value

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

Class of financial instrument	Section	Dec 312009		Dec 312008		Dec 31 2007	
		Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
Assets:							
Borrowings	4.8.2	517,322	517,322	35,212	35,212	74,935	74,935
Trade and other receivables	4.13	316,182	316,182	269,729	269,729	226,899	226,899
Financial derivatives	4.8.3	19,581	19,581	14,192	14,192	2,483	2,483
Debt securities	4.8.4.1	6,606	6,606	81,134	81,134	98,099	98,099
Shares of listed companies	4.8.4.2	461,023	194,237	803,009	185,076	927,496	126,418
Shares of non-listed companies *	4.8.4.2	-	-	-	-	-	-
Investment fund units	-	-	-	-	-	-	-
Other classes of other financial assets	4.8.2	49,233	49,233	43,964	43,964	29,252	29,252
Cash and cash equivalents	4.14	529,324	529,324	164,943	164,943	328,669	328,669
Liabilities:							
Bank loans	4.8.5	123,473	123,473	174,065	174,065	115,957	115,957
Overdraft facilities	4.8.5	45,747	45,747	-	**-**	**-**	-
Borrowings	4.8.5	16,523	16,523	-	**-**	**-**	-
Debt securities	4.8.5	506,441	506,441	201,138	201,138	311,043	311,043
Finance lease	4.4	2790	2,790	-	-	11	11
Financial derivatives	4.8.3	789	789	16,831	16,831	490	490
Trade and other payable	4.17	328,237	328,237	148,473	148,473	131,275	131,275

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

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

For further information on the method of measurement and fair value of financial assets and liabilities, which, in accordance with the accounting policies applied by the Company, are disclosed in the Company's balance sheet at fair value, see Section 4.8.7.

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

The Company did not measure fair value of trade receivables and trade payable, carrying value of these items has been regarded a sufficient approximation of their fair value.

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

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

The table below presents fair value of financial assets and liabilities, classified in accordance with 3-level fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 – inputs for the asset or liability, other than quoted prices included within Level 1, based on observable market variables,
- Level 3 – inputs for the asset or liability that are not based on observable market variables.

All amounts in PLN '000 (unless otherwise stated)

Class of financial instrument	Section	Level 1	Level 2	Level 3	Total fair value
Balance as at Dec 31 2009					
Assets:					
Shares of listed companies	-	-	-	-	-
Shares of non-listed companies*	-	-	-	-	-
Traded derivatives	-				
Derivative hedging instruments	a)	-	19,581		19,581
Debt securities measured at fair value	b)	-	6,606		6,606
Total assets		**-**	**26,187**	**-**	**26,187**
Liabilities:					
Traded derivatives (-)	-	**-**	**-**	**-**	**-**
Derivative hedging instruments (-)	a)		(789)		(789)
Loans measured at fair value (-)	-				
Total liabilities (-)		**-**	**(789)**		**(789)**
Net fair value		**-**	**25,398**	**-**	**25,398**

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

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

a) Derivatives

Most of derivatives are currency instruments measured using a model based on market parameters, i.e. foreign exchange rates and interest rates (level 2 financial instruments). A small portion of derivatives were classified as level 3 because they refer to currency positions for underdeveloped markets.

b) Debt securities measured at fair value

The Group classified traded debt securities as level 1. These are treasury securities whose fair value was determined based on stock exchange prices.

4.10. RECLASSIFICATIONS

PBG S.A. did not make any reclassifications of financial assets which would lead to a change of the measurement method for such assets, requiring such assets to be measured at fair value, at cost, or at amortised cost.

4.11. EXCLUSION FROM THE BALANCE SHEET

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

All amounts in PLN '000 (unless otherwise stated)

4.12. DEFERRED CORPORATE INCOME TAX

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

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008	Jan 1 – Dec 31 2007
Excess of deferred tax assets over deferred tax liabilities as at beginning of period	**(4,099)**	**(3,606)**	**(3,080)**
Deferred tax assets as at beginning of period	38,575	25,456	17,500
Deferred tax liabilities as at beginning of period	42,674	29,062	20,580
Y-o-y change:			
(Decrease) / Increase in financial result	6,032	(3,883)	51
Increase in / deduction from equity	(2,968)	3,390	(577)
Excess of deferred tax assets over deferred tax liabilities as at end of period	**(1,035)**	**(4,099)**	**(3,606)**
Deferred tax assets as at end of period	35,656	38,575	25,456
Deferred tax liabilities as at end of period	36,691	42,674	29,062

All amounts in PLN '000 (unless otherwise stated)

Deferred tax assets:

Item	As at Jan 1st 2009 (at the rate of 19%)	Increase/(decrease) in financial result attributable to change in temporary differences and tax loss	Increase/(decrease) in equity attributable to change in temporary differences	As at Dec 31 2009 (at the rate of 19%)
Deferred tax assets				
- liabilities under future employee benefits	57	(6)	-	**51**
- employee benefits (holidays)	44	(8)		**36**
- provision for warranty costs	857	419		**1,276**
- interest on loans	4	30		**34**
- interest on liabilities	4	2		**6**
- revaluation of hedging financial instruments or investment property recognised at fair value (through equity)	3,021	-	(2,916)	**105**
- revaluation of financial instruments or investment property recognised at fair value (through profit or loss)	338	(213)		**125**
- expenses related to balance-sheet income	32,765	(8,777)		**23,988**
- impairment losses on receivables	30	4		**34**
- foreign exchange losses	54	155		**209**
- audit costs	16	-		**16**
- discount of non-current settlements	-	36		**36**
- interest on borrowings	-	4		**4**
- provisions for losses	-	570		**570**
- liabilities under bonds	216	1,008		**1,224**
- long-term contracts – taxable balance-sheet income	846	7,096		**7,942**
- social security contributions paid for 2008	159	(159)		**-**
- cash flow forwards	164	(164)		**-**
Gross deferred tax assets	**38,575**	**(3)**	**(2,916)**	**35,656**

All amounts in PLN '000 (unless otherwise stated)

Item	As at Jan 1st 2008 (at the rate of 19%)	Increase/(decrease) in financial result attributable to change in temporary differences and tax loss	Increase/(decrease) in equity attributable to change in temporary differences	As at Dec 31 2008 (at the rate of 19%)
Deferred tax assets				
- liabilities under future employee benefits	62	(5)	-	**57**
- employee benefits (holidays)	33	11		**44**
- provision for warranty costs	820	37		**857**
- interest on loans	2	2		**4**
- interest on liabilities	5	(1)		**4**
- revaluation of hedging financial instruments or investment property recognised at fair value (through equity)	16		3,005	**3,021**
- revaluation of financial instruments or investment property recognised at fair value (through profit or loss)	77	261		**338**
- expenses related to balance-sheet income	22,990	9,774		**32,764**
- impairment losses on receivables	47	(17)		**30**
- foreign exchange losses	188	(134)		**54**
- audit costs	16	-		**16**
- liabilities under bonds	297	(81)		**216**
- unpaid social security contributions	150	10		**160**
- cash flow forwards	19	145		**164**
- long-term contracts – taxable balance-sheet income	716	130		**846**
- loans at effective rate	18	(18)		**-**
Gross deferred tax assets	**25,456**	**10,114**	**3,005**	**38,575**

All amounts in PLN '000 (unless otherwise stated)

Deferred tax liabilities:

Item	As at Jan 1st 2009 (at the rate of 19%)	(Increase)/decrease in financial result attributable to change in temporary differences and tax loss	(Increase)/decrease in equity attributable to change in temporary differences	As at Dec 31 2009 (at the rate of 19%)
Deferred tax liabilities				
- interest on borrowings	321	1,318	-	**1,639**
- interest on deposits and own cash	36	187	-	**223**
- interest on financial assets (e.g. bonds and debt notes)	894	(810)	-	**84**
- balance-sheet income in current period – subsequent period for tax purposes	37,033	(8,877)	-	**28,156**
- difference between net carrying value and tax base of own tangible assets	1,570	730	-	**2,300**
- difference between net carrying value and tax base of tangible assets under operating lease	82	(31)	-	**51**
- revaluation of financial instruments or investment property recognised at fair value (through equity)	86	-	52	**138**
- revaluation of financial instruments recognised at fair value (through profit or loss)	2,611	1,166	-	**3,777**
- liabilities under loans measured at adjusted cost of acquisition (using effective interest rate method)	22	192	-	**214**
- impairment loss on investment property	-	109	-	**109**
- commission fee on surety	19	(19)		**-**
Gross deferred tax liabilities	**42,674**	**(6,035)**	**52**	**36,691**

All amounts in PLN '000 (unless otherwise stated)

Item	As at Jan 1st 2008 (at the rate of 19%)	(Increase)/decrease in financial result attributable to change in temporary differences and tax loss	(Increase)/decrease in equity attributable to change in temporary differences	As at Dec 31 2008 (at the rate of 19%)
Deferred tax liabilities				
- interest on borrowings	617	(296)	-	321
- interest on deposits and own cash	34	2		36
- interest on receivables	-	-		-
- interest on financial assets (e.g. bonds and debt notes)	405	489		894
- balance-sheet income in current period – subsequent period for tax purposes	26,256	10,777		37,033
- difference between net carrying value and tax base of own tangible assets	1,161	409		1,570
- difference between net carrying value and tax base of tangible assets under operating lease	113	(31)		82
- revaluation of financial instruments or investment property recognised at fair value (through equity)	471	-	(385)	86
- revaluation of financial instruments recognised at fair value (through profit or loss)	1	2 610		2,611
- liabilities under loans measured at adjusted cost of acquisition (using effective interest rate method)	4	18		22
- commission fee on surety	-	19		19
Gross deferred tax liabilities	**29,062**	**13,997**	**(385)**	**42,674**

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

Item	Jan 1– Dec 31 2009		
	Pre-tax	Tax	After-tax
Other comprehensive income:			
Remeasurement of property, plant and equipment	**-**		-
Available-for-sale financial assets:			
- income/(loss) disclosed under other comprehensive income in period	**(3,820)**	**726**	(3,094)
- amounts transferred to profit or loss	**18,580**	**(3,694)**	14,886
Cash-flow hedges:			
- income/(loss) disclosed under other comprehensive income in period	**-**		-
- amounts transferred to profit or loss	**-**		-

- amounts included in the initial value of hedged items	-		-
Foreign currency differences arising on translation of foreign operations	-		-
Foreign currency differences transferred to profit or loss – sale of foreign operations	-		-
Share in other comprehensive income of undertakings valued with equity method	-		-
Total	**14,760**	**(2,968)**	**11,792**

4.13. INVENTORIES

STRUCTURE OF INVENTORIES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Materials	575	6,068	5,680
Work in progress	13,433	22,868	12,001
Finished products	-	-	0
Goods for resale	3,126	3,126	3,126
Prepaid deliveries	163	561	930
Total inventories, including:	**17,297**	**32,623**	**21,737**

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

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

In 2009, the Company recorded impairment losses in the amount of PLN 297 thousand (PLN 0 thousand in 2008), which were recognised in the income statement under "Other operating expenses" (see Section 4.20). The impairment losses were created for slow moving materials which remain at PBG S.A. after the acquisition of ATG in 2007.

