

HYDROBUDOWA POLSKA GROUP



**INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM JULY 1ST 2010
TO SEPTEMBER 30TH 2010**

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS OF THE HYDROBUDOWA POLSKA GROUP	2
CONSOLIDATED BALANCE SHEET	2
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
DISCUSSION OF THE HYDROBUDOWA POLSKA GROUP'S RESULTS.....	10
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	16
1. General Information	16
1.1. Parent Undertaking and Its Group	16
1.2. Composition of the parent undertaking's Management Board and Supervisory Board. Commercial Proxies	17
2. Basis of Preparation of the Financial Statements and Accounting Policies	18
2.1. Basis of Preparation of the Financial Statements	18
2.2. Accounting Policies	18
2.3. Correction of Errors and Changes in Accounting Policies	19
3. The Group's Material Achievements and Failures	20
3.1. Material Events and Transactions.....	20
3.2. Factors and events, especially of non-recurring nature, with a bearing on the financial performance	22
4. Earnings per Share (EPS).....	22
5. Seasonality of Operations	23
6. Operating Segments	23
7. Property, plant and equipment	27
8. Intangible assets.....	27
9. Share capital	27
9.1. Significant shareholders	27
9.2. Shares held by the managing and supervisory personnel	28
* The increase relates to acquisition by Mr Szymon Tamborski of shares in HBP under the incentive scheme operated by a subsidiary, HYDROBUDOWA 9 S.A., at a price of PLN 0.14 per share.....	29
10. Share-Based Payment Programmes	29
11. Dividends	29
12. Issue and Redemption of Debt Securities	29
13. Contingent Liabilities	30
14. Material court, arbitration and administrative proceedings.....	30
15. Business combinations.....	30
16. Discontinued operations	30
17. Related-party transactions	31
18. Events subsequent to the balance-sheet date	32
19. Management Board's opinion on the feasibility of meeting previously published forecasts.....	33
20. Factors with a potential bearing on future financial performance.....	33
21. Financial highlights translated into the euro	33
CONDENSED SEPARATE FINANCIAL STATEMENTS OF HYDROBUDOWA POLSKA S.A.	34
Balance sheet.....	34
Income statement	36
COMPREHENSIVE INCOME	37
Statement of cash flows	37
STATEMENT OF CHANGES IN EQUITY	39
DISCUSSION OF HYDROBUDOWA POLSKA S.A.'s RESULTS	42
FINANCIAL HIGHLIGHTS OF HYDROBUDOWA POLSKA S.A. TRANSLATED INTO THE EURO	46

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

CONSOLIDATED FINANCIAL STATEMENTS OF THE HYDROBUDOWA POLSKA GROUP

CONSOLIDATED BALANCE SHEET

Item	As at Sep 30 2010	As at Jun 30 2010	As at Dec 31 2009	As at Sep 30 2009	As At Jun 30 2009
<i>Assets</i>					
Non-current assets	268,441	274,286	239,929	244,729	252,683
Goodwill	37,605	37,605	37,605	37,605	37,605
Intangible assets	1,529	1,639	1,898	1,987	1,994
Property, plant and equipment	126,215	130,113	142,116	162,782	145,726
Non-regenerative natural resources	-	-	-	-	-
Investment property	31,550	31,568	29,299	10,477	12,486
Investments in subsidiary undertakings	-	-	-	-	-
Investments in associated undertakings	-	-	-	-	-
Receivables	1,922	2,033	4,636	5,472	7,186
Loans advanced	53,206	52,321	66	64	64
Derivative financial instruments	-	2,530	2,331	-	-
Other non-current financial assets	28	26	26	26	26
Deferred tax assets	12,383	14,153	17,819	22,993	43,291
Non-current prepayments and accrued income	4,003	2,298	4,133	3,323	4,305
Current assets	1,141,705	1,161,665	1,217,909	1,069,440	1,078,792
Inventories	17,815	15,478	6,602	6,880	46,944
Receivables under construction contracts	520,441	496,118	435,014	509,524	479,796
Trade and other receivables	517,733	557,014	660,366	490,288	469,334
Current income tax receivable	3,500	2,105	2	320	3
Loans advanced	-	-	16,574	17	-
Derivative financial instruments	8,307	3,522	5,936	-	-
Other current financial assets	163	134	157	251	280
Cash and cash equivalents	65,996	80,896	84,144	53,434	74,164
Current prepayments and accrued income	7,750	6,398	9,114	8,726	8,271
Non-current assets held for sale	-	-	-	-	-
Total assets	1,410,146	1,435,951	1,457,838	1,314,169	1,331,475

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

CONSOLIDATED BALANCE SHEET (CONTINUED)

Item	As at Sep 30 2010	As at Jun 30 2010	As at Dec 31 2009	As at Sep 30 2009	As at Jun 30 2009
<i>Equity and liabilities</i>					
Equity	450,869	434,301	389,502	325,979	259,048
Equity attributable to owners of the parent	450,585	434,026	389,253	325,264	257,670
Share capital	210,558	210,558	210,558	210,558	210,558
Treasury shares	-	-	-	-	-
Share premium account	257,209	257,209	257,209	257,209	256,572
Valuation of hedging transactions and foreign exchange gains/(losses) on consolidation	(19,903)	(30,533)	(44,905)	(67,051)	(117,098)
Other equity	98,030	97,520	52,043	47,571	49,099
Retained earnings	(95,309)	(100,728)	(85,652)	(123,022)	(141,461)
– retained earnings/(deficit)	(131,835)	(131,836)	(183,562)	(182,356)	(184,684)
– net profit/(loss) for current year attributable to owners of the parent	36,526	31,108	97,910	59,334	43,223
Non-controlling interests	284	275	249	715	1,378
Liabilities	959,277	1,001,650	1,068,336	988,190	1,072,427
Non-current liabilities	34,597	42,222	48,788	64,097	82,750
Loans, borrowings and other debt instruments	4,311	6,316	11,929	15,204	19,765
Finance lease	6,880	7,431	12,707	14,328	6,681
Derivative financial instruments	-	5,434	-	11,880	35,240
Other liabilities	14,521	14,442	15,640	14,946	14,715
Deferred tax liabilities	-	-	-	-	-
Liabilities and provisions for employee benefits	3,548	3,548	3,739	2,827	2,828
Other non-current provisions	5,337	5,051	4,773	4,912	3,521
Government subsidies	-	-	-	-	-
Non-current accruals and deferred income	-	-	-	-	-
Current liabilities	924,680	959,428	1,019,548	924,093	989,677
Loans, borrowings and other debt instruments	408,394	383,488	289,466	295,921	372,653
Finance lease	7,431	11,687	13,577	13,798	3,463
Derivative financial instruments	16,629	31,462	59,020	79,142	143,041
Trade and other payables	426,555	473,127	589,384	454,568	367,470
Liabilities under construction contracts	19,633	14,180	13,619	19,077	20,409
Current income tax payable	321	269	778	1,132	1,491
Liabilities and provisions for employee benefits	14,813	16,662	17,358	17,224	19,455
Other current provisions	28,321	25,883	34,182	42,856	61,340
Government subsidies	-	-	-	-	-
Current accruals and deferred income	2,583	2,670	2,164	375	355
Liabilities under non-current assets held for sale	-	-	-	-	-
Total equity and liabilities	1,410,146	1,435,951	1,457,838	1,314,169	1,331,475

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

CONSOLIDATED INCOME STATEMENT

Item	for the period Jul 1–Sep 30 2010	for the period Jan 1–Sep 30 2010	for the period Jul 1–Sep 30 2009	for the period Jan 1–Sep 30 2009
<i>Continuing operations</i>				
Sales revenue	416,885	1,211,028	498,781	1,049,747
- from related undertakings	39,846	73,783	82,396	146,593
Revenue from sales of products	-	-	-	-
Revenue from sales of services	414,824	1,207,378	454,541	1,000,501
Revenue from sales of goods for resale and materials	2,061	3,650	44,240	49,246
Cost of sales	(394,428)	(1,115,466)	(455,814)	(948,244)
- from related undertakings	(75,524)	(194,073)	(61,469)	(143,799)
Cost of products sold	-	-	-	-
Cost of services sold	(392,477)	(1,111,978)	(413,039)	(900,246)
Cost of goods for resale and materials sold	(1,951)	(3,488)	(42,775)	(47,998)
Gross profit/(loss)	22,457	95,562	42,967	101,503
Selling costs				
General and administrative expenses	(12,182)	(37,745)	(11,403)	(37,964)
Other operating income	1,690	19,626	616	14,870
Other operating expenses	(4,753)	(34,168)	(3,635)	(8,554)
Share in profit of undertakings valued with equity method	-	-	-	-
Costs of restructuring	-	-	-	-
Operating profit/(loss)	7,212	43,275	29,545	69,856
Finance income	4,761	14,133	1,121	3,707
Finance expenses	(4,614)	(15,606)	(9,805)	(15,459)
Other gains/(losses) on investments	-	-	-	1,796
Pre-tax profit/(loss)	7,359	41,802	19,861	59,900
Income tax	(1,938)	(5,259)	(4,796)	(519)
Net profit/(loss) from continuing operations	5,421	36,543	15,065	59,381
<i>Discontinued operations</i>				
Net loss from discontinued operations				
Net profit/(loss)	5,421	36,543	15,065	59,381
Net profit/(loss) attributable to:				
- owners of the parent	5,418	36,526	15,092	59,334
- minority interests	3	17	(27)	47

NET EARNINGS (LOSS) PER ORDINARY SHARE (PLN)

Item	for the period Jul 1–Sep 30 2010 1 / share	for the period Jan 1–Sep 30 2010 1 / share	for the period Jul 1–Sep 30 2009 1 / share	for the period Jan 1–Sep 30 2009 1 / share
Net profit/(loss) from continuing operations	5,418	36,526	15,092	59,334
Net profit/(loss) from continuing and discontinued operations	5,418	36,526	15,092	59,334
Weighted average number of ordinary shares (in thousands)	210,558,445	210,558,445	210,558,445	210,558,445
Diluted weighted average number of ordinary shares (in thousands)	210,558,445	210,558,445	210,558,445	210,558,445
<i>from continuing operations</i>				
- basic	0.0257	0.1734	0.0716	0.2817
- diluted	0.0257	0.1734	0.0716	0.2817
<i>from continuing and discontinued operations</i>				
- basic	0.0257	0.1734	0.0716	0.2817
- diluted	0.0257	0.1734	0.0716	0.2817

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Item	for the period Jul 1–Sep 30 2010	for the period Jan 1–Sep 30 2010	for the period Jul 1–Sep 30 2009	for the period Jan 1–Sep 30 2009
Net profit/(loss)	5,421	36,543	15,065	59,381
Other comprehensive income				
Remeasurement of property, plant and equipment	-	438	(515)	(77)
Available-for-sale financial assets:	-	-	-	-
– income/(loss) disclosed under other comprehensive income in period	-	-	-	-
– amounts transferred to profit or loss	-	-	-	-
Cash-flow hedges:	-	-	-	-
– income/(loss) disclosed under other comprehensive income in period	12,062	14,978	(21,062)	(18,223)
– amounts transferred to profit or loss	523	16,196	44,273	59,946
– amounts included in the initial value of hedged items	-	-	-	-
Currency translation differences on foreign operations	-	-	-	-
Currency translation differences transferred to profit or loss – sale of foreign operations	-	-	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-
Income tax on items of other comprehensive income	(1,949)	(6,250)	(3,626)	(7,927)
Other comprehensive income after tax	10,636	25,362	19,070	33,719
Comprehensive income	16,057	61,905	34,135	93,101
Comprehensive income attributable to:				
– owners of the parent	16,053	61,883	34,102	93,053
– minority interests	3	22	33	48

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish zloty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Item	Equity attributable to owners of the parent							Minority interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Hedging reserve	Other equity	Retained earnings	Total		
Balance as at Jan 1 2010	210,558	-	257,209	(43,044)	52,043	(85,652)	391,114	249	391,363
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	(1,861)	-	-	(1,861)	-	(1,861)
Balance after changes	210,558		257,209	(44,905)	52,043	(85,652)	389,253	249	389,502
Issue of shares	-	-	-	-	-	-	-	-	-
Issue of shares following exercise of options (share-based payment programme)	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	1,528	-	1,528	-	1,528
Other adjustments	-	-	-	-	-	(979)	(979)	13	(966)
Dividends	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) to equity	-	-	-	-	44,104	(45,204)	(1,100)	-	(1,100)
Total transactions with owners of the parent	-	-	-	-	45,632	(46,183)	(549)	13	(538)
Net profit for period Jan 1 – Dec 31 2009	-	-	-	-	-	36,526	36,526	17	36,543
Other comprehensive income:	-	-	-	-	-	-	-	-	-
Remeasurement of property, plant and equipment	-	-	-	-	438	-	438	-	438
Cash-flow hedges	-	-	-	31,169	-	-	31,169	5	31,174
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-	-	-
Income tax on items of other comprehensive income	-	-	-	(6,167)	(83)	-	(6,250)	-	(6,250)
Total comprehensive income	-	-	-	25,002	355	36,526	61,883	22	61,905
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
Balance as at Sep 30 2010	210,558	-	257,209	(19,903)	98,030	(95,309)	450,585	284	450,869

