

**POLISH FINANCIAL SUPERVISION AUTHORITY**

**PBG GROUP**



**Consolidated Interim Financial Statements  
for Q1 2010**

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

Date of release: May 10th 2010

**PBG Spółka Akcyjna**  
(full name)

**PBG S.A.**

(abbreviated name)

**62-081**

(postal code) **Skórzewska**  
(street)

**(+4861) 66 51 700**  
(telephone)

**[polska@pbg-sa.pl](mailto:polska@pbg-sa.pl)**  
(e-mail)

**777-21-94-746**  
(NIP - Tax Identification Number)

**Construction**

(sector according to the Warsaw Stock Exchange's classification)

**Wysogotowo, near Poznań**  
(city/town)

**35**  
(No.)

**(+4861) 66 51 701**  
(fax)

**<http://www.pbg-sa.pl>**  
(website)

**631048917**  
(REGON - Industry Identification Number)

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# 1 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE PBG GROUP FOR Q1 2010

## FINANCIAL HIGHLIGHTS

Item	As at Mar 31 2010	As at Mar 31 2009	As at Dec 31 2009	As at Mar 31 2010	As at Mar 31 2009	As at Dec 31 2009
	PLN			EUR		
<b>Balance sheet</b>						
Assets	3,733,649	2,961,66,	4,008,346	966,716	629,966	975,694
Non-current liabilities	590,886	378,297	561,784	152,992	80,466	136,747
Current liabilities	1,475,714	1,534,824	1,823,076	382,092	326,468	443,765
Equity	1,667,049	1,048,539	1,623,486	431,632	223,032	395,182
Share capital	14,295	13,430	14,295	3,701	2,857	3,480
Number of shares	14,295,000	13,430,000	14,295,000	14,295,000	13,430,000	14,295,000
Weighted average number of ordinary shares	14,295,000	13,430,000	13,935,000	14,295,000	13,430,000	13,935,000
Diluted weighted average number of ordinary shares	14,295,000	13,430,000	13,935,000	14,295,000	13,430,000	13,935,000
Book value per share (PLN / EUR)	100.52	64.66	97.61	26.03	13.75	23.76
Dividend per share declared or paid (PLN / EUR)	-	-	1.40	-	-	0.34
PLN / EUR exchange rate as at end of period				3.8622	4.7013	4.1082

Item	Jan 1 – Mar 31 2010	Jan 1 – Mar 31 2009	Jan 1 – Mar 31 2010	Jan 1 – Mar 31 2009
	PLN		EUR	
<b>Income Statement</b>				
Sales revenue	469,024	349,138	118,234	75,909
Operating profit/(loss)	23,924	34,791	6,031	7,564
Pre-tax profit/(loss)	22,825	25,27	5,754	5,496
Net profit/(loss) from continuing operations	17,436	22,965	4,395	4,993
Net profit/(loss) attributable to:	17,436	22,965	4,395	4,993
– owners of the Parent	17,768	23,244	4,479	5,054
– minority interests	(332)	(279)	(84)	(61)
Earnings/(loss) per ordinary share (PLN / EUR)	1.24	1.73	0.31	0.38
Diluted earnings (loss) per ordinary share (PLN / EUR)	1.24	1.73	0.31	0.38
Average PLN / EUR exchange rate			3.9669	4.5994
<b>Statement of cash flows</b>				
Net cash provided by/(used in) operating activities	5,645	31,974	1,423	6,952
Net cash provided by/(used in) investing activities	(250,692)	(121,698)	(63,196)	(26,460)
Net cash provided by/(used in) financing activities	28,628	47,321	7,217	10,289
Net change in cash and cash equivalents	(216,419)	(42,403)	(54,556)	(9,219)
Average PLN / EUR exchange rate			3.9669	4.5994

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

Item	As at Mar 31 2010	As at Mar 31 2009	As at Dec 31 2009
<b>Assets</b>			
<b>Non-current assets</b>	<b>1,181,525</b>	<b>962,475</b>	<b>1,011,530</b>
Goodwill	339,020	332,522	319,015
Intangible assets	32,044	16,434	32,966
Property, plant and equipment	360,811	412,990	368,264
Non-regenerative natural resources	12,290	11,999	12,290
Investment property	165,252	21,662	144,125
Investments in subsidiary undertakings	10,000	37,000	10,000
Investments in associated undertakings	53,448	-	-
Other non-current financial assets	177,890	38,002	91,610
Non-current receivables under derivative financial instruments	8,169	20,405	8,746
Non-current receivables	13,923	20,119	14,618
Deferred tax assets	-	39,383	-
Non-current prepayments and accrued income	8,678	11,959	9,896
<b>Current assets</b>	<b>2,552,124</b>	<b>1,999,185</b>	<b>2,996,816</b>
Inventories	260,289	78,012	233,694
Receivables under construction contracts	833,046	878,246	725,591
Trade receivables	592,256	634,705	1,074,424
Current income tax receivable	11,918	4,223	3,388
Other current receivables	44,145	34,462	37,749
Other current financial assets	334,462	102,938	217,308
Current receivables under derivative financial instruments	11,360	1,933	20,215
Cash and cash equivalents	443,941	247,320	660,281
Current prepayments and accrued income	20,707	17,346	24,166
Non-current assets classified as held for sale	-	-	-
<b>Total assets</b>	<b>3,733,649</b>	<b>2,961,660</b>	<b>4,008,346</b>

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

Item	As at Mar 31 2010	As at Mar 31 2009	As at Dec 31 2009
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>1,667,049</b>	<b>1,048,539</b>	<b>1,623,486</b>
<b>Equity attributable to owners of the Parent</b>	<b>1,436,880</b>	<b>868,406</b>	<b>1,395,305</b>
Share capital	14,295	13,430	14,295
Treasury shares	-	-	-
Share premium account	733,348	551,178	733,348
Valuation of hedging transactions and foreign exchange gains/(losses) on consolidation	(15,696)	(163,191)	(30,349)
Other capitals	382,019	253,552	374,229

Retained earnings	322,914	213,437	303,782
– retained earnings/(deficit) brought forward	305,146	190,193	93,157
– net profit/(loss) for current year attributable to owners of the Parent	17,768	23,244	210,625
<b>Non-controlling interests</b>	<b>230,169</b>	<b>180,133</b>	<b>228,181</b>
<b>Equity and liabilities</b>	<b>2,066,600</b>	<b>1,913,121</b>	<b>2,384,860</b>
<b>Non-current liabilities</b>	<b>590,886</b>	<b>378,297</b>	<b>561,784</b>
Non-current loans and borrowings	85,831	124,707	101,877
Non-current liabilities under issue of debt securities and finance lease	421,837	208,919	391,177
Non-current liabilities under derivative financial instruments	3,679	7,332	553
Other non-current liabilities	41,192	15,200	40,110
Deferred tax liabilities	9,813	-	150
Provisions for liabilities under employee benefits	6,294	5,235	6,405
Other non-current provisions	14,631	8,933	14,191
Government subsidies	-	-	-
Non-current accruals and deferred income	7,609	7,971	7,320
<b>Current liabilities</b>	<b>1,475,714</b>	<b>1,534,824</b>	<b>1,823,076</b>
Current loans and borrowings	549,780	514,065	493,867
Current liabilities under issue of debt securities and finance lease	139,337	11,345	147,948
Current liabilities under derivative financial instruments	27,296	331,861	59,256
Trade payables	581,968	501,780	851,290
Liabilities under construction contracts	72,897	42,126	60,450
Current income tax payable	1,647	620	25,871
Other current liabilities	64,802	57,402	135,642
Provisions for liabilities under employee benefits	6,362	6,074	6,258
Other current provisions	28,634	67,480	39,027
Government subsidies	-	-	-
Current accruals and deferred income	2,991	2,071	3,467
Liabilities under non-current assets held for sale	-	-	-
<b>Total equity and liabilities</b>	<b>3,733,649</b>	<b>2,961,660</b>	<b>4,008,346</b>

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

Item	Q 1 Jan 1 – Mar 31 2010	Q1 Jan 1 – Mar 31 2009
<i>Continuing operations</i>		
<b>Sales revenue</b>	<b>469,024</b>	<b>349,138</b>
- from related undertakings	-	-
Revenue from sales of products	2,037	2,175
Revenue from sales of services	463,985	344,538
Revenue from sales of goods for resale and materials	3,002	2,425
<b>Cost of sales</b>	<b>(420,364)</b>	<b>(288,829)</b>
- from related undertakings	-	-
Cost of products sold	(2,181)	(1,713)
Cost of services sold	(415,209)	(284,858)
Cost of goods for resale and materials sold	(2,974)	(2,258)
<b>Gross profit/(loss)</b>	<b>48,660</b>	<b>60,309</b>
Selling costs	-	-

General and administrative expenses	(24,811)	(27,527)
Other operating income	18,392	10,398
Other operating expenses	(19,721)	(8,389)
Share in profit of undertakings valued with equity method	1,404	-
Costs of restructuring	-	-
<b>Operating profit/(loss)</b>	<b>23,924</b>	<b>34,791</b>
Finance income	16,030	5,977
Finance expenses	(17,129)	(15,491)
Other gains/(losses) on investments	-	-
<b>Pre-tax profit/(loss)</b>	<b>22,825</b>	<b>25,277</b>
Income tax	(5,389)	(2,312)
<b>Net profit/(loss) from continuing operations</b>	<b>17,436</b>	<b>22,965</b>
<i>Discontinued operations</i>		
Net loss from discontinued operations	-	-
<b>Net profit/(loss)</b>	<b>17,436</b>	<b>22,965</b>
<b>Profit/(loss) attributable to:</b>	<b>17,436</b>	<b>22,965</b>
– owners of the Parent	17,768	23,244
– minority interests	(332)	(279)

**NET EARNINGS (LOSS) PER ORDINARY SHARE**

Item	Jan 1 – Mar 31 2010	Jan 1 – Mar 31 2009
Net profit/(loss) from continuing operations	17,768	23,244
Net profit/(loss) from continuing and discontinued operations	-	-
Weighted average number of ordinary shares	14,295,000	13,430,000
Diluted weighted average number of ordinary shares	14,295,000	13,430,000
<i>from continuing operations</i>		
– basic	1.24	1.73
– diluted	1.24	1.73
<i>from continuing and discontinued operations</i>		
– basic	1.24	1.73
– diluted	1.24	1.73

**CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

Item	Q1 Jan 1 – Mar 31 2010	Q1 Jan 1 – Mar 31 2009
<b>Net profit/(loss)</b>	<b>17,436</b>	<b>22,965</b>
<b>Other comprehensive income</b>		
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	27,869	(126,519)
– amounts transferred to profit or loss	2,055	18,405
– amounts included in the initial value of hedged items	-	-
Foreign currency differences arising on translation of foreign operations	858	681
Foreign currency differences transferred to profit or loss – sale of foreign operations	-	-

**PBG Group****Qsr1/2010** (all amounts in PLN '000, unless indicated otherwise)

Share in other comprehensive income of undertakings valued with equity method	-	-
Income tax on items of other comprehensive income	(6,028)	18,965
Total other comprehensive income after tax:	24,754	(88,468)
<b>Comprehensive income</b>	<b>42,190</b>	<b>(65,503)</b>
<b>Comprehensive income attributable to:</b>	<b>42,190</b>	<b>(65,503)</b>
– owners of the Parent	33,031	(38,503)
– minority interests	9,159	(27,000)

**PBG MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CAPITAL GROUP'S FINANCIAL PERFORMANCE****1. PBG GROUP'S FINANCIAL PERFORMANCE****Important events and factors with a bearing on financial performance of the PBG Group in Q1 2010**

In Q1 2010 the Group's financial results were largely affected by the long and exceptionally cold winter. Although the Group generated sales revenue of PLN 467m, up 34% on Q1 2009, the profitability ratios were lower year on year. The severely cold weather forced the Group to suspend work on construction sites and use alternative technologies enabling work at low temperatures. The weather conditions affected mainly the contracts for construction of sport stadiums, performed by Hydrobudowa Polska.

The winter season also had a material bearing on the financial results of Aprivia, Dromost, PRiD and Betpol, our subsidiaries in the road construction segment. They posted gross loss on sales; however, as usually, a recovery in the road construction segment is expected in the coming quarters.

PBG S.A. retained high profitability and generated good financial results, with growth ratios up to over 10%. Our separate (non-consolidated) results accounted for ca. 24% of the Group's sales revenue, but as much as 62% of its operating profit and 71% of the Group's net profit attributable to owners of the Parent.

**Summary of Q1 of 2010:**

- **Sales revenue of PLN 469m**, up **34%** on Q1 of 2009;
- **Gross profit on sales** was down **19%**, from **PLN 60.3m** to **PLN 48.7m**;
- **Operating profit** was down from **PLN 34.8m** to **PLN 23.9m**, a drop of **31%**;
- **EBITDA** shrank from **PLN 46.5m** to **PLN 35.5m**, i.e. by nearly **PLN 11m**;
- **Net profit** attributable to owners of the Parent for Q1 2010 was nearly **PLN 17.8m**, down **24%** on Q1 2009;
- Net financial result for Q1 of 2009 was positively affected by allocation of deferred income tax to unrealized tax losses at Hydrobudowa 9 S.A., as a result of which the PBG Group assessed income tax at PLN 2.3m, and the effective tax rate was only 9.1%. In Q1 2010, with profit before tax being lower by 10%, the PBG Group's income tax was over twice as much as in Q1 2009 — nearly PLN 5.4m, and the effective tax rate was 23.6%;
- **Consolidation of Energomontaż Południe S.A.** was a positive contributor to operating financial result in Q1 2010, adding **PLN 1.4m** to the Group's operating profit;
- The Group's financial performance in Q1 2010 was materially affected by the weather causing significant delays in the progress of work at construction sites or, in some cases, temporary suspension of the work. To make up for the delays and to avoid possible further delays, in a number of projects we applied technologies enabling work at below zero temperatures, which drove up the costs budgeted for particular contacts;
- PBG Group's financial results were positively affected by the separate results of **PBG S.A.**, the Parent; **PBG S.A.'s sales revenue** was nearly **PLN 111m**, operating profit — ca. **PLN 15m**, and **net profit** — **PLN 12.5m**, which accounted for 24% of the Group's sales revenue, 62% of its operating profit and 71% of its net profit, respectively;

- Another positive contributor to PBG Group's financial results was the consolidation of **Hydrobudowa 9**; in Q1 2010 Hydrobudowa 9 posted **sales revenue of PLN 114m, operating profit of PLN 9.6m and net profit of PLN 9.2m**. Hydrobudowa 9's net profit is fully consolidated in the PBG Group's consolidated accounts;
- The lower margins across the Group resulted from consolidation of the road construction companies which generated losses in Q1 2010; **the Aprivia Group** (composed of Aprivia, Dromost, PRiD and Betpol), **with sales revenues over PLN 20m, posted gross loss on sales of nearly PLN 2.9m, operating loss of PLN 5.2m and net loss attributable to owners of the Parent of PLN 4.4m**;
- **Consolidation of Hydrobudowa Polska** further added to the shrinking of the margins; at sales revenue over **PLN 200m**, the company's **net profit was only PLN 345,000** (in Q1 2010, PBG S.A. consolidated 62.74% of the company's profit);
- As at **April 1st 2010** the value of the Group's order book was slightly over **PLN 4bn**, including ca. **PLN 2.3bn** in contracts to be executed in 2010, with the balance scheduled for the following years (mainly 2011 and 2012). Year on year, the order book's value shrank PLN 1.5bn. Contracts in the natural gas, crude oil and fuels segments have the largest share in the backlog. The industrial construction segment, where the Group recognizes mainly infrastructure projects, has the second largest share in the order book. The third largest comes from the water segment, where the value of unfilled orders represents 28.3% of the total backlog value.

ORDER BOOK AS AT APRIL 1ST 2010	
Natural gas, crude oil and fuels	40.5%
Water	28.3%
Industrial and residential construction	28.8%
Road construction	2.4%
<b>TOTAL</b>	<b>100%</b>

The value of the order book was estimated with the use of a revenue recognition method where revenues under contracts won and performed as part of a consortium, which are to be performed by a particular consortium member, are excluded (in spite of the member's position as the consortium leader).

In Q1 2010, the most important sources of revenue from the core business of the PBG Group were the following construction contracts:

#### A). Water segment

- 1) **Construction of Wastewater Transmission System from Left-Bank Warsaw to Czajka Sewage Treatment Plant** – Phase I; contract signed between Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w Warszawie and Hydrobudowa 9 SA – recognised revenue: **PLN 36.1m**;
- 2) **Construction and Modernisation of Water Supply and Sewage System** in the commune of Szklarska Poręba; contract signed between Karkonoski System Wodociągów i Kanalizacji Sp. z o.o. and Hydrobudowa 9 SA – recognised revenue: **PLN 14.8m**.

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

- 3) **Construction of Goleniów Gas Compressor Station**; contract signed between Operator Gazociągów Przesyłowych Gaz-System S.A. of Warsaw (gas transmission system operator) and PBG S.A.; recognised revenue: **PLN 25.2m**;
- 4) **Design and Turnkey Construction of Complete System for the Lubiatów-Międzychód-Grońów Crude Oil and Natural Gas Mine** as Part of the LMG Project – *Central Facility, Well-Adjacent Zones, Pipelines etc.*; contract executed between PGNiG S.A. and PBG S.A.; recognised revenue: **PLN 21.9m**;
- 5) **Construction of Surface Infrastructure for the Wierzchowice Underground Storage Facility**, contract executed between PGNiG S.A. and PBG S.A.; recognised revenue: **PLN 16.9m**.

