



**HYDROBUDOWA POLSKA S.A.**

**CONSTRUCTED FINANCIAL STATEMENTS  
FOR 4<sup>th</sup> QUARTER OF 2007**

**Wysogotowo, this 14th February 2008**

SELECTED FINANCIAL DATA	(thousand x PLN)		thousand x EUR	
	4 quarters increasingly 2007	4 quarters increasingly 2006	4 quarters increasingly 2007	4 quarters increasingly 2006
I. Net income from sale of products, goods and materials	568 387	265 076	150 494	67 984
II. Profit (loss) from operational activity	33 719	6 156	8 928	1 579
III. Profit (loss) before tax	49 501	11 646	13 107	2 987
IV. Profit (loss) net	40 009	10 422	10 593	2 673
V. Monetary resources net from operational activity	(41 863)	(162 223)	(11 084)	(41 605)
VI. Money resources net used in investment activity	25 960	7 377	6 874	1 892
VII. Monetary resources net from financial activity	40 450	114 793	10 710	29 441
VIII. Assets in total	596 525	383 083	166 534	99 990
IX. Obligations and reserves	457 230	287 906	127 647	75 148
X. Obligations and long-term reserves	78 034	21 438	21 785	5 596
XI. Obligations and short-term reserves	379 196	266 468	105 862	69 552
XII. Equity capital	139 295	95 177	38 887	24 843
XIII. Share capital	138 673	107 155	38 735	27 969
XIV. Weighted average number of shares in thousand of items <sup>1)</sup>	138 673	123 728	138 673	123 728
XV. Profit (loss) for one ordinary share (in PLN/EUR)	0,29	0,08	0,08	0,02
<i>from continued activity</i>	0,29	0,08	0,08	0,02
- basic	0,29	0,08	0,08	0,02
- diluted	-	-	-	-
<i>from continued and discontinued activity</i>	0,29	0,08	0,08	0,02
- basic	0,29	0,08	0,08	0,02
- diluted	-	-	-	-
XVI. Book value for one share in (PLN/EUR)	1	0,77	0,28	0,20
XVII. Diluted book value for one share in (PLN/EUR)	-	-	-	-
XVII. Declared or paid-out dividend for one share in (PLN/EUR)	-	-	-	-
XVIII. Annualized profit (loss) net	40 009	10 422	10 593	2 673
XIX. Weighted average number of shares in the period of twelve months <sup>1)</sup>	138 673	123 728	138 673	123 728
XX. Annualized profit (loss) for one share (in PLN/EUR)	0,29	0,08	0,08	0,02

Due to the made split 1:50, weighted average number of shares was given with the assumption that in the whole reporting and comparable period the nominal value of shares amounted to 1 PLN/item. <sup>1)</sup> Weighted average number of shares for the period before the merger with Hydrobudowa Śląsk was calculated by summing up weighted average number of shares of Hydrobudowa Włocławek and Hydrobudowa Śląsk, converted according to exchange parity of the shares of Hydrobudowa Śląsk into merger shares.

**1. Selected items of assets and liabilities were converted into EUR according to the average exchange rate of NBP for this:**

	31.12.2007	31.12.2006
<b>1 EUR =</b>	<b>3,5820</b>	<b>3,8312</b>

**2. Selected items on profit and loss account were converted into EUR according to the exchange rate being the arithmetic mean of average exchange rates of NBP valid for the last day of each month included in the report:**

	31.12.2007	31.12.2006
<b>Average rate</b>	<b>3,7768</b>	<b>3,8991</b>

BALANCE SHEET	For this 31.12.2007	For this 30.09.2007	For this 31.12.2006
Assets	<b>79 665</b>	<b>71 698</b>	<b>70 277</b>
<b>Fixed assets</b>	802	785	848
Intangible assets	-	-	-
Company value taken over within the framework of the merger of economic units	70 046	61 137	57 374
Property, plant and equipment	-	-	-
Investment properties	243	429	377
Other long-term financial assets	-	-	-
- from related undertakings	243	429	377
- from other undertakings	6 527	7 499	10 439
Long-term liabilities	766	286	-
- from related undertakings	5 761	7 213	10 439
- from other undertakings	-	-	-
Assets on account of deferred income tax	2 047	1 848	1 239
Long-term accrued liabilities	<b>516 860</b>	<b>436 505</b>	<b>312 806</b>
<b>Current assets</b>	4 887	3 888	5 875
Stock	183 275	229 483	145 777
Liabilities from the ordering parties on account of the works resulting from construction service / long-term contracts	3 271	17 690	1 423
- from related undertakings	180 004	211 793	144 354
- from other undertakings	219 493	140 420	83 990
Liabilities on account of deliveries and services	40 574	33 633	2 023
- from related undertakings	178 919	106 787	81 967
- from other undertakings	-	41	566
Liabilities on account of current income tax	38 168	34 058	33 960
Other short-term liabilities	1 815	357	83
- from related undertakings	36 353	33 701	33 877
- from other undertakings	19 567	7 013	7 243
Other short-term financial assets	-	-	-
- from related undertakings	19 567	7 013	7 243
- from other undertakings	48 346	18 603	23 162
Monetary resources and their equivalents	3 124	2 999	2 564
Short-term accrued liabilities	-	-	9 669
Fixed assets classified as held for sale	<b>596 525</b>	<b>508 203</b>	<b>383 083</b>
<b>Assets in total</b>			

	<b>For this 31.12.2007</b>	<b>For this 30.09.2007</b>	<b>For this 31.12.2006</b>
<i>Liabilities</i>			
<b>Equity capital</b>	<b>139 295</b>	<b>114 340</b>	<b>95 177</b>
Initial capital	138 673	138 673	107 155
Treasury shares			-
Reserve capital from the sale of shares above their nominal value	-		50 779
Capital from the valuation of hedge operations and differences in rates from consolidation	5 846	371	(1 175)
Other capitals	41 031	41 032	18 122
Undivided financial result	(46 255)	(65 736)	(79 704)
- profit (loss) from previous years	(86 264)	(85 785)	(90 126)
- profit (loss) net from current year	40 009	20 049	10 422
<b>Obligations</b>	<b>457 230</b>	<b>393 863</b>	<b>287 906</b>
<b>Long-term obligations</b>	<b>78 034</b>	<b>40 742</b>	<b>21 438</b>
Long-term credits and loans	12 851	7 034	8 154
- from related undertakings	-		7 966
- from other undertakings	12 851	7 034	188
Other long-term financial obligations	51 181	20 609	165
Other long-term obligations	4 553	4 309	3 012
- from related undertakings	138	101	145
- from other undertakings	4 415	4 208	2 867
Reserve on account of deferred income tax	6 638	7 824	6 599
Reserves for obligations on account of employee benefits	1 099	826	3 324
Other long-term reserves	1 712	140	184
Long-term accrued liabilities	-	-	-
<b>Short-term obligations</b>	<b>379 196</b>	<b>353 121</b>	<b>266 468</b>
Short-term credits and loans	149 222	208 909	138 182
- from related undertakings	41 389	90 751	56 172
- from other undertakings	107 833	118 158	82 010
Other short-term financial obligations	115	176	418
Obligations on account of deliveries and services	169 266	106 205	84 325
- from related undertakings	18 583	12 849	6 767
- from other undertakings	150 683	93 356	77 558
Obligations on account of current income tax	11 213	3 446	-
Other short-term obligations	45 905	31 166	30 611
- from related undertakings	9 315	1	288
- from other undertakings	36 590	31 165	30 323
Reserves for obligations on account of employee benefits	551	610	673
Other short-term reserves	568	582	10 346

	For this 31.12.2007	For this 30.09.2007	For this 31.12.2006
Short-term accrued liabilities	2 356	2 027	1 913
Obligations connected with fixed assets held for sale	-	-	-
<b>Liabilities in total</b>	<b>596 525</b>	<b>508 203</b>	<b>383 083</b>

Book value	139 295	114 340	95 177
Number of shares in thousand x item*	138 673	138 673	138 673
Book value for one share (in PLN)	1,00	0,82	0,69
Diluted number of shares	-	-	-
Diluted book value for one share (in PLN)	-	-	-

\* The number of shares according to the state as for balance sheet date made after the split 1:50. Before the merger with Hydrobudowa Śląsk the number of shares was calculated by summing up the numbers of shares of Hydrobudowa Włocławek and Hydrobudowa Śląsk converted according to the parity of exchange of the shares of Hydrobudowa Śląsk into merger shares

OFF BALANCE SHEET ITEM	balance on this 31.12.07	balance on this 30.09.2007	balance on this 31.12.06
<b>Conditional liabilities</b>	-	-	-
From related undertakings (on the account of):	-	-	-
- received guarantees and sureties	-	-	-
From other undertakings (on the account of):	-	-	-
- received guarantees and sureties	-	-	-
<b>Conditional liabilities</b>	<b>702 513</b>	<b>437 335</b>	<b>321 447</b>
for related undertakings (on the account of):	<b>525 861</b>	<b>261 150</b>	<b>159 616</b>
- granted guarantees	-	-	-
- sureties	525 861	261 150	159 616
For other undertakings (on the account of):	<b>176 652</b>	<b>176 185</b>	<b>161 831</b>
- granted guarantees	169 145	168 097	155 336
- sureties	7 507	8 088	6 495
<b>Others (on account of):</b>	<b>5 887</b>	<b>199</b>	<b>337</b>
- bills of exchange	5 887	199	337
<b>OFF BALANCE SHEET ITEMS TOGETHER</b>	<b>708 400</b>	<b>437 534</b>	<b>321 784</b>