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish zloty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Item	Equity attributable to owners of the parent							Minority interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Hedging reserve	Other equity	Retained earnings	Total		
Balance as at Jan 1 2009	210,558	-	257,209	(100,847)	43,867	(179,594)	231,194	667	231,861
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	2,038	(2,038)	-	-	-
Balance after changes	210,558	-	257,209	(100,847)	45,905	(181,632)	231,194	667	231,861
Issue of shares	-	-	-	-	-	-	-	-	-
Issue of shares following exercise of options (share-based payment programme)	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	613	-	613	-	613
Other adjustments	-	-	-	-	(509)	2,068	1,559	-	1,559
Dividends	-	-	-	-	-	-	0	-	0
Allocation of profit/(loss) to equity	-	-	-	-	1,639	(2,792)	(1,155)	-	(1,155)
Total transactions with owners of the parent	-	-	-	-	1,743	(724)	1,017	-	1,017
Net profit for period Jan 1 – Dec 31 2009	-	-	-	-	-	59,334	59,334	48	59,382
Other comprehensive income:	-	-	-	-	-	-	-	-	-
Remeasurement of property, plant and equipment	-	-	-	-	(77)	-	-	-	(77)
Cash-flow hedges	-	-	-	41,723	-	-	(77)	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	41,723	-	41,723
Income tax on items of other comprehensive income	-	-	-	(7,927)	-	-	(7,927)	-	(7,927)
Total comprehensive income	-	-	-	33,796	(77)	59,334	93,053	48	93,101
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
Balance as at Sep 30.09.2009	210,558	-	257,209	(67,051)	47,571	(123,022)	325,264	715	325,979

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish zloty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Item	Equity attributable to owners of the parent							Minority interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Hedging reserve	Other equity	Retained earnings	Total		
Balance as at Jan 1 2009	210,558	-	257,209	(100,847)	43,867	(179,594)	231,194	667	231,861
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	2,038	(2,038)	-	-	-
Balance after changes	210,558	-	257,209	(100,847)	45,905	(181,632)	231,194	667	231,861
Issue of shares	-	-	-	-	-	-	-	-	-
Issue of shares following exercise of options (share-based payment programme)	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	2,038	-	2,038	-	2,038
Other adjustments	-	-	-	-	1,596	864	2,460	(442)	2,018
Dividends	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) to equity	-	-	-	-	1,639	(2,794)	(1,155)	-	(1,155)
Total transactions with owners of the parent	-	-	-	-	5,273	(1,930)	3,343	(442)	2,901
Net profit for period Jan 1 – Dec 31 2009	-	-	-	-	-	97,910	97,910	24	97,934
Other comprehensive income:	-	-	-	-	-	-	-	-	-
Remeasurement of property, plant and equipment	-	-	-	-	1,086	-	1,086	-	1,086
Cash-flow hedges	-	-	-	72,096	-	-	72,096	-	72,096
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	0	-	-
Income tax on items of other comprehensive income	-	-	-	(16,154)	(221)	-	(16,375)	-	(16,375)
Total comprehensive income	-	-	-	55,942	865	97,910	154,717	24	154,741
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
Balance as at Dec 31 2009	210,558	-	257,209	(44,905)	52,043	(85,652)	389,253	249	389,502

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

CONSOLIDATED STATEMENT OF CASH FLOWS

Item	for the period Jan 1–Sep 30 2010	for the period Jan 1–Sep 30 2009
<i>Cash flows from operating activities</i>		
Profit before tax	41,802	59,900
Adjustments:		-
Depreciation and impairment losses on property, plant and equipment	13,920	12,406
Amortisation of and impairment losses on intangible assets	438	496
Change in fair value of investment property	304	-
Change in fair value of financial assets (liabilities) measured through profit or loss	(76)	(1,561)
Cash flow hedges transferred from equity	16,196	59,946
Impairment losses on financial assets	(7)	(2,136)
Gains (losses) on disposal of non-financial non-current assets	88	87
Gains/(losses) on disposal of financial assets (other than derivative instruments)	-	(950)
Foreign exchange gains/(losses)	(1,321)	28
Interest expense	17,879	18,726
Interest income	(3,647)	(130)
Dividends received	(2)	-
Share in profit/(loss) of associated undertakings	-	-
Other adjustments	(1,850)	(1,946)
Total adjustments:	41,924	84,966
Change in inventories	(11,213)	2,271
Change in receivables	83,551	(40,993)
Change in liabilities	(103,584)	69,963
Change in provisions and accruals and deferrals	(4,532)	(31,319)
Effect of construction contracts	(79,414)	(69,393)
Change in working capital	(115,192)	(69,471)
Gains/(losses) on settlement of derivative instruments	(26,572)	(89,643)
Interest paid on operating activities	(117)	(94)
Income tax paid	(10,416)	(19,570)
Net cash provided by/(used in) operating activities	(68,571)	(33,912)
<i>Cash flows from investing activities</i>		
Acquisition of intangible assets	(117)	(312)
Disposal of intangible assets	-	10
Acquisition of property, plant and equipment	(5,388)	(27,857)
Disposal of property, plant and equipment	585	24,089
Acquisition of investment property	-	-
Disposal of investment property	-	-
Acquisition of subsidiary undertakings, net	-	-
Disposal of subsidiary undertakings, net	-	8,956
Repayment of loans advanced	16,550	-
Loans advanced	(51,378)	-
Acquisition of other financial assets	-	-
Disposal of other financial assets	-	-
Government subsidies received	-	-
Interest received	107	-
Other inflows	796	-
Other investment expenses	(347)	-
Dividend received	2	-
Net cash provided by/(used in) investing activities	(39,191)	4,886
<i>Cash flows from financing activities</i>		

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Net proceeds from issue of shares	-	-
Acquisition of own shares	-	-
Proceeds from issue of debt securities	-	-
Redemption of debt securities	-	-
Interest paid on debt securities	-	-
Increase in loans and borrowings	131,663	106,299
Repayment of loans and borrowings	(19,371)	(74,710)
Repayment of finance lease liabilities	(6,519)	(7,335)
Interest paid	(16,103)	(16,268)
Interest received on bank deposits	233	130
Other inflows/outflows	3	-
Dividend paid	-	-
Net cash provided by/(used in) financing activities	89,906	8,116
Net change in cash and cash equivalents	(17,856)	(20,909)
Cash and cash equivalents at beginning of period	84,144	74,315
Effect of foreign exchange gains/(losses)	(292)	28
Cash and cash equivalents at end of period	65,996	53,434

The HYDROBUDOWA POLSKA Group is a consortium member in joint ventures, where settlements are based on joint escrow accounts. Accordingly, under cash and cash equivalents at end of period, the Company discloses funds in escrow accounts as own funds, whenever the Company acts as the consortium leader. Under the terms of escrow account agreements, these funds are restricted cash. As at September 30th 2010, restricted cash was PLN 12m.

Where the Group is a partner in a joint venture, the funds in escrow accounts are not recognised by the Group in the balance sheet. The total of funds in the escrow accounts that were not recognised in the balance sheet as at September 30th 2010 was PLN 4m. zł

DISCUSSION OF THE HYDROBUDOWA POLSKA GROUP'S RESULTS

In the period covered by the interim condensed consolidated financial statements:

- In Q3 2010, **sales revenue** amounted to **PLN 416.9m**, that is down by 16% year on year. For the first three quarters of 2010, sales revenue stood at **PLN 1211m**, up by over 15% year on year.
- **Gross profit** stood at **PLN 22.5m in Q3 2010** and was by 48% lower than in Q3 2009. Cumulative gross profit for the first three quarters of 2010 amounted to **PLN 95.6m**, down by almost 6% year on year.
- In Q3 2010, **operating profit** amounted to **PLN 7.2m**, compared with **PLN 29.5m** in Q3 2009. Operating profit for the first three quarters of 2010 stood at **PLN 43.3m**, down by 38% year on year.
- In the period July–September 2010, **net profit attributable to owners of the parent** amounted to **PLN 5.4m**, compared with **PLN 15.1m** in the same period of the previous year. Cumulatively, for the first three quarters of 2010, net profit attributable to owners of the parent exceeded **PLN 36.5m**, down by 38% year on year.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

In Q2 2010, the following contracts were the main sources of revenue from the core business of the HBP Group:

Industrial and residential construction segment:

Contract	Sales revenue generated in Q3 2010 (PLN'000)
Construction of PGE Arena Gdańsk football stadium in Gdańsk Letnica	42,056.0
Design and construction of waste neutralisation facility in Gdańsk-Szadółki (construction and assembly work)	39,586.2
Construction of National Stadium in Warsaw and auxiliary infrastructure	30,368.6
Construction of office and commercial building with underground car parking space at ul. Górecka in Poznań	24,260.3
Extension of City Stadium at ul. Bułgarska 5/7 in Poznań for EURO 2012 – construction of spectator stands I and III, and roofing over spectator stands I, II and III	22,838.8

Water segment:

Contract	Sales revenue generated in Q3 2010 (PLN'000)
Construction of wastewater transmission system from left-bank Warsaw to Czajka sewage treatment plant – Phase 1	28,021.9
Phase I, executed for Karkonoski System Wodociągów i Kanalizacji and co-financed by the Cohesion Fund Construction and modernisation of water supply and sewage system in the Szklarska Poręba commune	14,608.9
Modernisation of SW-4 Czyżkówko water supply station in Bydgoszcz – Part 2	13,700.8

Profitability Ratios

Profitability Ratios	Q3 2009	Q3 2010
Gross margin ¹	8.6%	5.4%
Operating margin ²	5.9%	1.7%
Net margin ³	3.0%	1.3%

¹gross profit / sales revenue*100

² operating profit / sales revenue*100

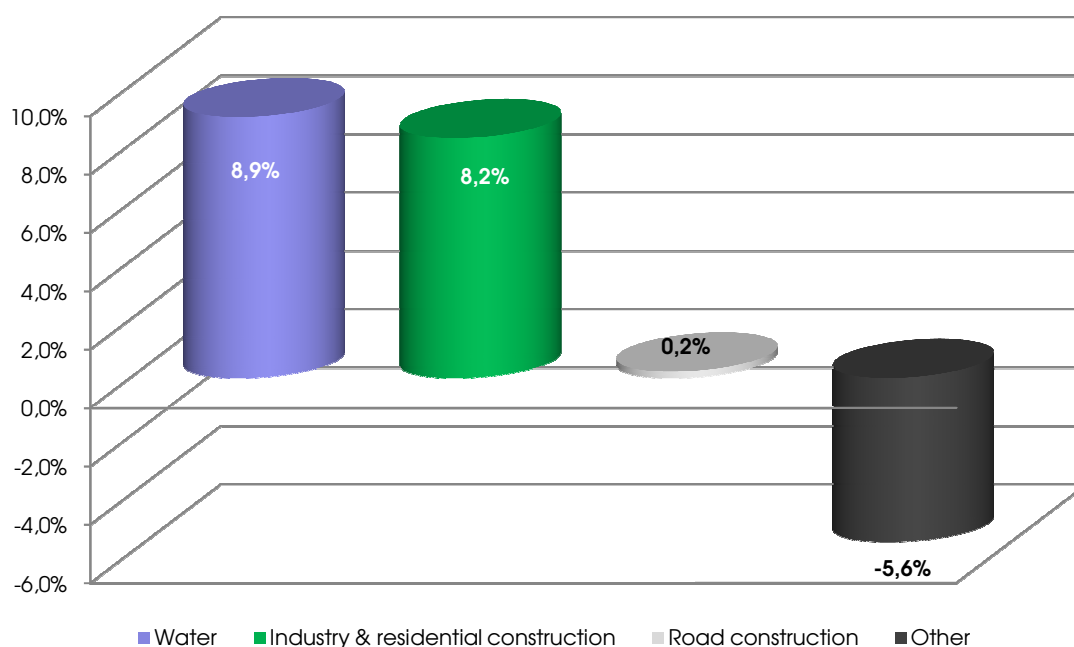
³net profit attributable to owners of the parent /sales revenue*100

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

In Q3 2010, HYDROBUDOWA POLSKA Group's profitability (all all P&L levels) declined year on year. The decrease in gross margin is primarily attributable to the higher share of contracts generating margins below the historical average (e.g., construction of PGE Arena stadium in Gdańsk and construction of National Stadium); this was caused by a number of factors, including the exceptionally long, cold and snowy winter which forced the Company to suspend work on construction sites or use alternative technologies which allow to continue working at negative temperatures. In addition, the Hydrobudowa Polska Group recognised the first significant revenue from road construction contracts, which at the initial stage of execution are currently recognised in a very conservative manner, with zero margin.

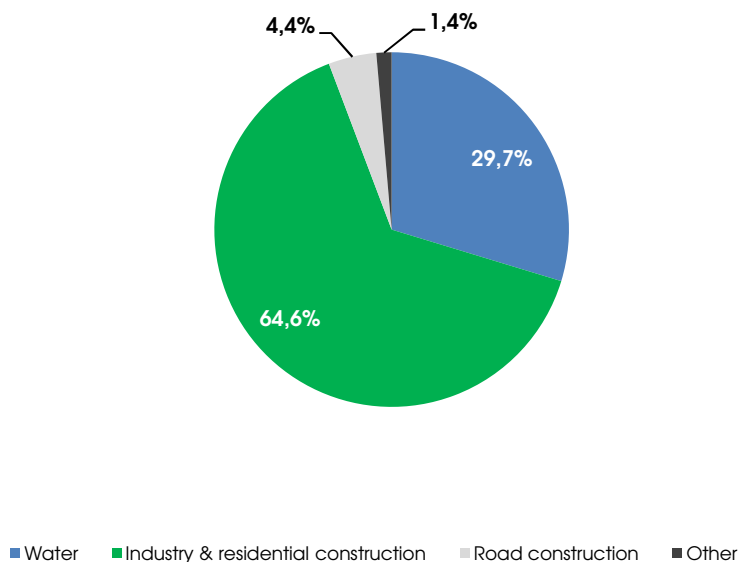
Gross margin amounted to 5.4% and was by 3.2 pp lower than in Q3 2009. Operating margin stood at 1.7%, down by 4.2 pp year on year. Net margin decreased by 1.7 pp year on year, from 3.0% to 1.3%.