The Company makes an independent assessment of inventories as at each balance-sheet date. In particular, when estimating the net recoverable value of inventories the Company takes into account their relevance to production processes and provision of services.

As at the balance-sheet date, there were no indications of impairment of inventories, therefore the Company did not recognise any impairment losses.

All amounts in PLN '000 (unless otherwise stated)

4.14. TRADE AND OTHER RECEIVABLES

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

NON-CURRENT RECEIVABLES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Trade receivables (gross)	**6,087**	**7,659**	**7,143**
- from domestic customers	6,087	7,659	7,143
- from foreign customers	-	-	-
Other receivables (gross)	**1,624**	**1,849**	**1,951**
- under leases	1,624	1,849	1,951
Impairment losses on receivables (-)			
Total non-current receivables (net), including:	**7,711**	**9,508,**	**9,094**
- financial receivables	7,711	9,508	9,094
- non-financial receivables	**-**	**-**	**-**

Non-current receivables mainly include receivables with extended maturities for services performed. These amounts bear no interest. Due to repayment periods exceeding two years in certain cases, these receivables have been discounted. Non-current receivables are discounted based on 1M WIBOR + 1 p.p. As at December 31st 2009, the discount rate was 4.76%, while as at the December 31st 2008, it was 6.61%.
Non-current receivables are subject to relatively high credit risk. The Management Board of PBG S.A. monitors debtors' standing on an on-going basis; in the event of any threat to recovering the full amount receivable, impairment loss is recognised.
In the presented financial statements, non-current receivables have been posted in net amounts, subject to the discount and impairment losses.

Non-current receivables include finance lease receivables since, according to PBG S.A.'s accounting policies, assets leased to other parties under finance lease agreements are presented in the Company's balance sheet as receivables at amounts equal to the net investment.
Gross carrying value of finance lease receivables as at December 31st 2009 was PLN 1,624 thousand, including current portion of PLN 225 thousand.
The finance lease concerns perpetual usufruct right to land property located in Szczecin and the ownership right to an office building built thereon.

All amounts in PLN '000 (unless otherwise stated)

NON-CURRENT RECEIVABLES (GROSS) BY CURRENCY

Item	As at Dec 31 2009		As at Dec 31 2008		As at Dec 31 2007	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) Polish złoty (PLN)	x	7,711	x	9,508	x	9,094
b) euro (EUR)						
c) US dollar (USD)						
d) Swiss frank (CHF)						
e) pound sterling (GBP)						
f) Canadian dollar (CAD)						
g) other currencies						
		7,711		**9,508**		**9,094**

CURRENT RECEIVABLES:

CURRENT TRADE RECEIVABLES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Trade receivables (gross)	**352,798**	**251,124**	**217,111**
- from domestic customers	306,704	243,082	213,864
- from foreign customers	46,094	8,042	3,247
Impairment losses on trade receivables (-)	(287)	(322)	(369)
Total trade receivables (net), including:	**352,511**	**250,802**	**216,742**
- financial receivables	294,951	237,020	209,503
- non-financial receivables	57,560	13,782	7,239

OTHER CURRENT RECEIVABLES

Item	As at Dec 31 2009	AS at Dec 31 2008	As at Dec 31 2007
Other receivables (gross)	**13,881**	**23,489**	**8,658**
- taxes, grants, customs duties, social security and health insurance contributions and other benefits			2
- settlements with employees	343	260	319
- assignment of receivables	6,517		
- surety agreements	270	5,837	2,145
- acquisition of property, plant and equipment	117	1,920	
- disposal of equity interests	4,300	5,950	
- other	2,334	9,522	6,192
Impairment losses on other receivables (-)	(18)	(27)	(36)
Total other receivables (net), including:	**13,863**	**23,462**	**8,622**
- financial receivables	13,520	23,202	8,301
- non-financial receivables	343	260	321

CURRENT TRADE AND OTHER RECEIVABLES (GROSS) BY CURRENCY

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007

	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) Polish złoty (PLN)	x	269,407	x	234,795	x	181,460
b) euro (EUR)	9,803	39,369	7,133	23,640	10,453	36,749
c) US dollar (USD)			893	2,057		
d) Swiss frank (CHF)						
e) pound sterling (GBP)			3	12		
f) Canadian dollar (CAD)						
g) other currencies			30	67		
Total	x	**308,776**	x	**260,571**	x	**218,209**

The Company tested the receivables for impairment in line with the applied accounting policies (see Section 3.7.1). Impairment losses on receivables, which in 2009 were charged to other operating expenses of the income statement, were as follows:

- impairment losses on non-current receivables – PLN 0 thousand (2008: PLN 0 thousand),
- impairment losses on current receivables – PLN 131 thousand (2008: PLN 32 thousand).

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

IMPAIRMENT LOSSES ON RECEIVABLES

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008	Jan 1–Dec 31 2007
Balance at beginning of period	**349**	**405**	**367**
Impairment losses recognised in the reporting period	131	32	96
Impairment losses reversed in the reporting period (-)	(122)	-	-
Impairment losses utilised in the reporting period (-)	(53)	(88)	(58)
Other changes	-	-	-
Balance at end of period	**305**	**349**	**405**

All amounts in PLN '000 (unless otherwise stated)

PAST DUE CURRENT RECEIVABLES BY PERIOD OF DELAY

Item	As at Dec 31 2009	As at Dec 31 2008
Past due trade receivables	**41,460**	**70,602**
- up to one month	11,804	23,299
- from one to six months	29,656	47,303
- from six month to one year	22	
- more than one year	265	196
- impairment losses for past due receivables (-)	(287)	(196)
Other past due current receivables	**117**	**-**
- up to one month	26	
- from one to six months	91	
- from six month to one year		
- more than one year	18	27
- impairment losses for past due receivables (-)	(18)	(27)
Gross past due receivables	**41,882**	**70,798**
Impairment losses on past due receivables		
Net past due receivables	**41,577**	**70,602**

In accordance with PBG's policy (Section D.7.3), the Company recognises impairment losses for full amounts of receivables past due by more than 180 days. As at December 31st 2009, past due receivables amounted to PLN 305 thousand. The Company recognised impairment losses for up to PLN 305 thousand.

4.15. CASH AND CASH EQUIVALENTS

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
a) in Polish currency	512,481	152,735	321,193
- cash	511,280	152,523	321,013
- cash in transit	23	21	-
- interest on deposits	1,178	191	180
b) in foreign currencies (translated into PLN)	16,843	12,208	6,514
Total	**529,324**	**164,943**	**327,707**

Cash and cash equivalents comprise cash at banks and cash in hand, as well as current financial assets with maturities up to three months. The book value of such assets reflects their fair value.

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

All amounts in PLN '000 (unless otherwise stated)

4.16. EQUITY

4.16.1. SHARE CAPITAL

As at December 31st 2009, the Company's share capital amounted to PLN 14,295 thousand (2008: PLN 13,430 thousand) and was divided into 14,295,000 shares (2008: 13,430,000 shares) with a par value of PLN 1 per share. All shares were paid up in full.

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

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

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

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

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

All amounts in PLN '000 (unless otherwise stated)

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

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

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

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

4.16.2. SHARE PREMIUM ACCOUNT

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

In 2009, the Company carried out the issue of 865,000 series G shares, with a price of PLN 220 per share. The issue value of shares sold amounted to PLN 190,300 thousand. PBG S.A. incurred the issue costs of PLN 7,265 thousand. The share premium from sale of series G shares was PLN 182,170 thousand.

4.16.3. VALUATION RESERVE FROM HEDGING TRANSACTIONS

As at December 31st 2009, the valuation reserve from hedging transactions was PLN 141 thousand and comprised:

- balances underlying valuation of derivative instruments that comply with the requirements of hedge accounting, hedge cash flows, or effective part of the hedge.

All amounts in PLN '000 (unless otherwise stated)

4.17. PROVISIONS

4.17.1. PROVISIONS FOR EMPLOYEE BENEFITS

CHANGES IN PROVISIONS FOR EMPLOYEE BENEFITS

Item	Provision for retirement severance payments	Provision for unused holidays	Total
Jan 1 – Dec 31 2009			
Provisions as at Jan 1 2009	**303**	**230**	**533**
Increase in provisions recognised as cost in the period (newly-created provisions)	-	-	-
Increase in provisions due to revaluation of estimates	-	-	-
Release of provisions recognised as income in the period (-)	(17)		(17)
Use of provisions (-)	(15)		(15)
Decrease in provisions due to revaluation of estimates	-	(44)	(44)
Provisions as at Dec 31 2009, including:	**271**	**186**	**457**
- non-current provisions	271	-	271
- current provisions	-	186	186

Jan 1 – Dec 31 2008			
Provisions as at Jan 1 2008	**327**	**175**	**502**
Increase in provisions recognised as cost in the period (newly-created provisions)			-
Increase in provisions due to revaluation of estimates		55	55
Release of provisions recognised as income in the period (-)	(24)		(24)
Use of provisions (-)			-
Decrease in provisions due to revaluation of estimates			
Other changes in provisions (net currency translation differences)			-
Provisions as at Dec 31 2008, including:	**303**	**230**	**533**
- non-current provisions	303	-	303
- current provisions	-	230	230

For a general overview of the employee benefit scheme, see Section 3.13.

