

# HYDROBUDOWA POLSKA GROUP



## INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM JULY 1ST 2011 TO SEPTEMBER 30TH 2011

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL  
REPORTING STANDARDS

WYSOGOTOWO, NOVEMBER 14TH 2011

<b>Name of the Group:</b>	<i>THE HYDROBUDOWA POLSKA GROUP</i>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

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## CONSOLIDATED FINANCIAL STATEMENTS OF THE HYDROBUDOWA POLSKA GROUP

### CONSOLIDATED BALANCE SHEET

Item	According to IFRS as at Sep 30 2011	According to IFRS as at Jun 30 2011	According to IFRS as at Dec 31 2010	According to IFRS as at Sep 30 2010	According to IFRS as at Jun 30 2010
<b>Assets</b>					
<b>Non-current assets</b>	<b>295,494</b>	<b>298,025</b>	<b>327,278</b>	<b>268,441</b>	<b>274,286</b>
Goodwill	37,604	37,605	37,605	37,605	37,605
Intangible assets	23,389	24,244	7,324	1,529	1,639
Property, plant and equipment	185,318	186,100	158,309	126,215	130,113
Non-regenerative natural resources	-	-	-	-	-
Investment property	38,888	38,888	53,348	31,550	31,568
Investments in subsidiary undertakings	-	-	-	-	-
Investments in associated undertakings	-	-	-	-	-
Investments in joint ventures	-	-	-	-	-
Receivables	1,185	1,134	1,342	1,922	2,033
Loans advanced	69	69	54,103	53,206	52,321
Derivative financial instruments	-	-	-	-	2,530
Other non-current financial assets	26	26	28	28	26
Deferred tax assets	7,451	8,384	11,202	12,383	14,153
Non-current prepayments and accrued income	1,564	1,575	4,017	4,003	2,298
<b>Current assets</b>	<b>1,354,635</b>	<b>1,229,350</b>	<b>1,097,834</b>	<b>1,139,947</b>	<b>1,159,907</b>
Inventories	20,445	18,270	19,173	17,815	15,478
Receivables under construction contracts	596,918	488,456	275,141	520,441	496,118
Trade and other receivables	574,079	613,035	701,279	515,975	555,256
Current income tax receivable	9,995	9,781	6,579	3,500	2,105
Loans advanced	56,935	55,930	-	-	-
Derivative financial instruments	-	-	4,660	8,307	3,522
Other current financial assets	226	307	144	163	134
Cash and cash equivalents	87,528	38,344	85,936	65,996	80,896
Current prepayments and accrued income	8,509	5,227	4,922	7,750	6,398
Non-current assets classified as held for sale	-	-	-	-	-
<b>Total assets</b>	<b>1,650,129</b>	<b>1,527,375</b>	<b>1,425,112</b>	<b>1,408,388</b>	<b>1,434,193</b>

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

## CONSOLIDATED BALANCE SHEET (CONTINUED)

Item	According to IFRS as at Sep 30 2011	According to IFRS as at Jun 30 2011	According to IFRS as at Dec 31 2010	According to IFRS as at Sep 30 2010	According to IFRS as at Jun 30 2010
<i>Equity and liabilities</i>					
<b>Equity</b>	<b>470,978</b>	<b>465,296</b>	<b>439,155</b>	<b>449,111</b>	<b>432,543</b>
<b>Equity attributable to owners of the parent</b>	<b>470,669</b>	<b>464,987</b>	<b>438,846</b>	<b>448,827</b>	<b>432,268</b>
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	257,209
Hedging and translation reserve	(3,713)	(2,843)	(1,883)	(19,903)	(30,533)
Other equity	102,291	101,782	98,472	98,030	97,520
Retained earnings	(95,676)	(101,719)	(125,510)	(97,067)	(102,486)
– profit (loss) brought forward	(130,335)	(129,113)	(133,593)	(133,593)	(133,594)
– net profit (loss) for the year attributable to owners of the parent	34,659	27,394	8,083	36,526	31,108
<b>Non-controlling interests</b>	<b>309</b>	<b>309</b>	<b>309</b>	<b>284</b>	<b>275</b>
<b>Liabilities</b>	<b>1,179,151</b>	<b>1,062,079</b>	<b>985,957</b>	<b>959,277</b>	<b>1,001,650</b>
<b>Non-current liabilities</b>	<b>50,185</b>	<b>49,067</b>	<b>30,369</b>	<b>34,597</b>	<b>42,222</b>
Loans, borrowings and other debt instruments	-	-	1,664	4,311	6,316
Finance lease	22,754	24,456	6,058	6,880	7,431
Derivative financial instruments	-	2,446	-	-	5,434
Other liabilities	16,338	14,006	13,420	14,521	14,442
Deferred tax liabilities	2,265	-	-	-	-
Liabilities and provisions for employee benefits	2,739	2,804	3,209	3,548	3,548
Other non-current provisions	6,089	5,355	6,018	5,337	5,051
Government subsidies	-	-	-	-	-
Non-current accruals and deferred income	-	-	-	-	-
<b>Current liabilities</b>	<b>1,128,966</b>	<b>1,013,012</b>	<b>955,588</b>	<b>924,680</b>	<b>959,428</b>
Loans, borrowings and other debt instruments	619,817	529,559	348,621	408,394	383,488
Finance lease	14,496	16,648	7,798	7,431	11,687
Derivative financial instruments	7,677	6,205	11,224	16,629	31,462
Trade and other payables	431,697	391,641	506,921	426,555	473,127
Liabilities under construction contracts	12,527	21,921	25,546	19,633	14,180
Current income tax payable	-	-	1,231	321	269
Liabilities and provisions for employee benefits	14,486	16,320	15,115	14,813	16,662
Other current provisions	21,631	25,006	35,905	28,321	25,883
Government subsidies	-	-	-	-	-
Current accruals and deferred income	6,635	5,712	3,227	2,583	2,670
Liabilities under non-current assets held for sale	-	-	-	-	-
<b>Total equity and liabilities</b>	<b>1,650,129</b>	<b>1,527,375</b>	<b>1,425,112</b>	<b>1,408,388</b>	<b>1,434,193</b>

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## CONSOLIDATED INCOME STATEMENT

	According to IFRS for the period Jul 1–Sep 30 2011	According to IFRS for the period Jan 1–Sep 30 2011	According to IFRS for the period Jul 1–Sep 30 2010	According to IFRS for the period Jan 1–Sep 30 2010
<i>Continuing operations</i>				
<b>Sales revenue</b>	<b>499,244</b>	<b>1,241,669</b>	<b>416,885</b>	<b>1,211,028</b>
- related undertakings	53,290	122,708	39,846	73,783
Revenue from sales of products	-	-	-	-
Revenue from sales of services	498,279	1,239,844	414,824	1,207,378
Revenue from sales of goods for resale and materials	965	1,825	2,061	3,650
<b>Cost of sales</b>	<b>(475,278)</b>	<b>(1,171,404)</b>	<b>(394,428)</b>	<b>(1,115,466)</b>
- related undertakings	(10,597)	(46,665)	(75,524)	(194,073)
Cost of products sold	-	-	-	-
Cost of services sold	(474,371)	(1,169,681)	(392,477)	(1,111,978)
Cost of goods for resale and materials sold	(907)	(1,723)	(1,951)	(3,488)
<b>Gross profit (loss)</b>	<b>23,966</b>	<b>70,265</b>	<b>22,457</b>	<b>95,562</b>
Selling costs	-	-	-	-
General and administrative expenses	(12,088)	(32,768)	(12,182)	(37,745)
Other operating income	3,143	11,466	1,690	19,626
Other operating expenses	(1,110)	(2,946)	(4,753)	(34,168)
Share in profit of equity-accounted undertakings	-	-	-	-
Costs of restructuring	-	-	-	-
<b>Operating profit (loss)</b>	<b>13,911</b>	<b>46,017</b>	<b>7,212</b>	<b>43,275</b>
Finance income	7,624	13,089	4,761	14,133
Finance expenses	(10,760)	(21,655)	(4,614)	(15,606)
Valuation of shares in joint ventures	-	-	-	-
Other gains (losses) on investments	-	3,956	-	-
<b>Pre-tax profit (loss)</b>	<b>10,775</b>	<b>41,407</b>	<b>7,359</b>	<b>41,802</b>
Income tax	(3,510)	(6,744)	(1,938)	(5,259)
<b>Net profit (loss) from continuing operations</b>	<b>7,265</b>	<b>34,663</b>	<b>5,421</b>	<b>36,543</b>
<i>Discontinued operations</i>	-	-	-	-
Net loss from discontinued operations	-	-	-	-
<b>Net profit (loss)</b>	<b>7,265</b>	<b>34,663</b>	<b>5,421</b>	<b>36,543</b>
<b>Net profit (loss) attributable to:</b>	-	-	-	-
- owners of the parent	7,265	34,659	5,418	36,526
- minority interests	-	4	3	17

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### NET EARNINGS (LOSS) PER ORDINARY SHARE (PLN)

Item	According to IFRS for the period	According to IFRS for the period	According to IFRS for the period	According to IFRS for the period
	Jul 1–Sep 30 2011 (PLN per share)	Jan 1–Sep 30 2011 (PLN per share)	Jul 1–Sep 30 2010 (PLN per share)	Jan 1–Sep 30 2010 (PLN per share)
Net profit (loss) from continuing operations	7,265	34,659	5,418	36,526
Net profit (loss) from continuing and discontinued operations	7,265	34,659	5,418	36,526
Weighted average number of ordinary shares (in thousands)	210,558	210,558	210,558	210,558
Diluted weighted average number of ordinary shares (in thousands)	210,558	210,558	210,558	210,558
<i>from continuing operations</i>				
– basic	0.0345	0.1646	0.0257	0.1735
– diluted	0.0345	0.1646	0.0257	0.1735
<i>from continuing and discontinued operations</i>				
– basic	0.0345	0.1646	0.0257	0.1735
– diluted	0.0345	0.1646	0.0257	0.1735

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Item	IFRS	IFRS	IFRS	IFRS
	Jul 1–Sep 30 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
<b>Net profit (loss)</b>	7,265	34,663	5,421	36,543
<b>Other comprehensive income</b>				
Remeasurement of property, plant and equipment	-	(1,204)	-	438
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	(1,288)	(1,039)	12,062	14,978
– amounts transferred to profit or loss	-	(1,488)	523	16,196
– amounts included in the initial value of hedged items	-	-	-	-
	418	927	(1,949)	(6,250)
Income tax on items of other comprehensive income	-	-	-	-
Other comprehensive income net of tax	(870)	(2,804)	10,636	25,362
<b>Comprehensive income</b>	<b>6,395</b>	<b>31,859</b>	<b>16,057</b>	<b>61,905</b>
<b>Comprehensive income attributable to:</b>				
– owners of the parent	<b>6,395</b>	<b>31,855</b>	<b>16,054</b>	<b>61,883</b>
– minority interests	-	<b>4</b>	<b>3</b>	<b>22</b>

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### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Item	Equity attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Hedging reserve	Other equity	Retained earnings	Total		
<b>Balance as at Jan 1 2011</b>	<b>210,558</b>	-	<b>257,209</b>	<b>(21,968)</b>	<b>98,472</b>	<b>(97,079)</b>	<b>447,192</b>	<b>309</b>	<b>447,501</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	20,085	-	(28,431)	(8,346)	-	(8,346)
<b>Balance after changes</b>	<b>210,558</b>	-	<b>257,209</b>	<b>(1,883)</b>	<b>98,472</b>	<b>(125,510)</b>	<b>438,846</b>	<b>309</b>	<b>439,155</b>
<b>Changes in equity in period Jan 1–Sep 30 2011</b>									
Issue of shares	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	1,528	-	1,528	-	1,528
Change in group structure (transactions with non-controlling interests)	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	(1,560)	(1,560)	-	(1,560)
Dividends	-	-	-	-	-	-	-	-	-
Allocation of profit (loss) to equity	-	-	-	-	3,265	(3,265)	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	<b>4,793</b>	<b>(4,825)</b>	<b>(32)</b>	-	<b>(32)</b>
Net profit for period Jan 1–Sep 30 2011	-	-	-	-	-	34,659	34,659	-	34,659
Other comprehensive income after tax for period Jan 1–Sep 30 2011	-	-	-	(1,830)	(974)	-	(2,804)	-	(2,804)
<b>Total comprehensive income</b>	-	-	-	<b>(1,830)</b>	<b>(974)</b>	<b>34,659</b>	<b>31,855</b>	-	<b>31,855</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
<b>Balance as at Sep 30 2011</b>	<b>210,558</b>	-	<b>257,209</b>	<b>(3,713)</b>	<b>102,291</b>	<b>(95,676)</b>	<b>470,669</b>	<b>309</b>	<b>470,978</b>