**C). Industrial construction segment**

- 6) **Construction of Multi-Purpose National Stadium** in Warsaw with Auxiliary Infrastructure; contract signed between Narodowe Centrum Sportu and Hydrobudowa Polska SA – recognised revenue: **PLN 67.7m**;
- 7) **Extension of City Stadium** at ul. Bułgarska 5/7 in **Poznań** for EURO 2012 — construction of Tribunes I and III, and roofing over Tribunes I, II and III; contract signed between EURO Poznań Sp. z o.o. of Poznań and Hydrobudowa Polska SA – recognised revenue: **PLN 55.4m**;
- 8) **Design and Construction of Waste Neutralisation Facility in Gdańsk Szadółki** – Construction and Assembly Works; contract signed between Zakład Utylizacji Sp. z o.o. of Gdańsk and Hydrobudowa Polska SA – recognised revenue: **PLN 26.7m**;
- 9) **Construction of Waste Utilization Plant in Trzebania**, commune of Osieczna; contract signed between Miejski Zakład Oczyszczania w Trzebanii and Hydrobudowa 9 SA – recognised revenue: **PLN 24.3m**;
- 10) **Construction of Arena Bałtycka Football Stadium in Gdańsk Letnica**; contract signed between the City of Gdańsk and Hydrobudowa Polska SA – recognised revenue: **PLN 22.2m**;
- 11) **Construction of Aggregate (Melaphyre) Quarry and Processing Plant in Tłumaczów**, Delivery of Aggregate Loading and Handling Systems and Construction of Railway Siding; contract executed between Strateg Capital Sp. z o.o. and a PBG S.A.; recognised revenue: **PLN 17.5m**.

The following events significant to the PBG Group occurred in particular segments of the Group's business in Q1 2010 and until the date of this report:

**1. Crude oil, natural gas and fuels segment:****CONTRACTS**

- o Contract for modernisation of Jarosław II Compressor Plant, for a **total value of PLN 117m**, signed; PBG's share in revenue: 50%;

**OTHER**

- Acquisition of **25% of shares plus 1 share** in **Energomontaż Południe SA** by PBG S.A. finalised;
- **Pioneer Pekao Investment Management SA** (PPIM) increased its holding in PBG S.A. to 8.68% of the Company shares and total vote;
- **Ordinary General Shareholders Meeting** of PBG SA was held and approved PBG S.A.'s and PBG Group's **financial statements for 2009**;
- **Ordinary General Shareholders Meeting** of PBG S.A. approved **payment of dividend of PLN 1.40 per** as proposed by the Company's Management Board.

**2. Water segment, including:**

**Water engineering and environmental protection:**

**CONTRACTS**

- As at **April 1st 2010** the value of **Hydrobudowa Polska Capital Group's** order book was over **PLN 1.9bn**, including **PLN 1.25bn** in backlog for **2010**, and the balance of PLN 665m – for the following years;

**OTHER**

- **Ordinary General Shareholders Meeting** of HBP SA was held and approved HBP S.A.'s and Hydrobudowa Polska Group's **financial statements for 2009**.

**Rehabilitation of water and sewage pipelines:**

- Ms Małgorzata Wiśniewska resigned as President of the Management Board of Infra S.A. following her appointment as member of the Supervisory Board of PBG S.A.;

**3. Residential, commercial and industrial construction:**

- **PBG S.A.** increased the share capital of **PBG Dom** by **PLN 42.6m**, to **PLN 55m**;
- PBG Dom established the following SPVs for project execution: PBG Dom Invest III, PBG Dom Invest IV, PBG Dom Invest V and PBG Dom Invest III Sp. z o.o. Sp. K.;

**4. Road construction:**

- Contract for redevelopment of a Włocławek section of a national road, for a net value over PLN 32m, signed;
- The Group participated in major tenders for construction of motorways and expressways; consortia with the Group companies as members placed best bids for **a total net value of PLN 2.2bn**; **PBG Group's share** in the bids is **50%**.

**Financing of activities:**

1. **Bank and insurance limits** for the financing of current activities maintained at **PLN 2,656m**.

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

1. Performance of contracts in the **PLN 4bn** backlog.
2. Participation in tenders and winning major contracts for:

- construction and extension of gas transmission pipelines, compressor stations, gas warehouses and the LNG terminal;
  - construction of water intakes and collectors for sewage treatment plants;
  - construction of waste utilisation and incineration plants;
  - construction and upgrade of power plants;
  - construction of roads.
3. Enhancing the efficiency of the PBG Group through improved utilisation of the operating capacities and more efficient management of human resources, equipment and materials, as well as through outsourcing of activities.
  4. Launch of operations in Ukraine through Energopol-Ukraina.
  5. Expansion into the power construction segment by participating in tenders for major contracts in the sector in cooperation with foreign partners.

**PBG Group's profitability ratios for the financial period analysed**

Profitability ratio	Q1 2010	Q1 2009
Gross margining <sup>1</sup>	10.4%	17.3%
Operating margin <sup>2</sup>	5.1%	10.0%
Net margin <sup>3</sup>	3.8%	6.7%

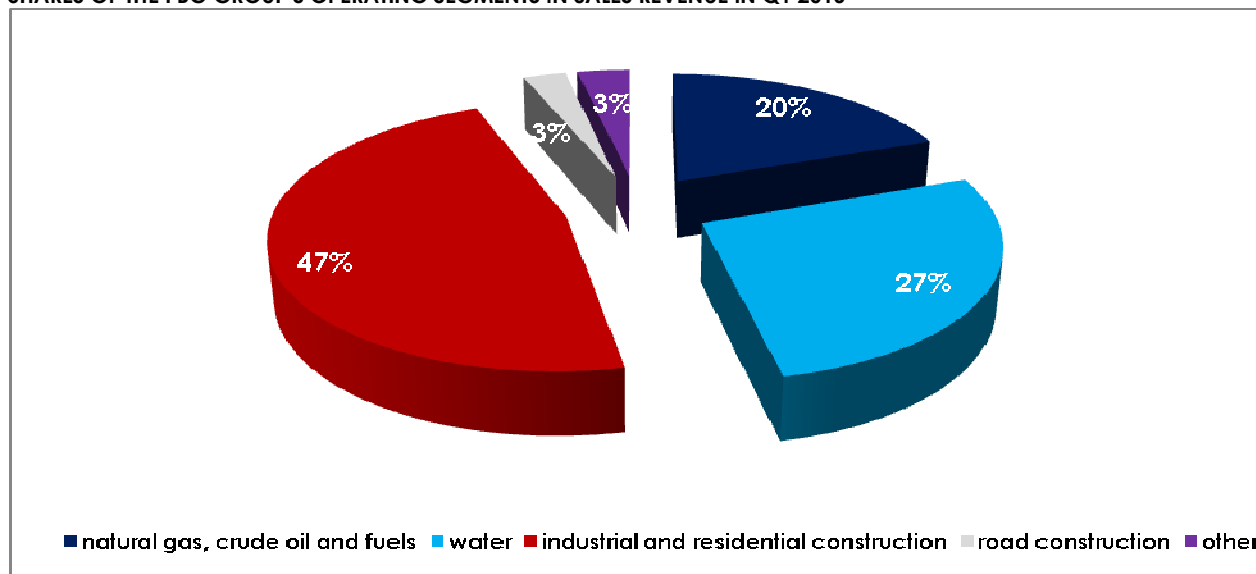
<sup>1</sup> (Gross profit on sales / Sales revenue) × 100

<sup>2</sup> (Operating profit / Sales revenue) × 100

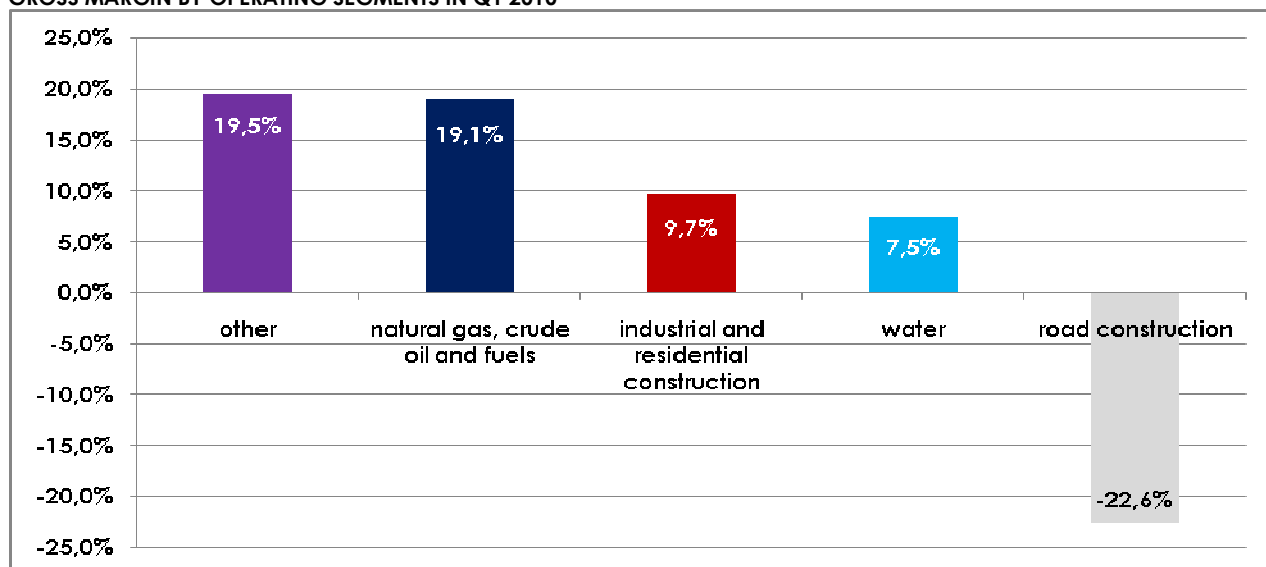
<sup>3</sup> (Net profit attributable to owners of the Parent / Sales revenue) × 100

In Q1 2010, profitability ratios at all levels of the PBG Group's P&L fell: **gross margin** was **10.4%**, that is **6.9 pp** lower year on year, **operating margin** was **5.1%**, that is **4.9 pp** down on Q1 2009, and **net margin** fell from 6.7% to **3.8%**, (**2.9 pp**). These adverse changes followed mainly from contracts performed by Hydrobudowa Polska at significantly lower margins, and from the consolidation of losses incurred by the road construction companies. The **share of variable costs in sales revenue** increased from 82.7% to **89.6%**, that is by **6.9 pp** year on year, which is principally attributable to the increase in budgeted expenditure incurred to secure uninterrupted execution of work on construction sites in the adverse weather conditions. On the other hand, the **share of general and administrative expenses** fell to **5.3%**, from 7.9%, that is by **2.6 pp**. This is attributable to the year-on-year decrease in general and administrative expenses by 10%, which in turn followed from the Group having transferred its employees to execute the largest contracts and the related recognition of cost and expenses under cost of sales.

## SHARES OF THE PBG GROUP'S OPERATING SEGMENTS IN SALES REVENUE IN Q1 2010



## GROSS MARGIN BY OPERATING SEGMENTS IN Q1 2010



## 2. DISCUSSION OF OTHER OPERATING INCOME AND EXPENSES AS WELL AS FINANCE INCOME AND EXPENSE

## 1. Other Operating Income

In Q1 2010, **other operating income totalled PLN 18.4m**, with a PLN 14.2m reversal of impairment losses on receivables being the most material item. Another material item (PLN 1.7m) are proceeds under received insurance compensation, penalties and fines, as well as lease revenue (PLN 1.1m). Year on year, other operating income **increased by 77%**.

## 2. Other Operating Expenses

As at the end of Q1 2010, **other operating expenses** stood at **PLN 19,7m**, that is **135% up** year on year. Other operating expenses include: compensation paid under insurance, penalties and fines (PLN 14.4m) and impairment losses on receivables (PLN 4m).

## 3. Finance Income

In Q1 2010, **finance income** amounted to **PLN 16m and increased 150%** year on year. The main item under finance income represents interest on loans advanced (PLN 5.4m). Other items include interest on bank deposits (PLN 3.4m) and income from financial market transactions (PLN 2.7m).

## 4. Finance Expenses

As at the end of Q1 2010, **finance expenses** totalled **PLN 17.1m** and were by **11% higher** year on year. Interest on bonds issued by PBG S.A. at the end of 2007 and in September 2009 represented the main item under finance expenses (PLN 10m). Another significant item is interest and commission fees on bank loans (PLN 5.3m).

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

### Cash flows (PLN '000)

	Q1 2010	Q1 2009
Net cash provided by/(used in) operating activities	+5,645	+31,974
Net cash provided by/(used in) investing activities	-250,692	-121,698
Net cash provided by/(used in) financing activities	+28,628	+47,321
Net cash at end of period	+443,931	+247,320

The statement of cash flows for Q1 2010 reveals trends similar to those seen in Q1 2009. The PBG Group maintained a positive **balance of net cash provided by/used in operating activities**. While the amount of nearly PLN 5.7m is by over PLN 26m lower year on year, it nevertheless attests to the Group's continuous ability to generate cash from its core business. The lower net operating cash flow follows from the PBG Group's lower net profit lower than in Q1 2009, an effect of the most severe winter in the last several years which caused delays or even halted some construction contracts.

In the period under analysis, the **balance of net cash provided by/used in investing activities** was PLN -250.7m. The main contributing factor was expenditure on acquisition of associated undertakings (over PLN 64m). This item includes purchase of a block of 25% of shares + 1 share in Energomontaż Południe S.A. The Group's expenditure on acquisition of financial assets held for sale totalled PLN 33.8m in Q1 2010. During the quarter, the Group companies advanced loans for a total value of PLN 128m, including large loans advanced by PBG S.A. to Pomerania Development (PLN 55m, for financing of a residential project in Świnoujście) and to Strateg Capital (PLN 19.2m, for financing of the quarry project). A significant portion of the loans advanced by the PBG Group mature before the end of 2010.

In the period under analysis, the **balance of net cash provided by/used in financing activities** was PLN 28.6m. The largest contributing factor was the increase in the Group's debt accompanied by debt repayment, as well as interest paid and received. During the quarter, the PBG Group companies contracted loans totalling PLN 106.6m, and repaid PLN 88.7m of debt. Interest paid under bonds amounted to PLN 14.5m, while interest paid under loans and borrowings – to PLN 8.8m. Interest earned on bank deposits was almost PLN 3.8m.

#### Profile of cash flows

	Q1 2010	Q1 2009
Net cash provided by/(used in) operating activities	+	+
Net cash provided by/(used in) investing activities	-	-
Net cash provided by/(used in) financing activities	+	+
Net cash at end of period	+	+

The PBG Group's economic standing indicates that the Group is still in the growth phase and is able to secure external financing (loans) and service the debt contracted. Both the external financing and cash provided by operating activities are necessary to fund the planned capex as well as to acquire and finance strategic contracts.

#### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

Item	Q1 Jan 1 – Mar 31 2010	Q1 Jan 1 – Mar 31 2009
<i>Cash flows from operating activities</i>		
<b>Net profit before income tax</b>	<b>22,825</b>	<b>25,277</b>
<b>Adjustments:</b>	<b>13,635</b>	<b>37,352</b>
Amortisation of intangible assets	1,451	1,245
Impairment losses on goodwill	-	-
Impairment losses on property, plant and equipment	-	109
Depreciation of property, plant and equipment	10,137	10,475
Gain/loss on sale of property, plant and equipment	7	33
Gain/loss on sale of available-for-sale financial assets (held for trading)	4,781	10,410
Gains/losses on fair value measurement of investment property	(353)	-
Gains/losses on change in fair value of financial assets measured at fair value	(7,020)	8,211
Share in profit/loss of associated undertakings	(1,404)	-
Foreign exchange gains/losses	(1,093)	357
Interest expense	23,859	11,738
Interest received	(16,730)	(5,226)
Dividend received	-	-
<b>Cash provided by/(used in) operating activities before changes in working capital</b>	<b>36,460</b>	<b>62,629</b>
Change in inventories	(26,316)	(8,313)
Change in receivables	368,274	(76,286)
Change in liabilities	(333,494)	88,731
Change in provisions and accruals and deferrals	(4,769)	(9,173)

Other adjustments	(5,891)	(167)
<b>Net cash provided by/(used in) operating activities</b>	<b>34,264</b>	<b>57,421</b>
Interest paid	(5)	(86)
Income tax paid	(28,614)	(25,361)
<b>Net cash provided by/(used in) operating activities</b>	<b>5,645</b>	<b>31,974</b>
<i>Cash flows from investing activities</i>		
Acquisition of intangible assets	(607)	(2,615)
Disposal of intangible assets	-	-
Acquisition of property, plant and equipment	(11,906)	(7,221)
Disposal of property, plant and equipment	449	805
Acquisition of investment property	-	(16,036)
Disposal of investment property	-	-
Acquisition of financial assets	(33,736)	(35,615)
Sale of financial assets	-	5,149
Acquisition of subsidiary undertakings (net of the acquired cash)	(46)	(15,208)
Acquisition of associated undertakings	(64,375)	-
Loans advanced	(128,019)	(51,561)
Decrease in loans advanced	16,671	97
Interest received	1,151	507
Dividend received	-	-
Other inflows	-	-
Other cash used in investing activities	(30,274)	-
<b>Net cash provided by/(used in) investing activities</b>	<b>(250,692)</b>	<b>(121,698)</b>
<i>Cash flows from financing activities</i>		
Net proceeds from issue of shares	-	-
Acquisition of own shares	-	-
Issue of debt securities	33,395	-
Repayment of notes	-	-
Repayment of interest on notes	(14,468)	-
Redemption of debt securities	-	-
Increase in loans and borrowings	106,556	154,098
Repayment of loans and borrowings	(88,695)	(96,929)
Repayment of interest on loans and borrowings	(8,773)	(8,611)
Interest on deposits	3,770	1,202
Decrease in finance lease liabilities	(2,658)	(1,777)
Interest paid	(372)	(335)
Other inflows/outflows	(127)	(327)
<b>Net cash provided by/(used in) financing activities</b>	<b>28,628</b>	<b>47,321</b>
<b>Net change in cash and cash equivalents</b>	<b>(216,419)</b>	<b>(42,403)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>660,281</b>	<b>289,713</b>
Effect of foreign exchange gains/(losses)	79	10
<b>Cash and cash equivalents at end of period</b>	<b>443,941</b>	<b>247,320</b>