<b>PROFIT AND LOSS ACCOUNT</b>	<b>4th QUARTER 01.10 – 31.12.2007</b>	<b>4 quarters 01.01 - 31.12.2007</b>	<b>4th QUARTER 01.10 – 31.12.2006</b>	<b>4 quarters 01.01- 31.12.2006.</b>
<i>Continued activity</i>				
<b>Cash revenue on sales</b>	<b>238 734</b>	<b>568 387</b>	<b>87 915</b>	<b>265 076</b>
- from related undertakings	46 719	94 099	1 401	6 577
Revenue on sale of products	2 128	3 055	1 165	2 147
Fees earned	227 252	545 676	82 439	256 876
Revenue on sale of goods and materials	9 354	19 656	4 311	6 053
<b>Cost of sales</b>	<b>(209 534)</b>	<b>(516 158)</b>	<b>(79 991)</b>	<b>(243 544)</b>
- from related undertakings	(12 029)	(31 533)	(6 593)	(26 572)
Cost of sold products	(734)	(3 697)	(1 089)	(1 970)
Cost of sold services	(199 704)	(493 093)	(74 892)	(235 965)
Cost of sold goods and materials	(9 096)	(19 368)	(4 010)	(5 609)
<b>Profit (loss) gross on sales</b>	<b>29 200</b>	<b>52 229</b>	<b>7 924</b>	<b>21 532</b>
Costs of sales	-	-	-	-
General administrative costs	(7 422)	(23 861)	(6 482)	(23 167)
Other operational profit	1 473	12 087	6 703	21 648
Other operational costs	(2 486)	(6 736)	(7 971)	(13 857)
Restructuring costs	-	-	-	-
<b>Profit (loss) from operational activity</b>	<b>20 756</b>	<b>33 719</b>	<b>174</b>	<b>6 156</b>
Financial income	9 616	16 298	5 555	14 996
Financial costs	(4 994)	(16 666)	905	(9 506)
Other profit (loss) from investment	-	16 150	(163)	-
<b>Profit (loss) before tax</b>	<b>25 387</b>	<b>49 501</b>	<b>6 471</b>	<b>11 646</b>
Income tax	(5 427)	(9 492)	(244)	(1 224)
<b>Profit (loss) net from continued activity</b>	<b>19 960</b>	<b>40 009</b>	<b>6 227</b>	<b>10 422</b>
<i>Discontinued activity</i>	-	-	-	-
Loss net from discontinued activity	-	-	-	-
<b>Profit (loss) net</b>	<b>19 960</b>	<b>40 009</b>	<b>6 227</b>	<b>10 422</b>

<b>Profit (loss) for one ordinary share (in PLN):</b>		<b>0,29</b>		<b>0,08</b>
<b>from continued activity</b>		<b>0,29</b>		<b>0,08</b>
- basic		0,29		0,08
- diluted		-		-
<b>from continued and discontinued activity</b>		<b>0,29</b>		<b>0,08</b>
- basic		0,29		0,08
- diluted		-		-

## The Executive Board's comment to the financial results of the Company Hydrobudowa Polska S.A.

### I. Significant events in the fourth quarter of 2007 and the factors influencing the financial results of the Company.

- Making the **revenue on sale** in the amount of **238 million PLN** i.e. **172%** more than in the fourth quarter of the previous year, which allowed us to complete four quarters of 2007 with the revenue exceeding **568 million PLN** (increase by **114%** in relation to four quarters of 2006).
- **Gross profit on sale** in the fourth quarter increased by 269% to the amount of **29 million PLN**, and in the whole year by **143%**, to the amount of **52 million PLN**.
- Over threefold increase **in net profit** was stated in the fourth quarter and the value of nearly **20 million PLN** was reached, and in the whole year its value amounted to **40 million PLN**, which constitutes respectively the increase by nearly **221%** and **284%**.
- **The employment** in the Company Hydrobudowa Polska, at the end of the year, amounted to **1,304 people**.
- At the end of the fourth quarter purchase order portfolio reached the value of nearly **1 billion PLN**, and only in 2007 the Company managed to gain new contracts for the amount of over **800 million PLN**.
- The generation of a positive change of the net change of the state of monetary resources in the amount of 24.5 million PLN. Investment activity also brought positive effect, generating nearly 26 million PLN of cash, with the expenses on the purchase of fixed assets at the level of 30.7 million PLN. It is also worth mentioning that there has been significant improvement in cash flow from operational activity. Although this activity still generates negative cash flow on the level of 41.8 million PLN, this is the result better by as much as 120 million PLN than the result in 2006.

In the fourth quarter, according to the accepted strategy, the Company continued processes connected with organizational joining of the structures of former companies under the name of Hydrobudowa and reinforcement and development of executive potential. The Company also took actions connected with securing the financing of the Project and development as well as gaining new areas of activity. The most important events in the fourth quarter of 2007 include:

- Signing of the letter of intent with mining Company PRG METRO Sp. z o.o. */limited liability Company/* concerning potential capital cooperation and common gaining and realization of contracts. PRG METRO Sp. z o.o. is a Company with great experience in the construction of Warsaw underground. It has built ten out of fifteen existing sections of the line of underground in Warsaw so far,
- Passing by the Extraordinary General Meeting of Shareholders the resolutions concerning the new issuance of 35,000,000 shares and the split of shares in the ratio 1:50. New issuance shares will allow for gaining capital for further development and acquisition.

- Concluding the contract for the realization of a 5-year programme of issuance of bonds for the amount of 100 million PLN, which will allow us secure long-term sources of financing,
- The commencement of the investment of the construction of the new place of business in Mikołów, which will allow for concentrating the strengths of Hydrobudowa in one place and creating a strong background facility.

## II. Comment to financial results for the 4th quarter of 2007.

The most significant **sources of revenue** for the Company basic activity, in the 4<sup>th</sup> quarter, included the following construction contracts:

- a) contract under the name of "Development and reconstruction of sewage treatment plant in Piaseczno" signed between the Community of Piaseczno and Hydrobudowa Włocławek S.A. (currently Hydrobudowa Polska SA) – realized revenue: **27,2 million PLN**;
- b) contract under the name of "Wrocław – reclamation of waste dump Maślice", signed between the Community of Wrocław and Hydrobudowa Włocławek S.A. (currently Hydrobudowa Polska S.A.) – realized revenue: **19.3 million PLN**;
- c) contract under the name of "Development of sewage system of Oporów II district", signed between the Community of Wrocław and Hydrobudowa Włocławek S.A. (currently Hydrobudowa Polska S.A.) – realized revenue: **16.3 million PLN**;
- d) Contract under the name of "Development and modernization of sewage treatment plant in Ustka together with its technological commissioning and the construction of pressure collector at ul. Polna in Ustka along with river underpass under the river Słupia. **11.8 million PLN**;

Comparing financial results of the Company Hydrobudowa Polska S.A. achieved at the end of the 4<sup>th</sup> quarter 2006 and for the end of 4<sup>th</sup> quarter 2007 significant increase both in the case of dynamics of particular items on profit and loss account as well as income returns worked out by the Company.

This allowed the Company for obtaining gross profit margin from sale at the end of the 4<sup>th</sup> quarter of 2007 9.19% in comparison to 6.99% at the end of the 3<sup>rd</sup> quarter of 2007, operating margin 5.93% in comparison to 3.93% at the end of the 3<sup>rd</sup> quarter of 2007 and net margin amounted to 7.04% in comparison to 6.08% at the end of the 3<sup>rd</sup> quarter 2007.

The completion and the settlement by the end of the 3<sup>rd</sup> quarter of 2007 the losses on unprofitable contracts from the old order portfolio taken over together with the takeover of Hydrobudowa Śląsk S.A., had the purchase influence on the improvement in financial results. Settlement of the loss borne at the construction of sewage treatment plant Kraków-Płaszów, which amounted in total to nearly 28 million PLN, had the biggest influence on financial results of the Company in three quarters. At present the Company is trying to recover the part of the costs borne in connection with realized works. A significant part of contracts from Company purchase order portfolio was gained in 2007 (the value of signed contracts in 2007 amounts to over 800 million PLN).

Analysing the results achieved by Hudrobudowa Polska S.A. in the 4th quarter of 2007 and having compared them to the results achieved in the analogical period of the previous year, significant improvement both in case of dynamics of particular times on the profit and loss account, as well as worked out returns on income, can be observed. Only in the 4th quarter of 2007 the Company achieved 238,734 thousand PLN revenue on sales, achieving total profit from operational activity on the level of nearly 21 million PLN. These results constitute respectively 172% of the increase in sale and one hundred twentyfold increase in profit on operational level. Only in the 4th quarter of 2007 the Company made 42% of the annual value of sale and actually the half of annual net profit. This results mostly from the seasonal nature of sale which occurs in Company activity during accounting year and the settlement and completion of works at particular contracts in the 4th quarter.

Profitability ratios achieved in the financial periods discussed are presented below.

#### Profitability ratios

Name	4 <sup>th</sup> quarter 2007	4 <sup>th</sup> quarter 2006	3 <sup>rd</sup> quarter 2007	4 quarters of 2007	4 quarters of 2006	3 quarters of 2007
<b>Return on sales<sup>1</sup></b>	12,23%	9,01%	3,11%	9,19%	8,12%	6,99%
<b>Operational return<sup>2</sup></b>	8,70%	0,20%	0,57%	5,93%	2,32%	3,93%
<b>Net profit margin<sup>3</sup></b>	8,36%	7,08%	-3,18%	7,04%	3,93%	6,08%

1 gross profit from sale/revenue on sale \*100

2 profit from operational activity/revenue on sale \*100

3 net profit/revenue on sale \*100

<b>CASH FLOW ACCOUNT</b>	<b>4 quarters 01.01 - 31.12.2007</b>	<b>4 quarters from 01.01 - 31.12.2006</b>
<i>Cash flow from operational activity</i>	<b>49 501</b>	<b>11 646</b>
<b>Profit net before tax</b>	<b>(4 202)</b>	<b>(5 354)</b>
<b>Adjustments:</b>	486	410
Depreciation of intangible assets	-	-
Write offs on account of the loss of goodwill	-	(161)
Write offs on account of the loss of property, plant and equipment	4 651	3 570
Depreciation of the value of property, plant and equipment	(1 000)	(2 341)
(Profit) loss on the sale of property, plant and equipment	(21 952)	(12 685)
(Profit) loss on the sale of financial assets available for sales (allocated for trading)	-	-
Profit (loss) from valuation of investment properties according to fair value	(5 286)	-
(Profit) loss on account of fair value of financial assets declared according to fair value	-	-
Share in profit (loss) of related undertakings	6 925	-
Profit (loss) on account of differences in rates	12 517	6 912
Interest expenses	(515)	(1 051)
Interest received	(28)	(8)
Dividend received	<b>45 299</b>	<b>6 292</b>
<b>Monetary resources from operational activity before considering changes in working capital</b>	988	4 334
Change of stock level	(172 951)	(66 630)
Change of liabilities level	96 678	(17 336)
Change of obligations level	(11 800)	(59 229)
Change of reserves level and accrued liabilities	87	(28 188)
Other adjustments	<b>(41 699)</b>	<b>(160 757)</b>
<b>Monetary resources generated in the course of operational activity</b>	(215)	(571)
Paid interest	51	(895)
Paid income tax	<b>(41 863)</b>	<b>(162 223)</b>
<b>Monetary resources net from operational activity</b>		
<i>Cash flow from investment activity</i>	(326)	(446)
Expenses on purchasing intangible assets	-	-
Income from the sale of intangible assets	(30 733)	(15 183)
Expenses on purchasing property, plant and equipment	8 823	465
Income from the sale of property, plant and equipment	-	-
Expenses on purchasing investment properties	16 646	11 985
Income from the sale of investment properties	-	(2 294)
Expenses for purchasing financial assets available for sale	31 621	6 270
Income from the sale of financial assets available for sale	(41)	-
Expenses for purchasing financial assets available for sale	-	2 428
Income from the sale of financial assets allocated for trading	-	-
Expenses for purchasing related undertakings (reduced by monetary resources taken over)	-	-
Income from sale of related undertakings	-	-

