

A Complementary Report to the Opinion
from the Consolidated Financial
Statement Audit for 2008

Hydrobudowa Polska
Joint Stock Company

1 Information about the Company

Hydrobudowa Polska S.A. (Company) was set up on 6th November 1992. Until 7th January 2008 the Company operated under the company name Hydrobudowa Włocławek S.A. The Company was set up for an unlimited period of time. The seat of the Company is located in Wysogotowo, Skórzewska 35.

On 27th August 2007 the District Court in Poznań made an entry about the joining of companies Hydrobudowa Włocławek S.A. (the Acquiring Company) with the company Hydrobudowa Śląsk S.A. (the Acquired Company). The joining of the companies has been settled by the method of joining stocks on the basis of the regulations of the International Financial Reporting Standards 3 “Business Combinations”.

As the result of joining the companies the company Hydrobudowa Śląsk S.A. has been excluded from the register of entrepreneurs of the National Court Register.

The basic subject of activity of the Company is:

- the production of metal construction elements,
- the preparation of the ground for construction,
- constructing complete buildings and structures or their parts; civil and water engineering,
- performing construction installations,
- performing construction finishing works,
- renting construction and demolishing equipment with operator’s services,
- activity in the sphere of architecture and engineering,
- examinations and technical analyses.

The Company has been entered into the register of entrepreneurs of the National Court Register held by the District Court in Toruń, VII Economic Division of the National Court Register, under the number KRS 0000017342 on 6th June 2001. Due to the change of the seat of the Company, presently the registering documents of the Company are held by the District Court of Poznań – Nowe Miasto and Wilda, VIII Economic Division of the National Court Register.

The Company has the Tax Payer number NIP 888 020 59 44 assigned on 14th June 1993 and the REGON symbol 910097080 assigned on 23rd January 2002.

The share capital of the Company as for the day ending the fiscal year, i.e. 31st December 2008, was 210 558 thousand PLN. The equity capital of the Company as for this day was 756 492 thousand PLN.

According to the note no. 12 of the explanatory information to the consolidated financial statement as of 31st December 2008, the ownership structure of the share capital of the Company was as follows:

Stockholder	Number of stocks	Number of votes	Face value of a stock (in thousand PLN)	Equity participation
PBG S.A.	129 726 808	129 726 808	129 727	61,61%
ING TFI S.A.	17 282 900	17 282 900	17 283	8,21%
BZ WBK Asset Management S.A.	11 233 756	11 233 756	11 234	5,34%
ING OFE	10 550 000	10 550 000	10 550	5,01%

Other stockholders	41 764 981	41 764 981	41 765	19,83%
Total	210 558 445	210 558 445	210 558	100,00%

In the period from 1st January 2008 until 31st December 2008 and after the balance day, until the day of issuing this report, there occurred the following changes concerning the owners of the Company:

- On 5th May 2008 BZ WBK AIB TFI S.A. informed about exceeding as of 29th May 2008 the 5% threshold in the overall number of votes at the General Shareholders' Meeting concerning the assignation of the K series stocks. After the change, BZ WBK AIB TFI S.A. has 11 177 472 stocks of the Company, what constitutes 6.44% of the share capital and the overall number of votes at the General Meeting of Shareholders of the Company;
- On 6th May 2008 BZ WBK AIB Asset Management S.A. informed about exceeding as of 28th April 2008 the 5% threshold in the overall number of votes at the General Shareholders' Meeting of the Company, concerning the assignation of the K series stocks. After the change, BZ WBK AIB TFI S.A. has 11 233 756 stocks of the Company, what constitutes 6.47% of the share capital and the overall number of votes at the General Meeting of Shareholders of the Company;
- On 9th May 2008 ING OFE informed about exceeding the 5% threshold in the overall number of votes at the General Meeting of Shareholders of the Company, in relation to the assignation of the K series of stocks. After the change, ING OFE has 10 550 000 stocks of the Company, what constitutes 6.07% of the share capital and the overall number of votes at the General Meeting of Shareholders of the Company;
- On 30th May 2008 the Company PBG S.A. informed that in relation to the registration of the increase of the share capital of the Company by the issue of the K series stocks, the participation of the Company PBG S.A. in the overall number of votes in the Company decreased below 75%. After the registration of the increase of the share capital of the Company, PBG S.A. has 105 397 300 stocks of the Company, constituting 60.69 % of the share capital and the participation in the overall number of votes in the Company.
- On 11th July 2008 ING TFI S.A. informed that as the result of selling the stocks of the Company on 8th July 2008 the total number of votes at the General Shareholders' Meeting of the Company owned by all funds managed by ING TFI S.A. decreased below the 10% threshold of the total number of votes. After the change, ING TFI S.A. owns in total 17 282 900 stocks of the Company what constitutes 9.95% of the share capital and the overall number of votes at the General Meeting of Shareholders of the Company;
- On 30th September 2008 the increase of the share capital of the Company was registered from the amount 173 673 200 PLN to the amount 210 558 445 PLN due to the issuing of 36 885 245 stocks of the L series with the face value 1.00 PLN each. All the stocks of the L series were offered to the stockholders of the company HYDROBUDOWA 9 Przedsiębiorstwo Inżynieryjno-Budowlane S.A. with the seat in Poznań in the mode of the private subscription. As the result of the transaction carried out the number of stocks of the Company owned by PBG S.A. changed. After the registration of the increase of the share capital of the Company, PBG S.A. has 129 726 808 stocks of the Company, constituting 60.69 % of the share capital and the participation in the overall number of votes in the Company.