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

Item	Equity attributable to owners of the Parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Foreign currency differences arising on translation of subsidiaries	Other capitals	Retained earnings	Total		
<b>Balance as at January 1st 2010</b>	<b>14,295</b>	-	<b>733,348</b>	<b>(27,806)</b>	<b>(2,543)</b>	<b>374,229</b>	<b>303,782</b>	<b>1,395,305</b>	<b>228,180</b>	<b>1,623,485</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-	-	-	-	-	-
<b>Balance after changes</b>	<b>14,295</b>	-	<b>733,348</b>	<b>(27,806)</b>	<b>(2,543)</b>	<b>374,229</b>	<b>303,782</b>	<b>1,395,305</b>	<b>228,180</b>	<b>1,623,485</b>
<b>Changes in equity for period Jan 1 – Mar 31 2010</b>										
Issue of shares	-	-	-	-	-	-	-	-	-	-
Issue of shares in connection with exercise of options (share-based payment programme)	-	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	321	-	<b>321</b>	189	<b>510</b>
Change in Group's structure (transactions with minorities)	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	(610)	-	7,469	1,364	<b>8,223</b>	(7,359)	<b>864</b>
Dividends	-	-	-	-	-	-	-	-	-	-
Allocation of net profit/(loss) to equity	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	-	<b>(610)</b>	-	<b>7,790</b>	<b>1,364</b>	<b>8,544</b>	<b>(7,170)</b>	<b>1,374</b>
<b>Net profit for period Jan 1 – Mar 31 2010</b>	-	-	-	-	-	-	<b>17,768</b>	<b>17,768</b>	<b>(332)</b>	<b>17,436</b>
<b>Other comprehensive income:</b>										
Remeasurement of property, plant and equipment	-	-	-	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	29,924	-	-	-	<b>29,924</b>	-	<b>29,924</b>
Cash-flow hedges (KM adjustment)	-	-	-	(8,939)	-	-	-	<b>(8,939)</b>	8,939	-
Foreign currency differences arising on translation of foreign operations	-	-	-	-	858	-	-	<b>858</b>	-	<b>858</b>
Foreign currency differences arising on translation of foreign operations payable to minority interests	-	-	-	-	(552)	-	-	<b>(552)</b>	552	-
Foreign currency differences transferred to profit or loss – sale of foreign operations	-	-	-	-	-	-	-	-	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-	-	-	-
Income tax on items of other comprehensive income	-	-	-	(6,028)	-	-	-	<b>(6,028)</b>	-	<b>(6,028)</b>
<b>Total comprehensive income</b>	-	-	-	<b>14,957</b>	<b>306</b>	-	<b>17,768</b>	<b>33,031</b>	<b>9,159</b>	<b>42,190</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
<b>Balance as at Mar 31 2010</b>	<b>14,295</b>	-	<b>733,348</b>	<b>(13,459)</b>	<b>(2,237)</b>	<b>382,019</b>	<b>322,914</b>	<b>1,436,880</b>	<b>230,169</b>	<b>1,667,049</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1ST – MARCH 31ST 2009

Item	Equity attributable to owners of the Parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Foreign currency differences arising on translation of subsidiaries	Other capitals	Retained earnings	Total		
<b>Balance as at Jan 1 2009</b>	<b>13,430</b>	-	<b>551,178</b>	<b>(102,264)</b>	<b>820</b>	<b>274,778</b>	<b>190,193</b>	<b>928,135</b>	<b>185,483</b>	<b>1,113,618</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-	-	-	-	-	-
<b>Balance after changes</b>	<b>13,430</b>	-	<b>551,178</b>	<b>(102,264)</b>	<b>820</b>	<b>274,778</b>	<b>190,193</b>	<b>928,135</b>	<b>185,483</b>	<b>1,113,618</b>
<b>Changes in equity for period Jan 1 – Mar 31 2009</b>										
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)	-	-	-	-	-	(21,346)	-	<b>(21,346)</b>	21,650	<b>304</b>
Other adjustments	-	-	-	-	-	120	-	<b>120</b>	-	<b>120</b>
Dividends	-	-	-	-	-	-	-	-	-	-
Allocation of net profit/(loss) to equity	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	-	<b>(21,226)</b>	-	<b>(21,226)</b>	<b>21,650</b>	<b>424</b>
<b>Net profit for period Jan 1 – Mar 31 2009</b>	-	-	-	-	-	-	<b>23,244</b>	<b>23,244</b>	<b>(279)</b>	<b>22,965</b>
<b>Other comprehensive income:</b>										
Remeasurement of property, plant and equipment	-	-	-	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	(108,114)	-	-	-	<b>(108,114)</b>	-	<b>(108,114)</b>
Cash-flow hedges (KM adjustment)	-	-	-	26,721	-	-	-	<b>26,721</b>	(26,721)	-
Foreign currency differences arising on translation of foreign operations	-	-	-	-	681	-	-	<b>681</b>	-	<b>681</b>
Foreign currency differences arising on translation of foreign operations payable to minority interests	-	-	-	-	-	-	-	-	-	-
Foreign currency differences transferred to profit or loss – sale of foreign operations	-	-	-	-	-	-	-	-	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-	-	-	-
Income tax on items of other comprehensive income	-	-	-	18,965	-	-	-	<b>18,965</b>	-	<b>18,965</b>
<b>Total comprehensive income</b>	-	-	-	<b>(62,428)</b>	<b>681</b>	-	<b>23,244</b>	<b>(38,503)</b>	<b>(27,000)</b>	<b>(65,503)</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
<b>Balance as at Mar 31 2009</b>	<b>13,430</b>	-	<b>551,178</b>	<b>(164,692)</b>	<b>1,501</b>	<b>253,552</b>	<b>213,437</b>	<b>868,406</b>	<b>180,133</b>	<b>1,048,539</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD January 1ST – December 31ST 2009

Item	Equity attributable to owners of the Parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Foreign currency differences arising on translation of subsidiaries	Other capitals	Retained earnings	Total		
<b>Balance as at Jan 1 2009</b>	<b>13,430</b>	-	<b>551,178</b>	<b>(102,264)</b>	<b>820</b>	<b>274,778</b>	<b>190,193</b>	<b>928,135</b>	<b>185,483</b>	<b>1,113,618</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-	1,279	(1,910)	(631)	(16,913)	(17,544)
<b>Balance after changes</b>	<b>13,430</b>	-	<b>551,178</b>	<b>(102,264)</b>	<b>820</b>	<b>276,057</b>	<b>188,283</b>	<b>927,504</b>	<b>168,570</b>	<b>1,096,074</b>
<b>Changes in equity for period Jan 1 – Dec 31 2009</b>										
Issue of shares	865	-	182,170	-	-	-	-	183,035	-	183,035
Valuation of options (share-based payment programme)	-	-	-	-	-	1,279	-	1,279	759	2,038
Change in Group's structure (transactions with minorities)	-	-	-	(1,139)	-	(6,891)	2035	(5,995)	38,753	32,758
Other adjustments	-	-	-	-	-	5,933	4	5,937	(7,947)	(2,010)
Dividends	-	-	-	-	-	-	-	-	-	-
Allocation of net profit/(loss) to equity	-	-	-	-	-	90,676	(97,165)	(6,489)	-	(6,489)
<b>Total transactions with owners</b>	<b>865</b>	-	<b>182,170</b>	<b>(1,139)</b>	-	<b>90,997</b>	<b>(95,126)</b>	<b>177,767</b>	<b>31,565</b>	<b>209,332</b>
<b>Net profit for period Jan 1 – Dec 31 2009</b>		-			-		<b>210,625</b>	<b>210,625</b>	<b>11,415</b>	<b>222,040</b>
<b>Other comprehensive income:</b>										
Remeasurement of property, plant and equipment	-	-	-	-	-	7,503	-	7,503	-	7,503
Cash-flow hedges	-	-	-	120,429	-	-	-	120,429	-	120,429
Cash-flow hedges (KM adjustment)	-	-	-	(21,208)	-	-	-	(21,208)	21,208	-
Foreign currency differences arising on translation of foreign operations	-	-	-	-	(10,131)	-	-	(10,131)	-	(10,131)
Foreign currency differences arising on translation of foreign operations payable to minority interests	-	-	-	-	4,577	-	-	4,577	(4,577)	-
Foreign currency differences transferred to profit or loss – sale of foreign operations	-	-	-	-	-	-	-	-	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-	-	-	-
Income tax on items of other comprehensive income	-	-	-	(23,624)	2,191	(328)	-	(21,761)	-	(21,761)
<b>Total comprehensive income</b>	-	-	-	<b>75,597</b>	<b>(3,363)</b>	<b>7,175</b>	<b>210,625</b>	<b>290,034</b>	<b>28,046</b>	<b>318,080</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
<b>Balance as at Dec 31 2009</b>	<b>14,295</b>	-	<b>733,348</b>	<b>(27,806)</b>	<b>(2,543)</b>	<b>374,229</b>	<b>303,782</b>	<b>1,395,305</b>	<b>228,181</b>	<b>1,623,486</b>

## **2 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR Q1 2010**

### **2.1 The Parent Undertaking and the PBG Group**

#### **2.1.1 The Parent Undertaking**

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

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

#### **The Parent Undertaking's Governing Bodies**

##### **Management Board:**

As at March 31st 2010, the Management Board of the Company 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.

Until the date of preparation of these financial statements, there were no changes in the composition of the Management Board.

##### **Supervisory Board:**

As at March 31st 2010, the Supervisory Board of PBG S.A. was composed of the following persons:

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

On April 21st 2010, pursuant to Resolution No. 22 of the Annual General Shareholders Meeting of PBG S.A. the composition of the Supervisory Board changed. As at the date of release of these financial statements, the Supervisory Board of PBG S.A. was composed of the following persons:

- Maciej Bednarkiewicz
- Małgorzata Wiśniewska
- Dariusz Sarnowski
- Adam Strzelecki
- Marcin Wierzbicki

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

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

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

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

PBG S.A. is the Parent Undertaking of the PBG Group. In Q1 2010, the following changes occurred in the PBG Group:

#### **Acquisition of Shares in Energomontaż Południe S.A. – Completion of the Transaction**

Further to the registration of series E shares of Energomontaż Południe S.A. 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 S.A. that represent 25% in the share capital and confer the rights to exercise 17,743,002 votes which constitute 25% + 1 vote in the total vote.

#### **Share Capital Increase by PBG Dom Sp. z o.o.**

On February 17th 2010, pursuant to Resolution No. 1 the Extraordinary Shareholders Meeting of PBG Dom Sp. z o.o. increased the company's share capital from PLN 12,357,200.00 to PLN 55,000,000.00, i.e. by PLN 42,642,800.00 through creation of new 426,428 shares with a par value of PLN 100.00 (one hundred zlotys) per share. The share capital increase was registered on March 29th 2010.

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

## **CHANGES AT SUBSIDIARY UNDERTAKINGS**

### **Acquisition of Shares in Subsidiary Companies**

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

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

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

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

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

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

### **Change of Name of PBG Dom's Subsidiary**

On March 3rd 2010, the District Court for Poznań – Nowe Miasto and Wilda of Poznań, VIII Commercial Division of the National Court Register, registered a change of the name of a subsidiary company from PBG Dom Management I Sp. z o.o. to Quadro House Sp. z o.o. The new name is connected with execution of a property development project.

## Subsidiary Undertakings of the PBG Group as at March 31st 2010

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding		
					Mar 31 2010	Mar 31 2009	Dec 31 2009
Aprivia S.A. (1)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	100.00%	100.00%
Betpol S.A. (2)	ul. Fordońska 168a, 85-766 Bydgoszcz POLAND	Construction of roads and motorways PKD 42.11.Z	District Court of Bydgoszcz, XIII Commercial Division of the National Court Register	full; subsidiary undertaking of Aprivia S.A., consolidated in the consolidated financial statements of PBG S.A., the Parent Undertaking	70.00%	70.00%	70.00%
Dromost Sp. z o.o. (3)	Żabno 4A, 63-112 Brodnica POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of Aprivia S.A., consolidated in the consolidated financial statements of PBG S.A., the Parent Undertaking	87.40%	87.40%	87.40%
Przedsiębiorstwo Robót Inżynieryjno - Drogowych S.A. (PRID S.A.) (4)	ul. Poznańska 42, 64-300 Nowy Tomyśl POLAND	Construction of roads and motorways PKD 42.11.Z	District Court for Poznań – Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of Aprivia S.A., consolidated in the consolidated financial statements of PBG S.A., the Parent Undertaking	100.00%	100.00%	100.00%
Avatia Sp. z o.o. (5)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Reproduction of recorded media PKD 18.20.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	99.80%	99.80%	99.80%
Brokam Sp. z o.o. (6)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	100.00%	100.00%

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding		
					Mar 31 2010	Mar 31 2009	Dec 31 2009
Excan Oil and Gas Engineering Ltd (7)	#201,9637-45 Avenue Edmonton AB T6E 5Z8 CANADA	Intermediation in contract execution, coordination of design and engineering work, general trading activities	CERTIFICATE OF INCORPORATION Edmonton Alberta	full	100.00%	100.00%	100.00%
GasOil Engineering a.s. (8)	Karpatska, 3256/15 Poprad 05801 SLOVAKIA	Design services, owner supervision services	Obchodný register Okresného súdu Prešov (Commercial Register of the District Court of Prešov)	full	62.45%	62.45%	62.45%
Hydrobudowa Polska S.A. (9)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	62.74%	61.61%	62.74%
P.R.G. Metro Sp. z o. o. (10)	ul. Wólczyńska 156 01-919 Warsaw POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court for the Capital City of Warsaw of Warsaw, XIII Commercial Division of the National Court Register	full; subsidiary undertaking Hydrobudowa Polska S.A., consolidated in the consolidated financial statements of the parent undertaking Hydrobudowa Polska S.A.	61.79%	53.27%	61.79%
Hydrobudowa 9 S.A. (11)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of residential and non-residential buildings PKD 41.20.Z Construction of water projects PKD 42.91.Z Site preparation 43.12.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of Hydrobudowa Polska S.A., consolidated in the consolidated financial statements of the parent undertaking Hydrobudowa Polska S.A.	62.74%	61.61%	62.74%

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding		
					Mar 31 2010	Mar 31 2009	Dec 31 2009
Gdyńska Projekt Sp. z o.o. (12)	ul. Sienkiewicza 22, 60-900 Poznań POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of Hydrobudowa 9 S.A., consolidated in the consolidated financial statements of the parent undertaking Hydrobudowa Polska S.A.	62.74%	61.61%	62.74%
Infra S.A. (13)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Plumbing, heat and air conditioning installation PKD 43.22.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	99.95%	99.95%	99.95%
KWG S.A. (14)	Aleja Wojska Polskiego 129, 70-490 Szczecin POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court of Szczecin, - XI Commercial Division of the National Court Register	full	100.00%	100.00%	100.00%
Metorex Sp. z o.o. (15)	ul. Żwirki i Wigury 17A, 87-100 Toruń POLAND	Construction of transmission pipelines and distribution systems PKD 42.21.Z	District Court of Toruń - VII Commercial Division of the National Court Register	full	99.56%	99.56%	99.56%
PBG Export Sp. z o.o. (16)	Al. Juliusza Słowackiego 64, 30 – 004 Kraków POLAND	Manufacture of metal structures and parts of structures PKD 25.11.Z	District Court for Kraków – Śródmieście of Kraków, XI Commercial Division of the National Court Register	full	99.95%	-	99.95%
PBG Technologia Sp. z o.o. (formerly Hydrobudowa Polska Konstrukcje Sp. z o.o.) (17)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Manufacture of metal structures and parts of structures PKD 25.11.Z	District Court for Katowice – East of Katowice, VIII Commercial Division of the National Court Register	full	100.00%	61.61%	100.00%

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding		
					Mar 31 2010	Mar 31 2009	Dec 31 2009
PBG Dom Sp. z o.o. (18)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of residential and non-residential buildings PKD 41.20 Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	100.00%	100.00%
Apartamenty Poznańskie Sp. z o.o. (19)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of residential and non-residential buildings PKD 41.20 Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	51.00%	51.00%	51.00%
PBG Dom Invest I Sp. z o.o. (formerly Dawil Sp. z o.o.) (20)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Development of building projects PKD 41.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	100.00%	100.00%
PBG Dom Invest II Sp. z o.o. (formerly Budwil Sp. z o.o.) (21)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Development of building projects PKD 41.10. Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	51.00%	51.00%	51.00%

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding		
					Mar 31 2010	Mar 31 2009	Dec 31 2009
PBG Dom Invest III Sp. z o.o. (22)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	-	-
PBG Dom Invest III Sp. k. Sp. z o.o. (23)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	proportional; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	50.00%	-	-
PBG Dom Invest IV Sp. z o.o. (24)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	-	-
PBG Dom Invest V Sp. z o.o. (25)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	-	-

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding		
					Mar 31 2010	Mar 31 2009	Dec 31 2009
Górecka Projekt Sp. z o.o. (26)	ul. Sienkiewicza 22, 60-900 Poznań POLAND	Development of building projects PKD 41.10. Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	61.61%	100.00%
Złotowska 51 Sp. z o.o. (formerly KM Investment Sp. z o.o.) (27)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Construction of residential and non-residential buildings PKD 41.20 Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	60.00%	-	60.00%
City Development Sp. z o.o. (28)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Development of building projects PKD 41.10. Z	District Court for the Capital City of Warsaw of Warsaw, XII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	75.00%	-	75.00%
Villa Poznań Sp. z o.o. (29)	ul. Mazowiecka 42, 60-623 Poznań POLAND	Development of building projects PKD 41.10. Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	-	100.00%