Gross margin by operating segments



Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Structure of the HBP Group's sales revenue by operating segments in Q1–Q3 2010



The residential and industrial construction segment contributed the largest proportion of sales revenue (64.6%). The segment's revenue includes revenue under the contracts for the construction of three football stadiums for the EURO 2012 Championships: in Warsaw, Gdańsk and Poznań, as well as revenue under the contract for the construction of a Waste Neutralisation Facility in Gdańsk-Szadółki. The Water segment was the second largest, with a 29.7% share in sales revenue.

The contracts performed in this segment are typically high unit-value contracts, and are connected with environmental protection and hydraulic engineering projects co-funded by the European Union. The Road Construction segment came third. The contracts performed in this segment include the contract for construction of A-4 Motorway Tarnów-Rzeszów between the Krzyż and Dębica Pustynia interchanges.

DISCUSSION OF OTHER OPERATING INCOME AND EXPENSES, AND FINANCE INCOME AND EXPENSES

Cost of sales

In Q3 2010, cost of sales was PLN 394.4m, having declined by 13% relative to Q3 2009. The share of variable costs in total sales revenue for Q3 2010 rose to 94.6%, from 91.3% in Q3 2009 (up by 3.3 pp).

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Costs by type are presented in the table below.

Item	for the period	for the period	for the period	for the period
	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010	Jul 1–Sep 30 2009	Jan 1–Sep 30 2009
Depreciation/amortisation	4,593	14,357	5,145	12,779
Materials and energy used	36,212	158,795	86,756	174,999
Contracted services	307,650	890,798	319,229	670,756
Taxes and charges	7,237	15,078	4,278	7,937
Employee benefits	28,258	85,638	30,478	93,330
Other costs by type	7,326	13,297	4,513	10,697
Total costs by type	391,276	1,177,963	450,399	970,498
Administrative expenses	(12,182)	(37,745)	(9,872)	(36,434)
Change in products, production in progress (-)	13,383	(28,240)	(33,818)	(27,488)
Cost of products and services for own needs				
Cost of sales	392,477	1,111,978	413,039	900,246

Other operating income

Cumulatively for the three quarters of 2010, other operating income amounted to **PLN 19.6m**. The largest item of other operating income were reversals of impairment losses on receivables (PLN 16.3m). Damages received under insurance contracts, fines and penalties of PLN 1.7m are also an important source of other operating income.

Compared with Q3 2009, other operating income increased by almost 32%.

In Q3 2010 other operating income totalled PLN 1.7m, having increased by 174%, from PLN 0.6m. The major contributor to the increase was the reversal of impairment losses on receivables (PLN 0.4m)

OTHER OPERATING INCOME

Item	for the period	for the period	for the period	for the period
	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010	Jul 1–Sep 30 2009	Jan 1–Sep 30 2009
a) Gain on disposal of non-financial non-current assets	-	-	103	-
b) Reversals of impairment losses on assets	356	16 332	116	4 818
- property, plant and equipment and intangible assets	-	-	-	-
- receivables	356	16,324	116	4,413
- inventories	-	2	-	405
- other	-	6	-	-
c) Other, including:	1,334	3,294	397	10,052
- subsidies	-	-	-	-
- damages received under insurance contracts, fines and penalties	312	1,717	397	1,263
- release of provisions for warranty repairs	61	204	-	-
- lease	-	-	616	-
- reimbursement of court expenses	-	216	-	-
- fair-value measurement of investment property	-	-	-	8,779
- other events - recharge invoices	-	243	-	-
- other	961	914	-	10
Total other operating income	1,690	19,626	616	14,870

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Other operating expenses

Cumulatively for the three quarters of 2010, other operating expenses totalled **PLN 34.2m**, relative to PLN 3.6m in Q3 2009. A major item of other operating expenses were PLN 17.2m impairment losses for receivables. Damages paid under insurance contracts, fines and penalties totalling PLN 15.4m were another important component of other operating expenses incurred in Q1-Q3 2010.

In Q3 2010 other operating expenses totalled **PLN 4.8m**, having increased by 31%, from PLN 3.6m. The largest item of other operating expenses were PLN 4.2m impairment losses on receivables.

OTHER OPERATING EXPENSES

Item	for the period Jul 1–Sep 30 2010	for the period Jan 1–Sep 30 2010	for the period Jul 1–Sep 30 2009	for the period Jan 1–Sep 30 2009
a) Loss on disposal of non-financial non-current assets	47	88	-	87
b) Impairment losses on assets	4,151	17,473	834	2,776
- property, plant and equipment and intangible assets	-	-	688	123
- receivables	4,151	17,169	146	2,653
- inventories	-	-	-	-
- other	-	304	-	-
c) Other, including:	555	16,607	2,801	5,691
- donations	45	451	1,431	1,431
- damages paid under insurance contracts, fines and penalties	127	15,400	753	2,971
- deficits in current assets due to no specific fault	-	30	-	-
- impaired past due, cancelled and unrecoverable accounts receivable	-	-	-	2
- other typical events (recurring)	383	726	617	1,287
Total other operating expenses	4,753	34,168	3,635	8,554

Finance income

Finance income for the first three quarters of 2010 was **PLN 14.1m**, relative to PLN 3.7m in the corresponding period of the prior year. The two largest items of finance income were foreign exchange gains of PLN 7.8m and interest income of PLN 6.2m.

In Q3 2010 finance income totalled PLN 4.8 m, **relative to PLN 1.1m recorded in the corresponding period of the prior year.**

FINANCE INCOME

Item	for the period Jul 1–Sep 30 2010	for the period Jan 1–Sep 30 2010	for the period Jul 1–Sep 30 2009	for the period Jan 1–Sep 30 2009
a) Interest	1,573	6,236	781	2,175
- on loans advanced	886	1,847	15	46
- from banks	271	715	445	1,044
- on bonds/notes	-	-	-	-
- other	416	3,674	321	1,085
b) Other	3,188	7,897	340	1,532
- foreign exchange gains	1,898	7,809	-	317
- revenues from financial-market transactions	7	-	101	1,195
- losses on discounting long-term receivables	83	73	-	-
- dividends and other profit distributions receivable	2	2	2	2
- fees for sureties issued	-	-	-	-
- other	1,198	13	237	18
Total finance income	4,761	14,133	1,121	3,707

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Finance expenses

In Q1-Q3 2010, finance expenses totalled **PLN 15.6m**, up by less than 1.0% relative to Q3 2009. Interest expense and fees under bank loans account for the largest share of finance expenses (PLN 13.5m).

In Q3 2010, finance income totalled **PLN 4.6m**, relative to PLN 9.8m in the corresponding period of the prior year (down by 53%).

FINANCE EXPENSES

Item	for the period	for the period	for the period	for the period
	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010	Jul 1–Sep 30 2009	Jan 1–Sep 30 2009
a) Interest and bank fees	4,614	14,734	3,579	14,306
- on contracted loans	-	-	-	216
- interest and fees on bank loans	4,614	13,493	3,579	13,926
- on bonds/notes	-	-	-	-
- other	-	1,241	-	164
b) Other finance expenses	-	872	6,226	1,153
- foreign exchange losses	-	-	6,017	-
- costs of financial-market transactions	-	496	-	-
- losses on discounting long-term receivables	-	-	-	297
- fees for sureties issued	-	-	209	-
- impairment losses on loans advanced	-	-	-	634
- other	-	376	-	222
Total finance expenses	4,614	15,606	9,805	15,459

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

1.1. Parent Undertaking and Its Group

The HBP GROUP comprises HYDROBUDOWA POLSKA S.A., the parent undertaking, and the following subsidiaries:

- HYDROBUDOWA 9 S.A.
- Przedsiębiorstwo Robót Górniczych METRO Sp. z o.o.,
- Gdyńska Projekt Sp. z o.o. (a subsidiary undertaking of Hydrobudowa 9 S.A.).

HYDROBUDOWA POLSKA S.A., with registered office at ul. Skórzewska 35, Wysogotowo, 62-081 Przeźmierowo, Poland, is a construction company specialising in the construction of civil engineering structures as well as the execution of engineering (including hydraulic engineering) work for general construction projects.

On February 24th 1993, the Company was entered in the commercial register of businesses by the District Court in Włocławek under entry No. RHB-794. Subsequently, on June 6th 2001, the Company was registered in the National Court Register by the District Court in Toruń (ul. Młodzieżowa 31, Toruń, Poland), 7th Commercial Division of the National Court Register, under entry No. KRS 0000017342.

On October 9th 2006, the Extraordinary General Shareholders Meeting, by virtue of Resolution No. 1, changed the Company's registered office to ul. Skórzewska 35, Wysogotowo near Poznań. On November 20th 2006, the District Court in Toruń registered the change and handed over the Company's Registration Deed to the District Court in Poznań, 21st Commercial Division of the National Court Register, having territorial jurisdiction over the Company's new registered office. The Company's merger with Hydrobudowa Śląsk S.A. and the change of the Company name from HYDROBUDOWA Włocławek S.A. to HYDROBUDOWA POLSKA S.A. were registered on August 27th 2007 and January 7th 2008, respectively.

The Company's registration file is currently maintained by the District Court for Poznań Nowe Miasto i Wilda, 8th Commercial Division of the National Court Register.

The Company holds the industry identification number REGON 910097080.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

The core business of the parent undertaking and its subsidiaries comprises:

- construction of residential and non-residential buildings (PKD 41.20.Z)
- construction of water projects (PKD 42.91.Z)
- site preparation (43.12.Z)
- construction of utility projects for fluids (PKD 42.21.Z), and
- buying and selling of own real estate (PKD 68.10.Z).

For a more detailed description of the Group's core business, see Note 6 concerned with operating segments.

These interim condensed consolidated financial statements cover the parent undertaking and the subsidiaries listed in the table below:

Subsidiary	Registered office	Group's equity interest		
		Sep 30 2010	Sept 30 2009	Dec 31 2009
Przedsiębiorstwo Robót Górniczych METRO Sp. z o.o.	Warsaw	98.49 %	86.46 %	98.49 %
HYDROBUDOWA 9 S.A.	Wysogotowo	100%	100%	100%
GDYŃSKA PROJEKT Sp. z o.o. (subsidiary undertaking of HB9)	Poznań	100%	100%	100%

The Group has no equity interests in associated undertakings.

These interim condensed consolidated financial statements were approved for publication by the Management Board of the parent undertaking on November 15th 2010.

1.2. Composition of the parent undertaking's Management Board and Supervisory Board. Commercial Proxies

As at the date of approving the financial statements for publication, that is November 15th 2010, the composition of the parent undertaking's Management Board was as follows:

- Jerzy Ciechanowski – President of the Management Board
- Edward Kasprzak – Vice-President of the Management Board
- Jarosław Dusiło – Vice-President of the Management Board
- Szymon Tamborski – Vice-President of the Management Board
- Rafał Damasiewicz – Member of the Management Board
- Andrzej Zwierzchowski – Member of the Management Board.

There were no changes in the composition of the Company's Management Board in the period from January 1st to November 15th 2010.

As at November 15th 2010, the composition of the Company's Supervisory Board was as follows:

- Małgorzata Wiśniewska - Chairperson of the Supervisory Board
- Andrzej Wilczyński - Deputy Chairperson of the Supervisory Board
- Przemysław Szkudlarczyk - Member of the Supervisory Board
- Grzegorz Wojtkowiak - Member of the Supervisory Board
- Jacek Krzyżaniak - Member of the Supervisory Board
- Robert Oppenheim - Member of the Supervisory Board
- Adam Hamrol – Member of the Supervisory Board
- Marek Obrusiewicz – Member of the Supervisory Board.

There were no changes in the composition of the Company's Supervisory Board in the period from July 1st 2010 to the publication date for this report.

As at the date of approving the financial statements for publication, that is November 15th 2010, the parent undertaking's Commercial Proxies were:

- Andrzej Szultka – Sole Commercial Proxy
- Joanna Zwolak – Sole Commercial Proxy

There were no changes in the positions of the Company's Commercial Proxies in the period from January 1st to November 15th 2010.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

2. Basis of Preparation of the Financial Statements and Accounting Policies

2.1. Basis of Preparation of the Financial Statements

These interim condensed consolidated financial statements of the HBP GROUP cover the period of nine months ending on September 30th 2010 and were prepared in accordance with IAS 34 Interim Financial Reporting.

In order to present a more comprehensive picture of the financial position and assets of the Group, these financial statements also include details on comparative periods, including consolidated balance sheet as at September 30th 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for 2009, although this is not required under IAS 34.

These interim condensed consolidated financial statements do not contain all information disclosed in the annual consolidated financial statements prepared in accordance with IFRS. These interim condensed consolidated financial statements should be read in conjunction with the 2009 consolidated financial statements of the HBP GROUP.

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

These interim condensed consolidated financial statements have been prepared on the assumption that the companies of the HBP GROUP would continue as going concerns in the foreseeable future. As at the date of approval for publication of these condensed consolidated financial statements, no facts or circumstances exist that would indicate any threat to the Group's companies continuing as going concerns.

2.2. Accounting Policies

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies presented in the most recent consolidated financial statements of the HBP GROUP for the year ended December 31st 2009, with the exception of the following amended standards and interpretations in effect from January 1st 2010:

- Revised IFRS 3 Business Combinations,
- Revised IAS 27 Consolidated and Separate Financial Statements,
- Amendments to the IFRS under the Annual Improvements Project 2009.