<b>CASH FLOW ACCOUNT</b>	<b>4 quarters 01.01 - 31.12.2007</b>	<b>4 quarters from 01.01 - 31.12.2006</b>
Other expenses – additional payment to capital	-	-
Income from received governmental subsidies	-	-
Granted loans	(60)	(913)
Received payments of loans granted	-	3 905
Interest received	31	1 120
Dividend received	28	8
Other income	181	672
Other investment expenses	(210)	(640)
<b>Monetary resources net used in investment activity</b>	<b>25 960</b>	<b>7 377</b>
<i>Cash flow from financial activity</i>		
Income net on account of issuance of shares	-	75 679
Acquisition of treasury shares	-	-
Income on account of issuance of debt securities	50 000	-
Payment of interest on bond	-	-
Redemption of debt securities	-	-
Income on account of borrowing	78 556	116 720
Payment of credits and loans	(78 823)	(70 823)
Payment of interest on credits and loans	(9 079)	(5 755)
Income on account on investment	437	-
Payment of obligations on account of financial leasing	(214)	(1 028)
Paid interest	(73)	-
Paid-out dividend	-	-
Credit commissions	(334)	-
Other expenses	(20)	-
<b>Monetary resources net from financial activity</b>	<b>40 450</b>	<b>114 793</b>
<b>Net change of the state of monetary resources and their equivalents</b>	<b>24 547</b>	<b>(40 053)</b>
<b>Monetary resources and their equivalents at beginning of the period</b>	<b>23 506</b>	<b>63 837</b>
Change of the state on account of differences in rates	336	(278)
<b>Monetary resources and their equivalents at the end of the period</b>	<b>48 389</b>	<b>23 506</b>

<b>STATEMENT OF CHANGES IN EQUITY CAPITAL</b>	Initial capital	Other capitals	Undivided financial result	Total
<b>Balance as at 01.01.2006</b>	<b>82 255</b>	<b>12 654</b>	<b>(81 772)</b>	<b>13 137</b>
Changes of accounting rules (policy)	-	-	-	-
Adjustments on account of basic mistakes	-	(869)	(336)	(1 205)
<b>Balance after the changes</b>	<b>82 255</b>	<b>11 785</b>	<b>(82 108)</b>	<b>11 932</b>
<i>Changes in equity capital in the period from 01.01. to 31.12.06</i>				
Profit (loss) on account of revaluation	-	132	(1 072)	(940)
Investments available for sale:	-	-	-	-
- profits (losses) on account of valuation referred to equity	-	-	-	-
- transferred to profit (loss) on sale	-	-	-	-
Instruments securing cash flow:	-	(1 916)	-	(1 916)
- profits (losses) referred on equity	-	(1 916)	-	(1 916)
- profit (loss) transferred to the financial result of the period	-	-	-	-
- profit (loss) taken into consideration at the valuation of balance value of secured items	-	-	-	-
Tax connected with the items presented in the capital or transferred from the capital	-	-	-	-
<b>Profit net presented directly in equity capital</b>	<b>-</b>	<b>(1 784)</b>	<b>(1 072)</b>	<b>(2 856)</b>
Profit net for the period from 01.01. to 31.12.2006	-	-	10 422	10 422
<b>Amount of profit and loss booked in the period from 01.01. to 31.12.2006.</b>	<b>-</b>	<b>(1 784)</b>	<b>9 350</b>	<b>7 566</b>
Dividend	-	-	-	-
Division of result	-	1 425	(1 425)	-
Issued initial capital	24 900	50 779	-	75 679
Issued options changeable for shares	-	-	-	-
<b>Balance as at 31.12.06</b>	<b>107 155</b>	<b>62 205</b>	<b>(74 183)</b>	<b>95 177</b>
<b>Balance as at 01.01.07</b>	<b>107 155</b>	<b>62 205</b>	<b>(74 183)</b>	<b>95 177</b>
Changes of accounting rules (policy)	-	-	-	-
Adjustments on account of basic mistakes	-	(632)	153	(479)
<b>Balance after the changes</b>	<b>107 155</b>	<b>61 573</b>	<b>(74 030)</b>	<b>94 698</b>
<i>changes in equity capital in the period from 01.01. to 31.12.2007</i>				
Profit (loss) on account of revaluation	-	-	(243)	(243)
Investments available for sale:	-	-	-	-
-profit on valuation referred to equity capital	-	-	-	-
- transferred to profit (loss) on sale	-	-	-	-
Instruments securing cash flow:	-	8 490	-	8 490
- profit (loss) referred to equity capital	-	8 490	-	8 490
- profit (loss) transferred to the financial result of the period	-	-	-	-
- profit (loss) taken into consideration at the valuation of balance value of secured items	-	-	-	-
Differences in rates from valuation of undertakings operating abroad	-	-	-	-
Tax connected with the items presented in the capital or transferred from the capital	-	(1 469)	-	(1 469)
<b>Profit net presented directly in equity capital</b>	<b>-</b>	<b>7 021</b>	<b>(243)</b>	<b>6 778</b>
Profit net for the period from 01.10.07 to 31.12.07.	-	-	40 009	40 009
<b>Amount of profit and loss booked in the period from 01.10.07. to 31.12.07.</b>	<b>-</b>	<b>7 021</b>	<b>39 766</b>	<b>46 787</b>
Dividend	-	-	-	-
Division of result	-	9 991	(11 991)	(2 000)
Issued initial capital	31 518	(31 708)	-	(190)
Issued options changeable for shares	-	-	-	-
<b>Balance as at 31.12.07</b>	<b>138 673</b>	<b>46 877</b>	<b>(46 255)</b>	<b>139 295</b>

## **ADDITIONAL INFORMATION TO CONSTRUCTED FINANCIAL STATEMENTS FOR THE 4<sup>th</sup> QUARTER 2007**

### **1. General information**

HYDROBUDOWA Polska S.A. with its seat in Wysogotowo, ul. Skórzewska 35; 62-081 Przeźmierowo is a Company operating in construction sector specializing in the construction of water engineering facilities, execution of engineering and hydrotechnical general construction works, civil engineering.

The Company was registered on this 24.02.1993 by District Court in Włocławek under the number RHB-794 in commercial register, and then it was entered by District Court in Toruń at ul. Młodzieżowa 31, 7<sup>th</sup> Commercial Division of the National Court Register under National Court Register Number KRS 0000017342 – on this 6<sup>th</sup> June 2001.

The Extraordinary General Shareholders Meeting on this 09.10.2006 changed the Company register for Wysogotowo near Poznań, ul. Skórzewska 35, with Resolution 1. On this 20.11.2006 District Court in Toruń made the entry of the change of the seat and the address of the entity and made the transfer of Company Registration Act pursuant to jurisdiction for District Court in Poznań, 21<sup>st</sup> Economic Division of the National Court Register. On this 27<sup>th</sup> August 2007 District Court in Poznań registered the merger of the Company with the Company "Hydrobudowa Śląsk" S.A. and on this 7<sup>th</sup> January 2008 the change of the Company name from HYDROBUDOWA Włocławek S.A. for HYDROBUDOWA POLSKA S.A. was registered.

Currently registration files are run by District Court in Poznań – Nowe Miasto and Wilda, 8<sup>th</sup> Commercial Division of the National Court Register.

The presented financial statements comprise the 4<sup>th</sup> quarter of 2007.

### **2. Rules accepted for preparation of the report for the 4<sup>th</sup> quarter of 2007.**

The presented financial statements were prepared pursuant to International Financial Reporting Standards and International Accounting Standards, and in particular pursuant to International Accounting Standards 34 "Mid-year reporting".

Financial statements were prepared with the assumption of continuing economic activity by the Company in foreseeable future. As for the day of preparing these financial statements, the existence of the circumstances indicating the threat of continuing the activity by the Company was not stated.

The valuation of the components of assets and liabilities was made pursuant to the rule of historical cost, with the exception of financial assets available for sale, investment properties and derivative financial instruments which are valued according to fair value. Balance value of included secured assets and liabilities is corrected with the changes of fair value, which may be attributed to the risk against which these assets and liabilities are secured.

In connection with the merger of the Company with Hydrobudowa Śląsk S.A., comparable data were presented pursuant to pooling interest method i.e. they include summed up adequate items of assets and liabilities as well as income and costs of merged companies upon bringing their values to unified valuation methods and set off of receivables and liabilities and other settlements of a similar nature, income and costs of economic operations made in a given accounting year, profit and loss from economic operations made before the merger between the merging companies, included in the values subject to pooling of assets and liabilities. The choice of pooling interest method results from the interpretation of the provisions of International Financial Reporting Standards no. 3 "Business combinations". Provision of clause 3 of International Financial Reporting Standards no. 3 excludes the possibility of using the method of acquisition for business combinations being under joint control. Due to the fact that for both merging businesses, the dominant business is, pursuant to International Financial Reporting Standards, the Company PBG S.A., it was decided to use a different method of accounting, in this case the model described in art. 44c of the Act on Accounting - pooling interest method.