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding		
					Mar 31 2010	Mar 31 2009	Dec 31 2009
Quadro House Sp. z o.o. (formerly PBG Dom Management I Sp. z o.o.) (30)	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLAND	Buying and selling of own real estate PKD 68.10.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	-	100.00%
Kino Development Sp. z o.o. (31)	ul. Marszałkowska 80, 00-517 Warsaw POLAND	Development of building projects PKD 41.10. Z	District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register	full; subsidiary undertaking of PBG Dom Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	100.00%	-	100.00%
Wschodni Invest Sp. z o.o. (32)	ul. Mazowiecka 41, 60 – 623 Poznań POLAND	Other monetary intermediation PKD 64.19.Z	District Court for Poznań – Nowe Miasto and Wilda, VIII Commercial Division of the National Court Register	full	100.00%	-	100.00%
Energopol Ukraina (33)	ul. Kondratiuka 1, 04201 Kiev UKRAINE	Construction and assembly activities	no information	full; subsidiary undertaking of Wschodni Invest Sp. z o.o., consolidated in the consolidated financial statements of the Parent Undertaking PBG S.A.	51.00%	-	51.00%

Name	Registered office	Business profile (according to PKD of 2007)	Competent court or other registration authority	Consolidation method	Group's shareholding		
					Mar 31 2010	Mar 31 2009	Dec 31 2009
PBG Ukraina P.S.A. (public company limited by shares) (34)	ul. Kondratiuka 1, 04201 Kiev UKRAINE	Construction of buildings and other structures, assembly and installation of prefabricated structures, assembly of metal structures, organisation of property construction projects, intended for sale or rental; engineering activities.	Obolon District State Administration in Kiev	full	100.00%	-	100.00%
Energomontaż Południe S.A. (35)	ul. Mickiewicza 15, 40 - 951 Katowice POLAND	Other building installation EKD 4534	District Court of Katowice – Commercial Division of the National Court Register	equity method	25.00%	-	-

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

1. Aprivia S.A. has been a subsidiary undertaking of PBG S.A. since March 18th 2008 – PBG S.A. holds 100% of the share capital of Aprivia S.A. Aprivia S.A. has been the parent undertaking of the Aprivia Group since October 8th 2008.
2. Betpol S.A. has been a subsidiary undertaking of Aprivia S.A. since October 8th 2008 – Aprivia S.A. holds 70% of the share capital of Betpol S.A. PBG S.A. indirectly holds 70% of the share capital of Betpol S.A.
3. Dromost Sp. z o.o. has been a subsidiary undertaking of Aprivia S.A. since October 8th 2008 – Aprivia S.A. holds 87.40 % of the share capital of Dromost Sp. z o.o. PBG S.A. indirectly holds 87.40% of the share capital of Dromost Sp. z o.o.
4. PRID S.A. has been a subsidiary undertaking of Aprivia S.A. since October 8th 2008 – Aprivia S.A. indirectly holds 100% of the share capital of PRID S.A. PBG S.A. indirectly holds 100% of the share capital of PRID S.A.
5. Avatia Sp. z o. o has been a subsidiary undertaking of PBG S.A. since February 15th 2008 – PBG S.A. holds 99.80% of the share capital of Avatia Sp. z o.o.
6. Brokam Sp. z o.o has been a subsidiary undertaking of PBG S.A. since August 16th 2007 – PBG S.A. holds 100% of the share capital of Brokam Sp. z o.o.
7. Excan Oil and Gas Engineering Ltd has been a subsidiary undertaking of PBG S.A. since April 5th 2007 – PBG S.A. holds 100% of the share capital of Excan Oil and Gas Engineering Ltd.
8. GasOil Engineering a.s. has been a subsidiary undertaking of PBG S.A. since April 12th 2007 – PBG S.A. holds 62.45% of the share capital of GasOil Engineering a.s.
9. Hydrobudowa Polska S.A. is a subsidiary undertaking of PBG S.A. and the parent undertaking of the Hydrobudowa Polska Group. As at March 31st 2009, PBG S.A. held 61.61% of the share capital of Hydrobudowa Polska S.A.; as at March 31st 2010, PBG S.A. held 62.74% of the share capital of Hydrobudowa Polska S.A.
10. P.R.G. Metro Sp. z o.o. has been a subsidiary undertaking of Hydrobudowa Polska S.A. since September 12th 2008 – as at March 31st 2009, Hydrobudowa Polska S.A. held 86.46% of the share capital of P.R.G. Metro Sp. z o.o.; as at March 31st

2010, Hydrobudowa Polska S.A. held 98.49% of the share capital of P.R.G. Metro Sp. z o.o. As at March 31st 2010, PBG S.A. indirectly held 61.79% of the share capital of P.R.G. Metro Sp. z o.o.

11. Hydrobudowa 9 S.A. has been a subsidiary undertaking of Hydrobudowa Polska S.A. since September 30th 2008. Hydrobudowa Polska S.A. holds 100% of the share capital of Hydrobudowa 9 S.A. As at March 31st 2010, PBG S.A. indirectly held 62.74% of the share capital of Hydrobudowa 9 S.A.

12. Gdynska Projekt Sp. z o.o. has been a subsidiary undertaking of Hydrobudowa 9 S.A. since April 2nd 2008 – Hydrobudowa 9 S.A. holds 100% of the share capital of Gdynska Projekt Sp. z o.o. As at March 31st 2010, PBG S.A. indirectly held 62.74% of the share capital of Gdynska Projekt Sp. z o.o.

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

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

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

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

17. PBG Technologia Sp. z o.o. (formerly Hydrobudowa Polska Konstrukcje Sp. z o.o.) has been a subsidiary undertaking of PBG S.A. since April 2nd 2009 – PBG S.A. holds 100% of the share capital of PBG Technologia Sp. z o.o. As at March 31st 2009, PBG Technologia Sp. z o.o. was a direct subsidiary undertaking of Hydrobudowa Polska S.A. – Hydrobudowa Polska held 100% of the share capital of PBG Technologia Sp. z o.o. As at March 31st 2010, PBG S.A. held 100% of the share capital of PBG Technologia.

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

19. Apartamenty Poznańskie Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since June 27th 2008. PBG Dom Sp. z o.o. holds 51% of the share capital of Apartamenty Poznańskie Sp. z o.o. As at March 31st 2010, PBG S.A. indirectly held 51% of the share capital of Apartamenty Poznańskie Sp. z o.o.

20. PBG Dom Invest I Sp. z o.o. (formerly Dawil Sp. z o.o.) has been a subsidiary undertaking of PBG Dom Sp. z o.o. since August 26th 2008 – PBG Dom Sp. z o.o. holds 100% of the share capital of PBG Dom Invest I Sp. z o.o. As at March 31st 2010, PBG S.A. indirectly held 100% of the share capital of PBG Dom Invest I Sp. z o.o.

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

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

23. PBG Dom Invest III Sp. z o.o. Sp. k. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since January 5th 2010 – PBG Dom Sp. z o.o. holds 50% of the share capital of PBG Dom Invest III Sp. z o.o. Sp. k. As at March 31st 2010, PBG S.A. indirectly held 50% of the share capital of PBG Dom Invest III Sp. z o.o. Sp. k.

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

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

26. Górecka Projekt Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since June 25th 2009 – PBG Dom Sp. z o.o. holds 100% of the share capital of Górecka Projekt Sp. z o.o. As at March 31st 2009, Górecka Projekt Sp. z o.o. was a direct subsidiary of Hydrobudowa 9 S.A., which is a member of the Hydrobudowa Polska Group, in which Hydrobudowa Polska S.A. is the parent undertaking. As at March 31st 2010, Hydrobudowa 9 S.A. held 100% of the share capital of Górecka Projekt Sp. z o.o. As at March 31st 2010, PBG S.A. indirectly held 100% of the share capital of Górecka Projekt Sp. z o.o.

27. Złotowska 51 Sp. z o.o. (formerly KM Investment Sp. z o.o.) has been a subsidiary undertaking of PBG Dom Sp. z o.o. since April 9th 2009 – PBG Dom Sp. z o.o. holds 60% of the share capital of Złotowska 51 Sp. z o.o. As at March 31st 2010, PBG S.A. indirectly held 60% of the share capital of Złotowska 51 Sp. z o.o.

28. City Development Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since June 9th 2009 – PBG Dom Sp. z o.o. holds 75% of the share capital of City Development Sp. z o.o. As at March 31st 2010, PBG S.A. indirectly held 75% of the share capital of City Development Sp. z o.o.

29. Villa Poznań Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since November 3rd 2009 – PBG Dom Sp. z o.o. holds 100 % of the share capital of Villa Poznań Sp. z o.o. As at March 31st 2010, PBG S.A. indirectly held 100% of the share capital of Villa Poznań Sp. z o.o.

30. Quadro House Sp. z o.o. (previously PBG Dom Management Sp. z o.o.) has been a subsidiary undertaking of PBG Dom Sp. z o.o. since November 17th 2009 – PBG Dom Sp. z o.o. holds 100 % of the share capital of Quadro House Sp. z o.o. As at March 31st 2010, PBG S.A. indirectly held 100% of the share capital of Quadro House Sp. z o.o.

31. Kino Development Sp. z o.o. has been a subsidiary undertaking of PBG Dom Sp. z o.o. since November 27th 2009 – PBG Dom Sp. z o.o. holds 100 % of the share capital of Kino Development Sp. z o.o. As at March 31st 2010, PBG S.A. indirectly held 100% of the share capital of Kino Development Sp. z o.o.

32. Wschodni Invest Sp. z o.o. has been a subsidiary undertaking of PBG S.A. since June 19th 2009; it is also the parent undertaking of the Wschodni Invest Group. As at March 31st 2010, PBG S.A. holds 100% of the share capital of Wschodni Invest Sp. z o.o.

33. Energopol Ukraina has been a subsidiary undertaking of Wschodni Invest Sp. z o.o. since June 19th 2009 – Wschodni Invest Sp. z o.o. holds 51% of the share capital of Energopol Ukraina. As at March 31st 2010, PBG S.A. indirectly held 51% of the share capital of Energopol Ukraina.

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

35. Energomontaż Południe S.A. has been a subsidiary undertaking of PBG S.A. since February 17th 2010 – PBG S.A. holds 25% of the share capital of Energomontaż Południe S.A.

### **Consolidation of Secondary-Level Subsidiary Undertakings**

Hydrobudowa Polska S.A. has the following subsidiary undertakings: P.R.G. Metro Sp. z o.o. and Hydrobudowa 9 S.A.; the latter has a subsidiary undertaking: Gdyńska Projekt Sp. z o.o. As at March 31st 2010, Hydrobudowa 9 S.A. did not prepare consolidated financial statements. All the companies comprising the Hydrobudowa Polska Group are consolidated at the level of their parent undertaking, i.e. Hydrobudowa Polska S.A.

Aprivia S.A. has the following subsidiary undertakings: Betpol S.A., Dromost S.A. and Przedsiębiorstwo Robót Inżynieryjno – Drogowych S.A. As at March 31st 2010, these companies were consolidated at the level of the consolidated financial statements prepared by the Aprivia Group.

PBG Dom Sp. z o.o. has the following subsidiary undertakings: Apartamenty Poznańskie Sp. z o.o., PBG Dom Invest I Sp. z o.o., PBG Dom Invest II Sp. z o.o., PBG Dom Invest III Sp. z o.o., PBG Dom Invest III Sp. z o.o. Sp. k., PBG Dom Invest IV Sp. z o.o., PBG Dom Invest V Sp. z o.o., Górecka Projekt Sp. z o.o., Złotowska 51 Sp. z o.o., City Development Sp. z o.o., Villa Poznań Sp. z o.o., Quadro House Sp. z o.o. (previously PBG Dom Management Sp. z o.o.), and Kino Development Sp. z o.o.; as at March 31st 2010, PBG Dom Sp. z o.o. did not prepare consolidated financial statements. The companies are consolidated at the level of the Parent Undertaking, i.e. PBG S.A.

Wschodni Invest Sp. z o.o. has one subsidiary undertaking – Energopol Ukraina; as at March 31st 2010, the company did not prepare consolidated financial statements. The companies are consolidated at the level of the Parent Undertaking, i.e. PBG S.A.

**Consolidation of Associated Undertakings**

Associated undertakings are consolidated with the equity method.

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

STRUCTURE OF THE PBG GROUP AS AT MARCH 31ST 2010

PBG SA

Hydrobudowa Polska SA  
62.74 %

P.R.G. Metro Sp. z o.o.  
98.49%

Hydrobudowa 9 SA  
100.00%

Gdyńska Projekt Sp. z o.o.  
100.00%

Metorex Sp. z o.o.  
99.56 %

Avatia Sp. z o.o.  
99.80%

KWG SA  
100.00 %

PBG Export Sp. z o.o.  
99.95 %

GasOil Engineering a.s.  
62.45%

Excan Oil and Gas Engineering Ltd.  
100.00 %

Brokam Sp. z o.o.  
100.00 %

Aprivia S.A.  
100.00%

PBG Technologia Sp. z o.o.  
100.00%

PBG Ukraina Publiczna Spółka Akcyjna  
100.00%

Infra SA  
99.95%

Wschodni Invest Sp. z o.o.  
100.00 %

Energopol Ukraina  
51.00 %

PBG Dom Sp. z o.o.  
100.00%

Apartamenty Poznańskie Sp. z o.o. 51.00%

PBG Dom Invest I Sp. z o.o.  
100.00%

PBG Dom Invest II Sp. z o.o.  
51.00%

PBG Dom Invest III Sp. z o.o.  
100.00%

PBG Dom Invest III Sp. z o.o. Sp.  
Komandytowa  
50.00%

PBG Dom Invest IV Sp. z o.o.  
100.00%

PBG Dom Invest V Sp. z o.o.  
100.00%

KINO Development Sp. z o.o.  
100.00%

VILLA Poznań Sp. z o.o.  
100.00%

Quadro House Sp. z o.o. 100.00%

Złotowska 51 Sp. z o.o.  
60.00%

City Development Sp. z o.o.  
75.00%

Górecka Projekt Sp. z o.o.  
100.00%

Przedsiębiorstwo Robót Inżynieryjno-  
Drogowych SA  
100.00 %

Dromost Sp. z o.o.  
87.40 %

Bełpol SA  
70.00%

Energomontaż Południe SA  
25.00%

Consolidated direct and indirect subsidiary undertakings

Associated  
undertakings

## **2.2 Principles Applied in the Preparation of the Q1 2010 Consolidated Interim Financial Statements**

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

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular with IAS 34 *Interim Financial Reporting*, and in compliance with the EU-endorsed accounting standards applicable to interim financial reporting, published and effective at the time of preparing these quarterly consolidated financial statements. Their scope complies also with the requirements of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities of February 19th 2009. These consolidated financial statements give a true and fair view of the PBG Group's financial position as at March 31st 2010, March 31 and 2009 and December 31st 2009, as well as its operating results for the three months ended March 31st 2010 and March 31st 2009, and cash flows for the three months ended March 31st 2010 and March 31st 2009.

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

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

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

PBG S.A.'s Management Board hereby represent that to the best of our knowledge, these consolidated interim financial statements and the comparative information have been prepared in accordance with the accounting policies applied by the PBG Group, and give a true, clear and fair view of the Group's assets, its financial position, profit or loss.

### **2.2.3 Adopted Accounting Policies**

Consolidated interim financial statements do not contain the information disclosed in the annual consolidated financial statements prepared in accordance with the IFRS. These condensed

interim financial statements should be read in conjunction with the consolidated financial statements of the PBG Group for 2009 available at:

<http://www.pbg-S.A.pl/relacje-inwestorskie/raporty-okresowe/skonsolidowany-raport-roczny-2009-r.html>

When compared with the accounting policies discussed in its most recent annual financial statements, the Group has implemented the following standards, amendments to accounting standards and interpretations in effect from January 1st 2010.

- Revised IFRS 3 *Business Combinations*. 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 non-controlling (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).
- Revised IAS 27 *Consolidated and Separate Financial Statements*.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Items Qualified for Hedge Accounting*. The amendments clarify what qualifies as a hedging instrument or hedged item and provide guidelines to the assessment of hedge effectiveness.
- Amendments to IFRS 2 *Share-Based Payment – Intra-Group Share-Based Payment Transactions Settled in Cash*. The amendments clarify the manner of recognition of share-based payment programmes covering several Group undertakings.
- IFRIC 15 *Agreements for the Construction of Real Estate* endorsed by the European Union on July 22nd 2009 and effective for annual periods beginning on or after January 1st 2010.
- IFRIC 17 *Distributions of Non-Cash Assets to Owners*.
- Improvements to the IFRS – a set of amendments to the IFRS; in most cases amendments are effective for annual periods beginning on or after January 1st 2010.

With the exception of revised IFRS 3 and revised IAS 27, the adoption of the standards and interpretations referred to above has not caused any material changes in the Group's accounting policies or the presentation of its financial statements.

The revised IFRS 3 introduces a new approach to measurement of goodwill (entity approach) under which the goodwill relating to an acquisition is measured as at the date of obtaining control and with respect to the entire acquiree and not, as it was the case previously, in proportion to the interest held by the acquirer. The 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). The revised standard further requires that the consideration for acquisition be measured at fair value as at the acquisition date. This also applies to fair value of any due contingent consideration. Under IFRS 3, it is in exceptional cases only that the initially recognised settled value of a business combination may be revalued and then only if justified by additional information received concerning facts and circumstances existing as at the acquisition date. Any other change is recognised in profit or loss. The revised standard also introduces the obligation to recognise acquisition-related cost in the income statement when it is incurred. The application of these amendments had no effect of the condensed consolidated financial statements for the three-month period ended March 31st 2010.

The revised IAS 27 *Consolidated and Separate Financial Statements* stipulates that such changes in the parent undertaking's interests in a subsidiary undertaking which do not result in a loss of control are to be settled against equity as transactions with owners fulfilling ownership functions. For such transactions, the financial result is not recognised, nor is goodwill revalued. Any difference between a change in non-controlling interests and fair value of consideration paid or received is recognised directly in equity and attributed to the owners of the parent. The standard defines accounting transactions which the parent undertaking should execute having lost control of a subsidiary undertaking. The application of these amendments had no effect of the consolidated financial statements for the three-month period ended March 31st 2010.