Revised IFRS 3 Business Combinations

The revised standard introduces significant changes to the accounting policies applicable to settlement of business combinations. Major changes include:

- New approach to measurement of goodwill (entity approach), under which the goodwill relating to an acquisition is measured as at the date of obtaining control and with respect to the entire acquiree rather than, as it was the case previously, in proportion to the interest held by the acquirer;
- Repeal of regulations providing for obtaining control in stages and introduction in their place of the principle of fair-value measurement of the investment held by the acquirer (blocks of shares of the subsidiary undertaking) as at the acquisition date. Profit or loss from the investment remeasurement is recognised in the Group's income statement;
- New measurement rules for acquisition-related contingent consideration, which is recognised in correspondence with the financial liability. Change in fair value of the financial liability as at the subsequent balance-sheet dates has an effect on the Group's profit or loss;
- Changed approach to the costs of effecting the combination, which, according to the revised standard, are recognised in the Group's income statement, rather than as a component of the combination cost, and thus goodwill.

The Group implemented the revised IFRS 3 prospectively. Comparative periods were not restated retrospectively. The implementation of new regulations in the first three quarters of 2010 had no impact on the Group's financial statements as no business combinations were effected by the Group during the period.

Revised IFRS 27 Consolidated and separate financial statements

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

The revised standard primarily introduces changes to the method of recognising transactions between the parent undertaking and a minority. Acquisition and disposal of shares in a subsidiary undertaking which do not result in a loss of control by the parent are recognised as equity transactions, and thus have no bearing on the consolidated income statement.

Similarly to IFRS 3, revised IAS 27 was implemented by the Group prospectively, hence comparative periods were not restated. Since no transactions with minorities occurred in the first three quarters of 2010, the implementation of the revised standard had no bearing on the reporting period presented in these condensed consolidated financial statements.

Amendments to IFRS resulting from Annual Improvements Project 2009.

As part of the annual project of improvements to IFRS, minor revisions to the standards were introduced. A noteworthy one is the change to IAS 17 Leases, which modifies the approach to land lease, which, based on the previously effective provisions, was classified as operating lease. Under the new approach, classification of land lease as finance or operating lease is based on general rules. The amended regulations had no bearing on these condensed consolidated financial statements.

2.3. Correction of Errors and Changes in Accounting Policies

Presented below are corrections made in these interim condensed consolidated financial statements, which had an impact on the comparative financial information:

- costs of incentive scheme of PLN 2,038 thousand incurred in 2008 were recognised under retained earnings/(deficit) in the balance sheet as at September 30th 2009 (the adjustment was disclosed for the first time in the 2009 financial statements),
- in the financial information for the period January 1st–September 30th 2009, costs of incentive scheme incurred in the first three quarters of 2009 were recognised at PLN 1,529 thousand.

Furthermore, the Group made the following changes with respect to the presentation of financial information:

- items "Trade receivables" and "Other current receivables" were combined into a single item "Trade and other receivables",
- a new item "Loans advanced" (non-current and current) was created under "Other non-current assets" and "Other current assets",
- the item "Other non-current financial liabilities" was split into "Loans, borrowings and other debt instruments" (non-current), "Finance lease" (non-current), and "Other liabilities" (non-current),
- the item "Other current financial liabilities" was split into "Loans, borrowings and other debt instruments" (current), "Finance lease" (current), and "Trade and other payables" (current),
- item "Trade payables" was merged with "Other current payables" into "Trade and other payables"
- liabilities under employee benefits were separated from "Other current liabilities" and moved to "Liabilities and provisions for employee benefits",
- the item "Provisions for employee benefits" was changed to "Liabilities and provisions for employee benefits" (non-current and current),

Presentation after the change			Presentation before the change		
Item	IFRS as at	IFRS as at	Item	IFRS as at	IFRS as at
	Sep 30 2009	Dec 31 2009		Sep 30 2009	Dec 31 2009
<i>Assets</i>			<i>Assets</i>		
Loans advanced	66	66	Other non-current financial assets	92	92
Other non-current financial assets	26	26			
Trade and other receivables	490,288	660,366	Trade receivables	485 855	658,194
			Other current receivables	4,443	2,172

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Loans advanced	17	16,574	Other current financial assets	268	16,731
Other current financial assets	251	157			
<i>Equity and liabilities</i>			<i>Equity and liabilities</i>		
Trade and other payables	454,568	589,384	Trade payables	410,714	541,082
			Other current payables	58,280	61,962
Liabilities and provisions for employee benefits	17,224	17,358	Provisions for employee benefits payable	210	3,698
			Current accruals and deferred income	2,973	2,164
Current accruals and deferred income	375	2,164			

3. The Group's Material Achievements and Failures

3.1. Material Events and Transactions

The major events after June 30th 2010 include:

- **Agreement for the construction of the Tarnów-Rzeszów Section of the A4 Motorway from the Krzyż interchange to the Dębica Pustynia interchange, with a value of PLN 1.43bn (including a 50% share of the HBP Group),**
- Agreement with Bank Pekao S.A.; under the agreement, the value of a credit line for financing the construction of **the Tarnów-Rzeszów Section of the A4 Motorway from the Krzyż interchange to the Dębica Pustynia interchange was set at PLN 220m,**
- Completion of the first milestone in the construction of **the National Stadium** in Warsaw three weeks before the contractual deadline,
- Agreement for the Execution of **Stage II of the Construction of Sewage Trunks for the Czajka Sewage Treatment Plant with a value of PLN 144.8m (with a 95% share of HBP Group subsidiaries),**
- Topping out of **PGE Arena Gdańsk Stadium,**
- Agreement for **the construction of the Kaczkowo-Korzeńsko Section of the S5 Poznań-Wrocław Expressway, with the beltway of Bojanowo and Rawicz, with a value of PLN 777.2m (with a 50% share of PBG Group subsidiaries),**
- Framework **credit facility agreement and guarantee agreement with Banco Espirito Santo de Investimento SA for PLN 150m,**
- Agreement **for delivery of passenger and luggage security control systems at the Gdańsk Airport, with a value of PLN 47.8m,**
- Agreement for construction of **water supply and wastewater infrastructure in the Łęknice, Dziewiąty, Trzydziesty, Korzeniec and Wzgórze Gołonoskie districts of Dąbrowa Górnicza, with a value of PLN 73.1m,**
- Equity cooperation **agreement between PBG S.A. and OHL of Madrid, including acquisition by PHL of 51% of HBP's share capital,**
- Official opening **of the City Stadium in Poznań,**
- Annex to **the agency and dealer agreement with ING Bank Śląski S.A.;** under the annex, the aggregate minimum amount of the bond issue programme was increased to **PLN 1bn** and the programme term was extended until the end of **2015.**
- Agreement between the Management Boards of HYDROBUDOWA POLSKA S.A. oraz HYDROBUDOWA 9 S.A. on **the merger plan.** The merger will be effected by transferring all assets of Hydrobudowa 9 to its parent. As Hydrobudowa 9 is a wholly-owned subsidiary of Hydrobudowa Polska, the two companies will follow a simplified merger procedure, without increasing the share capital of the surviving company.
- As at the end of Q3 2010, the HBP Group employed **1,606** persons, that is by **203 persons less** than as at the end of Q3 2009.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Concluded investment agreements

In Q3 2010, the HBP Group concluded investment agreements with a total value of **PLN 2.6bn**, including the following significant agreements:

Agreement for the Construction of the Tarnów–Rzeszów Section of the A4 Motorway from the Krzyż interchange to the Dębica Pustynia interchange,

On July 7th 2010, HBP S.A., acting as a consortium partner, and the General Directorate for National Roads and Motorways, represented by the General Directorate for National Roads and Motorways, Rzeszów Branch (the Principal) executed an agreement for the construction of the Tarnów–Rzeszów A4 Motorway (from the Krzyż interchange to the Dębica Pustynia interchange; km 502+797.96 to about km 537+550).

The accepted contract price is **PLN 1,434,761,287.80** (VAT exclusive; PLN 1,750,408,771.12 VAT inclusive).

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

- 1) PBG S.A., APRIVIA S.A. and HBP S.A. deliver and are responsible for 50% of the scope of work under the project;
- 2) SIAC Construction Ltd delivers and is responsible for 50% of the scope of work under the project.

Agreement for the Execution of Stage II of the Construction of Sewage Trunks for the Czajka Sewage Treatment Plant

On July 22nd 2010, HYDROBUDOWA POLSKA S.A., acting as a consortium partner, executed a contract with Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w m.st. Warszawie S.A. (the Principal) for construction of the intercepting sewers system connecting left-bank Warsaw to the Czajka sewage treatment plant (Stage II, delivery of the Zakład Farysa facilities, siphon crossing under the Vistula, facilities of Zakład Świderska, and right-bank trunks).

The consortium agreed to complete the works within **24 months** of the start of work.

The contract price was agreed at **PLN 144,771,027.99 (VAT exclusive)**

and the completion date at December 31st 2011.

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

- P.R.G. METRO Sp. z o.o. as the consortium leader will deliver 40% of the scope of work under the project and will be responsible for work coordination,
- HYDROBUDOWA 9 S.A. as a consortium partner will deliver 40% of the scope of work under the project,
- HBP S.A. as a consortium partner will deliver 15% of the scope of work under the project,
- INFRA S.A. as a consortium partner will deliver 5% of the scope of work under the project.

Agreement for the Construction of the Kaczkowo–Korzeńsko Section of Poznań–Wrocław S5 Expressway

On July 30th 2010, HYDROBUDOWA POLSKA S.A., as a consortium partner, executed a contract with the General Directorate for National Roads and Motorways, Poznań Branch (the Principal), for construction of the Kaczkowo-Korzeńsko section (the beltway of Bojanowo and Rawicz) of the S5 Poznań (A2 – the Głuchowo interchange) – Wrocław (A8 – the Widawa interchange) expressway.

The accepted Contract Price is **PLN 777,239,570.60 (VAT exclusive;** PLN 948,232,276.21 VAT inclusive)

The consortium agreed to complete the works within 20 months of the start of work. The time necessary for completing the work excludes the periods between December 15th and March 15th.

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

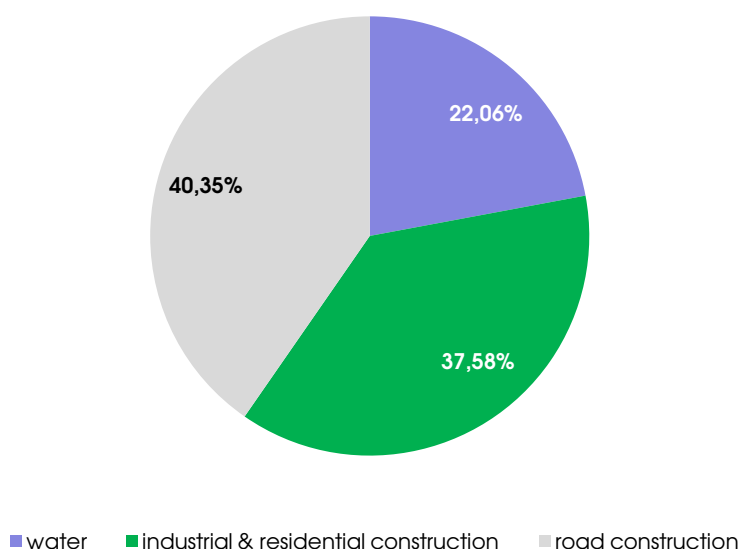
- 1) ALPINE Bau GmbH as the consortium leader is obliged to deliver and is responsible for 60% of the scope of work under the project;
- 2) PBG S.A., APRIVIA S.A. and HYDROBUDOWA POLSKA S.A. as consortium partners are obliged to deliver and are responsible for 40% of the scope of work under the project.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Order book

As at September 30th 2010, the value of the HBP Group's order book **exceeded PLN 3.0bn**. The value of order book has been estimated with the revenue recognition method, which means that whenever a contract has been acquired and is executed by a consortium, the revenue pertaining to tasks to be executed by any partner without the Group was excluded, even if Hydrobudowa Polska or its subsidiary undertaking acts as the consortium leader. Contracts in the road construction segment currently have the largest share in the order book value. The industrial and residential construction segment is the second largest one, with a 37.6% share in the total order book value.

Structure of order book as at September 30th 2010
(signed and negotiated contracts)



3.2. Factors and events, especially of non-recurring nature, with a bearing on the financial performance

EFFECT OF FX HEDGING ON THE PERFORMANCE OF THE HBP GROUP

The HBP Group uses its open positions on the currency market to hedge some of its cash flows on sales revenue: attributable to 2010 in an amount of EUR 31,18m and those attributable to 2011 in an amount of EUR 23,41m (including EUR 20,09m in H2011). The relevant transactions were concluded at the weighted average forward exchange rate of PLN 3,8517/EUR . According to the data sourced from the banks, as at September 30th 2010, the carrying amount of open positions on forward hedges was negative at PLN -8,32m, including an amount of PLN -4,19m disclosed in the Group's financial result for hedged revenues, of which PLN 0,96m was recognised in the 2010 consolidated income statement, with the remaining balance, i.e. PLN -4,13m, recognised under equity. The result on forward contracts realised in 2010 was PLN -17,08m, which was posted to and disclosed in the consolidated income statement.

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

4. Earnings per Share (EPS)

EPS is calculated by dividing net profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding in the period.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

When calculating diluted EPS, the dilutive effect of stock options over HBP S.A. shares, issued for the purposes of incentive schemes operated by the Group, is taken into account. The parent undertaking did not issue stock options in the discussed period.