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### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Item	Equity attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Hedging reserve	Other equity	Retained earnings	Total		
<b>Balance as at Jan 1 2010</b>	<b>210,558</b>	-	<b>257,209</b>	<b>(43,044)</b>	<b>52,043</b>	<b>(85,652)</b>	<b>391,114</b>	<b>249</b>	<b>391,363</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	(1,861)	-	(1,758)	(3,619)	-	(3,619)
<b>Balance after changes</b>	<b>210,558</b>	-	<b>257,209</b>	<b>(44,905)</b>	<b>52,043</b>	<b>(87,410)</b>	<b>387,495</b>	<b>249</b>	<b>387,744</b>
<b>Changes in equity in period Jan 1–Sep 30 2010</b>									
Issue of shares	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-	-	-
Change in group structure (transactions with non-controlling interests)	-	-	-	-	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)
<b>Total transactions with owners</b>	-	-	-	-	<b>45,632</b>	<b>(46,183)</b>	<b>(551)</b>	<b>13</b>	<b>(538)</b>
Net profit for period Jan 1 – Sep 30 2010	-	-	-	-	-	36,526	36,526	17	36,543
Other comprehensive income after tax for period Jan 1–Sep 30 2010	-	-	-	25,002	355	-	25,357	5	25,362
<b>Total comprehensive income</b>	-	-	-	<b>25,002</b>	<b>355</b>	<b>36,526</b>	<b>61,883</b>	<b>22</b>	<b>61,905</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
<b>Balance as at Sep 30 2010</b>	<b>210,558</b>	-	<b>257,209</b>	<b>(19,903)</b>	<b>98,030</b>	<b>(97,067)</b>	<b>448,827</b>	<b>284</b>	<b>449,111</b>

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<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Item	Equity attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium account	Hedging reserve	Other equity	Retained earnings	Total		
<b>Balance as at Jan 1 2010</b>	<b>210,558</b>	-	<b>257,209</b>	<b>(43,044)</b>	<b>52,043</b>	<b>(85,652)</b>	<b>391,114</b>	<b>249</b>	<b>391,363</b>
Changes in accounting policies	-	-	-	(1,861)	-	(1,758)	(3,619)	-	(3,619)
Correction of fundamental errors	-	-	-	-	-	-	-	-	-
<b>Balance after changes</b>	<b>210,558</b>	-	<b>257,209</b>	<b>(44,905)</b>	<b>52,043</b>	<b>(87,410)</b>	<b>387,495</b>	<b>249</b>	<b>387,744</b>
<b>Changes in equity in period Jan 1–Dec 31 2010</b>									
Issue of shares	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-	-	-
Change in group structure (transactions with non-controlling interests)	-	-	-	-	2,038	-	2,038	-	2,038
Other adjustments	-	-	-	-	-	(977)	(977)	13	(964)
Dividends	-	-	-	-	-	-	-	-	-
Allocation of profit (loss) to equity	-	-	-	-	44,104	(45,206)	(1,102)	-	(1,102)
<b>Total transactions with owners</b>	-	-	-	-	<b>46,142</b>	<b>(46,183)</b>	<b>(41)</b>	<b>13</b>	<b>(28)</b>
Net profit for period Jan 1–Dec 31 2010	-	-	-	-	-	8,083	8,083	43	8,126
Other comprehensive income net of tax for period Jan 1–Dec 31 2010	-	-	-	43,022	287	-	43,309	4	43,313
<b>Total comprehensive income</b>	-	-	-	<b>43,022</b>	<b>287</b>	<b>8,083</b>	<b>51,392</b>	<b>47</b>	<b>51,439</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
<b>Balance as at Dec 31 2010</b>	<b>210,558</b>	-	<b>257,209</b>	<b>(1,883)</b>	<b>98,472</b>	<b>(125,510)</b>	<b>438,846</b>	<b>309</b>	<b>439,155</b>

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

## CONSOLIDATED STATEMENT OF CASH FLOWS

Item	According to IFRS for the period	According to IFRS for the period
	Jan 1–Sep 30 2011	Jan 1–Sep 30 2010
<i>Cash flows from operating activities</i>		
<b>Net profit before income tax</b>	<b>41,407</b>	<b>41,802</b>
<b>Adjustments:</b>		
Depreciation and impairment losses on property, plant and equipment	14,181	13,920
Amortisation of and impairment losses on intangible assets	2,042	438
Change in fair value of investment property	(812)	304
Change in fair value of financial assets (liabilities) measured through profit or loss	2,894	(76)
Cash flow hedges transferred from equity	(1,488)	16,196
Impairment losses on financial assets	-	(7)
(Gains) losses on disposal of non-financial non-current assets	213	88
(Gains) losses on disposal of financial assets (other than derivative instruments)	(3,523)	-
Foreign exchange gains (losses)	821	(1,321)
Interest expense	21,450	17,879
Interest income	(3,343)	(3,647)
Dividend received	-	(2)
Share in profit (loss) of associated undertakings	-	-
Other adjustments	(602)	(1,850)
<b>Total adjustments:</b>	<b>31,833</b>	<b>41,922</b>
Change in inventories	(502)	(11,213)
Change in receivables	200,865	83,551
Change in liabilities	(146,151)	(103,584)
Change in provisions and accruals and deferrals	(13,527)	(4,532)
Effect of construction contracts	(339,054)	(79,414)
Other adjustments	-	-
<b>Change in working capital</b>	<b>(298,369)</b>	<b>(115,192)</b>
Inflow from (outflow on) settlement of derivative instruments	(238)	(26,572)
Interest paid on operating activities	(191)	(117)
Income tax paid	(4,598)	(10,416)
<b>Net cash provided by/(used in) operating activities</b>	<b>(230,156)</b>	<b>(68,573)</b>
<i>Cash flows from investing activities</i>		
Acquisition of intangible assets	(14,955)	(117)
Disposal of intangible assets	-	-
Acquisition of property, plant and equipment	(29,068)	(5,388)
Disposal of property, plant and equipment	36,416	585
Acquisition of investment property	(10,027)	-
Disposal of investment property	8,539	-
Acquisition of subsidiary undertakings, net	-	-
Disposal of subsidiary undertakings, net	-	-
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
<b>Net cash provided by (used in) investing activities</b>	<b>(9,095)</b>	<b>(39,190)</b>
<i>Cash flows from financing activities</i>		

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</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	464,510	131,663
Repayment of loans and borrowings	(191,928)	(19,371)
Repayment of finance lease liabilities	(13,974)	(6,519)
Interest paid	(21,010)	(16,103)
Interest received on bank deposits	67	233
Other inflows outflows	-	4
Dividend paid	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>237,665</b>	<b>89,907</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,586)</b>	<b>(17,856)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>89,456</b>	<b>84,144</b>
Effect of foreign exchange gains (losses)	(342)	(292)
<b>Cash and cash equivalents at end of period</b>	<b>87,528</b>	<b>65,996</b>

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	Jul 1–Sep 30 2011	Reporting currency:	Polish zloty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

## DISCUSSION OF THE HYDROBUDOWA POLSKA GROUP'S RESULTS

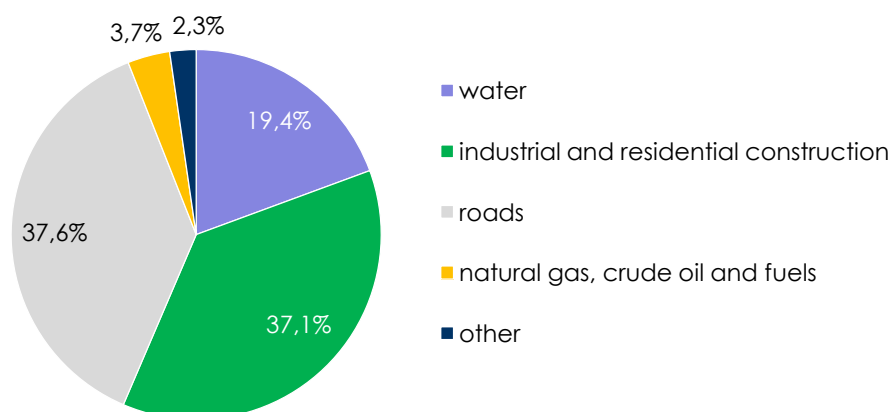
### DISCUSSION OF KEY ITEMS OF THE INCOME STATEMENT

#### Revenue

In Q3 2011, the Hydrobudowa Polska Group's consolidated **sales revenue** amounted to over **PLN 499.2m**, up 19.8% year on year. In Q1–Q3 2011, consolidated sales revenue was PLN 1,241.7m, up 2.5% year on year.

In Q3 2011, the road construction segment contributed the largest portion of total sales revenue (45.7%; Q3 2010: 10%); this chiefly included revenue from contracts for construction of the A4 Tarnów–Dębica and A1 Toruń–Kowal motorways. In the reporting period, the share of the residential and industrial construction segment (where contracts for construction of stadiums and waste neutralisation facilities are recognised), fell to 30.2% of total sales revenue (down 36.2 pp year on year), while the share of the water segment (whose revenue includes environmental protection and hydraulic engineering contracts), dropped to 18% (down 6 pp year on year). In Q3 2011, the natural gas, crude oil and fuels segment's share in total sales revenue was 5.1%. Contracts performed in the segment include contracts for construction of fuel storage facilities.

**HBP Group's revenue structure in the nine months ended September 30th 2011**



In Q3 2011, the following construction contracts were the **main sources of the Hydrobudowa Polska Group's revenue**:

#### **ROAD CONSTRUCTION segment:**

Contract	Sales revenue in Q3 2011 /PLNm/
Construction of the Krzyż–Dębica Pustynia section of the A-4 Tarnów–Rzeszów motorway	101.2
Construction of the Toruń–Stryków Section of the A1 Motorway, subsection 3: Brzezie–Kowal	61.4
Construction of road connection between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego route, Task 2: ul. Potokowa–Al. Rzeczypospolitej section	55.6

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	Jul 1–Sep 30 2011	Reporting currency:	Polish zloty (PLN)
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#### WATER segment:

Contract	Sales revenue in Q3 2011 /PLNm/
Construction of wastewater transmission system from left-bank Warsaw to Czajka sewage treatment plant – Phase 2	25.2
Modernisation of the Mosina Water Treatment Plant – Phase 2	14.3

#### RESIDENTIAL AND INDUSTRIAL CONSTRUCTION segment:

Contract	Sales revenue in Q3 2011 /PLNm/
Design and construction of Waste Neutralisation Facility in Gdańsk Szadółki	20.5
Design and construction of LNG regasification terminal in Świnoujście	13.4
Construction of sports and concert hall with auxiliary infrastructure in Toruń	13.1

#### NATURAL GAS, CRUDE OIL AND FUELS segment:

Contract	Sales revenue in Q3 2011 /PLNm/
Construction of biomass management system for the BFB Boiler at Elektrociepłownia No. 4 in Łódź	17.7
Modernisation and extension of storage facilities for propellants and lubricants (Porażyn)	9.3

#### Cost of sales

In Q3 2011, cost of sales totalled **PLN 475.3m**, having grown by 20.5% on Q3 2010. The share of variable costs in sales revenue in Q3 2011 was 95.2% (Q3 2010: 94.6%).

In the period from January 1st to September 30th 2011, cost of sales was PLN 1,171.4m (Q1-Q3 2010: PLN 1,115.5m).

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 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
Depreciation/amortisation	6,049	16,222	4,593	14,357
Materials and energy used	111,990	240,686	36,212	158,795
Contracted services	333,793	832,954	307,650	890,798

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

Taxes and charges	3,309	6,964	7,237	15,078
Employee benefits	27,552	91,006	28,258	85,638
Other costs by type	9,795	28,146	7,326	13,297
<b>Total costs by type</b>	<b>492,488</b>	<b>1,215,978</b>	<b>391,276</b>	<b>1,177,963</b>
Value of goods for resale and materials sold	907	1,723	1,951	3,488
Change in products, work in progress (-)	(6,029)	(13,529)	13,383	(28,237)
Cost of products and services for own needs	-	-	-	-
<b>Cost of sales, selling costs, general and administrative expenses</b>	<b>487,366</b>	<b>1,204,172</b>	<b>406,610</b>	<b>1,153,211</b>

### Gross profit

In Q3 2011, the Hydrobudowa Polska Group recorded a gross profit of nearly **PLN 24m**, up 6.7% year on year. In Q1-Q3 2011, gross profit was PLN 70.3m, compared with PLN 95.6m in Q1-Q3 2010.

### General and administrative expenses

General and administrative expenses incurred in Q3 2011 amounted to almost **PLN 12.1m**, and stayed flat year on year. In Q1-Q3 2011, general and administrative expenses totalled PLN 32.8m, down 13.2% year on year. In effect, the share of general and administrative expenses in total sales revenue in Q1-Q3 2011 declined by 0.5 pp year on year, to 2.6%.

### Other operating income

In Q3 2011, other operating income amounted to over **PLN 3.1m** (Q3 2010: PLN 1.7m), and was mainly attributable to reimbursement of court expenses and release of provisions for claims (PLN 1.6m). Other operating income for the first three quarters of 2011 was nearly PLN 11.5m, compared with PLN 19.6m in the corresponding period of 2010.

Item	For the period	For the period	For the period	For the period
	Jul 1–Sep 30 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
Gain on disposal of non-financial non-current assets	(5)	736		
Fair-value measurement of investment property	-	-		
Reversals of impairment losses on property, plant and equipment and intangible assets	-	-		
Reversals of impairment losses on receivables	96	5,664	356	16,324
Reversals of impairment losses on inventories	-	94		2
Release of unused provisions	61	617	61	204
Fines and damages received	221	470	312	1,717
Subsidies received	-	5		
Lease income	527	738		
Other income (reimbursement of court expenses, release of provisions for claims)	1,634	1,634		243
Other income (cancelled liabilities, recharge invoices)	609	1,508	961	1,136
<b>Total other operating income</b>	<b>3,143</b>	<b>11,466</b>	<b>1,690</b>	<b>19,626</b>

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	Jul 1–Sep 30 2011	Reporting currency:	Polish zloty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

### Other operating expenses

In Q3 2011, other operating expenses totalled **PLN 1.1m**, relative to nearly PLN 4.8m in Q3 2010. There were no material one-off events in Q3 2011, whose effects would be recognised under other operating expenses.