All amounts in PLN '000 (unless otherwise stated)

4.17.2. OTHER PROVISIONS

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

Item	Provisions for loss on projects	Provisions for warranty maintenance	Total
Jan 1 – Dec 31 2009			
Provisions as at Jan 1 2009	**-**	**4,509**	**4,509**
Increase in provisions recognised as cost in the period (newly-created provisions)	3,000	2,760	5,760
Increase in provisions due to revaluation of estimates			
Release of provisions recognised as income in the period (-)		(291)	(291)
Use of provisions (-)		(262)	(262)
Decrease in provisions due to revaluation of estimates			
Provisions as at Dec 31 2009, including:	**3,000**	**6,716**	**9,716**
- non-current provisions	-	6,118	6,118
- current provisions	3,000	598	3,598
Jan 1 – Dec 31 2008			
Provisions as at Jan 1 2008	**-**	**3,591**	**3,591**
Increase in provisions recognised as cost in the period (newly-created provisions)		1,924	1,924
Increase in provisions due to revaluation of estimates			
Release of provisions recognised as income in the period (-)		(587)	(587)
Use of provisions (-)		(419)	(419)
Decrease in provisions due to revaluation of estimates			
Provisions as at Dec 31 2008, including:	**-**	**4,509**	**4,509**
- non-current provisions		4,206	4,206
- current provisions	-	303	303

The Company creates provisions in compliance with the policies specified in Section 3.14.

Provision for warranty repairs is a key item in the financial statements of the Company. It increased by 48.95% year-on-year, primarily owing to the fact that PBG S.A. must create provisions for warranty maintenance services if it is contractually bound to do so.

In 2009, the Company created a provision for loss on the "Construction of the Grodzisk Denitriding Plant" project implemented under the agreement with Polskie Górnictwo Naftowe i Gazownictwo SA on January 5th 2010. Under the agreement, PBG S.A. will commence technological start-up of the Grodzisk Denitriding Plant within the next six months as the unit under construction has not reached sufficient parameters for its continuous operation. Upon completion of the test start-up, the parties will meet in order to determine the causes of improper operation and procedures for their elimination, and will agree upon further conditions of the unit's final acceptance.

All amounts in PLN '000 (unless otherwise stated)

4.18. TRADE AND OTHER LIABILITIES

Trade and other liabilities of the Company (see also Section 4.8.1) are as follows:

NON-CURRENT LIABILITIES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Trade liabilities	**2,774**	**112**	**299**
- liabilities to Polish suppliers	2,716	59	299
- liabilities to foreign suppliers	58	53	-
Other non-current liabilities	**16,427**	**4,960**	**1**
- liability under insurance services	2,181	4,960	1
- licenses	14,246	-	-
Total non-current liabilities, including:	**19,201**	**5,072**	**300**
- financial liabilities	19201	5,072	300
- non-financial liabilities	-	-	-

Non-current liabilities primarily represent amounts retained as security for completion of construction work by subcontractors. The amounts do not bear interest. Due to long payment terms, in some cases exceeding five years, the liabilities have been discounted. Non-current liabilities are discounted using the rate equal to 1M WIBOR + 1 p.p. As at December 31st 2009, the discount rate was 4.76%, and as at December 31st 2008 5.61%.

In 2009, other non-current liabilities under licenses increased. The largest item in this group is the liability related to the Ferrari system, a set of design, technical and construction solutions regarding underground storage tanks for liquid fuels – PLN 11,601 thousand.

NON-CURRENT LIABILITIES BY CURRENCY

Item	As at Dec 31 2009		As at Dec 31 2008		As at Dec 31 2007	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) PLN	x	19,139	x	5,010	x	300
b) EUR	18	62	18	62		
c) USD						
d) CHF						
e) GBP						
f) CAD						
g) other currencies						
		19,201		**5,072**		**300**

All amounts in PLN '000 (unless otherwise stated)

CURRENT TRADE LIABILITIES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
- liabilities to Polish suppliers	354,766	134,431	101,164
- liabilities to foreign suppliers	16,574	10,655	8,275
Total trade liabilities, including:	**371,340**	**145,086**	**109,439**
- financial liabilities	301,706	136,047	109,439
- non-financial liabilities	69,634	9,039	-

OTHER CURRENT LIABILITIES

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
VAT payable	20,920	1,596	1,326
Tax, subsidies, customs duty, social security, health care and other benefits payable	1,739	1,672	2,365
Liabilities under insurance policies	5,378	2,544	-
Liabilities under sureties	30	3,588	114
Purchase of tangible assets	811	3	18,358
Other	40	103	700
Total other liabilities, including:	**28,918**	**9,506**	**22,863**
- financial liabilities	6,259	6,238	19,172
- non-financial liabilities	22,659	3,268	3,691

CURRENT TRADE AND OTHER LIABILITIES (GROSS) BY CURRENCY

Item	As at Dec 31 2009		As at Dec 31 2008		As at Dec 31 2007	
	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN	In foreign currency	Translated into PLN
a) PLN	x	296,014	x	130,990	x	112,788
b) EUR	2,573	10,833	2,686	9,549	3,259	12,184
c) USD	4	12	573	1,258	1,234	3,188
d) CHF						
e) GBP	58	274				
f) CAD	297	832				
g) other currencies			1,092	123	47	119
			159	365	3,001	332
		307,965		**142,285**		**128,611**

The Company believes that the carrying amount of trade liabilities represent a reasonable approximation of their fair value (see Section 4.8.7).

For information on liabilities under construction contracts, see Section 4.19.

All amounts in PLN '000 (unless otherwise stated)

4.19. PREPAYMENTS AND DEFERRED INCOME

PREPAYMENTS

Item	as at Dec 31 2009	as at Dec 31 2008	as at Dec 31 2007
- Insurance contracts	6,854	8,888	1,460
- Guarantees	1,788	2,083	74
- Turn-of-reporting-period expenses	438	94	23
- Other (subscription, training)	18	839	799
- Prepaid financial expenses	37	302	-
- Expenses incurred prior to construction contract execution	2,060	656	3,371
- Cost of future acquisitions	3,162	1,115	2,063
- Other	724	-	1
Total prepayments, including:	**15,081**	**13,977**	**7,791**
- non-current	5,349	8,227	404
- current	9,732	5,750	7,387

In 2009, prepayments increased by nearly 7.9% compared with 2007. In particular, prepayments are recognised particularly under "Expenses incurred prior to construction contract execution", which is attributable to PBG S.A.'s activities aimed at acquiring new contracts and diversifying its scope of business. The Company capitalises costs related to business acquisitions as the likelihood of completing such acquisitions is very high.

DEFERRED INCOME

Item	as at Dec 31 2009	as at Dec 31 2008	as at Dec 31 2007
- Balance sheet audit provision	83	83	83
- Deferred income	8,231	9,121	10,125
- Other	4	5	-
Total deferred income, including:	**8,318**	**9,209**	**10,208**
- non-current	7,320	8,056	9,152
- current	998	1,153	1,056

Under deferred income, PBG S.A. recognises subsidies obtained in 2004–2006 under the EU programme "Sectoral Operational Programme Improvement of the Competitiveness of Enterprises" to fund new fixed assets to improve the Company's competitiveness. Benefits from the subsidy are recognised throughout the fixed asset depreciation period until December 31st 2011. In 2009, the Company recognised only other operating income from the above, in the amount of PLN 1,000,000 (2008: PLN 2,000,000). As at the balance-sheet date, there are no terms and conditions not yet met that could contribute to the subsidy becoming repayable.

All amounts in PLN '000 (unless otherwise stated)

4.20. CONSTRUCTION CONTRACTS

In 2009, the Company recognised in the income statement uninvoiced revenue from construction services in the amount of PLN -84,072 thousand (2008: PLN 81,737 thousand).

The amounts recognised in the balance sheet result from construction contracts in progress as at the balance-sheet date. Receivables under construction contracts are recognised as the total of expenses incurred under the construction contracts increased by profit (or reduced by loss), and reduced by partial invoices (see Section 3.19.2 on accounting policies, under "Basis of preparation and accounting policies"). The amounts of receivables and payables resulting from construction contracts are shown in the table below:

Item	as at Dec 31 2009	as at Dec 31 2008	as at Dec 31 2007
Revenue from the contract as initially set	2,680,515	2,682,354	1,243,901
Change	298,601	120,409	20,873
Total revenue from the contract	**2,979,116**	**2,802,763**	**1,264,774**
Expenses incurred by the balance-sheet date	1,054,216	674,275	488,632
Expenses to be incurred by the completion of the contract	1,438,729	1,686,553	606,307
Estimated total cost of the contract	**2,492,945**	**2,360,828**	**1,094,939**
Estimated profit	**486,171**	**441,935**	**169,835**
Stage of completion as at the balance-sheet date	**42,29%**	**28,56%**	**44,63%**
Advances received as at the balance-sheet date	72,940	24,660	36,480
Advances that can be set off with receivables under construction contracts	3,308	15,621	-
Retentions total	6,001	7,481	23,127
Expenses incurred by the balance-sheet date related to the contract performance	1,054,216	674,275	488,632
Profit or loss recognised by the balance-sheet date	164,144	83,251	
Revenue estimated as at the balance-sheet date	**1,218,360**	**757,526**	**488,632**
Amounts invoiced by the balance-sheet date	1,111,976	567,070	430,923
Receivables under the contract as at the balance-sheet date	**148,185**	**194,908**	**112,487**
Receivables under the contract payable to the consortium as at the balance-sheet date	4,732	-	-
Receivables under the contract as at the balance sheet date after setoff of prepayment with receivables of the consortium member	**149,609**	**179,287**	**112,487**
Payables under the contract as at the balance-sheet date	**41,801**	**4,452**	**3,768**

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

Amounts in the financial statements that relate to construction contracts are best estimates of the Company's Management Board, although there is a certain degree of uncertainty as to their actual values, which is discussed in the item on uncertainty of estimates (see Section 3.16.2 "Basis of preparation and accounting policies").