The EPS calculation is presented below:

Item	for the period Jan 1–Sep 30 2010	for the period Jan 1–Sep 30 2009	for the period Jan 1–Dec 31 2009
Continuing operations			
Net profit/(loss) from continuing operations	36,526	59,334	97,910
Weighted average number of ordinary shares	210,558	210,558	210,558
Dilutive effect of stock options	-	-	-
Diluted weighted average number of ordinary shares	210,558	210,558	210,558
Basic earnings/(loss) per share from continuing operations (PLN)	0.17	0.28	0.47
Diluted earnings/(loss) per share from continuing operations (PLN)	0.17	0.28	0.47
Discontinued operations			
Net profit/(loss) from discontinued operations	-	-	-
Weighted average number of ordinary shares	210,558	210,558	210,558
Dilutive effect of stock options	-	-	-
Diluted weighted average number of ordinary shares	210,558	210,558	210,558
Basic earnings/(loss) per share from discontinued operations (PLN)	-	-	-
Diluted earnings/(loss) per share from discontinued operations (PLN)	-	-	-
Continuing and discontinued operations			
Net profit/(loss)	36,526	59,334	97,910
Weighted average number of ordinary shares	210,558	210,558	210,558
Dilutive effect of stock options	-	-	-
Diluted weighted average number of ordinary shares	210,558	210,558	210,558
Basic earnings/(loss) per share from all operations (PLN)	0.17	0.28	0.47
Diluted earnings/(loss) per share from all operations (PLN)	0.17	0.28	0.47

5. Seasonality of Operations

As a provider of construction and assembly services, the Group is exposed to seasonal cycles. Historical data reveals a trading pattern where revenues and profits reported in the second half of a year are stronger than those posted in the first half.

Weather conditions have a strong bearing on the progress of work under projects executed by the Group. Low temperatures hinder earthworks and assembly, which may affect the Company's sales revenue.

The HBP Group's strategy is aimed at securing high unit-value contracts. This facilitates elimination of seasonal changes in sales revenue, also ensuring more balanced stream of revenue throughout the financial year.

6. Operating Segments

In identifying operating segments, the Management Board of the parent undertaking is guided by the product lines, representing the main services and goods provided by the Group. Each of the segments is managed separately within each product line, given the nature of the services and products, which require different technologies, resources and execution approaches.

The implementation of IFRS 8 has not changed the approach to identifying operating segments, when compared with the Group's most recent consolidated financial statements.

The HBP GROUP has elected operating segment as its basic reporting unit.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	<i>July 1st 2010 – September 30th 2010</i>	Reporting currency:	<i>Polish złoty (PLN)</i>
Rounding:	<i>all figures in PLN '000 (unless stated otherwise)</i>		

Operating segments identified by the Group are consistent with those presented in the consolidated financial statements of the group of companies led by HBP S.A.'s ultimate parent undertaking, i.e. the PBG Group.

The Group distinguishes the following four main segments:

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

The following areas are identified within individual segments:

- **In the natural gas, crude oil and fuels segment:**
 - crude oil tanks,
 - surface installations for production of crude oil and natural gas,
 - surface installations of underground gas storage facilities.
- **In the water segment:**
 - process and sanitary installations for water and sewage systems, including:
 - water pipes,
 - sewage systems,
 - water mains and trunk sewers,
 - water intakes,
 - wastewater treatment plants,
 - hydraulic engineering structures, including:
 - water dams,
 - storage reservoirs,
 - levees,
 - modernisation of water and sewage systems.
- **In the residential and industrial construction segment:**
 - general construction,
 - industrial infrastructure,
 - construction of stadiums,
 - construction of waste incineration plants.
- **In the segment of road construction:**
 - construction of motorways and expressways,
 - construction of bridges and viaducts,
 - construction of road tunnels,
 - construction of parking lots.

The HBP GROUP also distinguishes an additional segment called "Other", under which it recognises, inter alia, revenue from sales of goods for resale and materials, as well as other services which are not allocated to any of the four main segments.

The HBP GROUP presents sales revenue, costs and result (gross margin) by individual segments. Balance-sheet assets and equity and liabilities are not presented by business segments given the fact that some of the property, plant and equipment are used in production that is classified in different segments, inventory of materials cannot be allocated to the particular segments, and it is impossible to make a segmental allocation of trade payables, other operating income and expenses or other finance income and expenses.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish zloty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

The table below presents segment revenues, results, and assets:

Operating segments, for the period January 1st–September 30th 2010

Item	Segments				Other	Consolidated
	Natural gas, crude oil and fuels	Water	Industrial and residential construction	Road construction		
<i>Financial highlights of operating segments for the period January 1st–September 30th 2009</i>						
Total revenue	-	359,440	781,917	53,114	16,556	1,211,028
External sales	-	359,440	781,917	53,114	16,556	1,211,028
Inter-segment sales	-	-	-	-	-	-
Total expense	-	(327,307)	(717,675)	(52,998)	(17,486)	(1,115,466)
Segment result	-	32,133	64,242	116	(930)	95,562
Unallocated expense	X	X	X	X	X	(37,745)
Other operating income/expense	X	X	X	X	X	(14,542)
Operating profit	X	X	X	X	X	43,275
Finance income	X	X	X	X	X	14,133
Finance expenses	X	X	X	X	X	(15,606)
Share in profit of undertakings valued with equity method	X	X	X	X	X	-
Pre-tax profit	X	X	X	X	X	41,802
Income tax	X	X	X	X	X	(5,259)
Net profit	X	X	X	X	X	36,543

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish zloty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Operating segments, for the period January 1st–September 30th 2009

Item	Segments				Other	Consolidated
	Natural gas, crude oil and fuels	Water	Industrial and residential construction	Road construction		
<i>Financial highlights for the operating segments in the period January 1st–September 30th 2009</i>						
Total revenue	35,225	517,049	438,842	-	58,632	1,049,747
External sales	35,225	517,049	438,842	-	58,632	1,049,747
Inter-segment sales				-		
Total expense	(31,849)	(468,453)	(395,556)	-	(52,386)	(948,244)
Segment result	3,376	48,596	43,286	-	6,246	101,503
Unallocated expense	X	X	X	X	X	(37,964)
Other operating income/expense	X	X	X	X	X	(6,316)
Operating profit	X	X	X	X	X	69,856
Finance income	X	X	X	X	X	3,707
Finance expenses	X	X	X	X	X	(15,459)
Share in profit of undertakings valued with equity method	X	X	X	X	X	
Pre-tax profit	X	X	X	X	X	59,900
Income tax	X	X	X	X	X	(519)
Net profit	X	X	X	X	X	59,381

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

7. Property, plant and equipment

In Q3 2010, the Group expensed PLN 5.3m on acquisition of property, plant and equipment.

The table below presents property, plant and equipment by type.

Item	As at Sep 30 2010	As at Sep 30 2009	As at Dec 31 2009
Land	15,151	20,135	15,981
Buildings and structures	27,213	39,629	29,250
Plant and equipment	58,141	75,553	72,266
Vehicles	18,760	20,432	20,487
Other	2,517	2,823	2,762
Net carrying value	127,782	158,572	140,746
Property, plant and equipment under construction	2,089	4,112	1,289
Prepayments for property, plant and equipment	2,344	98	81
Total property, plant and equipment	126,215	162,782	142,116
Property, plant and equipment classified as held for sale	-	-	-
Property, plant and equipment	126,215	162,782	142,116

8. Intangible assets

In Q3 2010, the Group did not purchase material intangible assets. Expense on acquisition of intangible assets was PLN 117 thousand.

In Q3 2010, the Group did not recognise any impairment losses on intangible assets.

9. Share capital

In the first nine months of 2010, the Company did not issue shares.

Share capital as at the balance-sheet date:

	Sep 30 2010	Sep 30 2009	Dec 31 2009
Number of shares	210,558,445	210,558,445	210,558,445
Par value per share (PLN)	1.00	1.00	1.00
Share capital	210,558	210,558	210,558

9.1. Significant shareholders

Shareholders holding, directly or indirectly (through subsidiary undertakings) 5% or more of the total vote at the General Shareholders Meeting of HBP S.A. as at the date of release of the consolidated quarterly report, number of shares held by such shareholders and their percentage in the total share capital, number of votes attached to such shares and their percentage in the total vote at the Company's General Shareholders Meeting, as well as changes in significant holdings of HBP S.A. shares since the date of the most recent quarterly report.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

The table below presents shares of the Company's shareholders in the total vote at the General Shareholders Meeting as at the date of this report (based on notifications received from the shareholders) **as at September 30th 2010.**

No.	Shareholder	Number of shares	Number of votes	Share in the Company's share capital	Share in the total vote
1.	PBG S.A.	132,748,692	132,748,692	63.05%	63.05%
2.	ING OFE of Warsaw	10,550,000	10,550,000	5.01%	5.01%
3.	Other	67,259,753	67,259,753	31.94%	31.94%
TOTAL		210,558,445	210,558,445	100.00%	100.00%

Changes in significant holdings of the Company shares

Within the period from the submission of the semi-annual report for H1 2010 to the date of publication of this report, there was one change in significant holdings of the Company shares.

On October 20th 2010, HYDROBUDOWA POLSKA S.A. was notified by ING Powszechne Towarzystwo Emerytalne S.A. of Warsaw (a pension fund management company) that – following acquisition of shares in HYDROBUDOWA POLSKA S.A. in transactions executed on the Warsaw Stock Exchange and settled on October 14th 2010 – ING Otwarty Fundusz Emerytalny (an open-end pension fund) ("The Fund") had come to hold shares conferring the right to more than 10% of the total vote at the Company's General Shareholders Meeting.

Before the acquisition of the shares, ING Otwarty Fundusz Emerytalny held 20,705,232 shares in HYDROBUDOWA POLSKA S.A., representing 9.83% of the Company's share capital. The shares carried 20,705,232 votes, representing 9.83% of the total vote, at the General Shareholders Meeting of HYDROBUDOWA POLSKA S.A.

As at October 20th 2010, the number of Company shares recorded in the securities account of ING Otwarty Fundusz Emerytalny was 23,238,981, representing 11.04% of the Company's share capital. The shares carry 23,238,981 votes, representing 11.04% of the total vote, at the General Shareholders Meeting of HYDROBUDOWA POLSKA S.A.

The table below presents shares of the Company's shareholders in the total vote at the General Shareholders Meeting as at the date of this report (based on notifications received from the shareholders).

No.	Shareholder	Number of shares	Number of votes	Share in the Company's share capital	Share in the total vote
1.	PBG S.A.	132,748,692	132,748,692	63.05%	63.05%
2.	ING OFE of Warsaw	23,238,981	23,238,981	11.04%	11.04%
3.	Other	54,570,772	54,570,772	25.91%	25.91%
TOTAL		210,558,445	210,558,445	100.00%	100.00%

9.2. Shares held by the managing and supervisory personnel

Management Board	Number of shares held August 20th 2010	Increase	Decrease	Number of shares held as at the date hereof
Jerzy Ciechanowski	-	-	-	-
Edward Kasprzak	438,100	-	-	438,100
Jarosław Dusiło	150	-	-	150
Szymon Tamborski	3,182,695	20,000*	-	3,202,695

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Andrzej Zwierzchowski	4,850	-	-	4,850
Rafał Damasiewicz	-	-	-	-

* The increase relates to acquisition by Mr Szymon Tamborski of shares in HBP under the incentive scheme operated by a subsidiary, HYDROBUDOWA 9 S.A., at a price of PLN 0.14 per share.

Supervisory Board	Number of shares held August 20th 2010	Increase	Decrease	Number of shares held as at the date hereof
Małgorzata Wiśniewska	-	-	-	-
Andrzej Wilczyński	-	-	-	-
Grzegorz Wojtkowiak	-	-	-	-
Robert Oppenheim	-	-	-	-
Jacek Krzyżaniak	-	-	-	-
Adam Hamrol	-	-	-	-
Marek Obrusiewicz	-	-	-	-
Przemysław Szkudlarczyk	36,100	-	-	36,100

Commercial Proxies	Number of shares held August 20th 2010	Increase	Decrease	Number of shares held as at the date hereof
Andrzej Szultka	18,000	-	-	18,000
Joanna Zwolak	50	-	-	50

10. Share-Based Payment Programmes

Since 2008, the Group has accounted for the costs related to an incentive scheme based on the outstanding shares of HBP S.A.

For details on the incentive scheme see Note 15.4 to the 2009 consolidated financial statements.

An amount of PLN 510 thousand, representing 25% of the annual value of the incentive scheme, was recognised by the Group under costs and expenses for Q3 2010.

The Group does not operate incentive schemes based on stock options or equity instruments other than described above.

11. Dividends

In Q3 2010, the Company did not pay or declare any dividend.

12. Issue and Redemption of Debt Securities

In Q3 2010, the Group did not issue any debt securities.