Item	For the period	For the period	For the period	For the period
	Jul 1–Sep 30 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
Loss on disposal of non-financial non-current assets	-	-	47	88
Fair-value measurement of investment property	-	-	-	-
Impairment losses on goodwill	-	-	-	-
Impairment losses on property, plant and equipment and intangible assets	-	-	-	-
Impairment losses on receivables	311	435	4,151	17,169
Impairment losses on inventories	3	3	-	-
Created provisions for fines and damages	-	-	-	-
Fines and damages paid	283	1,080	127	15,400
Donations granted	-	102	45	451
Other expenses (court fees)	229	573	-	334
Other expenses (investment property maintenance costs)	284	753	383	726
Other expenses	-	-	-	-
<b>Total other operating expenses</b>	<b>1,110</b>	<b>2,946</b>	<b>4,753</b>	<b>34,168</b>

### Operating profit / loss

In Q3 2011, consolidated operating profit was **PLN 13.9m**, having nearly doubled year on year (Q3 2010: PLN 7.2m). In Q1–Q3 2011, the Group's operating profit exceeded PLN 46m (Q1–Q3 2010: PLN 43.3m).

### Finance income

In Q3 2011, finance income totalled **PLN 7.6m** (Q3 2010: PLN 4.8m). The largest item of finance income was the excess of foreign exchange gains over foreign exchange losses (PLN 5.4m).

Item	For the period	For the period	For the period	For the period
	Jul 1–Sep 30 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
<i>Interest income from financial instruments not measured at fair value through profit or loss:</i>	-	-	-	-
Cash and cash equivalents (deposits)	303	706	1,037	1,467
Loans and receivables	1,089	3,211	1,765	4,770
Debt securities held to maturity	-	-	-	-
Interest income related to financial instruments not measured at fair value through profit or loss	1,392	3,917	2,802	6,237
<i>Gains on valuation and settlement of financial instruments measured at fair value through profit or loss:</i>	-	-	-	-
Derivatives held for trading	-	-	-	-
Hedging derivatives	(91)	-	-	-
Shares of listed companies	-	-	-	-
Debt securities	-	-	-	-
Investment fund units	-	-	-	-
Gains on valuation and settlement of financial instruments measured at fair value through profit or loss	(91)	-	-	-
Foreign exchange gains (losses) (+/-):	-	-	-	-

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

Cash and cash equivalents	2,988	4,660	(742)	13,955
Loans and receivables	2,875	1,785	2,394	(6,566)
Financial liabilities measured at amortised cost	(446)	(155)	159	336
Foreign exchange gains (losses) (+/-)	5,417	6,290	1,811	7,725
Gains on available-for-sale assets transferred from equity	-	-	-	-
Dividends from available-for-sale financial assets	-	-	-	2
Reversals of impairment losses on loans	-	441	-	-
Reversals of impairment losses on held-to-maturity investments	-	-	-	-
Interest on financial assets in respect of which an impairment loss has been recognised	-	-	-	-
Discount (long-term settlements)	904	2,272	148	155
Commission on sureties issued	2	2	-	-
Other finance income	-	167	-	14
<b>Total finance income</b>	<b>7,624</b>	<b>13,089</b>	<b>4,761</b>	<b>14,133</b>

### Finance expenses

In Q3 2011, finance expenses were nearly **PLN 10.8m** (Q3 2010: PLN 4.6m). Interest expense and fees under bank loans accounted for the largest share of finance expenses (approximately PLN 9.6m).

Item	For the period	For the period	For the period	For the period
	Jul 1–Sep 30 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
<i>Interest expense on financial instruments not measured at fair value through profit or loss:</i>	-	-	-	-
Finance lease liabilities	477	497	-	62
Bank loans (in credit facility account)	3,894	5,239	83	3,988
Overdraft facilities (in current account)	5,229	13,191	4,530	9,505
Loans	-	186	-	-
Debt securities	-	-	-	-
Trade and other payables	-	622	(287)	1,179
Interest expense on financial instruments not measured at fair value through profit or loss	9,600	19,735	4,326	14,734
<i>Losses on valuation and settlement of financial instruments measured at fair value through profit or loss:</i>	-	-	-	-
Derivatives held for trading	-	-	-	-
Hedging derivatives	987	987	-	462
Shares of listed companies	-	-	11	34
Debt securities	-	-	-	-
Investment fund units	-	-	-	-
Losses on valuation and settlement of financial instruments measured at fair value through profit or loss	987	987	11	496
<i>Foreign exchange gains/(losses) (-/+):</i>	-	-	-	-
Cash and cash equivalents	-	-	-	-
Loans and receivables	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-	-
Foreign exchange gains/(losses) (-/+)	-	-	-	-
Losses on available-for-sale assets transferred from equity	-	-	-	-

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

Impairment losses on loans	-	-	-	-
Impairment losses on held-to-maturity investments	-	-	-	-
Impairment losses on available-for-sale financial assets	-	-	-	-
Discount (long-term settlements)	-	-	-	-
Commission on sureties issued	-	-	-	-
Other finance expenses	173	933	277	376
<b>Total finance expenses</b>	<b>10,760</b>	<b>21,655</b>	<b>4,614</b>	<b>15,606</b>

### Net profit / loss

In Q3 2011, net profit attributable to owners of the parent reached nearly PLN 7.3m, up 34% year on year. In Q1-Q3 2011, net profit totalled PLN 34.7m, down 5.1% year on year.

### Profitability ratios

<b>Profitability ratios</b>	<b>Q3 2011</b>	<b>Q3 2010</b>	<b>Jan 1–Sep 30 2011</b>	<b>Jan 1–Sep 30 2010</b>
Gross margin <sup>1</sup>	<b>4.8%</b>	5.4%	<b>5.7%</b>	7.9%
Operating margin <sup>2</sup>	<b>2.8%</b>	1.7%	<b>3.7%</b>	3.6%
Net margin <sup>3</sup>	<b>1.5%</b>	1.3%	<b>2.8%</b>	3.0%

<sup>1</sup> (gross profit / sales revenue)\*100

<sup>2</sup> (operating profit / sales revenue)\*100

<sup>3</sup> (net profit attributable to owners of the parent / sales revenue)\*100

In Q3 2011 and cumulatively for the first nine months of 2011, the Hydrobudowa Polska Group's gross margin declined year on year, which was attributable to, among other things, change in the Group's revenue structure (material increase of the share of low-margin road and motorway construction contracts in total sales revenue), and a gradual erosion of margins in general construction caused by strong competition on the construction market in Poland.

The effect of lower profitability was offset by higher sales, which contributed to a year-on-year improvement in gross profit, operating profit and net profit in the period.

### Gross margin by segments

Comparative periods	water	industrial and residential construction	road construction	natural gas, crude oil and fuels
Jan 1–Sep 30 2010	8.9%	8.2%	0.2%	-
<b>Jan 1–Sep 30 2011</b>	<b>11.4%</b>	<b>5.3%</b>	<b>3.1%</b>	<b>10.0%</b>

As at the end of Q3 2011, **the Hydrobudowa Polska Group employed 1,414 persons** (end of H1 2011: 1,602 persons; end of 2010: 1,557).

<b>Name of the Group:</b>	<i>THE HYDROBUDOWA POLSKA GROUP</i>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

#### 1.1. PARENT UNDERTAKING AND ITS GROUP

The HYDROBUDOWA POLSKA Group comprises HYDROBUDOWA POLSKA S.A., the Parent Undertaking, and the following subsidiary undertakings: HYDROBUDOWA 9 S.A. and Przedsiębiorstwo Robót Górniczych METRO Sp. z o.o.

HYDROBUDOWA POLSKA S.A., with registered office at ul. Skórzewska 35, Wysogotowo, 62-081 Przeźmierowo, Poland, is a construction company specialising in civil engineering construction as well as 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 000017342.

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's industry identification number is REGON 910097080.

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 which relates to 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 2011	Sep 30 2010	Dec 31 2010
HYDROBUDOWA 9 S.A.	Wysogotowo	100%	100%	100%
Przedsiębiorstwo Robót Górniczych METRO Sp. z o.o.	Warsaw	98.49%	98.49%	98.49%
Joint Venture Alpine Bau GmbH/ PBG S.A./ Aprivia S.A./ Hydrobudowa Polska S.A.	Rawicz	13.33%	-	13.33%
GDYŃSKA PROJEKT Sp. z o.o. (a subsidiary undertaking of Hydrobudowa 9 S.A.)*	Poznań	-	100%	100%

\*In the Q3 2011 financial statements, Gdyńska Projekt Sp. z o.o. was consolidated for the period Jan 1–Mar 31 2011.

The Group holds 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 14th 2011.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	Jul 1-Sep 30 2011	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

## 1.2. COMPOSITION OF THE PARENT UNDERTAKING'S MANAGEMENT BOARD, SUPERVISORY BOARD AND PROXIES

As at the date of approval of the financial statements for publication, the composition of the Parent Undertaking's Management Board was as follows:

- Jerzy Ciechanowski – President of the Management Board,
- Jarosław Dusiło – Vice-President of the Management Board,
- Radosław Czarny Kropiwnicki – Vice-President of the Management Board,
- Rafał Damasiewicz – Member of the Management Board,
- Andrzej Zwierzchowski – Member of the Management Board.

In Q3 2011, the composition of the Parent Undertaking's Management Board changed as follows:

- As of August 31st 2011, Mr Edward Kasprzak resigned from the post of a Member (Vice-President) of the Management Board (see Current Report No. 44/2011).

As at the end of Q3 2011, and as at the date of publication of the quarterly report, the composition of the 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,
- 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 2011 to the date of publication of this report.

As at the end of Q3 2011, and as at the date of publication of these financial statements, the Company's Proxies were:

- Andrzej Szultka – Independent Proxy,
- Joanna Zwolak – Independent Proxy,
- Agnieszka Grzmil – Independent Proxy.

On August 17th 2011, the Management Board of the Parent Undertaking resolved to appoint Ms Agnieszka Grzmil as an independent proxy. In the period from July 1st 2011 until the date of publication of these financial statements, there were no other changes in the positions of Company's proxies.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1. BASIS OF PREPARATION

These interim condensed consolidated financial statements of the HBP Group cover the three months ended September 30th 2011 and have been prepared in accordance with IAS 34 Interim Financial Reporting.

In order to present a more comprehensive picture of the Group's financial position and performance, these financial statements also include comparative data, including consolidated balance sheet as at September 30th 2010 as well as consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2010, although this is not required under IAS 34.

These interim condensed consolidated financial statements do not contain all the information disclosed in annual consolidated financial statements prepared in accordance with IFRS. These interim condensed consolidated financial statements should be read in conjunction with the 2010 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).

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These 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 these condensed consolidated financial statements were approved for publication, there were no circumstances which would indicate any threat to the Group companies continuing as going concerns.

## **2.2. ACCOUNTING POLICIES**

These interim condensed financial statements were prepared in accordance with the accounting policies presented in the most recent consolidated financial statements of the Group for the year ended December 31st 2010.

### **Standards and interpretations adopted for the first time in 2011**

The International Accounting Standards Board or the International Financial Reporting Interpretation Committee have issued the following standards and interpretations which have been endorsed by the EU and are effective for periods beginning on January 1st 2011:

- Amendments to IAS 24 Related Party Disclosures – Simplification of requirements for disclosures related to state-controlled entities and introduction of a new definition of related parties, endorsed by the EU on July 19th 2010,
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues, endorsed by the EU on December 23rd 2009,
- Amendments to IFRS 1 First-Time Adoption of IFRS – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, endorsed by the EU on June 30th 2010,
- Amendments to IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement, endorsed by the EU on July 19th 2010,
- Improvements to IFRSs (2010) – amendments made as part of introducing annual improvements to various standards and interpretations, published on May 6th 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, and IFRIC 13), aimed chiefly at eliminating any inconsistencies and clarification of wording, endorsed by the EU on February 18th 2011,
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, endorsed by the EU on July 23rd 2010.

Application of the above amendments has not affected the Group's financial position or operating results.

### **Standards and interpretations adopted by the International Accounting Standards Board but not yet endorsed by the EU**

The EU endorsed IFRSs are not materially different from those adopted by the International Accounting Standards Board, except to the extent of the standards, amendments to standards and interpretations discussed below which have not yet been adopted for use by the EU:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IFRS 1 First-Time Adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1st 2011),
- Amendments to IFRS 7 Financial Instruments: Disclosures – Transfer of Financial Assets (effective for annual periods beginning on or after July 1st 2011),
- Amendments to IAS 12 Income Tax – Deferred tax (effective for year-long reporting periods beginning on or after January 1st 2012).

The Management Board currently assesses the influence of the above standards and interpretations on Group's financial reporting.

## **2.3. CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES**

In these condensed consolidated financial statements, an error related to previous years, resulting from recognition in the balance sheet as at September 30th 2010 of correction of value of claims awarded in connection with a completed construction contract (which reduced "Profit (loss) brought forward" and "Trade and other receivables" by PLN 1,758 thousand) has been corrected.