The Company belongs to the Capital Group PBG S.A. Moreover, the Company fulfils the role of a dominating entity in the Capital Group Hydrobudowa Polska S.A. The dependant entities in this Group are:

- Hydrobudowa Polska Konstrukcje Sp. z o.o., with the seat in Mikołów;
- Przedsiębiorstwo Robót Górniczych „Metro” Sp. z o.o., with the seat in Warsaw;
- Hydrobudowa 9 P.I.B. S.A., with the seat in Wysogotowo;
- Gdyńska Projekt Sp. z o.o., with the seat in Poznań;
- Górecka Projekt Sp. z o.o., with the seat in Poznań.

All entities joined with the Company as for the balance day have been presented in item 1.2 of the audited financial statement.

The Management Board of the Company as of 27th April 2009 consisted of:

- Jerzy Ciechanowski – President of the Management Board,
- Jarosław Dusilo – Vice-President of the Management Board,
- Edward Kasprzak – Vice-President of the Management Board,
- Rafał Damasiewicz – Member of the Management Board,
- Andrzej Zwierzchowski – Member of the Management Board,
- Joanna Zwolak – Member of the Management Board.

In the period from 1st January 2008 until 27th April 2009 there occurred the following changes in the Management Board of the Company:

- On 30th June 2008 Krzysztof Diduch resigned from the function of the Member of the Management Board;
- On 30th October 2008 the President of the Management Board of the Company Tomasz Woroch and the Vice-President of the Management Board, Tomasz Starzak, resigned from their functions in the Management Board of the Company. The same day the Supervisory Board appointed Jerzy Ciechanowski to the position of the Management Board and the position of the Vice-President of the Company was given to Jarosław Dusilo, until then the Member of the Management Board.

2 The financial statement for the previous year

The financial statement of the Company for the fiscal year which ended 31st December 2007 (previous fiscal year) were audited by HLB Frąckowiak i Wspólnicy Sp. z o.o. (presently Grant Thornton Frąckowiak Sp. z o.o.) on behalf of which the statutory auditor, Jan Letkiweicz, auditor no. 9530/7106 acted. About the audited financial statement the auditor prepared the opinion without reservations, with an explanatory note concerning the registration on 27th August 2007 of the amalgamation of the Company Hydrobudowa Polska S.A. (formerly Hydrobudowa Włocławek S.A.) with the Company Hydrobudowa Śląsk S.A.

The financial statement of the Company for the fiscal year which ended 31st December 2007 was approved by the General Meeting of Shareholders on 18th June 2008. The shareholders passed a resolution that the net profit for the year 2007 in the amount 40 232 thousand PLN will be assigned for:

– supplementary capital	3 219 thousand PLN,
– loss from previous years	35 013 thousand PLN,
– Employee Benefit Fund	2 000 thousand PLN.

The financial statement of the Company for the fiscal year which ended 31st December 2007 (previous fiscal year) including the opinion of the statutory auditor, the resolutions of the General Meeting of Shareholders about approving the financial statement and about profit division as well as the activity report of the Company were submitted on 14th July 2008 to the National Court Register.

The balance sheet as of 31st December 2007, the profit and loss account, the list of changes in the equity capital and the cash flow account for the fiscal year which ended 31st December 2007 (previous fiscal year) including the opinion of the statutory auditor, the resolutions of the General Meeting of Shareholders about approving the financial statement and about profit division were announced 9th February 2009 in Monitor Polski B no. 170.

3 Information about the entity entitled to perform the audit and about the statutory auditor

Grant Thornton Frąckowiak Sp. z o.o. with the seat in Poznań, pl. Wiosny Ludów 2, is an entity authorized to perform audits of financial statements, registered under the number 238 on the list of the National Assembly of Statutory Auditors in Poland.