All amounts in PLN '000 (unless otherwise stated)

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

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

Lubiatów-Międzychód Grotów contract, valued at PLN 1,397,000,000, will be recognised in the Company's sales at PLN 1,085,77 thousand;

Underground Gas Storage Facility Wierzchowice contract, valued at PLN 1,089,000,000, will be recognised in the Company's sales at PLN 461,539 thousand;

INTEREST IN JOINT VENTURES

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008	Jan 1 – Dec 31 2007
Revenue	242,705	44,522	-
Cost of sales (-)	(193,282)	(39,523)	-
General and administrative expenses (-)	-	-	-
Finance expenses (-)	(857)		
Pre-tax profit	**48,566**	**4,999**	**-**
Income tax (-)			
Net profit	**48,566**	**4,999**	**-**

4.21. OPERATING INCOME AND EXPENSES

SALES REVENUE

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Natural gas and crude oil	379,058	236,871
Water	126,421	83,667
Fuels	62,027	73,625
Residential and industrial construction	226,783	147,542
Road construction	-	6,368
Other	33,174	23,503
Total sales revenue	**827,463**	**571,576**

SALES REVENUE BY SUPPLIER

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
- domestic customers	827,463	564,985
- foreign customers	-	6,591
Total sales revenue	**827,463**	**571,576**

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

COSTS BY TYPE

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Depreciation/amortisation	14,828	15,095
Raw materials and energy used	48,895	62,410
Contracted services	568,897	349,782
Taxes and charges	1,598	1,696
Salaries and wages	35,142	38,228
Social security and other benefits	6,660	7,787
Other costs by type	13,532	11,311
Costs by type	**689,552**	**486,309**
Change in inventories, work in progress, accruals and deferred income	10,518	6,579
Cost of products and services for own needs		
Selling costs		
Administrative expenses	(29,113)	(36,983)
Cost of products and services sold	**670,957**	**455,905**

In 2009, the Company recorded 21.28% lower general and administrative expenses, which was attributable to:

a) Transfer of part of PBG S.A.'s employees to PBG Technologia Sp. z o.o. (subsidiary) in accordance with Art. 23^1.3 of the Labour Code of June 26th 1974;

b) Transfer of part of the employees to production (Lubiatów-Międzychód Grotów and Wierzchowice Underground Gas Storage Facility projects).

COSTS BY SUPPLIER

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
- domestic suppliers	591,435	433,985
- foreign suppliers	87,965	31,861
Total sales revenue	**679,400**	**465,846**

OTHER OPERATING INCOME

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
a) Gain on disposal of non-financial non-current assets	**1,111**	**30**
b) Reversals of impairment losses on:	**419**	**55**
- property, plant and equipment and intangible assets	-	-
- receivables	122	55
- inventories	297	-
c) Other, including:	**7,357**	**4,853**
- subsidies	890	998
- damages received under insurance contracts, fines and penalties	420	442

All amounts in PLN '000 (unless otherwise stated)

- reversal of provisions for warranty maintenance services	291	587
- lease	3,013	1,219
- other - damages for withdrawal from contract	1,198	
- other typical events (recurring)	654	1,607
- other events – valuation of investment property to fair value	575	-
- other non-recurring events	316	-
Other operating income, total	**8,887**	**4,938**

OTHER OPERATING EXPENSES

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
a) Loss on disposal of non-financial non-current assets	**-**	**-**
b) Impairment losses on:	428	33
- property, plant and equipment and intangible assets	-	-
- receivables	131	-
- inventories	297	-
- other	-	33
c) Other, including:	**1,813**	**1,623**
- donations	499	469
- damages under insurance contracts, fines and penalties	266	-
- deficits in current assets due to no specific fault	-	278
- past due, cancelled and uncollectible receivables written off	-	-
- expenses other than tax-deductible expense	157	178
- contribution to the Company's Social Benefits Fund	428	653
- cost of sale of idle materials	297	
- other typical events (recurring)	124	45
- other - inventory taking differences	42	
Other operating expenses, total	**2,241**	**1,656**

4.22. FINANCE INCOME AND EXPENSES

FINANCE INCOME

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
a) Interest	**30,051**	**21,692**
- on loans advanced	13,435	3,391
- from banks	12,425	11,841
- on bonds/notes	3,908	5,736
- other	283	724
b) Other	**1,527**	**6,497**
- foreign exchange gains	-	3,257
- revenues from financial-market transactions	778	608
- profit distributions receivable		2,579
- fees for sureties issued	267	52
- other - purchase of receivables	482	1
Total finance income	**31,578**	**28,189**

All amounts in PLN '000 (unless otherwise stated)

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

FINANCE EXPENSES

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
a) Interest and bank fees	**30,939**	**29,092**
- on contracted loans	23	-
- interest and fees on bank loans	9,693	12,115
- on notes/bonds	20,905	16,860
- other	318	117
b) Other finance expenses	**4,548**	**63**
- foreign exchange losses	4,101	-
- losses from discounting long-term receivables	189	-
- impairment losses on a borrowing and interest	213	
- other	45	63
Total finance expenses	**35,487**	**29,155**

Impairment losses on receivables related to operating activities are recognised by the Company under other operating expenses (see Section 4.20).

The valuation and settlement of hedging derivatives mainly affect operating income or operating expenses disclosed by the Company (as described in Section 4.8 devoted to hedges).

4.23. GAINS/LOSSES ON INVESTMENTS

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
a) Gain/loss on investments in related undertakings	**-**	**2,527**
- disposal of Apartamenty Poznańskie (subsidiary)	-	920
- disposal of Bathinex Sp. z o.o. (subsidiary)	-	1,607
Gain/loss on investments	**-**	**2,527**

4.24. INCOME TAX

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008	Jan 1 – Dec 31 2007
Current income tax	(29,440)	(11,237)	11,650
Deferred income tax	6,032	(3,883)	(68)
Adjustments to current income tax for previous periods	-	-	-
Total	(23,408)	(15,120)	11,582

All amounts in PLN '000 (unless otherwise stated)

Item	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008	Jan 1 – Dec 31 2007
Pre-tax profit	**121,687**	**73,589**	**61,679**
Tax calculated at 19% tax rate	(23,121)	(13,982)	(11,719)
Non-taxable income	(56)	(717)	(10)
Costs other than non-deductible expenses	(231)	(421)	(127)
Utilisation of tax losses not previously recognised	-		
Tax losses with respect to which no deferred tax asset has been recognised			
Deductible temporary differences with respect to which no tax asset has been recognised	-	-	-
Adjustments to current income tax for previous periods			
Income tax charged to net profit (loss)	(23,408)	(15,120)	11,582

4.25. EARNINGS PER SHARE, DIVIDEND PAID

EARNINGS PER SHARE

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

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

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

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Continuing operations		
Net profit/(loss) from continuing operations	98,279	58,469
Weighted average number of ordinary shares	13,934,580	13,430,000
Dilutive effect of convertible options		
Diluted weighted average number of ordinary shares	13,934,580	13,430,000
Basic earnings (loss) per share from continuing operations (PLN)	7.05	4.35
Diluted earnings (loss) per share from continuing operations (PLN)	7.05	4.35

Discontinued operations	-	-
Net profit/(loss) from discontinued operations		
Weighted average number of ordinary shares		
Dilutive effect of convertible options		
Diluted weighted average number of ordinary shares	-	-
Basic earnings (loss) per share from discontinued operations (PLN)	-!	-
Diluted earnings (loss) per share from discontinued operations (PLN)	-	-
Continuing and discontinued operations		
Net profit (loss)	98,279	58,469
Weighted average number of ordinary shares	13,934,583	13,430,000
Dilutive effect of convertible options		
Diluted weighted average number of ordinary shares	13,934,583	13,430,000
Basic earnings (loss) per share from continuing and discontinued operations (PLN)	**7.05**	**4.35**
Diluted earnings (loss) per share from continuing and discontinued operations (PLN)	**7.05**	**4.35**

DIVIDEND

The Company does not pay dividend.

4.26. CASH FLOWS

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

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Adjustments:		
Amortisation of intangible assets	3,805	1,839
Impairment losses on goodwill	-	-
Impairment losses on property, plant and equipment	-	-
Depreciation of property, plant and equipment	11,022	13,256
(Profit)/loss on sale of property, plant and equipment	(1,111)	(30)
(Profit)/loss on sale of available-for-sale financial assets (held for trading)	581	(7,200)
Gains/(losses) on fair value measurement of investment property	-	-
Gains)/losses on change in fair value of financial assets measured at fair value	(4,711)	(11,963)
Share in profit/(loss) of associated undertakings	-	-
Foreign exchange gains/(losses)	-	-
Interest costs	30,939	28,348
Interest received	(30,051)	(21,666)
Dividend received	-	-
Total adjustments	**10,474**	**2,584**
Change in inventories	15,326	(10,885)

All amounts in PLN '000 (unless otherwise stated)

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Change in receivables	(60,410)	(109,978)
Change in liabilities	281,827	26,682
Change in provisions and accruals and deferrals	3,136	(6,624)
Other adjustments	(4,512)	(3,497)
Change in working capital	**235,367**	**(101,754)**

For the purposes of preparing the statement of cash flows, the Company classifies cash in the manner adopted for the presentation thereof in the balance sheet (see Section 4.14).

4.27. RELATED PARTIES

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

Transactions with Key Management Personnel

The Company's management personnel includes the members of its Management Board. In the period covered by these financial statements, the remuneration of the key personnel was as follows:

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008	Jan 1–Dec 31 2007
Benefits paid to management personnel			
Current employee benefits	2,712	2,246	2,218
Benefits for employment termination			
Share-based payments			
Other benefits			
Total benefits	**2,712**	**2,246**	**2,218**

For detailed information on the remuneration of members of the Management Board of the Company, see Section 6.

The Company did not grant any loans to the members of its key management personnel in the period covered by these financial statements nor in the periods covered by the comparative data.