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### 3. THE GROUP'S MATERIAL ACHIEVEMENTS AND FAILURES

#### 3.1. MATERIAL EVENTS AND TRANSACTIONS

##### Material contracts won in Q3 2011

##### Contracts for construction works at the LNG terminal in Świnoujście.

On August 16th 2011, the Management Board of Hydrobudowa Polska was notified of execution of another construction contract with the consortium of Saipem – Techint – PBG, which is the General Contractor in the project "Design, construction and commissioning of LNG regasification terminal in Świnoujście". Therefore, in the period of the last 12 months, the total value of contracts which the Company, as a sub-contractor, executed with the consortium amounted to **PLN 110,914,780.28, VAT-exclusive**, and thus these contracts in aggregate qualified as significant agreement (see Current Report No. 40/2011). The largest value contract was executed on March 28th 2011 and concerned construction of two reinforced concrete tanks, with a value of PLN 57,151,577.00, VAT-exclusive.

##### Contract for reconstruction of the Rondo Kaponiera interchange in Poznań

On August 24th 2011, a consortium composed of APRIVIA S.A. (consortium leader), HYDROBUDOWA POLSKA S.A., P.R.G. METRO Sp. z o.o., and Obrascón Huarte Lain S.A. executed a construction contract with the Municipal Roads Maintenance Authority in Poznań providing for reconstruction of ul. Roosevelta, between the intersection with ul. Dąbrowskiego and the Most Teatralny overpass, and the intersection with ul. Głogowska and the Most Dworcowy overpass, along with the reconstruction of the Rondo Kaponiera interchange in Poznań. The contract value is PLN **170,286,515.84, VAT-exclusive** (see Current Report No. 43/2011).

The consortium members agreed on the following division of work:

- APRIVIA, HYDROBUDOWA POLSKA and PRG METRO – 50% of the scope of work,
- Obrascón Huarte Lain – 50% of the scope of work.

On August 30th 2011, the consortium members appointed HYDROBUDOWA POLSKA as the new consortium leader, in place of APRIVIA. Other provisions of the consortium agreement, including the division of work, remained unchanged.

##### Order book

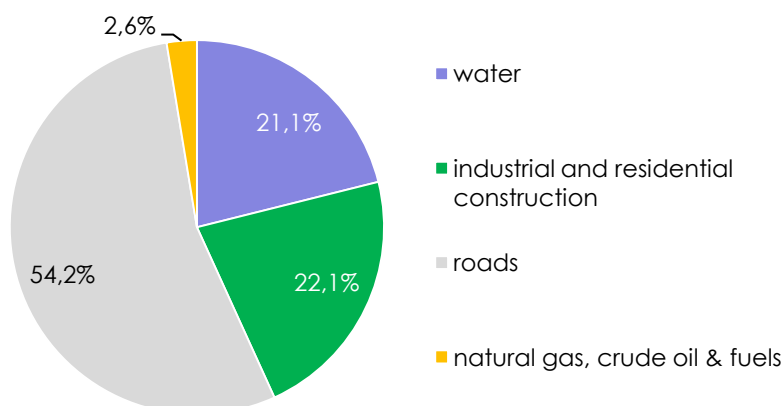
As at the end of Q3 2011, the value of the HBP Group's order book was over **PLN 2.3bn**, of which PLN 1.4bn is to be completed in 2012. These values include the estimated share of the HBP Group in execution of the contract dated October 14th 2011 concerning construction of the Słowacki Route in Gdańsk – Task 4, described in Note 18 to these financial statements and in Current Report No. 50/2011.

The value of the order book was estimated with the use of a revenue recognition method where revenues under contracts won and performed as part of a consortium, relating to work which is to be performed by a particular consortium member other than a member of the HBP Group, are excluded.

Contracts in the road construction segment currently account for the largest share in the order book (over 54%). Industrial and residential construction (22%) and water (21%) segments are other significant components of the order book.

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### Structure of the HBP Group's order book



### Other significant agreements and events in Q3 2011

#### Annexes extending term of framework agreement with ING Bank Śląski

In Q3 2011, the PBG Group companies, i.e. PBG S.A., HYDROBUDOWA POLSKA S.A., HYDROBUDOWA 9 S.A., PBG AVATIA Sp. z o.o., PBG Technologia Sp. z o.o., KWG S.A. and APRIVIA S.A., executed annexes to the framework agreement concluded with ING Bank Śląski S.A. on September 6th 2007. Under the agreement, the PBG Group companies have been provided with a credit facility of up to PLN 249,309,600.00. Under the annexes, executed on July 26th, August 29th and September 30th 2011, the final availability dates for the credit facility provided by ING Bank Śląski were extended until October 13th, November 13th and December 13th 2011, respectively.

#### Annex to significant contract with IMTECH Polska concerning construction of National Stadium

On July 27th 2011, an annex was executed to the significant subcontractor contract concluded on December 15th 2009 between Alpine Construction Polska Sp. z o.o. and HYDROBUDOWĄ POLSKA S.A. ("the Principals") and IMTECH Polska Sp. z o.o. ("the Subcontractor"); the subject matter of the contract was construction of the sanitary sewage system in the National Stadium in Warsaw. Under the annex, in connection with the additional and replacement work performed, the Subcontractor's total remuneration was increased to PLN 131,693,198.61 (VAT exclusive), of which PLN 12,093,198.61 (VAT exclusive) represents the value of additional work. The new contract completion date (system readiness for commissioning) was set for September 15th 2011, while the deadline for completion of works – for November 29th 2011.

#### Annex to agreement with Bank Pekao SA for financing of construction of A4 Motorway section

On August 4th 2011, an annex was executed to the agreement concluded between Bank Polska Kasa Opieki S.A., and HYDROBUDOWA POLSKA S.A. ("the Borrower"), PBG S.A. and APRIVIA S.A. (severally liable debtors). Under the agreement, the Bank provided a credit facility for financing the construction of A-4 Motorway Tarnów–Rzeszów, section between the Krzyż and Dębica Pustynia interchanges. Under the annex, the amount of the available credit facility was increased to PLN 294m.

#### Resignation of Vice-President of the Management Board. Outsourcing of Silesia Branch

As of August 31st 2011, Mr Edward Kasprzak resigned as Member (Vice-President) of the Management Board.

Mr Edward Kasprzak's resignation is connected with the restructuring of the HBP Group, which involves outsourcing the workforce of the Silesia Branch of Mikołów, taken over by Miko-Tech. Mr Edward Kasprzak was appointed the President of the Management Board of Miko-Tech.

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### **3.2. FACTORS AND EVENTS, ESPECIALLY OF NON-RECURRING NATURE, WITH A BEARING ON THE CONSOLIDATED FINANCIAL PERFORMANCE**

In Q3 2011, there were no events of non-recurring nature which would have a bearing on the consolidated financial performance of the HYDROBUDOWA POLSKA Group.

#### **EFFECT OF FX HEDGING ON 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 2011 in an amount of EUR 2.9m, and attributable to 2012 in an amount of EUR 9.7m. The transactions were concluded at the weighted average forward exchange rate of PLN 3.56/EUR 1. According to the data sourced from the banks, as at September 30th 2011, the carrying value of open positions on forward hedges was negative at PLN -11.8m, including an amount of PLN -3.4m in hedged revenues recognised in the Group's profit and loss. The result on forward contracts realised (accounted for) in Q3 2011 was negative at PLN -4.6m, of which PLN -0.7m was recognised and posted in the consolidated income statement, PLN -0.4m in equity, while PLN -3.5m was settled against the correction of an error described in the H1 2011 report.

Hedging contracts are concluded in line with the HBP Group's strategy of hedging business activity against currency risk. However, given the reduction of scope of work under a contract performed in Bydgoszcz, as described in the semi-annual report, certain positions are currently not covered by future foreign-currency cash flows.

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#### 4. EARNINGS PER SHARE (EPS)

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

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	For the period
	Jan 1–Sep 30 2011	Jan 1–Sep 30 2010
<b>Continuing operations</b>		
Net profit (loss) from continuing operations	34,659	36,526
Weighted average number of ordinary shares	210,558,445	210,558,445
Dilutive effect of stock options	-	-
Diluted weighted average number of ordinary shares	210,558,445	210,558,445
Basic earnings (loss) per share from continuing operations (PLN)	0.16	0.17
Diluted earnings (loss) per share from continuing operations (PLN)	0.16	0.17
<b>Discontinued operations</b>		
Net profit (loss) from discontinued operations	-	-
Weighted average number of ordinary shares	210,558,445	210,558,445
Dilutive effect of stock options	-	-
Diluted weighted average number of ordinary shares	210,558,445	210,558,445
Basic earnings (loss) per share from discontinued operations (PLN)	-	-
Diluted earnings (loss) per share from discontinued operations (PLN)	-	-
<b>Continuing and discontinued operations</b>		
Net profit (loss)	34,659	36,526
Weighted average number of ordinary shares	210,558,445	210,558,445
Dilutive effect of stock options	-	-
Diluted weighted average number of ordinary shares	210,558,445	210,558,445
<b>Basic earnings (loss) per share from all operations (PLN)</b>	<b>0.16</b>	<b>0.17</b>
<b>Diluted earnings (loss) per share from all operations (PLN)</b>	<b>0.16</b>	<b>0.17</b>

#### 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 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 on the projects executed by the Group. Low temperatures hinder earthworks and assembly works, 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 is guided by the product lines representing the main services and goods provided by the Group. Each of the segments is managed separately

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within each product line, given the nature of the services and products, which require different technologies, resources and execution approaches.

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

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:

WATER	RESIDENTIAL AND INDUSTRIAL CONSTRUCTION	ROAD CONSTRUCTION
<ul style="list-style-type: none"> <li>• process and sanitary installations for water and sewage systems, including: <ul style="list-style-type: none"> <li>- water pipes,</li> <li>- sewage systems,</li> <li>- water mains,</li> <li>- trunk sewers,</li> <li>- water intakes,</li> <li>- wastewater treatment plants,</li> </ul> </li> <li>• hydraulic engineering structures, including: <ul style="list-style-type: none"> <li>- water dams,</li> <li>- storage reservoirs,</li> <li>- dykes,</li> </ul> </li> <li>• modernisation of water and sewage systems,</li> <li>• microtunnelling,</li> </ul>	<ul style="list-style-type: none"> <li>• sports and recreation facilities,</li> <li>• office buildings, social and technical facilities,</li> <li>• industrial facilities, including waste utilisation plants,</li> <li>• residential buildings ,</li> <li>• retail facilities, hotel and conference buildings,</li> <li>• tunnels, including: <ul style="list-style-type: none"> <li>- underground tunnels,</li> <li>- railway tunnels,</li> </ul> </li> <li>• piercing, drilling, microtunnelling,</li> </ul>	<ul style="list-style-type: none"> <li>• construction of motorways and expressways,</li> <li>• construction of bridges and viaducts,</li> <li>• construction of road tunnels,</li> <li>• construction of parking lots.</li> </ul>
		<b>NATURAL GAS, CRUDE OIL AND FUELS</b>
		<ul style="list-style-type: none"> <li>• crude oil and fuel tanks</li> <li>• surface installations for production of crude oil and natural gas</li> <li>• surface installations of underground gas storage facilities</li> </ul>

The HBP Group also distinguishes an additional segment called "Other" where it recognises revenue from sales of goods for resale and materials, as well as other services which are not classified in any of the four main segments.

The HBP Group presents sales revenue, costs and the result (gross margin) by the individual segments. However, items of the balance sheet are not presented by business segments given the fact that some of the property, plant and equipment is 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 finance income and expenses.

The table below sets forth data for the individual operating segments.

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The table below presents segment revenues and results:

Item	Segments					Other	Consolidated
	Natural gas, crude oil and fuels	Water	Industrial and residential construction	Road construction	Power engineering		
<i>Financial highlights for the operating segments in the period January 1st–September 30th 2011</i>							
<b>Total revenue</b>	<b>45,847</b>	<b>240,372</b>	<b>460,342</b>	<b>466,898</b>	-	<b>28,210</b>	<b>1,241,669</b>
External sales	45,847	240,372	460,342	466,898	-	28,210	1,241,669
Intersegment sales	-	-	-	-	-	-	-
<b>Total costs</b>	(41,284)	(212,868)	(435,774)	(452,262)	-	(29,216)	(1,171,404)
<b>Segment's result</b>	<b>4,563</b>	<b>27,504</b>	<b>24,568</b>	<b>14,636</b>	-	<b>(1,006)</b>	<b>70,265</b>
<i>Financial highlights for the operating segments in the period January 1st–September 30th 2010</i>							
<b>Total revenue</b>	-	<b>359,440</b>	<b>781,917</b>	<b>53,114</b>	-	<b>16,556</b>	<b>1,211,028</b>
External sales	-	359,440	781,917	53,114	-	16,556	1,211,028
Intersegment sales	-	-	-	-	-	-	-
<b>Total costs</b>	-	(327,307)	(717,675,)	(52,998,)	-	(17,486)	(1,115,466,)
<b>Segment's result</b>	-	<b>32,133</b>	<b>64,242</b>	<b>116</b>	-	<b>(930)</b>	<b>95,562</b>

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
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<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

## 7. PROPERTY, PLANT AND EQUIPMENT

In Q1-Q3 2011, the Group expensed PLN 29m on acquisition of property, plant and equipment.

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

Item	As at Sep 30 2011	As at Sep 30 2010	As at Dec 31 2010
Land	12,008	15,151	12,125
Buildings and structures	37,256	27,213	25,627
Plant and equipment	84,657	58,141	52,251
Vehicles	23,023	18,760	19,496
Other	2,009	2,517	2,381
<b>Net carrying value</b>	<b>158,953</b>	<b>121,782</b>	<b>111,880</b>
Property, plant and equipment under construction	25,840	2,089	36,340
Prepayments for property, plant and equipment	525	2,344	10,089
<b>Total property, plant and equipment</b>	<b>185,318</b>	<b>126,215</b>	<b>158,309</b>
Property, plant and equipment classified as held for sale			-
<b>Property, plant and equipment</b>	<b>185,318</b>	<b>126,215</b>	<b>158,309</b>

## 8. SHARE CAPITAL

In Q1-Q3 2011, the Company did not issue shares.