On behalf of Grant Thornton Frąckowiak Sp. z o.o. the audit of the consolidated financial statement of the Company was managed by the statutory auditor Jan Letkiewicz, number 9530/7106.

On 16th July 2008 to audit the financial statement of the Company for the fiscal year which ended 31st December 2008 the Supervisory Board chose the entity HLB Frąckowiak i Wspólnicy Sp. z o.o. On 21st August 2008 this entity changed its company name to Grant Thornton Frąckowiak Sp. z o.o. We prepared the audit of the financial statement of the Company on the basis of a contract concluded with the Management Board of the Company on 3rd July 2008 with later annexes.

4 The scope and the date of the audit

The aim of our audit was to express a written opinion including a report concerning whether the financial statement for the fiscal year which ended 31st December 2008 in all essential aspects reliably and clearly presents the property and financial situation as well as the financial result of the Company, according to the accounting principles (policy) resulting from the International Financial Reporting Standards and interpretation related to them announced in the form of resolutions of the European Commission within the scope not regulated in these Standards – accordingly to the requirements of the Accounting Act and executive regulations issued on the basis of this act.

In auditing specific items of the financial statement and the accounting books we used the tests and trials appropriate for financial revision. On the basis of the results of these tests and trials we concluded about the correctness of the audited items. The audit limited to the selected trials was

also applied by us in relation to settlements and charges due to taxes, therefore there may be discrepancies between our settlements and the results of possible controlling activities performed by authorized revenue entities.

It was not the subject of our audit to define and explain events which might, if they occurred, be the basis for criminal procedure by appointed authorities. Also the subject of the audit were not other issues which might occur outside of the accounting system of the Company but which did not influence the financial statement we audited.

We carried out the audit of the financial statement of the Company for the fiscal year which ended 31st December 2008, from 17th November 2008 until 27th April 2009, including the audit in the seat of the Company from 17th to 21st November 2008 and from 18th to 27th February 2009.

5 The statement of impartiality

Grant Thornton Frąckowiak Sp. z o.o., the statutory auditor managing the audit and other persons participating in the audit meet the requirements, specified in the Accounting Act article 66 item 2 and 3, concerning expressing impartial and independent opinion about the audited financial statement of the Company.

6 The accessibility of data and received declarations

The Management Board of the Company has given us a written declaration as of 27th April 2009 about the completeness, reliability and correctness of the audited financial statement and stating that between the balance day and the day of completing the audit there were no occurrences which might significantly influence the financial and proprietary situation of the Company and which would require to include them in the audited financial statement. The Management Board of the Company confirmed its responsibility for the approved financial statement as well as declared that it made accessible for us during the audit all accounting books, financial data, information and other required documents as well as gave us explanations necessary to express the opinion about the audited financial statement.

7 The accounting system

The accounting books of the Company are held with the use of the computer system Financial-Accounting System of REKORD company in the seat of the Company. The Company has updated documentation mentioned in the article 10 of the Accounting Act including the accounting principles (policy). In our opinion, the accounting policy (principles) of the Company disclosed in the notes to the financial statement, is adjusted to the specificity of its business activity.

The approved closing balance as of 31st December 2007 was correctly entered into the accounting books as the opening balance as of 1st January 2008.

Our audit has not indicated any significant weaknesses which might influence financial data and information included in the audited financial statement, concerning:

- the documentation of business operations,
- reliability, faultlessness and verifiability of accounting books,
- the relations of accounting records with accounting evidence and with the audited financial statement,
- methods of securing the access to data and the system of processing them by using a computer,
- the protection of accounting documentation, accounting books and financial statements.

