



HYDROBUDOWA POLSKA S.A.

CONSTRUCTED FINANCIAL STATEMENTS FOR 1st QUARTER OF 2008

Wysogotowo, this 5th May 2008

SELECTED FINANCIAL DATA	(thousand x PLN)		thousand x EUR	
	1 quarter increasingl y 2008	1 quarter increasingl y 2007	1 quarter increasingl y 2008	1 quarter increasingl y 2007
I. Net income from sale of products, goods and materials	105 209	64 675	29 575	16 557
II. Profit (loss) from operational activity	5 588	(3 203)	1 571	(820)
III. Profit (loss) before tax	7 237	7 852	2 034	2 010
IV. Profit (loss) net	5 216	4 341	1 466	1 111
V. Monetary resources net from operational activity	(38 546)	(16 357)	(10 835)	(4 187)
VI. Monetary resources net used in investment activity	4 850	(1 838)	1 363	(471)
VII. Monetary resources net from financial activity	16 085	23 040	4 522	5 898
VIII. Assets in total	555 628	391 681	157 589	101 223
IX. Liabilities and provisions	410 493	291 450	116 425	75 320
X. Liabilities and long-term provisions	58 884	42 768	16 701	11 053
XI. Liabilities and short-term provisions	351 609	248 682	99 725	64 267
XII. Equity	145 135	100 231	41 164	25 903
XIII. Share capital	138 673	138 673	39 331	35 837
XIV. Weighted average number of shares in thousand of items ¹⁾	138 673	138 673	138 673	138 673
XV. Profit (loss) for one ordinary share (in PLN/EUR)	0,0376	0,0313	0,0106	0,0080
<i>from continued activity</i>				
- basic	0,0376	0,0313	0,0106	0,0080
- diluted	0,0376	0,0313	0,0106	0,0080
<i>from continued and discontinued activity</i>				
- basic	0,0376	0,0313	0,0106	0,0080
- diluted	0,0376	0,0313	0,0106	0,0080
XVI. Book value for one share in (PLN/EUR)	1,05	0,72	0,30	0,19
XVII. Diluted book value for one share in (PLN/EUR)	1,05	0,72	0,30	0,19
XVII. Declared or paid-out dividend for one share in (PLN/EUR)	-	-	-	-
XVIII. Annualized profit (loss) net	40 885	19 142	11 081	4 890
XIX. Weighted average number of shares in the period of twelve months ¹⁾	138 673	138 673	138 673	138 673
XX. Annualized profit (loss) for one share (in PLN/EUR)	0,2948	0,1380	0,0799	0,0353

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

	31.03.2008	31.03.2007
1 EUR =	3,5258	3,8695

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 National Bank of Poland valid for the last day of each month included in the report:

	1 st quarter 2008	1 st quarter 2007
1 EUR =	3,5574	3,9063

Average rate of EUR used for converting the annualized profit:

	for 12 months completed on this 31 st March 2008.	for 12 months completed on this 31 st March 2007.
1 EUR =	3,6896	3,9143

BALANCE SHEET AS FOR THIS 31st March 2008.

ASSETS - Specification	for this 31.03.2008	for this 31.12.2007	for this 31.03.2007
<i>Assets</i>			
Fixed assets	87 147	79 665	70 042
Intangible assets	716	802	820
Company value taken over within the framework of the merger of economic units	-	-	-
Property, plant and equipment	78 405	70 046	58 239
Investment properties	-	-	-
Other long-term financial assets	601	243	377
- from related entities	357	-	-
- from other entities	244	243	377
Long-term liabilities	5 739	6 527	9 416
- from related entities	779	766	-
- from other entities	4 960	5 761	9 416
Assets on account of deferred income tax	-	-	-
Long-term accrued liabilities	1 686	2 047	1 190
Current assets	468 481	516 860	321 639
Stocks	10 121	4 887	5 773
Liabilities from the ordering parties on account of the works resulting from construction service / long-term contracts	222 294	183 275	167 100
- from related entities	17 503	3 271	3 096
- from other entities	204 791	180 004	164 004
Receivables for supplies and services provided	170 884	219 493	60 006
- from related entities	26 130	40 574	3 120
- from other entities	144 754	178 919	56 886
Receivables on account of current income tax	27	-	14
Other short-term receivables	19 284	38 168	26 260
- from related entities	159	1 815	-
- from other entities	19 125	36 353	26 260
Other short-term financial assets	20 509	19 567	21 692
- from related entities	-	-	-
- from other entities	20 509	19 567	21 692
Monetary resources and their equivalents	20 890	48 346	28 026
Short-term accruals	4 472	3 124	3 099
Fixed assets classified as held for sale	-	-	9 669
Assets in total	555 628	596 525	391 681