Share capital as at the balance-sheet date

	Sep 30 2011	Sep 30 2010	Dec 31 2010
Number of shares	210,558,445	210,558,445	210,558,445
Par value per share (PLN)	1.00	1.00	1.00
<b>Share capital</b>	<b>210,558</b>	<b>210,558</b>	<b>210,558</b>

### 8.1. 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.

The Company's shareholder structure, based on notifications received from the shareholders, as at September 30th 2011 and as at the date of release of the quarterly report was as follows:

No	Shareholder	Number of shares	Number of votes	% of share capital	% of 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%
	<b>TOTAL</b>	<b>210,558,445</b>	<b>210,558,445</b>	<b>100.00%</b>	<b>100.00%</b>

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## Changes in significant holdings of the Company shares

During the period from the release of the semi-annual report for H1 2011 to the date of publication of this report, there were no changes in significant holdings of the Company shares.

## 8.2. SHARES HELD BY THE MANAGING AND SUPERVISORY PERSONNEL

<b>Management Board</b>	<b>Number of shares held (pcs)</b>		
	As at the date of H1 2011 report	As at the date of Q3 2011 report	Change
	(Aug 18 2011)	(Nov 14 2011)	
Jerzy Ciechanowski	-	122,000	+122,000
Edward Kasprzak*	438,100	N/A	-
Jarostaw Dusito	150	150	-
Radosław Czarny-Kropiwnicki	60,000	60,000	-
Andrzej Zwierzchowski	4,850	4,850	-
Rafał Damasiewicz	-	-	-

\* As at the date of Q3 2011 report, Edward Kasprzak did not hold any position on the Management Board of the Company.

<b>Supervisory Board</b>	<b>Number of shares held</b>		
	As at the date of H1 2011 report	As at the date of Q3 2011 report	Change
	(Aug 18 2011)	(Nov 14 2011)	
Małgorzata Wiśniewska	-	-	-
Andrzej Wilczyński	-	-	-
Przemysław Szkudlarczyk	49,100	-	-49,100
Grzegorz Wojtkowiak	-	-	-
Jacek Krzyżaniak	58,500	-	-58,500
Adam Hamrol	-	-	-
Marek Obrusiewicz	-	-	-

<b>Proxies</b>	<b>Number of shares held</b>		
	As at the date of H1 2011 report	As at the date of Q3 2011 report	Change
	(Aug 18 2011)	(Nov 14 2011)	
Andrzej Szultka	27,000	27,000	-
Joanna Zwolak	50	50	-
Agnieszka Grzmil	-	-	-

## 9. SHARE-BASED PAYMENT PROGRAMMES

Since 2008, the Group has recognised costs of an incentive scheme based on the outstanding shares of Hydrobudowa Polska S.A.

For details on the incentive scheme see Note 15.4 to the 2010 consolidated financial statements.

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<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

For period January 1st–September 30th 2011, the Group recognised as cost an amount of PLN 1,528 thousand, representing 75% of the annual value of the incentive scheme. In Q3 2011 alone, the Group recognised as cost an amount of PLN 509 thousand.

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

## 10. DIVIDENDS

In Q3 2011, the Company did not pay or declare any dividend.

## 11. ISSUE AND REDEMPTION OF DEBT SECURITIES

In Q3 2011, the Group did not issue any debt securities. The Group has not issued any redeemable debt securities, either.

## 12. CONTINGENT LIABILITIES

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

Contingent liabilities	as at Sep 30 2011 (PLN '000)	as at Sep 30 2010 (PLN '000)	as at Dec 31 2010 (PLN '000)
<b>Guarantees:</b>	<b>651,737</b>	<b>504,274</b>	<b>466,582</b>
<b>To related undertakings:</b>	-	-	-
<b>To other undertakings:</b>	<b>651,737</b>	<b>504,274</b>	<b>466,582</b>
- performance bonds	516,492	389,206	330,267
- defects liability bonds	76,271	50,992	61,838
- bid-bond guarantees	10,630	24,901	14,660
- advance payment bonds	31,910	34,799	51,641
- retention bonds	5,262	3,570	7,031
- payment guarantees	11,172	806	1,145
<b>Sureties:</b>	<b>2,897,350</b>	<b>2,009,037</b>	<b>2,681,142</b>
<b>To related undertakings:</b>	<b>2,869,587</b>	<b>1,941,425</b>	<b>2,649,915</b>
- securing discharge of contractual guarantees	620,298	456,678	586,348
- securing repayment of loans and borrowings	577,829	484,629	412,813
- securing redemption of bonds/notes	1,650,000	1,000,000	1,650,000
- securing repayment of amounts due under financial instruments trading facilities (treasury limits)	12,429	-	636
- other	-	-	-
- securing existing and future lease agreements	9,031	118	118
<b>To other undertakings:</b>	<b>27,763</b>	<b>67,612</b>	<b>31,227</b>
- securing discharge of contractual guarantees	20,773	43,284	25,264
- securing repayment of loans and borrowings	4,000	20,750	4,250
- securing redemption of bonds/notes	-	-	-
- securing repayment of amounts due under financial instruments trading facilities (treasury limits)	-	1,764	-
- other	-	-	180
- securing payment of trade payables	2,450	1,220	1,220
- securing existing and future lease agreements	540	594	313
<b>Promissory notes:</b>	<b>67,421</b>	<b>43,693</b>	<b>43,791</b>
<b>To related undertakings:</b>	<b>35,811</b>	<b>16,865</b>	<b>16,995</b>
- securing discharge of contractual obligations	35,811	16,865	16,995

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

<b>To other undertakings:</b>	<b>31,610</b>	26,828	<b>26,796</b>
- securing discharge of contractual obligations	31,610	26,828	26,796
<b>Total contingent liabilities:</b>	<b>3,616,508</b>	<b>2,557,004</b>	<b>3,191,515</b>

In Q3 2011, the Group did not issue any material sureties or guarantees whose value would exceed 10% of its equity.

### 13. MATERIAL COURT, ARBITRATION AND ADMINISTRATIVE PROCEEDINGS

There are no proceedings relating to liabilities or receivables of the Company or its subsidiaries with a total value equal to 10% or more of the Company's equity.

Additionally, the Company's Management Board explains that in the case *Martifer Polska Sp. z o.o. vs. HYDROBUDOWA POLSKA S.A. and others* (see Current Report No. 6/2011 and Q1 2011 report), the disputed value was reduced from PLN 90,753,413 to PLN 60,313,034.00 (below the 10% equity threshold). The defendants include: *Energomontaż-Południe S.A.*, *HYDROBUDOWA POLSKA S.A.*, *HYDROBUDOWA 9 S.A.* (the Company's subsidiary), *Alpine Construction Polska Sp. z o.o.*, and *PBG Technologia Sp. z o.o.* The dispute relates to the work contracted by *Energomontaż-Południe S.A.* under a contract of October 29th 2009 and performed by *Martifer Polska Sp. z o.o.* at the PGE Arena Gdańsk stadium. The Plaintiff is seeking court's decision requiring the defendants to pay, jointly and severally, the consideration for the construction work performed under the construction contract of October 29th 2009, a contractual penalty for withdrawal from the contract and compensation in respect of other defaults under the contract.

In the Company's opinion, the Plaintiff's claim is groundless. The proceedings are pending.

### 14. BUSINESS COMBINATIONS

In Q3 2011, the Group did not acquire any subsidiaries.

On March 31st 2011, *HYDROBUDOWA 9 S.A.* (subsidiary undertaking) executed a share sales agreement whereby it sold all of its shares in *GDYŃSKA PROJEKT Sp. z o.o.*

In the performance of the agreement, *HYDROBUDOWA 9 S.A.* sold 60,000 shares with a par value of PLN 50 per share, representing 100% of votes at the General Shareholders Meeting of *GDYŃSKA PROJEKT Sp. z o.o.*, for PLN 7m.

Except for the above transaction, no other transactions occurred in the nine months ended September 30th 2011 that would affect the Group's structure.

### 15. DISCONTINUED OPERATIONS

The Group does not carry discontinued operations.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	Jul 1–Sep 30 2011	Reporting currency:	Polish zloty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

## 16. 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 transactions were concluded with related parties from outside the HBP Group.

### INFORMATION ON RELATED PARTIES – SALES AND RECEIVABLES

Item	Operating income			Receivables		
	Jan 1–Sep 30 2011	Jan 1–Sep 30 2010	Jan 1–Dec 31 2010	Jun 30 2011	Jun 30 2010	Dec 31 2010
<b>Sales to:</b>						
Parent undertaking	52,853	28,760	39,093	41,197	35,620	21,711
Subsidiary undertaking						
PBG Group undertaking not consolidated by HBP Group	88,692	44,281	66,457	91,074	55,103	28,167
Associated undertaking						
Joint venture						
Other related parties	957	742	38,901	27,404	46,128	48,591
<b>Total</b>	<b>142,502</b>	<b>73,783</b>	<b>144,451</b>	<b>159,675</b>	<b>136,851</b>	<b>104,469</b>

### INFORMATION ON RELATED PARTIES – PURCHASES AND LIABILITIES

Item	Purchase			Liabilities		
	Jan 1–Sep 30 2011	Jan 1–Sep 30 2010	Jan 1–Dec 31 2010	Sep 30 2011	Sep 30 2010	Dec 31 2010
<b>Purchases from:</b>						
Parent undertaking	35,938	38,075	46,858	11,056	50,270	52,299
Subsidiary undertaking						
PBG Group undertaking not consolidated by HBP Group	44,498	133,664	179,517	37,556	31,852	38,133
Associated undertaking						
Joint venture						
Other related parties	940	22,334	27,704	491	2,549	28,423
<b>Total</b>	<b>81,376</b>	<b>194,073</b>	<b>254,079</b>	<b>49,103</b>	<b>84,671</b>	<b>118,855</b>

### INFORMATION ON RELATED PARTIES - LOANS ADVANCED

Item	Sep 30 2011		Sep 30 2010		Dec 31 2010	
	Amount as per agreement	Amount outstanding as at balance-sheet date	Amount as per agreement	Amount outstanding as at balance-sheet date	Amount as per agreement	Amount outstanding as at balance-sheet date
<b>Loans advanced to:</b>						
Parent undertaking						
Subsidiary undertaking						
Consolidated undertaking of PBG Group						
Associated undertaking						
Joint venture						
Other related parties	20,839	23,116	20,839	21,575	20,839	21,938
<b>Total</b>	<b>20,839</b>	<b>23,116</b>	<b>20,839</b>	<b>21,575</b>	<b>20,839</b>	<b>21,938</b>

The Group does not carry any loans advanced by related parties.

Related-party transactions are entered into on an arm's length basis as part of day-to-day operations.

<b>Name of the Group:</b>	<i>THE HYDROBUDOWA POLSKA GROUP</i>		
<b>Period covered by the financial statements:</b>	<i>Jul 1-Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

## 17. EVENTS SUBSEQUENT TO THE BALANCE-SHEET DATE

### Contract for construction of Trasa Słowackiego in Gdańsk – Task 4

On October 14th 2011, the consortium composed of: Obrascón Huarte Lain S.A. (Consortium Leader), HYDROBUDOWA POLSKA S.A., PBG S.A., APRIVIA S.A. and Przedsiębiorstwo Robót Górniczych Metro Sp. z o.o. executed with the Municipality of Gdańsk, represented by Gdańskie Inwestycje Komunalne Sp. z o.o., a contract for the project "Road Connection between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego – Task 4, section from Marynarki Polskiej interchange to Ku Ujściu interchange. The contract price is PLN 720,000,000 (VAT exclusive).

The consortium members agreed on the following division of work:

1. Obrascón Huarte Lain – 55% of the scope of work,
2. HYDROBUDOWA POLSKA, PBG, APRIVIA and PRG Metro – 45% of the scope of work.

For details, see Current Report No. 50/2011.

### Closing of branches

On October 19th 2011, the Management Board of HYDROBUDOWA POLSKA S.A. adopted a resolution to wind up the operations of the Włocławek Branch of Włocławek and the Silesia Branch of Mikołów. The decision marks another step in the ongoing restructuring designed to simplify the Company's organisational structure and reduce fixed costs.

### Establishment of civil-law partnership for execution of the contract for construction of Trasa Słowackiego in Gdańsk – Task 4

On October 19th 2011, the Management Board of HYDROBUDOWA POLSKA S.A. adopted a resolution to establish a civil-law partnership whose partners are HYDROBUDOWA POLSKA S.A., Obrascón Huarte Lain S.A., PBG S.A., APRIVIA S.A. and Przedsiębiorstwo Robót Górniczych Metro Sp. z o.o., for the purposes of performing the contract for construction of the Road Connection between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego – Task 4, section from Marynarki Polskiej interchange to Ku Ujściu interchange. The partnership is to substitute for the consortium established during the tender procedure.

### Preparation of plan for merger of HYDROBUDOWA POLSKA and HYDROBUDOWA 9. Convening of Extraordinary General Shareholders Agreement

On October 28th 2011, the Management Boards of HYDROBUDOWA POLSKA S.A. (the Acquiring Company) and HYDROBUDOWA 9 S.A. (the Target Company) agreed upon the merger plan for the companies.