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

Related parties – selected financial information (PLN'000)

Related undertaking	Receivables as at Dec 31 2009	Liabilities as at Dec 31 2009	Financial assets	Loans and borrowings	Inventories as at Dec 31 2009	Financial liabilities (securities)	Sales revenue in 2009	Purchases in 2009	Finance income in 2009	Finance expenses in 2009
CONSOLIDATED UNDERTAKINGS										
PBG TECHNOLOGIA	1,152	38,602			66		13,275	68,327		
PBG EXPORT	114	1,722			175		352	2431		
INVEST WSCHODNI			34,886						283	
APRIVIA S.A.	40	11,272	5,250		260		310	43,005	329	
AVATIA Sp. z o.o.	1	441					191	2,381		
Brokam Sp. z o.o.	1		577				4		51	
Excan Oil and Gas Engineering Ltd.		383						2,387		
Gas & Oil Engineering a.s.	697	11,406					2	17,966		
The Hydrobudowa Polska Group	61,841			16,523	193		137,758	66,132	216	33
The Infra Group	124	11,937	40,824				1,282	75,085	705	10
The PBG Dom Group	555		158,615				576		4,889	
KWG SA	4	5,114	46,982				25	1	1,659	
Metorex Sp. z o.o.		1						6,520		
Total	**64,529**	**80,878**	**287,134**	**16,523**	**694**	**-**	**153,775**	**284,235**	**8,132**	**43**
NON-CONSOLIDATED PERSONALLY-RELATED UNDERTAKINGS										
	62,629	21,947	30,758	-	-	-	61,421	55,182	1,712	-
Total	**62,629**	**21,947**	**30,758**	**-**	**-**	**-**	**61,421**	**55,182**	**1,712**	**-**

All amounts in PLN '000 (unless otherwise stated)

4.28. CONTINGENT ASSETS AND LIABILITIES

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

Item	Obligation	As at Dec 31 2009	As at Dec 31 2008
SURETIES ISSUED TO OTHER UNDERTAKINGS			
surety	repayment of loan and borrowings	253,941	232,468
surety	payment of trade payables	86,965	46,379
surety	performance bond	534,848	440,299
surety	existing and future lease agreements	17,152	0
surety	limit for derivative transactions	37,088	118,080
surety	credit and guarantee limit	202,697	229,338
SURETIES, TOTAL		**1,132,691**	**1,066,563**

Item	Obligation	As at Dec 31 2009	As at Dec 31 2008
GUARANTEES ISSUED TO OTHER UNDERTAKINGS			
guarantee	bid bond	26,717	3,166
guarantee	performance bonds	196,629	206,591
guarantee	removal of defects and faults; warranty	17,723	7,990
guarantee	downpayment refund	93,407	7,657
guarantee	refund of retained amounts	0	0
guarantee	payment of trade payables	11,983	11,336
GUARANTEES, TOTAL		**346,459**	**236,741**

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

4.29. RISK RELATED TO FINANCIAL INSTRUMENTS

The Company is exposed to many risks related to financial instruments. The Company's financial assets and liabilities by categories are presented in Section 4.8.1. The Company is exposed to the following risks:

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

Financial risk management at the Company is coordinated by the Management Board. The following objectives play the most important role in the risk management process:

- hedging short-term and medium-term cash flows
- stabilising the fluctuations in the Company's financial result
- achieving financial forecasts by meeting budget targets
- achieving a satisfactory rate of return on long-term investments and securing optimal financing sources for investment activities.

The Company does not enter into speculative transaction on financial markets. In economic terms, the transactions concluded by the Company are entered into for the purpose of hedging against specific risks. Moreover, the Company has formally designated some of the derivative instruments as cash flow and fair value hedging instruments under the requirements of IAS 39 (*Hedging Derivative Instruments*). The effects of the applied hedge accounting on the individual items of the consolidated profit and loss account and other comprehensive income items are presented in Section 4.11.

Presented below are major risks relevant to the Company.

1.1. Market Risk

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

The Company applies a consistent and progressive approach to market risk management.
The Company has developed a financial risk management strategy to manage the market risks resulting from the above factors. The strategy sets out relevant management policies for each of the exposures by defining the process of measuring the exposure, parameters of risk hedging, instruments used for hedging purposes, as well as the time horizon for each type of risk source. The market risk management policies are applied by the designated organisational units under the supervision of the Risk Committee, the Management Board and the Supervisory Board of PBG S.A.

Market Risk Management Techniques

The key techniques used to manage market risk involve strategies based on derivative instruments and natural hedging.
All derivative-market strategies take into account the following factors: current and projected market conditions, the Company's internal situation and the applicable derivative instruments. The Company uses only the instruments which it is able to measure internally using the standard valuation models applicable to each such instrument. In obtaining the market value of financial instruments, the Company relies on information received from leading banks and financial news services.
The following types of financial instruments may be used by the Company:
- forwards
- interest rate swaps (IRS)

- swaps.

Hedge Accounting – Effective Hedge Requirement under IAS 39

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

Before entering into a hedging transaction and during such a transaction's lifetime, the Company confirms and documents that there is a strong negative correlation between changes in the fair value of the hedging instrument and changes in the fair value of the hedged exposure.

Hedging effectiveness is assessed and monitored on an ongoing basis.

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

Market Risk Exposure

Currency Risk

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

- as an active participant in the market for environmental protection and hydro-engineering projects, the Company executes contracts co-financed by the EU, which in most cases are denominated and settled in the euro;
- our development strategy provides for broader expansion into foreign markets; today, the Company's credentials already include several contracts executed abroad;
- the Company imports raw materials for large contracts (there is also a risk related to fluctuations in the other exchange rates, such as USD/PLN or CAD/PLN);
- the Company uses advanced technologies requiring specialist equipment, which it often purchases outside of Poland.

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

Item	Section	Amount in foreign currency ('000):						Restated in PLN
		EUR	USD	GBP	CHF	CAD	Other	
As at Dec 31 2009								
Financial assets (+):								
Borrowings	4.8.2	3,841	6,942	-	-	-	-	34,835
Trade receivables and other financial receivables	4.8.2	9,803	-	-	-	-	-	39,369
Financial derivatives	4.8.3	-	-	-	-	-	-	19,581
Other financial assets	4.8.4	-	-	-	-	-	-	
Cash and cash equivalents	4.14	3,997	12	-	-	279	-	16,843
Financial liabilities (-):								
Loans, borrowings and other debt instruments	4.8.5	-	-	-	-	-	-	-
Finance leases	4.4							
Financial derivatives	4.8.3	-	-	-	-	-	-	(236)
Trade payables and other financial liabilities	4.17	(2,573)	(4)	(58)	-	(297)	-	(11,951)
Total exposure to currency risk		15,458	6,006	(58)	-	(18)	-	98,441
As at Dec 31 2008								
Financial assets (+):								
Borrowings	4.8.2	-	-	-	-	-	-	-
Trade receivables and other financial receivables	4.8.2	7,133	893	3	-	-	-	25,776
Financial derivatives	4.8.3	-	-	-	-	-	-	14,195
Other financial assets	4.8.4	-	-	-	-	-	-	-
Cash and cash equivalents	4.14	2,834	37	-	-	258	-	12,192
Financial liabilities (-):								
Loans, borrowings and other debt instruments	4.8.5	-	-	-	-	-	-	-
Finance leases	4.4	-	-	-	-	-	-	-
Financial derivatives	4.8.3	-	-	-	-	-	-	(15,291)
Trade payables and other financial liabilities	4.17	(2,686)	(1,390)	-	-	(1,092)	(159)	(11,295)
Total exposure to currency risk		7,295	(586)	3	20	(834)	(159)	25,577

All amounts in PLN '000 (unless otherwise stated)

As at Dec 31 2007								
Financial assets (+):								
Borrowings	4.8.2	-	-	-	-	-	-	-
Trade receivables and other financial receivables	4.8.2	10,453	-	-	-	-	-	36,749
Financial derivatives	4.8.3	-	-	-	-	-	-	2,484
Other financial assets	4.8.4	-	-	-	-	-	-	-
Cash and cash equivalents	4.14	1,624	124	-	-	-	-	6,515
Financial liabilities (-):								
Loans, borrowings and other debt instruments	4.8.5	-	-	-	-	-	-	-
Finance leases	4.4	-	-	-	-	-	-	-
Financial derivatives	4.8.3	-	-	-	-	-	-	(490)
Trade payables and other financial liabilities	4.17	(3,259)	(1,234)	-	-	(47)	(3,001)	(15,823)
Total exposure to currency risk		8,818	(1,110)	-	-	(47)	(3,001)	29,434

Sensitivity Analysis with Respect to Currency Risk

The Company executes most transactions in the Polish currency. The Company's exposure to currency risk is related to foreign sale and purchase transactions, primarily executed in EUR and USD.

The Company minimises currency risk by entering into currency forward contracts. The Company does not use forward contracts if the amounts paid (purchase) or received (sale) offset the risk to a large extent. If purchase and sale transactions expressed in foreign currencies are not counterbalanced, the Company uses forward contracts to achieve the above stated risk management objectives.

Presented below is sensitivity analysis of the financial result and other comprehensive income with respect to the Company's financial assets and liabilities, taking into account movements in the EUR/PLN, USD/PLN and CAD/PLN exchange rates.

The sensitivity analysis assumes a 10% growth or decline in the EUR/PLN, USD/PLN and CAD/PLN exchange rates vs. the mid exchange rate quoted by the National Bank of Poland for a given balance-sheet date.

Please note that currency derivatives offset exchange rate volatility. Thus, it is assumed that risk exposure is connected with financial instruments held by the Company as at each balance-sheet date, and that the exposure is adjusted through the Company's derivative instrument position.