LIABILITIES - Specification	for this	for this	for this
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	31.03.2008	31.12.2007	31.03.2007
<i>Liabilities</i>			
Equity	145 135	139 295	100 231
Initial capital	138 673	138 673	138 673
Treasury shares	-	-	-
Supplementary capital from the sale of shares above their nominal value	-	-	-
Capital from the valuation of hedge operations and differences in rates from consolidation	6 412	5 846	(292)
Other capitals	41 031	41 031	37 384
Undivided financial result	(40 981)	(46 255)	(75 534)
- profit (loss) from previous years	(46 197)	(86 264)	(79 875)
- profit (loss) net from current year	5 216	40 009	4 341
Liabilities	410 493	457 230	291 450
Long-term liabilities	58 884	78 034	42 768
Long-term credits and loans	12 819	12 851	8 057
- from related entities	-	-	-
- from other entities	12 819	12 851	8 057
Other long-term financial liabilities	30 797	51 181	20 144
Other long-term liabilities	5 291	4 553	2 970
- from related entities	146	138	217
- from other entities	5 145	4 415	2 753
Provision on account of deferred income tax	7 917	6 638	7 511
Provisions for liabilities on account of employee benefits	586	1 099	3 224
Other long-term provisions	1 474	1 712	862
Long-term accrued liabilities	-	-	-
Short-term liabilities	351 609	379 196	248 682
Short-term credits and loans	167 276	149 222	147 222
- from related entities	42 035	41 389	66 535
- from other entities	125 241	107 833	80 682
Other short-term financial liabilities	21 207	115	345
Liabilities for supplies and services provided	123 280	169 266	60 141
- from related entities	14 636	18 583	11 007
- from other entities	108 644	150 683	49 134
Overinvoicing of construction services	4 553	8 900	1 920
- from related entities	2 519	7 294	45
- from other entities	2 034	1 606	1 875
Liabilities on account of current income tax	1 537	11 213	-
Other short-term liabilities	30 558	37 005	31 103
- from related entities	219	2 020	87
- from other entities	30 339	34 985	31 016
Provisions for liabilities on account of employee	367	551	673

LIABILITIES - Specification	for this 31.03.2008	for this 31.12.2007	for this 31.03.2007
benefits			
Other short-term provisions	567	568	5 312
Short-term accruals	2 264	2 356	1 966
Liabilities connected with fixed assets held for sale	-	-	-
Liabilities in total	555 628	596 525	391 681

Book value	145 135	139 295	100 231
Number of shares in thousand x item	138 673	138 673	138 673
Book value for one share (in PLN)	1,05	1,00	0,72
Diluted number of shares	138 673	138 673	138 673
Diluted book value for one share (in PLN)	1,05	1,00	0,72

OFF BALANCE SHEET ITEMS	for this 31.03.2008	for this 31.12.2007	for this 31.03.2007
Contingent liabilities	-	-	-
From related entities (on the account of):	-	-	-
- received guarantees and sureties	-	-	-
From other entities (on the account of):	-	-	-
- received guarantees and sureties	-	-	-
Contingent liabilities	758 288	713 919	304 468
for related entities (on the account of):	577 893	533 955	147 421
- granted guarantees	-	-	-
- sureties	567 278	528 262	147 421
- bills of exchange	10 615	5 693	-
For other entities (on the account of):	180 335	179 964	157 047
- granted guarantees	173 229	172 195	150 610
- sureties	7 106	7 570	6 100
- bills of exchange	60	199	337
OFF BALANCE SHEET ITEMS TOGETHER	758 288	713 919	304 468

PROFIT AND LOSS ACCOUNT	1st quarter 01.01. – 31.03.2008	1st quarter 01.01. – 31.03.2007
<i>Continued activity</i>		
Cash revenue on sales	105 209	64 675
- from related entities	10 265	1 435
Revenue on sale of products	-	-
Fees earned	103 736	61420
Revenue on sale of goods and materials	1 473	3 255
Cost of sales	(93 748)	(62 822)
- from related entities	(6 477)	(6 112)
Cost of sold products	-	-
Cost of sold services	(92 358)	(60 860)
Cost of sold goods and materials	(1 390)	(1 962)
Profit (loss) gross on sales	11 461	1 853
Costs of sales	-	-
General administrative costs	(6 361)	(5 120)
Other operational revenue	938	1058
Other operational costs	(450)	(994)
Restructuring costs	-	-
Profit (loss) from operational activity	5 588	(3 203)
Financial revenue	5 745	1 109
Financial costs	(4 096)	(3 593)
Other profit (loss) from investment	-	13 539
Profit (loss) before tax	7 237	7 852
Income tax	2 021	(3 511)
Profit (loss) net from continued activity	5 216	4 341
<i>Discontinued activity</i>	-	-
Loss net from discontinued activity	-	-
Profit (loss) net	5 216	4 341

Profit (loss) for one ordinary share (in PLN):	0,0376	0,0313
<i>from continued activity</i>	0,0376	0,0313
- basic	0,0376	0,0313
- diluted	0,0376	0,0313
<i>from continued and discontinued activity</i>	0,0376	0,0313
- basic	0,0376	0,0313
- diluted	0,0376	0,0313