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 in the same market segment. 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 operating costs of the merging companies which have so far operated in overlapping business areas, and enhancing the contractor capacity of 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.

The merger will be effected through the simplified merger procedure provided for in Art. 516.6 in conjunction with Art. 516.1 and Art. 516.5 of the Polish Commercial Companies Code, as the Target Company is wholly-owned by the Acquiring Company. Pursuant to Art. 516.6 in conjunction with Art. 516.5 of the Polish Commercial Companies Code, under the simplified procedure the merging

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<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

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.

The merger plan, together with appendices thereto, was published in the form of Current Report No. 51/2011 and on the web pages of the merging companies.

On October 28th 2011, the Management Board of HYDROBUDOWA POLSKA S.A. called the Extraordinary General Shareholders Meeting for November 29th 2011. The agenda of the meeting includes adoption of a resolution concerning the merger of the Company with HYDROBUDOWA 9 S.A. and approval of the merger plan.

#### **Annex extending term of framework agreement with ING Bank Śląski**

On November 7th 2011, PBG Group companies, i.e. PBG S.A., HYDROBUDOWA POLSKA S.A., HYDROBUDOWA 9 S.A., PBG AVATIA Sp. z o.o., PBG Technologia Sp. z o.o., KWG S.A. and APRIVIA S.A., executed an annex to the framework agreement concluded with ING Bank Śląski S.A. on September 6th 2007. Under the agreement, the PBG Group companies have been provided with a credit facility of up to PLN 249,309,600.00. Under the annex, the final facility availability date has been extended until December 31st 2011.

#### **18. MANAGEMENT BOARD'S OPINION ON THE FEASIBILITY OF MEETING PREVIOUSLY PUBLISHED FORECASTS**

HYDROBUDOWA POLSKA S.A. published its 2011 Group forecast in Current Report No. 24/2011 of May 12th 2011.

The Management Board's guidance set out the following financial targets for the Group in 2011:

- consolidated sales revenue at approximately **PLN 1,600m**;
- consolidated net profit attributable to owners of the parent at approximately **PLN 50m**.

Based on the results published in the consolidated and condensed quarterly reports, the Board upholds the 2011 forecast.

#### **19. 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 next quarter include:

- conditions prevailing in the construction industry,
- situation on financial markets,
- areas and rate of utilisation of the EU funds,
- strengthening of operational and financial supervision over project execution,
- prices of construction materials and services affecting the amount of direct costs of projects under execution,
- employment costs and availability of qualified personnel.

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<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

## 20. 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 2011: PLN/EUR 4.4112, September 30th 2010: PLN/EUR 3.9870, December 31st 2010: PLN/EUR 3.9603,
- 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 2011: PLN/EUR 4.0413, January 1st – September 30th 2010: PLN/EUR 4.0027, January 1st – December 31st 2010: PLN/EUR 4.0044;
- the lowest and the highest exchange rate in the period: January 1st–September 30th 2011: PLN/EUR 3.8403–4.4900, January 1st–September 30th 2010: PLN/EUR 3.8356–4.1770, January 1st–December 31st 2010: PLN/EUR 3.8356–4.1770.

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

Item	For the period	For the period	For the period	For the period
	Jan 1–Sep 30 2011 PLN	Jan 1–Sep 30 2010 PLN	Jan 1–Sep 30 2011 EUR	Jan 1–Sep 30 2010 EUR
<b>Income statement</b>				
Sales revenue	1,241,669	1,211,028	307,245	356,825
Operating profit (loss)	46,017	43,275	11,387	12,751
Pre-tax profit (loss)	41,407	41,802	10,246	12,317
Net profit/(loss) from continuing operations	34,663	36,543	8,577	10,767
Net profit/(loss) attributable to:	34,663	36,543	8,577	10,767
– owners of the parent	34,659	36,526	8,576	10,762
– minority interests	4	17	1	5
Earnings/(loss) per ordinary share (PLN / EUR)	0.16	0.17	0.04	0.05
Diluted earnings/(loss) per ordinary share (PLN / EUR)	0.16	0.17	0.04	0.05
PLN / EUR average exchange rate*			4.0413	3.3939
<b>Statement of cash flows</b>				
Net cash provided by (used in) operating activities	(230,156)	(68,573)	(56,951)	(20,205)
Net cash provided by (used in) investing activities	(9,095)	(39,190)	(2,251)	(11,547)
Net cash provided by (used in) financing activities	237,665	89,907	58,809	26,491

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
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<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

Net change in cash and cash equivalents	(1,586)	(17,856)	(392)	(5,261)
PLN / EUR average exchange rate*			4.0413	3.3939

Item	As at	As at	As at	As at	As at	As at
	Sep 30 2011	Sep 30 2010	Dec 31 2010	Sep 30 2011	Sep 30 2010	Dec 31 2010
	PLN	PLN	PLN	EUR	EUR	EUR
<b>Balance sheet</b>						
Assets	1,650,129	1,408,388	1,425,112	374,077	333,536	359,850
Non-current liabilities	50,185	34,597	30,369	11,377	8,193	7,668
Current liabilities	1,128,966	924,680	955,588	255,932	218,984	241,292
Equity	470,978	449,111	439,155	106,769	106,359	110,889
Share capital	210,558	210,558	210,558	47,733	49,865	53,167
Number of shares	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445
Diluted weighted average number of ordinary shares	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445
Dividend per share declared or paid (PLN/EUR)	-	-	-	-	-	-
PLN / EUR exchange rate as at end of period**				4.4112	4.2226	3.9603

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	Jul 1–Sep 30 2011	Reporting currency:	Polish zloty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

## CONDENSED SEPARATE FINANCIAL STATEMENTS OF HYDROBUDOWA POLSKA S.A.

### STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30TH 2011

Item	According to IFRS as at Sep 30 2011	According to IFRS as at Jun 30 2011	According to IFRS as at Dec 31 2010	According to IFRS as at Sep 30 2010	According to IFRS as at Jun 30 2010
<i>Assets</i>					
<b>Non-current assets</b>	<b>548,669</b>	<b>547,398</b>	<b>580,181</b>	<b>515,546</b>	<b>515,345</b>
Goodwill	-	-	-	-	-
Intangible assets	22,337	23,122	6,086	219	274
Property, plant and equipment	111,520	109,501	102,968	73,234	75,271
Non-regenerative natural resources	-	-	-	-	-
Investment property	42,567	42,567	42,567	13,762	13,762
Investments in subsidiary undertakings	371,084	371,084	371,084	371,084	371,084
Investments in associated undertakings	-	-	-	-	-
Investments in joint ventures	2	2	-	-	-
Receivables	565	520	591	1,114	1,231
Loans advanced	70	69	54,103	53,206	52,321
Derivative financial instruments	-	-	-	-	-
Other non-current financial assets	26	26	28	28	26
Deferred tax assets	-	-	-	-	-
Non-current prepayments and accrued income	498	507	2,754	2,899	1,376
<b>Current assets</b>	<b>1,033,776</b>	<b>951,089</b>	<b>813,427</b>	<b>862,631</b>	<b>859,701</b>
Inventories	54	67	1,014	1,547	1,212
Receivables under construction contracts	457,455	401,247	221,967	426,140	394,269
Trade and other receivables	436,141	465,077	554,126	390,352	389,403
Current income tax receivable	9,423	9,423	6,579	3,500	2,105
Loans advanced	56,935	55,930	5,041	11,023	11,603
Derivative financial instruments	-	-	-	-	-
Other current financial assets	225	307	143	163	8,258
Cash and cash equivalents	67,281	15,932	21,816	25,549	49,154
Current prepayments and accrued income	6,262	3,106	2,741	4,357	3,697
Non-current assets classified as held for sale	-	-	-	-	-
<b>Total assets</b>	<b>1,582,445</b>	<b>1,498,487</b>	<b>1,393,608</b>	<b>1,378,177</b>	<b>1,375,046</b>

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

**STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30TH 2011 (CONTINUED)**

Item	According to IFRS as at Sep 30 2011	According to IFRS as at Jun 30 2011	According to IFRS as at Dec 31 2010	According to IFRS as at Sep 30 2010	According to IFRS as at Jun 30 2010
<i>Equity and liabilities</i>					
<b>Equity</b>	<b>839,605</b>	<b>837,266</b>	<b>834,758</b>	<b>835,688</b>	<b>833,552</b>
<b>Equity attributable to owners of the parent</b>	<b>839,605</b>	<b>837,266</b>	<b>834,758</b>	<b>835,688</b>	<b>833,552</b>
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
Hedging and translation reserve	-	-	(427)	(708)	(2,104)
Other equity	83,091	83,091	83,091	83,091	83,091
Retained earnings	2,955	616	(1,465)	(254)	(994)
– profit (loss) brought forward	(1,465)	(1,465)	(1,758)	(1,758)	(1,758)
– net profit (loss) for the year attributable to owners of the parent	4,420	2,081	293	1,504	764
<b>Non-controlling interests</b>					
<b>Liabilities</b>	<b>742,840</b>	<b>661,221</b>	<b>558,850</b>	<b>542,489</b>	<b>541,494</b>
<b>Non-current liabilities</b>	<b>23,701</b>	<b>22,568</b>	<b>17,143</b>	<b>18,395</b>	<b>22,052</b>
Loans, borrowings and other debt instruments			1,664	4,311	6,316
Finance lease	9,069	8,982	1,952	1,317	1,460
Derivative financial instruments			-		
Other liabilities	7,215	7,250	7,798	5,207	5,287
Deferred tax liabilities	1,888	1,191	704	2,572	4,112
Liabilities and provisions for employee benefits	950	1,014	1,037	1,320	1,320
Other non-current provisions	4,579	4,131	3,988	3,668	3,557
Government subsidies	-	-	-	-	-
Non-current accruals and deferred income	-	-	-	-	-
<b>Current liabilities</b>	<b>719,139</b>	<b>638,653</b>	<b>541,707</b>	<b>524,094</b>	<b>519,442</b>
Loans, borrowings and other debt instruments	449,563	358,643	182,847	241,301	216,441
Finance lease	3,024	2,763	975	556	546
Derivative financial instruments	-	-	1,337	3,092	9,638
Trade and other payables	247,741	248,678	336,706	265,622	277,097
Liabilities under construction contracts	6,382	15,612	5,936	1,473	2,228
Current income tax payable	-	-	-	-	-
Liabilities and provisions for employee benefits	7,990	9,411	9,047	8,192	9,608
Other current provisions	1,746	1,746	1,746	1,370	1,318
Government subsidies	-	-	-	-	-
Current accruals and deferred income	2,693	1,800	3,113	2,488	2,566
Liabilities under non-current assets held for sale					
<b>Total equity and liabilities</b>	<b>1,582,445</b>	<b>1,498,487</b>	<b>1,393,608</b>	<b>1,378,177</b>	<b>1,375,046</b>

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

## INCOME STATEMENT

	According to IFRS for the period Jul 1–Sep 30 2011	According to IFRS for the period Jan 1–Sep 30 2011	According to IFRS for the period Jul 1–Sep 30 2010	According to IFRS for the period Jan 1–Sep 30 2010
<i>Continuing operations</i>				
<b>Sales revenue</b>	<b>330,282</b>	<b>876,807</b>	<b>315,533</b>	<b>823,577</b>
- related undertakings	16,036	55,776	50,225	62,344
Revenue from sales of products	-	-	-	-
Revenue from sales of services	330,111	875,926	313,477	819,966
Revenue from sales of goods for resale and materials	171	881	2,056	3,611
<b>Cost of sales</b>	<b>(319,639)</b>	<b>(849,476)</b>	<b>(300,489)</b>	<b>(776,640)</b>
- related undertakings	(10,607)	(35,993)	(86,018)	(163,687)
Cost of products sold	-	-	-	-
Cost of services sold	(319,484)	(848,655)	(298,541)	(773,191)
Cost of goods for resale and materials sold	(155)	(821)	(1,948)	(3,449)
<b>Gross profit (loss)</b>	<b>10,643</b>	<b>27,331</b>	<b>15,044</b>	<b>46,937</b>
Selling costs	-	-	-	-
General and administrative expenses	(7,225)	(20,122)	(6,277)	(21,210)
Other operating income	1,815	5,638	618	18,041
Other operating expenses	(1,058)	(2,626)	(4,247)	(32,694)
Share in profit of equity-accounted undertakings	-	-	-	-
Costs of restructuring	-	-	-	-
<b>Operating profit (loss)</b>	<b>4,175</b>	<b>10,221</b>	<b>5,138</b>	<b>11,074</b>
Finance income	5,528	9,874	2,129	6,736
Finance expenses	(6,667)	(14,591)	(6,355)	(14,004)
Valuation of shares in joint ventures	-	-	-	-
Other gains (losses) on investments	-	-	-	-
<b>Pre-tax profit (loss)</b>	<b>3,036</b>	<b>5,504</b>	<b>912</b>	<b>3,806</b>
Income tax	(697)	(1,084)	(172)	(2,302)
<b>Net profit (loss) from continuing operations</b>	<b>2,339</b>	<b>4,420</b>	<b>740</b>	<b>1,504</b>
<i>Discontinued operations</i>				
Net loss from discontinued operations	-	-	-	-
<b>Net profit (loss)</b>	<b>2,339</b>	<b>4,420</b>	<b>740</b>	<b>1,504</b>
<b>Net profit (loss) attributable to:</b>	<b>2,339</b>	<b>4,420</b>	<b>740</b>	<b>1,504</b>
- owners of the parent	2,339	4,420	740	1,504
- minority interests	-	-	-	-