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

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Sensitivity analysis as at Dec 31 2009	Exchange rate growth								Exchange rate decline							
	10%								-10%							
	Effect on net profit/(loss) (PLN '000)				Effect on other comprehensive income (PLN '000)				Effect on net profit/(loss) (PLN '000)				Effect on other comprehensive income (PLN '000)			
	EUR	USD	CAD	Total	EUR	USD	CAD	Total	EUR	USD	CAD	Total	EUR	USD	CAD	Total
	4.52	3.14	2.99		4.52	3.14	2.99		3.70	2.57	2.44		3.70	2.57	2.44	
Financial assets	**5,228**	**1,492**	**8,298**	**15,019**	**-323**	**-9**	**0**	**-332**	**-5,228**	**-1,492**	**-8,298**	**-15,019**	**323**	**9**	**0**	**332**
Borrowings	1,578	1,979	0	3,557	0	0	0	0	-1,578	-1,979	0		0	0	0	0
Trade receivables and other financial receivables	4,027	0	0	4,027	0	0	0	0	-4,027	0	0		0	0	0	0
Financial derivatives	-2,019	-490	8,222	5,714	-323	-9	0	-332	2,019	490	-8,222	0	323	9	0	332
Other financial assets	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Cash and cash equivalents	1,642	3	76	1,721	0	0	0	0	-1,642	-3	-76		0	0	0	0
Financial liabilities	**-1,057**	**-1**	**-81**	**-1,139**	**0**	**0**	**0**	**0**	**1,057**	**1**	**81**	**1,139**	**0**	**0**	**0**	**0**
Loans, borrowings and other debt instruments	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Finance leases	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Financial derivatives	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Trade payables and other financial liabilities	-1,057	-1	-81	-1,139	0	0	0	0	1,057	1	81		0	0	0	0
Effect on the financial result	**4,171**	**1,491**	**8,217**	**13,880**				**0**	**-4,171**	**-1,491**	**-8,217**	**-13,880**			0	
Effect on other comprehensive income					**-323**	**-9**	**0**	**-332**					**323**	**9**	**0**	**332**

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

Sensitivity analysis as at Dec 31 2008	Exchange rate growth								Exchange rate decline							
	10%								-10%							
	Effect on net profit/(loss) (PLN '000)				Effect on other comprehensive income (PLN '000)				Effect on net profit/(loss) (PLN '000)				Effect on other comprehensive income (PLN '000)			
	EUR	USD	CAD	Total	EUR	USD	CAD	Total	EUR	USD	CAD	Total	EUR	USD	CAD	Total
	4.59	3.26	2.67		4.59	3.26	2.67		3.76	2.67	2.19		3.76	2.67	2.19	
Financial assets	**3,187**	**275**	**8,152**	**11,614**	**-7,373**	**0**	**265**	**-7,107**	**-3,123**	**-275**	**-8,152**	**-11,550**	**7,373**	**0**	**-265**	**7,107**
Borrowings	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Trade receivables and other financial receivables	2,976	264	0	3,241	0	0	0	0	-2,930	-264	0		0	0	0	0
Financial derivatives	-972	0	8,089	7,117	-7,373	0	265	-7,107	972	0	-8,089	0	7,373	0	-265	7,107
Other financial assets	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Cash and cash equivalents	1,182	11	63	1,256	0	0	0	0	-1,164	-11	-63		0	0	0	0
Financial liabilities	**-1,121**	**-412**	**-265**	**-1,798**	**0**	**0**	**0**	**0**	**1,121**	**412**	**265**	**1,798**	**0**	**0**	**0**	**0**
Loans, borrowings and other debt instruments	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Finance leases	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Financial derivatives	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Trade payables and other financial liabilities	-1,121	-412	-265	-1,798	0	0	0	0	1,121	412	265		0	0	0	0
Effect on the financial result	**2,066**	**-136**	**7,886**	**9,816**				**0**	**-2,002**	**136**	**-7,886**	**-9,752**			0	
Effect on other comprehensive income					**-7,373**	**0**	**265**	**-7,107**					**7,373**	**0**	**-265**	**7,107**

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

Sensitivity analysis as at Dec 31 2007	Exchange rate growth								Exchange rate decline							
	10%								-10%							
	Effect on net profit/(loss) (PLN '000				Effect on other comprehensive income (PLN '000)				Effect on net profit/(loss) (PLN '000				Effect on other comprehensive income (PLN '000)			
	EUR	USD	CAD	Total	EUR	USD	CAD	Total	EUR	USD	CAD	Total	EUR	USD	CAD	Total
	3.94	2.68	2.73		3.94	2.68	2.73		3.22	2.19	2.24		3.22	2.19	2.24	
Financial assets	**4,311**	**232**	**0**	**4,544**	**-6,075**	**41**	**0**	**-6,033**	**-4,311**	**-232**	**0**	**-4,544**	**6,967**	**-41**	**0**	**6,926**
Borrowings	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Trade receivables and other financial receivables	3,744	0	0	3,744	0	0	0	0	-3,744	0	0		0	0	0	0
Financial derivatives	-15	202	0	188	-6,075	41	0	-6,033	15	-202	0	0	6,967	-41	0	6,926
Other financial assets	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Cash and cash equivalents	582	30	0	612	0	0	0	0	-582	-30	0		0	0	0	0
Financial liabilities	**-1,167**	**-300**	**-12**	**-1,480**	**0**	**0**	**0**	**0**	**1,167**	**300**	**12**	**1,480**	**0**	**0**	**0**	**0**
Loans, borrowings and other debt instruments	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Finance leases	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Financial derivatives	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Trade payables and other financial liabilities	-1,167	-300	-12	-1,480	0	0	0	0	1,167	300	12		0	0	0	0
Effect on the financial result	**3,144**	**-68**	**-12**	**3,064**				**0**	**-3,144**	**68**	**12**	**-3,064**			0	
Effect on other comprehensive income					**-6,075**	**41**	**0**	**-6,033**					**6,967**	**-41**	**0**	**6,926**

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

Interest rate risk

Management of interest rate risk concentrates on the minimisation of the impact of fluctuations in interest cash flows on financial assets and liabilities which bear interest at variable interest rates. The Company is exposed to the interest rate risk in connection with the following categories of financial assets and liabilities:
- granted loans,
- acquired treasury debt securities, bank debt securities, commercial debt securities, including bonds and treasury bills
- deposits,
- received loans and borrowings,
- debt securities in issue
- interest rate swaps (IRS).

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

Under the conditions of an agreement for a credit facility for financing capital investments, PBG S.A. was obliged to limit interest rate risk. In the performance of the Bank's requirements, on July 23rd 2008, the Company entered into an IRS transaction for 50% of the outstanding loan amount, maturing by December 31st 2013.

The IRS transaction consists in the swap of interest payments accruing at a variable 1M WIBOR rate for interest payments accruing at a fixed interest rate.

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

Sensitivity analysis with respect to interest rate risk

Below we present sensitivity analysis concerning net profit (loss) and other comprehensive income with respect to potential interest rate fluctuations by 1% (upwards or downwards). The calculation is based on changes in the average interest rate applicable during the period by (+/-) 1 % and with respect to financial assets and liabilities sensitive to interest rate changes (i.e. those which bear interest at a variable interest rate).

Sensitivity analysis as at Dec 31 2009	Value at risk	1% interest rate		1% interest rate	
		rise		fall	
	PLN '000	Effect on net profit/(loss)	Effect on other comprehensive income	Effect on net profit/(loss)	Effect on other comprehensive income
Financial assets	**907,612**	**9,076**	**0**	**-9,076**	**0**
Borrowings	371,682	3,717		-3,717	
Debt securities	5,643	56		-56	
Investment fund units	0	0		0	
Other classes of other financial assets	963	10		-10	
Cash and cash equivalents	529,324	5,293		-5,293	
Financial liabilities	**-710,150**	**-6,895**	**-207**	**6,895**	**207**
Loans	-170,164	-1,702		1,702	
Borrowings	-16,500	-165		165	
Debt securities	-500,000	-5,000		5,000	
Finance lease	-2,790	-28		28	
Financial derivatives (IRS)	-20,696		-207		207
Effect on net profit/(loss)		**2,182**		**-2,182**	
Effect on other comprehensive income			**-207**		**207**

Sensitivity analysis as at Dec 31 2008	Value at risk	1% interest rate		1% interest rate	
		rise		fall	
	PLN '000	Effect on net profit/(loss)	Effect on other comprehensive income	Effect on net profit/(loss)	Effect on other comprehensive income
Financial assets	**280,327**	**2,803**	**0**	**-2,803**	**0**
Borrowings	35,213	352		-352	
Debt securities	80,172	802		-802	
Investment fund units	0	0		0	
Other classes of other financial assets	0	0		0	
Cash and cash equivalents	164,942	1,649		-1,649	
Financial liabilities	**-400,601**	**-3,741**	**-265**	**3,741**	**265**
Loans	-174,146	-1,741		1,741	
Borrowings	0	0		0	
Debt securities	-200,000	-2,000		2,000	
Finance lease		0		0	
Financial derivatives (IRS)	-26,455		-265		265
Effect on net profit/(loss)		**-938**		**938**	
Effect on other comprehensive income			**-265**		**265**

Sensitivity analysis as at Dec 31 2007	Value at risk	1% interest rate		1% interest rate	
		rise		fall	
	PLN '000	Effect on net profit/(loss)	Effect on other comprehensive income	Effect on net profit/(loss)	Effect on other comprehensive income
Financial assets	**501,703**	**5,017**	**0**	**-5,017**	**0**
Borrowings	74,935	749		-749	
Debt securities	98,099	981		-981	
Investment fund units	0	0		0	
Other classes of other financial assets	0	0		0	
Cash and cash equivalents	328,669	3,287		-3,287	
Financial liabilities	**-425,771**	**-4,258**	**0**	**4,258**	**0**
Loans	-115,760	-1,158		1,158	
Borrowings	0	0		0	
Debt securities	-310,000	-3,100		3,100	
Finance lease	-11	0		0	
Financial derivatives (IRS)	0	0	0	0	0
Effect on net profit/(loss)		**759**		**-759**	
Effect on other comprehensive income			**0**		**0**

The Company holds financial instruments which bear interest at a fixed-interest rate, which are measured in the balance sheet at acquisition cost adjusted using the effective interest rate method.
Financial instruments' sensitivity to interest rate risk is computed as a product of the balance of balance-sheet items sensitive to interest rate fluctuations and the applicable interest rate variation.

1.2. Credit Risk

Credit risk is understood as the inability to meet obligations towards the Company's creditors. Credit risk has three primary aspects:
- creditworthiness of customers with whom the Group enters into transactions for physical delivery of products;
- creditworthiness of financial institutions (banks) with whom the Group enters into hedging transactions;
- creditworthiness of entities in which the Group invests or whose securities the Group acquires.