The revised standards are effective prospectively for business combinations with transaction date falling on or after January 1st 2010.

The following standards and interpretations in the form published by the IASB have not yet been endorsed by the European Union:

- Amendments to IAS 24 *Related Party Disclosures*. The amended standard provides for exemptions from disclosures related to state-controlled entities and introduces a new definition of related parties, and is effective for financial statements prepared for annual periods beginning on or after January 1st 2011. The amendments have not been endorsed by the European Commission;
- IFRS 9 *Financial Instruments*. The International Accounting Standards Board has launched a project plan for the replacement of IAS 39 with a new standard on financial instruments, with a view to simplifying the requirements for financial instruments. The project plan will be implemented in three phases. The new standard is effective for financial statements prepared for periods beginning on January 1st 2013;

- IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amended interpretation modifies the principles of recognition of prepaid contributions. The amendment is effective for financial statements prepared for periods beginning on or after January 1st 2011, though it has not yet been endorsed by the European Commission;
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*. The new interpretation addresses the issue of settling financial liabilities with entity's own equity instruments. Pursuant to the interpretation, the entity's equity instruments issued to extinguish a liability are measured at their fair value. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss. The new interpretation is effective for financial statements prepared for periods beginning on or after July 1st 2010, though it has not yet been endorsed by the European Union.
- IFRS 1 *First-Time Adoption of International Financial Reporting Standards*. Pursuant to the amendment, companies which in 2010 adopt IFRSs for the first time are exempted from the obligation to disclose comparative figures for fair value of financial instruments, to the extent required under IFRS 7. The amendment is effective for financial statements prepared for periods beginning on or after July 1st 2010.

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

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

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

The Group intends to implement the above standards and interpretations as of their effective dates. The Parent Undertaking's Management Board is monitoring the new standards and interpretations on an ongoing basis and analyses their impact on the financial statements.

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

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

a) The PBG Group changed the rules of presentation of receivables and liabilities under valuation of derivative financial instruments in the statement of financial position. Due to the importance of derivative financial instruments designated as hedging instruments, the following items have been disclosed separately in the statement of financial position:

- Non-current receivables under derivative financial instruments
- Current receivables under derivative financial instruments
- Non-current liabilities under derivative financial instruments
- Current liabilities under derivative financial instruments

b) The item provisions for holidays in arrears was transferred from current accruals and deferred income to current provisions for liabilities under employee benefits.

Furthermore, following the change in the accounting standards, the Group decided to use the changed names of the following items:

- previous item: retained earnings/(deficit) was changed into: retained earnings;
- previous item: minority interests was changed to: non-controlling interests.

The table below presents comparative data, restated to account for the discussed changes:

Item	previously	following the change in presentation
	Mar 31 2009	Mar 31 2009
<b>Assets</b>		
Other non-current financial assets	58,407	38,002
Non-current receivables under derivative financial instruments	-	20,405
Other current financial assets	104,871	102,938
Current receivables under derivative financial instruments	-	1,933
<b>Equity and liabilities</b>		
Non-current liabilities under issue of debt securities and finance lease	216,871	208,919
Non-current liabilities under derivative financial instruments	-	7,332
Other non-current liabilities	14,580	15,200
Current liabilities under issue of debt securities and finance lease	345,400	11,345
Current liabilities under derivative financial instruments	-	331,861
Other current liabilities	55,208	57,402
Current provisions for liabilities under employee benefits	851	6,074
Current accruals and deferred income	7,294	2,071

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

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

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

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

- assets and liabilities of each presented statement of financial position (balance sheet) are translated at the closing rate as at given balance-sheet date,
- the relevant items of the income statement are translated at the exchange rate being an arithmetic mean of the mid-rates as quoted by the National Bank of Poland (NBP) on the last day of each reporting month. Foreign exchange gains/losses on the translation are disclosed within equity as foreign exchange gains/losses on consolidation.

### **2.4.2 Rules Adopted to Translate Financial Data**

- Net revenue from sales of products, goods 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 Q1 2010 were calculated using the average EUR exchange rate based on the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland for the last day of the individual months, i.e. PLN 3.9669;

- 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 Q1 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 4.5994;

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

- Total assets, liabilities and provisions for liabilities, non-current liabilities, current liabilities, equity and share capital as at March 31st 2009 were calculated using the EUR mid-exchange rate effective for that date (March 31st 2009), i.e. PLN 4.7013;

- 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.

## 2.5 Selected Notes to the Financial Statements

### 2.5.1 Sales Revenue

Item	Jan 1-Mar 31 2010	Jan 1-Mar 31 2009
natural gas, crude oil and fuels	91,252	91,535
Water	127,878	152,992
residential and industrial construction	220,977	70,288
road construction	12,903	24,357
Other	16,014	9,966
<b>Total sales revenue</b>	<b>469,024</b>	<b>349,138</b>

Table 2.5.1 contains data after consolidation eliminations.

### 2.5.2 Costs by Type

Item	Jan 1-Mar 31 2010	Jan 1-Mar 31 2009
Depreciation/amortisation	11,588	11,720
Raw materials and energy used	76,348	69,911
Contracted services	288,009	158,608
Taxes and charges	5,471	3,252
Salaries and wages	44,688	43,437
Social security and other benefits	9,940	9,635
Other costs by type	6,904	6,639
<b>Costs by type</b>	<b>442,948</b>	<b>303,202</b>
Change in inventories, work in progress, accruals and deferred income	(747)	10,896
Cost of products and services for own needs	-	-
Selling costs	-	-
General and administrative expenses	(24,811)	(27,527)
<b>Cost of products and services sold</b>	<b>417,390</b>	<b>286,571</b>

### 2.5.3 Other Operating Income

Item	Jan 1-Mar 31 2010	Jan 1-Mar 31 2009
Gain on disposal of non-financial non-current assets	-	5
Fair value measurement of investment property	-	-
Reversals of impairment losses on property, plant and equipment and intangible assets	-	-
Reversals of impairment losses on financial receivables	14,244	8,683
Reversals of impairment losses on non-financial receivables	-	-
Reversals of impairment losses on inventories	4	-
Reversals of unused provisions	186	-
Fines and damages received	1,717	575
Subsidies	256	306
Lease income	1,144	812
Other income	841	17
<b>Other operating income, total</b>	<b>18,392</b>	<b>10,398</b>

## 2.5.4 Other Operating Expenses

Item	Jan 1–Mar 31 2010	Jan 1–Mar 31 2009
Loss on disposal of non-financial non-current assets	(59)	-
Fair value measurement of investment property	-	-
Impairment losses on goodwill	-	-
Impairment losses on property, plant and equipment and intangible assets	-	-
Impairment losses on financial receivables	(4,051)	(5,027)
Impairment losses on non-financial receivables	-	-
Impairment losses on inventories	(8)	-
Created provisions	-	-
Fines and damages paid	(14,436)	(1,981)
Donations granted	(117)	(547)
Other expenses	(1,050)	(834)
<b>Other operating expenses, total</b>	<b>(19,721)</b>	<b>(8,389)</b>

## 2.5.5 Finance Income

Item	Jan 1–Mar 31 2010	Jan 1–Mar 31 2009
<b>a) Interest</b>	<b>13,186</b>	<b>4,809</b>
- on loans advanced	5,420	1,300
- from banks	3,402	2,706
- on bonds/notes	569	288
- other	3,795	515
<b>b) Other</b>	<b>2,844</b>	<b>1,168</b>
- foreign exchange gains	-	-
- gains from discounting long-term payables	-	-
- dividends and other profit distributions receivable	-	-
- fees for sureties issued	107	-
- revenues from financial-market transactions	2,732	1,106
- other	5	62
<b>Total finance income</b>	<b>16,030</b>	<b>5,977</b>

### 2.5.6 Finance Expenses

Item	Jan 1–Mar 31 2010	Jan 1–Mar 31 2009
<b>a) Interest and bank fees</b>	<b>(16,382)</b>	<b>(11,838)</b>
- on contracted loans	(292)	(11)
- interest and fees on bank loans	(5,351)	(8,920)
- on notes/bonds	(9,988)	(1,411)
- other	(751)	(1,496)
<b>b) Other finance expenses</b>	<b>(747)</b>	<b>(3,653)</b>
- foreign exchange losses	(418)	(2,292)
- losses from discounting long-term receivables	(7)	(621)
- impairment losses on a borrowing and interest	-	-
- costs of financial-market transactions	-	-
- other	(322)	(740)
<b>Total finance expenses</b>	<b>(17,129)</b>	<b>(15,491)</b>

## 2.6 Operating Segments

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

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

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

The following areas are identified within individual segments:

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

- crude oil tanks
- transmission systems for natural gas and crude oil, including:  
pressure-reduction and measurement stations, measurement and settlement stations, mixing  
plants and distribution nodes, compressor stations, etc.
- fuel storage facilities.
- **In the water segment:**
  - process and sanitary installations for water and sewage systems, including:
    - water pipes;
    - sewage systems;
    - water mains and trunk sewers;
    - water intakes;
    - wastewater treatment plants;
  - hydraulic engineering structures, including:
    - water dams,
    - storage reservoirs,
    - levees;
  - modernisation of water and sewage systems.
- **In the industrial and residential construction segment:**
  - general construction;
  - industrial infrastructure;
  - construction of stadiums;
    - construction of waste incineration plants.
- **In the segment of road construction:**
  - road construction.

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

The PBG Group presents sales revenue, costs and result (gross margin) by segments. Balance-sheet assets and equity and liabilities are not presented by business segments as some of the non-current assets are used in production classified across various segments, inventory of materials cannot be allocated to the particular segments, and it is impossible to make a segmental allocation of trade payables, revenue/income and costs of other operating activity, and finance activities.

The table below sets forth data concerning individual operating segments.

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

Item	Segment				Other	Consolidated value
	Natural gas, crude oil and fuels	Water	Industrial and residential construction	Road construction		
Financial highlights of operating segments for the period January 1st – March 31st 2010						
Total revenue	91,252	127,878	220,977	12,903	16,014	469,024
Sales to third parties	91,252	127,878	220,977	12,903	16,014	469,024
Inter-segmental sales	-	-	-	-	-	-
Total costs and expenses	(73,855)	(118,349)	(199,446)	(15,823)	(12,891)	(420,364)
Segment result	17,397	9,529	21,531	(2,920)	3,123	48,660
Unattributed cost	X	X	x	x	x	(24,811)
Other operating income/expenses	x	X	x	x	x	(1,329)
Share in profit of undertakings consolidated with equity method	x	X	x	x	x	1,404
Operating profit	x	X	x	x	x	23,924
Finance income	x	X	x	x	x	16,030
Finance expenses	x	X	x	x	x	(17,129)
Share in profit of undertakings consolidated with equity method	x	X	x	x	x	-
Profit/loss on investments	x	X	x	x	x	-
Pre-tax profit	x	X	x	x	x	22,825
Corporate income tax	x	x	x	x	x	(5,389)
Net profit	x	x	x	x	x	17,436

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

Item	Segment				Other	Consolidated value
	Natural gas, crude oil and fuels	Water	Industrial and residential construction	Road construction		
Financial highlights of operating segments for the period January 1st – March 31st 2009						
Total revenue	91,535	152,992	70,288	24,357	9,966	349,138
Sales to third parties	91,535	152,992	70,288	24,357	9,966	349,138
Inter-segmental sales	-	-	-	-	-	-
Total costs and expenses	(75,352)	(118,807)	(62,705)	(23,638)	(8,327)	(288,829)
Segment result	16,183	34,185	7,582	719	1,640	60,309
Unattributed cost	x	x	x	x	x	(27,527)
Other operating income/expenses	x	x	x	x	x	2,009
Operating profit	x	x	x	x	x	34,791
Finance income	x	x	x	x	x	5,977
Finance expenses	x	x	x	x	x	(15,491)
Share in profit of undertakings consolidated with equity method	x	x	x	x	x	-
Profit/loss on investments	x	x	x	x	x	-
Pre-tax profit	x	x	x	x	x	25,277
Corporate income tax	x	x	x	x	x	(2,312)
Net profit	x	x	x	x	x	22,965

## **2.7 PBG Group's Most Significant Achievements or Failures in Q1 2010, and Key Related Events**

In Q1 2010, the PBG Group's net revenue from sales of products, goods for resale and materials was PLN 469,024 thousand, with gross profit on sales at PLN 48,660 thousand.

In Q1 2010, the key sources of the Group's revenues from core business were the following construction contracts:

- a. Construction of Multi-Purpose National Stadium in Warsaw, with Auxiliary Infrastructure; contract signed between Narodowe Centrum Sportu and Hydrobudowa Polska SA – recognised revenue: PLN 67,737 thousand;
- b. Extension of City Stadium at ul. Bułgarska 5/7 in Poznań for EURO 2012 — construction of Tribunes I and III, and roofing over Tribunes I, II and III; contract signed between EURO Poznań Sp. z o.o. of Poznań and Hydrobudowa Polska SA – recognised revenue: PLN 55,405 thousand;
- c. Construction of Wastewater Transmission System from Left-Bank Warsaw to Czajka Sewage Treatment Plant – Phase I; contract signed between Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w Warszawie and Hydrobudowa 9 SA – recognised revenue: PLN 36,145 thousand;
- d. Design and Construction of Waste Neutralisation Facility in Gdańsk Szadółki – Construction and Assembly Works; contract signed between Zakład Utylizacji Sp. z o.o. of Gdańsk and Hydrobudowa Polska SA – recognised revenue: PLN 26,745 thousand;
- e. Construction of Goleniów Gas Compressor Station; contract signed between Operator Gazociągów Przesyłowych Gaz-System S.A. of Warsaw (gas transmission system operator) and PBG S.A.; recognised revenue: PLN 25,217 thousand;
- f. Construction of Waste Utilization Plant in Trzebania, commune of Osieczna; contract signed between Miejski Zakład Oczyszczania w Trzebanii and Hydrobudowa 9 SA – recognised revenue: PLN 24,291 thousand;
- g. Construction of Arena Bałtycka Football Stadium in Gdańsk Letnica; contract signed between the City of Gdańsk and Hydrobudowa Polska SA – recognised revenue: PLN 22,230 thousand;
- h. Design and Turnkey Construction of Complete System for the Lubiatów-Międzychód-Grotów Crude Oil and Natural Gas Mine as Part of the LMG Project – *Central Facility, Well-Adjacent Zones, Pipelines etc.*; contract executed between PGNiG S.A. and PBG S.A.; recognised revenue: PLN 21,956 thousand;
- i. Construction of Aggregate (Melaphyre) Quarry and Processing Plant in Tłumaczów, Delivery of Aggregate Loading and Handling Systems and Construction of Railway Siding; contract executed between Strateg Capital Sp. z o.o. and a PBG S.A.; recognised revenue: PLN 17,499 thousand;
- j. Construction of Surface Infrastructure for the Wierzchowice Underground Storage Facility, contract executed between PGNiG S.A. and PBG S.A.; recognised revenue: PLN 16,883 thousand;

- k. Construction and Modernisation of Water Supply and Sewage System in the commune of Szklarska Poręba; contract signed between Karkonoski System Wodociągów i Kanalizacji Sp. z o.o. and Hydrobudowa 9 SA – recognised revenue: PLN 14,770 thousand.

**Key Events Related to the PBG Group's Material Achievements and Failures Reported by the Parent Undertaking in the Form of Current Reports in Q1 2010**

Key events in Q1 2010 include:

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

**Acquisition of Shares in Energomontaż Południe S.A.– Completion of the Transaction**

Further to the registration of series E shares of Energomontaż Południe S.A. 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 S.A. 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.

**PROJECT-RELATED AGREEMENTS/CONTRACTS**

**Conclusion of material sub-contractor agreements related to construction of the National Stadium in Warsaw**

On January 7th 2010, Hydrobudowa Polska S.A. and Alpine Construction Polska Sp. z o.o. concluded two material sub-contractor agreements with annexes related to the construction of the National Stadium in Warsaw.

The first contract, concluded with Elektrobudowa S.A., Qumak – Sekom S.A. and AGAT S.A. ("Subcontractor"), covers comprehensive work on power-supply, low-voltage and BMS systems. The value of works under the contract and the annex is estimated at PLN 91,000,000.00 (VAT exclusive).

The other contract, concluded by Hydrobudowa Polska S.A. and Alpine Construction Polska Sp. z o.o. with Imtech Sp. z o.o. of Warsaw ("Subcontractor"), covers construction of a sanitary sewage system and external networks. The value of works under the contract and the annex is estimated at PLN 118,000,000.00 (VAT exclusive).

**Conclusion of contract for redevelopment of national road no. 1 (under Operational Programme – Infrastructure and Environment)**

On January 26th 2010, PBG S.A.'s subsidiary undertaking, Aprivia S.A., as a leader of a consortium composed of Aprivia S.A., Hydrobudowa Polska S.A., Przedsiębiorstwo Robót Inżynieryjno – Drogowych S.A., and HUSAR Budownictwo Inżynieryjne Sp. z o.o. concluded a contract with the town of Włocławek. The subject matter of the contract is redevelopment of national road no. 1 (under Operational Programme – Infrastructure and Environment). The value of works under the contract has

been estimated at PLN 32,360,121.06 (VAT exclusive). The contract is to be completed by June 30th 2011.

### **Conclusion of material contract for turnkey delivery of the Jarosław II Compressor Station as part of the upgrade of the Jarosław Gas Compressor Station**

On March 2nd, 2010 Control Process S.A. as a leader of a consortium composed of Control Process SA, 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 turnkey delivery of the Jarosław II Gas Compressor Station as part of the upgrade of Jarosław Gas Compressor Station.

Work on the project execution will start within 14 days as of the contract date and will continue for 18 months. The flow capacity of the new Jarosław II Gas Compressor Station will be 300,000 m³/h.