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

### NET EARNINGS (LOSS) PER ORDINARY SHARE (PLN)

Item	According to IFRS for the period	According to IFRS for the period	According to IFRS for the period	According to IFRS for the period
	Jul 1–Sep 30 2011 (PLN per share)	Jan 1–Sep 30 2011 (PLN per share)	Jul 1–Sep 30 2010 (PLN per share)	Jan 1–Sep 30 2010 (PLN per share)
Net profit (loss) from continuing operations	2,339	4,420	740	1,504
Net profit (loss) from continuing and discontinued operations	2,339	4,420	740	1,504
Weighted average number of ordinary shares (in thousands)	210,558	210,558	210,558	210,558
Diluted weighted average number of ordinary shares (in thousands)	210,558	210,558	210,558	210,558
<i>from continuing operations</i>				
– basic	0.011	0.021	0.004	0.007
– diluted	0.011	0.021	0.004	0.007
<i>from continuing and discontinued operations</i>				
– basic	0.011	0.021	0.004	0.007
– diluted	0.011	0.021	0.004	0.007

### STATEMENT OF COMPREHENSIVE INCOME

Item	IFRS	IFRS	IFRS	IFRS
	Jul 1–Sep 30 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
<b>Net profit (loss)</b>	2,339	4,420	740	1,504
<b>Other comprehensive income</b>				
Remeasurement of property, plant and equipment	-	-	-	-
Available-for-sale financial assets:	-	-	-	-
– income (loss) disclosed under other comprehensive income in period	-	-	-	-
– amounts transferred to profit or loss	-	-	-	-
Cash-flow hedges:	-	-	-	-
– income (loss) disclosed under other comprehensive income in period	-	-	2,589	4,408
– amounts transferred to profit or loss	-	491	(865)	3,695
– amounts included in the initial value of hedged items	-	-	-	-
Income tax on items of other comprehensive income	-	(64)	(328)	(1,540)
Other comprehensive income after tax	-	427	1,396	6,563
<b>Comprehensive income</b>	<b>2,339</b>	<b>4,847</b>	<b>2,136</b>	<b>8,067</b>
<b>Comprehensive income attributable to:</b>				
– owners of the parent	<b>2,339</b>	<b>4,847</b>	<b>2,136</b>	<b>8,067</b>
– minority interests				

<b>Name of the Group:</b>	<i>THE HYDROBUDOWA POLSKA GROUP</i>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

## STATEMENT OF CHANGES IN EQUITY

Item	Equity attributable to owners of the parent								Total equity
	Share capital	Treasury shares (-)	Share premium account	Hedging reserve	Exchange differences on translation of subsidiary undertakings	Other equity	Retained earnings	Total	
<b>Balance as at Jan 1 2011</b>	<b>210,558</b>	-	<b>543,001</b>	<b>(427)</b>	-	<b>83,091</b>	<b>(1,465)</b>	<b>834,758</b>	<b>834,758</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	-	-	-	-
<b>Balance after changes</b>	<b>210,558</b>	-	<b>543,001</b>	<b>(427)</b>	-	<b>83,091</b>	<b>(1,465)</b>	<b>834,758</b>	<b>834,758</b>
<b>Changes in equity in period Jan 1–Sep 30 2011</b>									
Issue of shares	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-	-	-
Change in group structure (transactions with non-controlling interests)	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Allocation of profit (loss) to equity	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	-	-	-	-	-
Net profit for period Jan 1–Sep 30 2011	-	-	-	-	-	-	4,420	4,420	4,420
Other comprehensive income after tax for period Jan 1–Sep 30 2011	-	-	-	427	-	-	-	427	427
<b>Total comprehensive income</b>	-	-	-	<b>427</b>	-	-	<b>4,420</b>	<b>4,847</b>	<b>4,847</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
<b>Balance as at Sep 30 2011</b>	<b>210,558</b>	-	<b>543,001</b>	-	-	<b>83,091</b>	<b>2,955</b>	<b>839,605</b>	<b>839,605</b>

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	Jul 1–Sep 30 2011	Reporting currency:	Polish zloty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

### STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Item	Equity attributable to owners of the parent								Total equity
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Exchange differences on translation of subsidiary undertakings	Other equity	Retained earnings	Total	
<b>Balance as at Jan 1 2010</b>	<b>210,558</b>	-	<b>543,001</b>	<b>(7,272)</b>	-	<b>45,295</b>	<b>38,895</b>	<b>830,477</b>	<b>830,477</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	-	(1,757)	(1,757)	(1,757)
<b>Balance after changes</b>	<b>210,558</b>	-	<b>543,001</b>	<b>(7,272)</b>	-	<b>45,295</b>	<b>37,138</b>	<b>828,720</b>	<b>828,720</b>
<b>Changes in equity in period Jan 1–Sep 30 2010</b>									
Issue of shares	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-	-	-
Change in group structure (transactions with non-controlling interests)	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Allocation of profit (loss) to equity	-	-	-	-	-	37,796	(38,896)	(1,100)	(1,100)
<b>Total transactions with owners</b>	-	-	-	-	-	<b>37,796</b>	<b>(38,896)</b>	<b>(1,100)</b>	<b>(1,100)</b>
Net profit for period Jan 1–Sep 30 2010	-	-	-	-	-	-	1,504	1,504	1,504
Other comprehensive income after tax for period Jan 1–Sep 30 2010	-	-	-	6,564	-	-	-	6,564	6,564
<b>Total comprehensive income</b>	-	-	-	<b>6,564</b>	-	-	<b>1,504</b>	<b>8,068</b>	<b>8,068</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
<b>Balance as at Sep 30 2010</b>	<b>210,558</b>	-	<b>543,001</b>	<b>(708)</b>	-	<b>83,091</b>	<b>(254)</b>	<b>835,688</b>	<b>835,688</b>

<b>Name of the Group:</b>	<i>THE HYDROBUDOWA POLSKA GROUP</i>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Item	Equity attributable to owners of the parent								Total equity
	Share capital	Treasury shares (-)	Share premium account	Hedging reserve	Exchange differences on translation of subsidiary undertakings	Other equity	Retained earnings	Total	
<b>Balance as at Jan 1 2010</b>	<b>210,558</b>	-	<b>543,001</b>	<b>(7,272)</b>		<b>45,295</b>	<b>38,895</b>	<b>830,477</b>	<b>830,477</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of fundamental errors	-	-	-	-	-	-	(1,757)	(1,757)	(1,757)
<b>Balance after changes</b>	<b>210,558</b>	-	<b>543,001</b>	<b>(7,272)</b>	-	<b>45,295</b>	<b>37,138</b>	<b>828,720</b>	<b>828,720</b>
<b>Changes in equity in period Jan 1–Dec 31 2010</b>									
Issue of shares	-	-	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-	-	-
Change in group structure (transactions with non-controlling interests)	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Allocation of profit (loss) to equity	-	-	-	-	-	37,796	(38,896)	(1,100)	(1,100)
<b>Total transactions with owners</b>	-	-	-	-	-	<b>37,796</b>	<b>(38,896)</b>	<b>(1,100)</b>	<b>(1,100)</b>
Net profit for period Jan 1–Dec 31 2010	-	-	-	-	-	-	293	293	293
Other comprehensive income net of tax for period Jan 1–Dec 31 2010	-	-	-	6,845	-	-	-	6,845	6,845
<b>Total comprehensive income</b>	-	-	-	<b>6,845</b>	-	-	<b>293</b>	<b>7,138</b>	<b>7,138</b>
Transfer to retained earnings (sale of remeasured property, plant and equipment)	-	-	-	-	-	-	-	-	-
<b>Balance as at Dec 31 2010</b>	<b>210,558</b>	-	<b>543,001</b>	<b>(427)</b>	-	<b>83,091</b>	<b>(1,465)</b>	<b>834,758</b>	<b>834,758</b>

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

## STATEMENT OF CASH FLOWS

Item	According to IFRS for the period Jan 1–Sep 30 2011	According to IFRS for the period Jan 1–Sep 30 2010
<i>Cash flows from operating activities</i>		
<b>Net profit before income tax</b>	<b>5,504</b>	<b>3,806</b>
<b>Adjustments:</b>		
Depreciation and impairment losses on property, plant and equipment	6,677	6,331
Amortisation of and impairment losses on intangible assets	1,865	196
Change in fair value of investment property	-	-
Change in fair value of financial assets (liabilities) measured through profit or loss	-	452
Cash flow hedges transferred from equity	491	3,696
Impairment losses on financial assets	-	(7)
(Gains) losses on disposal of non-financial non-current assets	340	126
(Gains) losses on disposal of financial assets (other than derivative instruments)	-	-
Foreign exchange gains (losses)	-	-
Interest expense	13,458	8,429
Interest income	(3,068)	(3,534)
Dividend received	-	(2)
Share in profit (loss) of associated undertakings	-	-
Other adjustments	-	(1,548)
<b>Total adjustments:</b>	<b>19,763</b>	<b>14,139</b>
Change in inventories	960	2,862
Change in receivables	117,269	49,530
Change in liabilities	(80,111)	(69,705)
Change in provisions and accruals and deferrals	(1,366)	(182)
Effect of construction contracts	(235,042)	(110,490)
<b>Change in working capital</b>	<b>(198,290)</b>	<b>(127,985)</b>
Inflow from (outflow on) settlement of derivative instruments	(1,300)	(7,122)
Interest paid on operating activities	(191)	(117)
Income tax paid	(2,844)	(9,789)
<b>Net cash provided by/(used in) operating activities</b>	<b>(177,358)</b>	<b>(127,068)</b>
<i>Cash flows from investing activities</i>		
Acquisition of intangible assets	(14,950)	(34)
Disposal of intangible assets	-	-
Acquisition of property, plant and equipment	(10,843)	(1,349)
Disposal of property, plant and equipment	1,360	375
Acquisition of investment property	(10,027)	-
Disposal of investment property	-	-
Acquisition of subsidiary undertakings, net	-	-
Disposal of subsidiary undertakings, net	-	-
Repayment of loans advanced	5,000	35,200
Loans advanced	-	(51,378)
Acquisition of other financial assets	-	-
Disposal of other financial assets	-	25,000
Government subsidies received	-	-
Interest received	83	5,306
Other inflows	-	796
Other investment expenses	-	(347)
Dividend received	-	2
<b>Net cash provided by (used in) investing activities</b>	<b>(29,377)</b>	<b>13,571</b>

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

<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	389,913	128,404
Repayment of loans and borrowings	(122,005)	(19,371)
Repayment of finance lease liabilities	(2,436)	(398)
Interest paid	(13,272)	(8,315)
Interest received on bank deposits	-	-
Other inflows outflows	-	-
Dividend paid	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>252,200</b>	<b>100,320</b>
<b>Net change in cash and cash equivalents</b>	<b>45,465</b>	<b>(13,177)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>21,816</b>	<b>38,728</b>
Effect of foreign exchange gains (losses)	-	-
<b>Cash and cash equivalents at end of period</b>	<b>67,281</b>	<b>25,551</b>

HYDROBUDOWA POLSKA S.A. is a consortium partner in joint venture agreements, where settlements are based on joint escrow accounts. Where the Company is the leader of a consortium, funds in escrow accounts are recognised as Company's own cash. HYDROBUDOWA POLSKA S.A. is entitled to a half of the funds deposited in the escrow accounts. Under the terms of escrow account agreements, these funds are restricted cash. As at September 30th 2011, restricted cash stood at PLN 25,689 thousand.

Where the Company is the leader of a consortium, the Company takes out bank loans to finance joint ventures also on behalf of other consortium members. Under the loan agreements, HYDROBUDOWA POLSKA S.A. is entitled to use half of the funds to finance joint ventures in part attributable to consortium members. As at September 30th 2011, current loans used to finance joint ventures amounted to PLN 175,448 thousand.

Name of the Group:	THE HYDROBUDOWA POLSKA GROUP		
Period covered by the financial statements:	Jul 1–Sep 30 2011	Reporting currency:	Polish zloty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

## DISCUSSION OF HYDROBUDOWA POLSKA S.A.'s RESULTS

### DISCUSSION OF KEY ITEMS OF THE SEPARATE INCOME STATEMENT

#### Sales revenue

In Q3 2011, Hydrobudowa Polska S.A.'s sales revenue was PLN 330.3m, which represented a year-on-year increase of 4.7%.

In Q1-Q3 2011, sales revenue was PLN 876.8m, having increased by 6.5% year on year.

In Q3 2011, the following construction contracts were the **main sources of Hydrobudowa Polska S.A.'s revenue**:

#### ROAD CONSTRUCTION segment:

Contract	Sales revenue in Q3 2011 /PLNm/
Construction of the Krzyż-Dębica Pustynia section of the A-4 Tarnów-Rzeszów motorway	101.2
Construction of road connection between the Gdańsk Airport and the Port of Gdańsk – Trasa Słowackiego route, Task 2: ul. Potokowa–Al. Rzeczypospolitej section	55.6

#### RESIDENTIAL AND INDUSTRIAL CONSTRUCTION segment:

Contract	Sales revenue in Q3 2011 /PLNm/
Design and construction of Waste Neutralisation Facility in Gdańsk Szadółki	20.5
Design and construction of LNG regasification terminal in Świnoujście	13.4
Construction of sports and concert hall with auxiliary infrastructure in Toruń	13.1

#### WATER segment:

Contract	Sales revenue in Q3 2011 /PLNm/
Construction of water supply and sewage infrastructure in the Strzemieszyce district of Dąbrowa Górnicza	4.9

#### NATURAL GAS, CRUDE OIL AND FUELS segment:

Contract	Sales revenue in Q3 2011 /PLNm/
Modernisation and extension of storage facilities for propellants and lubricants (Porążyn)	9.3

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
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<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

### Cost of sales

In Q3 2011, cost of sales was PLN 319.6m, having increased by 6.4% year on year. The share of variable costs in sales revenue in Q3 2011 increased to 96.7% (Q3 2010: 95.2%).