The Group has not issued any redeemable debt securities.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

13. Contingent Liabilities

The table below presents contingent liabilities as at the end of respective periods (including contingent liabilities to related undertakings):

Contingent Liabilities	Sep 30 2010 PLN '000	Dec 31 2009 PLN '000
Guarantees:	504,274	648,612
To related undertakings:		
To other undertakings:	504,274	648,612
- performance bonds	389,206	500,325
- defects liability bonds	50,992	42,806
- bid-bond guarantees	24,901	20,750
- advance payment bonds	34,799	81,412
- retention bonds	3,570	2,919
- payment guarantees	806	400
Sureties:	2,009,037	1,876,979
To related undertakings:	1,941,425	1,870,472
- securing discharge of contractual guarantees	456,678	416,174
- securing repayment of loans and borrowings	484,629	305,948
- securing bond redemption	1,000,000	1,000,000
- securing repayment of amounts due under financial instruments trading facilities (treasury limits)	-	147,738
- other	-	400
- securing existing and future lease agreements	118	212
To other undertakings:	67,612	6,507
- securing discharge of contractual guarantees	43,284	931
- securing repayment of loans and borrowings	20,750	5,175
- securing bond redemption	-	-
- securing repayment of amounts due under financial instruments trading facilities (treasury limits)	1,764	-
- other	-	-
- securing payment of trade payables	1,220	-
- securing existing and future lease agreements	594	401
Promissory notes:	43,693	45,903
To related undertakings:	16,865	19,118
- securing discharge of contractual obligations	16,865	19,118
To other undertakings:	26,828	26,785
- securing discharge of contractual obligations	26,828	26,785
Total contingent liabilities:	2,557,004	2,571,494

In Q3 2010, the Group did not issue any material sureties or guarantees whose value would exceed 10% of its equity.

14. Material court, arbitration and administrative proceedings

Court, arbitration and administrative proceedings pending against the parent undertaking and its subsidiaries do not exceed 10% of the Group's total equity and are regarded as immaterial.

15. Business combinations

In Q3 2010, the Group did not acquire or sell any subsidiaries, nor any other transactions, such as acquisitions of equity interests or share capital increases, were effected which could have an impact on the Group's structure.

16. Discontinued operations

Not applicable.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

17. Related-party transactions

Related-party transactions within the HBP GROUP which have been eliminated in the consolidation process are presented in the separate financial statements of the respective companies.

The table below presents related-party transactions disclosed in these condensed consolidated financial statements.

The transaction were concluded with related parties from outside the HBP GROUP.

	Operating income			Receivables		
	Jan 1– Sep 30 2010	Jan 1–Sep 30 2009	Jan 1–Dec 31 2009	Sep 30 2010	Sep 30 2009	Dec 31 2009
Sales to:						
Parent undertaking	28,760	61,710	67,916	35,620	1,504	5,114
Subsidiary undertaking	-	-	-	-	-	-
Associated undertaking						
Related undertaking	44,281	84,721	119,849	55,103	51,119	60,882
Key management staff	-	-	-	-	-	-
Other related parties	742	162	25,338	46,128	25,541	50,905
Total	73,783	146,593	213,103	136,851	78,164	116,901

	Purchase			Liabilities		
	Jan 1– Sep 30 2010	Jan 1–Sep 30 2009	Jan 1–Dec 31 2009	Sep 30 2010	Sep 30 2009	Dec 31 2009
Purchases from:						
Parent undertaking	38,075	73,193	137,155	50,270	48,000	62,352
Subsidiary undertaking	-	-	-	-	-	-
Associated undertaking						
Related undertaking	133,664	63,913	108,749	31,852	16,603	45,021
Key management staff	-	-	-	-	-	-
Other related parties	22,334	6,694	9,856	2,549	571	1,450
Total	194,073	82,582	255,760	84,671	79,470	108,823

	Sep 30 2010		Sep 30 2009		Dec 31 2009	
	Amount as per contact	Amount outstanding as at balance- sheet date	Amount as per contact	Amount outstanding as at balance- sheet date	Amount as per contact	Amount outstanding as at balance- sheet date
Loans advanced to:						
Parent undertaking	-	-	-	-	16,500	16,523
Subsidiary undertaking	-	-	-	-	-	-
Associated undertaking	-	-	-	-	-	-
Related undertaking	-	-	-	-	-	-
Key management staff	-	-	-	-	-	-
Other related parties	20,839	21,575	-	-	-	-
Total	20,839	21,216	-	-	16,500	16,523

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

18. Events subsequent to the balance-sheet date

Guarantee from HYDROBUDOWA POLSKA S.A. and HYDROBUDOWA 9 S.A.

On October 22nd 2010, HYDROBUDOWA POLSKA S.A. and its subsidiary HYDROBUDOWA 9 S.A. validly extended a guarantee to all holders of Series D Notes, with a total value of PLN 450m, issued by PBG S.A. on October 22nd 2010.

The guarantee is valid through April 23rd 2014 and covers an amount of up to PLN 540,000,000, representing 120% of the total value of the issue.

Settlements under the guarantee will be made annually on an arm's length basis.

Decision to merge HYDROBUDOWA 9 S.A. into HYDROBUDOWA POLSKA S.A.

On October 22nd 2010, the Management Board of HYDROBUDOWA POLSKA S.A. resolved to pursue a merger with HYDROBUDOWA 9 S.A., a subsidiary undertaking, with registered office at ul. Skórzewska 35, Wysogotowo, 62-080 Przeźmierowo, Poland, entered in the register of entrepreneurs of the National Court Register, maintained by the District Court for Poznań Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register, under entry No. 0000270917 (the Target Company).

The merging companies are:

- HYDROBUDOWA POLSKA Spółka Akcyjna, with registered office at ul. Skórzewska 35, Wysogotowo, 62-081 Przeźmierowo, Poland, entered in the register of entrepreneurs of the National Court Register, maintained by the District Court for Poznań Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register, under entry No. 0000017342, holding tax identification number NIP 888-020-59-44, and industry identification number REGON 910097080, with the total share capital paid up of PLN 210,558,445.00, as the acquiring company within the meaning of Art. 492.1.1 of the Polish Commercial Companies Code (the Acquiring Company), and
- HYDROBUDOWA 9 Spółka Akcyjna, with registered office at ul. Skórzewska 35, Wysogotowo, 62-081 Przeźmierowo, Poland, entered in the register of entrepreneurs of the National Court Register, maintained by the District Court for Poznań Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register, under entry No. 0000270917, holding tax identification number NIP 781-00-09-083, and industry identification number REGON 630006130, with the total share capital paid up of PLN 1,453,668.50, as the Acquired Company within the meaning of Art. 492.1.1 of the Polish Commercial Companies Code (the Target Company).

HYDROBUDOWA POLSKA S.A. is a construction company specialising in the construction of water engineering, hydraulic engineering and environmental protection structures, and general construction services.

HYDROBUDOWA 9 S.A. operates on the same market. The company provides a broad range of contractor services in the area of environmental protection, hydraulic engineering, construction of roads, bridges and buildings.

The merger will be effected in the manner provided for in Art. 492.1.1 of the Polish Commercial Companies Code, i.e. by transferring all assets and liabilities of the Target Company to the Acquiring Company.

The merger of HYDROBUDOWA POLSKA S.A. and its wholly-owned subsidiary HYDROBUDOWA 9 S.A. aims at rationalising the organisational structure of the HYDROBUDOWA POLSKA Group, reducing the Group's operating costs, streamlining the process of managing resources of two companies which have so far operated in overlapping business areas, and improving the efficiency of project execution by the HYDROBUDOWA POLSKA Group by combining separate companies into a single entity.

The merger will be effected pursuant to Art. 515.1 of the Polish Commercial Companies Code, i.e. without increasing the share capital of the Acquiring Company, given that the Target Company is a wholly-owned subsidiary of the Acquiring Company.

For the same reason, the merging companies will follow a simplified merger procedure provided for in Art. 516.6 in conjunction with Art. 516.1 and Art. 516.5 of the Commercial Companies Code. Pursuant to Art. 516.6 in conjunction with Art. 516.5 of the Commercial Companies Code, under the simplified procedure the merging companies are exempt from the requirement to prepare directors' reports (Art. 501 of the Code) or to have the merger plan audited by a qualified auditor.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

19. Management Board's opinion on the feasibility of meeting previously published forecasts

In the period until the date of release of this Report, the Group did not publish any financial forecasts for 2010.

20. Factors with a potential bearing on future financial performance

The key factors which may affect the financial performance of the Issuer in at least the following quarter include:

- conditions prevailing in the construction industry,
- situation on financial markets,
- degree and areas in which the EU funds are utilised,
- advancement of execution of investment projects related to the organisation of EURO 2012 in Poland,
- strengthening of operational and financial supervision over the performance of contracts,
- prices of construction materials and services affecting the amount of direct costs of performed contracts,
- employment costs and availability of qualified personnel.

21. Financial highlights translated into the euro

In the periods covered by these condensed consolidated financial statements, the key items were translated into the euro using the following PLN/EUR average exchange rates quoted by the National Bank of Poland:

- exchange rate effective for the last day of the reporting period: September 30th 2010 – PLN/EUR 3.9870, September 30th 2009 – PLN/EUR 4.2226, December 31st 2009 – PLN/EUR 4.1082;
- average exchange rate for the period, calculated as the arithmetic mean of exchange rates effective for the last day of each individual month in the given period: January 1st – September 30th 2010: PLN/EUR 4.0027, January 1st – September 30th 2009: PLN/EUR 3.3939, January 1st – December 31st 2009: PLN/EUR 4.3406;
- the highest and the lowest exchange rate in the period: January 1st – March 31st 2010: PLN/EUR 4.0969 – 3.8622, January 1st – March 31st 2009: PLN/EUR 4.8999 – 3.9170, January 1st – December 31st 2009: PLN/EUR 4.8999 – 3.9170.

Key items of the consolidated balance sheet, income statement and statement of cash flows, translated into the euro, are presented in the table below:

Item	Jan 1–Sep 30 2010 PLN	Jan 1–Sep 30 2009 PLN	Jan 1–Dec 31 2009 PLN	Jan 1–Sep 30 2010 EUR	Jan 1–Sep 30 2009 EUR	Jan 1–Dec 31 2009 EUR
Income statement						
Sales revenue	1,211,028	1,049,747	1,675,623	302,553	309,304	386,035
Operating profit/(loss)	43,275	69,856	115,244	10,811	20,583	26,550
Pre-tax profit/(loss)	41,802	59,900	103,983	10,443	17,649	23,956
Net profit/(loss) from continuing operations	36,543	59,381	97,934	9,130	17,496	22,562
Net profit/(loss) attributable to:	36,543	59,381	97,934	9,130	17,496	22,562
– owners of the parent	36,526	59,334	97,910	9,125	17,483	22,557
– minority interests	17	47	24	3	13	5
Earnings/(loss) per ordinary share (PLN / EUR)	0.17	0.28	0.47	0.04	0.08	0.11
Diluted earnings/(loss) per ordinary share (PLN / EUR)	0.17	0.28	0.47	0.04	0.08	0.11
PLN / EUR average exchange rate				4.0027	3.3939	4.3406
Statement of cash flows						
Net cash provided by/(used in) operating activities	(68,571)	(33,912)	38,219	(17,131)	(9,992)	8,805
Net cash provided by/(used in) investing activities	(39,191)	4,886	(17,969)	(9,791)	1,440	(4,140)
Net cash provided by/(used in) financing activities	89,906	8,116	(10,533)	22,461	2,391	(2,427)
Net change in cash and cash equivalents	(17,856)	(20,909)	9,717	(4,461)	(5,759)	2,239
PLN / EUR average exchange rate				4.0027	3.3939	4.3406

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Item	As at	As at	As at	As at	As at	As at
	Sep 30 2010	Sep 30 2009	Dec 31 2009	Sep 30 2010	Sep 30 2009	Dec 31 2009
	PLN	PLN	PLN	EUR	EUR	EUR
Balance sheet						
Assets	1,410,146	1,314,169	1,457,838	353,686	311,223	354,861
Non-current liabilities	34,597	64,097	48,788	8,677	15,180	11,876
Current liabilities	924,680	924,093	1,019,548	231,924	218,845	248,174
Equity	450,869	325,979	389,502	113,085	77,199	94,811
Share capital	210,558	210,558	210,558	52,811	49,865	51,253
Number of shares	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445
Book value per share (PLN / EUR)	2.1413	1.5482	1.8499	0.5371	0.3666	0.4503
Dividend per share declared or paid (PLN / EUR)	-	-	-	-	-	-
PLN / EUR exchange rate as at end of period**				3.9870	4.2226	4.1082

CONDENSED SEPARATE FINANCIAL STATEMENTS OF HYDROBUDOWA POLSKA S.A.