**ASSETS AND LIABILITIES VALUATION METHODS**

**Intangible assets**

Intangible assets are understood as fixed assets in the form of property rights acquired by the Company, subject to economic use, and in anticipated life of economic utility longer than 1 year, allocated for the use of the Company's own needs. Intangible assets are valued according to acquisition prices reduced by depreciation charges and write offs on account of permanent value loss. Depreciation rates were determined with the consideration of the period of economic utility of intangible assets. Intangible assets are depreciated with straight-line method with the use of the following periods:

Title:	Annual depreciation rate
Computer software	20%
Other property rights	50%

The Company does not apply value criterion, all intangible assets are depreciated. The Company does not have intangible assets of undefined utility period.

**Property, plant and equipment**

Fixed assets

Fixed assets are property, plant and equipment, of anticipated life of economic utility longer than 1 year, complete, subject to use and allocated for the Company needs.

Fixed assets include:

- Properties – including land, perpetual usufructuary right, structures, buildings and well as premises being the separate property, cooperative member's right of ownership of commercial premises;
- Machines, devices, means of transport;
- Improvements in third party fixed assets.

Initial value of fixed assets is subject to the increase with the value of expenses borne for their improvement (reconstruction, modernization). Expenses for repair and maintenance are attributed to profit and loss account of accounting period in which they were borne.

Depreciation rates for all fixed assets, with the exception of plots of land and construction-in process, were determined with the consideration of the life of economic utility of the components of the assets, with the use of straight-line method, with the application of the following annual depreciation rates.

<b>Title:</b>		<b>Annual depreciation rate</b>
Group 0	Lands and perpetual usufructuary right	-
Group I	Buildings and premises	2,5%
Group III	Boilers and energetic machines	10%- 20%
Group IV	General machines and devices	10%-30%
Group V	Special machines and devices	10%-20%
Group VI	Technical devices	10%-20%
Group VII	Means of transport	10%-20%
Group VIII	Tools, devices, equipment	10%-20%

As for balance sheet date, the Company does not have civil engineering facilities accepted for use. Therefore, it didn't make the choice of the criterion of depreciation rate for this group of fixed assets.

The Company does not calculate fixed assets and does not make write offs from components whose initial value is equal or lower than 1,500.00 PLN. The Company transfers the expenses for their acquisition in whole into costs of revenues in the month of accepting them for use.

The Company includes fixed assets of anticipated life of economic utility longer than 1 year, whose initial value amounts to from 1,501.00 PLN to 3,500.00 PLN to fixed assets making one-time write downs in costs, in their full initial value, in the next month after the month in which they were put into service.

Profit or loss resulting from sale/winding up or the cessation of the use of fixed assets are defined as the difference between the cash revenue on sales and net value of these fixed assets and they are booked in profit and loss account.

Construction in process

Construction-in process being created for production , lease or administration purposes as well as for the purposes not yet defined, are presented in the balance sheet according to the cost of manufacture reduced by permanent value loss. Manufacture cost is increased by fees and capitalized costs of external financing for defined assets.

Fixed assets on loan and leased fixed assets.

Fixed assets accepted for use pursuant to lease contract or other contract of a similar nature are included also in Company fixed assets. Leasing agreements occurring in the Company meet the requirements of financial leasing, which means that pursuant to these agreements fundamentally all the risk and all potential benefits resulting from being the owner are transferred by the Company (the lessee).

The assets used on the basis of financial leasing contracts are treated as equal to Company assets and are valued according to acquisition price. Leasing payments are divided into capital part and interest part. Leasing interest costs are apportioned for accounting periods constituting constant percentage in relation to the balance of unpaid obligation on account of the value of subject of the leasing in each of accounting periods.

Assets maintained on the basis of financial leasing agreement are depreciated throughout the life of their economic utility, correspondingly as equity.

#### **External financing costs**

External financing costs directly linked with the acquisition or generation of assets components, are added to the value of generated fixed assets until the moment of putting these fixed assets in service. These costs are reduced with income obtained from temporary investment of means gained for the generation of a given component of assets.

All other external financing costs are referred directly to the burden of profit and loss account in the period in which they were borne.

#### **Investment properties**

Properties which are treated as the source of income from rents and/or are kept in possession due to anticipated increase in their value are considered investment properties. Investment properties are valued for balance sheet date in fair value. Profit and loss resulting from the change of fair value of investment properties are currently referred to financial result.

#### **Fixed assets and groups of net assets allocated for sale**

Fixed assets classified as allocated for sale as well as groups of net assets allocated for sale are valued at a lower, out of two values: balance value or fair value reduced by costs connected with sale.

Fixed assets and groups of net assets are classified as allocated for sale if their balance value is recovered rather as a result of sale transaction than as a result of further use. This condition is deemed met only if assets component (or group of net assets allocated for sale) is available in its

present condition for immediate sale, and the occurrence of transaction sale is very probable in a year from the moment of the change of classification.

### **Financial assets**

As a financial instrument, the Company classifies each contract, which at the same time results in the creation of financial assets component at one party and financial obligation or capital instrument at the other party, on the condition that economic consequences unequivocally result from the contract concluded between two or more parties.

Pursuant to International Accounting Standards no. 39, the Company classifies financial instruments with the division into:

- A. **Instruments allocated for trading** – components of assets or financial obligations which were acquired or arose mostly to generate profit obtained due to short-term price fluctuations or broker's mark-up fluctuations.
- B. **Financial instruments maintained until time of maturity** – financial assets of defined or possible to define payments or agreed upon time of maturity, which the Company intends and is able to keep in possession until the time of maturity, with the exception of loans granted by units and own receivables,
- C. **Financial instruments available for sale** – are financial assets not being loans granted and own liabilities, assets maintained until time of maturity as well as not being financial assets allocated for trading.
- D. **Loans and liabilities** – financial assets not being derivative instruments, with defined or possible to define payments, which are not quoted on active market.

As for balance sheet date, depending on the financial instruments the Company has, the Company values them in the following way:

5. according to depreciated cost, with the consideration of effective interest rate: assets maintained until time of maturity, loans granted and own liabilities as well as other financial obligations which were classified for trading,
6. in case of the above mentioned titles, the valuation may take place also in the value demanding payment if discount effect is not significant,
7. in the amount demanding the payment of: liabilities and obligations with short time of maturity / due date.
8. according to fair value: assets and financial obligations allocated for trading and financial assets allocated for sale.

In case of financial assets available for sale, the change of fair value of these instruments, the Company includes in profit and loss account as income or financial costs at the moment of its occurrence.

### **Liabilities**

The Company classifies liabilities with the distinction into long- and short-term and from related undertakings and other undertakings.

Liabilities on account of deliveries and services are in books in nominal value corrected with adequate write downs updating the value of doubtful liabilities. The Company makes the write down taking into consideration the degree of likelihood of payment in relation to the due receivable.

For the liabilities with long, exceeding 12 months, payment term, the Company makes the valuation of the value of deferred receivables according to depreciated acquisition price, correcting the liabilities with cumulated amount of discounted difference between the initial value and their value in time of maturity, calculated by means of effective interest rate based on WIBOR 1M rate. The difference which arose in the valuation is deferred to profit and loss account. The Company uses times of maturity between 7 and 90 days with reference to liabilities on account of deliveries and services.

### **Obligations**

Obligations on account of deliveries and services and demonstrated in the balance sheet in nominal value. For the obligations with long, exceeding 12 months, payment term, the Company makes the valuation of indebtedness value according to depreciated acquisition price, correcting the liabilities with cumulated amount of discounted difference between the initial value and their value in time of maturity, calculated by means of effective interest rate based on WIBOR 1M rate. The difference which arose in the valuation is deferred to profit and loss account. Financial obligations are classified depending on their economic contents resulting from the contracts concluded. As for the balance sheet date, the Company values financial obligations whose settlement pursuant to the concluded contract takes place by means of spending financial assets other than monetary resources or exchange for financial instruments – according to fair value. Obligations payment terms on account of deliveries and services are between 0 and 60 days.

### **Bank credits**

Interest-bearing bank credit shall be booked according to acquisition price corresponding to share value of obtained monetary resources. In the next periods the credits are valued according to depreciated acquisition price, with the use of effective interest rate.

### **Derivative financial instruments and hedge operations**

Derivative financial instruments are booked initially according to fair value as for the day of concluding derivative contract and then their valuation is updated to the level of current fair value. The method of booking of profit or loss which arise, depends on the fact if the derivative instrument was considered securing instrument and if so, on the nature of secured item. The Company nominates derivative instruments for securing defined risks connected with booked assets or obligations.

The Company documents the connection between securing instruments and secured items as well as the purpose of risk management and the strategy connected with concluding hedge operations. The Company also documents its effectiveness appraisal for each end of the quarter stating if securing documents are highly effective at compensating for cash flow changes of secured items. Effective part of the changes of fair value of derivative instruments nominated and

classified as the security of cash flows is booked in equity capital. Profit or loss on account of the ineffective part are booked immediately in profit and loss account, in financial part. The amounts cumulated in equity capital are transferred to profit and loss accounts, in the periods in which the secured item influenced profit and loss account. Profit and loss concerning effective part of currency contracts securing sale in foreign currency is booked in profit and loss account in the item "sale".

The Company signs construction contracts with EU aid measures disposers. In a part of these contracts, the income amount is determined on a lump-sum basis as the equivalent of the amounts agreed upon in EURO. The Company does not recognise embedded derivative financial instruments in these contracts. Contracts of this kind, in most cases, are signed in currency formula. The Company treats EURO currency as natural currency in contracts of this kind.

### **Stock**

Supplies are demonstrated according to purchase price or manufacture cost not higher than sales price net. The Company does not use acquisition price due to insignificant purchase costs. Sales price net corresponds to estimated sales price reduced by all the costs of preparing inventories for sale or finding a purchaser (i.e. costs of sale, marketing etc.)

For the outgoings of property, plant and equipment as well as current assets, the Company uses "first-in, first-out basis"

The Company charges off materials and goods transferred directly from the purchase, at the moment of submitting them for production / sale according to actual purchase price.

### **Write downs updating the value of current tangible assets**

Write offs updating the value of current tangible assets are connected with the loss in their value or the valuation for the balance sheet date charging other operational costs or financial operations costs. In the event of the cessation of the cause of making the write off, the value of current tangible assets is referred to the good of other operational income or financial income.