The following are the credit risk exposures with different credit risk profiles:
- cash and bank deposits,
- derivatives,
- trade receivables,
- loans advanced,
- debt securities,
- guarantees and sureties advanced.

All amounts in PLN '000 (unless otherwise stated)

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

	Dec 31 2009	Dec 31 2008	Dec 31 2007
Loans	517,322	35,213	74,935
Trade and other financial receivables	316,182	270,692	227,861
Derivatives	19,581	14,195	2,483
Debt securities	5,643	80,172	98,099
Investment fund units	-	-	-
Other classes of other financial assets	963	-	-
Cash and cash equivalents	529,324	164,942	327,707
Conditional payables under guarantees and sureties advanced	1,479,150	1,303,304	93,979
Total credit risk exposure	**2,868,165**	**1,868,518**	**825,064**

The Company monitors clients' and creditors' outstanding payments by analysing the credit risk individually, or for the individual asset classes according to credit risk (e.g. by industry, region or structure of customers). Further, as part of risk management activities, the Company enters into transactions with partners whose creditworthiness is confirmed.

Cash and bank deposit-related credit risk

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

Derivative transaction-related credit risk

All entities with which the Company enters into derivative transactions operate in the financial sector. These are financial institutions (banks) with top (26%), mid-high (66%) or average (8%) credit rating. They have the sufficient equity and a robust and stable market position. The maximum share of a single entity in the total value of derivative transactions effected by the Company is 66%.

Currency and interest rate derivate instrument transactions entered into by the Company as at December 31st 2009, December 31st 2008 and December 31st 2007.

	Dec 31 2009	Dec 31 2008	Dec 31 2007
	PLN '000	PLN '000	PLN '000
Financial assets	19,581.00	14,195.00	2,483.00
Financial liabilities	789.00	16,831.00	490.00
Derivative instruments valuation, net	**18,792.00**	**-2,636.00**	**1,993.00**

Thanks to the highly diversified composition of the group of counterparties, and due to the credit ratings of our partner financial institutions, PBG S.A. is not exposed to credit risk inherent in the derivative transactions.

Credit risk inherent in trade receivables and other financial receivables

The Company has a long track record of work with many customers, which are active in diverse sectors. Based on the 2009 revenue, the top customers included:

No.	Customers	Net share
	Total	100.00%
1	PGNIG S.A.	50.97%
2	GAZ-SYSTEM	7.12%
3	MAXER S.A	5.48%
4	POMERANIA DEVELOPMENT SP. Z O. O.	5.66%
5	ZIOTP	4.55%
6	PKP CARGO S.A.	3.89%
7	TECHNIP POLSKA	2.47%
8	STRATEG CAPITAL SP. Z O.O.	2.25%
9	MPWIK KRAKÓW	7.27%
10	Other	10.34%

At present, the main customer for the Company's natural gas and oil services is PGNiG. This is related to the execution of two contracts of substantial value for the customer, totalling nearly PLN 2.5bn. These are highest-ever contracts signed by PBG S.A. with PGNiG. However, please note that the Company's strategy provides for delivery of high-value contracts, which may increase the share of sales to a single customer in total revenues. In order to mitigate the risk of being dependent on key customers, PBG gradually attracts new customers for services, such as NATO, PKN ORLEN, PERN, LOTOS, Natfobazy, OLPP and foreign entities.
The Company seeks to mitigate the risk further by:

- diversifying sources of revenue and securing new customers,
- executing EU-funded contracts, primarily for local governments,
- operating on international markets.

The analysis of receivables, as the most important category of assets exposed to credit risk, in terms of outstanding amounts and aging for which impairment losses were not recognised, is presented in the tables below:

All amounts in PLN '000 (unless otherwise stated)

Item	Dec 31 2009		Dec 31 2008		Dec 31 2007	
	Not past due	Past due	Not past due	Past due	Not past due	Past due
Current receivables:						
Trade receivables	253,491	41,747	166,417	70,924	159,944	49,937
Impairment losses on trade receivables (-)		(287)		(322)		(377)
Net trade receivables	253,491	41,460	166,417	70,602	159,944	49,560
Other financial receivables	13,520	18	23,202	27	8,301	27
Impairment losses on other receivables (-)		(18)		(27)		(27)
Other net financial receivables	13,520	-	23,202	-	8,301	-
Financial receivables	267,011	41,460	189,619	70,602	168,245	49,560

Item	Dec 31 2009		Dec 31 2008		Dec 31 2007	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Past due current receivables:						
Up to 1 month	11,804		23,299		27,684	
From 1 to 6 months	29,656		47,303		21,876	
From 6 to 12 months						
Over one year						
Past due financial receivables	41,460	-	**70,602**	**-**	**49,560**	**-**

As assessed by the Company's Management Board, the above financial assets which are not past due and for which no impairment losses were recognised as at the respective balance-sheet dates, can reasonably be considered as good credit quality assets. Thus, the Company did not establish collateral or used other tools to improve the credit terms.

With respect to trade receivables, the Company is not exposed to credit risk inherent in being dependent on a single major partner or a group of partners sharing the same characteristics. Based on historical data on overdue payments, the receivables that are past due and for which no impairment charges have been recognised do not show a marked deterioration in quality, as most of them fall into the "up to 6 months" category, and there is no threat to their effective collectability.

The Company operates in the market of specialist construction services for the natural gas, petroleum, fuel, water supply and sewerage, road and infrastructural sectors, there is no credit risk concentration.

In order to reduce its credit risk exposure, the Company uses offsetting (compensating) arrangements where such solution is accepted by both parties.

1.3. Liquidity Risk

The Company is exposed to the risk of losing liquidity, that is the loss of the ability to timely meet financial liabilities. The Company manages the liquidity risk by monitoring payment dates and demand for cash with respect to the servicing of current payables (current transactions are monitored on a weekly basis) and long-term demand for cash based on cash flow projections that are updated monthly. The demand for cash is compared with the available sources of funding (in particular by evaluating the ability to source funds under credit facilities) and with the ability to place free funds.

All amounts in PLN '000 (unless otherwise stated)

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

Item	Section	Current:		Non-current:			Liabilities total (no discount)	Carrying value
		up to 6 months	from 6 to 12 months	1 to 3 years	3 to 5 years	over 5 years		
As at Dec 31 2009								
Bank loans	4.8.5	26,888	16,645	70,745	10,139		124,417	123,473
Overdraft facilities	4.8.5	45,747	-	-	-	-	45,747	45,747
Borrowings	4.8.5	16,500	-	-	-	-	16,500	16,523
Debt securities	4.8.5	-	125,000	375,000	-	-	500,000	506,441
Finance lease	4.4	586	607	1,597	-	-	2,790	2,790
Financial derivatives	4.8.3	-	236	554	-	-	790	790
Trade and other financial payables	4.17	305,905	3,131	18,450	957	382,	328,825	328,237
Total liquidity risk exposure		395,626	145,619	466,346	11,096,	382,	1,019,069	1,024,001
As at Dec 31 2008								
Bank loans	4.8.5	97,419	11,178	42,861	22,688		174,146	174,065
Credit facilities	4.8.5	-	-	-	-	-	-	-
Borrowings	4.8.5	-	-	-	-	-	-	-
Debt securities	4.8.5	-	-	200,000	-	-	200,000	201,138
Finance lease	4.4	-	-	-	-	-	-	-
Financial derivatives	4.8.3	-	15,291	1,540	-	-	16,831	16,831
Trade and other financial payables	4.17	141,018	2,383	5,722	-	-	149,123	148,473
Total liquidity risk exposure		238,437	28,852	250,123	22,688	-	540,100	540,507
As at Dec 31 2007								
Bank loans	4.8.5	15,531	81,426	13,203	5,600	-	115,760	115,957
Credit facilities	4.8.5	-	-	-	-	-	-	-
Borrowings	4.8.5	-	-	-	-	-	-	-
Debt securities	4.8.5	-	110,000	200,000	-	-	310,000	311,043
Finance lease	4.4	7	4	-	-	-	11	11
Financial derivatives	4.8.3	-	490	-	-	-	490	490
Trade and other financial payables	4.17	130,325	603	389	-	-	131,317	131,275
Total liquidity risk exposure		145,863	192,523	213,592	5,600	-	557,578	558,776

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

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

Item	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2007
Overdraft facilities granted	95,000	65,000	65,000
Overdraft facilities used	45,747	-	-
Available overdraft facilities	49,253	65,000	65,000

5. EVENTS SUBSEQUENT TO THE BALANCE-SHEET DATE

After December 31st 2009 the following events occurred which did not require disclosure in the financial statements for 2009:

MERGERS, ACQUISITIONS, ESTABLISHMENT OF NEW SUBSIDIARIES

Acquisition of Shares in Energomontaż Południe SA – Completion of the Transaction

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

INVESTMENT PROJECT AGREEMENTS

Conclusion of a Material Agreement with Strateg Capital

On January 11th 2010 the Management Board of PBG S.A. entered into at a series of transactions with Strateg Capital Sp. z o.o., as a result of which a total value of contracts concluded with the company in the previous 12 months amounted to PLN 168,079,202.98 and satisfied the statutory materiality criterion.
A single agreement of the largest value is a PLN 69,312,136.98 contract (VAT exclusive) of June 19th 2009, whereby PBG S.A. acts as the contractor. The subject matter of the contract is the provision of general contracting services in connection with construction of an aggregate (melaphyre) quarry and processing plant in Tłumaczów, delivery of aggregate loading and handling systems and construction of a railway siding. The contract completion date is September 30th 2010. The parties may extend the scope of the contract.
The total value of the concluded contracts is considered material for PBG S.A. based on the total shareholders' equity criterion. Strateg Capital is an affiliated company of PBG S.A. – PBG S.A. holds an 18-percent equity interest in the company.

Conclusion of Material Agreement with PBG Dom Sp. z o.o.

On January 11th 2010, the Management Board of PBG S.A. notified of executing a series of transactions with PBG Dom Sp. z o.o. as a result of which a total value of contracts concluded with the company in the previous 12 months amounted to PLN 145,819,500.
A single agreement of the largest value is a PLN 35,910,000.00 loan agreement of June 23rd 2009, whereby PBG S.A. acts as the lender. The loan becomes due on December 31st 2010.
PBG Dom issued a blank promissory note with a declaration on submission to enforcement. The loan bears interest on market terms.