8 Balance sheet

ASSETS (in thousand PLN)	31.12.2008	31.12.2007	31.12.2006
Fixed Assets	509 287	84 080	69 960
Intangible assets	566	802	847
Tangible assets	90 112	70 054	57 374
Investment property	7 090	-	-
Investment in subsidiaries	374 115	-	-
Other long-term financial assets	25 998	4 673	-
Long-term receivables	4 272	6 504	10 123
Deferred corporate tax	3 639	-	377
Long-term accruals	3 495	2 047	1 239
Current Assets	660 774	485 590	307 657
Inventories	4 383	5 196	9 676
Receivables from orderers due to works resulting from construction service contracts	300 187	182 854	140 627
Receivables from deliveries and services	287 026	219 076	81 685
Income tax receivables	-	-	566
Other short-term receivables	9 669	11 533	32 465
Other short-term financial assets	6 167	15 136	7 243
Cash and equivalents	48 167	48 346	23 162
Short-term accruals	5 175	3 449	2 564
Fixed assets classified for sale	-	-	9 669
Total Assets	1 170 061	569 670	377 617
LIABILITIES (in thousand PLN)	31.12.2008	31.12.2007	31.12.2006
The equity capital	756 492	139 353	94 524
Long-term liabilities	45 541	76 598	21 367
Long-term credits and loans	27 344	11 477	8 154
Other long-term financial liabilities	12 029	51 181	165
Other long-term liabilities	3 388	4 621	2 792
Deferred corporate tax	-	7 300	6 419
Provisions for liabilities due to employee benefits	690	608	3 324
Other long-term provisions	2 090	1 411	513
Government grants	-	-	-
Long-term accruals	-	-	-
Short-term liabilities	368 028	353 719	261 726
Short-term credits and loans	110 612	150 599	138 181
Other short-term financial liabilities	66 224	115	417

Over-invoicing of construction services	3 940	5 851	1 104
Liabilities from deliveries and services	155 532	164 951	84 747
Current income tax liabilities	13 409	11 113	-
Other short-term liabilities	14 608	17 750	24 291
Provisions for liabilities due to employee benefits	130	466	673
Other short-term provisions	584	566	10 830
Government grants	-	-	-
Short-term accruals	2 989	2 308	1 483
Liabilities for fixed assets assigned for sale	-	-	-
Total liabilities	1 170 061	569 670	377 617

9 Profit and loss account

PROFIT AND LOSS ACCOUNT (in thousand PLN)	2008	2007	2006
<i>Continued activity</i>			
Revenue from sales	793 951	582 300	265 449
Own cost of sale	701 289	517 454	244 144
Zysk (strata) brutto ze sprzedaży	92 662	64 846	21 305
Cost of sale	-	-	-
General management costs	29 965	21 266	22 542
Other operational revenue	2 900	9 589	18 603
Other operating expenses	7 303	6 608	11 437
Costs of restructuring	-	-	-
Profit (loss) on operating activities	58 294	46 561	5 929
Financial revenue	22 864	4 366	13 650
Financial costs	13 423	16 686	8 998
Other profit (loss) from investment	-	16 150	1 232
Profit (loss) before taxation	67 735	50 391	11 813
Corporate income tax	14 364	10 159	1 234
Net profit (loss) on continued activities	53 371	40 232	10 579
<i>Discontinued activity</i>			
Net profit (loss) on discontinued activities	-	-	-
Net profit (loss)	53 371	40 232	10 579

10 Information about some items of the financial statement

The structure of assets and liabilities of the balance sheet of the Company is presented in the audited by us financial statement for the year which ended 31st December 2008.

In 2008 the Company purchased stocks and shares of subsidiary Companies. As of the balance day the Company showed investments in subsidiaries amounting to 374 million PLN. The biggest change in the audited year was the acceptance of the contribution in the form of 100% shares of the affiliated company Hydrobudowa 9 PIB SA. The result of this transaction was the increase of the equity by the amount 37 million PLN and the decrease of the reserve capital by the value 286 million PLN. The Company also set up a subsidiary Hydrobudowa Polska Konstrukcje Sp. z o.o. and purchased shares in the company PRG "Metro" Sp. z o.o. We confirmed 100% investment value.

The Company has bank credits. As for the balance day it used the credit limit in the amount of 138 million PLN. Until the day of completing our audit we received the confirmation constituting 100% of the balance of liabilities due to bank credits. The liabilities were presented according to the corrected purchase price including interest due as for the balance day.

The Company settles the contracts for construction works according to the International Accounting Standard 11. Incomes from contracts for construction works are accounted on the basis of the degree of advancing of works if the result of the contract can be estimated. The Company decides on the degree of advancing of works as the proportion of costs borne for works performed until the moment in relation to the estimated total costs of the contract. If due to the contract it is not possible to estimate them in a reliable way then the incomes concerning this contract are accounted only to the level of the costs borne which can be recoverable. Information concerning long-term contracts was included by the Company in the note no. 8 of the explanatory information to the balance sheet. The Management Board of the Company, due to the trade secret, disclosed information concerning contracts for construction works in total amounts, without the division to specific contracts.

The Company uses the policy of protecting concluded long-term contracts in currency. The protecting instrument are transactions with specified date of purchase and sale of currency of the forward type. The strategy and the target of protection is the currency risk connected with future cash flows due to the planned sale or purchase. As of the balance day the Company has open currency sales transactions with a defined fulfilment date and the value 110 million EUR estimated according to the fair value to the amount 76 million PLN. The evaluation of the protecting instruments securing for the balance day was carried out according to the provisions of the International Accounting Standard no. 39 by corresponding the evaluation of the fair value of the financial instruments to the equity capital until the moment of fulfilling the securing transaction. The evaluation of the open sales transaction of currency assumed in the current result was 2 million PLN.