The rules of determining write offs updating the balance value of supplies, were defined individually for particular material groups as the period of keeping stock depends, to a large extent, on the specificity of the undertaking's activity and the kind of the stock purchased.

### **Calculation of construction services contracts**

The costs connected with the construction service contract are booked at the moment of being borne. The Company uses the method of proportionate progress of works, with determination of the amount of income booked in profit and loss account. The degree of the progress is measured on the basis of the relation of costs on account of the contract, borne by the balance sheet date to total estimated costs of a given construction service contract.

If the contract result may be reliably estimated and making a profit on account of the contract realization is probable, the income is booked throughout the period of the contract being in force. If it is probable that total costs exceed total income on account of the contract, the anticipated loss is immediately booked in profit and loss account.

If contract result cannot be reliably estimated, income is booked only to the amount of the costs borne.

The difference between higher value of the income defined pursuant to cost method, and the lower invoiced value is presented in current assets of the balance sheet, on a separate item as the liability on account of calculating construction services.

The income coming in part from invoicing the service in the value higher than the income with reference to which the undertaking gains constant profit margin in successive accounting years, is demonstrated in the liabilities of the balance sheet as other short-term liabilities.

### **Capitals**

The Company books equity capitals in accounting books in the nominal value, with the division into kinds and pursuant to the rules defined by legal regulations and provisions of the Company contract. The Company includes the following into equity capitals: share capital, supplementary capital from the sale of treasury shares above their nominal value, revaluation capital, other capitals, financial result.

### **Reserves and accrued liabilities**

The reserves are created if the Company is under obligation (legal or customary) resulting from past events and when it is probable that fulfilling this obligation shall cause the necessity of the outflow of resources and it is possible to make a credible estimate of the amount of this obligation.

Reserves for future loss arisen at the services realized pursuant to construction contract are booked at the moment of the appraisal of material and financial schedule and with the best estimation of future costs to be borne by the Company in the period of task realization.

Reserves for guarantee service are created for contracts which liability on account of performance security obliges. The reserve is created proportionally to the degree of advancement of contracts realization in the amount corresponding to average costs of guarantee services in previous years.

The Company creates reserves for retirement and pension schemes and jubilee prizes. The necessity of creating the above mentioned reserves results from the Rules and Regulations of remuneration being in force in the Company.

The reserves for jubilee prizes and retirement severance pay are determined pursuant to Projected Unit Credit Method pursuant to International Accounting Standards 19 and actuarial methods. The basis for reliable estimation of reserves volume are: the criteria for purchasing the rights to the above mentioned benefits in the Company and actuarial assumptions.

The Company also makes holiday pay reserve and future costs reserve connected with audit. They are demonstrated in the item of accrued liabilities, on the side of liabilities.

### **Deferred income tax**

The Company determines the reserve and the assets on account of deferred income tax in connection with timing differences between the value of assets and liabilities shown in accounting books, and their tax value and tax loss possible to deduct in the future, for each balance sheet date for which the financial statements are prepared.

The Company values assets and reserves for deferred tax with the application of tax rates, which shall be applied according to expectations, when the assets component is realized or the

provision is released, taking tax regulations, being in force as for the balance sheet date, as the basis.

The Company presents the surplus of deferred income tax in the item of assets or reserves on account of deferred income tax, in financial statements.

#### **Cash revenue on sales**

Cash revenue on sales are booked – pursuant to International Accounting Standard no. 18 “Revenue” – in fair value of payments received or due and represent the liabilities for products, goods, materials and services delivered within the framework of normal economic activity, after reduction by discounts, goods and services tax and other taxes connected with sale.

The sale of goods is booked at the moment of the delivery of products, goods, materials and transfer of ownership rights.

Revenue on account of the realization of construction service contracts are booked in a way defined in the item concerning calculating construction service contracts.

Revenue on account of interest is booked successively as they accumulate with reference to main amount due.

Revenue on account of dividend is booked at the moment of determining the shareholders' right to receiving them.

#### **Foreign currency transactions**

Transactions expressed in currencies other than PLN are converted into PLN according to exchange rate valid for the day of concluding the transaction.

As for balance sheet date the monetary items expressed in currencies different than PLN are converted into PLN at closing rate adequately valid for the end of reporting period (immediate performance rate) i.e. at the rate of the leading bank at balance sheet date. Nonmonetary balance sheet items booked pursuant to historical cost expressed in foreign currency are shown at historical rate from the day of transaction. Nonmonetary balance sheet items recorded according to fair value expressed in foreign currency are valued at exchange rate from the day of determining fair value. Rate differences arisen from conversion are booked adequately in the item of financial revenue (costs) or, in cases defined by rules (policy) of accounting, capitalized in the assets value, with the exception of cases when they arose as a result of valuation of nonmonetary assets and liabilities, in case of which the changes of fair value are directly referred to the capital.

#### **Selected issues concerning determining financial result**

Direct costs and production overhead calculated in relation to indirect costs referred to a given contract constitute technical cost of generating the services sold. Production overhead (of fixed costs' nature) borne in the period in which a given department does not realize tasks at the building site (e.g. in winter season) constitute the sum of unused production capacity, transferred to prime cost of generated services.

#### **Taxes**

Mandatory charges on financial results are as follows: current tax and deferred tax. Current tax is calculated on the basis of tax result (tax base) of a given accounting year. Tax profit (loss) differs from gross profit (loss) presented in the profit and loss account in connection with exclusion of revenue consisting in taxation and costs constituting costs of revenues in the following years and items of revenue and costs which shall never be subject to taxation. Current burden on taxation is calculated on the basis of tax rates valid in a given accounting year.

Deferred tax is the tax subject to return or payment in the future. It is calculated with balance method as the difference between balance value of assets and liabilities, and tax values corresponding to them. The amount of this tax is defined according to tax rates which will be in force at the moment when the assets are realized or the reserve is due.

Reserve for deferred tax is created from all positive temporary differences, and assets for deferred tax on the basis of recognised negative temporary differences which give the possibility of reducing tax profit in the future. Value of an asset for the deferred tax purposes is analyzed for each balance sheet date, and in a case when the anticipated future tax profits are not sufficient for the performance of the entire or a part of the asset, the asset is written off.

Deferred tax is booked in profit and loss account, except for the case when it concerns the items booked in equity capital. In such a case this tax is calculated directly in equity capital.

### **3. Description of the issuer's group business organization, with the indication of entities subject to consolidation.**

The Company does not have subsidiaries. The dominating entity for HYDROBUDOWA POLSKA S.A. is PBG S.A. with its seat in Wysogotowo, and the Company's financial statements are subject to consolidation by this undertaking.

### **4. Indicating the results of changes in economic entity's structure, including the ones as a result of the merger of economic entities, takeover or sale of the entities of the issuer's group business, long-term investments, division, restructuring and cessation of activity.**

By the decision of District Court in Poznań - Nowe Miasto and Wilda in Poznań, the 8<sup>th</sup> Commercial Division of the National Court Register dated 4<sup>th</sup> January 2008 the Company name from HYDROBUDOWA Włocławek S.A. into HYDROBUDOWA POLSKA S.A. was registered.

This decision formally terminates the process of organizational changes in the Company, connected with the merger with the Company "Hydrobudowa Śląsk" S.A.

### **5. Brief description of significant achievements or failures of the issuer in the period which the report concerns, along with the list of most important events concerning them.**

#### **5.1. Investment contracts**

### **Contract with MPWiK /Municipal Waterworks and Sewer Enterprise/ in Bydgoszcz**

On this 24th September 2007 the Syndicate consisting of: HYDROBUDOWA 9 Przedsiębiorstwo Inżynieryjno-Budowlane S.A., PBG S.A., HYDROBUDOWA POLSKA S.A., on this 24th September 2007, signed the contract for the realization of the task called „Development of Frodon Sewerage Treatment Plant” with Miejskie Wodociągi i Kanalizacja Sp. z o.o. in Bydgoszcz the contract for the realization of the task called: “Development of Frodon Treatment Plant”.

The contract concluded by the parties is worth: 31,503,449.72 EURO (net).

The Parties agreed upon the following division of works:

- HYDROBUDOWA 9 – Syndicate Leader will perform and will be responsible for 60% of the works
- PBG S.A. – Syndicate Partner will perform and will be responsible for 15% of the works
- HYDROBUDOWA POLSKA S.A. – Syndicate Partner will perform and will be responsible for 25% of the works

It was agreed that the task would be completed within 32 months from the day of commencement.

### **Contract with Remaxbud Company**

On this 15th October 2007 HYDROBUDOWA POLSKA S.A. concluded, with the company Remaxbud Sp. z o.o. /limited liability company/ (Contractor) with its seat in Wysogotowo, the contract for complex performance by complex performance by Remaxbud Sp. z o.o. investment task called "The construction of administration building of the Branch of the Company HYDROBUDOWA POLSKA S.A. at ul. Żwirki i Wigury in Mikołów.

The concluded contract is worth 12,528,714.12 PLN. (net)

The contract was concluded on the conditions being in force on construction market and expects the performance of works to be completed on this 30th September 2008.

### **The contract with the Community of Zabrze**

On this 24th September 2007 the Syndicate consisting of:

- HYDROBUDOWA POLSKA S.A. – Syndicate Leader

PBG S.A. – Syndicate Partner;

signed with the Community of Zabrze the contract on the realization of the task called “The improvement of water and sewage management system in the area of the Community of Zabrze – Districts Grzybowice and Rokitnica” being the part of the Project called “THE IMPROVEMENT OF WATER – SEWAGE MANAGEMENT SYSTEM IN THE AREA OF THE COMMUNITY OF ZABRZE”.

The performance of construction works connected with the construction and reconstruction of water-pipe network, sanitary sewage system and stormwater drainage system and street layout and street lightning in two districts of Zabrze – Grzybowice and Rokitnica.

The contract concluded by the parties is worth: 33,191,628.85 EUR (net) and the termination term – 24 months from signing the contract.