CASH FLOW ACCOUNT	1 st quarter 01.01. - 31.03.2008	1 st quarter 01.01 - 31.03.2007
<i>Cash flow from operational activity</i>		
Profit net before tax	7 237	7 852
Adjustments:	200	(10 533)
Depreciation of intangible assets	104	139
Write offs on account of the loss of goodwill	-	-
Write offs on account of the loss of property, plant and equipment	-	-
Depreciation of the value of property, plant and equipment	1 966	905
(Profit) loss on the sale of property, plant and equipment	(34)	56
(Profit) loss on the sale of financial assets available for sale (allocated for trading)	(4 403)	(975)
Profit (loss) from valuation of investment properties according to fair value	-	-
(Profit) loss on account of fair value of financial assets declared according to fair value	(833)	(12 565)
Share in profit (loss) of affiliated entities	-	-
Profit (loss) on account of differences in rates	25	-
Interest expenses	3 515	2 009
Interest received	(140)	(102)
Dividend received	-	-
Monetary resources from operational activity before considering the changes in working capital	7 437	(2 681)
Change of stock level	(4 924)	(669)
Change of liabilities level	17 268	18 288
Change of liabilities level	(45 524)	(23 819)
Change of provisions level and accrued liabilities	(1 458)	(7 473)
Other adjustments	-	73
Monetary resources generated in the course of operational activity	(27 203)	(16 281)
Paid interest	(18)	(62)
Paid income tax	(11 325)	(14)
Monetary resources net from operational activity	(38 546)	(16 357)
<i>Cash flow from investment activity</i>		
Expenses on purchasing intangible assets	-	(101)
Revenue from the sale of intangible assets	-	-
Expenses on purchasing property, plant and equipment	(9 582)	(3 097)
Revenue from the sale of property, plant and equipment	127	10
Expenses on purchasing investment properties	-	-
Revenue from the sale of investment properties	-	-
Expenses for purchasing financial assets available for sale	(10)	(23)
Revenue form the sale of financial assets available for sale	4 615	1 321
Expenses for purchasing financial assets available for sale	-	-

CASH FLOW ACCOUNT	1st quarter 01.01. - 31.03.2008	1st quarter 01.01 - 31.03.2007
Revenue form the sale of financial assets allocated for trading	-	-
Expenses for purchasing related entities (reduced by monetary resources taken over)	-	-
Revenue from sale of related entities	-	-
Other expenses – additional payment to capital	-	-
Revenue from received governmental subsidies	-	-
Granted loans	-	-
Received payments of loans granted	-	-
Interest received	665	83
Dividend received	-	-
Other revenue	-	74
Other investment expenses	-	(105)
Monetary resources net used in investment activity	(4 185)	(1 838)
<i>Cash flow from financial activity</i>		
Revenue net on account of issuance of shares	-	-
Acquisition of treasury shares	-	-
Revenue on account of issuance of debt securities	-	20 000
Payment of interest on bond	-	-
Redemption of debt securities	-	-
Revenue on account of borrowing	18 592	38 124
Payment of credits and loans	(1 231)	(33 327)
Payment of interest on credits and loans	(1 972)	(1 633)
Revenue on account on investment	140	-
Payment of liabilities on account of financial leasing	(37)	(124)
Paid interest	(2)	-
Paid-out dividend	-	-
Credit commissions	(70)	-
Other expenses	-	-
Monetary resources net from financial activity	15 420	23 040
Net change of the balance of monetary resources and their equivalents	(27 311)	4 845
Monetary resources and their equivalents at the beginning of the period	48 389	23 506
Change of the state on account of differences in rates	(119)	19
Monetary resources and their equivalents at the end of the period	20 959	28 385

STATEMENT OF CHANGES IN EQUITY

Specification	Initial capital	Other capitals	Undivided financial result	Total
Balance as for 01.01.07	107 155	67 728	(79 706)	95 177
Changes of rules (policy) of accounting	-	-	-	-
Adjustments on account of basic mistakes	-	(632)	153	(479)
Balance after the changes	107 155	67 096	(79 553)	94 698
<i>Changes in equity capital in the period from 01.01. to 31.12.2007</i>				
Profit (loss) on account of revaluation	-	-	(244)	(244)
Investments available for sale:	-	-	-	-
- profit (loss) on account of valuation referred to equity	-	-	-	-
- transferred to profit (loss) on sale	-	-	-	-
Instruments securing cash flow:	-	8 490	-	8 490
- profit (loss) referred on equity	-	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	-	-	-	-
Tax connected with the items presented in the capital or transferred from the capital	-	(1 469)	-	(1 469)
Profit net presented directly in equity	-	7 021	(244)	6 777
Profit net for the period from 01.01. to 31.12.2007	-	-	40 010	40 010
Amount of profit and loss embraced in the period from 01.01. to 31.12.2007.	-	7 021	39 766	46 787
Dividend	-	-	-	-
Division of result	-	4 468	(6 468)	(2 000)
Issued initial capital	31 518	(31 708)	-	(190)
Issued options changeable for shares	-	-	-	-
Balance as for 31.12.07	138 673	46 877	(46 255)	139 295

STATEMENT OF CHANGES IN EQUITY (CONTINUATION)

Specification	Initial capital	Other capitals	Undivided financial result	Total
Balance as for 01.01.2008	138 673	46 877	(46 255)	139 295
Changes of rules (policy) of accounting	-	-	-	-
Adjustments on account of basic mistakes	-	-	58	58
Balance after the changes	138 673	46 877	(46 197)	139 353
<i>Changes in equity capital in the period from 01.01. to 31.03.2008</i>				
Profit (loss) on account of revaluation	-	-	-	-
Investments available for sale:	-	-	-	-
-profit on account of valuation referred to equity	-	-	-	-
- transferred to profit (loss) on sale	-	-	-	-
Instruments securing cash flow:	-	699	-	699
- profit (loss) referred to equity	-	699	-	699
- 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 entities operating abroad	-	-	-	-
Tax connected with the items presented in the capital or transferred from the capital	-	(133)	-	(133)
Profit net presented directly in equity	-	566	-	566
Profit net for the period from 01.01. to 31.03.2008	-	-	5 216	5 216
Amount of profit and loss embraced in the period from 01.01. to 31.03.2008.	-	566	5 216	5 782
Dividend	-	-	-	-
Division of result	-	-	-	-
Issued initial capital	-	-	-	-
Issued options changeable for shares	-	-	-	-
Balance as for 31.03.2008	138 673	47 443	(40 981)	145 135

ADDITIONAL INFORMATION TO CONSTRUCTED FINANCIAL STATEMENTS FOR THE 1ST QUARTER 2008

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 civil engineering facilities, execution of engineering and hydrotechnical general construction works.