The parties agreed on a fixed price for due delivery of the project at PLN 117,700,000.00 (VAT exclusive) (in words: one hundred seventeen million seven hundred thousand zlotys). The share of PBG S.A. in the price will be ca. 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 support 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.

## **2.8 Non-Recurring Factors and Events with a Material Bearing on Consolidated Financial Results**

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

In the financial year 2010, PBG S.A. and its subsidiaries have executed hedge transactions covering financial assets and planned future currency exposures, using standard forward contracts. Companies of the PBG Group did not hold any currency options. Hedge transactions were executed in line with the relevant 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 financial assets.

As at March 31st 2010, the result on derivatives (open and closed, recognised in the consolidated income statement) for Q1 2010 was PLN 1,574 thousand, of which:

- PLN 2,168 thousand reduced sales revenue (amount transferred from other comprehensive income to the income statement in the reporting period, reduction of sales revenue),

- PLN 1,943 thousand reduced cost of sales,
- PLN 1,799 thousand was recognised under finance income.

Due to the fact that the PBG Group holds open currency positions, a portion its EUR-denominated cash flows (attributable to sales revenue), including cash flows of EUR 78,701 thousand to occur in 2010 (of which EUR 25,972 thousand is to occur in H1 2010), and of EUR 16,853 thousand to occur in 2011 and the following years, is hedged. The transactions were executed using a weighted average EUR/PLN forward rate of 3.77. According to data sourced from banks, as at March 31st 2010, the fair value of **open hedge positions** for EUR-denominated cash flows was PLN -15,697 thousand,

The Group hedges a portion of its CAD-denominated cash flows (attributable to cost of sales) by holding open currency positions of CAD 4,720 thousand for 2011 and the following years. The transactions were executed using a weighted average CAD/PLN forward rate of 2.21.

According to data sourced from banks, as at March 31st 2010, the carrying amount of **open hedge positions** for CAD-denominated cash flows was PLN 3,246 thousand.

The Group hedges a portion of its USD-denominated cash flows (attributable to cost of sales) by holding open currency positions in the amount of USD 10,412 thousand for 2010 and USD 2,058 thousand for 2011. The transactions were executed using a weighted average USD/PLN forward rate of 2.94.

According to data sourced from banks, as at March 31st 2010, the carrying amount of **open hedge positions** for USD-denominated cash flows was PLN -287 thousand.

As at March 31st 2010, the fair value of **open derivative positions** was PLN -10,811 thousand of which PLN -12,738 thousand related to fair value of cash flow hedges and PLN 1,927 thousand related to fair value of hedges for financial assets. The fair value of open hedge position varies as a result of changing market conditions. Accordingly, the final result on those transactions may differ significantly from the valuation presented above.

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

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

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

Pursuant to the requirements of the credit facility agreement for the financing of projects, PBG S.A. was obliged to manage the interest rate risk. In order to comply with the Bank's requirements, on July 23rd 2008, the Company executed an interest rate swap transaction covering 50% of the outstanding amount of the loan facility, which will mature by December 31st 2013.

The result for Q1 2010 on derivatives used as interest rate hedges, recognised in the consolidated income statement as at March 31st 2010, was PLN -118 thousand, of which:

- PLN 118 thousand increased finance expenses.

## **2.9 Seasonality or Cyclicity in the Issuer's Operations during the Reporting Period**

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

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

## **2.10 Total and Per Share Dividend Declared or Paid, on Ordinary and Preference Shares**

In accordance with Resolutions no. 6 and 8 of PBG S.A.'s Annual General Shareholders Meeting of April 21st 2010 concerning distribution of profit earned by the Parent Undertaking in 2009 and determination of the dividend record date and the dividend payment date, an amount of PLN 20,013 thousand was allocated from the 2009 profit to dividend payable to shareholders (PLN 1.40 per share). 14,295,000 of Company shares carry the right to dividend.

Under to the above resolutions, the dividend record date is May 12th 2010, and the dividend payment date is May 31st 2010.

## **2.11 Events Subsequent to March 31st 2010, Undisclosed in These Statements, which May Materially Affect Future Consolidated Financial Results of the PBG Group and Separate Financial Results of PBG S.A.**

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

#### **Further Acquisition of Shares in Subsidiary Undertaking – Hydrobudowa Polska S.A.**

Following the acquisition by PBG S.A. of 650,507 shares of HYDROBUDOWA POLSKA S.A. at a price of PLN 3.60 per share in a block transaction executed on April 12th 2010, PBG S.A.'s interest in HYDROBUDOWA POLSKA S.A. increased to 132,748,692 shares representing 63.05% of the share capital and total vote at the GM. Prior to the transaction, PBG S.A. held 132,098,185 shares which represented 62.74% of the share capital and total vote at the GM of HYDROBUDOWA POLSKA S.A.

### **AGREEMENTS WITH FINANCIAL INSTITUTIONS**

#### **Execution of Annex to Agreement with TU Allianz Polska S.A. on Provision of Contract-Related Guarantees**

On April 8th 2010, PBG S.A.'s Management Board executed an annex to the agreement of June 5th 2007 on provision of contract-related guarantees under a revolving credit facility between PBG S.A., HYDROBUDOWA POLSKA S.A., Infra S.A. and HYDROBUDOWA 9 S.A., companies of the PBG Group, and TU Allianz Polska S.A. of Warsaw.

The annex extends, until June 30th 2010, the period in which TU Allianz Polska S.A. issues to the companies contract-related guarantees (tender securities, performance bonds, defects liability bonds, advance payment guarantees).

Under the annex, the facility's limit was increased from PLN 80m to PLN 120m.

## **OTHER**

### **Appointment of new members of the Supervisory Board of PBG S.A.**

In connection with the expiry of the previous term of office of members of the Supervisory Board of PBG SA, on April 21st 2010 the Company's Ordinary General Shareholders Meeting adopted Resolution no. 21 to determine the number of the Supervisory Board members, and decided that the Supervisory Board would be composed of five members, including the following persons:

- Maciej Bednarkiewicz
- Małgorzata Wiśniewska
- Dariusz Sarnowski
- Adam Strzelecki
- Marcin Wierzbicki.

### **Payment of dividend and sale of subsidiary undertaking**

In connection with disposal of shares in a subsidiary undertaking INFRA S.A. in Q2 2010, the General Shareholders Meeting of INFRA S.A. plans to approve payment of dividend to the Parent Undertaking. The dividend will equal the amount of the company's reserve funds.

## **2.12 Representation of the Management Board on Achievement of Previous Forecasts for the Financial Year, Taking Into Account Actual Results Published in the Consolidated and Condensed Separate Quarterly Reports**

The Management Board of the Parent Undertaking represents that based on the results published in the condensed consolidated interim and condensed separate quarterly reports, the Board has decided to uphold its opinion that the forecast for 2010 will be achieved as planned, and the results presented for the quarter confirm that these forecasts are achievable.

## **2.13 Shareholders Holding At Least 5% of the Total Vote at the General Shareholders Meeting, Directly or Indirectly Through Subsidiaries as at the Date of Filing this Report.**

Shareholders holding at least 5% of the total vote at the General Shareholders Meeting of PBG SA, directly or indirectly through subsidiaries, as at the date of filing the consolidated quarterly report, including the number of shares held by these entities, percentage share in share capital; number of votes carried by these shares and their percentage share in the total vote at the General

Shareholders Meeting, as well as changes in the structure of ownership of large blocks of PBG S.A. shares after the date of filing the previous consolidated quarterly report – based on the information held by the Parent Undertaking.

Shareholder	Number of shares	Total par value, PLN	Percentage share in share capital (%)	Percentage share in total vote (%)
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	1,609,618 ordinary shares	1,609,618	11.26%	8.68%

### Changes in the Company's share ownership structure in the reporting period

#### Increased interest in share capital of PBG S.A.

On April 15th 2010, the Management Board of PBG S.A. was notified by Pioneer Pekao Investment Management S.A. (PPIM) that the shareholding in PBG S.A. in the form of financial instruments held in the portfolio of Pioneer Fundusz Inwestycyjny Otwarty (open-end investment fund) ("Pioneer FIO") managed by Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A., increased to 8.68% of the total vote at PBG S.A.'s General Shareholders Meeting.

The sole reason for the increase was the transformation of the open-end investment funds managed by the Management Company into sub-funds of Pioneer FIO:

1. The Pioneer Pieniężny Fundusz Inwestycyjny Otwarty open-end investment fund was transformed into the Pioneer Pieniężny sub-fund of Pioneer FIO;
2. The Pioneer Obligacji Fundusz Inwestycyjny Otwarty open-end investment fund was transformed into the Pioneer Obligacji sub-fund of Pioneer FIO;
3. The Pioneer Obligacji Plus Fundusz Inwestycyjny Otwarty open-end investment fund was transformed into the Pioneer Obligacji Plus sub-fund of Pioneer FIO;
4. The Pioneer Stabilnego Wzrostu Fundusz Inwestycyjny Otwarty open-end investment fund was transformed into the Pioneer Stabilnego Wzrostu sub-fund of Pioneer FIO;
5. The Pioneer Zrównoważony Fundusz Inwestycyjny Otwarty open-end investment fund was transformed into the Pioneer Zrównoważony sub-fund of Pioneer FIO;
6. The Pioneer Aktywnej Alokacji Fundusz Inwestycyjny Otwarty open-end investment fund was transformed into the Pioneer Aktywnej Alokacji sub-fund of Pioneer FIO;
7. The Pioneer Akcji Polskich Fundusz Inwestycyjny Otwarty open-end investment fund was transformed into the Pioneer Akcji Polskich sub-fund of Pioneer FIO;
8. The Pioneer Małych i Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty open-end investment fund was transformed into the Pioneer Małych i Średnich Spółek Rynku Polskiego sub-fund of Pioneer FIO.

The effective date of the transformation was April 9th 2010, and as of that date Pioneer FIO assumed all rights and obligations of the transformed funds.

Following the change, Pioneer FIO holds a total of 1,609,618 Company shares, representing 11.26% of the share capital and conferring the right to 1,609,618 votes, or 8.68% of the total vote, at the General Shareholders Meeting.

Prior to the change, Pioneer FIO held a total of 18,978 Company shares, representing 0.13% of the share capital and conferring the right to 18,978 votes, or 0.10% of the total vote, at the General Shareholders Meeting.

## 2.14 Changes in Ownership of the Company Shares or Rights to Shares (Options) Held by Members of the Management Board and Supervisory Board of PBG S.A.

Changes in the ownership of the Company shares or rights to the Company shares (options) held by members of the Management Board and the Supervisory Board of PBG S.A. after the date of filing the previous report for 2009, based on the information held by the Parent Undertaking as at May 10th 2010.

	Number of shares		
	As at the date of filing the previous report for 2009 – Mar 22 2010	As at Mar 31 2010	As at the submission date of the Q1 2010 report: May 10 2010
<u>Members of the Management Board:</u>			
Przemysław Szkudlarczyk	4,500	4,500	4,500
Tomasz Tomczak	3,250	3,250	3,250
Tomasz Woroch	1,778	1,778	1,778
Mariusz Łożyński	3,553	3,553	3,553
<u>Members of the Supervisory Board:</u>			
Maciej Bednarkiewicz	-	-	x
Jacek Kseń	250	250	x
Wiesław Lindner	-	-	x
Dariusz Sarnowski	-	-	x
Adam Strzelecki	-	-	x
<b>On April 21 2010, composition of the Supervisory Board changed as follows:</b>			
<u>Members of the Supervisory Board:</u>			
Maciej Bednarkiewicz	X	X	-
Dariusz Sarnowski	X	X	-
Adam Strzelecki	X	X	-
Marcin Wierzbicki	X	X	-
Małgorzata Wiśniewska	X	X	3 279

## 2.15 Proceedings Pending Before Court, Arbitration Court or Public Administration Authorities, including the following information:

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

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

## 2.16 Material Related-Party Transactions

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

In Q1 2010, related-party transactions for a total value exceeding the PLN equivalent of EUR 500,000 were concluded, but these transactions were typical and routine, on an arm's-length basis, with nature and terms of those transactions determined by day-to-day operations of the Company and its subsidiaries.

### 2.16.2 Transactions with non-consolidated related parties

Related-party transactions are concluded on an arm's-length basis with nature and terms of those transactions determined by day-to-day operations.

#### RECEIVABLES FROM NON-CONSOLIDATED RELATED PARTIES

Item	as at Mar 31 2010	as at Mar 31 2009	as at Dec 31 2009
Subsidiaries	-	-	-
Other related parties	152,236	166,787	144,675
<b>Total</b>	<b>152,236</b>	<b>166,787</b>	<b>144,675</b>

#### LIABILITIES TOWARDS NON-CONSOLIDATED RELATED PARTIES

Item	as at Mar 31 2010	as at Mar 31 2009	as at Dec 31 2009
Subsidiaries	-	-	-
Other related parties	36,747	36,310	37,440

<b>Total</b>	<b>36,747</b>	<b>36,310</b>	<b>37,440</b>
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**SALES REVENUE FROM NON-CONSOLIDATED RELATED PARTIES**

Item	Jan 1 – Mar 31 2010	Jan 1 – Mar 31 2009
<b>Sales to:</b>		
Other related parties	16,917	33
<b>Total</b>	<b>16,917</b>	<b>33</b>

**PURCHASES FROM NON-CONSOLIDATED RELATED PARTIES**

Item	Jan 1 – Mar 31 2010	Jan 1 – Mar 31 2009
<b>Purchase from:</b>		
Other related parties	29,328	3,081
<b>Total</b>	<b>29,328</b>	<b>3,081</b>

**LOANS ADVANCED TO NON-CONSOLIDATED RELATED PARTIES**

Item	Mar 31 2010		Mar 31 2009	
	Advanced in period	Accumulated balance	Advanced in period	Accumulated balance
<b>Loans advanced to:</b>				
Other related parties	58,580	97,099	-	20,651
<b>Total</b>	<b>58,580</b>	<b>97,099</b>	<b>-</b>	<b>20,651</b>

**BORROWINGS RECEIVED FROM NON-CONSOLIDATED RELATED PARTIES**

Item	Mar 31 2010		Mar 31 2009	
	Received in period	Accumulated balance	Received in period	Accumulated balance
<b>Borrowings received from:</b>				
Other related parties	-	3,303	-	-
<b>Total</b>	<b>-</b>	<b>3,303</b>	<b>-</b>	<b>-</b>

**2.5 Issue, Redemption and Repayment of Debt and Equity Securities**

In the first three months of 2010, the PBG Group did not issue or redeem any debt securities outside the Group.

**REDEMPTION OF SECURITIES WITHIN THE PBG GROUP**

The table below presents information on redemption of debt securities by the particular companies of the PBG Group in Q1 2010.

Item	Series pB notes
Issuer	Hydrobudowa 9 SA
Noteholder	Hydrobudowa Polska SA
Issue date	Aug 1 2008
Maturity date	Mar 31 2010

Par value of the notes (PLN '000) as at Jan 1st 2010	10,000
Amount redeemed in Q1 2010 (including interest)	11,468
Amount outstanding as at Mar 31st 2010	-
Interest	8.83% p.a.

## 2.6 Information on Loan or Borrowing Sureties or Guarantees Issued by the Company or Its Subsidiaries, where the Aggregate Value of Such Outstanding Sureties or Guarantees Issued to a Single Entity or Its Subsidiaries Represents 10% or More of the Company's Equity

In the reporting period neither the Parent Company nor any of its Subsidiaries issued any loan or borrowing sureties or guarantees where the aggregate value of such sureties or guarantees issued to any one entity or its subsidiaries would exceed 10% of the equity.

## 2.7 Contingent Assets and Liabilities

Item	As at Mar 31 2010	As at Mar 31 2009	As at Dec 31 2009
<b>To non-consolidated related undertakings:</b>			
Loan and borrowing repayment surety	1,300	-	1,600
Trade and other payable repayment surety	29,015	25,575	16,228
<b>Total non-consolidated related undertakings</b>	<b>30,315</b>	<b>25,575</b>	<b>17,828</b>
<b>To other undertakings:</b>			
Loan and borrowing repayment surety	34,500	40,700	34,675
Trade and other payable repayment surety	1,220	-	-
Performance bond sureties	2,054	8,650	5,120
Sureties for existing and future lease agreements	379	-	401
Performance bonds	610,358	691,457	657,591
Guarantees of removal of defects and faults	83,104	30,060	71,825
Bid bond guarantees	63,181	36,475	50,097
Trade liability repayment guarantee	11,736	12,121	12,999
Guarantees of downpayment refund	144,069	209,423	176,832
Guarantees of refund of retained amounts	2,745	2,422	2,919
<b>Total other undertakings</b>	<b>953,346</b>	<b>1,031,308</b>	<b>1,012,459</b>
<b>Total contingent liabilities</b>	<b>983,661</b>	<b>1,056,883</b>	<b>1,030,287</b>

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

## **2.8 Other Information which in the Company's Opinion is Material for the Assessment of Its Personnel, Assets, Financial Standing and Financial Result and their Changes, or for the Assessment of Its Ability to Fulfil Obligations**

Except for the events referred to in the management discussion, in Q1 2010 no other material events occurred which could have any significant bearing on the assessment of the Group's assets, financial position and financial result or their changes, or which would be material for the assessment of the Group's staffing situation or its ability to fulfil obligations.