The Parties agreed that:

- HYDROBUDOWA POLSKA S.A. – Syndicate Leader as the General Contractor shall perform and shall be responsible for 90% of the scope of works connected with the realization of the task, PBG S.A. – Syndicate Partner shall perform and shall be responsible respectively for 10% of the scope of works connected with the realization of the task,

#### **Contract with PBG S.A.**

On this 30th October 2007 the Issuer concluded with the Company PBG S.A. the contract for delivery and complex performance of underground steel tanks in casing made of reinforced concrete for storing liquid fuels located on the territory of Poland.

The Issuer shall receive the remuneration in the total amount of 44,290,585.96 PLN net for the performance of the whole subject of the contract.

The Parties agreed that the whole task shall be performed within 16 months from the date of obtaining the permit for construction.

#### **Contract with HYDROBUDOWA 9**

On this 12th November 2007 the Issuer signed with HYDROBUDOWA 9 Przedsiębiorstwo Inżynieryjno – Budowlane S.A. ("Principal") with its seat in Poznań, the contract on the realization of the task called "The construction of sanitary sewage system and stormwater drainage system in the town of Tychy in the area of the districts Zwierzyniec, Wartogłowiec and Zawisć and the regulation of gutters".

The value of the subject of the contract was defined for the amount of 65,511,724.20 PLN (net).

The whole task shall be terminated by this 20<sup>th</sup> October 2009.

Within the framework of the task, the Issuer shall perform, among others:

Construction of sanitary sewage system of the length of 25,2 km

Construction of stormwater drainage system of the length of 22.6 km

Construction of about 6 sanitary sewage pumping stations

Construction of discharge lines of the diameter of 90 mm and of the length of 2,2 km

#### **Contract with the subcontractor:**

**Civil Engineering Company „CHMIELEWSKI” B. Chmielewski i B. Chmielewska Spółka Jawna /registered partnership/.**

On this 20<sup>th</sup> December 2007 the contract was concluded with Civil Engineering Company "CHMIELEWSKI" B. Chmielewski i B. Chmielewska Spółka Jawna /registered partnership/ („Contractor") for the performance of complex works in the scope of sanitary sewage system and

drainwater drainage system and water pipe network system with no reconstruction of road surface within the framework of the contract realized by the Issuer.

The concluded contract is worth 5,470,194.00 EUR (net)

The Parties agreed that the works being the subject of this agreement shall be completed by this 30<sup>th</sup> October 2009.

## **5.2. Signing of letter of intent with PRG Metro Sp. z o.o.**

On this 6<sup>th</sup> December 2007, the Executive Board of HYDROBUDOWA POLSKA S.A. and Przedsiębiorstwo Robót Górniczych METRO Sp. z o.o. with its seat in Warsaw signed the letter of intent.

In the letter of intent, the parties stated that bearing in mind the hitherto cooperation between the Companies, as well as the fact that some areas of the Companies' activities complement one another, the Companies intend to extend the scope of cooperation at performance and obtaining orders and contracts by means of creating equity links between the Companies.

Concluding this letter of intent, the Companies stated that they declare the will to conduct negotiations in the scope of determining the method and the date of acquiring shares by HYDROBUDOWA POLSKA S.A. and the volume of shares in the share capital of P.R.G. "Metro" as well as defining the expected changes in the management of PRG and development strategies of P.R.G. "Metro" and other issues relating to the planned equity links between the Parties.

PRG METRO Sp. z o.o. is a company with great experience in the construction of Warsaw underground. It has built ten out of fifteen existing sections of the line of underground. In the previous years the company extended its activity on water-sewage market on which HYDROBUDOWA POLSKA S.A. operates.

## **5.3 Split of shares in the ratio 1:50**

On this 27<sup>th</sup> December 2007 District Court in Poznań registered the change of the nominal value and the number of shares on such a way that 50 shares of nominal value of 1 PLN corresponds to each previous one share of the nominal value of 50PLN.

The number of shares was proportionally increased from 2,773,464 to 138,673,200 upon the registration of the amendment, with the unchanged amount of share capital amounting to 138,673,200 PLN.

Upon registration of the amendment the total number of votes from all issued shares amounts to 138,673,200

By the resolution no. 34/08 of the Executive Board of National Depository of Securities S.A. dated 22<sup>nd</sup> January 2008, the division of 2,773,464 shares of the Company HYDROBUDOWA POLSKA S.A. marked with the code PLHDRWL00010 into 138,673,200 shares of the Company HYDROBUDOWA POLSKA S.A. of the nominal value of 1.00 PLN each was determined for this 31<sup>st</sup> January 2008

#### **5.4. Finished investments**

##### **Finishing of the project called „Modernization and development of Sewage Treatment Plant in Włocławek”**

After three years, on this 28th September 2007 the commissioning of modernized and developed sewage treatment plant in Włocławek.

This was the biggest investment realized in Włocławek for the last 25 years.

The cost of the whole enterprise including the modernization of sewage treatment plant, deposit disposal and its utilization (gaining biogas) and the development of municipal sewage system (over 30 km) exceeds 27.2 million Euro.

Modernized Sewage Treatment Plant is currently being prepared to be connected with city sewage system I Installed in particular facilities modern system AKPiA allows for 24-hour monitoring of the processes taking place during the plant operation, both of the technological processes and the security of the facility.

##### **Completion of modernization and development of sewage treatment plant Kraków Płaszów II.**

On this 4th October 2007 the realization of the contract „Modernization and Development of Sewage Treatment Plant Płaszów II in Kraków” was completed.

This Project co-financed with EU resources and realized since 2003 is the biggest ecological investment realized in the southern Poland.

It ensures complete mechanical-biological purification of the sewage disposed from Kraków and obtaining total compliance of the purification effects with Polish and EU law being in force. Supplemented with biological processes, sewage treatment allows for complex and compliant with the EU standards disposal of water to Vistula river. The Płaszów investment is important for Kraków and for the whole process of restoring the cleanliness of waters of Vistula river, and as a consequence - the Baltic Sea.

##### **Commissioning of Intermediate Pumping Station Saska Kępa II in Warsaw.**

On this 19th November 2007 the modern Combined Intermediate Pumping Station Saska Kępa II in Warsaw was commissioned. Due to this investment right-bank Warsaw will have clean water.

Intermediate Pumping Station Saska Kępa II is one of the most modern facilities of this kind in Poland. The realization of this investment enables to provide sewage system in the southern parts of right-bank Warsaw and faster development of this area. The construction took 29 months and cost over 36 million PLN.

The intermediate pumping station was constructed by the syndicate of the companies PBG S.A. and HYDROBUDOWA POLSKA S.A.

#### **6. Description of factors and events, in particular the ones of untypical nature, having significant influence on the achieved financial results.**

In the presented period there occurred no events and factors of untypical nature, having a significant influence on the achieved financial results. Financial results achieved in the fourth quarter of 2007 result from operational activity of the Issuer. The factors influencing the achieved results and the most important events were described in the Executive Board's comment to financial results of the Company placed below profit and loss account.

#### **7. Clarifications concerning seasonal or cyclical nature of the Issuer's activity in the presented period.**

Due to the nature of the run activity i.e. rendering construction – assembly services, the factor determining the course of works are weather conditions. Low temperatures hamper the performance of earth works and assembly works and, as a consequence, they may have an influence on the level of generated revenue on sales.

The Company strategy assumes gaining contracts of high unit value. Gaining such contracts contributes to levelling the seasonal nature of the revenue ensuring at the same time more even division of revenue during accounting year.

#### **8. Information concerning the issuance, redemption and payment of debt and capital securities.**

##### **8.1. Issuance of bonds**

On this 31st October 2007 the Company successfully conducted the issuance of 300 B-series bonds. The bonds were offered to the Company PBG S.A. with its seat in Wysogotowo.

Coupon dematerialized unsecured bearer bonds are the securities issued on the basis of the Resolution of the Executive Board on the programme of the issuance of bond dated 25th June 2007 and the Resolution of the Executive Board of the Company dated 30th October 2007 on the issuance of B series bonds.

The bonds were issued under the following conditions of issuance:

The issuance of the value of 30 million PLN consisting of 300 bonds of the nominal value of 100 thousand PLN each bond.

The day of bonds issuance: 31.10.07 r.

The day of bonds redemption: 31.10.09 r.

Payment of interest: 31.10.09 r.

Interest rate – 6.54% per annum

Redemption of bonds shall be made according to nominal value through the intermediary of the Issuance agent – Bank Zachodni WBK S.A.

##### **8.2. Submitting the motion to Polish Financial Supervision Authority for approving issue prospectus**

On this 24th December 2007 the motion for approval of the issuance prospectus was submitted in the Financial Supervision Authority, in connection with:

- the public offer 35,000,000 K-series ordinary bearer shares issued without the right of subscription pursuant to resolution no. 4 of the Extraordinary General Shareholders Meeting, dated 19<sup>th</sup> November 2007 and in connection with applying for being admitted to trading on regulated market:

- up to 35,000,000 K Series Shares and

- up to 35,000,000 rights to K Series Shares

Admittance of the rights to shares and K series shares to trading on the regulated market shall take place upon approving the issue prospectus by Polish Financial Supervision Authority.

### **8.3. Signing Contracts: agency and dealer**

on this 22nd November 2007, between PBG S.A., (the "Issuer") HYDROBUDOWA POLSKA S.A. ("Issuer") and ING Bank Śląski S.A. ("Agent", "Dealer") Agency and Dealer contracts were concluded.

The organization and conducting by ING Bank Śląski S.A. a 3-year-programme of the issuance of bonds for the Company PBG S.A. and HYDROBUDOWA POLSKA S.A. for the total nominal amount of 500,000,000 PLN is the subject of the concluded contracts.

Within the framework of the programme, the Companies: PBG S.A. and HYDROBUDOWA POLSKA S.A. plan the issuance of constant or variable interest rate protected coupon bonds (time of maturity from 2 to 5 years) to the maximum amount of 500,000,000 PLN.

The issued bonds shall be protected by mutual guarantees of Issuers and member companies of the Grupa Kapitałowa PBG which accumulated sales at the end of each quarter of the year exceed 5% of the total sales of the Grupa Kapitałowa PBG within the same period of time.

Interest rate of the issued bonds shall be based on market conditions.

The bonds will be issued in series and will be offered in a non-public offer.

The nominal value of the bonds shall be equal to 100,000 PLN or the multiple of this amount.