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, 7th Commercial Division of the National Court Register under National Court Register Number KRS 0000017342 – on this 6th June 2001.

The Extraordinary General Shareholders Meeting changed on this 09.10.2006 the Company register for Wysogotowo near Poznań, ul. Skórzewska 35, with Resolution 1. On this 20th November 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, 21st Economic Division of the National Court Register. On this 27th August 2007 District Court in Poznań registered the merger of the Company with the Company “Hydrobudowa Śląsk” S.A. and on this 7th 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, 8th Commercial Division of the National Court Register.

The presented financial statements comprise the 1st quarter of 2008.

2. Rules accepted at the preparation of the report for the 1st quarter of 2008.

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 booked secured assets and liabilities is adjusted 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 referred 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.

Type	Depreciation rate	Period
Plots of land (perpetual usufructuary rights)	–%	years
Buildings and structures	1,5 – 5 %	20 – 67 years
Machines and technical devices	5 – 50 %	2 – 20 years
Office devices	10 – 20 %	5 – 10 years
Means of transport	10 – 50 %	2 – 10 years
Computers	20 – 40 %	2.5 – 5 years
Investments in outside fixed assets.	10 %	10 years

The Company does not calculate fixed assets and does not make write offs from components whose initial value is equal or lower than 2,500.00 PLN. The company transfers the expenses for their acquisition into the costs of using materials.

The Company includes fixed assets of anticipated life of economic utility longer than 1 year, whose initial value amounts to from 2,501.00 PLN to 3,500.00 PLN to fixed assets making one-time write downs in costs, in their full initial value.

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 liability on account of the value of the 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 liability or capital instrument at the other party, on the condition that economic consequences unequivocally result from the contract concluded between two or more parties.

The company classifies financial instruments with the division into:

- 1) The components of financial assets or financial liabilities are valued according to fair value by profit and loss account – assets and liabilities acquired or incurred mostly for the purpose of the sale or repurchase within a short period of time or are a part of the portfolio of defined financial assets which are managed jointly and for which there is the confirmation of the current actual model of generating short-term profit;
- 2) Investments maintained by maturity term – financial assets which are not derivative instruments, with agreed or possible to agree payments and of agreed maturity term towards which the company has a strong intention and is able to maintain by the maturity term;
- 3) Loans and liabilities – financial assets not being derivative instruments, with defined or possible to define payments, which are not quoted on active market.
- 4) Financial assets available for sale – financial assets not being derivative instruments which were nominated as available for sale or not being (a) loans and liabilities, (b) investments maintained by the termination of maturity term or (c) financial assets valued according to fair value by financial result.
- 5) Other financial liabilities.

As for balance sheet day, 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 liabilities 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:
8. liabilities and liabilities with short time of maturity / due date according to fair value: assets and financial liabilities 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.

Receivables

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

Receivables on account of deliveries and services are in books in nominal value corrected with adequate write offs reassessing the value of doubtful receivables. The company makes the write off 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, adjusting the receivables 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 receivables on account of deliveries and services.

Liabilities

Liabilities on account of deliveries and services and demonstrated in the balance sheet in nominal value. For the liabilities 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 liabilities are classified depending on their economic contents resulting from the contracts concluded. As for the balance sheet day, the company values financial liabilities 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. Liability payment terms on account of deliveries and services are between 7 and 60 days.

Bank credits

Interest-bearing bank credits 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 liabilities.

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. 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 the 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.

Stocks

Stocks are demonstrated according to purchase price or manufacture cost not higher than sales price net. 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” or detailed identification method.

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.

Revaluation write offs of current tangible assets

Write offs revaluating the value of current tangible assets are connected with the loss in their value or the valuation for the balance sheet day charge 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 revaluating the balance value of stocks, were defined individually for particular material groups as the period of keeping stock depends, to a large extent, on the specificity of the entity’s activity and the kind of the stock purchased.

Settlement of construction services contracts

The company settles revenue and costs connected with construction contracts pursuant to International Accounting Standards 11. 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 day 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 revenue 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 the profit and loss account.

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

The difference between higher value of the revenue 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 “Receivable on account of calculating construction services”.

The difference between higher value of invoiced revenue and lower value of revenue defined pursuant to cost method is demonstrated in the balance sheet liabilities as “Overinvoicing of construction services”.

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 Articles of Association. 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.

Provisions and accrued liabilities

Provisions 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 liability.

Provision 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.

Provisions for guarantee service are created for contracts which liability on account of performance security obliges. The provision 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 provisions results from the Rules and Regulations of remuneration being in force in the company.

The provisions 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 provision volume are: the criteria for purchasing the rights to the above mentioned benefits in the company and actuarial assumptions.

The company also makes provisions for unused leaves. They are demonstrated in the item of accrued liabilities, on the side of liabilities.