11 Basic data and financial indices

Below selected data and financial indices have been presented for the years 2006, 2007 and 2008 characterising the financial situation of the Company in that period. We calculated all the indices on the basis of the data included in the consolidated financial statements of the Company for the years which ended 31st December 2008 and 31st December 2007.

Index	Calculating form	Index value		
		2008	2007	2006
Incomes from sales (thousand PLN)		793 951	582 300	265 449
net financial result (thousand PLN)		53 371	40 232	10 579
equity capitals (thousand PLN)		756 492	139 353	94 524
sum of assets (thousand PLN)		1 170 061	569 670	377 617
return on assets (ROA) (%)	net financial result / sum of assets at the end of the period	4,6	7,1	2,8
return on equity (ROE) (%)	net financial result / equity capital at the beginning of the period	38,3	42,6	95,1

Index	Calculating form	Index value		
		2008	2007	2006
gross return on sales (%)	gross profit from sales/ income from the sale of products and goods	11,7	11,1	-0,5
current ratio I	total current assets* / short-term liabilities	1,8	1,4	1,2
current ratio III	cash / short-term liabilities*	0,1	0,1	0,1
receivables turnover ratio (in days)	receivables from deliveries and services* x 365 days / income from the sale of products and goods	137	144	112
period of paying liabilities (in days)	liabilities due to deliveries and services x 365 days / own cost of sale	83	120	127
inventory turnover rate (in days)	inventory x 365 days / own cost of sale	2	4	14
sustainability of financing ratio (%)	(equity capitals + long term liabilities) / total liabilities	69	38	34
debt-to-assets ratio (%)	(total liabilities – equity capital) / total liabilities	35	765	75
Inflation ratio:				
in the middle of the year (%)		4,2	2,5	1,0
from December to December (%)		3,3	4,0	1,4

* without receivables/liabilities due to deliveries and services exceeding 12 months

12 Continuing business activity

In item 2.3. of the audited financial statement of the Company for the year which ended 31st December 2008, the Management Board informed that the mentioned financial statement was prepared at the assumption of continuing business activity by the Company in the period not shorter than 12 months from 31st December 2008 and that there are no circumstances indicating danger in continuing business activity by the Company.

During our audit we have not noted any significant circumstances which might make us think that the Company is not able to continue business activity for at least 12 months counting from the balance day, i.e. from 31st December 2008 as the effect of an intended or obligatory abandonment or significant limitation of the present business activity.

13 Additional information concerning the adopted accountancy principles as well as other descriptive information

Additional information about the adopted accounting principles and other explanatory information to the financial statement for the fiscal year which ended 31st December 2008, were made in all essential aspects according to the accounting principles (policy), resulting from the International Accounting Standards, International Financial Reporting Standards and their interpretations announced in the form of resolutions of the European Commission, and in the scope not

regulated in these Standards – according to the requirements of the Accounting Act and executive regulations issued on the basis of this Act, as well as according to the requirements of the Resolution of the Minister of Finance of 19th February 2009 concerning current and periodical information passed by the issuers of securities and the terms of accepting as equivalent the information required by the regulations of law of a state not being a member state.

14 Activity report of the Company

We got acquainted with the report of the Management Board from the activity of the Company for the fiscal year which ended 31st December 2008. Information included in this activity report originating from the audited by us financial statement for the fiscal year which ended 31st December 2008 are concordant with it. The report from the activity of the Company in essential aspects conforms to the requirements of the Article 49 item 2 of the Accounting Act and of the regulations of the Resolution of the Minister of Finances of 19th February 2009 concerning current and periodical information passed by the issuers of securities as well as terms of accepting as equivalent the information required by the regulations of law of the state which is not a member state.

15 Observing the regulations of law

In the declaration we received in writing, the Management Board confirmed that according to their best knowledge the Company observed all regulations of law the infringement of which would in an essential way affect the financial statement we audited.

This report contains 11 pages.

Jan Letkiewicz

Przemysław Kędzia

Statutory Auditor
No. 9530/7106

Member of the Management Board
Grant Thornton Frąckowiak Sp. z o.o.,
Poznań, pl. Wiosny Ludów 2,
the entity authorized to examine financial statements,
registered on the list of entities authorized to perform
examinations under the number 238
Statutory Auditor no. 9527/7103

Poznań, 27th April, 2009.