The aim of the Issuance is the reduction of costs and diversification of the resources of financing the Company.

### **9. Information concerning paid-out (or declared) dividend, in total and in conversion for one share, with the division into ordinary and preference shares.**

The Company did not pay out nor did it declare dividend payment.

**10. Presentation of events which occurred after the day as for which the constructed quarterly financial statements were prepared, not included in these statements, and which might have a significant influence on the future financial results of the issuer.**

**Concluding the contract for the reconstruction of the stadium in Poznań**

On this 22<sup>nd</sup> January 2008 the Companies Syndicate ("Contractor") consisting of: - HYDROBUDOWA POLSKA S.A. - Syndicate Leader - "AK-Bud Kurant Spółka Jawna" – Syndicate Partner concluded with Poznańskie Ośrodki Sportu i Rekreacji ("Ordering Party") the contract for the performance of construction works consisting in building the 3<sup>rd</sup> level of audience on the 2<sup>nd</sup> stand of the Municipal Stadium in Poznań, at ul. Bługarska.

The value to the contract amounts to 14,081,965.03 PLN net.

The Parties agreed upon the following division of works:

- HYDROBUDOWA POLSKA S.A. – Syndicate Leader as the General Contractor shall perform and shall be responsible for 50% of the scope of works connected with the realization of the task,
- „AK-Bud Kurant Spółka Jawna” - Syndicate Partner shall perform and shall be responsible for 50% of the scope of works connected with the realization of the task.

The Syndicate shall perform the following tasks, among others, within the framework of the task:

- construction works,
- sanitary and ventilation installations,
- electric works,
- „safe stadium” system.

The Parties agreed that the agreement shall be performed within 6 months from the date of obtaining the permit for construction.

**Conclusion of reference agreement with Bytomskie Przedsiębiorstwo Komunalne Sp. z o.o.**

On this 29<sup>th</sup> January 2008 the companies Syndicate constituting group business PNG in the following composition:

- HYDROBUDOWA POLSKA S.A. – Syndicate Leader
- HYDROBUDOWA 9 P.I-B. S.A. – Syndicate Partner,
- PBG S.A. – Syndicate Partner

signed the agreement with Bytomskie Przedsiębiorstwo Komunalne Sp. z o.o. for the realization of the task called „IMPROVEMENT IN WATER-SEWAGE DISPOSAL ON THE TERRITORY OF THE COMMUNITY OF BYTOM (2004/PL/16/C/PE/004) TASK no. 3”

The concluded agreement is worth **3,224,792.31 EUR (net)**

The Parties agreed that the agreement shall be completed by this 30<sup>th</sup> October 2009.

The Parties agreed upon the following division of works:

- HYDROBUDOWA POLSKA S.A. – Syndicate Leader as the General Contractor shall perform and shall be responsible for 50% of the scope of works connected with the realization of the task,
- HYDROBUDOWA 9 P.I-B. S.A. – Syndicate Partner shall perform and shall be responsible for 25% of the scope of works connected with the realization of the task.
- PBG S.A. - Syndicate Partner shall perform and shall be responsible for 25% of the scope of works connected with the realization of the task.

The Companies Syndicate shall perform the following tasks within the framework of the task:

- construction of collectors DN400 i DN500 of the length of 971.64 m and the performance of switches of existing canals (3 pieces). DN300 i DN250 on the side of Szombierki district for the drainage area from the northern part of Szombierki and the are to be sewerred by ul. Kosynierów and Pola Szombierskie.
- reconstruction of the sanitary collector for drainage area from southern-western part of Śródmieście at the length of over 2,000 m.
- removal of sanitary canal on Bytomka - shut down,

The concluded another is agreement which HYDROBUDOWA POLSKA S.A. concluded with the Ordering Party within the framework of the project realized on the territory of the town of Bytom "Improvement in water-sewage disposal on the territory of the community of Bytom".

The earlier one, concluded for the amount of 7,980,000 EUR net, concerned the realization of the task no.1 of the project called "Improvement in sewage disposal on the territory of the community of Bytom".

### **Concluding the contract for the modernization of water-pipe networks and sewerage systems in Szklarska Poręba**

On this 30th January 2008 the companies Syndicate constituting group business PBG in the following composition:

- HYDROBUDOWA 9 P.I-B. S.A. – Syndicate Leader
- HYDROBUDOWA POLSKA S.A. – Syndicate Leader
- PBG S.A. - Syndicate Partner

signed the agreement with Karkonoski System Wodociągów i Kanalizacji Sp. z o.o. with its seat in Bukowiec for the performance of the task called "Construction and modernization of water-pipe network and sewerage system in the community of Szklarska Poręba" realized within the framework of the project called "Karkonoski water-pipe network and sewerage system, stage I" within the framework of Cohesion Fund.

The concluded agreement is worth **27,985,089.56 EUR net**

The Parties agreed that the agreement shall be completed by this 31<sup>st</sup> October 2009.

The Parties agreed upon the following division of works:

- HYDROBUDOWA 9 P.I-B. S.A.– Syndicate Leader as the General Contractor shall perform and shall be responsible for 75% of the scope of works connected with the realization of the task,
- HYDROBUDOWA POLSKA S.A. – Syndicate Partner shall perform and shall be responsible for 15% of the scope of works connected with the realization of the task
- PBG S.A. - Syndicate Partner shall perform and shall be responsible for 10% of the scope of works connected with the realization of the task.

The Companies Syndicate shall perform the following tasks within the framework of the task:

- construction and modernization of water-pipe networks in Szklarska Poręba – water-pipe networks and facilities.
- reconstruction and development of sewerage system in Szklarska Poręba

**11. The Executive Board's position concerning the possibilities of realizing previously published forecasts of results for a given year, in the light of the results presented in the quarterly reports in relation to forecast results.**

The Executive Board of the Company states that in the light of the results presented in consolidated quarterly report, it maintains its position that the results forecast for 2007 shall be realized as assumed.

**12. Presenting shareholders having directly or indirectly, by subsidiaries, at least 5% of the total number of shares at the general meeting of the issuer as for the day of transferring the consolidated quarterly report together with the indication of the number of shares these entities have, their proportional share in share capital, number of votes resulting from this and their proportional share in the general number of votes in the general shareholders meeting as well as indicating the changes in the ownership structure of the issuer's major holdings in the period from transferring the previous quarterly report.**

No	Shareholder	Kind of share	Number of shares	Number of votes	Share in the Issuer's share capital	Share in the general number of votes at the Issuer's General Shareholders Meeting of the Issuer
1.	<b>PBG S.A.</b>	directly	105 397 300	105 397 300	76,00%	76,00%
2.	<b>ING TFI S.A. in Warszawa</b>	indirectly by managed funds	13 990 100	13 990 100	10,09%	10,09%
3.	<b>Other shareholders</b>		19 285 800	19 285 800	13,91%	13,91%
	<b>TOTAL</b>		<b>138 673 200</b>	<b>138 673 200</b>	<b>100,00%</b>	<b>100%</b>

In the period from the transfer of the last quarterly report, only ING Towarzystwo Funduszy Inwestycyjnych S.A. informed about the change of Issuer's shares portfolio.

ING TFI S.A., in connection with the acquisition of the Issuer's shares, increased its share over the threshold of 10% in the total number of shares in the General Meeting of the Company Shareholders of the Company HYDROBUDOWA POLSKA S.A.,

ING Towarzystwo Funduszy Inwestycyjnych SA acts on behalf of:

ING Fundusz Inwestycyjny Otwarty Średnich i Małych Spółek

- ING Parasol Specjalistycznego Funduszu inwestycyjnego Otwartego,
- ING Fundusz Inwestycyjny Otwarty Akcji,
- ING Fundusz Inwestycyjny Otwarty Stabilnego Wzrostu,
- ING Fundusz Inwestycyjny Otwarty Zrównoważony,
- ING Specjalistyczny Fundusz Inwestycyjny Otwarty Akcji 2.

Pursuant to the received notice, on the day of drawing the notice the funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A. have in total 13,990,100 shares of HYDROBUDOWA POLSKA S.A., which constitutes 10.09% of the Issuer's share capital and gives the right to perform 13,990,100 votes on the General Meeting of Shareholders of the Issuer, which constitutes 10.09% of the total number of votes on the General Meeting of Shareholders of the Issuer.

Before the change of share, investment funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A. had in total 13,440,100 votes at the General Meeting of the Shareholders of HYDROBUDOWA POLSKA S.A., which constituted 9,69% of the Issuer's share capital and gave the right to execute 13,440,100 votes at the General Meeting of the Shareholders of the Issuer, which constituted 9,69% of the total number of votes at the General Meeting of Shareholders of the Issuer.

13. Specification of the issuer's shares portfolio or rights to the shares taken by persons who manage or supervise the issuer as at the date of the quarterly report submission, including information on changes in the number of shares or rights held in the period from the last quarterly report – separately for each holder.

**The Executive Board of the Company**

*/in items/*

	Balance sheet as for 4 <sup>th</sup> November 2007.	Increasing	Decreasing	Current balance
Tomasz Woroch	0	-	-	0
Tomasz Starzak	0	-	-	0
Andrzej Zwierzchowski	4 850*	-	-	4 850*
Rafał Damasiewicz	0	-	-	0
Edward Kasprzak	438 100*	-	-	438 100*
Jarosław Dusiło	150*	-	-	150*
Joanna Zwolak	50*	-	-	50*
Jan Krzysztof Diduch	0	-	-	0

**The Supervisory Board of the Company:**

*/in items/*

	Balance sheet as for 4 <sup>th</sup> November 2007.	Increasing	Decreasing	Current balance
Małgorzata Wiśniewska	0	-	-	0
Andrzej Wilczyński	0	-	-	0
Przemysław Szkuclarczyk	0	-	-	0
Piotr Stobiecki	0	1000*	-	1000*
Grzegorz Wojtkowiak	0	-	-	0
Marcin Idziorek	0	-	-	0

**Commercial Proxies of the Company**

*/in items/*

	Balance sheet as for 4 <sup>th</sup> November 2007.	Increasing	Decreasing	Current balance
Paweł Kujawa	0	-	-	0
Andrzej Szultka	0	-	-	0
Małgorzata Jankowska	0	-	-	0

\* - number of shares after the split in the ratio 1:50

**14. Indicating the proceedings being conducted in court, authority proper for arbitration proceedings or public administration body, with the consideration of the information in the scope of:**

- a) proceedings concerning issuer's obligations or receivables or the unit dependent on it, whose value constitutes at least 10% of equity capitals of the issuer, with the definition of: the subject of proceedings, value of the subject of dispute, the date of commencing the proceedings, the parties of the commenced proceedings and the issuer's position,**
- b) two or more proceedings concerning the obligations and receivables the total value of which constitutes respectively at least 10% of issuer's equity capitals, defining the total value of proceedings separately in the group of obligations and receivables and with the issuer's position on this as well as with reference to major proceedings in the group of obligations and in the group of receivables - with the indication of their subject, value of the subject of the dispute, the date of commencing the proceedings and the parties of the commenced proceedings.**

The conducted proceedings brought by or against do not exceed the value constituting at least 10% of equity capitals.