## **2.9 Factors with a Bearing on the Company's Results in the Next Quarter or in a Longer Term, according to the Company's Assessment**

In Q2 2010 the Issuer will continue performance of the executed contracts, the most important of which include:

- a. Construction of Multi-Purpose National Stadium in Warsaw with Auxiliary Infrastructure; contract signed between Narodowe Centrum Sportu and Hydrobudowa Polska SA; planned revenue: PLN 106,784 thousand;
- b. Design and Turnkey Construction of Complete System for the Lubiatów-Międzychód-Grotów Crude Oil and Natural Gas Mine as Part of the LMG Project – *Central Facility, Well-Adjacent Zones, Pipelines etc.*; contract executed between PGNiG S.A. and PBG S.A.; planned revenue: PLN 66,309 thousand;
- c. Design and Construction of Waste Neutralisation Facility in Gdańsk Szadółki – Construction and Assembly Works; contract signed between Zakład Utylizacji Sp. z o.o. of Gdańsk and Hydrobudowa Polska SA; planned revenue: PLN 55,754 thousand;
- d. Construction of Arena Bałtycka Football Stadium in Gdańsk Letnica; contract signed between the City of Gdańsk and Hydrobudowa Polska SA; planned revenue: PLN 50,257 thousand;
- e. Construction of Wastewater Transmission System from Left-Bank Warsaw to Czajka Sewage Treatment Plant – Phase I; contract signed between Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w Warszawie and Hydrobudowa 9 SA; planned revenue: PLN 49,436 thousand;
- f. Construction of Aggregate (Melaphyre) Quarry and Processing Plant in Tłumaczów, Delivery of Aggregate Loading and Handling Systems and Construction of Railway Siding; contract executed between Strateg Capital Sp. z o.o. and a PBG S.A.; planned revenue: PLN 32,154 thousand;
- g. Construction of Waste Utilization Plant in Trzebania, commune of Osieczna; contract signed between Miejski Zakład Oczyszczania w Trzebanii and Hydrobudowa 9 SA; planned revenue: PLN 27,085 thousand;

- h. Construction of Surface Infrastructure for the Wierzchowice Underground Storage Facility, contract executed between PGNiG S.A. and PBG S.A.; planned revenue: PLN 26,459 thousand;
- i. Extension of City Stadium at ul. Bułgarska 5/7 in Poznań for EURO 2012 — construction of Tribunes I and III, and roofing over Tribunes I, II and III; contract signed between EURO Poznań Sp. z o.o. of Poznań and Hydrobudowa Polska SA; planned revenue: PLN 24,678 thousand;
- j. Modernisation of the SW-4 Czyżkowo Water Supply System Station in Bydgoszcz; contract signed between Miejskie Wodociągi i Kanalizacja w Bydgoszczy and Hydrobudowa 9 S.A.; planned revenue: PLN 24,484 thousand;
- k. Extension of the FORDON Wastewater Treatment Plant in Bydgoszcz, Part I; contract signed between Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. and Hydrobudowa 9 SA; planned revenue: PLN 22,582 thousand;
- l. Construction of the Malczyce Stage of Fall on the Oder River; contract signed between Maxer SA w upadłości (in bankruptcy) and PBG SA; planned revenue: PLN 13,407 thousand.

### 3 CONDENSED INTERIM FINANCIAL STATEMENTS OF PBG S.A. FOR Q1 2010

#### FINANCIAL HIGHLIGHTS

Item	As at Mar 31 2010	As at Mar 31 2009	As at Dec 31 2009	As at Mar 31 2010	As at Mar 31 2009	As at Dec 31 2009
	PLN			EUR		
<b>Balance sheet</b>						
Assets	2,110,944	1,431,661	2,244,718	546,565	304,524	546,399
Non-current liabilities	482,552	306,932	491,980	124,942	65,287	119,756
Current liabilities	566,903	360,049	703,429	146,782	76,585	171,226
Equity	1,061,489	764,680	1,049,309	274,841	162,653	255,418
Share capital	14,295	13,430	14,295	3,701	2,857	3,480
Number of shares	14,295,000	13,430,000	14,295,000	14,295,000	13,430,000	14,295,000
Weighted average number of ordinary shares	14,295,000	13,430,000	13,935,000	14,295,000	13,430,000	13,935,000
Diluted weighted average number of ordinary shares	14,295,000	13,430,000	13,935,000	14,295,000	13,430,000	13,935,000
Book value per share (PLN / EUR)	74.26	56.94	73.40	19.23	12.11	17.87
Dividend per share declared or paid (PLN / EUR)	-	-	-	-	-	-
PLN / EUR exchange rate as at end of period				3.8622	4.7013	4.1082

Item	Jan 1 – Mar 31 2010	Jan 1 – Mar 31 2009	Jan 1 – Mar 31 2010	Jan 1 – Mar 31 2009
	PLN		EUR	
<b>Income Statement</b>				

Sales revenue	110,825	102,383	27,937	22,260
Operating profit/(loss)	14,792	11,270	3,729	2,450
Pre-tax profit/(loss)	15,421	14,577	3,887	3,169
Net profit/(loss) from continuing operations	12,530	10,812	3,159	2,351
Net profit/(loss)	12,530	10,812	3,159	2,351
Earnings/(loss) per ordinary share (PLN / EUR)	0.88	0.81	0.22	0.18
Diluted earnings (loss) per ordinary share (PLN / EUR)	0.88	0.81	0.22	0.18
Average PLN / EUR exchange rate			3.9669	4.5994
<b>Statement of cash flows</b>				
Net cash provided by/(used in) operating activities	29,387	108,640	7,408	23,620
Net cash provided by/(used in) investing activities	(220,468)	(84,368)	(55,577)	(18,343)
Net cash provided by/(used in) financing activities	(13,027)	(33,567)	(3,284)	(7,298)
Net change in cash and cash equivalents	(204,108)	(9,295)	(51,453)	(2,021)
Average PLN / EUR exchange rate			3.9669	4.5994

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

Item	As at Mar 31 2010	As at Mar 31 2009	As at Dec 31 2009
<b>Assets</b>			
<b>Non-current assets</b>	<b>826,916</b>	<b>581,353</b>	<b>685,605</b>
Goodwill	8,975	1,606	1,606
Intangible assets	27,373	11,844	28,069
Property, plant and equipment	135,104	148,883	138,779
Non-regenerative natural resources	-	-	-
Investment property	8,175	710	8,175
Investments in subsidiary undertakings	432,598	340,226	389,950
Investments in associated undertakings	64,375	-	-
Other non-current financial assets	134,326	41,785	99,551
Non-current receivables under derivative financial instruments	3,722	20,405	6,415
Non-current receivables	7,049	9,044	7,711
Deferred tax assets	-	-	-
Non-current prepayments and accrued income	5,219	6,850	5,349
<b>Current assets</b>	<b>1,284,028</b>	<b>850,308</b>	<b>1,559,113</b>
Inventories	16,927	34,390	17,297
Receivables under construction contracts	172,469	205,892	149,609
Trade receivables	189,455	237,508	352,511
Current income tax receivable	-	2,094	-
Other current receivables	14,638	17,781	13,863
Other current financial assets	553,913	187,626	473,611
Current receivables under derivative financial instruments	1,591	1,933	13,166
Cash and cash equivalents	325,216	155,648	529,324
Current prepayments and accrued income	9,819	7,436	9,732
Non-current assets classified as held for sale	-	-	-

<b>Total assets</b>	<b>2,110,944</b>	<b>1,431,661</b>	<b>2,244,718</b>
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**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION OF PBG S.A. (CONTINUED)**

Item	As at Mar 31 2010	As at Mar 31 2009	As at Dec 31 2009
<i>Equity and liabilities</i>			
<b>Equity</b>	<b>1,061,489</b>	<b>764,680</b>	<b>1,049,309</b>
Share capital	14,295	13,430	14,295
Treasury shares	-	-	-
Share premium account	733,348	551,178	733,348
Capital on valuation of hedging transactions	(209)	(18,986)	141
Other capitals	203,246	149,777	203,246
Retained earnings	110,809	69,281	98,279
– retained earnings/(deficit) brought forward	98,279	58,469	-
– net profit/(loss) for current year	12,530	10,812	98,279
<b>Liabilities</b>	<b>1,049,455</b>	<b>666,981</b>	<b>1,195,409</b>
<b>Non-current liabilities</b>	<b>482,552</b>	<b>306,932</b>	<b>491,980</b>
Non-current loans and borrowings	72,618	81,311	80,885
Item (continued)	As at Mar 31 2010	As at Mar 31 2009	As at Dec 31 2009
Non-current liabilities under issue of debt securities and finance lease	376,379	202,298	376,597
Non-current liabilities under derivative financial instruments	667	1,002	553
Other non-current liabilities	18,430	4,084	19,201
Deferred tax liabilities	764	5,723	1,035
Provisions for liabilities under employee benefits	271	303	271
Other non-current provisions	6,290	4,412	6,118
Government subsidies	-	-	-
Non-current accruals and deferred income	7,133	7,799	7,320
<b>Current liabilities</b>	<b>566,903</b>	<b>360,049</b>	<b>703,429</b>
Current loans and borrowings	113,869	60,589	104,858
Current liabilities under issue of debt securities and finance lease	127,611	5,103	133,705
Current liabilities under derivative financial instruments	394	21,790	236
Trade payables	246,039	249,671	371,340
Liabilities under construction contracts	53,813	13,145	41,801
Current income tax payable	1,193	-	17,789
Other current liabilities	20,536	7,999	28,918
Provisions for liabilities under employee benefits	186	230	186
Other current provisions	2,380	369	3,598
Government subsidies	-	-	-
Current accruals and deferred income	882	1,153	998
Liabilities under non-current assets held for sale	-	-	-
<b>Total equity and liabilities</b>	<b>2,110,944</b>	<b>1,431,661</b>	<b>2,244,718</b>

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

Item	Q 1 Jan 1 – Mar 31 2010	Q1 Jan 1 – Mar 31 2009
<i>Continuing operations</i>		
<b>Sales revenue</b>	<b>110,825</b>	<b>102,383</b>
- from related undertakings	6,518	1,637
Revenue from sales of products	-	1,260
Revenue from sales of services	108,473	99,932
Revenue from sales of goods for resale and materials	2,352	1,191
<b>Cost of sales</b>	<b>(90,810)</b>	<b>(82,294)</b>
- from related undertakings	(13,702)	(48,526)
Cost of products sold	-	(980)
Cost of services sold	(88,458)	(80,183)
Cost of goods for resale and materials sold	(2,352)	(1,131)
<b>Gross profit/(loss)</b>	<b>20,015</b>	<b>20,089</b>
Selling costs	-	-
General and administrative expenses	(6,147)	(9,643)
Other operating income	1,283	1,169
Other operating expenses	(359)	(345)
Share in profit of undertakings valued with equity method	-	-
Costs of restructuring	-	-
Item (continued)	Q 1 Jan 1 – Mar 31 2010	Q1 Jan 1 – Mar 31 2009
<b>Operating profit/(loss)</b>	<b>14,792</b>	<b>11,270</b>
Finance income	14,551	6,269
Finance expenses	(13,922)	(2,962)
Other gains/(losses) on investments	-	-
<b>Pre-tax profit/(loss)</b>	<b>15,421</b>	<b>14,577</b>
Income tax	(2,891)	(3,765)
<b>Net profit/(loss) from continuing operations</b>	<b>12,530</b>	<b>10,812</b>
<i>Discontinued operations</i>		
Net loss from discontinued operations	-	-
<b>Net profit/(loss)</b>	<b>12,530</b>	<b>10,812</b>

## NET EARNINGS (LOSS) PER ORDINARY SHARE

Item	Jan 1 – Mar 31 2010	Jan 1 – Mar 31 2009
Net profit/(loss) from continuing operations	12,530	10,812
Net profit/(loss) from continuing and discontinued operations	-	-
Weighted average number of ordinary shares	14,295,000	13,430,000
Diluted weighted average number of ordinary shares	14,295,000	13,430,000
<i>from continuing operations</i>		
- basic	0.88	0.81
- diluted	0.88	0.81
<i>from continuing and discontinued operations</i>		
- basic	0.88	0.81
- diluted	0.88	0.81

## INTERIM STATEMENT OF COMPREHENSIVE INCOME

Item	Q1 Jan 1 – Mar 31 2010	Q1 Jan 1 – Mar 31 2009
<b>Net profit/(loss)</b>	<b>12,530</b>	<b>10,812</b>
<b>Other comprehensive income</b>		
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	(140)	(5,980)
– amounts transferred to profit or loss	(292)	(2,871)
Income tax on items of other comprehensive income	82	1,517
Total other comprehensive income after tax:	(350)	(7,334)
<b>Comprehensive income</b>	<b>12,180</b>	<b>3,478</b>

## PBG MANAGEMENT'S DISCUSSION AND ANALYSIS OF PBG S.A.'S FINANCIAL PERFORMANCE IN Q1 2010

## I. IMPORTANT EVENTS AND FACTORS WITH A BEARING ON FINANCIAL PERFORMANCE OF PBG S.A. IN Q1 2010

In Q1 2010, despite the adverse weather conditions, PBG S.A.'s sales revenue and margins grew year on year at almost all levels of the P&L.

**1.1 In Q1 2010, PBG S.A. generated sales revenue of nearly PLN 111m, while its gross profit on sales was PLN 20m.** When compared with the corresponding period of the previous year, the Company's sales revenue advanced by 8% and **gross profit on sales remained almost flat. Operating profit** amounted to **PLN 14.8m**, having risen by **31%**, while **net profit** was **PLN 12.5m**, representing a **16%** increase relative to Q1 2009.

**1.2** In Q1 2010, the key sources of the Company's revenue from core business were the following construction contracts:

- 1) Construction of Goleniów Gas Compressor Station;** contract signed between Operator Gazociągów Przesyłowych Gaz-System S.A. of Warsaw (gas transmission system operator) and PBG S.A.; recognised revenue: **PLN 25.2m**;
- 2) Design and Turnkey Construction of Complete System for the Lubiatów-Międzychód-Grońów Crude Oil and Natural Gas Mine** as Part of the LMG Project – *Central Facility, Well-Adjacent Zones, Pipelines etc.*; contract executed between PGNiG S.A. and PBG S.A.; recognised revenue: **PLN 21.9m**;
- 3) Construction of Surface Infrastructure for the Wierchowice Underground Storage Facility,** contract executed between PGNiG S.A. and PBG S.A.; recognised revenue: **PLN 16.9m**;

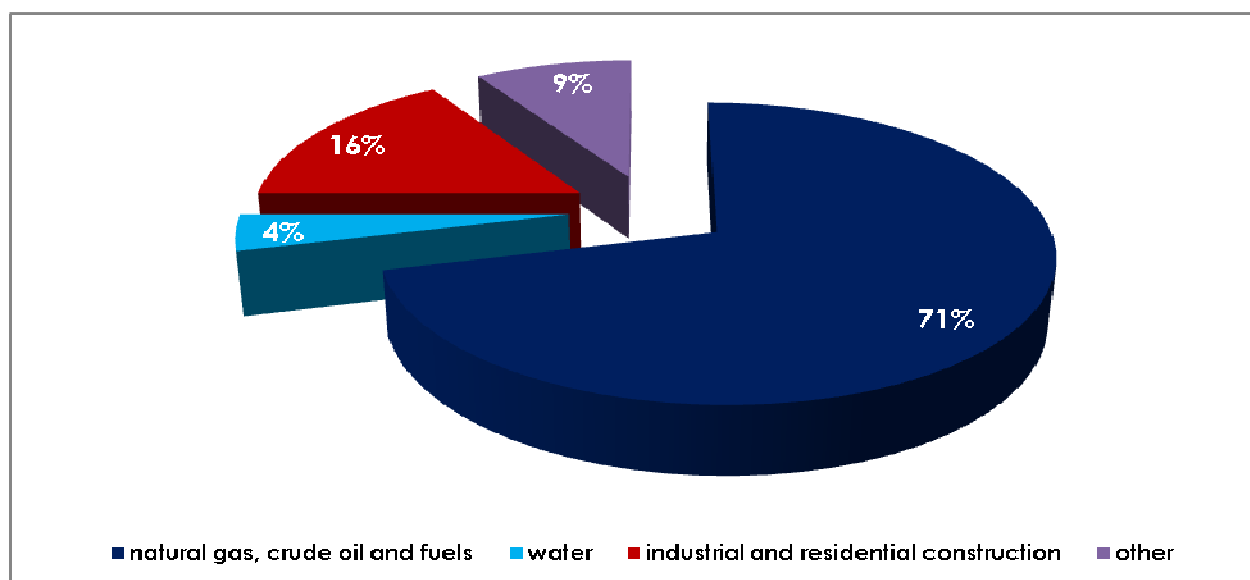
- 4) **Construction of Aggregate (Melaphyre) Quarry and Processing Plant in Tłumaczów**, Delivery of Aggregate Loading and Handling Systems and Construction of Railway Siding; contract executed between Strateg Capital Sp. z o.o. and a PBG S.A.; recognised revenue: **PLN 17,5m**.

## II. DISCUSSION OF INCOME AND EXPENSES

### 2.1 Sales Revenue

In Q1 2010, PBG S.A.'s **sales revenue** amounted to nearly **PLN 111m**, up **8%** year on year. At over **71%**, the **natural gas, crude oil and fuels segment** represented the largest proportion of total sales revenue. In the discussed period, the second largest segment was **the industrial and residential construction segment** with a **16%** share in total sales revenue. **The other segment** ranked third, with **9%** share. **The water segment** represented only **4%** in PBG SA's total sales revenue.

#### OPERATING SEGMENTS' SHARE IN SALES REVENUE IN Q1 2010



### 2.2 Cost of Sales

In Q1 2010, **cost of sales** reached nearly **PLN 91m**, which represented a **10% increase** year on year. The **proportion of variable costs** in sales revenue increased (see above). In Q1 2010, variable costs accounted for **81.9%** of the revenue, having **risen by 1.5%** relative to the end of Q1 2009.

### 2.3 General and Administrative Expenses

As at the end of Q1 2010, general and administrative expenses amounted to **PLN 6.1m**, having declined by **PLN 3.5m**, or **36%**, year on year. The share of general and administrative expenses in sales revenue fell significantly, by 3.8%, to **5.6%**. The decrease is primarily attributable to the transfer of employees (approximately 45 persons) from PBG S.A. to PBG Technologia in June 2009, as well as assignment of some employees to execution of large-scale contracts which resulted in recognition of costs related to those employees under costs of sales (i.e. variable costs of the contract).

## **2.4 Other Operating Income**

In Q1 2010, **other operating income reached PLN 1.3m**, of which lease income of PLN 753 thousand was the largest component. Year on year, other operating income **grew by 10%**.