Assets and provisions on account of deferred income tax

The Company determines the provision and assets on account of deferred income tax in connection with temporary differences between the value of assets and liabilities demonstrated in accounting books, and their tax value and tax loss possible to be deducted in the future, for each balance sheet day for which the financial statements are prepared.

The company values assets and provisions 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 day, as the basis.

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

Cash revenue on sales

Cash revenue on sales is booked – pursuant to International Accounting Standard no. 18 “Revenue” – in fair value of payments received or due and represent the receivables for products, goods, materials and services delivered within the framework of normal economic activity, after reduction by discounts, value-added 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 is booked in a way defined in the item concerning calculating construction service contracts.

Revenue on account of interest is booked successively as it accumulates with reference to the 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 day 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 are booked pursuant to historical cost expressed in foreign currency are demonstrated at historical rate from the day of operation. Nonmonetary balance sheet items are recorded according to fair value expressed in foreign currency are valued according to 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.

Provision 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 the asset component 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 component, 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 the name of the company from HYDROBUDOWA Włocławek S.A. into HYDROBUDOWA POLSKA S.A. was registered in this 7th January 2008.

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

At present the Executive Board of HYDROBUDOWA POLSKA S.A. has its registered office in Wysogotowo near Poznań and the previous registered offices of the merged companies were converted into branches: Włocławek and Katowice.

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.

I. Significant events in the first quarter of 2008 and the factors influencing the financial results of the Company.

In comparison with the analogical period of the previous year, all the key items of profit and loss account were subject to a significant increase:

- **Revenue on sale** reached the value of **105 million PLN** i.e. by **63%** more than in the first quarter of the previous year;
- **Gross revenue on sale** increased over six-fold and reached the value of nearly **11.5 million PLN** in comparison with 1.8 million earned in the analogical period of the previous year;
- **Profit from operational activity** amounted to **5.5. million PLN** in comparison to loss of over **3 million PLN** generated last year;
- **Net profit** increased by **20%** and reached the value of over **5 million PLN**;
- **Employment** in company HYDROBUDOWA POLSKA S.A. at the end of the first quarter amounted to **1,362 people** in comparison with 1304 people employed at the end of 2007 i.e. 58 people more;
- At the end of the first quarter **order portfolio** exceeded the value of **1 billion PLN** and only in the first quarter the company managed to conclude contracts of the total value of **112 million PLN**;

In the first quarter of 2008 the company continued the strategy of stable growth by creating strong executive potential, strengthening the leader's position in the scope of realization of investments in the scope of environment protection, hydrotechnical construction, engineering construction and development of new sectors of industrial and specialist construction.

The most important events in the first quarter of 2008 include:

- Registration on this 7th January 2008 the change of the company name from HYDROBUDOWA Włocławek S.A. into HYDROBUDOWA POLSKA S.A. This decision of District Court on the change of name formally terminates the process of organizational changes in the company, connected with the merger with the company "Hydrobudowa Śląsk" S.A. At present the Executive Board of HYDROBUDOWA POLSKA S.A. has its registered office in Wysogotowo near Poznań and the previous registered offices of the merged companies were converted into branches: Włocławek and Katowice;
- The division of 2,773,464 shares of the company marked with the code PLHDRWL00010 into 138,673,200 shares of the nominal value 1.00 PLN each. As a result of the split of shares conducted on this 31st January 2008, each previous share of the nominal value of 50.00 PLN was divided into 50 shares of the value of 1.00 PLN. It means that share capital of the company did not change (it still amounts to 138,673,300 PLN) and only the number of shares making the share capital increased. The main aim of conducting the split of shares was increasing their liquidity on the stock exchange;
- Signing on this 22nd January 2008 with the company AK-BUD Kurant Spółka Jawna of the contract for the development of the 3rd level of the 2nd grandstand of the municipal stadium in

Poznań. This is the first contract gained on the great potential construction engineering market, connected with the organization of European Football Championships in 2012 in Poland; signing on this 22nd February 2008 the contract and the annex to the contract and the annex to the contract for ski jumping take-off in Wisła Malinka. Owing to the concluded contracts the biggest ski-jumping take off in Poland after the ski-jumping take off in Zakopane will be constructed. This facility with construction point K-120 will be a yearly facility. It will be equipped with artificial snowing installation, chair-lift, PVC surface and jupiters;

- Successfully completed public offer of K series shares. Within the framework of the public offer 35,000,000 K series shares were offered including 1,750,000 of Individual Investors Tranche and 33,250,000 of Institutional Investors Tranche. Reduction rate in Individual Tranche, for the records which were not included in allotment guarantees, amounted to 56.32%. The resources from the issuance of K series shares shall be allocated for financing the company development, including: acquisitions, investments in fixed assets and financing the realization of key contracts.

Comment to financial results for the 1st quarter of 2008.