The total value of the concluded agreements is considered material for PBG S.A. based on the total shareholders' equity criterion. PBG Dom Sp. z o.o. is a wholly-owned subsidiary of PBG S.A.

Conclusion of Material Agreement with Control Process SA

On March 2nd 2010, a consortium comprising Control Process S.A., PBG S.A., and GasOil engineering a.s. concluded a contract with Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. The subject matter of the contract is a project "Turnkey Delivery of Construction of Jarosław II Gas Compressor Station as part of the Upgrade of Jarosław Gas Compressor Station". Works on the project execution will start within 14 days as of the contract date and will last for 18 months. The flow capacity of the new Jarosław II Gas Compressor Station will total 300,000 m^3/h. The parties agreed on a total lump-sum remuneration for the Consortium for due delivery of the project of PLN 117,700,000.00 (VAT exclusive). The share of PBG S.A. in the remuneration will amount to approx. 50%. The Management Board of PBG S.A. recognised the contract as material due to the market potential and the fact that the facility will serve as an important transmission hub in Poland's existing and planned gas transmission system which GAZ-SYSTEM S.A. plans to extend by 2014 by adding 1,000 km of new pipelines.

All amounts in PLN '000 (unless otherwise stated)

6. OTHER INFORMATION

KEY ITEMS TRANSLATED INTO THE EURO

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

a) net revenue from sales of products, goods for resale and materials, operating profit, pre-tax profit, net profit, as well as net cash provided by/(used in) operating activities, net cash provided by/(used in) investing activities, net cash provided by/(used in) financing activities and net change in cash and cash equivalents for 2009 were calculated using the average EUR exchange rate based on the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland for the last day of the individual months, i.e. PLN 4.3406.

b) net revenue from sales of products, goods for resale and materials, operating profit, pre-tax profit, net profit, as well as net cash provided by/(used in) operating activities, net cash provided by/(used in) investing activities, net cash provided by/(used in) financing activities and net change in cash and cash equivalents for 2008 were calculated using the average EUR exchange rate based on the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland for the last day of the individual months, i.e. PLN 3.5321.

c) total assets, liabilities and provisions for liabilities, non-current liabilities, current liabilities, equity and share capital as at December 31st 2009 were calculated using the EUR mid-exchange rate effective for that date (December 31st 2009), i.e. PLN 4.1082.

d) total assets, liabilities and provisions for liabilities, non-current liabilities, current liabilities, equity and share capital as at December 31st 2008 were calculated using the EUR mid-exchange rate effective for that date (December 31st 2008), i.e. PLN 4.1724.

Item	Dec 31 2009	Dec 31 2008
Exchange rate effective for the last day of the period	4.1082	4.1724
Average exchange rate for the period, calculated based on the arithmetic mean of exchange rates effective for the last day of each individual month in a given period	4.3406	3.5321
The highest exchange rate in the period	4.8999 – Feb 18 2009	4.1848 – Dec 29 2008
The lowest exchange rate in the period	3.9170 – Jan 7 2009	3.2026 – Jul 31 2008

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

Key items of the balance sheet, income statement and statement of cash flows from the financial statements and the comparative financial information, translated into the euro are presented below.

KEY ITEMS TRANSLATED INTO THE EURO AS AT DECEMBER 31ST 2009

Item	Jan 1–Dec 31 2009 PLN	Jan 1–Dec 31 2008 PLN	Jan 1–Dec 31 2009 EUR	Jan 1–Dec 31 2008 EUR
Income statement				
Sales revenue	827,463	571,576	190,633	161,823
Operating profit/(loss)	125,598	72,028	28,935	20,392
Pre-tax profit/(loss)	121,687	73,589	28,035	20,834
Net profit/(loss) from continuing operations	98,279	58,469	22,642	16,554
Net profit/(loss)	98,279	58,469	22,642	16,554
Earnings/(loss) per ordinary share (PLN / EUR)			-	-
Diluted earnings (loss) per ordinary share (PLN / EUR)			-	-
PLN / EUR average exchange rate*			4.3406	3.5321

Cash flow statement				
Net cash provided by/(used in) operating activities	347,486	(40,642)	80,055	(11,506)
Net cash provided by/(used in) investing activities	(466,115)	(54,956)	(107,385)	(15,559)
Net cash provided by/(used in) financing activities	478,167	(68,128)	110,161	(19,288)
Net change in cash and cash equivalents	359,538	(163,726)	82,831	(46,354)
PLN / EUR average exchange rate *			4.3406	3.5321

Item	As at Dec 31 2009 PLN	As at Dec 31 2008 PLN	As at Dec 31 2009 EUR	As at Dec 31 2008 EUR
Balance sheet				
Assets	2,244,718	1,340,364	546,399	321,245
Non-current liabilities	491,980	288,825	119,756	69,223
Current liabilities	703,429	290,337	171,226	69,585
Equity	1,049,309	761,202	255,418	182,437
Share capital	14,295	13,430	3,480	3,219
Number of shares	14,295	13,430	3,480	3,219
Weighted average number of ordinary shares	13,935	13,430	3,392	3,219
Diluted weighted average number of ordinary shares	13,935	13,430	3,392	3,219
Book value per share (PLN / EUR)	73,40	56,68	18	14
Dividend per share declared or paid (PLN / EUR)	-	-	-	-
PLN / EUR exchange rate as at end of period **			4.1082	4.1724

All amounts in PLN '000 (unless otherwise stated)

REMUNERATION PAID TO MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS OF THE COMPANY

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

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

REMUNERATION PAID TO MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICES IN THE COMPANY FROM JANUARY 1ST TO DECEMBER 31ST 2008

Item	Base remuneration	Other benefits	Total
Remuneration paid to Management Board members			
Jerzy Wiśniewski	741	-	741
Tomasz Woroch	420	-	420
Przemysław Szkudlarczyk	300	-	300
Tomasz Tomczak	300	-	300
Mariusz Łożyński	245	-	245
Tomasz Latawiec	240	-	240
Total	**2,246**	**-**	**2,246**
Remuneration paid to Supervisory Board members			
Maciej Bednarkiewicz	120	-	120
Jacek Kseń	96	-	96
Wiesław Lindner	60	-	60
Jacek Krzyżaniak	36	-	36
Małgorzata Wiśniewska	24	-	24
Dariusz Sarnowski	36	-	36
Adam Strzelecki	36	-	36
Mirosław Dobrut	6	-	6
Total	**414**	**-**	**414**

All amounts in PLN '000 (unless otherwise stated)

REMUNERATION PAID TO MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICES IN SUBSIDIARY, JOINTLY-CONTROLLED AND ASSOCIATED UNDERTAKINGS FROM JANUARY 1ST TO DECEMBER 31ST 2009

Item	Base remuneration	Other benefits	Total
Remuneration paid to Management Board members			
Jerzy Wiśniewski	-	-	-
Tomasz Woroch	65	-	65
Przemysław Szkudlarczyk	36	-	36
Tomasz Tomczak	9	-	9
Mariusz Łożyński	-	-	-
	-	-	-
Total	**110**	**-**	**110**

REMUNERATION PAID TO MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICES IN SUBSIDIARY, JOINTLY-CONTROLLED AND ASSOCIATED UNDERTAKINGS FROM JANUARY 1ST TO DECEMBER 31ST 2008

Item	Base remuneration	Other benefits	Total
Remuneration paid to Management Board members			
Jerzy Wiśniewski	190	4	194
Tomasz Woroch	273	5	278
Przemysław Szkudlarczyk	59	-	59
Tomasz Tomczak	-	-	-
Mariusz Łożyński	-	-	-
Tomasz Latawiec	121	-	121
Total	**643**	**9**	**652**
Remuneration paid to Supervisory Board members			
Maciej Bednarkiewicz	-	-	-
Jacek Kseń	-	-	-
Wiesław Lindner	-	-	-
Jacek Krzyżaniak	72	3	75
Małgorzata Wiśniewska	315	1	316
Dariusz Sarnowski	-	-	
Adam Strzelecki	-	-	-
Mirosław Dobrut	-	-	-
Total	**387**	**4**	**391**

EMPLOYMENT IN THE COMPANY AND CHANGES IN STAFF

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
White-collar employees	364	422
Blue-collar employees	128	220
Total	**493**	**642**

All amounts in PLN '000 (unless otherwise stated)

CHANGES IN STAFF

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Number of persons employed	88	159
Number of persons dismissed	(290)	(190)
Total	**(202)**	**(31)**

FEE OF THE ENTITY QUALIFIED TO AUDIT FINANCIAL STATEMENTS

Grant Thornton Frąckowiak Sp. z o.o. is entitled to audit and review the financial statements of the companies of PBG S.A. Below are presented fees paid to the auditor for the provision of its services:

Item	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Audit of annual financial statements	82,900	82,800
Review of financial statements	46,900	56,700
Tax advisory		
Other services	57,143	47,200
Total	**186,943**	**186,700**

MATERIAL EVENTS IN PREVIOUS YEARS, DISCLOSED IN THE FINANCIAL STATEMENTS FOR THE CURRENT REPORTING PERIOD

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

All amounts in PLN '000 (unless otherwise stated)

DISCLOSURE APPROVAL

The financial statements for the year ended December 31st 2009 (along with comparative data) have been approved for disclosure by the Management Board on March 19th 2010.

Signatures of all Management Board members

Date	Name	Position	Signature
Mar 19 2010	Jerzy Wiśniewski	President of the Management Board	…………………………..
Mar 19 2010	Tomasz Woroch	Vice-President of the Management Board	…………………………..
Mar 19 2010	Przemysław Szkudlarczyk	Vice-President of the Management Board	…………………………..
Mar 19 2010	Tomasz Tomczak	Vice-President of the Management Board	…………………………..
Mar 19 2010	Mariusz Łożyński	Vice-President of the Management Board	…………………………..

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

Date	Name	Position	Signature
Mar 19 2010	Anna Nowak	Chief Accountant	…………………………..