## **2.5 Other Operating Expenses**

As at the end of Q1 2010, **other operating expenses totalled PLN 359 thousand**, having **risen** by 4% compared with the end of Q1 2009, and included mainly damages paid under insurance agreements, penalties and fines, and donations.

## **2.6 Finance Income**

Year on year, Q1 2010 saw **a 132% surge in finance income**, to **PLN 14.5m**. The most significant item of finance income was interest on loans advanced (PLN 8.4m). Other components included interest from banks (PLN 3.4m) and income from financial-market transactions (PLN 2.6m).

## **2.7 Finance Expenses**

In Q1 2010, **finance expenses amounted to PLN 13.9m**, having **increased** by as much as **370%** year on year. Interest on notes/bonds issued by PBG S.A. in 2007 and 2009 (PLN 9.4m) represented the largest item of finance expenses. Other substantial components included interest and fees on bank loans (PLN 2.5m) and foreign exchange losses (PLN 1.8m).

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

## **3.1 Items of the Income Statement**

In Q1 2010, the Company earned **PLN 12.5m in net profit**, which represented **a 16% growth** relative to the end of Q1 2009. **In Q1 2010**, financial performance **at practically all levels of the P&L continued its upward trend: gross profit remained stable year on year, while operating profit advanced by as much as 31%**.

## **3.2 EBITDA**

In Q1 2010, capital expenditure on acquisition of property, plant and equipment and intangible assets totalled PLN 6.6m, relative to PLN 6.3m in the corresponding period of the previous year. In Q1 2010, depreciation/amortisation charges amounted to PLN 3.3m (against PLN 4.3m in Q1 2009).

**As at the end of Q1 2010, EBITDA** (EBIT before depreciation/amortisation) **was PLN 18.1m, up by 16% or over PLN 2.5m** from the figure reported in the corresponding period of 2009.

## **3.3 Profitability Ratios**

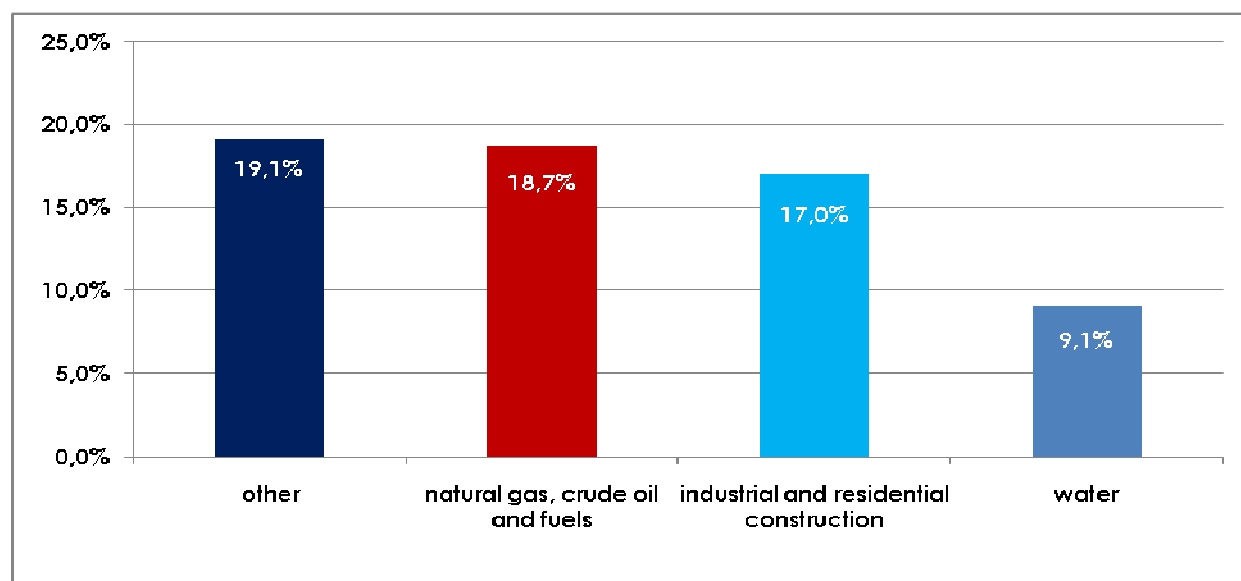
**As at the end of Q1 2010**, the growth in sales revenue (108%) was lower than the growth in cost of sales (110%). This had an adverse effect on the Company's gross sales margin as at the end of Q1 2010, which fell 1.5% year on year, to **18.1%**. It needs to be noted, however, that gross sales margin remained fairly robust. The other profitability ratios in the Company's Q1 2010 financial results saw improvement: **operating margin** and **net margin** went up by 2.3% (to **13.3%**) and 0.7%, (to **11.3%**), respectively. The improvement in operating and net margins can certainly be explained by a significant reduction of general and administrative expenses, which fell 36% year on year, to PLN 3.5m.

**PBG S.A.'s profitability ratios in the reporting period:**

Profitability ratios	Q1 2010	Q1 2009
Gross margin <sup>1</sup>	18.1%	19.6%
Operating margin <sup>2</sup>	13.3%	11.0%
Net margin <sup>3</sup>	11.3%	10.6%

<sup>1</sup> gross profit / sales revenue\*100<sup>2</sup> operating profit / sales revenue\*100<sup>3</sup> net profit attributable to owners of the Parent / sales revenue\*100**3.4 Gross Margin by Segment**

The highest margins recorded by the Company in Q1 2010 were those on contracts executed in **the other segment**. The segment's average gross margin was **19.1%** in the discussed period. The second most profitable segment of the Company business was **natural gas, crude oil and fuels**, where the average gross margin on contracts was **18.7%**. The third most profitable segment was **industrial and residential construction**, where the average gross margin on contracts was **17.0%**. In **the water segment**, gross margin was markedly lower, having averaged **9.1%**. However, the latter segment accounted for a mere 4% of the Company's total sales revenue in Q1 2010.

**GROSS SALES MARGIN FOR Q1 2010, BY OPERATING SEGMENT****CONDENSED INTERIM STATEMENT OF CASH FLOWS OF PBG S.A.**

Item	Q1 Jan 1 – Mar 31 2010	Q1 Jan 1 – Mar 31 2009
<i>Cash flows from operating activities</i>		
<b>Net profit before income tax</b>	<b>15,421</b>	<b>14,577</b>
<b>Adjustments:</b>	<b>18,503</b>	<b>(5,963)</b>
Amortisation of intangible assets	1,104	870
Impairment losses on goodwill	-	-
Impairment losses on property, plant and equipment	-	-

Depreciation of property, plant and equipment	2,188	3,391
(Profit)/loss on sale of property, plant and equipment	24	19
(Profit)/loss on sale of available-for-sale financial assets (held for trading)	16,99	136
Gains/(losses) on fair value measurement of investment property	-	-
(Gains)/losses on change in fair value of financial assets measured at fair value	(1,982)	(8,717)
Share in profit/(loss) of associated undertakings	-	-
Foreign exchange gains/(losses)	-	-
Interest expense	12,131	2,819
Interest received	(11,961)	(4,481)
Dividend received	-	-
<b>Cash provided by/(used in) operating activities before changes in working capital</b>	<b>33,924</b>	<b>8,614</b>
Change in inventories	371	(1,767)
Change in receivables	140,082	(6,802)
Change in liabilities	(122,363)	114,075
Change in provisions and accruals and deferrals	(1,306)	(294)
Other adjustments	(1,645)	1,079
<b>Cash generated by operating activities</b>	<b>49,063</b>	<b>114,905</b>
Interest paid	-	-
Income tax paid	(19,676)	(6,265)
<b>Net cash provided by/(used in) operating activities</b>	<b>29,387</b>	<b>108,640</b>
<i>Cash flows from investing activities</i>		
Acquisition of intangible assets	(276)	(2,118)
Disposal of intangible assets	-	-
Acquisition of property, plant and equipment	(6,351)	(4,225)
Disposal of property, plant and equipment	275	160
Acquisition of investment property	-	-
Disposal of investment property	-	-
Acquisition of financial assets	(33,736)	(2,874)
Redemption of financial assets	-	5,149
Acquisition of subsidiary undertakings (net of the acquired cash)	(107,022)	(15,208)
Loans advanced	(94,503)	(65,730)
Decrease in loans advanced	51,321	86
Interest received	98	392
Dividend received	-	-
Other inflows	-	-
Other cash used in investing activities	(30,274)	-
<b>Net cash provided by/(used in) investing activities</b>	<b>(220,468)</b>	<b>(84,368)</b>
<i>Cash flows from financing activities</i>		
Net proceeds from issue of shares	-	-
Acquisition of own shares	-	-
Repayment of debt securities	-	-
Issue of debt securities	-	-
Repayment of interest on debt securities	(14,468)	-
Redemption of debt securities	-	-
Increase in loans and borrowings	41,010	49,690
Repayment of loans and borrowings	(40,269)	(81,823)
Repayment of interest on loans and borrowings	(2,549)	(2,024)
Interest on deposits	3,442	846

**PBG S.A.****Qsr1/2010** (all amounts in PLN '000, unless indicated otherwise)

Decrease in finance lease liabilities	(193)	(186)
Other inflows/outflows	-	(70)
<b>Net cash provided by/(used in) financing activities</b>	<b>(13,027)</b>	<b>(33,567)</b>
<b>Net change in cash and cash equivalents</b>	<b>(204,108)</b>	<b>(9,295)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>529,324</b>	<b>164,943</b>
Effect of foreign exchange gains/(losses)	-	-
<b>Cash and cash equivalents at end of period</b>	<b>325,216</b>	<b>155,648</b>

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

Item	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash- flow hedges	Other capitals	Retained earnings	Total
<b>Balance as at Jan 1 2010</b>	<b>14,295</b>	-	<b>733,348</b>	<b>141</b>	<b>203,246</b>	<b>98,279</b>	<b>1,049,309</b>
Changes in accounting policies	-	-	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-	-	-
<b>Balance after changes</b>	<b>14,295</b>	-	<b>733,348</b>	<b>141</b>	<b>203,246</b>	<b>98,279</b>	<b>1,049,309</b>
<b>Changes in equity for period Jan 1 – Mar 31 2010</b>							
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 net profit/(loss) to equity	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
Net profit for period Jan 1 – Mar 31 2010	-	-	-	-	-	12,530	12,530
<b>Other comprehensive income:</b>							
Remeasurement of property, plant and equipment	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	(432)	-	-	(432)
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-
Income tax on items of other comprehensive income	-	-	-	82	-	-	82
<b>Total comprehensive income</b>	-	-	-	(350)	-	12,530	12,180
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-
<b>Balance as at Mar 31 2010</b>	<b>14,295</b>	-	<b>733,348</b>	<b>(209)</b>	<b>203,246</b>	<b>110,809</b>	<b>1,061,489</b>

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY OF PBG S.A. FOR THE PERIOD JANUARY 1ST – MARCH 31ST 2009

Item	Equity attributable to owners of the Parent						
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Other capitals	Retained earnings	Total
<b>Balance as at Jan 1 2009</b>	<b>13,430</b>	-	<b>551,178</b>	<b>(11,652)</b>	<b>149,777</b>	<b>58,469</b>	<b>761,202</b>
Changes in accounting policies	-	-	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-	-	-
<b>Balance after changes</b>	<b>13,430</b>	-	<b>551,178</b>	<b>(11,652)</b>	<b>149,777</b>	<b>58,469</b>	<b>761,202</b>
<b>Changes in equity for period Jan 1 – Mar 31 2009</b>							
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 net profit/(loss) to equity	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
Net profit for period Jan 1 – Mar 31 2009	-	-	-	-	-	10,812	10,812
<b>Other comprehensive income:</b>	-	-	-	-	-	-	-
Remeasurement of property, plant and equipment	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	(8,851)	-	-	(8,851)
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-
Income tax on items of other comprehensive income	-	-	-	1517	-	-	1,517
<b>Total comprehensive income</b>	-	-	-	<b>(7,334)</b>	-	<b>10,812</b>	<b>3,478</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-
<b>Balance as at Mar 31 2009</b>	<b>13,430</b>	-	<b>551,178</b>	<b>(18,986)</b>	<b>149,777</b>	<b>69,281</b>	<b>764,680</b>

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY OF PBG S.A. FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2009

Item	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Other capitals	Retained earnings	Total
<b>Balance as at Jan 1 2009</b>	<b>13,430</b>	<b>-</b>	<b>551,178</b>	<b>(11,651)</b>	<b>149,776</b>	<b>58,469</b>	<b>761,202</b>
Changes in accounting policies	-	-	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-	-	-
<b>Balance after changes</b>	<b>13,430</b>	<b>-</b>	<b>551,178</b>	<b>(11,651)</b>	<b>149,776</b>	<b>58,469</b>	<b>761,202</b>
<b>Changes in equity for period Jan 1 – Dec 31 2009</b>							
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 net profit/(loss) to equity	-	-	-	-	53,470	(58,469)	(4,999)
Total transactions with owners	865	-	182,170	-	53,470	(58,469)	178,036
Net profit for period Jan 1 – Dec 31 2009	-	-	-	-	-	98,279	98,279
<b>Other comprehensive income:</b>							
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)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,792</b>	<b>-</b>	<b>98,279</b>	<b>110,071</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-
<b>Balance as at Dec 31 2009</b>	<b>14,295</b>	<b>-</b>	<b>733,348</b>	<b>141</b>	<b>203,246</b>	<b>98,279</b>	<b>1,049,309</b>

## SELECTED SUPPLEMENTARY NOTES

## SALES REVENUE

Item	Q 1 Jan 1 – Mar 31 2010	Q 1 Jan 1 – Mar 31 2009
natural gas and crude oil	78,309	61,804
water	4,639	22,650
residential and industrial construction	17,915	14,391
roads	-	-
other	9,962	3,538
<b>Total sales revenue</b>	<b>110,825</b>	<b>102,383</b>

## COSTS BY TYPE

Item	Q 1 Jan 1 – Mar 31 2010	Q 1 Jan 1 – Mar 31 2009
Depreciation/amortisation	3,292	4,261
Raw materials and energy used	2,796	10,734
Contracted services	78,824	69,577
Taxes and charges	331	424
Salaries and wages	6,491	7,323
Social security and other benefits payable	1,491	1,753
Other costs by type	3,094	3,303
<b>Costs by type</b>	<b>96,319</b>	<b>97,375</b>
Change in inventories, work in progress, accruals and deferred income	(1,714)	(6,569)
Cost of products and services for own needs	-	-
Selling costs	-	-
General and administrative expenses	(6,147)	(9,643)
<b>Cost of products and services sold</b>	<b>88,458</b>	<b>81,163</b>

## OTHER OPERATING INCOME

Item	Q 1 Jan 1 – Mar 31 2010	Q 1 Jan 1 – Mar 31 2009
Gain on disposal of non-financial non-current assets	-	19
Fair value measurement of investment property	-	-
Reversals of impairment losses on property, plant and equipment and intangible assets	-	-
Reversals of impairment losses on financial receivables	25	-
Reversals of impairment losses on non-financial receivables	-	-
Reversals of impairment losses on inventories	-	-
Reversals of unused provisions	21	11
Fines and damages received	106	82
Subsidies received	220	256
Lease income	753	472
Other income	158	329
<b>Other operating income, total</b>	<b>1,283</b>	<b>1,169</b>

## OTHER OPERATING EXPENSES

Item	Q 1 Jan 1 – Mar 31 2010	Q 1 Jan 1 – Mar 31 2009
Loss on disposal of non-financial non-current assets	24	-
Fair value measurement of investment property	-	-
Impairment losses on goodwill	-	-
Impairment losses on property, plant and equipment and intangible assets	-	-
Impairment losses on financial receivables	-	-
Impairment losses on non-financial receivables	-	-
Impairment losses on inventories	-	-
Reversals of impairment losses on inventories (-)	-	-
Created provisions	-	-
Fines and damages paid	89	46
Donations granted	106	82
Other expenses	140	217
<b>Other operating expenses, total</b>	<b>359</b>	<b>345</b>

## FINANCE INCOME

Item	Q 1 Jan 1 – Mar 31 2010	Q 1 Jan 1 – Mar 31 2009
<b>a) Interest</b>	<b>11,961</b>	<b>4,481</b>
- on loans advanced	8,388	1,251
- from banks	3,442	1,843
- on bonds/notes	100	1,331
- other	31	56
<b>b) Other</b>	<b>2,590</b>	<b>1,788</b>
- foreign exchange gains	-	1,788
- gains from discounting (long-term payables)	-	-
- dividends and other profit distributions	-	-
- fees for sureties issued	-	-
- revenues from financial-market transactions	2,590	-
- other	-	-
<b>Total finance income</b>	<b>14,551</b>	<b>6,269</b>

## FINANCE EXPENSES

Item	Q 1 Jan 1 – Mar 31 2010	Q 1 Jan 1 – Mar 31 2009
<b>a) Interest and bank fees</b>	<b>12,131</b>	<b>2,962</b>
- on contracted loans	82	-
- interest and fees on bank loans	2,471	2,151
- on notes/bonds	9,419	778
- other	159	33
<b>b) Other finance expenses</b>	<b>1,791</b>	<b>-</b>
- foreign exchange losses	1,782	-
- losses from discounting (long-term receivables)	-	-
- impairment losses on a borrowing and interest	-	-
- costs of financial-market transactions	-	-
- other	9	-
<b>Total finance expenses</b>	<b>13,922</b>	<b>2,962</b>

**Signatures of all Management Board members**

Jerzy Wiśniewski – President of the Management Board

.....

Tomasz Woroch – Vice-President of the Management Board

.....

Przemysław Szkudlarczyk – Vice-President of the Management Board

.....

Tomasz Tomczak – Vice-President of the Management Board

.....

Mariusz Łożyński – Vice-President of the Management Board

.....

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

Eugenia Bachorz – Proxy Accounting Coordination Director, PBG Group .....

Wysogotowo, May 10th 2010