Balance sheet

Item	As at	As at	As at	As at	As at
	Sep 30 2010	Jun 30 2010	Dec 31 2009	Sep 30 2009	Jun 30 2009
<i>Assets</i>					
Non-current assets	515,546	515,345	467,183	464,342	478,689
Goodwill	-	-	-	-	-
Intangible assets	219	274	383	432	452
Property, plant and equipment	73,234	75,271	78,482	86,600	85,967
Non-regenerative natural resources	-	-	-	-	-
Investment property	13,762	13,762	13,762	7,090	9,100
Investments in subsidiary undertakings	371,084	371,084	371,084	366,084	366,084
Investments in associated undertakings	-	-	-	-	-
Receivables	1,114	1,231	1,267	1,952	3,572
Loans advanced	53,206	52,321	66	65	-
Derivative financial instruments	-	-	-	-	-
Other non-current financial assets	28	26	26	26	7,586
Deferred tax assets	-	-	-	-	3,149
Non-current prepayments and accrued income	2,899	1,376	2,113	2,093	2,779
Current assets	864,389	861,459	880,834	789,250	813,057
Inventories	1,547	1,212	4,409	2,650	4,711
Receivables under construction contracts	426,140	394,269	316,792	341,247	337,572
Trade and Other Receivables	392,110	391,161	441,684	333,153	371,729
Current income tax receivable	3,500	2,105	-	-	-
Loans advanced	11,023	11,603	46,648	29,702	28,555
Derivative financial instruments	-	-	-	-	-
Other current financial assets	163	8,258	28,268	33,363	25,219
Cash and cash equivalents	25,549	49,154	38,728	44,792	41,014
Current prepayments and accrued income	4,357	3,697	4,305	4,343	4,257
Non-current assets held for sale	-	-	-	-	-
Total assets	1,379,935	1,376,804	1,348,017	1,253,592	1,291,746

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

BALANCE SHEET (CONTINUED)

Item	As at Sep 30 2010	As at Jun 30 2010	As at Dec 31 2009	As at Sep 30 2009	As at Jun 30 2009
<i>Equity and liabilities</i>					
Equity	837,446	835,310	830,479	800,677	777,699
Share capital	210,558	210,558	210,558	210,558	210,558
Treasury shares	-	-	-	-	-
Share premium account	543,001	543,001	543,001	543,001	543,001
Valuation of hedging transactions	(708)	(2,104)	(7,271)	(16,668)	(35,350)
Other equity	83,091	83,091	45,295	45,295	45,295
Retained earnings	1,504	764	38,896	18,491	14,195
– retained earnings/(deficit)	-	-	-	-	-
– net profit/(loss) for current year	1,504	764	38,896	18,491	14,195
Liabilities	542,489	541,494	517,538	452,915	514,047
Non-current liabilities	18,395	22,052	28,405	25,434	34,331
Loans, borrowings and other debt instruments	4,311	6,316	11,929	15,204	19,765
Finance lease	1,317	1,460	1,590	1,640	1,759
Derivative financial instruments	-	-	-	-	5,267
Other liabilities	5,207	5,287	5,688	4,488	4,320
Deferred tax liabilities	2,572	4,112	4,388	442	-
Liabilities and provisions for employee benefits	1,320	1,320	1,394	690	690
Other non-current provisions	3,668	3,557	3,416	2,970	2,530
Government subsidies	-	-	-	-	-
Non-current accruals and deferred income	-	-	-	-	-
Current liabilities	524,094	519,442	489,133	427,481	479,716
Loans, borrowings and other debt instruments	241,301	216,441	124,653	142,714	210,120
Finance lease	556	546	486	464	461
Derivative financial instruments	3,092	9,638	14,171	32,749	62,737
Trade and other payables	265,622	277,097	334,869	231,367	184,346
Liabilities under construction contracts	1,473	2,228	2,613	8,397	8,304
Current income tax payable	-	-	630	1,132	1,374
Liabilities and provisions for employee benefits	8,192	9,608	8,573	9,467	11,478
Other current provisions	1,370	1,318	1,063	921	627
Government subsidies	-	-	-	-	-
Current accruals and deferred income	2,488	2,566	2,075	270	269
Liabilities under non-current assets held for sale	-	-	-	-	-
Total equity and liabilities	1,379,935	1,376,804	1,348,017	1,253,592	1,291,746

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Income statement

Item	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010	Jul 1–Sep 30 2009	Jan 1–Sep 30 2009
<i>Continuing operations</i>				
Sales revenue	315,533	823,577	313,700	705,014
- from related undertakings	50,225	62,344	53,288	121,272
Revenue from sales of products	-	-	-	-
Revenue from sales of services	313,477	819,966	312,877	701,049
Revenue from sales of goods for resale and materials	2,056	3,611	823	3,965
Cost of sales	(300,489)	(776,640)	(300,589)	(663,636)
- to related undertakings	(86,018)	(163,687)	(80,687)	(136,654)
Cost of products sold	-	-	-	-
Cost of services sold	(298,541)	(773,191)	(299,786)	(659,972)
Cost of goods for resale and materials sold	(1,948)	(3,449)	(803)	(3,664)
Gross profit/(loss)	15,044	46,937	13,111	41,378
Selling costs	-	-	-	-
General and administrative expenses	(6,277)	(21,210)	(3,893)	(16,281)
Other operating income	618	18,041	675	2,350
Other Operating Expenses	(4,247)	(32,694)	(2,132)	(5,005)
Share in profit of undertakings valued with equity method	-	-	-	-
Costs of restructuring	-	-	-	-
Operating profit/(loss)	5,138	11,074	7,761	22,442
Finance income	2,129	6,736	2,052	8,583
Finance expenses	(6,355)	(14,004)	(4,763)	(9,195)
Other gains/(losses) on investments	-	-	-	950
Pre-tax profit/(loss)	912	3,806	5,050	22,780
Income tax	(172)	(2,302)	(753)	(4,289)
Net profit/(loss) from continuing operations	740	1,504	4,297	18,491
<i>Discontinued operations</i>				
Net loss from discontinued operations	-	-	-	-
Net profit/(loss)	740	1,504	4,297	18,491

NET EARNINGS (LOSS) PER ORDINARY SHARE

Item	Jul 1–Sep 30 2010 1 / share	Jan 1–Sep 30 2010 1 / share	Jul 1–Sep 30 2009 1 / share	Jan 1–Sep 30 2009 1 / share
Net profit/(loss) from continuing operations	740	1,504	4,297	18,491
Net profit/(loss) from continuing and discontinued operations	740	1,504	4,297	18,491
Weighted average number of ordinary shares (in thousands)	210,558,445	210,558,445	210,558,445	210,558,445
Diluted weighted average number of ordinary shares (in thousands)	210,558,445	210,558,445	210,558,445	210,558,445
<i>from continuing operations</i>				
- basic	0.004	0.007	0.02	0.09
- diluted	0.004	0.007	0.02	0.09
<i>from continuing and discontinued operations</i>				
- basic	0.004	0.007	0.02	0.09
- diluted	0.004	0.007	0.02	0.09

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

COMPREHENSIVE INCOME

Item	Jul 1-Sep 30 2010	Jan 1-Sep 30 2010	Jul 1-Sep 30 2009	Jan 1-Sep 30 2009
Net profit/(loss)	740	1,504	4,297	18,491
Other comprehensive income				
Remeasurement of property, plant and equipment	-	-	-	-
Available-for-sale financial assets:				
– income/(loss) disclosed under other comprehensive income in period	-	-	-	-
– amounts transferred to profit or loss	-	-	-	-
Cash-flow hedges:				
– income/(loss) disclosed under other comprehensive income in period	2,589	4,408	18,424	(11,470)
– amounts transferred to profit or loss	(865)	3,695	5,046	44,955
– amounts included in the initial value of hedged items	-	-	-	-
Income tax on items of other comprehensive income	(328)	(1,540)	(4,787)	(6,690)
Other comprehensive income after tax	1,396	6,563	18,683	26,795
Comprehensive income	2,136	8,067	22,980	45,286

Statement of cash flows

Item	Jan 1-Sep 30 2010	Jan 1-Sep 30 2009
<i>Cash flows from operating activities</i>		
Profit before tax	3,806	22,780
Adjustments:		
Depreciation and impairment losses on property, plant and equipment	6,331	6,802
Amortisation of and impairment losses on intangible assets	196	220
Change in fair value of investment property	-	-
Change in fair value of financial assets (liabilities) measured through profit or loss	452	(1,561)
Cash flow hedges transferred from equity	3,696	44,955
Impairment losses on financial assets	(7)	(2,136)
Gains (losses) on disposal of non-financial non-current assets	126	(147)
Gains (losses) on disposal of financial assets (other than derivative instruments)	-	(950)
Foreign exchange gains/(losses)	-	-
Interest expense	8,429	8,500
Interest income	(3,534)	-
Dividend received	(2)	-
Share in profit/(loss) of associated undertakings	-	-
Other adjustments	(1,548)	(1,100)
Total adjustments:	14,138	54,583
Change in inventories	2,862	1,733
Change in receivables	49,530	(33,709)
Change in liabilities	(69,705)	71,387
Change in provisions and accruals and deferrals	(182)	1,018
Effect of construction contracts	(110,490)	(37,045)
Change in working capital	(127,986)	3,384

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Gains/(losses) on settlement of derivative instruments	(7,122)	(53,209)
Interest paid on operating activities	(117)	(94)
Income tax paid	(9,789)	(19,183)
Net cash provided by/(used in) operating activities	(127,069)	8,261
<i>Cash flows from investing activities</i>		
Acquisition of intangible assets	(34)	(87)
Disposal of intangible assets	-	-
Acquisition of property, plant and equipment	(1,349)	(3,494)
Disposal of property, plant and equipment	375	183
Acquisition of investment property	-	-
Disposal of investment property	-	-
Acquisition of subsidiary undertakings, net	-	-
Disposal of subsidiary undertakings, net	-	9,000
Repayment of loans advanced	35,200	-
Loans advanced	(51,378)	(28,000)
Acquisition of other financial assets	-	-
Disposal of other financial assets	25,000	-
Government subsidies received	-	-
Interest received	5,306	-
Other inflows	796	-
Other investment expenses	(347)	-
Dividend received	2	-
Net cash provided by/(used in) investing activities	13,571	(22,398)
<i>Cash flows from financing activities</i>		
Net proceeds from issue of shares	-	-
Acquisition of own shares	-	-
Proceeds from issue of debt securities	-	-
Redemption of debt securities	-	-
Interest paid on debt securities	-	-
Increase in loans and borrowings	128,404	93,171
Repayment of loans and borrowings	(19,371)	(73,220)
Repayment of finance lease liabilities	(398)	(565)
Interest paid	(8,315)	(8,624)
Interest received on bank deposits	-	-
Other inflows/outflows	-	-
Dividend paid	-	-
Net cash provided by/(used in) financing activities	100,320	10,762
Net change in cash and cash equivalents	(13,178)	(3,375)
Cash and cash equivalents at beginning of period	38,728	48,167
Effect of foreign exchange gains/(losses)	-	-
Cash and cash equivalents at end of period	25,549	44,792

HYDROBUDOWA POLSKA SA is a party to joint venture agreements, under which all financial settlements among the consortium partners are made through the joint escrow account. Where the Company is the leader of a consortium, funds in escrow accounts are recognised as the Company's cash. Under the terms of escrow account agreements, these funds are restricted cash. As at September 30th 2010, restricted cash stood at PLN 12m.

Where the Company is a partner in a joint venture, the funds in escrow accounts are not recognised by the Company in the balance sheet. The total of funds in escrow accounts that were not recognised in the balance sheet as at September 30th 2010 was PLN 4m. zł

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish zloty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

STATEMENT OF CHANGES IN EQUITY

Item	Share capital	Treasury shares (-)	Share premium account	Hedging reserve	Other equity	Retained earnings (deficit)	Total
Balance as at Jan 1 2009	210,558	-	543,001	(7,271)	45,295	38,896	830,479
Changes in accounting policies	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	-	-
Balance after changes	210,558	-	543,001	(7,271)	45,295	38,896	830,478
Issue of shares	-	-	-	-	-	-	-
Issue of shares following exercise of options (share-based payment programme)	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Allocation of profit/(loss) to equity	-	-	-	-	37,796	(38,896)	(1,100.)
Total transactions with owners of the parent	-	-	-	-	37,796	(38,896)	(1,100.)
Net profit for period Jan 1 – Sep 30 2010	-	-	-	-	-	1,504	1,504
Other comprehensive income:	-	-	-	-	-	-	-
Remeasurement of property, plant and equipment	-	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	8,103	-	-	8,103
Currency translation differences on foreign operations	-	-	-	-	-	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-
Income tax on items of other comprehensive income	-	-	-	(1,540)	-	-	(1,540)
Total comprehensive income	-	-	-	6,563	-	1,504	8,067
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-
Balance as at Sep 30 2010	210,558,	-	543,001	(708)	83,091	1,504	837,446

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish zloty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Item	Share capital	Treasury shares (-)	Share premium account	Hedging reserve	Other equity	Retained earnings (deficit)	Total
Balance as at Jan 1 2009	210,558	-	543,001	(43,463)	43,790	2,605	756,491
Changes in accounting policies	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	-	-
Balance after changes	210,558	-	543,001	(43,463)	43,790	2,605	756,491
Changes in equity in period Jan 1 - Sep 30 2009							
Issue of shares	-	-	-	-	-	-	-
Issue of shares following exercise of options (share-based payment programme)	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Allocation of profit/(loss) to equity	-	-	-	-	1,505	(2,605)	(1,100)
Total transactions with owners of the parent	-	-	-	-	1,505	(2,605)	(1,100)
Net profit for period Jan 1 - Sep 30 2009	-	-	-	-	-	18,491	18,491
Other comprehensive income:							
Remeasurement of property, plant and equipment	-	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	33,485	-	-	33,485
Currency translation differences on foreign operations	-	-	-	-	-	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-
Income tax on items of other comprehensive income	-	-	-	(6,690)	-	-	(6,690)
Total comprehensive income	-	-	-	26,795	-	18,491	45,286
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-
Balance as at Sep 30 2009	210,558	-	543,001	(16,668)	45,295	18,491	800,677

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish zloty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Item	Share capital	Treasury shares (-)	Share premium account	Hedging reserve	Other equity	Retained earnings (deficit)	Total
Balance as at Jan 1 2009	210,558	-	543,001	(43,463)	43,790	2,605	756,491
Changes in accounting policies		-		-	-	-	-
Correction of fundamental errors		-		-	-	-	-
Balance after changes	210,558	-	543,001	(43,463)	43,790	2,605	756,491
Changes in equity in period Jan 1-Dec 31 2009							
Issue of shares	-	-	-	-	-	-	-
Issue of shares following exercise of options (share-based payment programme)	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-
Other adjustments					-	-	-
Dividends					-	-	-
Allocation of profit/(loss) to equity					1,505	(2,605)	(1,100)
Total transactions with owners of the parent	-	-	-	-	1,505	(2,605)	(1,100)
Net profit for period Jan 1 – Dec 31 2009	-	-	-	-	-	38,896	38,896
Other comprehensive income:							
Remeasurement of property, plant and equipment	-	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	44,681	-	-	44,681
Currency translation differences on foreign operations	-	-	-	-	-	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-
Income tax on items of other comprehensive income				(8,489)	-	-	(8,489)
Total comprehensive income	-	-	-	36,192	-	38,896	75,088
Transfer to retained earnings (sale of remeasured property, plant and equipment)							-
Balance as at Dec 31 2009	210,558	-	543,001	(7,271)	45,295	38,896	830,479

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

DISCUSSION OF HYDROBUDOWA POLSKA S.A.'s RESULTS

In Q3 2010, the following contracts were the main sources of revenue from the core business of the Company:

Industrial and residential construction segment:

Contract	Sales revenue generated in Q3 2010 (PLN '000)
Construction of PGE Arena Gdańsk football stadium in Gdańsk Letnica	42,056.0
Design and construction of waste neutralisation facility in Gdańsk-Szadółki (construction and assembly work)	39,586.2
Construction of National Stadium in Warsaw and auxiliary infrastructure	30,368.6
Construction of office and commercial building with underground car parking space at ul. Górecka in Poznań	24,260.3

Water segment:

Contract	Sales revenue generated in Q3 2010 (PLN '000)
Modernisation and extension of sewage treatment plant in Starachowice	7,159.4
Extension of wastewater treatment plant in Bieruń	2,695.7
Extension of wastewater treatment plant in Zielona Góra	2,041.9

DISCUSSION OF REVENUE, INCOME, COSTS AND EXPENSES

Sales revenue

In Q3 2010, HYDROBUDOWA POLSKA S.A.'s sales revenue amounted to PLN 315.5m, which represented a slight year-on-year growth of 0.6%.