The most significant **sources of revenue** for the company basic activity, in the 1st quarter, included the following construction contracts:

- a) contract named "The development of sewage system of the district Oltaszyn" concluded with the community of Wrocław – realized revenue: **14.4 million PLN**;
- b) The contract named "The development and reconstruction of sewage treatment plant in Piaseczno", signed with community Piaseczno - realized revenue: **11.4 million PLN**;
- c) The contract named "The development of sewage treatment plant "Śródmieście" in Zabrze", signed with community Zabrze - realized revenue: **6.4 million PLN**;
- d) The contract named "Łódź – groundworks and assembly works on water pipelines and road works" signed with MPWiK Wrocław – realized revenue: **5.8 million PLN**;
- e) The contract named "Improvement of water-sewage management on the territory of the community of Bytom signed with the community of Bytom - realized revenue: **4.5 million PLN**;

Comparing financial results of the company HYDROBUDOWA POLSKA S.A. achieved at the end of the 1st quarter 2007 and for the end of 1st quarter 2008 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 on the level of 10.89% in comparison with 2.87% at the end of the 1st quarter 2007 i.e. by 8% more and operational margin on the level of 5.31% in comparison with -4.95% at the end of the 1st quarter of 2007.

At the end of the 1st quarter of 2008 the company generated net profit margin on the level of nearly 5% in comparison with the value of 6.71% achieved at the end of the 1st quarter of 2007. Higher profitability on the net level in the 1st quarter of 2007 was reached as a result of a single event which was booking in financial revenue the difference from valuation of the shares of the company Mostostal Zabrze S.A.

according to market value in the amount of over 13.5 million PLN. HYDROBUDOWA POLSKA S.A. took over the above mentioned shares within the framework of the agreement to change debt for shares. However, in the 1st quarter of 2008 the major items of financial revenue were: revenue from financial market operations – 3.3 million PLN, rate differences – 1.1 million PLN and interest – 1 million PLN.

A positive phenomenon noticed in the 1st quarter of 2008 is also forming of dynamics of revenue and costs of the company. Higher dynamics of revenue which in the 1st quarter 2008 amounted to 163% in comparison with the dynamics of costs which amounted to 149%, positively influenced the forming of profit margins. Moreover, the share of variable costs in revenue on sale changed significantly. Their value at the end of the 1st quarter of 2008 constituted 89% of revenue in comparison with 97% at the end of the 1st quarter of 2007.

The improvement in results in comparison with the period of the previous year is among others the effect of the following factors:

- The completion in 2007 the realization of the old order portfolio taken over together with the acquisition of Hydrobudowa Śląsk S.A.
- creating in 2007 the new portfolio of profitable orders of the value of over 1 billion PLN.
- progressing restructuring of the merged entities influencing the improvement in the effectiveness of organization.

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

Profitability ratios

Name	1 st quarter 2008	1 st quarter 2007
Gross return on sales ¹	10,89%	2,87%
Operational return ²	5,31%	-4,95%
Net return	4,96%	6,71%

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

Ratios concerning shares at the share rate dated 30th April 2008 i.e. 8.77 PLN / share

Name	Value
Price / Profit	29,74
Price / Book value	8,35
Profit per share in PLN	0,2948
Capitalization in PLN	1 216 163 964
Number of shares	138 673 200

5.1. Investment contracts

In the 1st quarter of 2008 HYDROBUDOWA POLSKA S.A. signed investment contracts for the total amount of 112 million PLN whereas the most significant contracts are the ones described below:

The contract for the reconstruction of the stadium in Poznań

On this 22nd January 2008 HYDROBUDOWA POLSKA S.A. as Syndicate Leader concluded with Poznańskie Ośrodki Sportu i Rekreacji the contract for the performance of construction works consisting in building the 3rd level of audience on the 2nd stand of the Municipal Stadium in Poznań, at ul. Bługarska. The value of the contract is **14,081,965.03 PLN**.

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.

All the works are to be realized by the summer 2008.

This is the first contract of this kind gained on the great potential construction engineering market, connected with the organization of European Football Championships in 2012 in Poland.

The agreement with Bytomskie Przedsiębiorstwo Komunalne Sp. z o.o.

On this 29th January 2008 HYDROBUDOWA POLSKA S.A. as Syndicate Leader 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**.

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.

The Parties agreed that the agreement shall be completed by this 30th June 2009.

This is another 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 in 2006 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".

The contract with Zakłady Wodociągów i Kanalizacji Sp. z o.o.

On this 19th February 2008 HYDROBUDOWA POLSKA S.A. as Syndicate Partner signed the agreement with Zakłady Wodociągów i Kanalizacji Sp. z o.o. (pipelines and sewage system plant) with its seat in Szczecin for the realization of the task called “Performance of works optimizing and modifying the existing process of water purification in Water Purification Plant Miedwie”.

The concluded contract is worth **8,170,228.29 EUR net**

The Parties agreed that the works being the subject of the order shall be completed within 18 months from the date of commencement.

HYDROBUDOWA POLSKA 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 contract and the annex to the contract for ski-jumping take off in Wisła Malinka

On this 21st February 2008 HYDROBUDOWA POLSKA S.A. concluded with Centralny Ośrodek Sportu in Warsaw the contract for construction works for the performance of repair works and works connected with this, consisting in the removal of earth slide and protecting the slope from further subsiding of earth on the jump down of the modernized ski-jumping take off "Malinka" in Wisła.

On the same day the Parties concluded the annex to reference agreement dated 22nd October 2004.

Pursuant to this annex the Parties agreed that HYDROBUDOWA POLSKA S.A. shall make the works concerning the works on the jump down of the ski-jumping take off "Malinka" in Wisła and the works connected with them, immediately after the repair of the jump down.

The works on the jump down and the works connected with them shall be completed as soon as possible but not later than by this 15th September 2008.