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 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
Depreciation/amortisation	3,179	8,541	2,175	6,526
Materials and energy used	62,241	131,814	16,320	74,577
Contracted services	235,732	644,538	312,461	702,197
Taxes and charges	349	1,239	972	3,443
Employee benefits	15,390	56,004	17,535	52,899
Other costs by type	8,987	25,114	5,572	9,528
<b>Total costs by type</b>	<b>325,878</b>	<b>867,250</b>	<b>355,035</b>	<b>849,170</b>
Value of goods for resale and materials sold	155	821	1,948	3,449
Change in products, work in progress (-)	831	1,527	(50,217)	(54,769)
Cost of products and services for own needs (-)				
<b>Cost of sales, selling costs, general and administrative expenses</b>	<b>326,864</b>	<b>869,598</b>	<b>306,766</b>	<b>797,850</b>

### General and administrative expenses

General and administrative expenses in Q3 2011 amounted to PLN 7.2m (Q3 2010: PLN 6.3m). In Q1–Q3 2011, general and administrative expenses declined by 5.2% year on year, to PLN 20.1m. The share of general and administrative expenses in sales revenue in Q1–Q3 2011 dropped by 0.3 pp year on year, to 2.3%.

### Other operating income

In Q3 2011, other operating income amounted to PLN 1.8m (Q3 2010: PLN 0.6m). In Q1–Q3 2011, other operating income totalled PLN 5.6m. The most significant item of other operating income were reversals of impairment losses on receivables (PLN 3.1m).

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

Item	For the period	For the period	For the period	For the period
	Jul 1–Sep 30 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
Gain on disposal of non-financial non-current assets	-	-	-	-
Fair-value measurement of investment property	-	-	-	-
Reversals of impairment losses on property, plant and equipment and intangible assets	-	-	-	-
Reversals of impairment losses on receivables	5	3,086	91	15,354
Reversals of impairment losses on inventories	-	-	-	-
Release of unused provisions	72	97	-	-
Fines and damages received	13	214	250	1,619
Subsidies received	-	5	-	-
Lease income	270	681	-	-
Other income (reimbursement of court expenses)	22	22	3	216
Other income	1,433	1,533	274	852
<b>Total other operating income</b>	<b>1,815</b>	<b>5,638</b>	<b>618</b>	<b>18,041</b>

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

### Other operating expenses

Other operating expenses in Q3 2011 amounted to PLN 1.1m, having decreased by 74% year on year. In Q1-Q3 2011, other operating expenses totalled PLN 2.6m (Q1-Q3 2010: PLN 32.7m). Items of other operating expenses include fines and damages paid (PLN 1m).

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

Item	For the period	For the period	For the period	For the period
	Jul 1–Sep 30 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
Loss on disposal of non-financial non-current assets	<b>13</b>	<b>359</b>	<b>15</b>	<b>126</b>
Fair-value measurement of investment property	-	-	-	-
Impairment losses on goodwill	-	-	-	-
Impairment losses on property, plant and equipment and intangible assets	-	-	-	-
Impairment losses on receivables	-	124	3,909	16,703
Impairment losses on inventories	-	-	-	-
Created provisions for fines and damages	-	-	-	-
Fines and damages paid	761	1,016	-	14,824
Donations granted	-	102	16	422
Other expenses (investment property maintenance costs)	284	753	132	167
Other expenses (court fees)	-	272	-	-
Other expenses	-	-	175	452
<b>Total other operating expenses</b>	<b>1,058</b>	<b>2,626</b>	<b>4,247</b>	<b>32,694</b>

### Finance income

In Q3 2011, finance income amounted to over PLN 5.5m (Q3 2010: PLN 2.2m). In Q1-Q3 2011, finance income was PLN 9.9m (Q1-Q3 2010: PLN 6.7m). The key components of finance income include the excess foreign exchange gains over foreign exchange losses (PLN 4m) and interest income (PLN 3.4m), comprising interest on cash and interest on advanced loans.

Finance income is presented in detail in the table below.

Item	For the period	For the period	For the period	For the period
	Jul 1–Sep 30 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
<i>Interest income from financial instruments not measured at fair value through profit or loss:</i>				
Cash and cash equivalents (deposits)	157	421	188	463
Loans and receivables	1,045	2,983	1,427	5,262
Debt securities held to maturity	-	-	99	996
Interest income related to financial instruments not measured at fair value through profit or loss	1,202	3,404	1,714	6,721
<i>Gains on valuation and settlement of financial instruments measured at fair value through profit or loss:</i>				
Derivatives held for trading	-	-	-	-
Hedging derivatives	-	-	-	-
Shares of listed companies	-	-	-	-
Debt securities	-	-	-	-
Investment fund units	-	-	-	-

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
<b>Period covered by the financial statements:</b>	<i>Jul 1–Sep 30 2011</i>	<b>Reporting currency:</b>	<i>Polish zloty (PLN)</i>
<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

Gains on valuation and settlement of financial instruments measured at fair value through profit or loss	-	-	-	-
<i>Foreign exchange gains (losses) (+/-):</i>	-	-	-	-
Cash and cash equivalents	-	-	-	-
Loans and receivables	2,463	4,007	-	-
Financial liabilities measured at amortised cost	-	-	-	-
<i>Foreign exchange gains (losses) (+/-)</i>	2,463	4,007	-	-
Gains on available-for-sale assets transferred from equity	-	-	-	-
Dividends from available-for-sale financial assets	-	-	-	2
Reversals of impairment losses on loans	-	-	-	-
Reversals of impairment losses on held-to-maturity investments	-	-	-	-
Interest on financial assets in respect of which an impairment loss has been recognised	-	-	-	-
Discount (long-term settlements)	1,864	2,294	-	-
Commission on sureties issued	2	2	-	-
Other finance income	(3)	167	415	13
<b>Total finance income</b>	<b>5,528</b>	<b>9,874</b>	<b>2,129</b>	<b>6,736</b>

### Finance expenses

In Q3 2011, finance expenses amounted to PLN 6.7m, up 4.7% year on year.

In Q1-Q3 2011, finance expenses totalled PLN 14.6m, having increased by 4.3% year on year. Interest and fees on bank loans (PLN 13.5m) and other interest (PLN 1m) stand out as the most significant items of finance expenses.

Finance expenses are presented in detail in the table below.

Item	For the period	For the period	For the period	For the period
	Jul 1–Sep 30 2011	Jan 1–Sep 30 2011	Jul 1–Sep 30 2010	Jan 1–Sep 30 2010
<i>Interest expense on financial instruments not measured at fair value through profit or loss:</i>	-	-	-	-
Finance lease liabilities	193	334	-	-
Bank loans (in credit facility account)	2,098	4,605	1,399	3,565
Overdraft facilities (in current account)	4,280	8,939	1,963	4,666
Loans	-	186	-	-
Debt securities	-	-	-	-
Trade and other payables	15	432	-	1,043
Interest expense on financial instruments not measured at fair value through profit or loss	6,586	14,496	3,362	9,274
<i>Losses on valuation and settlement of financial instruments measured at fair value through profit or loss:</i>	-	-	-	-
Derivatives held for trading	-	-	-	-
Hedging derivatives	81	81	452	452
Shares of listed companies	-	-	-	-
Debt securities	-	-	-	-
Investment fund units	-	-	-	-
Losses on valuation and settlement of financial instruments measured at fair value through profit or loss	81	81	452	452

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<i>Foreign exchange gains/(losses) (-/+):</i>				
Cash and cash equivalents	-	-	(1,102)	(1,807)
Loans and receivables	-	-	3,617	5,683
Financial liabilities measured at amortised cost	-	-	-	-
Foreign exchange gains/(losses) (-/+)	-	-	2,515	3,876
Losses on available-for-sale assets transferred from equity	-	-	-	-
Impairment losses on loans	-	-	-	-
Impairment losses on held-to-maturity investments	-	-	-	-
Impairment losses on available-for-sale financial assets	-	-	-	-
Discount (long-term settlements)	-	-	26	26
Commission on sureties issued	-	-	-	-
Other finance expenses	-	14	-	376
<b>Total finance expenses</b>	<b>6,667</b>	<b>14,591</b>	<b>6,355</b>	<b>14,004</b>

### Net profit / loss

In Q3 2011, the Company posted net profit of over PLN 2.3m (Q3 2010: PLN 740 thousand). In Q1-Q3 2011, the Company's net profit was over PLN 4.4m (Q1-Q3 2010: PLN 1.5m).

### EBITDA

EBITDA (operating profit before depreciation/amortisation) in Q1-Q3 2011 was PLN 18.8m, up by 6.6% year on year.

In Q1-Q3 2011, expenditure on acquisition of property, plant and equipment and non-tangible assets totalled PLN 25.8m (Q1-Q3 2010: PLN 1.4m).

### Profitability ratios

<b>Profitability ratios</b>	<b>Q3 2011</b>	<b>Q3 2010</b>	<b>Jan 1–Sep 30 2011</b>	<b>Jan 1–Sep 30 2010</b>
Gross margin <sup>1</sup>	<b>3.2%</b>	4.8%	<b>3.1%</b>	5.7%
Operating margin <sup>2</sup>	<b>1.3%</b>	1.6%	<b>1.2%</b>	1.3%
Net margin <sup>3</sup>	<b>0.7%</b>	0.2%	<b>0.5%</b>	0.2%

<sup>1</sup> (gross profit / sales revenue)\*100

<sup>2</sup> (operating profit / sales revenue)\*100

<sup>3</sup> (net profit attributable to owners of the parent / sales revenue)\*100

In Q3 2011, sales revenue grew slower than cost of sales, which contributed to lower gross margin. In Q3 2011, gross margin was 3.2% (Q3 2010: 4.8%). Operating margin was 1.3% (Q3 2010: 1.6%). Net margin in Q3 2011 was 0.7% (Q3 2010: 0.2%).

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<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

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

Item	For the period	For the period	For the period	For the period
	Jan 1–Sep 30 2011 PLN	Jan 1–Sep 30 2010 PLN	Jan 1–Sep 30 2011 EUR	Jan 1–Sep 30 2010 EUR
<b>Income statement</b>				
Sales revenue	876,807	823,577	216,962	205,755
Operating profit (loss)	10,221	11,074	2,529	2,767
Pre-tax profit (loss)	5,504	3,806	1,362	951
Net profit (loss) from continuing operations	4,420	1,504	1,094	376
Net profit (loss)	4,420	1,504	1,094	376
Earnings (loss) per ordinary share (PLN/EUR)	0.0210	0.0071	0.0052	0.0018
Diluted earnings (loss) per ordinary share (PLN/ EUR)	0.0210	0.0071	0.0052	0.0018
PLN/EUR average exchange rate			4.0413	4.0027
<b>Cash flow statement</b>				
Net cash provided by (used in) operating activities	(177,358)	(127,068)	(43,886)	(31,746)
Net cash provided by (used in) investing activities	(29,377)	13,571	(7,269)	3,390
Net cash provided by (used in) financing activities	252,200	100,320	62,406	25,063
Net change in cash and cash equivalents	45,465	(13,177)	11,250	(3,292)
PLN/EUR average exchange rate			4.0413	4.0027

<b>Name of the Group:</b>	<b>THE HYDROBUDOWA POLSKA GROUP</b>		
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<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

Item	As at Sep 30 2011 PLN	As at Sep 30 2010 PLN	As at Dec 31 2010 PLN	As at Sep 30 2011 EUR	As at Sep 30 2010 EUR	As at Dec 31 2010 EUR
<b>Balance sheet</b>						
Assets	1,582,445	1,378,177	1,393,608	358,733	345,668	351,895
Non-current liabilities	23,701	18,395	17,143	5,373	4,614	4,329
Current liabilities	719,139	524,094	541,707	163,026	131,451	136,784
Equity attributable to owners of the parent	839,605	835,688	834,758	190,335	209,603	210,782
Share capital	210,558	210,558	210,558	47,733	52,811	53,167
No. of shares	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445
Weighted average number of ordinary shares	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445
Diluted weighted average number of ordinary 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)	3.99	3.97	3.96	0.90	1.00	1.00
PLN/EUR exchange rate as at end of period				4.4112	3.9870	3.9603

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<b>Rounding:</b>	<i>All figures in PLN '000 (unless stated otherwise)</i>		

<b>Signatures of all members of the Parent Undertaking's Management Board</b>			
Date	Name	Title	Signature
November 14th 2011	Jerzy Ciechanowski	President of the Management Board	
November 14th 2011	Jarosław Duśiło	Vice-President of the Management Board	
November 14th 2011	Radosław Czarny-Kropiwnicki	Vice-President of the Management Board	
November 14th 2011	Rafał Damasiewicz	Member of the Management Board	
November 14th 2011	Andrzej Zwierzchowski	Member of the Management Board	
<b>Signature of the person responsible for the preparation of these consolidated financial statements</b>			
Date	Name	Title	Signature
November 14th 2011	Joanna Zwolak	Chief Accountant	