Cumulatively for the first three quarters of 2010, sales revenue totalled PLN 823.6m, having grown by almost 17% relative to the corresponding period of the previous year.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Cost of sales

In Q3 2010, cost of sales reached PLN 300.5m, remaining relatively flat compared with the Q3 2009 figure. The share of variable costs in the sales revenue posted in Q3 2010 decreased to 95.2% (95.8% in Q3 2009), down by 0.6pp.

Costs by type are presented in the table below.

Item	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010	Jul 1–Sep 30 2009	Jan 1–Sep 30 2009
Depreciation/amortisation	2,175	6,526	2,274	6,899
Materials and energy used	16,320	74,577	48,961	107,586
Contracted services	312,461	702,197	243,220	494,077
Taxes and charges	972	3,443	1,931	4,745
Employee benefits	17,535	52,899	16,339	49,594
Other costs by type	5,572	9,528	3,192	6,706
Total costs by type	355,035	849,170	315,917	669,608
Administrative expenses	(6,277)	(21,210)	(3,893)	(16,281)
Change in products, production in progress (-)	(50,217)	(54,769)	(12,238)	(6,646)
Cost of products and services for own needs (-)	-	-	-	-
Cost of sales	298,541	773,191	299,786	659,972

General and administrative expenses

General and administrative expenses in Q3 2010 amounted to PLN 6.3m, and were by 61.2% higher year on year. The share of general and administrative expenses in sales revenue went up by 0.8pp in the period, from 1.2% to 2.0%.

Cumulatively for the first three quarters of 2010, general and administrative expenses totalled PLN 21.2m and were 30.3% higher than in the comparative period of the previous year. The share of general and administrative expenses in sales revenue, cumulatively for the first three quarters of 2010, rose by 0.3pp, from 2.3% to 2.6%.

Other operating income

Cumulatively for the first three quarters of 2010, other operating income amounted to PLN 18m. The most significant item of other operating income were reversals of impairment losses on receivables (PLN 15.4m).

Received damages (nearly PLN 1.6m) were also a significant item of other operating income.

In Q3 2010, other operating income was PLN 0.6m, down by 8% year on year.

Other operating income is presented in detail in the table below.

Item	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010	Jul 1–Sep 30 2009	Jan 1–Sep 30 2009
a) Gain on disposal of non-financial non-current assets	-	-	103	147
b) Reversals of impairment losses on assets	91	15,354	266	1,175
- property, plant and equipment and intangible assets	-	-	-	-
- receivables	91	15,354	150	1,175
- inventories	-	-	116	-
- other	-	-	-	-
c) Other, including:	527	2,687	304	1,028
- subsidies	-	-	-	-
- damages received under insurance contracts, fines and penalties	250	1,619	282	974
- reversal of provisions for warranty repairs	-	-	-	-

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

- lease	-	-	-	-
- reimbursement of court expenses	3	216	-	-
- other	274	852	24	54
Total other operating income	618	18,041	675	2,350

Other operating expenses

Cumulatively for the first three quarters of 2010, other operating expenses totalled PLN 32.7m relative to PLN 5.0m in Q3 2009. Other operating expenses include such major items as impairment losses on receivables (PLN 16.7m) and damages paid under insurance contracts, fines and penalties (PLN 14.8m). Other operating expenses in Q3 2010 amounted to PLN 4.2m, having increased by 100% compared with the Q3 2009 figure.

Other operating expenses are presented in detail in the table below.

Item	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010	Jul 1–Sep 30 2009	Jan 1–Sep 30 2009
a) Loss on disposal of non-financial non-current assets	15	126	-	-
b) Impairment losses on assets	3,909	16,703	1,271	2,427
- property, plant and equipment and intangible assets	-	-	123	123
- receivables	3,909	16,703	1,148	2,304
- inventories	-	-	-	-
- other	-	-	-	-
c) Other, including:	323	15,865	861	2,578
- donations	16	421	130	130
- damages paid under insurance contracts, fines and penalties	132	14,824	731	2,302
- other typical events (recurring)	175	620	-	146
Total other operating expenses	4,247	32,694	2,132	5,005

Finance income

Cumulatively for the first three quarters of 2010, finance income amounted to PLN 6.7m and was 21.5% lower than in the comparative period of 2009. The key component of finance income is interest income (PLN 6.7m), comprising other interest (PLN 2.7m), interest on advanced loans (PLN 2.5m) and interest on bonds/notes (PLN 1.0m).

In Q3 2010, finance income rose by 4% on the corresponding figure posted in Q3 2009.

Finance income is presented in detail in the table below.

Item	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010	Jul 1–Sep 30 2009	Jan 1–Sep 30 2009
a) Interest	1,714	6,721	1,715	4,399
- on loans advanced	1,052	2,538	448	1,031
- from banks	188	463	60	285
- on bonds/notes	99	996	673	1,959
- other	375	2,724	534	1,124
b) Other	415	15	337	4,185
- foreign exchange gains	-	-	-	2,970
- revenues from financial-market transactions	-	-	101	1,195
- losses on discounting long-term receivables	-	-	114	-
- dividends and other profit distributions	-	2	2	2
- fees for sureties issued	-	-	108	-
- other	415	13	12	17
Total finance income	2,129	6,736	2,052	8,583

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

Finance expenses

Cumulatively for the first three quarters of 2010, finance expenses totalled PLN 14.0m, having increased by 52.3% year on year. Interest and fees on bank loans (PLN 8.2m) and foreign exchange losses (PLN 3.9m) stand out as the most significant items of finance expenses.

In Q3 2010, finance expenses went up by 33%, from PLN 4.8m to PLN 6.4m.

Finance expenses are presented in detail in the table below.

Item	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010	Jul 1–Sep 30 2009	Jan 1–Sep 30 2009
a) Interest and bank fees	3,362	9,274	2,607	8,102
- on contracted loans	-	-	-	216
- interest and fees on bank loans	3,362	8,231	2,607	7,886
- on bonds/notes	-	-	-	-
- other	-	1,043	-	-
b) Other finance expenses	2,993	4,730	2,156	1,093
- foreign exchange losses	2,515	3,876	2,065	-
- costs of financial-market transactions	452	452	-	-
- losses on discounting long-term receivables	26	26	-	355
- fees for sureties	-	-	-	634
- impairment losses on loans advanced	-	-	-	-
- other	-	376	91	104
Total finance expenses	6,355	14,004	4,763	9,195

DISCUSSION OF ITEMS OF THE INCOME STATEMENT

In Q3 2010, the Company posted net profit of PLN 0.7m, down by nearly 83% on Q3 2009. The growth of sales revenue in Q3 2010 was accompanied by an increase in gross profit and a decrease in operating profit, respectively by 14.7% and 33.8%.

EBITDA

Cumulatively for the first three quarters of 2010, expenditure on acquisition of property, plant and equipment and non-tangible assets totalled PLN 1.3m, while in the corresponding period of the previous year it amounted to PLN 3.6m. In the same period, depreciation/amortisation charges stood at PLN 6.5m, compared with PLN 7.0m in the first three quarters of 2009.

In Q1–Q3 2010, EBITDA (operating profit before amortisation/depreciation) was PLN 17.6m, down by 40 % year on year.

Profitability ratios

In Q3 2010, sales revenue growth, at 0.6%, outstripped the growth in cost of sales, which had a favourable effect on the Company's gross margin.

Gross margin was 4.8% in Q3 2010, having increased by 0.6pp on the Q3 2009 figure (4.2%).

In Q3 2010, operating margin fell to 1.6%, from 2.5% a year earlier.

Net margin in Q3 2010 was 0.2%, compared with 1.4% in Q3 2009.

Profitability ratios	Q3 2009	Q3 2010
Gross margin ¹	4.2%	4.8%
Operating margin ²	2.5%	1.6%
Net margin ³	1.4%	0.2%

¹ gross profit / sales revenue * 100

² operating profit / sales revenue * 100

³ net profit / sales revenue * 100

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	July 1st 2010 – September 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	all figures in PLN '000 (unless stated otherwise)		

FINANCIAL HIGHLIGHTS OF HYDROBUDOWA POLSKA S.A. TRANSLATED INTO THE EURO

Item	Jan 1–Sep 30 2010	Jan 1–Sep 30 2009	Jan 1–Dec 31 2009	Jan 1–Sep 30 2010	Jan 1–Sep 30 2009	Jan 1–Dec 31 2009
	PLN	PLN	PLN	EUR	EUR	EUR
Income statement						
Sales revenue	823,577	705,014	1,125,755	205,755	207,400	259,355
Operating profit/(loss)	11,074	22,442	51,370	2,767	6,602	11,835
Pre-tax profit/(loss)	3,806	22,780	49,865	951	6,701	11,488
Net profit/(loss) from continuing operations	1,504	18,491	38,896	376	5,440	8,961
Net profit/(loss)	1,504	18,491	38,896	376	5,440	8,961
Earnings/(loss) per ordinary share (PLN / EUR)	0.0070	0.0900	0.4650	0.0017	0.0265	0.1071
Diluted earnings/(loss) per ordinary share (PLN / EUR)	0.0070	0.0900	0.4650	0.0017	0.0265	0.1071
PLN / EUR average exchange rate*				4.0027	3.3993	4.3406
Net cash provided by/(used in) operating activities	(127,069)	8,261	41,384	(31,746)	1,878	9,534
Net cash provided by/(used in) investing activities	13,571	(22,398)	(38,008)	3,390	(5,091)	(8,756)
Net cash provided by/(used in) financing activities	100,320	10,762	12,815	25,063	2,446	2,952
Net change in cash and cash equivalents	(13,178)	(3,375)	(9,439)	(3,292)	(767)	3,730
PLN / EUR average exchange rate*				4.0027	3.3993	4.3406

Item	As at Sep 30 2010	As at Sep 30 2010	As at Dec 31 2009	As at Sep 30 2010	As at Sep 30 2009	As at Dec 31 2009
	PLN	PLN	PLN	EUR	EUR	EUR
Balance sheet						
Assets	1,379,935,	1,253,592,	1,348,017,	346,109,	296,877,	328,128,
Non-current liabilities	18,395,	25,434,	28,405,	4,614,	6,023,	6,914,
Current liabilities	524,094,	427,481,	489,133,	131,451,	101,236,	119,063,
Equity	837,446,	800,677,	830,479,	210,044,	189,617,	202,152,
Share capital	210,558,	210,558,	210,558,	52,811,	49,865,	51,253,
Number of shares	210,558,443,	210,558,444,	210,558,445,	210,558,443,	210,558,444,	210,558,445,
Book value per share (PLN / EUR)	3.9773	3.8026	3.9442	0.9976	0.9005	0.9601
Dividend per share declared or paid (PLN / EUR)	-	-	-	-	-	-
PLN / EUR exchange rate as at end of period**				3.9870	4.2226	4.1082

Name of the Group:	<i>THE HYDROBUDOWA POLSKA GROUP</i>		
Period covered by the financial statements:	<i>July 1st 2010 – September 30th 2010</i>	Reporting currency:	<i>Polish złoty (PLN)</i>
Rounding:	<i>all figures in PLN '000 (unless stated otherwise)</i>		

Signatures of all members of the parent undertaking's Management Board			
Date	Name	Title	Signature
November 15th 2010	Jerzy Ciechanowski	President of the Management Board	
November 15th 2010	Edward Kasprzak	Vice-President of the Management Board	
November 15th 2010	Jarosław Duśi	Vice-President of the Management Board	
November 15th 2010	Szymon Tamborski	Vice-President of the Management Board	
November 15th 2010	Rafał Damasiewicz	Member of the Management Board	
November 15th 2010	Andrzej Zwierzchowski	Member of the Management Board	
Signature of the person responsible for the preparation of these consolidated financial statements			
Date	Name	Title	Signature
November 15th 2010	Joanna Zwolak	Chief Accountant	