HYDROBUDOWA POLSKA S.A. shall receive the remuneration in the amount of 14,138,713.35 PLN gross for the performance of the works included in the contract and the annex to the agreement.

Conclusion of the annex and the reference agreement with the company "WIERTMAR" Sp. z o.o.

I.

On this 28th March 2008 the annex to the agreement dated 20th August 2007 was concluded. The subject of the concluded agreement is the performance of construction-assembly works in the scope of water mains and distribution network, within the framework of the task called: "Modernization of distributive water pipe-sewage system in Łódź".

Under the concluded annex, the scope of works to be performed is increased by the company and the amount of remuneration was increased from 25,119,084.40 PLN net to the amount of 28,763,943.07 PLN net. Also the date of completion of works was changed from this 30th June 2008 for this 20th August 2008.

II.

On this 28th March 2008 HYDROBUDOWA POLSKA S.A. concluded the agreement for the performance of construction-assembly works in the scope of water mains and distribution network, within the framework of the task called: "Modernization of distributive water pipe-sewage system in Łódź".

The value of the remuneration amounts to 22,032,620.59 PLN net.

The date of completion of works was defined for this 31st March 2009.

5.2. Split of shares in the ratio 1:50

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

As a result of the conducted split of shares, each previous share of the nominal value of 50.00 PLN was divided into 50 shares of the value of 1.00 PLN, which means that share capital of the company did not change (it still amounts to 138,673,300 PLN) and only the number of shares making the share capital increased. The main aim of conducting the split of shares was increasing their liquidity on the stock exchange.

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 1st quarter of 2008 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.

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 sale.

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. K series shares issuance

In the first quarter of 2008 the company conducted the issuance of 35,000,000 K series ordinary bearer shares issued with no subscription right pursuant to the resolution 4 of the Extraordinary General Meeting of Shareholders, dated 19th November 2007.

On this 28th April 2008 the Executive Board of the company made the allocation of all the shares. 33,250,000 shares were allocated in the Institutional Tranche and 1,750,000 shares in the Individual Tranche. The allocation in Institutional Tranche was made without reduction of subscriptions pursuant to subscriptions made. Reduction rate in the Individual Tranche, for the subscriptions which were not included in allocation guarantees, amounted to 56.32%.

Admitting K series shares to trading on the regulated market shall take place immediately after registering by District Court in Poznań the increase in the company share capital.

The company intends to devote the resources from the issuance of shares to:

- **Financing new contracts:**

The company currently realizes the order portfolio of the value exceeding 1 billion PLN. In 2008 the company intends to prepare the offers for the tenders of the total value of 10 billion PLN - out of which it expects to gain orders of the value between 2 and 2.5 billion PLN.

- **Acquisitions:**

The acquisition of controlling share package or organized parts of the enterprise in the companies having experience in the realization of engineering facilities and running activity in the scope of construction of engineering facilities, steel and concrete structures and underground facilities;

- **Investments in fixed assets:**

The purchase of specialist machines and devices as well as conducting modernization works and the development of the possessed real estates;

- **IT:**

The implementation of the integrated management system ORACLE

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.

Conclusion of the contract with MWiK in Bydgoszcz

On this 3rd April 2008 HYDROBUDOWA POLSKA S.A. as Syndicate Partner signed the contract with the company Miejskie Wodociągi i Kanalizacja Sp. z o.o. (the „Ordering Party”) with its seat in Bydgoszcz for the performance of the task called “ Disposal of rainwaters from the protected water intake areas of LAS GDAŃSKI and CZYŻKÓWKO as well as development of rain drainage system in the city of Bydgoszcz”

The concluded agreement is worth: **30,809,573.57 EUR net**

The Parties agreed that the contract would be completed within 31 months from the day of commencement.

HYDROBUDOWA POLSKA S.A. – Syndicate Partner shall perform and shall be responsible for 20% of the scope of works connected with the realization of the task

Conclusion of the contract with the community of Rewal

On this 29th April 2008 HYDROBUDOWA POLSKA S.A. as Syndicate Leader signed the contract with the community of Rewal ("Ordering Party") for the performance of the task called "Development and modernization of sewage treatment plant in Pobierowo, community of Rewal".

The subject of the order comprises the performance of the development and modernization of sewage treatment plant of the average day flow capacity in season = 13,451 m³ / day together with obtaining water-legal permission for draining purified sewage to the collector and the legally binding decision being the permission for use.

The concluded agreement is worth: **22,947,142.00 PLN net**

The contract shall be completed by this 15th December 2009.

HYDROBUDOWA POLSKA S.A. – the General Contractor shall perform and shall be responsible for 43.35% of the scope of works connected with the realization of the task.

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 declares that in the light of the results presented in consolidated quarterly report, it maintains its position that the results forecast for 2007 shall be published in the current report no. 24/2008 dated 2nd April 2008 assuming achieving by the company in 2008:

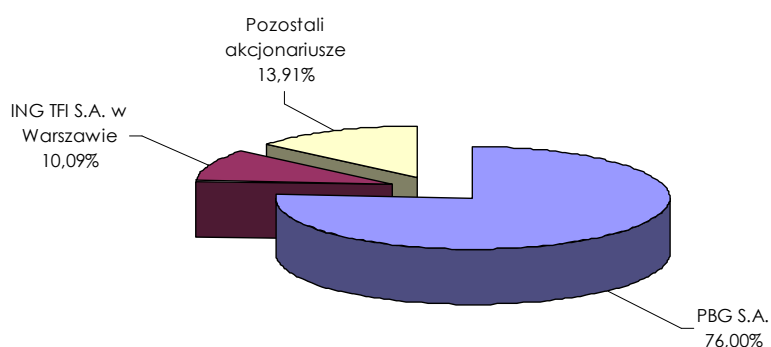
- net revenue on sales in the amount of 748.9 million PLN
 - profit on operational activity in the amount of 63.9 million PLN,
 - profit net in the amount of 53.6 million PLN,
- shall be realized according to assumptions.