**15. Information about concluding by the issuer or its subsidiary one or more transactions with affiliated entities if the transaction value (total value of all the transactions concluded in the period from the beginning of accounting year) exceeds the equivalent of 500 thousand expressed in PLN. EUR – if these are not typical or routine transactions.**

<i>Affiliated companies</i>	PBG S.A.	METOREX SP.ZO.O.	INFRA S.A.	KWG S.A.	DROMOST SP.ZO.O.	HYDROBUD OWA 9 SP.ZO.O	PBG DOM SP.ZO.O	TOTAL
<b>Liabilities in total as for this 31<sup>st</sup> December 2007, including:</b>	<b>27.240</b>	<b>2.123</b>	<b>63</b>	<b>86</b>	<b>3</b>	<b>6.155</b>		<b>35.670</b>
- other short-term liabilities (mutually granted sureties and guarantees)	1.622	10	63	86		34		1.815
<b>Obligations in total as for this 31<sup>st</sup> December 2007, including:</b>	<b>61.732</b>	<b>4.463</b>	<b>2.495</b>		<b>2.953</b>	<b>86</b>	<b>153</b>	<b>71.882</b>
- long-term financial obligations (bonds)	51.145							51.145
- other short-term obligations (mutually granted sureties and guarantees)	1.820		13			9		1.842
<b>Short-term financial obligations (loans)</b>	<b>41.390</b>							<b>41.390</b>
<b>Revenue on sales in the 4<sup>th</sup> quarter of 2007</b>	<b>86.051</b>	<b>1.483</b>	<b>397</b>		<b>54</b>	<b>6.126</b>	<b>360</b>	<b>94.471</b>
<b>Purchasing in the 4<sup>th</sup> quarter of 2007</b>	<b>11.168</b>	<b>10.437</b>	<b>3.088</b>		<b>7.369</b>	<b>623</b>	<b>877</b>	<b>33.562</b>
<b>Financial revenue in the 4<sup>th</sup> quarter of 2007</b>	<b>1.623</b>	<b>109</b>	<b>63</b>	<b>86</b>		<b>504</b>		<b>2.385</b>
<b>Financial costs in the 4<sup>th</sup> quarter of 2007</b>	<b>7.507</b>	<b>83</b>	<b>21</b>			<b>741</b>		<b>8.352</b>

<b>Affiliated companies</b>	PBG S.A.	METOREX SP.ZO.O.	INFRA S.A.	KWG S.A.	DROMOST SP.ZO.O.	HYDROBUD OWA 9 SP.ZO.O	PBG DOM SP.ZO.O	<b>TOTAL</b>
<b>Liabilities in total as for this 31<sup>st</sup> December 2007, including:</b>	<b>27.240</b>	<b>2.123</b>	<b>63</b>	<b>86</b>	<b>3</b>	<b>6.155</b>		<b>35.670</b>
- other short-term liabilities (mutually granted sureties and guarantees)	1.622	10	63	86		34		1.815
<b>Obligations in total as for this 31<sup>st</sup> December 2007, including:</b>	<b>61.732</b>	<b>4.463</b>	<b>2.495</b>		<b>2.953</b>	<b>86</b>	<b>153</b>	<b>71.882</b>
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<b>Financial revenue in the 4<sup>th</sup> quarter of 2007</b>	<b>1.623</b>	<b>109</b>	<b>63</b>	<b>86</b>		<b>504</b>		<b>2.385</b>
<b>Financial costs in the 4<sup>th</sup> quarter of 2007</b>	<b>7.507</b>	<b>83</b>	<b>21</b>			<b>741</b>		<b>8.352</b>

Apart from transactions with the entities with equity links indicated above, the transactions with the entity with personal links were concluded in the 4th quarter of 2007. The Company HYDROBUDOWA POLSKA S.A. used the services of the Lawyer's Office - Maciej Bednarkiewicz, Andrzej Wilczyński i Wspólnicy Sp. Komandytowa /limited partnership/ in the scope of consulting at the preparation of issuance prospectus, trainings for employees. The Company also performed for the above mentioned affiliated company construction works connected with the repair of the supporting structure of the office building. The total value of all transactions from the beginning of the accounting year amounted to 2,525,771.00 PLN.

**16. Information about granting by the issuer or its subsidiary the surety for the credit or loan or granting guarantee - in total to one entity or unit being the subsidiary of this entity, if the value of the surety or the guarantee constitutes the equivalent of at least 10% of the Issuer's equity.**

In the period of the 4<sup>th</sup> quarter the Company granted the following sureties and guarantees:

	Surety amount: (thousand x PLN)	For	Valid until
1	200 000	PBG S.A.	2011-05-15
<b>Total</b>	<b>200 000</b>		
	Guarantee amount (thousand x PLN)	For	Valid until
1	14 505	Community of Zabrze and Zabrzeńskie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o.	2010-12-20
<b>Total</b>	<b>14 505</b>		

**17. Information concerning the changes of contingent liabilities or contingent assets which occurred from the completion of previous accounting year.**

Contingent liabilities	balance on this 31.12.07	balance on this 30.09.2007	balance on this 31.12.06
<b>Guarantees:</b>	<b>169 145</b>	<b>168 097</b>	<b>155 336</b>
For related undertakings:	0	0	0
For other undertakings:	169 145	168 097	155 336
- performance security	52 694	48 312	34 742
- remedy of defects and failures	3 511	5 600	16 406
- tender guarantee	6 353	9 288	10 323
- advance payment return	9 238	12 568	32 749
- payment	200	438	885
- performance security	93 939	90 030	55 710
- retention amounts	871	1 196	2 825
- surety	240	240	204
- payment	2 099	425	1 492
<b>Sureties:</b>	<b>533 368</b>	<b>269 238</b>	<b>166 111</b>
For related undertakings:	525 861	261 150	159 616
- securing contract bonds	89 173	62 352	11 929
- borrowing security	26 786	28 247	37 687
- security of bonds redemption	310 000	110 000	110 000
- securing of limits on transactions with financial instruments (treasury limits)	66 349	20 979	0
- others	33 553	39 572	0
For other undertakings:	7 507	8 088	6 495
- security of contract bonds	2 705	2 853	0
- borrowing security	0	0	0
- security of bonds redemption	0	0	0
- securing of limits on transactions with financial instruments (treasury limits)	0	0	0
- others	4 802	5 235	6 495
<b>Bills of exchange:</b>	<b>5 887</b>	<b>199</b>	<b>337</b>
- securing contract bonds	5 887	199	337
<b>Contingency liabilities in total:</b>	<b>708 400</b>	<b>437 534</b>	<b>321 784</b>

**18. Other information which, according to the Issuer, is significant for the appraisal of its HR, asset, financial situation, financial result and their changes as well as the information which is significant for the assessment of the realization of the obligations by the issuer.**

I.

The Supervisory Board of the Company, at the session on this **1<sup>st</sup> October 2007**, nominated Mr. Krzysztof Jan Diduch to act as the Member of the Executive Board.

Mr. Krzysztof Jan Diduch shall be responsible for the development of the segment of steel constructions including oil tanks and specialist constructions for oil-petrochemical industry in Poland and abroad.

Mr. Krzysztof Jan Diduch does not run activity competitive towards the activity of HYDROBUDOWA POLSKA S.A. Moreover, he is not entered in the Insolvent Debtors Register run on the basis on the act on the National Court Register.

II.

The Executive Board of the Company on its session **on this 26<sup>th</sup> November 2007** nominated Mrs. Małgorzata Jankowska as the commercial proxy of the Company and granted her with joint commercial representation.

As for the day of transferring the quarterly report for the 4<sup>th</sup> quarter of 2007, the following persons constitute the Executive Board, the Supervisory Board and the Commercial Proxies:

**The Supervisory Board:**

- Małgorzata Wiśniewska – President of the Supervisory Board
- Andrzej Wilczyński – Vice-President of the Supervisory Board
- Piotr Stobiecki – Secretary of the Supervisory Board
- Marcin Idziorek – Member of the Supervisory Board
- Przemysław Szkudlarczyk – Member of the Supervisory Board
- Grzegorz Wojtkowiak – Member of the Supervisory Board

**The Executive Board**

- Tomasz Woroch – the President of the Executive Board
- Tomasz Starzak – Vice-President of the Executive Board
- Edward Kasprzak – Vice-President of the Executive Board
- Krzysztof Jan Diduch – Member of the Executive Board
- Rafał Damasiewicz – Member of the Executive Board
- Andrzej Zwierzchowski – Member of the Executive Board
- Jarosław Dusiło – Member of the Executive Board
- Joanna Zwolak – Member of the Executive Board

**Commercial Proxies:**

- Paweł Kujawa – Independent Proxy
- Andrzej Szultka – Independent Proxy
- Małgorzata Jankowska – joint proxy

**19. Indication of factors which, according to the issuer, shall have an influence on the result achieved by the issuer, in the prospect of at least the next quarter.**

The factors which may have an influence on the Issuer's financial situation in the prospect of at least the next quarter include:

- Business outlook in construction branch of industry,
- Pace and directions of the use of aid measures from the European Union
- Strengthening of operational and financial supervision within the framework of the contracts realized,
- Level of materials and construction services prices, having the influence on the amount of direct costs of the contracts realized,

Wysogotowo, this 14<sup>th</sup> February, 2008