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.	PBG S.A.	directly	105 397 300	105 397 300	76,00%	76,00%
2.	ING TFI S.A. in Warszawa	indirectly by managed funds	13 990 100	13 990 100	10,09%	10,09%
3.	Other shareholders		19 285 800	19 285 800	13,91%	13,91%
	TOTAL		138 673 200	138 673 200	100,00%	100%

In the 1st quarter there were changes in the structure of ownership of significant share packages of the company.

Structure of company stock ownership
Share in the share capital
Share in votes at the General Shareholders Meeting



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 for this 14 th February 2008	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 for this 14 th February 2008	Increasing	Decreasing	Current balance
Małgorzata Wiśniewska	0	-	-	0
Andrzej Wilczyński	0	-	-	0
Przemysław Szkudlarczyk	0	-	-	0
Piotr Stobiecki	1 000	-	-	1 000
Grzegorz Wojtkowiak	0	-	-	0
Marcin Idziorek	0	-	-	0

Commercial Proxies of the Company**/in items/**

	Balance for this 14 th February 2008	Increasing	Decreasing	Current balance
Paweł Kujawa	0	-	-	0
Andrzej Szultka	0	-	-	0
Małgorzata Jankowska	0	-	-	0

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 the company 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.

There were no atypical transactions in the accounting period. The information on all the transactions concluded with the related entities is presented in the table below.

Affiliated entity	PBG S.A.	Metorex Sp. z o.o.	Infra Sp. z o.o.	KWG S.A.	Dromost Sp. z o.o.	Hydrobudowa 9 S.A.	PBG DOM Sp. z o.o.	PRIS - Infra Sp. z o.o.	TOTAL
Receivables in total	7 126	4 774	63	86	6	8 432	0	1 830	22 317
Long-term receivables for supplies and services provided						779			779
Short-term receivables for supplies and services provided	7 126	4 764			6	7 653		1 830	21 379
Other short-term receivables		10	63	86					159
Liabilities in total	57 834	3 294	2 944	0	2 137	401	158	0	66 768
Long-term liabilities on account of supplies and services provided		100	46						146
Short-term liabilities on account of supplies and services provided	5 747	3 194	2 885		2 137	392	158		14 513
Long-term financial liabilities	30 781								30 781
Short-term financial liabilities	21 109								21 109
Other short-term financial liabilities – sureties	197		13			9			219
Short-term loans	42 035								42 035
Revenue on the sale of products, services, materials, goods	5 413	2 737			5	2 110			10 265
Cost value of products, services, materials, goods	616	3 078	771		1 752	260			6 477
Financial costs	1 390		9						1 399

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 1st quarter the Company did not grant significant guarantees. However, it granted the following surety:

Specification	Surety amount: (thousand x PLN)	For	Valid until
1. Bank Polska Kasa Opieki SA, ul. Grzybowska 53/57, Warszawa - Surety for the payment of the granted credit no. DDF/IIPO/2/2008/20510821 dated 11th January 2008	18 700,00	PBG S.A., ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo	2016-09-30
Total	18 700,00		

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 31.03.2008	balance on this 31.12.2007
Guarantees:	173 229	172 195
For related entities:	-	-
For other entities:	173 229	172 195
- performance security	7 218	53 637
- remedy of defects and failures	4 529	3 526
- tender guarantee	8 318	6 361
- advance payment return	7 226	9 451
- payments	5 256	200
- performance security	137 712	95 760
- retention amounts	871	891
- surety	-	240
- payments	2 099	2 129
Sureties:	574 384	535 832
For related entities:	567 278	528 262
- security of contract bonds	130 006	90 756
- borrowing security	60 232	26 786
- security of bonds redemption	310 000	310 000
- securing of limits on transactions with financial instruments (treasury limits)	46 493	66 811
- others	20 547	33 909
For other entities:	7 106	7 570
- security of contract bonds	2 706	2 768
- borrowing security	-	-
- security of bonds redemption	-	-
- securing of limits on transactions with financial instruments (treasury limits)	-	-
- security of loan payment	4 400	4 802
- others	-	-
Bills of exchange:	10 675	5 892
For related entities:	10 615	5 693
- securing contract bonds	10 615	5 693
For other entities:	60	199
- securing contract bonds	60	199
Contingency liabilities in total:	758 288	713 919

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.

In the first quarter of 2008, apart from the ones mentioned in the comment to the report, there occurred no significant events which could significantly influence the assessment and the change of the financial standing and the financial result as well as significant for the assessment of the HR situation and the possibility of realizing the obligations.

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 most important factor which can have an influence on the Issuer's financial standing 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
- the pace of preparation of investments connected with the organization of Football Europe Championships EURO 2012
- 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,
- costs of employment and availability of qualified employees

Wysogotowo, this 5th May 2008